Wagering in Illinois

2015 UPDATE

Commission on Government Forecasting and Accountability

Commission on Government Forecasting and Accountability

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September 2015

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EXECUTIVE SUMMARY

The following document is the Commission's 2015 edition of Wagering in Illinois. In accordance with Senate Resolution 875 (87th General Assembly), the Commission released its first report in 1992. That report examined the legally-sanctioned forms of wagering as a means of determining their economic impact as well as the potential for further expansion of the gaming industry. This report updates previous releases and provides further analysis of State gaming with the focus on riverboat gambling, video gaming, horse racing, and the lottery. The highlights of these topics are shown below.

- In FY 2015, the State's share of tax revenues from wagering in Illinois reached $1.184 billion, a 5.8% decrease from FY 2014 levels. The growth in video gaming revenues paid into the Capital Projects Fund ($81 million increase) was not enough to offset the $24 million loss in riverboat gaming transfers and the $125 million decrease in lottery transfers. Horse racing related State revenues remained stagnant in FY 2015 generating only $7 million.

- In FY 2015, lottery transfers (and other State-related lottery revenues) comprised 58.3% of total gaming revenues, whereas riverboat transfers comprised 24.7%, and horse racing comprised of 0.6%. The newest form of gaming, video gaming, comprised the remaining 16.5%. Video gaming's composition percentage is expected to continue to increase over the next few years as the new gaming format reaches full-implementation.

- Statewide adjusted gross receipts (AGR) for Illinois riverboats in FY 2015 were down 1.9% from FY 2014 levels, while admissions declined 5.3%. Modest increases in AGR at the casinos in Des Plaines, Joliet (Hollywood), and Metropolis were offset by AGR declines at the other seven Illinois casinos. State revenues generated from riverboat gambling totaled $412.1 million in FY 2015, which was a 3.7% decline from FY 2014 levels. Increased competition from video gaming appears to be a major contributing factor for these declines.

- Before the addition of Des Plaines, in FY 2011, Illinois had the lowest amount of gaming revenue (in terms of adjusted gross receipts) of the casino-operating states in the Midwest. The addition of the casino in Des Plaines has allowed Illinois ($1.459 billion in FY 2015) to rise ahead of Iowa ($1.416 billion), but Illinois continues to trail Indiana ($2.157 billion) and Missouri ($1.682 billion). While the gap between Illinois and its biggest competitor, Indiana, has shrunk, Indiana still had AGR levels $698 million higher than Illinois in FY 2015, despite Illinois' significantly higher population.

- In July 2009, Public Act 96-0034 became law, legalizing video gaming in Illinois. By the end of FY 2015 (June 2015), 20,730 video gaming terminals were in operation across Illinois – up from 17,467 in June 2014 and from 7,920 terminals in June 2013. In FY 2015, video gaming machines generated $805 million in net terminal income. This equated to $40 million in tax revenues to local governments (up from $24 million in FY 2014) and over $201 million to the Capital Projects Fund (up from $121 million in FY 2014). This figure is expected to rise in future fiscal years as more terminals are put into operation.

- Despite the fact that the City of Chicago is not participating in video gaming, Cook County still has by far the most video gaming terminals of any county in the State with 3,271 terminals (FY 2015). The counties of Winnebago, Lake, Will, and Sangamon rounded out the top five. In regards to municipalities, Springfield had the highest amount of video gaming terminals in FY 2015 with 548 terminals. Rockford ranked 2nd, followed by Joliet, and Loves Park.

- Gaming related revenues from riverboat casinos fell 1.9% in FY 2015. However, when combined with video gaming totals, gaming revenues as a whole actually increased 14.8% Statewide. But not all areas of the State, especially areas already with available gaming options (nearby casinos) experienced this level of growth. For example, there were approximately 7,657 video gaming terminals in the Chicago Metropolitan Statistical Area in FY 2015, which is the equivalency of adding over six full-size casinos to this region. Adding the revenues generated by these video gaming terminals to the decreased AGR levels of casinos in the Chicago Area (including Indiana's 5 casinos), overall gaming in the Chicago Area was relatively stagnant, going from $2.246 billion in FY 2012 to $2.308 billion in FY 2015. This is an average annual increase in gaming revenues of only 0.9%.

- Despite the significant decline in Illinois horse racing programs in 2014 (from 518 in 2013 to 426 in 2014), Illinois' total handle amount actually increased from $618 million to $624 million, an increase of 1.0%. A closer look, however, shows that this increase was primarily due to a full year of advance deposit wagering in 2014, which was reinstated after being suspended for a time in 2013. The handle from on-track racing fell $14 million, the handle from intertrack racing fell $16 million, while Illinois' off-track handle declined $24 million in 2014. Despite the modest growth in overall revenues, the handle total in 2014 was still 41.1% below levels from just ten years ago.

- Most agree that additional revenues will be needed to keep horse racing viable in Illinois. This is why racing proponents have been lobbying for slot machines at racetracks. Although statistics from other states have shown that casinos at racetracks do not necessarily lead to an increase in its racing handle, it would provide a secondary source of revenue to help fund the horseracing industry.

- In FY 2015, the Illinois Lottery had $2.841 billion in sales which was an increase of approximately 1.4%, or about $39 million from FY 2014. The increase in sales was mainly due to an increase in instant sales which was partially offset by a decline in draw games. Instant games sales were up $64 million, while the draw games declined by about $25 million.

- For the first time since FY 2009, total transfers from the Lottery declined. In FY 2015, the lottery transferred $690.1 million back to the State, which was a decline of over $125 million, or -15.4%, from FY 2014. Of this amount, $679 million went to the Common School Fund, $8 million was transferred to the Capitol Projects Fund, and $4 million was sent to special causes. The Lottery Department believes the large decline in transfers was due to a change in prize payout ratios which lead to an increase of approximately $77 million in payout expenses. This large decline can be seen in the transfer to the Capital Projects Fund which went from $145 million in FY 2014 to just $8 million in FY 2015.

- The private manager of the Lottery, Northstar, has been assessed a penalty fee every year of its contract. Northstar was penalized $21.8 million for its FY 2012, $38.6 million in FY 2013, $35.7 million in FY 2014, and is expected to owe a similar amount for FY 2015.

- On August 15, 2014, the Office of the Governor announced that the State would be seeking a termination of the private management agreement with the Northstar Group. A settlement was announced between the State and Northstar in December of 2014 but this agreement was later voided by the Attorney General. Northstar continues to operate the lottery under the original private management agreement though a new termination agreement has been reached. The agreement would fully terminate Northstar as the private manager of the lottery as of January 1, 2017 or until a new private manager was hired.

INTRODUCTION

For the past several decades, tax revenues from wagering in Illinois came from three primary sources – riverboat gambling, the lottery, and horse racing. But in September 2012, a new form of wagering came to fruition as the first legalized video gaming machines were put into operation. This new revenue source added an additional $241 million dollars to State and local government coffers in FY 2015, up from $145 million in FY 2014. But while video gaming in Illinois has continued to grow, the same cannot be said for Illinois' other gaming formats.

In terms of State designated tax revenues, a total of $1.184 billion was collected from gambling sources in FY 2015. The majority of these dollars came from the Lottery ($690 million), followed by riverboat gambling ($292 million), video gaming ($196 million), and horse racing ($7 million). This total is 5.8% below FY 2014's total of $1.258 billion. The overall decline is because video gaming's revenue growth of $81 million was not nearly enough to offset the revenue falloffs of riverboat gambling (down $29 million) and the Lottery (down $125 million). Horse racing revenues have remained stagnant, landing at or near $7 million for the past seven fiscal years.

A table displaying a history of State-related revenues from the gaming industry is shown on the following page. Chart 1, below, displays the composition of gaming revenue in Illinois since 1975.

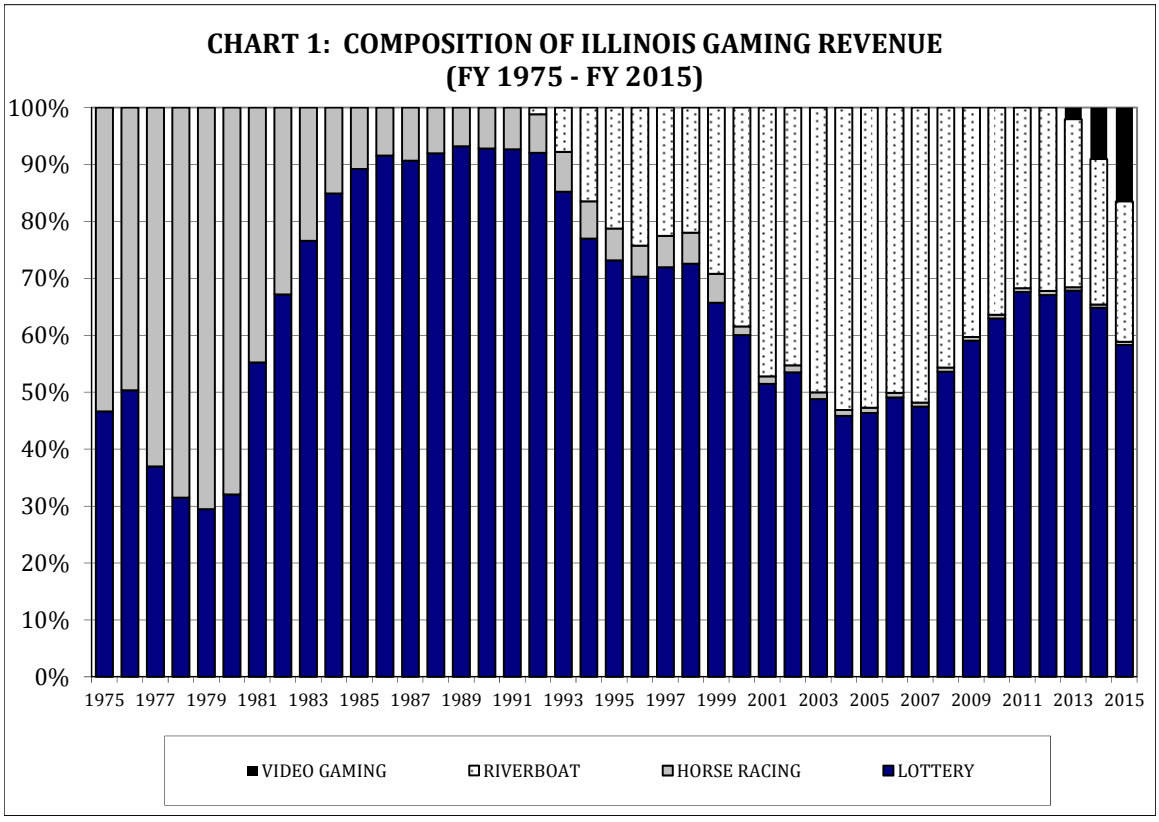


TABLE 1: STATE GAMING REVENUE ($ in Millions)

FISCAL YEAR	LOTTERY[1]	HORSE RACING[2]	RIVERBOAT[3]	VIDEO GAMING[4]	TOTAL	PRIOR YEAR % CHANGE
1975	$55	$63	$0	$0	$118	N/A
1976	$76	$75	$0	$0	$151	28.0%
1977	$44	$75	$0	$0	$119	-21.2%
1978	$34	$74	$0	$0	$108	-9.2%
1979	$33	$79	$0	$0	$112	3.7%
1980	$33	$70	$0	$0	$103	-8.0%
1981	$90	$73	$0	$0	$163	58.3%
1982	$139	$68	$0	$0	$207	27.0%
1983	$216	$66	$0	$0	$282	36.2%
1984	$365	$65	$0	$0	$430	52.5%
1985	$503	$61	$0	$0	$564	31.2%
1986	$552	$51	$0	$0	$603	6.9%
1987	$553	$57	$0	$0	$610	1.2%
1988	$524	$46	$0	$0	$570	-6.6%
1989	$586	$43	$0	$0	$629	10.4%
1990	$594	$46	$0	$0	$640	1.7%
1991	$580	$46	$0	$0	$626	-2.2%
1992	$611	$45	$8	$0	$664	6.1%
1993	$588	$48	$54	$0	$690	3.9%
1994	$552	$47	$118	$0	$717	3.9%
1995	$588	$45	$171	$0	$804	12.1%
1996	$594	$46	$205	$0	$845	5.1%
1997	$590	$45	$185	$0	$820	-3.0%
1998	$560	$42	$170	$0	$772	-5.9%
1999	$540	$42	$240	$0	$822	6.5%
2000	$515	$13	$330	$0	$858	4.4%
2001	$501	$13	$460	$0	$974	13.5%
2002	$555	$13	$470	$0	$1,038	6.6%
2003	$540	$13	$554	$0	$1,107	6.6%
2004	$570	$13	$661	$0	$1,244	12.4%
2005	$614	$12	$699	$0	$1,325	6.5%
2006	$674	$11	$689	$0	$1,374	3.7%
2007	$627	$9	$685	$0	$1,321	-3.9%
2008	$662	$9	$564	$0	$1,235	-6.5%
2009	$630	$7	$430	$0	$1,067	-13.6%
2010	$662	$7	$383	$0	$1,052	-1.4%
2011	$690	$7	$324	$0	$1,021	-2.9%
2012	$708	$8	$340	$0	$1,056	3.4%
2013	$794	$7	$345	$24	$1,170	10.8%
2014	$815	$7	$321	$114	$1,258	7.5%
2015	$690	$7	$292	$196	$1,184	-5.8%

(1) Figures represent all Lottery Transfers with the vast majority going into the Common School Fund. Also included are revenues from "special causes" games and revenues transferred into the Capital Projects Fund.
(2) Figures equal State revenue generated, not allocated.
(3) Figures represent appropriations (FY 1992-FY 1995) and transfers (FY 1996-FY 2015) into the Education Assistance Fund and revenues deposited into the Common School Fund. It does not include revenues distributed to local governments or statutory distributions of revenues from the Des Plaines Casino.
(4) Figures include revenues paid into the Capital Projects Fund (5/6 of the 30% tax). It does not include the portion paid to local governments (1/6 of the 30% tax). This figure does not match the Gaming Board's fiscal year totals due to an approximate one-month lag between reported activity and receipts.

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

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

In FY 2015, lottery transfers (and other State-related lottery revenues) remained the largest generator of gaming revenues, comprising 58.3% of total gaming revenues. But this percentage has declined from 64.8% in FY 2014. Riverboat transfers fell from 25.5% to 24.7% in FY 2015, while horse racing revenues continued to comprise a relatively miniscule 0.6%. On the other hand, video gaming's composition grew from 9.1% to 16.5% in FY 2015. It is expected that video gaming's composition percentage will continue to increase over the next few years as video gaming approaches full-implementation.

The overall decline in casino receipts occurred despite the continued growth of the newer Des Plaines Casino. The casino in Des Plaines, which opened in July 2012, saw its adjusted gross receipts total rise to $428 million in FY 2015. This casino was by far the largest revenue-generating casino in the State (2nd was Joliet Harrah's at $196 million). Des Plaines' success appears to be coming at the expense of other casinos in the area as the four nearby older Illinois casinos have seen their AGR levels fall a combined 27.7% since the new casino's opening. The emergence of video gaming has no doubt also contributed to these decreases.

The growth of video gaming and the popularity of the Des Plaines' casino have not only impacted other Illinois casinos, but have also impacted nearby casinos from bordering states. The Riverboat section includes a detailed look of the revenue performance of other casinos throughout the Midwest and how their performance compares to Illinois.

The 2015 Spring Legislative Session again involved numerous discussions on expanding gambling in Illinois as a method of increasing revenues and jobs for the State. And, like past years, these efforts failed to garner enough support for passage. But because these discussions continue to reoccur, the Commission has again included in this report a detailed analysis of all of the major parts of gaming expansion that are often proposed in gaming legislation. They include: adding additional positions; allowing slot machines at horse tracks; and, adding additional casinos across Illinois.

Some would argue that significant gaming expansion has already taken place with the rapid growth of video gaming in Illinois. By the end of FY 2015, there were 20,730 video gaming terminals in operation across the State (June 2015). And while the number of new terminals being introduced per month has slowed, the Gaming

Board estimates that the overall number of terminals in Illinois could rise to between 23,000 and 25,000 terminals under full implementation. And this figure is without the City of Chicago and numerous other communities in Illinois participating in video gaming due to local government bans on this form of gambling. Considering Illinois riverboats are allotted a maximum of 1,200 gaming positions, this would be the equivalency of adding 20 new casinos to the State. The Video Gaming section provides a breakdown of the location and performance of the gaming terminals currently established across the State, along with a discussion of how the riverboat industry has been impacted by video gaming's emergence.

As the popularity of video gaming grows in Illinois, the opposite seems to be the case for the horse racing industry. The amount wagered on Illinois horse racing (the handle) in 2014 was at $624 million, which is 41.1% below levels seen just a decade ago. While the 2014 amount was up slightly from 2013 levels, this modest increase was primarily due to a full year of advance deposit wagering (ADW) revenues in 2014 being compared to a partial year of ADW revenues in CY 2013.

Because of the continuing struggles of the horse racing industry, proponents continue to lobby for slot machines at their tracks. But, again, its future lies in the hands of elected officials and many anxiously await decisions on what, if any, forms of gaming expansion will be approved. Details regarding the impact of slot machines at other racetracks across the country, as well as other pertinent information relating to horse racing, are provided in the Horse Racing section.

The largest amount of revenues from gaming-related sources continues to come from the State's lottery program. But for the first time since FY 2009, total transfers from the Lottery declined. The Lottery believes the large decline in transfers was due to a change in prize payout ratios which lead to an increase of approximately $77 million in payout expenses. The Capitol Projects Fund was the fund feeling the brunt of this decline in transfers as the total sent to the Capital Projects Fund decreased from $145 million in FY 2014 to just $8 million in FY 2015. Despite the decrease in lottery transfers, overall Lottery sales were actually up 1.4%.

In August 2014, the Office of the Governor announced that the State would be seeking a termination of the private management agreement with the Northstar Group. In December 2014, a settlement was announced between the State and Northstar, but this agreement was later voided by the Attorney General. On September 18, 2015, the State and Northstar reached a new termination agreement. A large degree of uncertainty remains in regards to the future structure of Illinois' lottery program. A discussion on this attempted termination of the private management agreement, along with other statistics surrounding the lottery is included in the Lottery section of this report.

Table 2, on the following page, displays the differences between horse racing, the lottery, riverboat gambling, and video gaming in terms of State revenue, gaming hold, and per-capita spending. For the purposes of this examination, the term gaming hold refers to the amount of money that gaming facilities keep after paying

gaming winners. For horse racing and the lottery, the gaming hold is equal to the difference between the total wagered and the amount paid to winners. For riverboat casinos, this is adjusted gross receipts. For video gaming, gaming hold is equal to net terminal income. (Note: the 2015 amounts are estimates for Lottery and horse racing).

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

	2008	2009	2010	2011	2012	2013	2014	2015*
POPULATION (IN MILLIONS)	12.9	12.9	12.8	12.9	12.9	12.9	12.9	12.9
HORSE RACING (CY)								
STATE REVENUE (IN MILLIONS)	$ 9	$ 7	$ 7	$ 7	$ 8	$ 7	$ 7	$ 7
GAMING HOLD (IN MILLIONS)	$ 184	$ 166	$ 163	$ 154	$ 150	$ 138	$ 140	$ 136
% CHANGE IN GAMING HOLD	-11.8%	-9.7%	-1.9%	-5.4%	-2.8%	-7.8%	1.7%	-3.2%
** PER-CAPITA SPENDING	$ 14.3	$ 12.9	$ 12.7	$ 12.0	$ 11.6	$ 10.7	$ 10.9	$ 10.6
% CHANGE IN PER-CAPITA SPENDING	-12.1%	-9.7%	-1.4%	-5.7%	-2.8%	-7.9%	1.7%	-3.2%
LOTTERY (FY)								
LOTTERY TRANSFERS (IN MILLIONS)	$ 662	$ 630	$ 662	$ 690	$ 708	$ 794	$ 815	$ 690
GAMING HOLD (IN MILLIONS)	$ 888	$ 853	$ 926	$ 964	$ 1,115	$ 1,113	$ 1,103	$ 1,118
% CHANGE IN GAMING HOLD	-0.6%	-3.9%	8.6%	4.1%	15.7%	-0.2%	-0.9%	1.4%
** PER-CAPITA SPENDING	$ 68.8	$ 66.1	$ 72.2	$ 74.9	$ 86.6	$ 86.4	$ 85.6	$ 86.8
% CHANGE IN PER-CAPITA SPENDING	-1.0%	-3.9%	9.2%	3.8%	15.6%	-0.2%	-0.9%	1.4%
RIVERBOATS (FY)								
AMOUNT TO EAF & CSF (IN MILLIONS)	$ 564	$ 430	$ 383	$ 324	$ 340	$ 345	$ 321	$ 292
GAMING HOLD (IN MILLIONS)	$ 1,810	$ 1,479	$ 1,405	$ 1,351	$ 1,641	$ 1,595	$ 1,488	$ 1,459
% CHANGE IN GAMING HOLD	-7.6%	-18.3%	-5.0%	-3.8%	21.5%	-2.8%	-6.7%	-1.9%
** PER-CAPITA SPENDING	$ 140.3	$ 114.6	$ 109.5	$ 105.0	$ 127.5	$ 123.8	$ 115.5	$ 113.3
% CHANGE IN PER-CAPITA SPENDING	-7.9%	-18.3%	-4.5%	-4.1%	21.4%	-2.9%	-6.7%	-1.9%
VIDEO GAMING (FY)								
AMOUNT TO CAPITAL PROJECTS FUND	$ -	$ -	$ -	$ -	$ -	$ 24	$ 114	$ 196
GAMING HOLD (IN MILLIONS)	$ -	$ -	$ -	$ -	$ -	$ 96	$ 456	$ 783
% CHANGE IN GAMING HOLD							375.0%	71.6%
** PER-CAPITA SPENDING	$ -	$ -	$ -	$ -	$ -	$ 7.5	$ 35.4	$ 60.8
% CHANGE IN PER-CAPITA SPENDING							375.1%	71.6%
ALL WAGERING								
TOTAL REVENUE (IN MILLIONS)	$ 1,235	$ 1,067	$ 1,052	$ 1,021	$ 1,056	$ 1,170	$ 1,257	$ 1,184
GAMING HOLD (IN MILLIONS)	$ 2,882	$ 2,498	$ 2,494	$ 2,469	$ 2,906	$ 2,942	$ 3,188	$ 3,496
% CHANGE IN GAMING HOLD	-5.8%	-13.3%	-0.2%	-1.0%	17.7%	1.2%	8.3%	9.7%
** PER-CAPITA SPENDING	$ 223.4	$ 193.6	$ 194.4	$ 191.9	$ 225.7	$ 228.4	$ 247.5	$ 271.4
% CHANGE IN PER-CAPITA SPENDING	-6.2%	-13.3%	0.4%	-1.3%	17.6%	1.2%	8.4%	9.7%

*THE FY 2015 GAMING HOLD FIGURES FOR HORSE RACING AND LOTTERY ARE ESTIMATES.

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

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

As Table 2 reveals, FY 2015 State gaming revenues totaled approximately $1.184 billion. The gaming industry's FY 2015 estimated gaming hold total of $3.496 billion increased 9.7% from FY 2014 levels. Per-capita spending increased at a similar growth rate to approximately $271 in FY 2015. These increases are mainly due to the growth in video gaming's net terminal income as the other three gaming formats saw little or no decreases in their respective figures. The expansion of video gaming terminals has provided more opportunities for gaming, thus, causing per-capital spending in gaming related venues to rise statewide.

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

RIVERBOAT GAMBLING

RIVERBOAT GAMBLING

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

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

Since many of these topics were covered in earlier Commission reports, this section will focus on topics affecting FY 2015 and beyond. The section opens by providing a basic summary of Illinois' riverboat tax structure, as well as a synopsis of FY 2015 riverboat statistics and how these numbers compare to past years. It includes a discussion on factors that are currently impacting Illinois riverboats and factors that could impact the industry in the future (video gaming competition, gaming expansion, etc.).

During the Spring 2015 Legislative Session, the Illinois State Legislature again discussed gaming expansion in Illinois. The most prominent discussions revolved around HB 2939 and HB 3564. While these bills failed to receive support for passage in the Spring, the riverboat section analyzes this type of gaming proposal and discusses factors that could affect how much revenue could be generated if one of these pieces of legislation, or similar legislation, were enacted.

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

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

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

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

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

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

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

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

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

Data Analysis

The tables below and on the following page provide a summary of the performance of each of the State's ten active riverboat licenses during fiscal years 2010 thru 2015 based on adjusted gross receipts, admissions, and State, local, and total revenue generated. The information comes from the Illinois Gaming Board's *Monthly Riverboat Casino Report(s)*.

TABLE 3: ILLINOIS RIVERBOAT ADJUSTED GROSS RECEIPTS (FY 2010 - FY 2015)
($ in millions)

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Des Plaines	$0.0	$0.0	$393.5	$410.1	$421.5	$428.2
Joliet Harrah's	$253.9	$236.3	$215.3	$206.5	$196.2	$195.8
Elgin	$286.1	$286.1	$226.7	$201.4	$180.2	$168.8
Aurora	$185.0	$178.4	$159.9	$149.2	$131.8	$125.1
Joliet Hollywood	$156.8	$147.7	$135.7	$141.0	$123.6	$123.9
East St. Louis	$139.7	$127.9	$132.1	$128.7	$116.2	$106.8
East Peoria	$114.5	$115.5	$116.2	$112.0	$100.1	$93.2
Metropolis	$113.1	$100.1	$102.7	$91.8	$80.6	$83.6
Rock Island	$75.7	$83.1	$87.5	$85.5	$77.6	$77.3
Alton	$80.1	$75.7	$70.9	$68.5	$59.8	$56.6
TOTAL	$1,404.9	$1,350.8	$1,640.6	$1,594.8	$1,487.6	$1,459.4
% INCREASE	-5.0%	-3.8%	21.5%	-2.8%	-6.7%	-1.9%

SOURCE: ILLINOIS GAMING BOARD, MONTHLY RIVERBOAT CASINO REPORT

TABLE 4: ILLINOIS RIVERBOAT ADMISSIONS (FY 2010 - FY 2015)

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Des Plaines	0	0	3,894,173	3,846,084	3,633,523	3,463,309
Joliet Harrah's	2,371,293	2,022,995	1,828,825	1,721,408	1,606,567	1,594,741
Elgin	2,112,964	2,051,999	1,719,111	1,634,974	1,470,024	1,341,104
Aurora	1,520,101	1,485,692	1,438,442	1,338,499	1,140,285	1,072,737
Joliet Hollywood	1,425,067	1,374,618	1,306,020	1,326,579	1,143,896	1,084,189
East St. Louis	2,158,726	1,955,279	1,940,539	1,791,770	1,542,603	1,311,198
East Peoria	1,326,910	1,253,969	1,204,672	1,154,330	1,037,744	997,589
Metropolis	1,027,173	825,466	825,745	718,985	628,458	702,039
Rock Island	1,301,213	1,382,827	1,309,522	1,260,803	1,108,979	1,073,840
Alton	1,107,007	982,773	900,658	818,856	701,461	625,566
TOTAL	14,350,454	13,335,618	16,367,707	15,612,288	14,013,540	13,266,312
% INCREASE	0.6%	-7.1%	22.7%	-4.6%	-10.2%	-5.3%

SOURCE: ILLINOIS GAMING BOARD, MONTHLY RIVERBOAT CASINO REPORT

TABLE 5: STATE REVENUE GENERATED FROM ILLINOIS RIVERBOATS (FY 2010 - FY 2015) ($ in millions)						
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Des Plaines*	$0.0	$0.0	$117.3	$157.9	$162.6	$165.3
Joliet Harrah's	$87.6	$77.3	$67.2	$62.7	$58.1	$57.5
Elgin	$99.4	$98.6	$74.8	$60.9	$52.3	$46.2
Aurora	$54.4	$50.3	$44.1	$38.4	$33.0	$29.9
Joliet Hollywood	$36.6	$37.4	$34.4	$35.4	$30.1	$29.2
East St. Louis	$37.3	$32.7	$33.5	$32.5	$28.6	$24.6
East Peoria	$26.8	$26.9	$27.0	$26.0	$22.3	$19.6
Metropolis	$26.2	$22.7	$21.1	$19.1	$15.8	$16.1
Rock Island	$13.7	$15.7	$17.1	$16.9	$14.7	$14.1
Alton	$16.5	$14.8	$13.5	$12.8	$10.7	$9.6
TOTAL	$398.4	$376.4	$449.9	$462.6	$428.1	$412.1
% INCREASE	-10.3%	-5.5%	19.5%	2.8%	-7.5%	-3.7%
Des Plaines Distributions*:	$0.0	$0.0	($74.8)	($77.9)	($76.7)	($82.1)
Total after Distributions:	**$398.4**	**$376.4**	**$375.1**	**$384.7**	**$351.4**	**$330.0**
% INCREASE	-10.3%	-5.5%	-0.4%	2.6%	-8.6%	-6.1%

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

SOURCE: ILLINOIS GAMING BOARD, MONTHLY RIVERBOAT CASINO REPORT

TABLE 6: LOCAL REVENUE GENERATED FROM ILLINOIS RIVERBOATS (FY 2010 - FY 2015) ($ in millions)						
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Des Plaines	$0.0	$0.0	$23.6	$24.4	$24.7	$24.9
Joliet Harrah's	$15.1	$13.8	$12.6	$12.0	$11.4	$11.4
Elgin	$16.4	$16.4	$13.1	$11.7	$10.5	$9.8
Aurora	$10.8	$10.4	$9.4	$8.8	$7.7	$7.3
Joliet Hollywood	$9.3	$8.8	$8.1	$8.4	$7.3	$7.3
East St. Louis	$9.1	$8.4	$8.5	$8.2	$7.4	$6.7
East Peoria	$7.1	$7.0	$7.0	$6.8	$6.0	$5.7
Metropolis	$6.7	$5.8	$6.0	$5.3	$4.7	$4.9
Rock Island	$5.1	$5.5	$5.7	$5.5	$5.0	$4.9
Alton	$5.1	$4.8	$4.4	$4.2	$3.7	$3.5
TOTAL	$84.6	$80.9	$98.4	$95.4	$88.4	$86.2
% INCREASE	-4.1%	-4.4%	21.7%	-3.1%	-7.3%	-2.4%

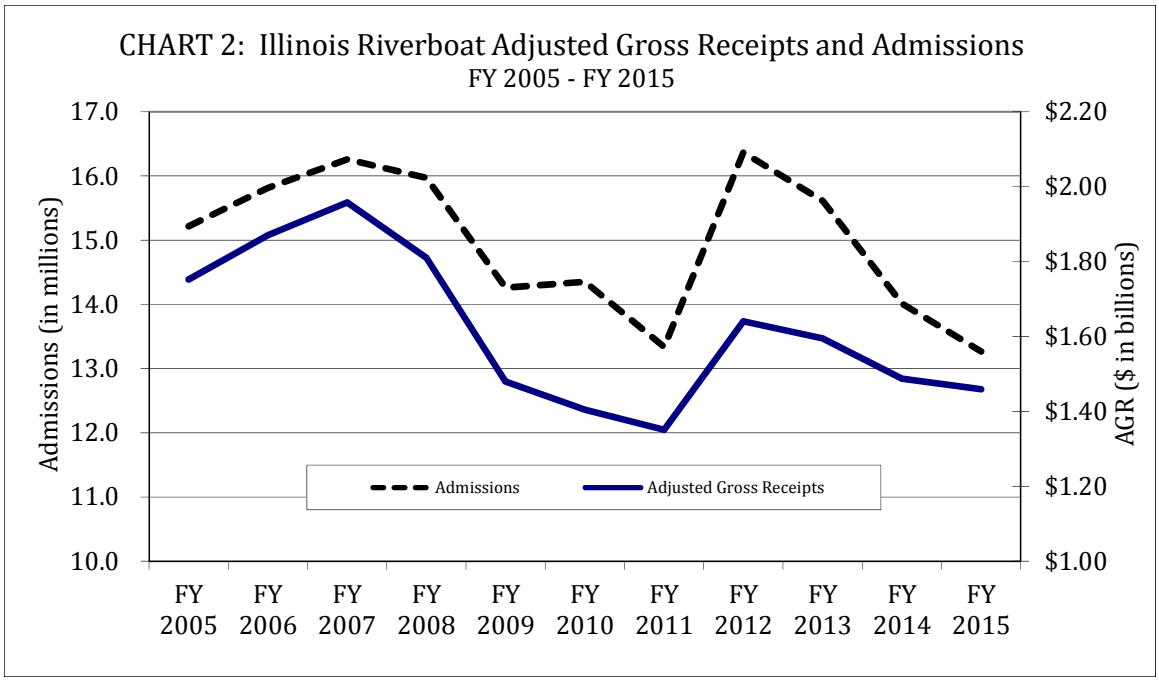
SOURCE: ILLINOIS GAMING BOARD, MONTHLY RIVERBOAT CASINO REPORT

TABLE 7: TOTAL REVENUE GENERATED FROM ILLINOIS RIVERBOATS (FY 2010 - FY 2015) ($ in millions)						
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Des Plaines	$0.0	$0.0	$140.8	$182.2	$187.3	$190.1
Joliet Harrah's	$102.7	$91.1	$79.8	$74.7	$69.5	$68.9
Elgin	$115.8	$115.0	$87.9	$72.6	$62.8	$56.0
Aurora	$65.2	$60.7	$53.5	$47.2	$40.7	$37.2
Joliet Hollywood	$45.8	$46.2	$42.5	$43.8	$37.4	$36.5
East St. Louis	$46.5	$41.0	$42.0	$40.8	$35.9	$31.2
East Peoria	$33.9	$33.9	$34.0	$32.8	$28.3	$25.2
Metropolis	$32.8	$28.5	$27.0	$24.4	$20.4	$21.0
Rock Island	$18.8	$21.3	$22.8	$22.4	$19.7	$19.1
Alton	$21.6	$19.6	$17.9	$17.1	$14.4	$13.1
TOTAL	$483.0	$457.3	$548.3	$557.9	$516.5	$498.3
% INCREASE	-9.2%	-5.3%	19.9%	1.8%	-7.4%	-3.5%

SOURCE: ILLINOIS GAMING BOARD, MONTHLY RIVERBOAT CASINO REPORT

Statewide Historical Perspective

A decade full of "ups and downs" in gaming-related revenues continued in FY 2015. Over the past several years, numerous factors have influenced the performance of Illinois riverboats, including tax increases and decreases, the indoor smoking ban, the tumultuous economy, the opening of the new casino in Des Plaines, and the introduction of video gaming. These factors have created dramatic fluctuations in the performance of the State's riverboats, specifically, in terms of adjusted gross receipts and admissions. These fluctuations can be seen in the below graph.



In the first full fiscal year that the wagering tax rate was increased to as much as 70% (FY 2004), adjusted gross receipts Statewide fell 7.8% from FY 2003 levels. In FY 2005, receipts bounced back, increasing 5.7%, but its totals were still below levels experienced before the tax rate increase. Consequently, the tax rate was allowed to revert back to a maximum 50% tax rate from the 70% tax rate. As a result, Illinois' riverboat figures improved significantly as adjusted gross receipts increased 6.7% in FY 2006 and 4.7% in FY 2007.

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

In FY 2012, riverboat figures finally improved, as adjusted gross receipts and admissions increased 21.5% and 22.7%, respectively. The opening of the Des Plaines casino is the primary reason for this dramatic improvement. In FY 2013, with revenues from the casino in Des Plaines now in the base, adjusted gross receipts and admissions had a relatively stable year, falling 2.8% and 4.6%, respectively. The declines continued in FY 2014 and FY 2015 as AGR levels fell 6.7% and 1.9%, respectively, while admission totals dropped 10.2% and 5.3%. As will be discussed later in the report, it is believed that the growth of video gaming throughout Illinois is likely a key contributor to this recent Statewide falloff in riverboat numbers.

Casino by Casino Perspective

The falloff in overall adjusted gross receipts in FY 2015 was produced by an AGR decline at seven of the ten Illinois casinos. The largest declines came from the Casino Queen in East St. Louis (-8.1%), the Par-a-Dice Casino in East Peoria (-6.9%), and the Grand Victoria in Elgin (-6.3%). Metropolis' Harrah's Casino had the largest increase (3.7%), as the casino benefitted from a new facility in November 2014. The other two casinos with AGR increases were the Rivers Casino in Des Plaines (+1.6%) and the Joliet Hollywood Casino (+0.2%).

In terms of attendance, only the Metropolis casino saw an increase in attendance in FY 2015, growing 11.7%, again in large part due to the hype from its new facility. Two casinos experienced double-digit losses in attendance in FY 2015: Alton (-10.8%) and E. St. Louis (-15.0%). A history of AGR and admission annual percent changes since FY 2009 is shown below.

TABLE 8: ILLINOIS RIVERBOATS BY ADJUSTED GROSS RECEIPTS AND ADMISSIONS: PERCENTAGE CHANGE COMPARISON

ADJUSTED GROSS RECEIPTS	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Des Plaines	N/A	N/A	N/A	N/A	4.2%	2.8%	1.6%
Joliet Harrah's	-16.4%	-13.1%	-6.9%	-8.9%	-4.1%	-5.0%	-0.2%
Elgin	-21.3%	-8.2%	0.0%	-20.8%	-11.1%	-10.5%	-6.3%
Aurora	-13.8%	-14.0%	-3.5%	-10.4%	-6.6%	-11.7%	-5.1%
Joliet Hollywood	-39.4%	22.6%	-5.8%	-8.1%	3.9%	-12.4%	0.2%
East St. Louis	-16.6%	-9.5%	-8.4%	3.2%	-2.6%	-9.7%	-8.1%
East Peoria	-7.1%	-1.5%	0.8%	0.6%	-3.6%	-10.6%	-6.9%
Metropolis	-19.1%	-8.0%	-11.5%	2.7%	-10.7%	-12.2%	3.7%
Rock Island	56.5%	44.7%	9.8%	5.3%	-2.3%	-9.3%	-0.3%
Alton	-20.3%	-7.8%	-5.5%	-6.2%	-3.4%	-12.7%	-5.4%
TOTAL	-18.3%	-5.0%	-3.8%	21.5%	-2.8%	-6.7%	-1.9%
ADMISSIONS	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
Des Plaines	N/A	N/A	N/A	N/A	-1.2%	-5.5%	-4.7%
Joliet Harrah's	-12.5%	-6.5%	-14.7%	-9.6%	-5.9%	-6.7%	-0.7%
Elgin	-10.8%	-0.2%	-2.9%	-16.2%	-4.9%	-10.1%	-8.8%
Aurora	-7.8%	-5.5%	-2.3%	-3.2%	-6.9%	-14.8%	-5.9%
Joliet Hollywood	-39.9%	23.3%	-3.5%	-5.0%	1.6%	-13.8%	-5.2%
East St. Louis	-7.5%	-5.0%	-9.4%	-0.8%	-7.7%	-13.9%	-15.0%
East Peoria	-1.9%	-1.3%	-5.5%	-3.9%	-4.2%	-10.1%	-3.9%
Metropolis	-15.5%	-3.9%	-19.6%	0.0%	-12.9%	-12.6%	11.7%
Rock Island	63.3%	30.1%	6.3%	-5.3%	-3.7%	-12.0%	-3.2%
Alton	-12.8%	-4.2%	-11.2%	-8.4%	-9.1%	-14.3%	-10.8%
TOTAL	-10.7%	0.6%	-7.1%	22.7%	-4.6%	-10.2%	-5.3%

SOURCE: ILLINOIS GAMING BOARD

Tax Revenue Analysis

The amount of tax revenues collected from Illinois casinos is directly related to each riverboat's adjusted gross receipts and admissions. Riverboats that saw increases/decreases in these figures saw similar increases/decreases in the amount of State revenues collected. As shown below, State revenues from Illinois casinos fell 3.7% in FY 2015. And when including the statutory distributions from the Des Plaines Casino, the fall-off worsens to -4.6%.

TABLE 9: ANNUAL PERCENT CHANGE OF RIVERBOAT STATE REVENUES
Comparison of FY 2012 thru FY 2015
$ in millions

	FY 2012 STATE REVENUE*	Annual % change	FY 2013 STATE REVENUE*	Annual % change	FY 2014 STATE REVENUE*	Annual % change	FY 2015 STATE REVENUE*	Annual % change
Des Plaines*	$117.3	N/A	$157.9	34.6%	$162.6	3.0%	$165.3	1.7%
Joliet Harrah's	$67.2	-13.1%	$62.7	-6.7%	$58.1	-7.4%	$57.5	-0.9%
Elgin	$74.8	-24.1%	$60.9	-18.6%	$52.3	-14.2%	$46.2	-11.6%
Aurora	$44.1	-12.3%	$38.4	-13.1%	$33.0	-14.0%	$29.9	-9.5%
Joliet Hollywood	$34.4	-8.2%	$35.4	3.1%	$30.1	-15.0%	$29.2	-3.1%
East St. Louis	$33.5	2.4%	$32.5	-2.8%	$28.6	-12.2%	$24.6	-13.9%
East Peoria	$27.0	0.3%	$26.0	-3.6%	$22.3	-14.3%	$19.6	-12.2%
Metropolis	$21.1	-7.0%	$19.1	-9.3%	$15.8	-17.4%	$16.1	1.9%
Rock Island	$17.1	8.5%	$16.9	-1.2%	$14.7	-12.8%	$14.1	-3.9%
Alton	$13.5	-9.0%	$12.8	-5.1%	$10.7	-16.4%	$9.6	-10.3%
TOTAL	**$449.9**	**50.4%**	**$462.6**	**2.8%**	**$428.1**	**-7.5%**	**$412.1**	**-3.7%**
Des Plaines Distributions*:	-$74.8		-$77.9		-$76.7		-$76.8	
Total after Distributions:	$375.1	25.4%	$384.7	2.6%	$351.4	-8.6%	$335.3	-4.6%

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

Source: Illinois Gaming Board Monthly Riverboat Casino Report

The rate of change in State revenues will often be more pronounced than the change in AGR because lower AGR totals lead to a lower tax rate under the graduated tax structure. For example, Elgin, which over the past three fiscal years has seen declines in its AGR of -11.1%, -10.5%, and -6.3%, has had its State tax revenue totals decline -18.6%, -14.2%, and -11.6%. Elgin's operating tax rate has been effectively reduced from 38.0% to 30.8% over the last four years due to this reduction in it adjusted gross receipts. A table displaying each casino's operating tax rates since FY 2010 is shown below. As shown, the Statewide average operating tax rate came in at 27.3% in FY 2015, down from 28.1% in FY 2014 and from 28.9% in FY 2013.

TABLE 10: OPERATING TAX RATES FOR ILLINOIS RIVERBOATS (FY 2010 - FY 2015)

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Des Plaines	N/A	N/A	32.8%	41.6%	41.8%	42.0%
Joliet Harrah's	37.6%	36.0%	34.5%	33.7%	33.0%	32.8%
Elgin	38.2%	38.0%	36.5%	33.6%	32.4%	30.8%
Aurora	32.8%	31.5%	30.8%	28.9%	28.3%	27.2%
Joliet Hollywood	26.5%	28.5%	28.4%	28.2%	27.5%	26.8%
East St. Louis	28.6%	27.5%	27.4%	27.5%	26.9%	25.6%
East Peoria	26.1%	26.1%	26.2%	26.2%	25.2%	23.9%
Metropolis	26.3%	26.0%	23.9%	24.3%	23.0%	22.6%
Rock Island	21.4%	22.3%	23.0%	23.3%	22.5%	21.9%
Alton	22.9%	22.0%	21.5%	21.3%	20.6%	19.8%
Average Tax Rate	**27.8%**	**27.7%**	**28.5%**	**28.9%**	**28.1%**	**27.3%**

Reasons for the Recent Declines

In FY 2007, Illinois' nine casinos (before Des Plaines) reached an adjusted gross receipts total of near $2.0 billion. In FY 2015, the AGR total was only $1.5 billion, a decline of 25.5% from this peak period. In the initial years after this peak, the declines were likely the results of the struggling economy, as well as the indoor smoking ban. While State totals improved significantly in FY 2012 (reaching $1.6 billion) due to the addition of the new casino in Des Plaines, all other casinos have seen their adjusted gross receipts fall. In fact, since FY 2007, six of the nine older casinos have seen their AGR levels fall more than 45% with the sharpest decline coming from Elgin's casino at -61.3%.

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

Impact of the Des Plaines Casino on Gaming Revenues

In FY 2013, the first full fiscal year of revenues from the Des Plaines casino, the ten Illinois casinos combined to generate $1.595 billion in adjusted gross receipts, an 18.1% increase from FY 2011 levels (without the 10th license). Of the $1.595 billion collected, $410.1 million, or 25.7% came from the Des Plaines Casino. This new casino also brought in 24.6% of the combined 15.6 million people that patronized Illinois casinos in FY 2013. In FY 2014, the Des Plaines' casino brought in 28.3% of the State's AGR total of $1.488 billion. In FY 2015, this percentage increased to 29.3%. The new casino's attendance total of 3.5 million represented 26.1% of total casino patrons in FY 2015.

But, as expected, Des Plaines' success has been at the expense of other riverboats in Illinois, especially those near the new casino in the Chicago metropolitan area. When looking at the four "older" casinos in the Chicago area since Des Plaines' July 2011 opening, their combined AGR have fallen $235 million, or -27.7% (comparing FY 2011 totals to FY 2015). So while Des Plaines generated $428 million in adjusted gross receipts in FY 2015 - when accounting for the $235 million loss from the other four casinos - adjusted gross receipts were only up a net $193 million, compared to FY 2011. Still, even with these losses, adjusted gross receipts have grown 22.8% over these fiscal years in the Chicago metro area.

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

In FY 2015, the AGR of the five Indiana casinos near the Chicago metropolitan area totaled $952 million, which is nearly $225 million or 19.1% below their FY 2011 levels. This includes a 20.6% decline at the Horseshoe Casino in Hammond, which is arguably the biggest competitor to Illinois casinos. These statistics can be seen in the following table.

TABLE 11: Impact of New Des Plaines Casino on Area AGR
(FY 2011 vs FY 2015)
$ in millions

	FY 2015 AGR	*%Ch. from FY11*	*$Ch. from FY11*
Des Plaines	**$428.2**	**N/A**	**$428.2**
	Illinois Chicago Area Casinos		
Joliet Hollywood	$123.9	-16.1%	($23.8)
Joliet Harrah's	$195.8	-17.1%	($40.5)
Aurora	$125.1	-29.9%	($53.3)
Elgin	$168.8	-41.0%	($117.2)
"Older" Casino Change in AGR:		**-27.7%**	**($234.8)**
Net Illinois Chicago Area Change:		**22.8%**	**$193.4**
	Indiana Chicago Area Casinos		
Ameristar - E. Chicago	$221.2	-10.8%	($26.9)
Horseshoe - Hammond	$427.5	-20.6%	($110.6)
Majestic Star 1 - Gary	$87.4	-22.9%	($26.0)
Majestic Star 2 - Gary	$63.2	-37.9%	($38.6)
Blue Chip - Michigan City	$152.5	-12.8%	($22.4)
Net Indiana Chicago Area Change:		**-19.1%**	**($224.5)**
Combined "Older" Casino Area Change:		**-22.7%**	**($459.3)**
Net Overall Chicago Area Change:		**-1.5%**	**($31.1)**

It is likely that a significant portion of the $225 million that Indiana's Chicago area casinos have lost over the past several years has found its way into Illinois. When accounting for the losses in both Illinois and Indiana at the "older" casinos, the combined AGR levels for the Chicago Metropolitan Area were actually down $31.1 million or -1.5% in FY 2015 compared to FY 2011. So despite the creation of a new casino, adjusted gross receipts of the casinos in the Chicago Metropolitan Area have stayed effectively flat (a combined AGR of $2.025 billion in FY 2011 compared to $1.994 billion in FY 2015).

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

TABLE 12: Statistical Summary of the Midwestern Gaming States

ILLINOIS CASINOS

$ IN MILLIONS	Casino Type	Region	FY 2010 AGR	FY 2011 AGR	FY 2012 AGR	FY 2013 AGR	FY 2014 AGR	FY 2015 AGR	1-Yr. Change	2-Yr. Change	5-Yr. Change	June 2015 Positions	2015 AGR/ Pos/Day
ALTON ARGOSY - Alton	Casino	St. Louis	$80.1	$75.7	$70.9	$68.5	$59.8	$56.6	-5.4%	-17.4%	-29.3%	874	$177
PAR-A-DICE - E. Peoria	Casino	Central IL	$114.5	$115.5	$116.2	$112.0	$100.1	$93.2	-6.9%	-16.8%	-18.6%	1,051	$243
JUMER'S - Rock Island	Casino	Quad City	$75.7	$83.1	$87.5	$85.5	$77.6	$77.3	-0.3%	-9.6%	2.1%	1,051	$202
HOLLYWOOD CASINO - Joliet	Casino	Chicago	$156.8	$147.7	$135.7	$141.0	$123.6	$123.9	0.2%	-12.1%	-21.0%	1,085	$313
HARRAH'S - Metropolis	Casino	S. Illinois	$113.1	$100.1	$102.7	$91.8	$80.6	$83.6	3.7%	-8.9%	-26.1%	889	$257
HARRAH'S - Joliet	Casino	Chicago	$253.9	$236.3	$215.3	$206.5	$196.2	$195.8	-0.2%	-5.2%	-22.9%	1,200	$447
HOLLYWOOD CASINO - Aurora	Casino	Chicago	$185.0	$178.4	$159.9	$149.2	$131.8	$125.1	-5.1%	-16.2%	-32.4%	1,159	$296
CASINO QUEEN - E. St. Louis	Casino	St. Louis	$139.7	$127.9	$132.1	$128.7	$116.2	$106.8	-8.1%	-17.0%	-23.5%	1,190	$246
GRAND VICTORIA - Elgin	Casino	Chicago	$286.1	$286.1	$226.7	$201.4	$180.2	$168.8	-6.3%	-16.2%	-41.0%	1,175	$394
RIVERS CASINO - Des Plaines	Casino	Chicago	$0.0	$0.0	$393.5	$410.1	$421.5	$428.2	1.6%	4.4%	N/A	1,200	$978
TOTALS			**$1,404.9**	**$1,350.8**	**$1,640.6**	**$1,594.8**	**$1,487.6**	**$1,459.4**	**-1.9%**	**-8.5%**	**3.9%**	**10,875**	**$368**
CHICAGO REGION TOTALS			$881.8	$848.5	$1,131.1	$1,108.3	$1,053.3	$1,041.9	-1.1%	-6.0%	18.2%	5,819	$491
CHICAGO REGION W/O DES PLAINES			$881.8	$848.5	$737.6	$698.2	$631.8	$613.7	-2.9%	-12.1%	-30.4%	4,619	$364
ST. LOUIS REGION TOTALS			$219.8	$203.6	$203.0	$197.2	$176.1	$163.4	-7.2%	-17.1%	-25.6%	2,064	$217

INDIANA CASINOS

$ IN MILLIONS	Casino Type	Region	FY 2010 AGR	FY 2011 AGR	FY 2012 AGR	FY 2013 AGR	FY 2014 AGR	FY 2015 AGR	1-Yr. Change	2-Yr. Change	5-Yr. Change	June 2015 Positions	2015 AGR/ Pos/Day
AMERISTAR - East Chicago	Casino	Chicago	$253.6	$248.1	$239.6	$231.5	$208.7	$221.2	6.0%	-4.5%	-12.8%	1,949	$311
HOLLYWOOD - Lawrenceburg	Casino	SE Indiana	$449.2	$434.9	$429.1	$339.0	$214.5	$179.2	-16.5%	-47.2%	-60.1%	2,198	$223
BELTERRA - Switzerland County	Casino	SE Indiana	$145.6	$141.9	$149.8	$140.4	$113.2	$110.1	-2.7%	-21.6%	-24.3%	1,314	$230
BLUE CHIP - Michigan City	Casino	Chicago	$177.1	$174.9	$175.1	$166.4	$149.7	$152.5	1.9%	-8.4%	-13.9%	1,889	$221
TROPICANA - Evansville	Casino	S. Indiana	$114.0	$117.1	$119.7	$114.8	$111.4	$115.6	3.8%	0.7%	1.3%	1,034	$306
FRENCH LICK - French Lick	Casino	S. Indiana	$81.3	$83.1	$86.5	$82.6	$68.4	$71.0	3.8%	-14.0%	-12.6%	1,117	$174
RISING STAR - Rising Sun	Casino	SE Indiana	$100.6	$96.0	$92.3	$78.0	$54.7	$43.7	-20.0%	-44.0%	-56.5%	1,029	$116
HOOSIER PARK - Anderson	*Racino*	Central IN	$201.2	$216.9	$201.0	$188.9	$201.6	$198.4	-1.6%	5.0%	-1.4%	1,715	$317
HORSESHOE - Hammond	Casino	Chicago	$542.0	$538.1	$499.0	$489.0	$455.8	$427.5	-6.2%	-12.6%	-21.1%	3,426	$342
HORSESHOE - Harrison County	Casino	S. Indiana	$282.5	$265.3	$260.5	$269.9	$257.8	$247.6	-3.9%	-8.2%	-12.4%	2,032	$334
INDIANA GRAND - Shelbyville	*Racino*	Central IN	$228.1	$240.4	$222.0	$208.8	$236.2	$239.3	1.3%	14.6%	4.9%	1,860	$352
MAJESTIC STAR - Gary	Casino	Chicago	$110.3	$113.4	$111.0	$102.8	$93.5	$87.4	-6.5%	-15.0%	-20.8%	1,084	$221
MAJESTIC STAR II - Gary	Casino	Chicago	$98.6	$101.7	$90.7	$83.6	$67.6	$63.2	-6.6%	-24.4%	-35.9%	894	$194
TOTALS			**$2,784.2**	**$2,771.7**	**$2,676.1**	**$2,495.8**	**$2,232.9**	**$2,156.7**	**-3.4%**	**-13.6%**	**-22.5%**	**21,540**	**$274**
CHICAGO REGION AREA TOTALS			$1,181.7	$1,176.2	$1,115.3	$1,073.4	$975.2	$951.8	-2.4%	-11.3%	-19.5%	9,241	$282
Composition of Chicago Region:			57.3%	58.1%	49.6%	49.2%	48.1%	47.7%					
TOTAL CASINOS			$2,354.9	$2,314.5	$2,253.2	$2,098.1	$1,795.1	$1,719.0	-4.2%	-18.1%	-27.0%	17,966	$262
TOTAL RACINOS			$429.3	$457.2	$422.9	$397.7	$437.8	$437.7	0.0%	10.1%	2.0%	3,575	$335

MISSOURI CASINOS

$ IN MILLIONS	Casino Type	Region	FY 2010 AGR	FY 2011 AGR	FY 2012 AGR	FY 2013 AGR	FY 2014 AGR	FY 2015 AGR	1-Yr. Change	2-Yr. Change	5-Yr. Change	June 2015 Positions	2015 AGR/ Pos/Day
ARGOSY - Riverside	Casino	Kansas City	$194.0	$193.1	$178.8	$152.8	$142.9	$141.8	-0.8%	-7.2%	-26.9%	1,531	$254
ISLE OF CAPRI - Boonville	Casino	Central MO	$80.7	$82.0	$84.2	$82.1	$78.0	$81.6	4.6%	-0.6%	1.1%	950	$235
LADY LUCK - Caruthersville	Casino	SE Missouri	$33.2	$33.3	$35.4	$33.2	$31.1	$34.2	9.9%	3.0%	3.0%	556	$169
HOLLYWOOD - Maryland Hts	Casino	St. Louis	$288.0	$269.3	$272.3	$243.0	$223.4	$218.9	-2.0%	-9.9%	-24.0%	2,314	$259
HARRAH'S - North Kansas City	Casino	Kansas City	$195.8	$193.3	$190.0	$179.9	$175.1	$174.6	-0.3%	-2.9%	-10.8%	1,602	$299
ISLE OF CAPRI - Kansas City	Casino	Kansas City	$81.6	$83.6	$86.0	$79.9	$75.6	$77.7	2.8%	-2.7%	-4.9%	1,008	$211
LUMIERE PLACE - St. Louis	Casino	St. Louis	$195.1	$173.1	$169.2	$160.3	$145.0	$136.0	-6.3%	-15.2%	-30.3%	1,974	$189
AMERISTAR - Kansas City	Casino	Kansas City	$239.0	$241.1	$231.2	$213.2	$197.6	$196.2	-0.7%	-8.0%	-17.9%	2,418	$222
RIVER CITY - St. Louis	Casino	St. Louis	$57.5	$180.8	$203.7	$205.8	$207.6	$216.0	4.0%	4.9%	275.6%	2,148	$275
PRESIDENT - St. Louis	Casino	St. Louis	$19.2	$0.0	$0.0	$0.0	$0.0	$0.0	N/A	N/A	N/A	-	N/A
MARK TWAIN - LaGrange	Casino	W. Illinois	$37.0	$38.1	$39.1	$38.4	$36.6	$36.1	-1.2%	-5.9%	-2.3%	644	$154
AMERISTAR - St. Charles	Casino	St. Louis	$288.8	$278.3	$274.5	$270.0	$254.4	$266.0	4.6%	-1.5%	-7.9%	2,666	$273
FRONTIER - St. Joseph	Casino	NW Missouri	$38.4	$40.2	$31.7	$40.4	$37.9	$40.0	5.6%	-0.8%	4.3%	525	$209
ISLE OF CAPRI - Cape Girardeau	Casino	S. Illinois	$0.0	$0.0	$0.0	$45.7	$57.3	$63.0	9.9%	37.7%	N/A	973	$177
TOTALS			**$1,748.3**	**$1,806.3**	**$1,796.1**	**$1,744.8**	**$1,662.5**	**$1,682.1**	**1.2%**	**-3.6%**	**-3.8%**	**19,308**	**$239**
ST LOUIS REGION TOTALS			$848.6	$901.5	$919.7	$879.1	$830.4	$836.8	0.8%	-4.8%	-1.4%	9,101	$252
Composition of St. Louis Region:			79.4%	81.6%	81.9%	81.7%	82.5%	83.7%					

IOWA CASINOS

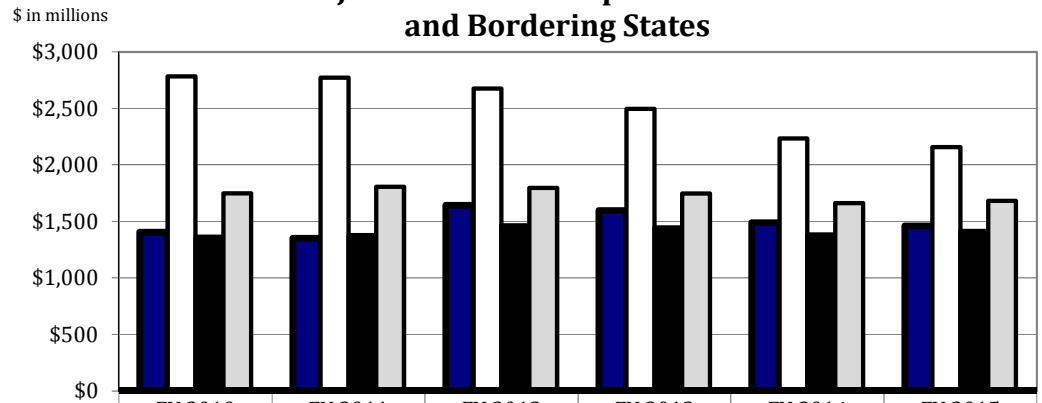
$ IN MILLIONS	Casino Type	Region	FY 2010 AGR	FY 2011 AGR	FY 2012 AGR	FY 2013 AGR	FY 2014 AGR	FY 2015 AGR	1-Yr. Change	2-Yr. Change	5-Yr. Change	June 2015 Positions	2015 AGR/ Pos/Day
LADY LUCK - Marquette	Casino	NE Iowa	$29.2	$30.0	$29.9	$29.8	$26.7	$28.6	6.9%	-4.2%	-2.2%	532	$147
DIAMOND JO - Dubuque	Casino	NW Illinois	$68.4	$67.2	$70.1	$66.5	$63.6	$63.9	0.6%	-3.9%	-6.6%	1,004	$174
WILD ROSE - Clinton	Casino	NW Illinois	$39.2	$40.2	$39.2	$37.6	$32.8	$32.9	0.3%	-12.3%	-15.9%	567	$159
CATFISH BEND - Burlington	Casino	W. Illinois	$38.7	$38.5	$39.4	$38.8	$38.3	$42.0	9.7%	8.4%	8.6%	698	$165
ARGOSY - Sioux City	Casino	NW Iowa	$57.8	$59.8	$61.0	$56.1	$48.0	$3.1	-93.4%	-94.4%	-94.6%	-	N/A
LAKESIDE - Osceola	Casino	Central IA	$48.6	$50.0	$50.1	$53.5	$49.3	$51.7	4.8%	-3.3%	6.3%	933	$152
WILD ROSE - Emmetsburg	Casino	W. Illinois	$28.7	$30.8	$31.9	$32.2	$31.0	$30.5	-1.6%	-5.3%	6.5%	506	$165
ISLE CASINO - Waterloo	Casino	Central IA	$80.3	$80.7	$83.6	$86.0	$85.1	$88.9	4.5%	3.3%	10.7%	1,011	$241
RHYTHM CITY - Davenport	Casino	Quad City	$54.8	$49.3	$50.5	$48.3	$44.4	$43.1	-3.0%	-10.8%	-21.3%	825	$143
ISLE OF CAPRI - Bettendorf	Casino	Quad City	$78.3	$78.5	$75.7	$74.5	$70.2	$68.5	-2.4%	-8.0%	-12.5%	978	$192
AMERISTAR - Council Bluffs	Casino	W. Iowa	$156.1	$164.9	$170.3	$167.8	$163.7	$168.6	3.0%	0.5%	8.0%	1,533	$301
HARRAH'S - Council Bluffs	Casino	W. Iowa	$84.1	$74.4	$68.2	$67.4	$73.9	$74.1	0.3%	10.0%	-11.9%	709	$286
DIAMOND JO - Northwood	Casino	N. Iowa	$80.3	$83.7	$90.6	$88.6	$84.2	$84.3	0.0%	-4.9%	5.0%	1,018	$227
RIVERSIDE CASINO - Riverside	Casino	Central IA	$85.2	$87.3	$90.3	$88.7	$87.7	$86.7	-1.1%	-2.2%	1.9%	1,176	$202
GRAND FALLS - Larchwood	Casino	NW Iowa	$0.0	$4.4	$57.4	$58.2	$59.2	$58.2	-1.7%	0.0%	N/A	963	$165
HARD ROCK CASINO - Sioux City	Casino	W. Iowa	$0.0	$0.0	$0.0	$0.0	$0.0	$70.1	N/A	N/A	N/A	894	$215
PRAIRIE MEADOWS - Altoona	*Racino*	Central IA	$186.6	$189.9	$194.7	$195.0	$181.0	$186.1	2.8%	-4.6%	-0.3%	2,109	$242
BLUFFS RUN - Council Bluffs	*Racino*	W. Iowa	$186.0	$189.2	$204.2	$200.3	$192.8	$183.5	-4.8%	-8.4%	-1.3%	1,660	$303
MYSTIQUE - Dubuque	*Racino*	NW Illinois	$62.1	$60.2	$58.9	$57.6	$51.1	$50.8	-0.7%	-11.9%	-18.3%	913	$152
TOTALS			**$1,364.2**	**$1,379.2**	**$1,466.0**	**$1,446.8**	**$1,383.0**	**$1,415.5**	**2.4%**	**-2.2%**	**3.8%**	**18,025**	**$215**
QUAD CITY REGION TOTALS			$133.1	$127.8	$126.3	$122.8	$114.7	$111.6	-2.7%	-9.1%	-16.1%	1,802	$170
OTHER CASINOS BORDERING ILLINOIS			$237.0	$236.9	$239.4	$232.7	$216.8	$220.1	1.5%	-5.4%	-7.1%	3,181	$190
Composition of Illinois Bordring Casinos:			83.0%	81.4%	80.7%	80.6%	81.0%	81.1%					
TOTAL CASINOS			$929.5	$939.9	$1,008.1	$993.9	$958.1	$925.1	-3.4%	-6.9%	-0.5%	12,450	$204
TOTAL RACINOS			$434.7	$439.2	$457.9	$452.9	$424.9	$420.3	-1.1%	-7.2%	-3.3%	4,682	$246

Competition for the Midwest Gaming Dollar

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

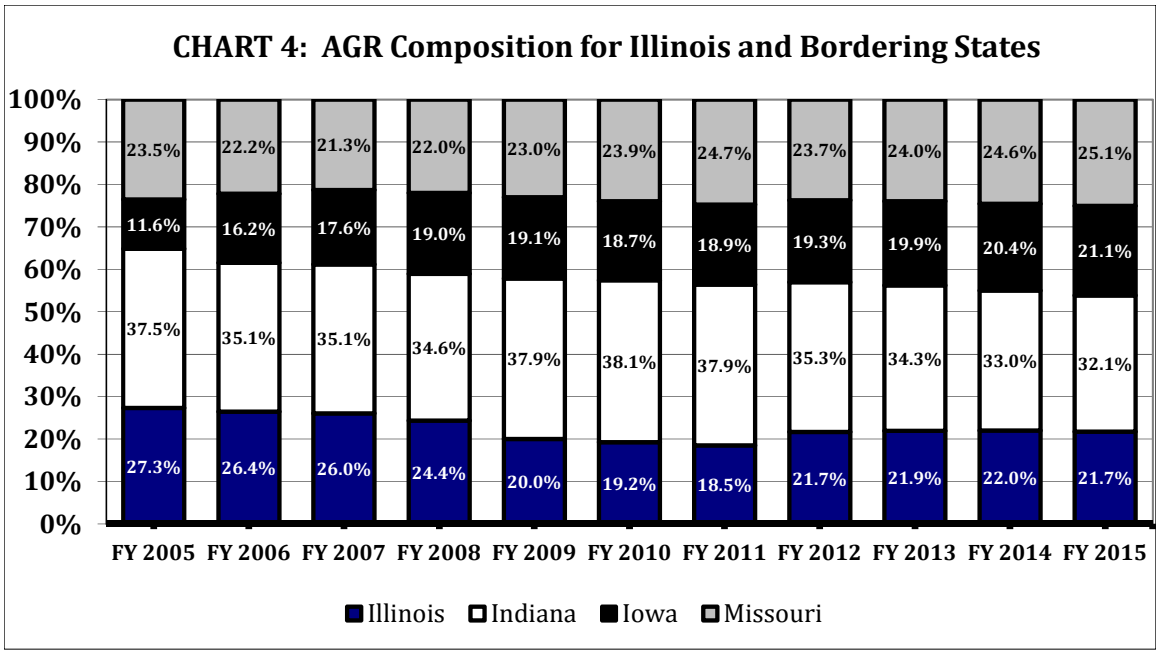
Just eight years ago in FY 2007, Illinois' AGR total was $638 million higher than Iowa and $358 million higher than Missouri. But by FY 2011, Illinois had the lowest amount of gaming revenue of the casino-operating states in the Midwest. As shown below in Chart 3, Illinois' FY 2011 AGR total of $1.351 billion was lower than Indiana ($2.772 billion), Missouri ($1.806 billion), and for the first time, Iowa ($1.375 billion). The addition of Des Plaines to Illinois' casino market in FY 2012 helped to temper Illinois' downward trend in the Midwest region that it had been experiencing prior to Des Plaines' arrival. In FY 2015, Illinois had the third highest AGR total in the Midwest with a total of $1.459 billion, behind Indiana ($2.157 billion) and Missouri ($1.682 billion), but ahead of Iowa ($1.416 billion).

CHART 3: Adjusted Gross Receipts of Casinos for Illinois and Bordering States

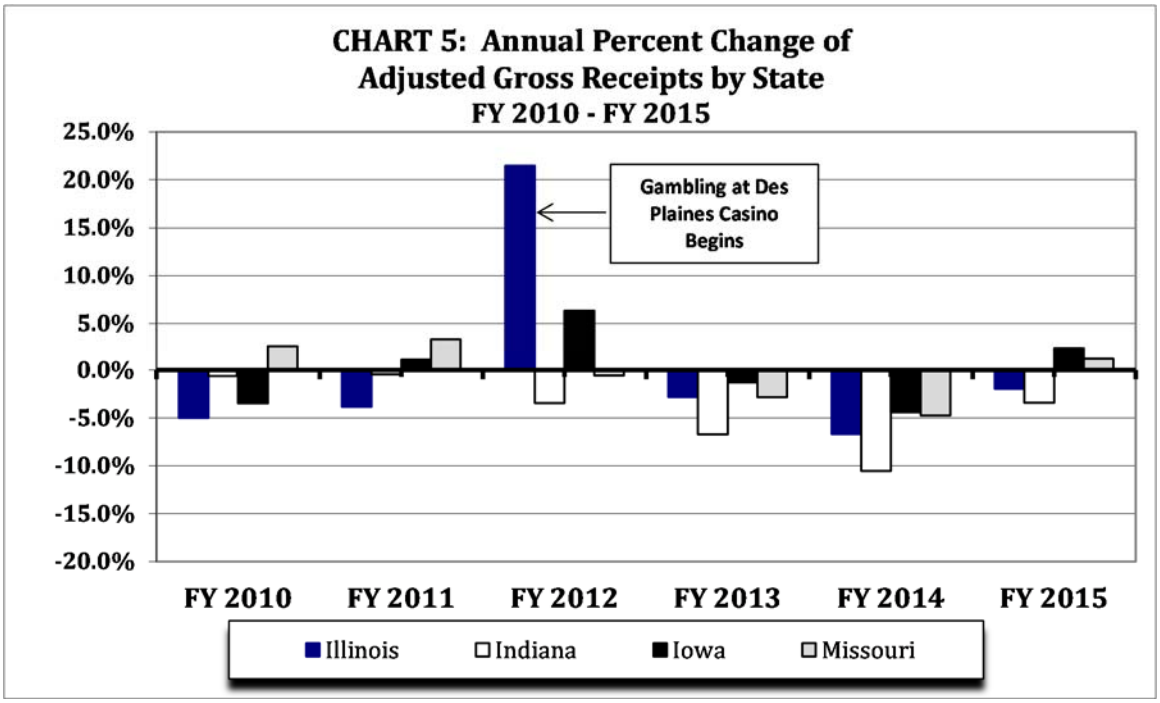


	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Illinois	$1,405	$1,351	$1,641	$1,595	$1,488	$1,459
Indiana	$2,784	$2,772	$2,676	$2,496	$2,233	$2,157
Iowa	$1,364	$1,379	$1,466	$1,447	$1,383	$1,416
Missouri	$1,748	$1,806	$1,796	$1,745	$1,662	$1,682

On the following page is a chart displaying the composition percentages of states in the Midwest in relation to each state's AGR totals. Illinois hit its ten-year high in FY 2005 with 27.3% of the Midwest casino AGR market. It fell to 18.5% in FY 2011, but has bounced back to 21.7% in FY 2015, thanks to the continued success of the casino in Des Plaines. Iowa, with the help of opening a new casino in Sioux City, had the biggest improvement in FY 2015, going from 24.6% to 25.1%. Indiana saw their composition fall the most going from 33.0% to 32.1%.



A chart indicating the annual percent changes of AGR of the Midwest region states since FY 2010 is shown below. The addition of the Des Plaines casino allowed Illinois to claim the state with the biggest improvement in AGR in FY 2012. As shown, all of the Midwestern states experienced declines in their AGR in FY 2013 and in FY 2014. It is probably no coincidence that these are the same fiscal years that video gaming began to ramp up in Illinois. Only two states saw improvement in FY 2015, albeit slight: Iowa (+2.4%) and Missouri (1.2%). Indiana suffered its six straight fiscal year of declining revenues in FY 2015 falling another -3.4%.



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

Indiana

- Indiana continues to have the highest amount of adjusted gross receipts in the Midwest at $2.157 billion. However, its FY 2015 total was 23% below levels experienced just six years ago in FY 2009. During this time, its composition of the Midwest gaming dollar has gone from 38% to 32%. Increased competition from other states is believed to be the reason for these declines.

- Approximately 44% of Indiana gaming revenues came from Indiana's five Chicago metropolitan area casinos. Undoubtedly, a large portion of these dollars came from Illinois residents. However, Indiana's Chicago area casinos' AGR fell 2.4% in FY 2015 and has fallen 19.5% over the past five years. The new Des Plaines Casino and the increased competition from video gaming in Illinois are key reasons for this falloff.

- In FY 2007, using data from all of the casinos in the Chicago area, the majority of total adjusted gross receipts were in Illinois (50.4% vs. 49.6%). However, in FY 2011, Indiana held a decisive majority of adjusted gross receipts at 58.1% compared to Illinois portion of 41.9%. Again, with the addition of the Des Plaines casino, Illinois regained the majority of AGR in this region. In FY 2015, Illinois held 52.3% of adjusted gross receipts compared to Indiana's composition of 47.7%. From an Illinois perspective, while regaining the majority in this area is promising, the fact remains that the vast majority of the population in the Chicago area is in Illinois which means it is likely that Illinois is still losing significant gaming revenues to Indiana casinos.

- Indiana also must compete with new casinos in Ohio. Over the last couple of years, new casinos have opened up in Cincinnati, Cleveland, Columbus, and Toledo. The new Cincinnati casino has had a direct impact on Indiana's three Cincinnati area casinos, as their AGR levels fell a combined 16.9% in FY 2013, another 31.4% in FY 2014, and yet another 12.9% in FY 2015. The reduction in these casinos is a significant contributing factor for the Statewide 3.4% drop in adjusted gross receipts in FY 2015 and its 19.4% decline over the past three years.

Missouri

- Missouri's Statewide AGR levels improved 1.2% in FY 2015, but have fallen 3.6% over the last two years and 3.8% over the past five years. The largest increase in FY 2015 came from their newest casino in Cape Girardeau, which grew 9.9%. This casino, which borders Illinois in the southern region of the State, generated $63 million in FY 2015. One of the reasons Cape Girardeau was chosen for the license's location was that a new casino here would have less of a cannibalization effect on other Missouri casinos and that Illinois would "bear a good share of the

sales impact", according to an economic analysis done by the Missouri Gaming Commission.

- All of the recent casino openings in Missouri over the past several years are in direct competition with Illinois' riverboats. This is a major reason why, over the last five years, Alton's AGR has fallen 29.3% and Illinois' casino in East St. Louis casino has fallen 23.5%.

- In FY 2015, Missouri's portion of total AGR in the St. Louis region was at 83.7%, while Illinois composed 16.3% of the total. In comparison, in FY 2007, Missouri's composition in the region was 70.0%, while Illinois' two locations made up the remaining 30.0%. This again shows how competition from bordering states has hurt Illinois' revenue totals from gaming.

- While Illinois' two riverboats in the St. Louis region fell 7.2% in FY 2015, Missouri's four St. Louis area casinos combined for a slight increase of 0.8%. Again, it is believed that the increased competition from video gaming terminals in Illinois is limiting the casino growth in this region. The four Illinois counties closest to St. Louis (Jersey, Madison, Monroe, and St. Clair) had 1,305 video gaming terminals in FY 2015, which is a little over the size of another riverboat casino.

Iowa

- Iowa in FY 2015 operated 18 gaming facilities, which consisted of fifteen casinos and three racinos. Overall, Iowa's AGR increased 2.4% in FY 2015 and is up 3.8% over the last five years. Its AGR total of $1.416 billion is just below Illinois' AGR total of $1.459 billion.

- Seven of Iowa's 18 gaming facilities lie near Illinois' borders. These locations (Dubuque "Diamond Jo": $64M; Clinton: $33M; Burlington: $42M; Emmetsburg: $31M; Dubuque "Mystique": $51M; Davenport: $43M; and Bettendorf: $69M) generated approximately $332 million in FY 2015. Again, it is likely that a significant portion of these dollars came from the pockets of Illinois residents as Illinois has only one casino ("Jumer's" in Rock Island) on the Iowa border.

- Over the last several fiscal years, Iowa's two Quad City area riverboats in Davenport and Bettendorf have been on a downward trend. The combined AGR levels of these facilities declined 27.2% ($-41.6M) between FY 2008 and FY 2015. In comparison, during this same time period, Illinois' Rock Island's AGR increased from $33.4 million to $77.3 million – an increase of $43.8 million. The main reason for this is because Rock Island opened a new facility at the end of 2008. Therefore, while the overall amount gambled at casinos in the Quad City area has not changed much, the revenues have shifted from Iowa's older facilities to the newer Rock Island Casino over the last several years.

From a national perspective, revenues from gaming (including racetrack casinos, riverboat casinos, and video gaming) have seen very little growth over the last several years. For example, looking at the top gaming states in the country (according to the latest American Gaming Association report), as a whole, gaming revenues from these states are down 1.5% over the past year (CY 2014 vs CY 2013) and essentially flat since 2009 ($30.502 billion in 2014 vs $30.533 billion in 2009). Nevada remains by far the largest gaming state in the country ($11.0 billion in CY 2014), followed by Pennsylvania ($3.069 billion), Louisiana ($3.064 billion, when including video gaming), New Jersey ($2.6 billion) and Indiana ($2.125 billion). Tables displaying a history of gaming dollars for the Midwest and other prominent gaming states are shown below on a calendar year basis.

Table 13: AGR from Commercial Casino Gaming
(Midwest States)
$ in billions

CY	Illinois*	Indiana	Iowa	Michigan	Missouri	Ohio
2009	$1.429	$2.799	$1.381	$1.339	$1.730	$0.000
2010	$1.374	$2.794	$1.368	$1.378	$1.788	$0.000
2011	$1.477	$2.721	$1.424	$1.424	$1.805	$0.000
2012	$1.651	$2.636	$1.467	$1.417	$1.769	$0.351
2013	$1.853	$2.332	$1.420	$1.350	$1.707	$0.821
2014	$2.125	$2.157	$1.391	$1.333	$1.660	$0.809
Annual % Change						
CY	Illinois*	Indiana	Iowa	Michigan	Missouri	Ohio
2009	-8.9%	4.9%	-2.8%	-1.5%	2.9%	N/A
2010	-3.8%	-0.2%	-0.9%	2.9%	3.3%	N/A
2011	7.5%	-2.6%	4.1%	3.4%	1.0%	N/A
2012	11.8%	-3.1%	3.0%	-0.5%	-2.0%	N/A
2013	12.2%	-11.5%	-3.2%	-4.7%	-3.5%	134.3%
2014	14.7%	-7.5%	-2.0%	-1.2%	-2.7%	-1.5%

* Includes Video Gaming Revenues

Table 14: AGR from Commercial Casino Gaming
(Other Prominent Gaming States)
$ in billions

CY	Nevada	Pennsylvania	Louisiana*	New Jersey	Mississippi	**Total****
2009	$10.393	$1.965	$3.089	$3.943	$2.465	$30.533
2010	$10.405	$2.486	$2.984	$3.261	$2.389	$30.228
2011	$10.701	$3.025	$2.981	$2.951	$2.239	$30.747
2012	$10.861	$3.158	$3.014	$2.707	$2.251	$30.931
2013	$11.143	$3.114	$3.042	$2.860	$2.137	$30.956
2014	$11.019	$3.069	$3.064	$2.616	$2.068	$30.502
Annual % Change						
CY	Nevada	Pennsylvania	Louisiana*	New Jersey	Mississippi	**Total****
2009	-10.4%	21.6%	19.6%	-12.4%	-9.4%	-3.7%
2010	0.1%	26.6%	-3.4%	-17.3%	-3.1%	-1.0%
2011	2.8%	21.7%	-0.1%	-9.5%	-6.3%	1.7%
2012	1.5%	4.4%	1.1%	-8.2%	0.5%	0.6%
2013	2.6%	-1.4%	0.9%	5.6%	-5.1%	0.1%
2014	-1.1%	-1.4%	0.7%	-8.5%	-3.2%	-1.5%

* Includes Video Gaming Revenues
****Total includes these "Prominent Gaming States" and the "Midwest States"**

An Analysis of Expanding Gambling in Illinois

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

Over the past decade, there have been numerous legislative proposals dealing with gaming expansion, but none have received enough support for enactment. A few have come close (SB 0744 HA 1-7 and SB 1849 HA 2, 3), but both of these were vetoed by Governor Quinn.

Further attempts at gaming expansion came in 2015. The most prominent were HB 3564 and HB 2939. HB 3564 would create a Chicago Casino, along with four other new casinos, and allow slot machines at horse tracks. HB 2939 would only allow for a new Chicago Casino. At the time of this report, neither of these bills had gathered enough support for passage.

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

Add New Riverboats and Casinos

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

New casinos, especially a land-based casino in Chicago, could generate millions of dollars to the State and local governments. But how much revenue could these new casinos generate? The amount of revenue generated from the smaller proposed Illinois locations would likely be very similar to the other 1,200-position casinos across the State. But most expect that a new casino strategically located near an untapped population area of Chicago would easily exceed Illinois' highest revenue generating casino, which was Des Plaines in FY 2015 ($428 M), and would rival

other large casinos across the country. Below are examples of other large casinos across the country and their adjusted gross receipts totals (CY 2014).

Horseshoe in Hammond, IN:	Positions: 3,433	CY 2014 AGR: $430.5M
Ameristar in St. Charles, MO:	Positions: 2,692	CY 2014 AGR: $259.8M
Parx in Bensalem, PA	Positions: 3,738	CY 2014 AGR: $490.6M
Sands in Bethlehem, PA	Positions: 3,827	CY 2014 AGR: $470.0M
The Rivers in Pittsburgh, PA	Positions: 3,293	CY 2014 AGR: $346.3M
MGM Grand in Detroit, MI	Positions: 4,080	CY 2014 AGR: $561.1M

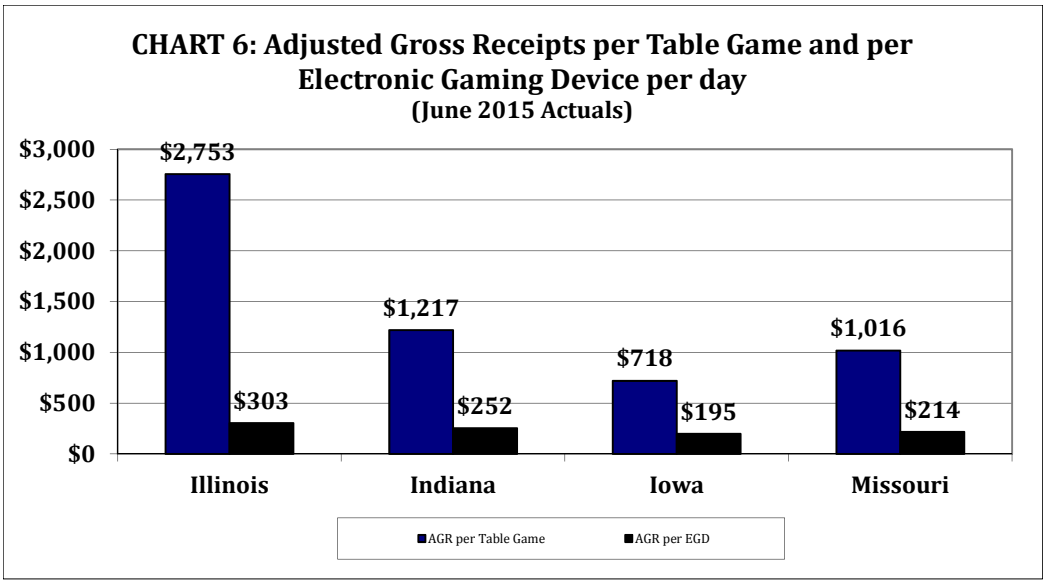
Again, a casino's performance would depend on what other gaming components are implemented at the time of a casino's operation year. These components include the tax structure used, the number of gaming positions allowed per facility, the location of the new facility in accordance with population, and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

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

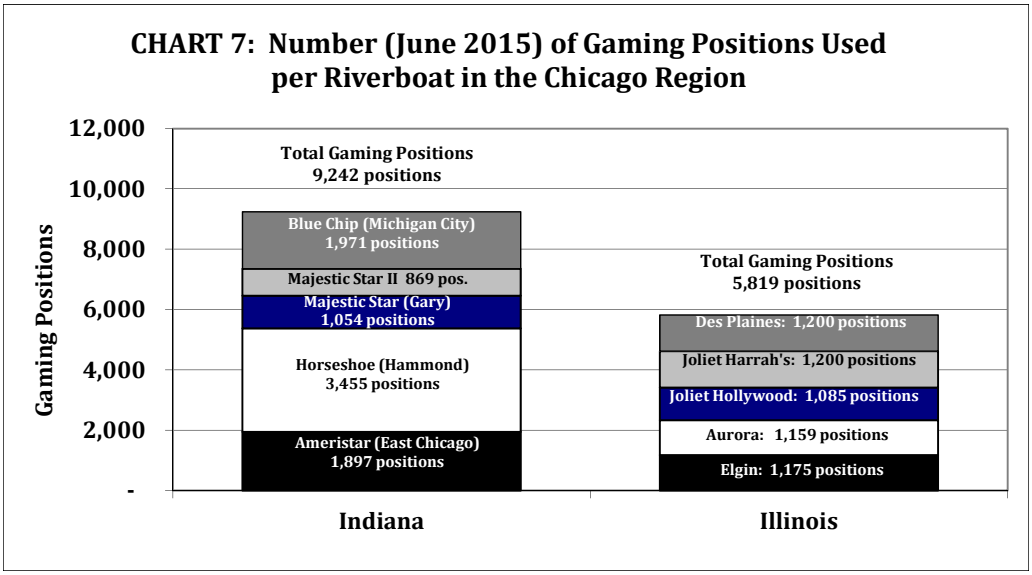
Add Additional Gaming Positions.

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

To illustrate this point, the following graph displays the AGR per Table Game (per day) and the AGR per EGD (per day) for each of the Midwestern riverboat states for June 2015 (EGD stands for electronic gaming device, i.e. slot machines). Illinois' AGR per Table Game and AGR per EGD are significantly higher than the other neighboring states. This suggests that Illinois has still not reached its saturation point under today's current gaming conditions. This seems to be especially the case at Des Plaines, whose AGR/table game/day ($7,024) and AGR/EGD/day ($792) values in June 2015 were significantly above values seen at other casinos.



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



As the graph illustrates, according to Indiana's June 2015 monthly gaming report, the five Indiana riverboats closest to Chicago had 9,242 gaming positions. That is 3,423 more positions than the 5,819 gaming positions at the five Chicago area riverboats in Illinois. Based on these figures, the five Indiana riverboats in the Chicago area made up 61.4% of all gaming positions in that region. Again, this is despite the fact that the majority of the population is in Illinois.

The average number of positions for the five Indiana riverboats in this region is 1,848 positions, with Hammond, Indiana's Horseshoe Casino having the most at 3,455 positions (June 2015). Despite being the largest casino in Indiana, the Hammond casino had one of the highest AGR/position/day figures of any Indiana facility (as shown in Table 12) at $342/position/day. If Illinois decided to increase the maximum number of positions, these numbers would suggest at least 1,800 positions would be necessary to be closer to the optimal number of positions in Illinois for the Chicago area, especially for the highly competitive casino in Des Plaines.

However, it must be noted that due to the ever-increasing number of video gaming machines throughout Illinois, the optimal number of positions for each casino has undoubtedly diminished in recent years. For example, only three casinos were at or near the position max of 1,200 gaming positions in June 2015. In June 2014, there were 11,469 gaming positions at Illinois casinos (5,936 in the Chicago area). In June 2015, this number has fallen to 10,875 gaming positions (5,819 in the Chicago area), a Statewide decline of 5.2% (and a decline of 2.0% in the Chicago area). The decline in operating gaming positions will likely continue as video gaming obtains higher levels of popularity. And as the number of gaming positions decline, so does the pressure to increase the position limit at Illinois' casinos.

Add Slot Machines at Racetracks

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

Fiscal Year 2009 was the first full fiscal year of racetrack casinos at Indiana's two locations, Hoosier Park in Anderson and Indiana Live near Shelbyville. In FY 2015, $438 million was generated from these casinos. These locations are limited to a total of 4,000 slot machines (2,000 each). When Indiana entered into the racetrack casino market, it joined Iowa as the only states in the Midwest Region to offer this form of gambling. In FY 2015, Iowa generated a combined $420 million in adjusted gross receipts from their three locations in Council Bluffs, Altoona, and Dubuque.

Many in Illinois' horseracing industry are hoping that Illinois follows suit and allows casinos at its horse tracks. Proponents contend that not only would video gaming terminals at the horse tracks help bring additional revenues to the State, but it would also assist in revitalizing the horseracing industry in Illinois. As noted throughout this report, Illinois' horse racing industry is on a decidedly downward

trend. Illinois' total handle amount of $624 million in CY 2014 is 41.1% lower than it was a decade ago. It is no coincidence that Illinois' declining revenues over the last several years came at the same time that the numbers of racetrack casinos have increased in other states throughout the nation. As attendance at racetracks increase, so do their revenue, which allows them to offer larger purses. These larger purses at other tracks are enticing enough to persuade participants to forgo Illinois' races and attend races in other states.

The Commission is often asked how much revenue Illinois could realize by allowing slot machines at its racetracks. One way to get a feel for the revenue potential of a horse track casino is to look at revenue data from other states. The following table displays the latest racino figures from Iowa, Indiana, and Pennsylvania. The Pennsylvania market is included because of its metropolitan similarities to Illinois. As shown, the revenue amounts range between $152 and $363 per slot machine per day, with the average of those shown at $273 per day.

TABLE 15: FY 2015 AGR Statistics at Selected Racetrack Casinos

Racino	Location	FY 2015 AGR (in mil.)	Gaming Positions (June '15)	AGR/Slot/ Day
Prairie Meadows	Altoona, IA	$186.1	2,109	$242
Horseshoe Casino	Council Bluffs, IA	$183.5	1,660	$303
Mystique Casino	Dubuque, IA	$50.8	913	$152
Hoosier Park	Anderson, IN	$198.4	1,715	$317
Indiana Grand	Shelbyville, IN	$239.3	1,860	$352
Harrah's Chester Casino	Chester, PA	$284.7	3,155	$247
Presque Isle Downs Casino	Erie, PA	$130.7	1,788	$200
The Meadows Racetrack & Casino	Washington, PA	$243.3	3,299	$202
Mohegan Sun at Pocono Downs	Wilkes-Barre, PA	$261.6	2,584	$277
Parx Casino	Bensalem, PA	$507.6	3,827	$363
Hollywood Casino at Penn National	Grantville, PA	$249.6	2,532	$270

Note: Indiana racinos only have slot machines. Pennsylvania and Iowa locations have both slots and table games.

Because the latest proposals have limited the number of gaming positions at Cook County racetracks, Illinois' AGR/Slot/Day would probably be at the high end of values seen in other states – likely near $300 per slot machine per day for those racinos in the Chicago area and likely less for the downstate locations. Estimating Illinois' racetrack casino revenue potential is difficult because it depends on the gaming environment at the time of its operation, the number of gaming positions it utilizes, its location, and how much other gambling competition, such as video gaming terminals, exists in proximity to these racinos. Most expansion proposals include a casino in Chicago and other suburban casinos to go along with these racinos. As more competition exists, the less revenue that will be able to be generated from these locations.

As shown in the following table, a racetrack in Arlington would only be 10 miles from the new Des Plaines Casino. A casino at Maywood Racetrack would only be 11 miles from Des Plaines and potentially only 15 miles from a new Chicago location.

While new revenues would be generated by having these new racetrack casinos, there is little doubt that there would be some cannibalization effects on the other casinos throughout the Chicago area.

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

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

Distances in driving miles according to maps.google.com

Estimating the Potential Tax Revenue Impact of Gaming Expansion

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

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

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

What Will the Future Hold for Illinois Riverboats?

Riding the success of the new Des Plaines casino, Illinois' total adjusted gross receipts increased 18.1% from FY 2011 to FY 2013. However, despite a 4.4% increase at this new casino over the past two years, the combined AGR of the State's 10 casinos have fallen -8.5% since FY 2013. The lack of growth can be attributed to numerous factors, but the primary reason for the recent declines is felt to be due to the increased competition from video gaming.

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

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

VIDEO GAMING

VIDEO GAMING IN ILLINOIS

Video Gaming was first legalized in July 2009 thru P.A. 96-0034. The first video gaming machines became operational in September 2012. The following section provides an overview of the legislation legalizing video gaming in Illinois, reasons for why implementation had been slow to occur, a summary of video gaming statistics thru FY 2015, and a detailed discussion on the apparent impact that video gaming is having on the riverboat casino industry.

Public Act 96-0034 – The Capital Bill

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

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

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

On July 19, 2012, the Gaming Board announced that the Central Communications System was deemed functional. This system was created to provide real-time communication and control between every licensed video gaming terminal in Illinois and the Gaming Board. With the Central Communications System in place, video gaming finally began operations in Illinois in September 2012. Initially, this was on a limited basis as the Board wanted to make sure initial test sites across the State were working properly before opening up video gaming for everyone. In that opening month, 61 terminals went into operation.

Overview of Illinois' Video Gaming Arrangement

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

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

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

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

1) Manufacturing: $5,000
2) Distributor: $5,000
3) Operator: $5,000
4) Supplier: $2,500
5) Technician: $100
6) Terminal Handler: $50

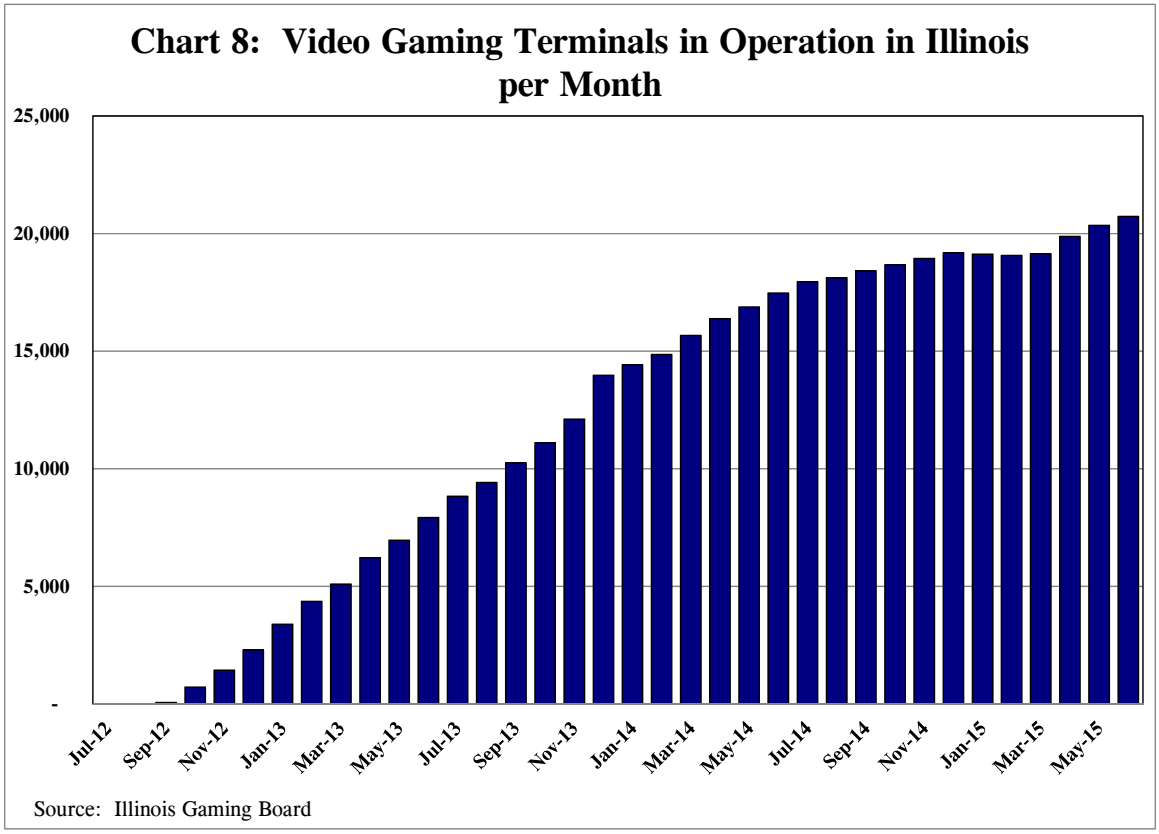
In addition, the Gaming Board shall establish an annual fee for each license not to exceed the following:

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

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

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

As stated previously, in its opening month of September 2012, 61 video gaming terminals were in operation in Illinois. By the end of FY 2015 (June 2015), this number had risen to 20,730 machines – up from 7,920 terminals in June 2013 and from 17,467 terminals in June 2014. The chart below displays the growth in video gaming terminals across the State since video gaming began in 2012.



Between September 2012 and June 2014, an average of 838 new video gaming terminals per month was activated across Illinois. In FY 2015, this monthly average had slowed to 272 terminals per month. Although the number of new terminals has slowed, it appears that video gaming has yet to reach its plateau.

A couple years ago, the Gaming Board had stated that this number was expected to level off at around 20,000 terminals. However, the Board now believes the leveling off point could reach between 23,000 and 25,000 terminals. Therefore, the terminal count will continue to grow in FY 2016, but will again likely see its rate of new machines slow as the State is nearing "full implementation". This of course assumes that there are no changes to current laws (such as the overturning of Chicago's ban on video gaming) that would significantly impact these figures.

Unlike riverboat casinos, which are limited to 1,200 gaming positions at its 10 casinos, the State does not limit how many video gaming terminals can be in operation across the State, aside from the limit of 5 terminals per location. Although, it should be noted, that some municipalities may have their own limitations for the number of video gaming terminals that can exist in their particular area.

Local Governments Banning Video Gaming

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

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

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

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

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

Updated information from the Gaming Board's website has shown this to be true as numerous local governments have overturned their ban on video gaming in their areas over the past couple of years. In 2013, the Commission calculated that the percentage of the State's population that lived in an area banning video gaming was at 63.3%. The FY 2015 data shows that the percentage of Illinois communities without video gaming had fallen to 46.5%. Again, the City of Chicago makes up nearly half of this population at 21.0%. A list of the highest populated cities without video gaming is shown on the following page.

Table 17: Highest Populated Cities without Video Gaming
as of June 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	Woodridge	32,971	0.3%
25	Gurnee	31,295	0.2%

Video Gaming Statistics

Table 18, below, provides a summary of the amount of revenue generated from video gambling in FY 2015. This table displays how the number of video gaming terminals grew throughout the fiscal year, reaching 20,730 by June 2015. The monthly amount of net terminal income generated from video gaming grew from $55.6 million in July 2015 to as high as $77.6 million in March 2015. This resulted in total tax revenues increasing from $16.7 million to $23.3 million per month during this time span.

On average these video gaming terminals generated between $99 and $131 in net terminal income per position per day. For the fiscal year, $241.4 million in tax revenues were generated with $201.2 million going to the Capital Projects Fund and $40.2 million to local governments.

Table 18: FY 2015 Illinois Video Gaming Statistics
$ in millions

	Terminals	Net Terminal Income (NTI)	NTI / Position / Day	Tax Revenue (30%)	State Share (25%)	Municipality Share (5%)
July	17,954	$55.594	$99.89	$16.678	$13.899	$2.780
August	18,118	$59.075	$105.18	$17.723	$14.769	$2.954
September	18,412	$57.490	$104.08	$17.247	$14.372	$2.874
October	18,669	$64.501	$111.45	$19.350	$16.125	$3.225
November	18,937	$62.530	$110.07	$18.759	$15.633	$3.127
December	19,182	$66.812	$112.36	$20.044	$16.703	$3.341
January	19,125	$65.443	$110.38	$19.633	$16.361	$3.272
February	19,069	$68.486	$128.27	$20.546	$17.122	$3.424
March	19,142	$77.649	$130.85	$23.295	$19.412	$3.882
April	19,873	$76.500	$128.32	$22.950	$19.125	$3.825
May	20,349	$77.848	$123.41	$23.355	$19.462	$3.892
June	20,730	$72.832	$117.11	$21.850	$18.208	$3.642
FY 2015 Totals:		$804.761		$241.428	$201.190	$40.238

Table 19, on the following page, displays the 22,117 terminals in operation during FY 2015 on a per-county basis to see how these video gaming terminals have been distributed across Illinois. This fiscal year total is higher than the monthly amounts shown in Table 18 because this figure would include terminals that have since been removed from operation. In other words, the fiscal year ended with 20,730 terminals, but 22,117 terminals were used at some point during the fiscal year.

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

Table 19: Video Gaming Statistics by Illinois County - FY 2015 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:	**5,439**	**22,117**	**$804,747,682**	**$241,426,279**	**$201,188,634**	**$40,237,644**	**State Totals:**	**5,439**	**22,117**	**$804,747,682**	**$241,426,279**	**$201,188,634**	**$40,237,644**
Adams	62	137	$4,665,728	$1,399,731	$1,166,443	$233,288	Lee	53	202	$6,079,882	$1,823,983	$1,519,987	$303,997
Alexander	15	60	$1,568,832	$470,655	$392,213	$78,442	Livingston	48	191	$5,966,609	$1,790,002	$1,491,669	$298,333
Bond	19	58	$1,566,592	$469,983	$391,653	$78,330	Logan	29	113	$3,932,362	$1,179,718	$983,099	$196,619
Boone	29	126	$4,868,237	$1,460,482	$1,217,069	$243,413	McDonough	17	54	$1,003,978	$301,198	$250,998	$50,199
Brown	2	6	$109,130	$32,739	$27,283	$5,457	McHenry	162	697	$24,267,402	$7,280,284	$6,066,905	$1,213,378
Bureau	53	182	$4,230,900	$1,269,284	$1,057,737	$211,547	McLean	98	391	$19,192,742	$5,757,859	$4,798,217	$959,642
Calhoun	9	28	$547,043	$164,115	$136,763	$27,352	Macon	68	316	$18,904,268	$5,671,313	$4,726,095	$945,218
Carroll	21	76	$1,621,046	$486,322	$405,268	$81,053	Macoupin	58	229	$4,582,419	$1,374,743	$1,145,620	$229,123
Cass	18	63	$1,617,559	$485,274	$404,395	$80,879	Madison	174	682	$21,512,471	$6,453,808	$5,378,175	$1,075,632
Champaign	102	438	$20,386,191	$6,115,898	$5,096,583	$1,019,315	Marion	55	245	$6,939,329	$2,081,819	$1,734,850	$346,969
Christian	53	218	$5,810,563	$1,743,189	$1,452,658	$290,531	Marshall	16	58	$1,235,604	$370,676	$308,897	$61,779
Clark	9	41	$1,123,751	$337,128	$280,940	$56,188	Mason	21	77	$1,621,741	$486,529	$405,441	$81,088
Clay	9	41	$1,252,275	$375,686	$313,072	$62,614	Massac	5	20	$1,052,656	$315,799	$263,166	$52,633
Clinton	52	160	$3,673,406	$1,102,035	$918,363	$183,672	Menard	12	47	$1,379,791	$413,941	$344,951	$68,990
Coles	52	228	$6,461,179	$1,938,371	$1,615,309	$323,061	Mercer	14	40	$965,027	$289,513	$241,261	$48,252
Cook	743	3,271	$148,594,841	$44,578,783	$37,148,996	$7,429,787	Monroe	14	48	$1,755,140	$526,547	$438,789	$87,758
Crawford	9	37	$998,162	$299,452	$249,544	$49,909	Montgomery	41	144	$4,024,624	$1,207,401	$1,006,168	$201,233
Cumberland	7	31	$876,245	$262,876	$219,064	$43,813	Morgan	39	167	$6,389,873	$1,916,978	$1,597,482	$319,496
DeKalb	57	223	$6,447,386	$1,934,157	$1,611,798	$322,359	Moultrie	17	65	$1,858,214	$557,470	$464,558	$92,911
DeWitt	17	76	$2,632,522	$789,765	$658,138	$131,627	Ogle	62	239	$7,265,869	$2,179,782	$1,816,486	$363,296
Douglas	23	96	$3,169,607	$950,890	$792,409	$158,481	Peoria	139	533	$16,252,354	$4,875,752	$4,063,129	$812,624
DuPage	109	483	$22,030,867	$6,609,207	$5,507,674	$1,101,533	Perry	26	111	$2,758,565	$827,577	$689,648	$137,929
Edgar	12	50	$1,726,180	$517,859	$431,549	$86,310	Piatt	13	57	$1,582,451	$474,739	$395,616	$79,123
Edwards	8	33	$817,385	$245,218	$204,349	$40,870	Pike	14	51	$1,291,028	$387,312	$322,760	$64,552
Effingham	51	213	$8,767,086	$2,630,146	$2,191,789	$438,357	Pope	1	4	$83,639	$25,092	$20,910	$4,182
Fayette	18	79	$3,166,551	$949,973	$791,644	$158,329	Pulaski	1	4	$144,316	$43,295	$36,079	$7,216
Ford	16	65	$1,494,105	$448,237	$373,531	$74,706	Putnam	8	23	$515,381	$154,608	$128,840	$25,768
Franklin	50	202	$5,420,816	$1,626,262	$1,355,219	$271,043	Randolph	42	171	$5,116,762	$1,535,045	$1,279,205	$255,840
Fulton	45	155	$3,869,147	$1,160,757	$967,298	$193,459	Richland	10	40	$1,319,220	$395,769	$329,808	$65,961
Gallatin	5	20	$430,379	$129,115	$107,596	$21,519	Rock Island	93	317	$9,290,380	$2,787,143	$2,322,621	$464,523
Greene	19	47	$1,146,849	$344,058	$286,715	$57,343	St. Clair	135	534	$15,896,126	$4,768,886	$3,974,073	$794,813
Grundy	57	222	$6,868,009	$2,060,423	$1,717,020	$343,403	Saline	21	93	$3,056,989	$917,105	$764,254	$152,851
Hamilton	5	20	$430,096	$129,030	$107,525	$21,505	Sangamon	216	911	$38,996,300	$11,698,973	$9,749,148	$1,949,826
Hancock	18	52	$1,102,805	$330,846	$275,705	$55,141	Schuyler	7	28	$599,312	$179,796	$149,830	$29,966
Hardin	1	3	$98,568	$29,571	$24,642	$4,928	Scott	7	26	$816,390	$244,920	$204,100	$40,820
Henderson	6	22	$520,734	$156,222	$130,185	$26,037	Shelby	15	57	$1,402,509	$420,756	$350,630	$70,126
Henry	33	122	$3,593,964	$1,078,200	$898,500	$179,700	Stark	6	18	$294,337	$88,303	$73,586	$14,717
Iroquois	46	169	$3,952,599	$1,185,797	$988,165	$197,632	Stephenson	43	180	$6,405,503	$1,921,668	$1,601,390	$320,277
Jackson	37	155	$3,802,225	$1,140,680	$950,567	$190,113	Tazewell	98	386	$11,681,311	$3,504,427	$2,920,357	$584,070
Jasper	11	41	$854,765	$256,432	$213,694	$42,739	Union	17	68	$1,497,010	$449,109	$374,257	$74,851
Jefferson	29	124	$6,093,463	$1,828,051	$1,523,376	$304,675	Vermilion	77	307	$11,099,664	$3,329,928	$2,774,941	$554,987
Jersey	24	72	$1,355,170	$406,557	$338,797	$67,759	Wabash	9	40	$1,269,004	$380,704	$317,254	$63,451
JoDaviess	35	116	$3,423,175	$1,026,963	$855,803	$171,160	Warren	15	54	$1,415,799	$424,745	$353,955	$70,791
Johnson	8	27	$508,681	$152,607	$127,172	$25,434	Washington	28	116	$3,000,666	$900,210	$750,175	$150,035
Kane	156	654	$22,661,828	$6,798,611	$5,665,511	$1,133,100	Wayne	5	22	$673,404	$202,023	$168,353	$33,670
Kankakee	97	420	$11,738,642	$3,521,632	$2,934,694	$586,937	White	7	30	$1,075,417	$322,627	$268,856	$53,771
Kendall	37	147	$3,709,971	$1,113,003	$927,503	$185,500	Whiteside	56	244	$7,460,999	$2,238,323	$1,865,270	$373,053
Knox	47	189	$6,067,240	$1,820,188	$1,516,824	$303,364	Will	234	932	$33,291,669	$9,987,590	$8,322,995	$1,664,595
Lake	231	1,028	$46,484,253	$13,945,370	$11,621,145	$2,324,225	Williamson	51	215	$7,029,943	$2,109,004	$1,757,504	$351,500
LaSalle	198	757	$23,421,471	$7,026,629	$5,855,526	$1,171,103	Winnebago	226	1,066	$56,753,960	$17,026,295	$14,188,583	$2,837,712
Lawrence	23	90	$2,857,845	$857,361	$714,468	$142,893	Woodford	23	81	$2,111,209	$633,370	$527,809	$105,561
Chi Area*	1,786	7,657	$314,356,226	$94,307,429	$78,589,548	$15,717,881	**% in Chi Area*:**	32.8%	34.6%	39.06271%	39.1%	39.1%	39.1%

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

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

Table 20 displays the video gaming statistics shown in Table 19 on a per-capita basis. Statewide, the average terminal-per-capita value was 0.17%. The net terminal income-per-capita value was $62.72. The rankings of each counties' values in these areas are also displayed in the below table. These figures are displayed by their rankings in each category on the following page.

Table 20: Video Gaming Statistics per County Population - FY 2015 Totals
$ in millions

County	Terminals	Terminal per Capita	Terminal per Capita Rank	NTI per Capita	NTI per Capita Rank	County	Terminals	Terminal per Capita	Terminal per Capita Rank	NTI per Capita	NTI per Capita Rank
State Totals:	**22,117**	**0.17%**		**$62.72**		**State Totals:**	**22,117**	**0.17%**		**$62.72**	
Adams	137	0.20%	86	$69.53	74	**Lee**	202	0.56%	8	$168.74	11
Alexander	60	0.73%	3	$190.44	6	**Livingston**	191	0.49%	19	$153.19	16
Bond	58	0.33%	54	$88.17	56	**Logan**	113	0.37%	43	$129.76	28
Boone	126	0.23%	77	$89.88	55	**McDonough**	54	0.17%	89	$30.79	96
Brown	6	0.09%	98	$15.73	102	**McHenry**	697	0.23%	79	$78.60	68
Bureau	182	0.52%	12	$120.96	34	**McLean**	391	0.23%	78	$113.18	38
Calhoun	28	0.55%	9	$107.50	41	**Macon**	316	0.29%	64	$170.67	9
Carroll	76	0.49%	17	$105.35	45	**Macoupin**	229	0.48%	22	$95.94	51
Cass	63	0.46%	25	$118.57	36	**Madison**	682	0.25%	71	$79.89	65
Champaign	438	0.22%	80	$101.38	48	**Marion**	245	0.62%	6	$175.96	8
Christian	218	0.63%	4	$166.97	12	**Marshall**	58	0.46%	29	$97.75	49
Clark	41	0.25%	72	$68.79	75	**Mason**	77	0.53%	11	$110.58	39
Clay	41	0.30%	62	$90.65	54	**Massac**	20	0.13%	93	$68.23	76
Clinton	160	0.42%	33	$97.28	50	**Menard**	47	0.37%	46	$108.60	40
Coles	228	0.42%	34	$119.93	35	**Mercer**	40	0.24%	74	$58.72	83
Cook	3,271	0.06%	101	$28.61	97	**Monroe**	48	0.15%	90	$53.26	86
Crawford	37	0.19%	88	$50.37	88	**Montgomery**	144	0.48%	23	$133.69	26
Cumberland	31	0.28%	66	$79.31	67	**Morgan**	167	0.47%	24	$179.76	7
DeKalb	223	0.21%	83	$61.31	80	**Moultrie**	65	0.44%	32	$125.17	30
DeWitt	76	0.46%	28	$158.96	13	**Ogle**	239	0.45%	30	$135.82	24
Douglas	96	0.48%	21	$158.64	14	**Peoria**	533	0.29%	63	$87.15	58
DuPage	483	0.05%	102	$24.03	98	**Perry**	111	0.50%	16	$123.43	31
Edgar	50	0.27%	68	$92.93	53	**Piatt**	57	0.34%	51	$94.59	52
Edwards	33	0.49%	18	$121.62	33	**Pike**	51	0.31%	58	$78.58	69
Effingham	213	0.62%	5	$256.03	2	**Pope**	4	0.09%	97	$18.71	101
Fayette	79	0.36%	50	$143.02	20	**Pulaski**	4	0.06%	100	$23.42	99
Ford	65	0.46%	26	$106.11	43	**Putnam**	23	0.38%	38	$85.81	60
Franklin	202	0.51%	15	$137.02	22	**Randolph**	171	0.51%	14	$152.85	17
Fulton	155	0.42%	36	$104.38	46	**Richland**	40	0.25%	73	$81.27	63
Gallatin	20	0.36%	48	$77.00	70	**Rock Island**	317	0.21%	81	$62.97	78
Greene	47	0.34%	52	$82.59	62	**St. Clair**	534	0.20%	87	$58.86	82
Grundy	222	0.44%	31	$137.19	21	**Saline**	93	0.37%	42	$122.71	32
Hamilton	20	0.24%	76	$50.86	87	**Sangamon**	911	0.46%	27	$197.48	4
Hancock	52	0.27%	67	$57.73	84	**Schuyler**	28	0.37%	44	$79.44	66
Hardin	3	0.07%	99	$22.82	100	**Scott**	26	0.49%	20	$152.45	18
Henderson	22	0.30%	61	$71.03	73	**Shelby**	57	0.25%	70	$62.72	79
Henry	122	0.24%	75	$71.19	72	**Stark**	18	0.30%	60	$49.11	90
Iroquois	169	0.57%	7	$133.00	27	**Stephenson**	180	0.38%	40	$134.26	25
Jackson	155	0.26%	69	$63.14	77	**Tazewell**	386	0.29%	65	$86.28	59
Jasper	41	0.42%	35	$88.14	57	**Union**	68	0.38%	39	$84.06	61
Jefferson	124	0.32%	56	$156.94	15	**Vermilion**	307	0.38%	41	$135.98	23
Jersey	72	0.31%	57	$58.96	81	**Wabash**	40	0.33%	53	$106.22	42
JoDaviess	116	0.51%	13	$150.95	19	**Warren**	54	0.30%	59	$79.96	64
Johnson	27	0.21%	82	$40.43	92	**Washington**	116	0.79%	2	$203.91	3
Kane	654	0.13%	95	$43.98	91	**Wayne**	22	0.13%	92	$40.18	93
Kankakee	420	0.37%	45	$103.47	47	**White**	30	0.20%	85	$73.33	71
Kendall	147	0.13%	94	$32.33	95	**Whiteside**	244	0.42%	37	$127.54	29
Knox	189	0.36%	49	$114.65	37	**Will**	932	0.14%	91	$49.13	89
Lake	1,028	0.90%	1	$408.03	1	**Williamson**	215	0.32%	55	$105.94	44
LaSalle	757	0.11%	96	$33.29	94	**Winnebago**	1,066	0.36%	47	$192.21	5
Lawrence	90	0.53%	10	$169.78	10	**Woodford**	81	0.21%	84	$54.60	85
Metro Area*:	7,657	0.10%		$39.31		**% in Chi Area*:**	34.6%				

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

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

There are several interesting observations that can be taken from the rankings shown below. One is regards to Cook County. Despite the fact that the City of Chicago is not participating in video gaming, Cook County still had by far the most video gaming terminals of any county in the State in FY 2015 with 3,271 terminals and the highest amount of net terminal income collected with a value of $148.6 million. However, on a per-capita basis, because of Chicago's absence, Cook County ranks near the bottom in terminal per capita (ranked 101 of 102) and in net terminal income (NTI) per capita (ranked 97 of 102).

Lake County had the third highest amount of terminals in FY 2015 with 1,028 video gaming terminals and the third highest amount of net terminal income collected. But in contrast to Cook County, they also ranked high in terminals per capita (ranked 1st) and in NTI per capita (ranked 1st) with a per-capita value of $408. In comparison, Cook County had a NTI-per-capita value of only $29.

Table 21: Video Gaming Statistics by County Ranking
FY 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	3,271	1	Lake	0.90%	1	Cook	$148,594,841	1	Lake	$408.03
2	Winnebago	1,066	2	Washington	0.79%	2	Winnebago	$56,753,960	2	Effingham	$256.03
3	Lake	1,028	3	Alexander	0.73%	3	Lake	$46,484,253	3	Washington	$203.91
4	Will	932	4	Christian	0.63%	4	Sangamon	$38,996,300	4	Sangamon	$197.48
5	Sangamon	911	5	Effingham	0.62%	5	Will	$33,291,669	5	Winnebago	$192.21
6	LaSalle	757	6	Marion	0.62%	6	McHenry	$24,267,402	6	Alexander	$190.44
7	McHenry	697	7	Iroquois	0.57%	7	LaSalle	$23,421,471	7	Morgan	$179.76
8	Madison	682	8	Lee	0.56%	8	Kane	$22,661,828	8	Marion	$175.96
9	Kane	654	9	Calhoun	0.55%	9	DuPage	$22,030,867	9	Macon	$170.67
10	St. Clair	534	10	Lawrence	0.53%	10	Madison	$21,512,471	10	Lawrence	$169.78
11	Peoria	533	11	Mason	0.53%	11	Champaign	$20,386,191	11	Lee	$168.74
12	DuPage	483	12	Bureau	0.52%	12	McLean	$19,192,742	12	Christian	$166.97
13	Champaign	438	13	JoDaviess	0.51%	13	Macon	$18,904,268	13	DeWitt	$158.96
14	Kankakee	420	14	Randolph	0.51%	14	Peoria	$16,252,354	14	Douglas	$158.64
15	McLean	391	15	Franklin	0.51%	15	St. Clair	$15,896,126	15	Jefferson	$156.94
16	Tazewell	386	16	Perry	0.50%	16	Kankakee	$11,738,642	16	Livingston	$153.19
17	Rock Island	317	17	Carroll	0.49%	17	Tazewell	$11,681,311	17	Randolph	$152.85
18	Macon	316	18	Edwards	0.49%	18	Vermilion	$11,099,664	18	Scott	$152.45
19	Vermilion	307	19	Livingston	0.49%	19	Rock Island	$9,290,380	19	JoDaviess	$150.95
20	Marion	245	20	Scott	0.49%	20	Effingham	$8,767,086	20	Fayette	$143.02
"BOTTOM TWENTY COUNTIES"											
83	Wabash	40	83	DeKalb	0.21%	83	McDonough	$1,003,978	83	Mercer	$58.72
84	Crawford	37	84	Woodford	0.21%	84	Crawford	$998,162	84	Hancock	$57.73
85	Edwards	33	85	White	0.20%	85	Mercer	$965,027	85	Woodford	$54.60
86	Cumberland	31	86	Adams	0.20%	86	Cumberland	$876,245	86	Monroe	$53.26
87	White	30	87	St. Clair	0.20%	87	Jasper	$854,765	87	Hamilton	$50.86
88	Calhoun	28	88	Crawford	0.19%	88	Edwards	$817,385	88	Crawford	$50.37
89	Schuyler	28	89	McDonough	0.17%	89	Scott	$816,390	89	Will	$49.13
90	Johnson	27	90	Monroe	0.15%	90	Wayne	$673,404	90	Stark	$49.11
91	Scott	26	91	Will	0.14%	91	Schuyler	$599,312	91	Kane	$43.98
92	Putnam	23	92	Wayne	0.13%	92	Calhoun	$547,043	92	Johnson	$40.43
93	Henderson	22	93	Massac	0.13%	93	Henderson	$520,734	93	Wayne	$40.18
94	Wayne	22	94	Kendall	0.13%	94	Putnam	$515,381	94	LaSalle	$33.29
95	Gallatin	20	95	Kane	0.13%	95	Johnson	$508,681	95	Kendall	$32.33
96	Hamilton	20	96	LaSalle	0.11%	96	Gallatin	$430,379	96	McDonough	$30.79
97	Massac	20	97	Pope	0.09%	97	Hamilton	$430,096	97	Cook	$28.61
98	Stark	18	98	Brown	0.09%	98	Stark	$294,337	98	DuPage	$24.03
99	Brown	6	99	Hardin	0.07%	99	Pulaski	$144,316	99	Pulaski	$23.42
100	Pope	4	100	Pulaski	0.06%	100	Brown	$109,130	100	Hardin	$22.82
101	Pulaski	4	101	Cook	0.06%	101	Hardin	$98,568	101	Pope	$18.71
102	Hardin	3	102	DuPage	0.05%	102	Pope	$83,639	102	Brown	$15.73

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

Behind Cook County, Winnebago County had the second highest number of video gaming terminals in the State in FY 2015 with 1,066 terminals and the second highest amount of net terminal income collected with $56.8 million. A major reason for this is that two of the top five Illinois cities with video gaming terminals reside in Winnebago County: Rockford (ranked 2nd with 446 terminals) and Loves Park (ranked 4th with 258 terminals). Rockford had the highest amount of net terminal income in FY 2015 ($25.5 million) and Loves Park again ranked 4th ($13.3 million).

Below is a list of the top 25 municipalities with video gaming in Illinois. Springfield had the highest amount of video gaming terminals in FY 2015 with 548 terminals. Rockford ranked 2nd, followed by Joliet, Loves Park, and unincorporated areas of Lake County. In terms of net terminal income, again Rockford was first, followed by Springfield, Decatur, Loves Park, and Bloomington.

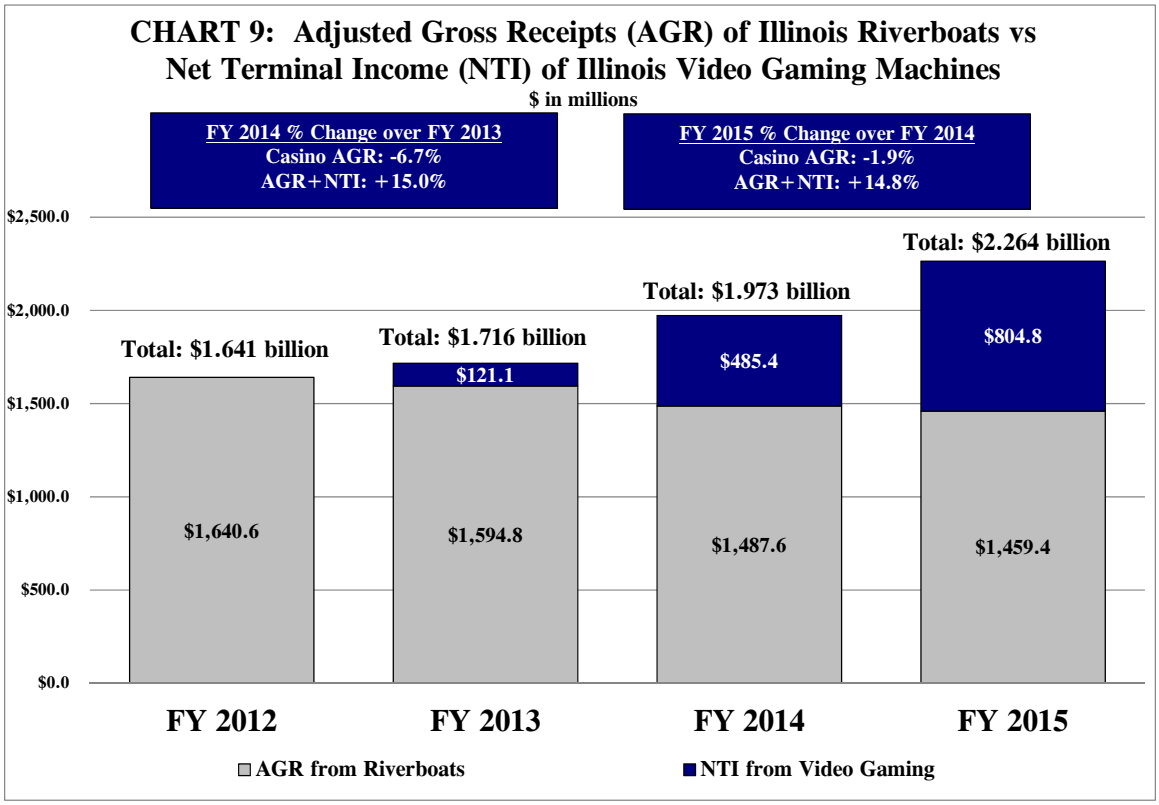
Table 22: Top Municipalities with Video Gaming
FY 2015 Totals

Rank	Municipality	Terminals	Rank	Municipality	Net Terminal Income
1	Springfield	548	1	Rockford	$25,525,865
2	Rockford	446	2	Springfield	$25,275,364
3	Joliet	259	3	Decatur	$14,904,908
4	Loves Park	258	4	Loves Park	$13,322,680
5	Lake County	244	5	Bloomington	$13,053,445
6	Decatur	239	6	Waukegan	$12,030,516
7	Bloomington	237	7	Joliet	$9,539,557
8	Peoria	220	8	Champaign	$9,342,609
9	Berwyn	209	9	Oak Lawn	$8,303,170
10	Waukegan	209	10	Lake County	$8,070,014
11	Champaign	175	11	Peoria	$7,434,877
12	Kankakee	163	12	Berwyn	$6,837,945
13	Oak Lawn	154	13	Sangamon County	$6,507,116
14	Sangamon County	154	14	Effingham	$5,938,742
15	Aurora	140	15	Cicero	$5,368,551
16	Alton	134	16	Freeport	$5,085,371
17	Mattoon	134	17	Fox Lake	$5,052,429
18	Effingham	133	18	Kankakee	$4,901,123
19	Galesburg	126	19	Mount Vernon	$4,788,780
20	Pekin	126	20	Jacksonville	$4,765,363
21	McHenry County	124	21	Aurora	$4,710,293
22	Will County	120	22	Villa Park	$4,537,056
23	Danville	119	23	Hoffman Estates	$4,530,956
24	Ottawa	116	24	Chicago Ridge	$4,529,488
25	Fox Lake	113	25	Winnebago County	$4,472,985

Video Gaming and Its Impact on Casinos

As Illinois' video gaming numbers continue to increase, the opposite has been the case for Illinois' riverboats. Since video gaming began in FY 2013, the total AGR of Illinois' ten casinos have fallen in every subsequent fiscal year: -2.8% in FY 2013; -6.7% in FY 2014; and -1.9% in FY 2015. Since FY 2012, overall casino receipts have fallen a combined 11.0%. Only one casino, Rivers Casino in Des Plaines, has experienced an increase in AGR during this three year period (up 8.8%). Excluding the newer (and, thus, more popular) casino in Des Plaines, the other nine casinos have fallen 17.3% since FY 2012.

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 FY 2012, gaming revenues totaled $1.641 billion with all of the dollars coming from Illinois riverboats. In FY 2013, riverboat casino revenues fell $46 million. But when combined with the $121 million in video gaming revenues, total gaming revenues actually increased +4.6% in FY 2013. In FY 2014, riverboat revenues fell another $107 million or -6.7%. But video gaming revenues more than offset this

decline, growing $364 million or +301%. As a result, gaming revenues grew a net $257 million in FY 2014 or +15.0%.

In FY 2015, video gaming grew an additional $319 million (+65.8%), which more than offset the $28 million reduction in adjusted gross receipts from Illinois casinos. Consequently, in FY 2015, revenues grew a net $291 million or +14.8%. Therefore, since FY 2012, even though the AGR of riverboats have fallen a combined -11.0%, overall gaming revenues have risen +38.0%.

Video gaming in certain regions of the State have obviously hurt the riverboat industry more than others. For the communities that lie several hours away from the nearest riverboat casino, the impact of these communities offering video gaming has likely had very little impact on the casino industry – except for the small number of patrons that once would travel the distance to gamble at a casino, but now elect to gamble with the video gaming machines near their home. It is these communities that likely have brought in a lot of "new" gaming dollars to State and local coffers creating the overall 38.0% increase in total 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. As shown at the bottom of the county-by-county video gaming table on page 39, there were an estimated 1,786 businesses in the Chicago Metropolitan Statistical Area (which is defined by the Census Bureau to include the Illinois counties of Cook, DeKalb, DuPage, Grundy, Kane, Kendall, McHenry, Will, and Lake) in FY 2015 that offered video gaming. These locations were home to 7,657 video gaming terminals during the calendar year. It is estimated that approximately $35.7 million in video gaming net terminal income came from communities in the Chicago Area in FY 2013, $163.4 million in FY 2014, and an additional $314.4 million in FY 2015.

Under current law, Illinois casinos can have a maximum of 1,200 gaming positions at their locations. This means that video gaming has added the equivalency of over 6 full-size casinos to the Chicago metropolitan region. Again, these totals are without the City of Chicago even participating in this gaming expansion. These 7,657 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.

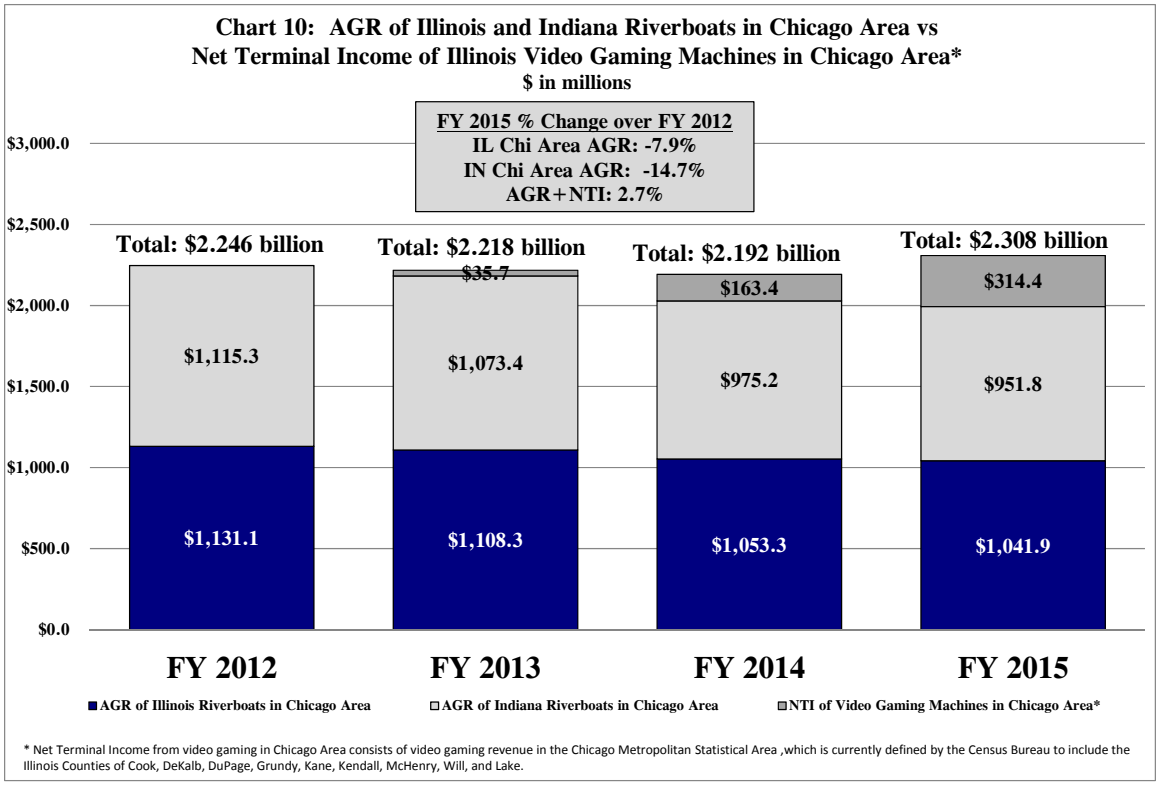
Despite AGR increases at the Des Plaines casino, combined, these five casinos have seen their FY 2015 AGR totals decline 7.9% since FY 2012. Without the newer Des Plaines casino, these Illinois based casinos have fallen 16.8% over the last three fiscal years. The popular Des Plaines casino is part of 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. As seen in

the below chart, these five Indiana casinos have seen their AGR totals fall from $1.1 billion in FY 2012 to $952 million in FY 2015, a three-year decline of 14.7%. 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 Metropolitan Area, adjusted gross receipts totaled $2.246 billion in FY 2012. By FY 2015, the AGR totals of these ten casinos have fallen to $1.994 billion. And this falloff includes the 8.8% three-year increase at the Des Plaines casino.

As shown below, even 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 $2.246 billion in FY 2012 to $2.218 billion in FY 2013, and then from $2.192 billion in FY 2014 to $2.308 billion in FY 2015. This results in a three-year change in combined gaming revenues of 2.7% - an average increase of only 0.9% per year.



The numbers in the previous graph indicate 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 0.9% per year, 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 totals have increased 38% since FY 2012? An explanation for this is simply because of the amount of gaming options that already existed in this area even before video gaming began. The Chicago Area already had its choice of 10 casinos which was the home to over 15,000 gaming positions. Adding 7,657 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.

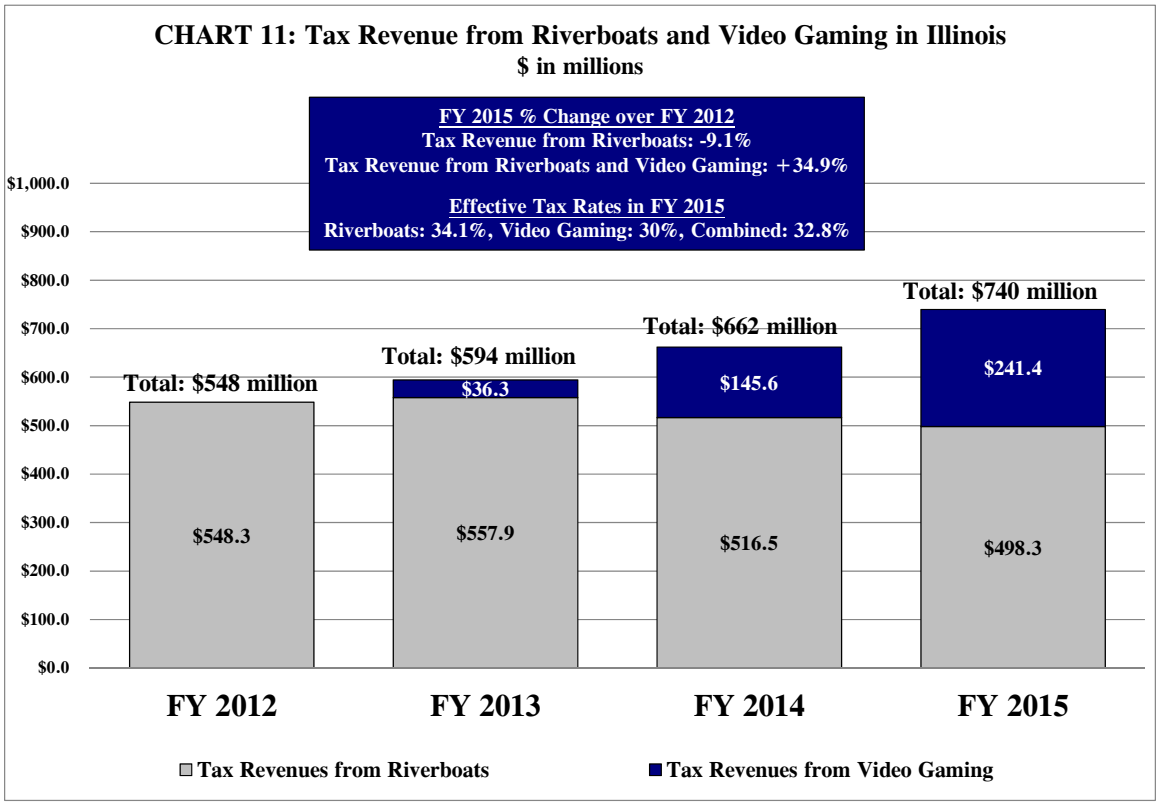
On the other hand, most downstate communities did not have close gaming options available to them. Video gaming gave them these areas a "nearby" option, allowing gaming revenues to thrive in areas outside of the Chicago Metropolitan Area. This is a plausible explanation for why the net increase in overall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

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

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

So what kind of impact has video gaming had on the tax revenues from all gaming sources? In FY 2012, the taxes imposed on the Illinois riverboats (admission tax and the graduated tax on adjusted gross receipts) generated $548 million. Due to the recent declines in admissions and AGR totals, this tax amount fell to $498 million in FY 2015, a three year decline of 9.1%. However, these declines have been more than offset by the additional tax revenue generated from video gaming.

In FY 2013, $36 million in tax revenues were generated from video gaming. As video gaming revved up, this total rose to $146 million in FY 2014 to $241 million in FY 2015. When combining these video gaming tax revenues with casino tax revenues, overall tax revenues grew from $548 million in FY 2012 to $740 million in FY 2015, an increase of 34.9%. 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 FY 2015, the effective tax rate for the 10 casinos was 34.1% (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.

Video Gaming's Future

So, how much revenue will be generated from video gaming in the future? Several years ago, most insiders believed that the State would plateau at around 20,000 video gaming terminals. But the popularity of video gaming has spurred enough interest that the State has passed this mark (FY 2015 ended with 20,730 terminals). The Gaming Board states that although the number of new terminals being added each month has slowed down, they could still see the Statewide total reaching as high as 25,000 terminals in the years to come. But they also note that they are beginning to see many of the current locations reducing their number of terminals or dropping them altogether due to the amount of competition that now exists.

From these conversations with the Gaming Board, the Commission will estimate that by the end of FY 2016, the number of video gaming terminals in Illinois will grow to around 23,500 terminals. In FY 2015, the net terminal income per position per day average was $115. Assuming net terminal income will continue at this rate, the Commission estimates that net terminal income in Illinois will total approximately $940 million in FY 2016. This would equate to tax revenues totaling around $282 million for the fiscal year, with the Capital Project Fund receiving approximately $235 million per year under full implementation. Local governments would receive the remaining $47 million.

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

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

HORSE RACING

HORSE RACING

Horse racing is the oldest form of legalized gaming in Illinois. Each year, millions of dollars are wagered on horse racing at the State's numerous on-track and off-track wagering facilities. In calendar year 2014, Illinois horse racing wagering generated $13.7 million in total revenues with the State receiving $7.5 million and local governments receiving $6.2 million. Table 23 examines the sources and allocation of CY 2014 horse racing revenues while Table 24 details State and local racing revenues over the past ten years.

As noted in the tables, on January 29, 2014, advance deposit wagering was re-authorized for three years and included an additional 0.2% surcharge on winning wagers. This is the primary reason that State revenues and allocations saw an increase from 2013 to 2014.

TABLE 23: SOURCES AND ALLOCATION OF HORSE RACING REVENUE FOR CALENDAR YEAR 2014

REVENUE SOURCE	
Application and License Fees of Racing Associations	$82,760
Admission Taxes	$71,128
Pari-mutuel Tax	$6,968,330
Pari-mutuel Tax Credit	($3,340,086)
Advanced Deposit Wagering (ADW) Pari-Mutuel Tax (1.75%)	$2,385,535
.2% Surcharge for Racing Board*	$871,103
Licensing of Racing Personnel	$200,085
Fingerprint Fees	$36,647
Photo Fees	$180
Horsemen's Fines	$70,275
Miscellaneous Sources	$136,761
TOTAL STATE REVENUES RECEIVED	**$7,482,717**
2% of OTB Handle to City and County	$5,624,494
OTB Admission Tax to City of Chicago	$89,345
OTB Admission Tax to Cook County	$225,326
On Track City Admission Tax	$41,964
Intertrack Surcharge to County (20%)	$249,516
TOTAL LOCAL REVENUES RECEIVED	**$6,230,645**
TOTAL REVENUES RECEIVED	**$13,713,362**
ALLOCATION OF REVENUE	
Horse Racing Fund	$6,993,031
Quarterhorse Breeders' Fund	$12,270
Quarterhorse Purse Fund (from IRB .2% Surcharge)*	$100,000
Standardbred Purse Fund (.25% Tax of ADW Handle)	$340,769
Fingerprinting (State Police and Vendor)	$36,647
TOTAL STATE REVENUES ALLOCATED	**$7,482,717**
To Cities	$2,943,556
To Counties	$3,287,089
TOTAL LOCAL	**$6,230,645**
TOTAL REVENUES ALLOCATED	**$13,713,362**

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

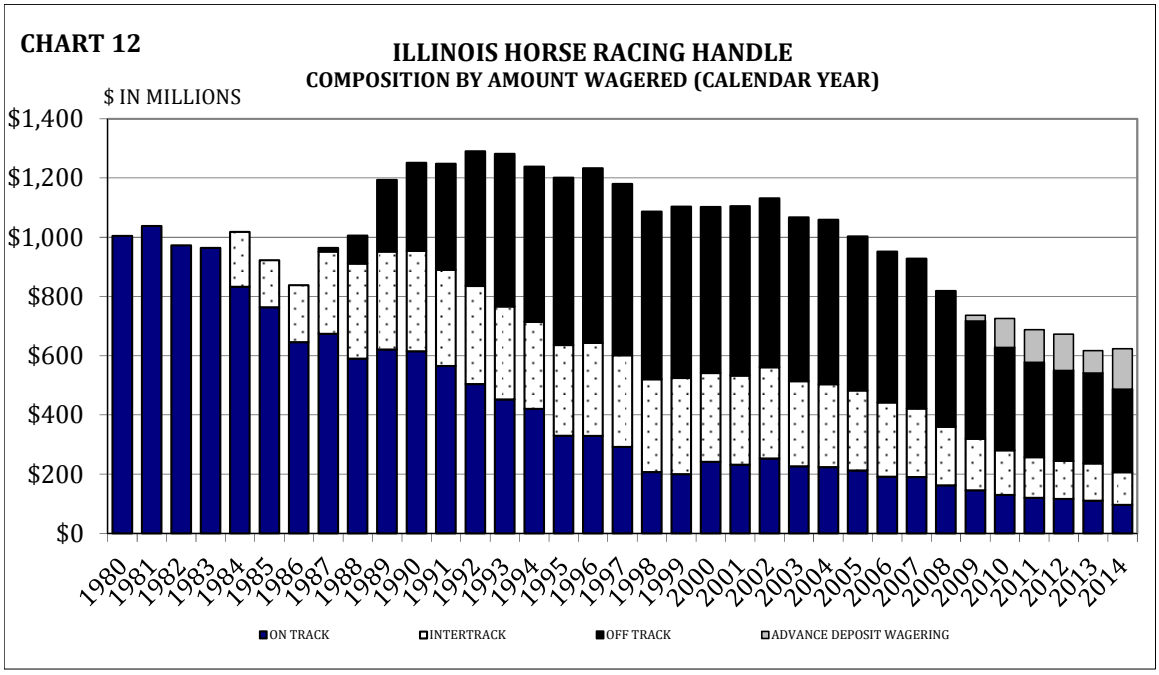
SOURCE: ILLINOIS RACING BOARD - 2014 ANNUAL REPORT

TABLE 24: HORSE RACING REVENUES AND ASSOCIATED ALLOCATIONS BY CALENDAR YEAR (IN MILLIONS)										
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
TOTAL STATE REVENUE	$11.8	$10.3	$8.9	$8.0	$7.1	$7.4	$7.8	$7.5	$6.4	$7.5
TOTAL LOCAL REVENUE	$11.6	$11.3	$11.6	$10.6	$9.1	$7.8	$7.2	$6.8	$6.7	$6.2
*** TOTAL REVENUES RECEIVED**	**$23.4**	**$21.6**	**$20.6**	**$18.5**	**$16.2**	**$15.3**	**$15.0**	**$14.2**	**$13.1**	**$13.7**
TOTAL STATE ALLOCATIONS	$11.8	$10.3	$8.9	$8.0	$7.1	$7.4	$7.8	$7.5	$6.4	$7.5
TOTAL LOCAL ALLOCATIONS	$11.6	$11.3	$11.6	$10.6	$9.1	$7.8	$7.2	$6.8	$6.7	$6.2
TO CITIES	$5.7	$5.6	$5.5	$4.9	$4.3	$3.7	$3.4	$3.2	$3.2	$2.9
TO COUNTIES	$5.9	$5.7	$6.1	$5.6	$4.8	$4.1	$3.8	$3.6	$3.6	$3.3
***TOTAL REVENUES ALLOCATED**	**$23.4**	**$21.6**	**$20.6**	**$18.5**	**$16.2**	**$15.3**	**$15.0**	**$14.2**	**$13.1**	**$13.7**

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

SOURCE: ILLINOIS RACING BOARD ANNUAL REPORTS

In its 2014 Annual Report, the Racing Board reported that 426 race programs were conducted during CY 2014 (down from 518 race programs in CY 2013). A total handle amount of $624 million resulted. Despite the significant decline in race programs in 2014, the total handle amount actually increased in this year from $618 million to $624 million, an increase of 1.0%. As shown in Chart 12, this was the first year that the handle total saw a year-over-year increase since 2012.

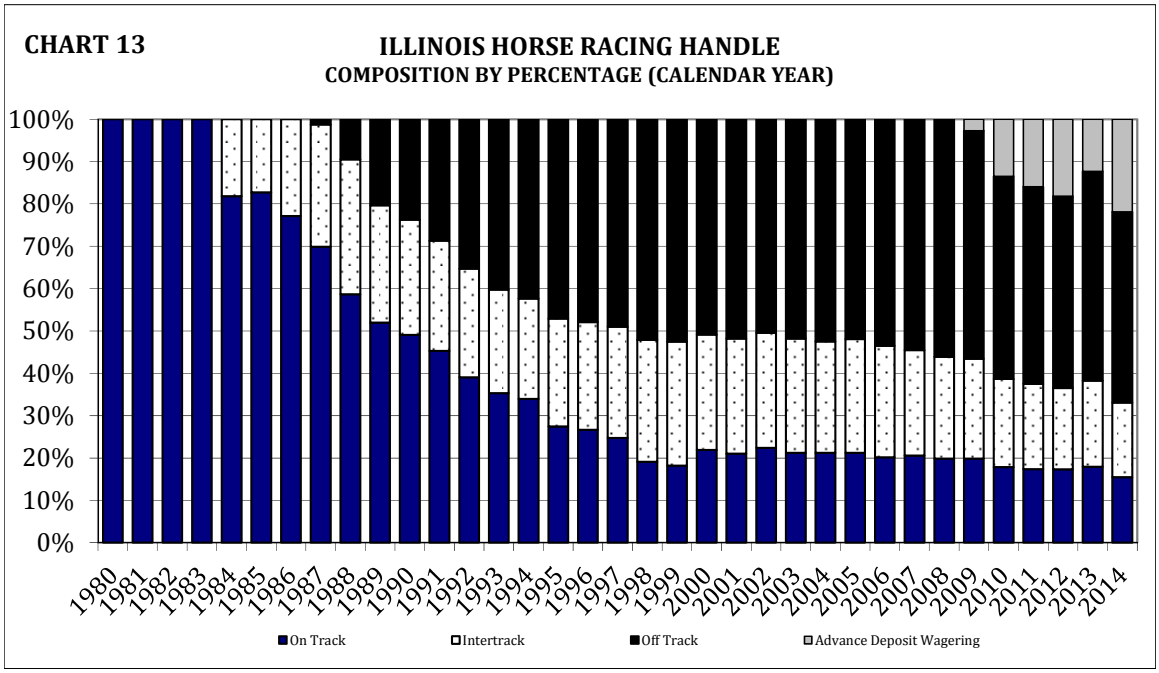


A closer look, however, shows that this increase was due to a 79.5% increase in the advance deposit wagering handle. The ADW handle (which benefited from a full-year of revenues after being suspended for a time in 2013) grew from $76 million in 2013 to $136 million in 2014. Despite the $60 million growth in ADW revenues, the overall handle total in 2014 was still 41.1% below levels from just ten years ago. The handle from on-track racing fell $14 million, the handle from intertrack racing fell $16 million, while Illinois' off-track handle declined $24 million in 2014.

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

As these alternative means of wagering matured, they significantly altered the composition of the total racing handle. Between 1990 and 2014 the percentage of the total handle generated from on-track wagering fell from 49% to 15%. This decline coincided with a dramatic increase in participation at off-track betting locations.

Over the previously mentioned time frame, the percentage of the total handle generated at off-track wagering facilities increased from 24% to as high as 56% (2008) before falling to its current composition percentage of 45%. Inter-track wagering for years remained relatively stable, generally comprising around 25% of the total handle. But this rate has fallen to 18% as advance deposit wagering has quickly emerged as the trending source for new wagering. In 2014 ADW's composition grew to 22%. Chart 13 illustrates the historic shift in the composition of the racing handle.



2014 Racing Statistics

TABLE 25: Illinois Racing Statistics for 2014

	2013 Handle	2014 Handle	% Change
Thoroughbred	$395 million	$365 million	-7.50%
Standardbred	$147 million	$122 million	-16.80%
ADW	$76 million	$136 million	79.50%
Total Illinois Handle	**$618 million**	**$624 million**	**1.00%**

Of the $624 million total handle in 2014....

Location of Race	Amount	Composition
Wagered on Illinois Races	$117 million	19%
Wagered on Out-of State Tracks	$507 million	81%
Total	**$624 million**	**100%**

The largest handle at Illinois tracks came from:

Arlington	$54.1 million
Hawthorne	$22.2 million
Balmoral	$20.5 million
Maywood	$11.9 million
Fairmount	$7.4 million
State/County Fairs	$0.5 million

The largest (top five) handles from out-of-state tracks came from:

Gulfstream	$44.3 million
Santa Anita	$37.0 million
Belmont	$29.7 million
Churchill	$24.5 million
Woodbine	$21.4 million

Source: Illinois Racing Board Annual Report

Off-Track Betting (OTB) Licenses

The Horse Racing Act of 1975 authorizes the Illinois Racing Board to issue a maximum of forty-three off-track betting (OTB) licenses. Balmoral Park and Quad City Downs is entitled to six OTB licenses, Fairmount Park can have seven licenses, and per P.A. 98-0624, Arlington, Hawthorne, and Maywood Park is entitled to eight OTB licenses each. Currently (July 2015), the Illinois Racing Board reports that there are twenty-seven off-track betting parlors in operation. Although it is unlikely that all forty-three licenses would be granted in a single racing year, the potential exists for the future development of 16 additional OTB locations. A list of Illinois OTBs is shown in Table 26.

TABLE 26: ILLINOIS RACING TRACKS AND ASSOCIATED OTB'S

TRACK	COUNTY	OTB LOCATIONS
ARLINGTON RACECOURSE	COOK	**CHICAGO (Weed St.)** **HODGKINS** **ORLAND HILLS** **VILLA PARK** **WAUKEGAN (Green Bay Rd.)**
BALMORAL PARK	WILL	**CRESTWOOD** **CHAMPAIGN** **NORMAL**
FAIRMOUNT PARK	MADISON	**ALTON** **SAUGET** **SPRINGFIELD**
HAWTHORNE RACE COURSE	COOK	**BOLINGBROOK** **CHICAGO (Corliss)** **GLENDALE HEIGHTS** **JOLIET** **MOKENA** **PROSPECT HEIGHTS**
MAYWOOD PARK	COOK	**ELK GROVE VILLAGE** **HOFFMAN ESTATES** **LOCKPORT** **NILES** **NORTH AURORA** **OAKBROOK TERRACE**
QUAD CITY DOWNS	ROCK ISLAND	**AURORA** **MCHENRY** **ROCKFORD** **SOUTH ELGIN**

Source: Illinois Racing Board

Advance Deposit Wagering

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

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

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

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

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

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

On January 29, 2014, P.A. 98-0624 was signed into law. This public act extended the authorization for advance deposit wagering to February 1, 2017. The Act also provided an additional 0.2% surcharge on winning wagers and winnings from wagers. From the revenue generated from this surcharge, $100,000 shall be annually deposited into the Quarter Horse Purse Fund. All remaining amounts are to be deposited into the Horse Racing Fund.

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

As discussed earlier, with the extension of advance deposit wagering until February 1, 2017, ADW revenues should become more reliable in the next couple of fiscal years. In FY 2014, with nearly a full-year of revenues, $2.3 million in ADW tax revenues were collected. In FY 2015, with a full fiscal year of revenues, advance deposit wagering was able to generate $2.4 million in tax revenues. This equates to a handle amount of approximately $137 million.

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

This cannibalization concern appears to be plausible. While the ADW handle reached $136 million in 2014, all other categories of wagering (on-track, inter-track, off-track) fell a combined $54 million in 2014 and have fallen a combined $229 million since 2009, the year that advance deposit wagering commenced. But the fact remains that these other methods of wagering were on a steady downward trend anyway. So, it appears that while advance deposit wagering has not caused horse racing handle numbers to turn around to its higher levels of the past, it has brought in enough interest to at least slow the declines of an industry that had been falling at a drastic pace.

What Will the Future Hold for Illinois Horse Racing?

As the State's numbers indicate, the horse racing industry in Illinois continues to struggle. Despite a small uptick in the racing handle in 2014, Illinois' racing handle is still down over 41% over the last 10 years and is at the 2nd lowest level in over 30 years. Many of the racetracks have made or are considering drastic cuts to their budget to stay in business. The main reason for the struggles is because Illinois is having a greater difficulty competing for the horse racing dollar.

While many ideas have been discussed over the past decade to turn Illinois' horse racing industry around, so far little progress has been made. In an attempt to help the horse racing community, in August 2011, lawmakers provided $141.8 million in financial subsidies by way of an impact fee on riverboats. But even after receiving this money, little, if any, improvement in the form of handle and revenues has been seen. The expectation was that these revenues would be used to make track improvements that would eventually lead to better facilities and that these improved facilities would bring in more horsemen and higher attendance. However, the Racing Board stated that little to no changes (above what is typically spent) were made in the form of horse track improvements from these additional dollars.

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

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

Since the subsidies received by the industry were not enough to turn things around, some feel that the only remaining hope may be to allow slot machines at the horse tracks throughout Illinois. However, this proposal remains in doubt as gaming expansion legislation containing this provision has, thus far, failed to receive enough support for enactment.

If a gaming expansion bill with the addition of slot machines at Illinois racetracks were to eventually be signed into law, Illinois would join Indiana, Iowa, and numerous other states that have allowed slot machines to be operated at their facilities. The promoted idea is this: the addition of slot machines allows tracks to

offer higher purses, which lead to increased interest, both from horsemen and the fans of horseracing. Therefore, many proponents have argued that having slots at tracks would not only increase slot machine revenues for the State, but it would also increase the amount of money wagered on horse racing. However, it should be pointed out that this has not been the case for states across the country.

For example, Indiana has seen its 'in-state" handle decrease 50% - from $190 million in 2005 to $95 million in 2013 - despite the opening of two racinos in 2008. *(The 2014 numbers have not been released at the time of this report).* On the other hand, these two locations have generated around $400 million in adjusted gross receipts in each of the last seven fiscal years. A portion of the tax revenues imposed on the AGR of these casinos is kept by the track, allowing these racinos to offer higher purses, thus, helping it to "survive".

In cases like this, the revenue benefits from having "racinos" have come from the casinos themselves and not from developing new interest by way of pari-mutuel handle increases. This is why Penn National Gaming Chairman Peter Carlino stated in a 2011 *Thoroughbred Times* article entitled, "Track Owner Penn National Sees Little Pari-Mutuel Future", that "his company no longer will argue that adding slot machines at tracks is a way to improve pari-mutuel handle. He said that when the company lobbies for slots at tracks, it will move to new arguments – including the ability of racetrack slots to promote agri-business – because he believes increased purses do not improve the quality of racing or increase pari-mutuel handle."

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

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

LOTTERY

LOTTERY

The Illinois State Lottery was authorized in 1974 and began operation in 1975. The State's lottery system generates revenue via ticket sales, agent fees, and interest-earning accounts. FY 2015 was the fourth year under which a private manager, the Northstar Lottery Group, was in managerial control of the lottery. Following the payment of prizes, agent commissions, and administrative costs, net lottery receipts are transferred into the Common School Fund, the Capital Projects Fund, or Special Cause Funds. Since its inception, lottery sales have totaled over $58 billion. Table 27 presents a brief history of the Illinois State Lottery highlighting sales by game, total sales, and the percentage change from the previous fiscal year.

Lottery Revenue Sources

The Illinois Lottery had total sales of $2.841 billion in FY 2015. This was an increase of $38.8 million, or 1.4%, compared to FY 2013's sales. This growth brought the State back up to where it was in FY 2013 after the Lottery experienced its first decline in over a decade in FY 2014.

As seen in Chart 14, Instant game sales have steadily become a larger part of total lottery sales since the late 1980's. In FY 1987, instant game sales only made up 17% of all Illinois lottery sales compared to draw games which made up the remaining 83%. The proportion of instant games sales gradually rose to approximately 40% of sales by FY 1995 and stayed around that level through FY 2002. Instant games portion of total sales then began to rise again. In FY 2011, the last year the State was in charge of operations at the Lottery, the ratio was 56% instant tickets to 44% draw games.

In FY 2012 instant ticket sales grew by an astounding 28.3%. This coincides with the take-over of lottery management by the Northstar Lottery Group. In the first two years under private management, the lottery increased its total sales by $578 million. Instant ticket sales accounted for $504 million, or approximately 87%, of this increase. In FY 2015, instant ticket sales accounted for 64% of total sales, while draw games were down to 36%. In FY 2015, instant games sales were up to $1.8 billion. This was an increase of $64 million or 3.7% over FY 2014.

As previously stated, draw games constitute 36% of lottery sales. The draw games were down $25.5 million in FY 2015. This decline was mostly due to a $55.5 million decrease in the multistate games. Sales from the multi-state games (Powerball and Mega Millions) were down almost 18%. The largest draw game, Pick 3, was up 5% to $263 million, while the second best-selling game, Pick 4, was up almost 11% to $224 million.

Table 27 on page 63 shows the contributions of each game through the lottery's history. Chart 15, on the following page, illustrates the break-down of lottery sales by game for FY 2015.

TABLE 27: LOTTERY SALES BY GAME

FY 1975 - FY 2015*

($ Millions)

Fiscal	Instant Games		Pick 3**		Raffles		Pick 4**		Lotto		Lucky Day Lotto		Mega Millions		Powerball		Other Games		Total Sales	
Year	Sales	% Change	Sales	% Change	Sales	% Change	Sales	% Change	Sales	% Change	Sales	% Change	Sales	% Change	Sales	% Change	Sales	% Change	$	% Change
1975	$ -	n/a	$ -	n/a	$ -	n/a	$ -	n/a	$ -	n/a	$ -	n/a	$ -	n/a	$ -	n/a	$ 129.3	n/a	**$ 129.3**	**n/a**
1976	$ 56.6	n/a	$ -	n/a	$ -	n/a	$ -	n/a	$ -	n/a	$ -	n/a	$ -	n/a	$ -	n/a	$ 107.3	-17.0%	**$ 163.9**	**26.8%**
1977	$ 62.9	11.1%	$ -	n/a	$ -	n/a	$ -	n/a	$ -	n/a	$ -	n/a	$ -	n/a	$ -	n/a	$ 50.0	-53.4%	**$ 112.9**	**-31.1%**
1978	$ 57.5	-8.6%	$ -	n/a	$ -	n/a	$ -	n/a	$ -	n/a	$ -	n/a	$ -	n/a	$ -	n/a	$ 31.6	-36.8%	**$ 89.1**	**-21.1%**
1979	$ 56.3	-2.1%	$ -	n/a	$ -	n/a	$ -	n/a	$ -	n/a	$ -	n/a	$ -	n/a	$ -	n/a	$ 20.4	-35.4%	**$ 76.7**	**-13.9%**
1980	$ 41.4	-26.5%	$ 42.4	n/a	$ -	n/a	$ -	n/a	$ -	n/a	$ -	n/a	$ -	n/a	$ -	n/a	$ 13.7	-32.8%	**$ 97.5**	**27.1%**
1981	$ 43.0	3.9%	$ 164.2	287.3%	$ -	n/a	$ -	n/a	$ -	n/a	$ -	n/a	$ -	n/a	$ -	n/a	$ 7.5	-45.3%	**$ 214.7**	**120.2%**
1982	$ 78.2	81.9%	$ 248.2	51.2%	$ -	n/a	$ 17.7	n/a	$ -	n/a	$ -	n/a	$ -	n/a	$ -	n/a	$ 0.0	-99.5%	**$ 344.1**	**60.3%**
1983	$ 158.1	102.2%	$ 283.8	14.3%	$ -	n/a	$ 46.0	n/a	$ 26.9	n/a	$ -	n/a	$ -	n/a	$ -	n/a	$ -	-100.0%	**$ 514.8**	**49.6%**
1984	$ 196.6	24.4%	$ 367.4	29.5%	$ -	n/a	$ 49.4	7.4%	$ 298.8	1010.8%	$ -	n/a	$ -	n/a	$ -	n/a	$ -	n/a	**$ 912.2**	**77.2%**
1985	$ 233.7	18.9%	$ 356.2	-3.0%	$ -	n/a	$ 75.5	52.8%	$ 567.4	89.9%	$ 2.8	n/a	$ -	n/a	$ -	n/a	$ -	n/a	**$ 1,235.6**	**35.5%**
1986	$ 237.6	1.7%	$ 347.6	-2.4%	$ -	n/a	$ 88.1	16.7%	$ 642.3	13.2%	$ -	-100.0%	$ -	n/a	$ -	n/a	$ -	n/a	**$ 1,315.6**	**6.5%**
1987	$ 227.3	-4.3%	$ 335.1	-3.6%	$ -	n/a	$ 93.0	5.6%	$ 678.5	5.6%	$ -	n/a	$ -	n/a	$ -	n/a	$ -	n/a	**$ 1,333.9**	**1.4%**
1988	$ 260.1	14.4%	$ 352.6	5.2%	$ -	n/a	$ 105.9	13.9%	$ 600.6	-11.5%	$ 16.3	n/a	$ -	n/a	$ -	n/a	$ -	n/a	**$ 1,335.5**	**0.1%**
1989	$ 321.9	23.8%	$ 369.6	4.8%	$ -	n/a	$ 108.6	2.5%	$ 607.1	1.1%	$ 164.1	906.7%	$ -	n/a	$ -	n/a	$ -	n/a	**$ 1,571.3**	**17.7%**
1990	$ 341.2	6.0%	$ 382.5	3.5%	$ -	n/a	$ 114.1	5.1%	$ 588.7	-3.0%	$ 143.7	-12.4%	$ -	n/a	$ -	n/a	$ -	n/a	**$ 1,570.2**	**-0.1%**
1991	$ 364.6	6.9%	$ 368.5	-3.7%	$ -	n/a	$ 109.0	-4.5%	$ 601.0	2.1%	$ 123.4	-14.1%	$ -	n/a	$ -	n/a	$ -	n/a	**$ 1,566.5**	**-0.2%**
1992	$ 406.0	11.4%	$ 362.0	-1.8%	$ -	n/a	$ 112.3	3.0%	$ 633.5	5.4%	$ 123.1	-0.2%	$ -	n/a	$ -	n/a	$ -	n/a	**$ 1,636.9**	**4.5%**
1993	$ 493.2	21.5%	$ 350.5	-3.2%	$ -	n/a	$ 112.3	0.0%	$ 489.9	-22.7%	$ 129.9	5.5%	$ -	n/a	$ -	n/a	$ 0.1	n/a	**$ 1,575.9**	**-3.7%**
1994	$ 548.7	11.3%	$ 344.5	-1.7%	$ -	n/a	$ 109.7	-2.3%	$ 403.0	-17.7%	$ 122.7	-5.5%	$ -	n/a	$ -	n/a	$ -	-100.0%	**$ 1,528.6**	**-3.0%**
1995	$ 630.7	14.9%	$ 358.4	4.0%	$ -	n/a	$ 123.7	12.8%	$ 386.6	-4.1%	$ 130.1	6.0%	$ -	n/a	$ -	n/a	$ -	n/a	**$ 1,629.5**	**6.6%**
1996	$ 646.7	2.5%	$ 357.5	-0.3%	$ -	n/a	$ 140.3	13.4%	$ 363.4	-6.0%	$ 129.4	-0.5%	$ -	n/a	$ -	n/a	$ -	n/a	**$ 1,637.3**	**0.5%**
1997	$ 636.2	-1.6%	$ 340.7	-4.7%	$ -	n/a	$ 139.8	-0.4%	$ 295.3	-18.7%	$ 118.8	-8.2%	$ -	n/a	$ -	n/a	$ 92.4	n/a	**$ 1,623.2**	**-0.9%**
1998	$ 618.3	-2.8%	$ 344.7	1.2%	$ -	n/a	$ 145.3	3.9%	$ 263.0	-10.9%	$ 111.8	-5.9%	$ -	n/a	$ -	n/a	$ 93.8	1.5%	**$ 1,576.9**	**-2.9%**
1999	$ 570.1	-7.8%	$ 335.3	-2.7%	$ -	n/a	$ 144.5	-0.6%	$ 168.8	-35.8%	$ 113.7	1.7%	$ -	n/a	$ -	n/a	$ 193.5	106.3%	**$ 1,525.9**	**-3.2%**
2000	$ 541.5	-5.0%	$ 341.4	1.8%	$ -	n/a	$ 154.4	6.9%	$ 146.3	-13.4%	$ 101.0	-11.2%	$ -	n/a	$ -	n/a	$ 219.3	13.3%	**$ 1,503.9**	**-1.4%**
2001	$ 586.1	8.2%	$ 326.6	-4.3%	$ -	n/a	$ 151.3	-2.0%	$ 143.5	-1.9%	$ 88.3	-12.5%	$ -	n/a	$ -	n/a	$ 153.9	-29.8%	**$ 1,449.8**	**-3.6%**
2002	$ 643.8	9.8%	$ 327.9	0.4%	$ -	n/a	$ 158.0	4.4%	$ 134.9	-6.0%	$ 81.7	-7.5%	$ -	n/a	$ -	n/a	$ 243.8	58.4%	**$ 1,590.0**	**9.7%**
2003	$ 697.9	8.4%	$ 314.1	-4.2%	$ -	n/a	$ 161.9	2.5%	$ 121.2	-10.2%	$ 78.0	-4.5%	$ 199.7	n/a	$ -	n/a	$ 12.9	-94.7%	**$ 1,585.8**	**-0.3%**
2004	$ 780.5	11.8%	$ 308.9	-1.7%	$ -	n/a	$ 167.2	3.2%	$ 117.4	-3.1%	$ 99.7	27.8%	$ 226.5	13.4%	$ -	n/a	$ 9.0	-30.2%	**$ 1,709.2**	**7.8%**
2005	$ 907.1	16.2%	$ 307.4	-0.5%	$ -	n/a	$ 168.4	0.7%	$ 131.6	12.1%	$ 131.8	32.2%	$ 192.6	-15.0%	$ -	n/a	$ 4.0	-55.5%	**$ 1,842.9**	**7.8%**
2006	$ 976.7	7.7%	$ 309.2	0.6%	$ -	n/a	$ 170.1	1.0%	$ 125.3	-4.8%	$ 126.2	-4.2%	$ 243.8	26.6%	$ -	n/a	$ 13.4	234.7%	**$ 1,964.8**	**6.6%**
2007	$ 1,041.6	6.6%	$ 308.7	-0.2%	$ 14.1	n/a	$ 170.2	0.1%	$ 112.1	-10.6%	$ 127.9	1.3%	$ 195.9	-19.6%	$ -	n/a	$ 30.8	129.5%	**$ 2,001.3**	**1.9%**
2008	$ 1,094.0	5.0%	$ 299.0	-3.1%	$ 15.9	12.8%	$ 167.8	-1.4%	$ 112.9	0.7%	$ 128.4	0.4%	$ 221.1	12.9%	$ -	n/a	$ 18.4	-40.3%	**$ 2,057.5**	**2.8%**
2009	$ 1,121.1	2.5%	$ 297.7	-0.4%	$ 18.9	18.9%	$ 176.9	5.4%	$ 122.7	8.7%	$ 129.0	0.4%	$ 204.6	-7.5%	$ -	n/a	$ 7.7	-58.2%	**$ 2,078.6**	**1.0%**
2010	$ 1,173.9	4.7%	$ 301.4	1.3%	$ 20.0	5.8%	$ 191.0	8.0%	$ 113.5	-7.5%	$ 120.7	-6.5%	$ 223.8	9.4%	$ 51.7	n/a	$ 1.5	-79.9%	**$ 2,197.5**	**5.7%**
2011	$ 1,264.7	7.7%	$ 290.6	-3.6%	$ 20.0	0.0%	$ 191.0	0.0%	$ 107.6	-5.1%	$ 119.5	-0.9%	$ 172.0	-23.1%	$ 97.4	88.3%	$ -	n/a	**$ 2,262.9**	**3.0%**
PRIVATE MANAGER TAKES OVER CONTROL OF LOTTERY OPERATIONS																				
2012	$ 1,622.6	28.3%	$ 277.7	-4.4%	$ 10.0	-50.0%	$ 193.6	1.4%	$ 105.3	-2.1%	$ 131.2	9.8%	$ 189.6	10.2%	$ 146.3	50.2%	$ -	n/a	**$ 2,676.3**	**18.3%**
2013	$ 1,768.4	9.0%	$ 261.5	-5.9%	$ 26.5	165.4%	$ 198.7	2.6%	$ 96.6	-8.3%	$ 134.7	2.6%	$ 109.1	-42.5%	$ 237.8	62.6%	$ 8.2	n/a	**$ 2,841.3**	**6.2%**
2014	$ 1,757.4	-0.6%	$ 250.6	-4.2%	$ 16.5	-37.8%	$ 202.2	1.7%	$ 114.3	18.4%	$ 134.7	0.0%	$ 145.0	33.0%	$ 163.3	-31.3%	$ 18.7	n/a	**$ 2,802.7**	**-1.4%**
2015	$ 1,821.6	3.7%	$ 263.1	5.0%	$ 13.2	-19.9%	$ 223.9	10.7%	$ 108.8	-4.8%	$ 151.6	12.5%	$ 120.3	-17.1%	$ 133.5	-18.3%	$ 5.5	n/a	**$ 2,841.4**	**1.4%**
TOTALS	**$ 25,085.9**		**$ 11,197.5**		**$ 155.2**		**$ 4,681.8**		**$ 9,528.8**		**$ 3,314.3**		**$ 2,444.0**		**$ 829.9**		**$ 1,486.7**		**$ 58,723.9**	

*** Preliminary, unaudited data**

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

SOURCE: ILLINOIS LOTTERY

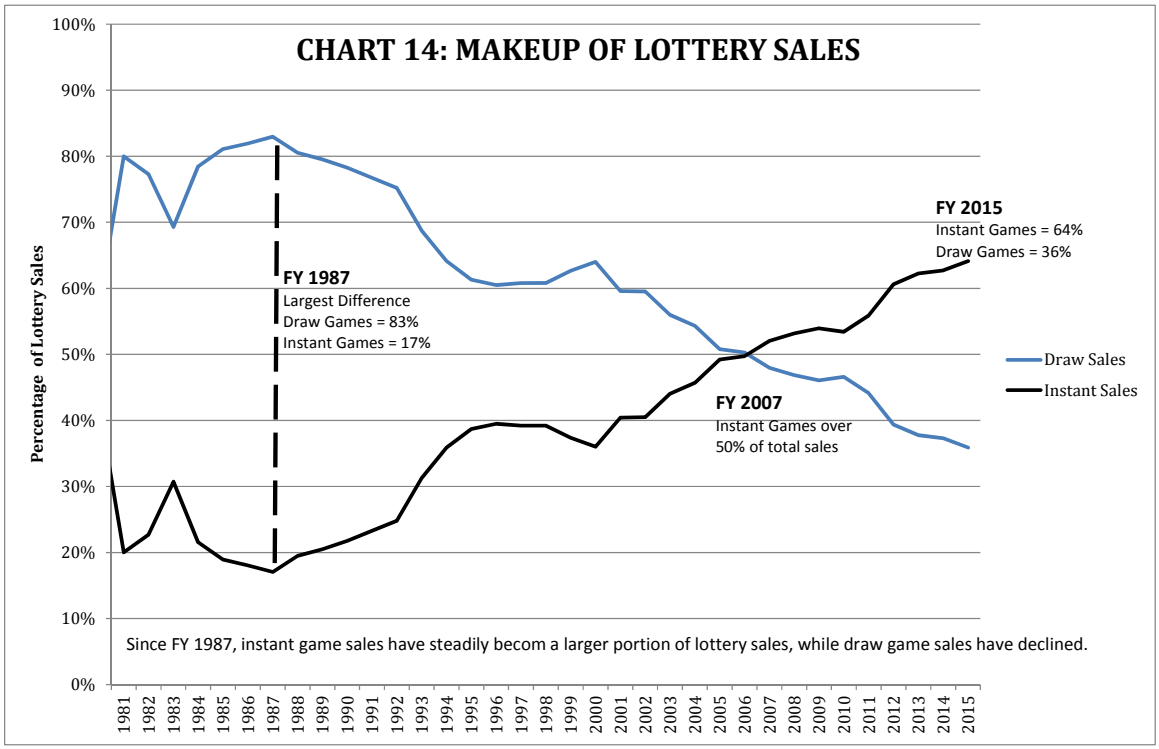


CHART 14: MAKEUP OF LOTTERY SALES
Percentage of Lottery Sales
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
FY 1987
Largest Difference
Draw Games = 83%
Instant Games = 17%
FY 2015
Instant Games = 64%
Draw Games = 36%
FY 2007
Instant Games over
50% of total sales
Draw Sales
Instant Sales
Since FY 1987, instant game sales have steadily becom a larger portion of lottery sales, while draw game sales have declined.
1981
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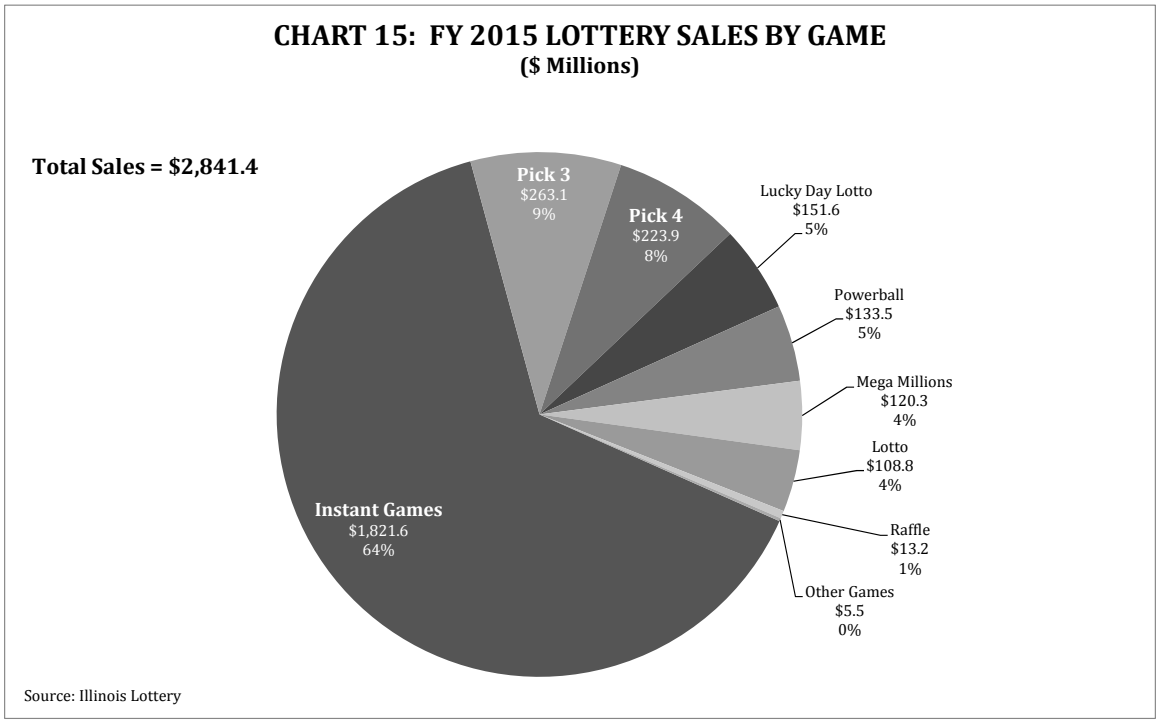


CHART 15: FY 2015 LOTTERY SALES BY GAME
($ Millions)
Total Sales = $2,841.4
Pick 3
$263.1
9%
Pick 4
$223.9
8%
Lucky Day Lotto
$151.6
5%
Powerball
$133.5
5%
Mega Millions
$120.3
4%
Lotto
$108.8
4%
Raffle
$13.2
1%
Other Games
$5.5
0%
Instant Games
$1,821.6
64%
Source: Illinois Lottery

TABLE 28: COMPOSITON OF LOTTERY SALES BY GAME
FY 1975 - FY 2015*

(% of Total)

Fiscal Year	Instant Games	Pick 3	Raffles	Pick 4	Lotto	Lucky Day Lotto	Mega Millions	Powerball	Other Games	Total Sales ($ Million)
1975	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	$ 129.3
1976	34.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	65.5%	$ 163.9
1977	55.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	44.3%	$ 112.9
1978	64.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	35.5%	$ 89.1
1979	73.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	26.6%	$ 76.7
1980	42.5%	43.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	14.1%	$ 97.5
1981	20.0%	76.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.5%	$ 214.7
1982	22.7%	72.1%	0.0%	5.1%	0.0%	0.0%	0.0%	0.0%	0.0%	$ 344.1
1983	30.7%	55.1%	0.0%	8.9%	5.2%	0.0%	0.0%	0.0%	0.0%	$ 514.8
1984	21.6%	40.3%	0.0%	5.4%	32.8%	0.0%	0.0%	0.0%	0.0%	$ 912.2
1985	18.9%	28.8%	0.0%	6.1%	45.9%	0.2%	0.0%	0.0%	0.0%	$ 1,235.6
1986	18.1%	26.4%	0.0%	6.7%	48.8%	0.0%	0.0%	0.0%	0.0%	$ 1,315.6
1987	17.0%	25.1%	0.0%	7.0%	50.9%	0.0%	0.0%	0.0%	0.0%	$ 1,333.9
1988	19.5%	26.4%	0.0%	7.9%	45.0%	1.2%	0.0%	0.0%	0.0%	$ 1,335.5
1989	20.5%	23.5%	0.0%	6.9%	38.6%	10.4%	0.0%	0.0%	0.0%	$ 1,571.3
1990	21.7%	24.4%	0.0%	7.3%	37.5%	9.2%	0.0%	0.0%	0.0%	$ 1,570.2
1991	23.3%	23.5%	0.0%	7.0%	38.4%	7.9%	0.0%	0.0%	0.0%	$ 1,566.5
1992	24.8%	22.1%	0.0%	6.9%	38.7%	7.5%	0.0%	0.0%	0.0%	$ 1,636.9
1993	31.3%	22.2%	0.0%	7.1%	31.1%	8.2%	0.0%	0.0%	0.0%	$ 1,575.9
1994	35.9%	22.5%	0.0%	7.2%	26.4%	8.0%	0.0%	0.0%	0.0%	$ 1,528.6
1995	38.7%	22.0%	0.0%	7.6%	23.7%	8.0%	0.0%	0.0%	0.0%	$ 1,629.5
1996	39.5%	21.8%	0.0%	8.6%	22.2%	7.9%	0.0%	0.0%	0.0%	$ 1,637.3
1997	39.2%	21.0%	0.0%	8.6%	18.2%	7.3%	0.0%	0.0%	5.7%	$ 1,623.2
1998	39.2%	21.9%	0.0%	9.2%	16.7%	7.1%	0.0%	0.0%	5.9%	$ 1,576.9
1999	37.4%	22.0%	0.0%	9.5%	11.1%	7.5%	0.0%	0.0%	12.7%	$ 1,525.9
2000	36.0%	22.7%	0.0%	10.3%	9.7%	6.7%	0.0%	0.0%	14.6%	$ 1,503.9
2001	40.4%	22.5%	0.0%	10.4%	9.9%	6.1%	0.0%	0.0%	10.6%	$ 1,449.8
2002	40.5%	20.6%	0.0%	9.9%	8.5%	5.1%	0.0%	0.0%	15.3%	$ 1,590.0
2003	44.0%	19.8%	0.0%	10.2%	7.6%	4.9%	12.6%	0.0%	0.8%	$ 1,585.8
2004	45.7%	18.1%	0.0%	9.8%	6.9%	5.8%	13.3%	0.0%	0.5%	$ 1,709.2
2005	49.2%	16.7%	0.0%	9.1%	7.1%	7.2%	10.5%	0.0%	0.2%	$ 1,842.9
2006	49.7%	15.7%	0.0%	8.7%	6.4%	6.4%	12.4%	0.0%	0.7%	$ 1,964.8
2007	52.0%	15.4%	0.7%	8.5%	5.6%	6.4%	9.8%	0.0%	1.5%	$ 2,001.3
2008	53.2%	14.5%	0.8%	8.2%	5.5%	6.2%	10.7%	0.0%	0.9%	$ 2,057.5
2009	53.9%	14.3%	0.9%	8.5%	5.9%	6.2%	9.8%	0.0%	0.4%	$ 2,078.6
2010	53.4%	13.7%	0.9%	8.7%	5.2%	5.5%	10.2%	2.4%	0.1%	$ 2,197.5
2011	55.9%	12.8%	0.9%	8.4%	4.8%	5.3%	7.6%	4.3%	0.0%	$ 2,262.9
PRIVATE MANAGER TAKES OVER CONTROL OF LOTTERY OPERATIONS										
2012	60.6%	10.4%	0.4%	7.2%	3.9%	4.9%	7.1%	5.5%	0.0%	$ 2,676.3
2013	62.2%	9.2%	0.9%	7.0%	3.4%	4.7%	3.8%	8.4%	0.3%	$ 2,841.3
2014	62.7%	8.9%	0.6%	7.2%	4.1%	4.8%	5.2%	5.8%	0.7%	$ 2,802.7
2015	64.1%	9.3%	0.5%	7.9%	3.8%	5.3%	4.2%	4.7%	0.2%	$ 2,841.4
TOTALS	**42.7%**	**19.1%**	**0.3%**	**8.0%**	**16.2%**	**5.6%**	**4.2%**	**1.4%**	**2.5%**	**$ 58,723.9**

* Preliminary, unaudited data
Totals include add on game revenues such as Fireball, EZ Match, Megaplier, and Power Play
SOURCE: ILLINOIS DEPARTMENT OF REVENUE

Due to the time necessary to prepare financial statements, analyzing how the lottery distributes the cash flow from its operating activities must be done based on the previous year's financial statements. In FY 2014, the lottery received over $2.792 billion in cash from sales and services. A total of $2.823 billion was distributed out for operating expenses and fund transfers. The fund transfers are basically the net proceeds or profits of the lottery after operating expenses are paid.

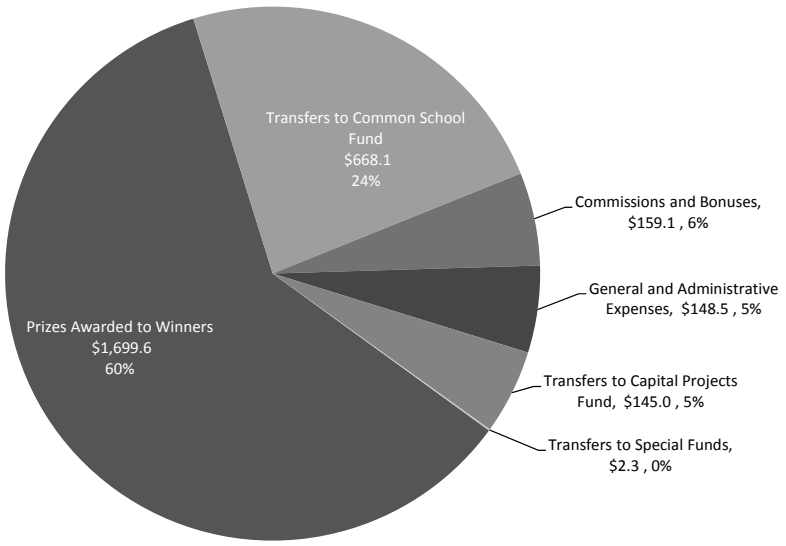
Cash payments for lottery operating expenses accounted for $2.0 billion, or 71%, of the distributions. Prizes awarded to winners at $1.700 billion made up the largest portion of the cash payments for lottery operations. Commissions and bonuses ($159.1 million) and General and Administrative Expenses ($148.5 million) made up the rest of the cash payments related to operating expenses.

Cash transfers out to other funds explain the remaining $815 million in distributions. The traditional lottery transfer to the Common School Fund was $668.1 million in FY 2014. The Capital Projects Fund received $145.0 million. Special cause funds received $2.3 million. Chart 16 illustrates the cash distributions for FY 2014.

Table 29, on the next page, shows how the lotteries distributions have changed in recent years.

CHART 16: FY 2014 LOTTERY DISTRIBUTIONS
($ Millions)

Total Distributions = $2,822.6



SOURCE: Illinois Auditor General

TABLE 29: LOTTERY DISTRIBUTIONS
FY 2007 - FY 2015
($ Millions)

Fiscal Year	Prizes Awarded to Winners			Transfers to Common School Fund			Commissions and Bonuses			Transfers to Capital Projects Fund			General and Administrative Expenses			Transfers to Special Causes			Total		
	$	$ Change	% Change	$	$ Change	% Change	$	$ Change	% Change	$	$ Change	% Change	$	$ Change	% Change	$	$ Change	% Change	$	$ Change	% Change
2007	$ 1,108.3	n/a	n/a	$ 622.6	n/a	n/a	$ 140.9	n/a	n/a	$ -	n/a	n/a	$ 59.5	n/a	n/a	$ 4.1	n/a	n/a	$ 1,935.3	n/a	
2008	$ 1,166.0	$ 57.7	5.2%	$ 657.0	$ 34.4	5.5%	$ 145.0	$ 4.1	2.9%	$ -	$ -	n/a	$ 57.4	$ (2.1)	-3.5%	$ 4.6	$ 0.5	12.2%	$ 2,030.0	$ 94.7	4.9%
2009	$ 1,225.9	$ 59.9	5.1%	$ 625.0	$ (32.0)	-4.9%	$ 152.6	$ 7.6	5.2%	$ -	$ -	n/a	$ 65.3	$ 7.8	13.6%	$ 5.2	$ 0.6	12.4%	$ 2,073.9	$ 43.9	2.2%
2010	$ 1,271.5	$ 45.6	3.7%	$ 625.0	$ -	0.0%	$ 149.3	$ (3.3)	-2.1%	$ 32.9 *	$ 32.9	n/a	$ 66.3	$ 1.0	1.6%	$ 4.2	$ (0.9)	-17.8%	$ 2,149.2	$ 75.3	3.6%
2011	$ 1,298.9	$ 27.4	2.2%	$ 631.9	$ 6.9	1.1%	$ 153.0	$ 3.7	2.5%	$ 54.1	$ 21.3	64.6%	$ 74.7	$ 8.4	12.6%	$ 4.1	$ (0.1)	-3.4%	$ 2,216.7	$ 67.5	3.1%
PRIVATE MANAGER TAKES OVER CONTROL OF LOTTERY OPERATIONS																					
2012	$ 1,561.2	$ 262.3	20.2%	$ 639.9	$ 8.0	1.3%	$ 151.5	$ (1.6)	-1.0%	$ 65.2	$ 11.1	20.5%	$ 123.5	$ 48.9	65.4%	$ 3.2	$ (0.9)	-21.9%	$ 2,544.5	$ 327.7	14.8%
2013	$ 1,728.3	$ 167.1	10.7%	$ 655.6	$ 15.7	2.5%	$ 164.0	$ 12.5	8.3%	$ 135.0	$ 69.8	107.1%	$ 149.6	$ 26.1	21.1%	$ 2.9	$ (0.3)	-8.7%	$ 2,835.4	$ 291.0	11.4%
2014	$ 1,699.6	$ (28.7)	-1.7%	$ 668.1	$ 28.2	1.9%	$ 159.1	$ (4.9)	-3.0%	$ 145.0	$ 79.8	7.4%	$ 148.5	$ (1.1)	-0.7%	$ 2.3	$ (0.9)	-22.8%	$ 2,822.6	$ (12.8)	-0.5%
2015**	n/a	n/a	n/a	$ 678.6	$ 22.9	1.6%	n/a	n/a	n/a	$ 8.0	$ (127.0)	-94.5%	n/a	n/a	n/a	$ 3.6	$ 0.6	58.0%	n/a	n/a	n/a

*** The $32.9 Million that was supposed to be transferred to the Capital Projects Fund in FY 2010 was not actually transferred until the beginning of FY 2011 due to issues with the transfer legislation**
**** Complete financial data for FY 2015 is not available at the time of printing of this report**
Current special cause game proceeds go to cancer research, vetaran's related issues, multiple sclerosis research, special olympics, and HIV prevention and education.

SOURCE: ILLINOIS LOTTERY

Lottery Transfers

As mentioned previously and shown in Table 29, the Illinois Lottery transfers its proceeds or profits to three destinations. The first fund that receives lottery proceeds is the Common School Fund. The Common School Fund provides the majority of funding for elementary and secondary education including payment for General State Aid, contributions to Teacher's Retirement Systems, and salaries of regional superintendents and assistants. In FY 2015, $678.6 million was transferred to the Common School Fund. This was an increase of 1.6% from FY 2014. Due to Public Act 96-0034, transfers to the Common School Fund from the lottery were capped at the rate of inflation as measured by the Consumer Price Index (CPI).

The second destination for Lottery profits are a set of five special cause funds. Special cause lottery sales raised $3.6 million in FY 2015, an increase of 58% or approximately $0.6 million from FY 2014. This increase is due to the introduction of a new special cause game related to supporting the Special Olympics. Special cause sales peaked in FY 2009 when they totaled $5.2 million. Special cause sales had declined every year since FY 2009 until this year.

As part of PA 94-0120, the Ticket for the Cure special instant scratch-off game was created. The proceeds from this game are sent to the Ticket for the Cure Fund which is for cancer research grants. In FY 2015, $0.6 million was transferred into this fund. This was a 9.6% increase from the previous year. Transfers to the Ticket for the Cure Fund have declined seven of the last nine years.

A special instant scratch-off was created by PA 94-0585 to fund grants for veterans' related issues. The Veteran's Cash game had revenues of $0.9 million. This was an increase of almost 40% over FY 2014 sales. The veterans' game had decreasing sales for six straight years before FY 2015.

Another special game that is sold in Illinois is the Quality of Life Ticket. This game was created as part of PA 095-0674. Revenues from this game go towards

HIV/AIDS prevention and education. This game had revenue of $0.5 million. This game's sales fell -4.8% in FY 2015 and have fallen for five years in a row.

A special cause game benefiting multiple sclerosis began sales in September of 2008. As part of PA 095-0673, the Multiple Sclerosis Research Fund was created that would benefit research pertaining to multiple sclerosis. Revenues from the "MS Project" game equaled $0.7 million in FY 2015, which was an increase of over 40%.

A new special cause game began in FY 2015. PA 98-0649 created the "Go For The Gold" special instant scratch-off game to benefit the Special Olympics in Illinois. The Act created the Special Olympics Illinois and Special Children's Charities Fund. Funds from are to be used to support training, competitions, and programs for future Special Olympics athletes. The proceeds from this game are to split 75% statewide, while 25% are to be used to support athletes within the City of Chicago. In FY 2015, $0.9 million was raised from this game in only four months of sales.

Public Act 96-0034 also created the Capital Projects Fund which is the last fund that lottery proceeds are sent. Subject to appropriation, the Capital Projects Fund may be used only for capital projects and the payment of debt service on bonds issued for capital projects. After the Common School Fund transfer and the special cause transfers are completed, all remaining lottery proceeds go to the Capital Projects Fund. **In FY 2015, only $8 million was transferred to the Capital Projects Fund from the lottery. This is a decline of over 94%.** These transfers had steadily climbed until falling off a cliff in FY 2015. Transfers to the Capital Projects Fund totaled $135 million in FY 2014 and $145 million in FY 2014. The lottery has indicated (based on preliminary, unaudited results which could change significantly in the final audit) that they believe the large decrease in the transfer to the Capital Projects Fund was largely due to a change in the overall price payout percentage. In FY 2015, the Lottery paid out an additional $77 million in prizes, while only increasing sales by about $39 million.

A portion of this transfer included a penalty payment from the Northstar group. If net incomes do not reach certain levels, the private manager is required to pay a penalty to the State. In FY 2013, net income for the lottery was $170 million below the net income target; therefore, the State collected a penalty of $38.6 million in the third quarter of FY 2014. The lottery collected another $35.7 million in penalties from Northstar for poor results in FY 2014. A similar sized penalty is expected for the FY 2015 results but an exact estimate of the size of the penalty is unavailable at this time.

Total transfers equaled $690.1 million in FY 2015 which was $125 million less than in FY 2015. This equated to a decline of over -15%. The ratio of transfers to total sales declined from 29.1% which is the lowest ratio it has been in the history of the Illinois Lottery. This ratio had routinely dropped since the late 1980's. In FY 1987, this ratio was at 41.5%. The ratio decreased by 15% through FY 2012. This would indicate that the Lottery's profit margin was continually declining. This most likely was done intentionally as increased expenses related to increased prize payouts

associated with instant game sales, led to higher overall sales that can lead to higher total profits, though at lower profit margins. This trend reversed somewhat in the last two fiscal years but declined significantly again in FY 2015.

TABLE 30: LOTTERY TRANSFERS
FY 1975 - FY 2015*
($ Millions)

Fiscal Year	Total Sales	Transfers to Common School Fund	Transfers to Capital Projects Fund	Transfers to Special Causes	Total Transfers	Transfers as a % of Total Sales
1975	$ 129.3	$ 55.2	$ -	$ -	$ 55.2	**42.7%**
1976	$ 163.9	$ 75.9	$ -	$ -	$ 75.9	**46.3%**
1977	$ 112.9	$ 43.6	$ -	$ -	$ 43.6	**38.6%**
1978	$ 89.1	$ 33.5	$ -	$ -	$ 33.5	**37.6%**
1979	$ 76.7	$ 32.6	$ -	$ -	$ 32.6	**42.5%**
1980	$ 97.5	$ 33.1	$ -	$ -	$ 33.1	**33.9%**
1981	$ 214.7	$ 90.4	$ -	$ -	$ 90.4	**42.1%**
1982	$ 344.1	$ 138.6	$ -	$ -	$ 138.6	**40.3%**
1983	$ 514.8	$ 216.3	$ -	$ -	$ 216.3	**42.0%**
1984	$ 912.2	$ 365.4	$ -	$ -	$ 365.4	**40.1%**
1985	$ 1,235.6	$ 502.8	$ -	$ -	$ 502.8	**40.7%**
1986	$ 1,315.6	$ 551.8	$ -	$ -	$ 551.8	**41.9%**
1987	$ 1,333.9	$ 553.1	$ -	$ -	$ 553.1	**41.5%**
1988	$ 1,335.5	$ 524.4	$ -	$ -	$ 524.4	**39.3%**
1989	$ 1,571.3	$ 586.1	$ -	$ -	$ 586.1	**37.3%**
1990	$ 1,570.2	$ 594.0	$ -	$ -	$ 594.0	**37.8%**
1991	$ 1,566.5	$ 580.0	$ -	$ -	$ 580.0	**37.0%**
1992	$ 1,636.9	$ 610.5	$ -	$ -	$ 610.5	**37.3%**
1993	$ 1,575.9	$ 587.6	$ -	$ -	$ 587.6	**37.3%**
1994	$ 1,528.6	$ 552.1	$ -	$ -	$ 552.1	**36.1%**
1995	$ 1,629.5	$ 588.3	$ -	$ -	$ 588.3	**36.1%**
1996	$ 1,637.3	$ 594.1	$ -	$ -	$ 594.1	**36.3%**
1997	$ 1,623.2	$ 590.2	$ -	$ -	$ 590.2	**36.4%**
1998	$ 1,576.9	$ 560.0	$ -	$ -	$ 560.0	**35.5%**
1999	$ 1,525.9	$ 540.0	$ -	$ -	$ 540.0	**35.4%**
2000	$ 1,503.9	$ 515.3	$ -	$ -	$ 515.3	**34.3%**
2001	$ 1,449.8	$ 501.0	$ -	$ -	$ 501.0	**34.6%**
2002	$ 1,590.0	$ 555.1	$ -	$ -	$ 555.1	**34.9%**
2003	$ 1,585.8	$ 540.3	$ -	$ -	$ 540.3	**34.1%**
2004	$ 1,709.2	$ 570.1	$ -	$ -	$ 570.1	**33.4%**
2005	$ 1,842.9	$ 614.0	$ -	$ -	$ 614.0	**33.3%**
2006	$ 1,964.8	$ 670.5	$ -	$ 3.7	$ 674.2	**34.3%**
2007	$ 2,001.3	$ 622.6	$ -	$ 4.1	$ 626.7	**31.3%**
2008	$ 2,057.5	$ 657.0	$ -	$ 4.6	$ 661.6	**32.2%**
2009	$ 2,078.6	$ 625.0	$ -	$ 5.2	$ 630.2	**30.3%**
2010	$ 2,197.5	$ 625.0	$ 32.9	$ 4.2	$ 662.1	**30.1%**
2011	$ 2,262.9	$ 631.9	$ 54.1	$ 4.1	$ 690.1	**30.5%**
PRIVATE MANAGER TAKES OVER CONTROL OF LOTTERY OPERATIONS						
2012	$ 2,676.3	$ 639.9	$ 65.2	$ 3.2	$ 708.3	**26.5%**
2013	$ 2,841.3	$ 655.6	$ 135.0	$ 2.9	$ 793.5	**27.9%**
2014	$ 2,802.7	$ 668.1	$ 145.0	$ 2.3	$ 815.4	**29.1%**
2015	$ 2,841.4	$ 678.6	$ 8.0	$ 3.6	$ 690.1	**24.3%**
TOTALS	**$ 58,723.9**	**$ 19,369.6**	**$ 440.2**	**$ 37.8**	**$ 19,847.6**	**33.8%**

* Preliminary, unaudited data
Current special cause game proceeds go to cancer research, vetaran's related issues, multiple sclerosis research, special olymptics, and HIV prevention and education.

SOURCE: ILLINOIS LOTTERY

Multi-State Games

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

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

In October of 2009, an agreement was reached between States offering Mega Millions and States offering Powerball to allow for sales of both games within a state. The hope was, with more states joining the program, more and more people will be playing, allowing jackpots to roll to even higher levels at a faster rate. Illinois began offering Powerball on January 31, 2010. As of August 2015, forty-four states plus the District of Columbia and the U.S. Virgin Islands offer both Mega Millions and Powerball tickets. Table 31 lists the States participating in each of the multi-state lotteries and the years they began offering each of the games.

As mentioned previously, the multi-state games had a down year in FY 2015. Mega Millions revenue was down -17.1%, while Powerball revenues were down over -18%. Total multi-state game revenue was down almost $55 million as Mega Millions sales fell from $145 million to $120 million and Powerball sales fell from $308 to $254 million.

As indicated in previous reports, results have shown that the multi-state games percentage of total lottery sales is dependent on the number of rollovers during a year. Previously, the more rollovers the multi-state games have, the more sales realized, thus a higher percentage of total lottery sales. **This trend has not held true in the past two fiscal years.**

The Commission looked at the number of drawings over $100 million and $200 million in a year to compare results to previous years. FY 2015 saw a high number of drawings above $100 million similar to FY 2014. Mega Millions had 40 drawings over $100 million and 12 drawings with jackpots above $200 million. FY 2014 saw very similar drawing results though the average jackpot of $98 million was approximately $4 million higher than in FY 2015.

Similarly, Powerball had a large amount of high level drawings (41 drawings with a jackpot above $100 million) but saw lackluster results. Powerball had similar jackpot sizes in FY 2013 but had almost $75 million more in sales. It is currently unknown why the multi-state games were down even though jackpots were at an

elevated level. It is possible that with the significant increase in the number of high level jackpots, casual customers have become more accustomed to these types of jackpots and do not become interested in playing until the jackpots reach the $300 million or $400 million level.

TABLE 31: MULTI-STATE LOTTERY PARTICIPANTS

State	MEGA MILLIONS	POWERBALL
ARIZONA	2010	1994
ARKANSAS	2010	2009
CALIFORNIA	2005	2013
COLORADO	2010	2001
CONNECTICUT	2010	1995
DELAWARE	2010	1991
DISTRICT OF COLUMBIA	2010	1988
FLORIDA	2013	2009
GEORGIA	1996	2010
IDAHO	2010	1990
ILLINOIS	**1996**	**2010**
INDIANA	2010	1990
IOWA	2010	1988
KANSAS	2010	1988
KENTUCKY	2010	1991
LOUISIANA	2011	1995
MAINE	2010	2004
MARYLAND	1996	2010
MASSACHUSETTES	1996	2010
MICHIGAN	1996	2010
MINNESOTA	2010	1990
MISSOURI	2010	1988
MONTANA	2010	1989
NEBRASKA	2010	1994
NEW HAMPSHIRE	2010	1995
NEW JERSEY	1999	2010
NEW MEXICO	2010	1996
NEW YORK	2002	2010
NORTH CAROLINA	2010	2006
NORTH DAKOTA	2010	2004
OHIO	2002	2010
OKLAHOMA	2010	2006
OREGON	2010	1988
PENNSYLVANIA	2010	2002
RHODE ISLAND	2010	1988
SOUTH CAROLINA	2010	2002
SOUTH DAKOTA	2010	1990
TENNESSEE	2010	2004
TEXAS	2003	2010
U.S. VIRGIN ISLANDS	2010	2002
VERMONT	2010	2003
VIRGINIA	1996	2010
WASHINGTON	2002	2010
WEST VIRGINIA	2010	1988
WISCONSIN	2010	1989
Wyoming	2014	2014

SOURCES: POWERBALL, MEGA MILLIONS

TABLE 32: MULTI STATE GAME RESULTS

($ Million)

MEGA MILLIONS

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Average Jackpot Drawing	$80.1	$55.9	$68.1	$57.7	$73.5	$64.8	$80.2	$51.3	$98.0	$93.8
Drawings over $100 M	30	14	25	19	30	20	19	9	35	40
Drawings over $200 M	9	3	5	3	6	6	6	0	13	12
Mega Millions Sales	**$243.8**	**$195.9**	**$221.1**	**$204.6**	**$222.6**	**$172.0**	**$189.6**	**$109.1**	**$145.0**	**$120.3**
% Change	26.6%	-19.6%	12.9%	-7.5%	8.8%	-22.7%	10.2%	-42.5%	33.0%	-17.1%

POWERBALL

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Average Jackpot Drawing	$81.5	$68.4	$70.4	$67.8	$82.3	$62.4	$85.2	$120.0	$117.3	$105.2
Drawings over $100 M	30	25	25	23	32	17	33	48	44	41
Drawings over $200 M	9	4	6	2	7	2	8	16	15	9
Powerball Sales	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$51.7***	**$97.4**	**$146.3****	**$237.8**	**$163.3**	**$133.5**
% Change	n/a	n/a	n/a	n/a	n/a	88.3%	$0.50	62.6%	-31.3%	-18.3%

MEGA MILLIONS AND POWERBALL

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Average Jackpot Drawing	$80.8	$62.2	$69.3	$62.8	$77.9	$63.6	$82.7	$85.6	$107.6	$99.5
Drawings over $100 M	60	39	50	42	62	37	52	57	79	81
Drawings over $200 M	18	7	11	5	13	8	14	16	28	21
Total Multi State Game Sales	**$243.8**	**$195.9**	**$221.1**	**$204.6**	**$274.3**	**$269.4**	**$335.9**	**$346.8**	**$308.3**	**$253.7**
% Change	26.6%	-19.6%	12.9%	-7.5%	34.1%	-1.8%	24.7%	3.3%	-11.1%	-17.7%

* 5 months of sales

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

SOURCE: www.lottoreport.com

U.S. Lottery Results

Analyzing the latest data available from FY 2014, New York had the largest lottery in the country with sales of over $9.2 billion. New York was followed by Florida at $5.0 billion which surpassed last year's number two Massachusetts who fell to number three at $5.4 billion. At $2.8 billion, Illinois ranked 9TH in FY 2014 which was two spots better than in FY 2013 though this change in position is likely due to a change in how lottery revenue was calculated in two other states and not necessarily improving its own performance. The figures for all the states for FY 2014 are shown in Table 33 on the following page.

In 1992, Lafleur's Lottery World ranked Illinois 9th in the nation in terms of per-capita lottery sales as a percentage of personal income. At that time, per-capita spending on lottery tickets amounted to $143. By 1995, Illinois ranked 19th with per-capita spending of $134. In 2001, Illinois dropped to 22nd, with per-capita spending of $116. Given these statistics, it appeared that Illinois' per-capita spending was on a downward trend. However, in the last decade, this figure has rebounded, largely due to the increase in instant games sales. In FY 2014 Illinois averaged $218 in lottery sales per capita. Illinois ranked 18th out of the 45 lotteries which is the same spot as last year. When calculating a sales per capita number for FY 2015, sales per capita grew by just under 1.4% to $221 per capita. Chart 17 shows the growth of lottery sales per capita in Illinois over the last decade.

In FY 2014, Illinois residents ranked 21st in the percentage of personal income that they spent on the lottery. Illinois residents spent 0.45% of their personal income on lottery which was below the average in the U.S. and slightly down from FY 2013. These numbers are basically the same as FY 2013.

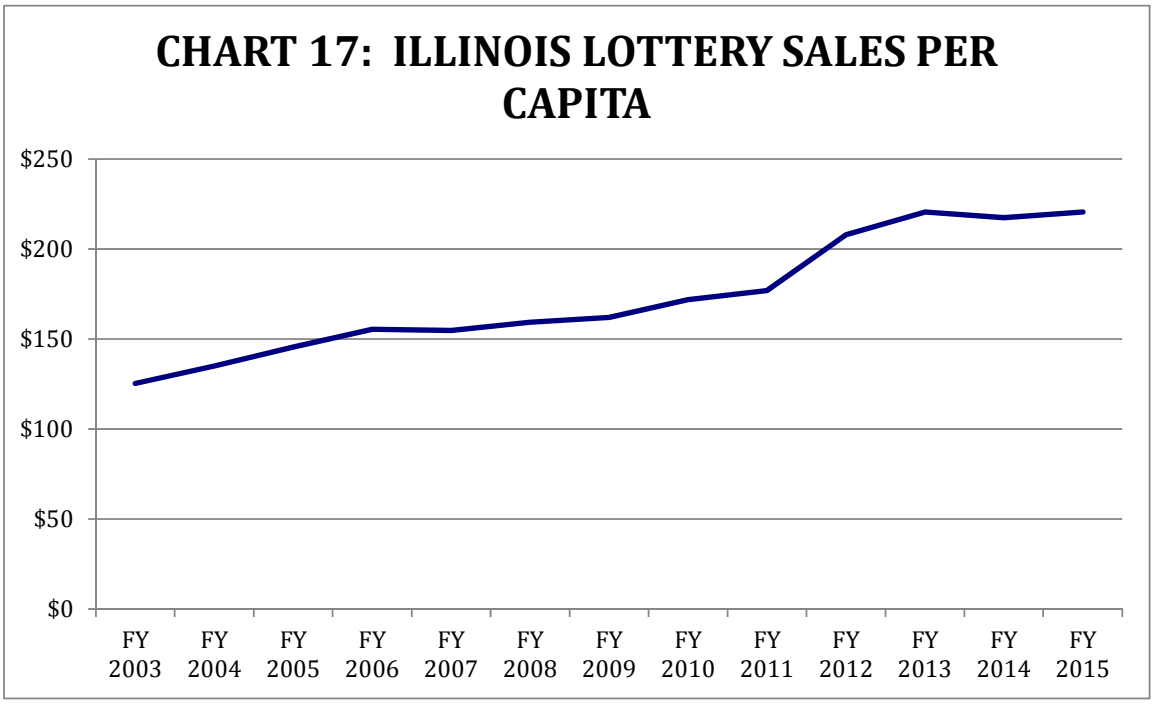


TABLE 33: PER-CAPITA SALES AS A PERCENTAGE OF PERSONAL INCOME (FY 2014)

STATE	POPULATION (MILLIONS)	PER-CAPITA PERSONAL INCOME	TOTAL LOTTERY SALES ($ MILLIONS)	Rank	PER-CAPITA SALES	Rank	PER-CAPITA SALES AS A % OF PER-CAPITA PERSONAL INCOME	Rank
ALABAMA	4.8	$ 37,493	$ 0.0	45	$ 0	45	0.00%	45
ALASKA	0.7	$ 52,901	$ 0.0	45	$ 0	45	0.00%	45
ARIZONA	6.7	$ 37,895	$ 724.0	24	$ 108	32	0.28%	31
ARKANSAS	3.0	$ 37,751	$ 410.1	32	$ 138	28	0.37%	27
CALIFORNIA	38.8	$ 50,109	$ 5,034.7	3	$ 130	30	0.26%	32
COLORADO	5.4	$ 48,730	$ 545.0	29	$ 102	33	0.21%	36
CONNECTICUT	3.6	$ 62,467	$ 1,112.4	19	$ 309	11	0.50%	18
DELAWARE (1)	0.9	$ 45,942	$ 597.2	26	$ 638	5	1.39%	4
DISTRICT OF COLUMBIA	0.7	$ 76,532	$ 216.2	37	$ 328	9	0.43%	23
FLORIDA	19.9	$ 42,645	$ 5,368.2	2	$ 270	13	0.63%	12
GEORGIA	10.1	$ 39,097	$ 4,022.2	5	$ 398	7	1.02%	6
HAWAII	1.4	$ 46,396	$ 0.0	45	$ 0	45	0.00%	45
IDAHO	1.6	$ 37,533	$ 208.9	38	$ 128	31	0.34%	29
ILLINOIS	**12.9**	**$ 48,120**	**$ 2,802.7**	**9**	**$ 218**	**18**	**0.45%**	**21**
INDIANA	6.6	$ 39,433	$ 1,018.7	21	$ 154	27	0.39%	25
IOWA	3.1	$ 45,115	$ 314.0	33	$ 101	34	0.22%	34
KANSAS	2.9	$ 45,546	$ 258.1	35	$ 89	38	0.20%	38
KENTUCKY	4.4	$ 37,654	$ 858.9	22	$ 195	22	0.52%	17
LOUISIANA	4.6	$ 42,287	$ 449.0	31	$ 97	37	0.23%	33
MAINE	1.3	$ 42,071	$ 230.1	36	$ 173	25	0.41%	24
MARYLAND	6.0	$ 55,143	$ 2,303.1	12	$ 385	8	0.70%	9
MASSACHUSETTS	6.7	$ 59,182	$ 4,838.5	4	$ 717	3	1.21%	5
MICHIGAN	9.9	$ 40,556	$ 2,596.4	11	$ 262	15	0.65%	10
MINNESOTA	5.5	$ 48,711	$ 531.5	30	$ 97	36	0.20%	37
MISSISSIPPI	3.0	$ 34,333	$ 0.0	45	$ 0	45	0.00%	45
MISSOURI	6.1	$ 41,613	$ 1,158.1	18	$ 191	23	0.46%	20
MONTANA	1.0	$ 40,601	$ 53.3	43	$ 52	42	0.13%	42
NEBRASKA	1.9	$ 47,073	$ 157.9	40	$ 84	40	0.18%	39
NEVADA	2.8	$ 40,077	$ 0.0	45	$ 0	45	0.00%	45
NEW HAMPSHIRE	1.3	$ 53,149	$ 276.0	34	$ 208	21	0.39%	26
NEW JERSEY	8.9	$ 56,807	$ 2,901.6	8	$ 325	10	0.57%	14
NEW MEXICO	2.1	$ 37,605	$ 136.0	41	$ 65	41	0.17%	40
NEW YORK (1)	19.7	$ 56,231	$ 9,226.5	1	$ 467	6	0.83%	7
NORTH CAROLINA	9.9	$ 39,646	$ 1,839.3	13	$ 185	24	0.47%	19
NORTH DAKOTA	0.7	$ 54,951	$ 27.0	44	$ 36	44	0.07%	44
OHIO	11.6	$ 42,571	$ 2,743.1	10	$ 237	17	0.56%	15
OKLAHOMA	3.9	$ 43,138	$ 191.2	39	$ 49	43	0.11%	43
OREGON (1)	4.0	$ 41,681	$ 1,054.4	20	$ 266	14	0.64%	11
PENNSYLVANIA	12.8	$ 47,727	$ 3,799.6	6	$ 297	12	0.62%	13
RHODE ISLAND (2)	1.1	$ 48,838	$ 837.9	23	$ 794	1	1.63%	3
SOUTH CAROLINA	4.8	$ 36,934	$ 1,264.4	16	$ 262	16	0.71%	8
SOUTH DAKOTA (2)	0.9	$ 46,345	$ 645.0	25	$ 756	2	1.63%	2
TENNESSEE	6.5	$ 40,654	$ 1,417.1	15	$ 216	20	0.53%	16
TEXAS	27.0	$ 45,426	$ 3,694.0	7	$ 137	29	0.30%	30
UTAH	2.9	$ 37,766	$ 0.0	45	$ 0	45	0.00%	45
VERMONT	0.6	$ 47,330	$ 102.3	42	$ 163	26	0.35%	28
VIRGINIA	8.3	$ 49,710	$ 1,810.8	14	$ 217	19	0.44%	22
WASHINGTON	7.1	$ 49,583	$ 595.1	27	$ 84	39	0.17%	41
WEST VIRGINIA (1)	1.9	$ 36,644	$ 1,214.3	17	$ 656	4	1.79%	1
WISCONSIN (3)	5.8	$ 44,585	$ 568.8	28	$ 99	35	0.22%	35
WYOMING	0.6	$ 54,810	$ 0.0	45	$ 0	45	0.00%	45
TOTALS	313.9	$ 41,560	$ 70,153.5		$ 223		0.54%	

All figures should be considered preliminary and unaudited
SOURCES: NORTH AMERICAN ASSOCIATION OF STATE AND PROVINCIAL LOTTERIES, BUREAU OF ECONOMIC ANALYSIS, CGFA

Private Manager

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

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

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

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

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

management fee would be part of the lottery's operating expenses and not be based upon lottery performance.

TABLE 34: LOTTERY PRIVATE MANAGEMENT INCOME TARGETS
($ MILLIONS)

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

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

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

Private manager bonuses:

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

Private manager penalties:

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

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

A payout example assuming $700 million in net income in FY 2012 -
Northstar would:

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

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

Source: Illinois Lottery

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

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

The relationship between the State and Northstar has been contentious as seen through the numerous times the two parties have gone to arbitration in the four years since the private management agreement process has been started. Part of this contentiousness is likely due to Northstar not reaching its predicted net income target levels. Northstar was forced to pay a $21.8 million penalty for the FY 2012 results, a $38.6 million penalty for the FY 2013 results, and is expected to owe approximately $35.7 million for FY 2014.

One aspect of Northstar's management that can be analyzed is the growth of lottery retailers. In its original business plan, Northstar hoped to grow the number of lottery retailers in the State from approximately 7,300 to 13,000 by FY 2013. This strategy was based on the introduction of lottery sales to large chain stores. As can be seen in Table 35, this strategy does not appear to be bearing fruit. In August of 2015, the lottery was sold in approximately 7,900 locations in Illinois, which was over 5,000 short of the expected 13,000. The number of sales locations actually is down by approximately 200 locations since FY 2012.

TABLE 35: LOTTERY RETAILERS

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Lottery Retailers	7,084	7,346	8,104	8,303	8,214	7,908
Projected # of Reatailers Per original PMA Business Plan	n/a	n/a	11,356	13,000	13,000	13,000

Source: Office of the Governor, Illinois Lottery

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

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

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

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

As of September 2015, the Northstar Group continues to manage the day-to-day operations of the lottery.

Also, as of September 2015, due to the ongoing budget impasse for FY 2016, winners of lottery prizes larger than $25,000 are not receiving their winnings in a timely manner. This situation will be resolved once the budget process is completed and the Lottery will have the appropriations to properly pay large winners.

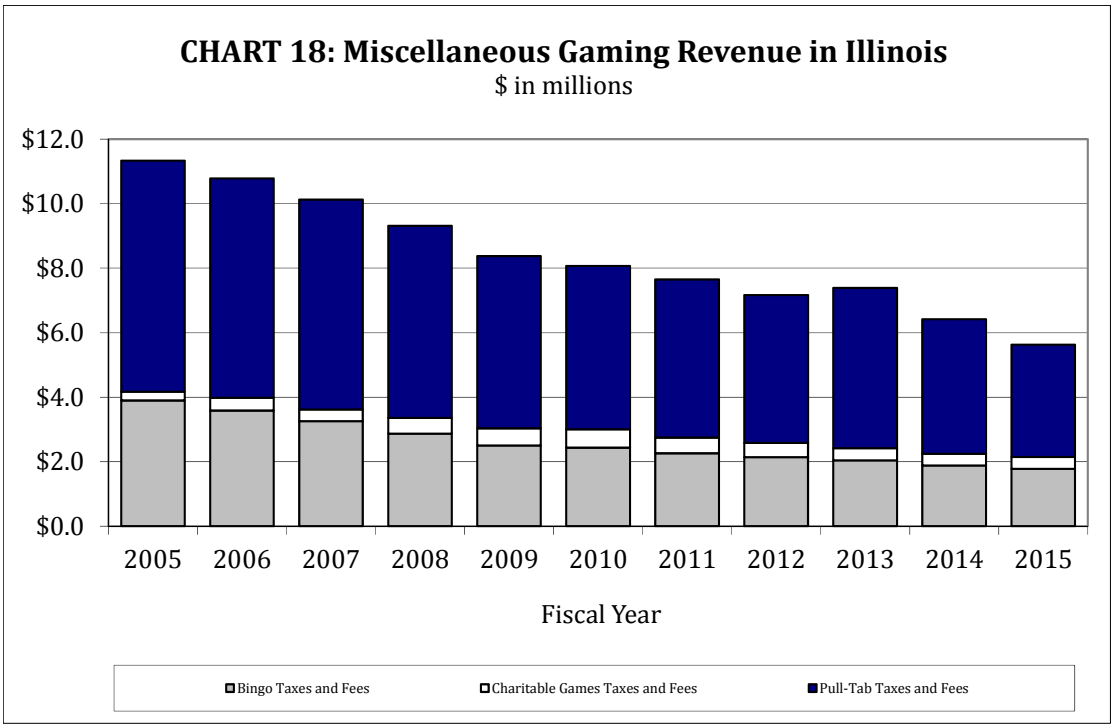
On September 18, 2015, the Office of the Governor announced that the State and the Northstar Lottery Group had reached a termination agreement. The agreement would fully terminate Northstar as the private manager of the lottery as of January 1, 2017 or until a new private manager was hired. The announcement claimed that this deal would save taxpayer's $22 million and would allow the new manager to choose its own suppliers when compared to the previously nullified agreement between Northstar and the Quinn administration.

MISCELLANEOUS STATE GAMING

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

- Illinois receives two forms of revenue from bingo games: license fees and the bingo game receipt tax. In FY 2015, the State generated $127,750 in bingo license fees and $1.7 million in bingo taxes. Total bingo receipts were down 5.4% from FY 2014 levels.
- Illinois receives two forms of revenue from charitable games: license fees and the charitable games receipts tax. In FY 2015, the State received $78,028 in license fees and $286,971 from the charitable games tax. Total charitable games receipts were up 0.1% from FY 2014 levels.
- Illinois receives two forms of revenue from pull-tabs and jar games: license fees and the pull-tab and jar games receipts tax. In FY 2015, the State received $419,086 in license fees and $3.1 million from the pull tabs and jar games tax. Total pull-tabs and jar games receipts were down 16.6% from FY 2014 levels.

In total, these miscellaneous gaming revenue sources generated approximately $5.6 million in FY 2015. This figure is 12.3% below the FY 2014 total of $6.4 million. The chart below illustrates a history of miscellaneous gaming revenue over the past decade.



CONCLUSION

The landscape of gaming in Illinois is in the midst of change. The rapid expansion of video gaming throughout the State is providing Illinois residents more gambling options than they have ever had before. But despite the addition of these new gaming opportunities, for the first time in four years State revenues from gaming-related sources in Illinois experienced a decrease in the amount collected. In FY 2015, State gaming revenues totaled $1.184 billion, which was a falloff of 5.8% over FY 2014 totals.

The declines in overall gaming dollars were because revenue losses from the other main gaming sources in Illinois: riverboat gambling, horse racing, and the Lottery more than offset the revenue increases from video gaming. These declines are, of course, concerning because these gaming revenues are crucial in funding education through the transfers into the Common School Fund and the Education Assistance Fund, as well as generating revenue for other funds, such as the Capital Projects Fund.

The declines in riverboat gambling in FY 2015 are a continuation of its recent downward trend. Transfers to the Education Assistance Fund coming from Illinois' ten casinos were at its lowest level since FY 1999. While part of this is due to how revenues from the new Des Plaines are statutorily redistributed, a major part of the decline is because every casino, except for Des Plaines, has experienced a decline in its adjusted gross receipts over the past two fiscal years. Six of the ten casinos have experienced double-digit declines during this time span. This has resulted in a two-year overall decline of 8.5%.

There are a couple primary reasons for these declines at the older riverboats. First, the Des Plaines casino continues to have a detrimental impact on riverboats near the new casino. Adjusted gross receipts from the four pre-existing Illinois casinos in the Chicago metropolitan area have fallen a combined 27.7% in the first four years of the new casino, with the largest decline coming from Elgin at -41.0%. Under a graduated tax structure, when compared to the previous year, lower AGR totals results in proportionally lower tax payments from the impacted casinos. Thus, the revenue losses from the negatively impacted riverboats have more than offset the revenue gains from the growing Des Plaines casino.

The other factor impacting the riverboat gaming industry is the emergence of video gaming in Illinois. Video gaming in Illinois continues to grow since its inception in September 2012. By the end of FY 2015, 20,730 video gaming machines were in operation throughout Illinois, generating over $800 million in net terminal income for the fiscal year, up from $485 million in FY 2014. At the 30% tax rate, this resulted in approximately $241 million in tax revenues used for distributions to the Capital Projects Fund and to local governments.

The 20,730 video gaming terminals in operation at the end of FY 2015 is the equivalent of adding over seventeen casinos to the State. This has created more

competition for the riverboat casino industry, which has no doubt had a negative impact on their attendance and revenues. But it should be noted that when combining riverboat and video gaming numbers, the amount of dollars spent on these gaming formats Statewide increased 14.8% in FY 2015, despite the declining revenues from the majority of the riverboat casinos.

A closer look, however, shows that the overall increase in gaming revenues has been, for the most part, experienced downstate where limited gaming opportunities had previously existed. The numbers suggest that adding video gaming to the Chicago areas has merely redistributed the revenues to the numerous gaming venues that now exist in that area. In FY 2012, riverboat revenues from the Chicago area casinos in Illinois and Indiana generated $2.246 billion. In FY 2015, even with the addition of 7,657 video gaming machines in this area, the Commission estimates that gaming revenue totals in the Chicago area remained relatively stagnant at $2.308 billion - an average year-over-year growth in gaming dollars of only 0.9%.

These figures also indicate that not only has video gaming and the new Des Plaines casino negatively impacted Chicago area Illinois riverboats, but also likely the nearby casinos in Indiana. The five Indiana casinos near Chicago have fallen a combined 19.1% since the Des Plaines casino's opening. This suggests that many gamblers may be leaving Indiana casinos and spending their gambling dollars in Illinois. But even with this occurrence, in terms of AGR/NTI of the gaming facilities, Illinois (at $2.125 billion in CY 2015 – including video gaming revenues) remains behind Indiana ($2.157 billion in CY 2015). This is despite Illinois' significantly higher population totals.

Video gaming revenues would be significantly higher if the City of Chicago were to "opt-in" to allowing video gaming in Illinois. The Commission estimates that Chicago is among roughly 40% of the State's population which continues to ban video gaming in their communities. But even without these cities, insiders believe that the number of video gaming terminals in the State will grow to between 23,000 and 25,000 gaming terminals statewide. This is the equivalency of adding 20 full-size casinos (1,200 positions per Illinois casino) to the State.

While video gaming continues to grow across the State, the horse racing industry continues to struggle. Despite a small uptick in the amount wagered on horse racing in Illinois in CY 2014, the CY 2014 handle amount of $624 million was 41.1% below its levels of a decade ago. The handle from thoroughbred racing dropped 7.5% in CY 2014, while the handle from standardbred racing dropped 16.8%. Advanced deposit wagering did increase 79.5% during the calendar year, but this increase was in large part due to the temporary shutdown of this type of wagering during CY 2013.

Unless subsidies for the horse racing industry are created, like what has been done in the past, horse racing is expected to struggle in the foreseeable future. The horse racing industry continues to lobby for slots machines at their racetracks as a way to improve their attendance and revenues. While statistics from other states have

shown that casinos at racetracks do not necessarily increase the racing handle, it would provide a secondary source of revenue to support the horseracing industry.

The largest contributor of State gaming revenues continues to come from the Illinois Lottery. But FY 2015 was a very disappointing year for the Lottery, especially in terms of State related revenues/transfers from lottery proceeds. In FY 2015, $690 million in State related revenues/transfers were collected, which was a $125 million decrease over FY 2014. This falloff is the primary reason for the overall 5.8% decline in gaming related sources.

The $125 decrease in Lottery transfers is mainly because the amount transferred to the Capital Projects Fund fell from $145 million to $8 million in FY 2015. While the reason for this dramatic drop is unclear, the Lottery has indicated (based on preliminary, unaudited results which could change significantly in the final audit) that they believe the large decrease was largely due to a change in the overall price payout percentage.

Despite the decrease in these revenue transfers, overall lottery sales in FY 2015 were actually up slightly at 1.4% over FY 2014 levels. The increase in total sales was mainly due to an increase in instant sales which was partly offset by a decline in draw games. Instant games sales were up $64 million, while the draw games declined by about $25 million.

The future of the lottery program continues to be in flux. In September 2015, the Office of the Governor announced that the State and Northstar had reached a new termination agreement. The agreement would fully terminate Northstar as the private manager of the lottery as of January 1, 2017 or until a new private manager was hired. It is unclear at this point if this agreement will be approved by the Attorney General or how the new manager selection process would be conducted.

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

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

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

BACKGROUND

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

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

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

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

These reports are available from:

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