Commission on Government Forecasting and Accountability

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INSIDE THIS ISSUE

The Continuing Impact of the Pandemic on Illinois Casinos

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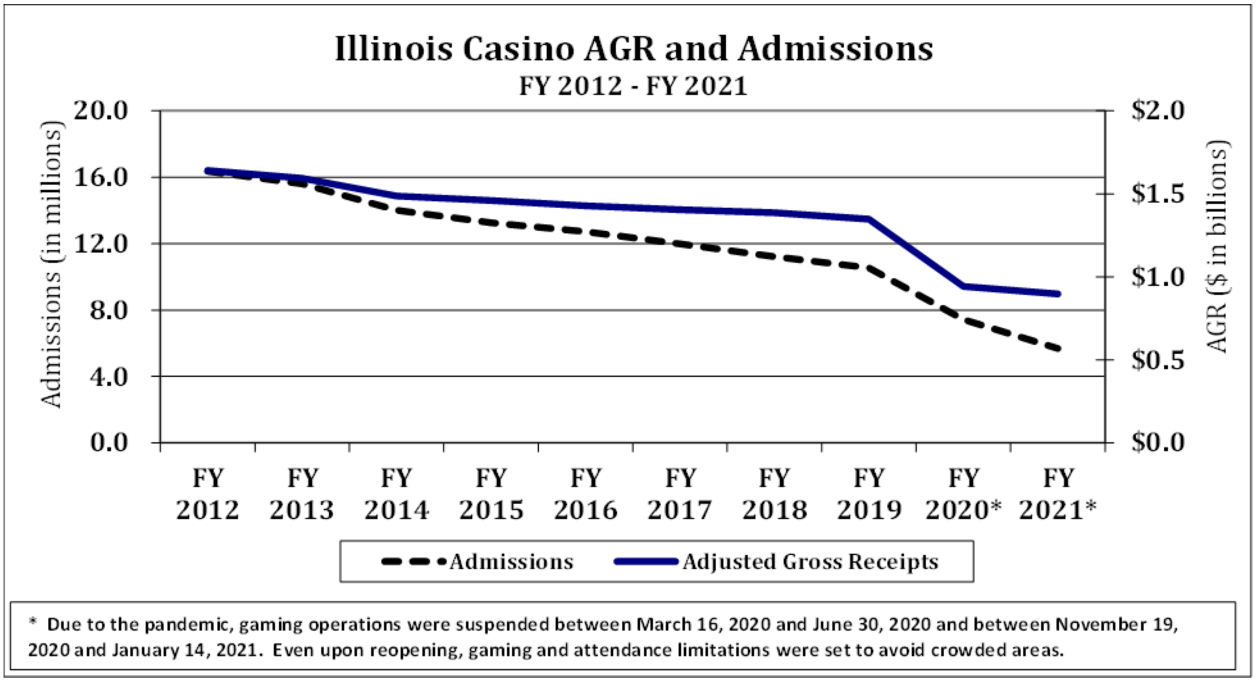
The COVID-19 pandemic has impacted many aspects of economic activity throughout Illinois. This has especially been the case as it relates to the State's casino industry. The following provides a brief overview of the recent performance of Illinois' casino industry and how current figures compare to pre-pandemic levels.

Data from the Illinois Gaming Board shows that the adjusted gross receipts (AGR) from Illinois' ten operating casinos fell 4.8% in FY 2021. That follows a 30% decline in FY 2020. Relatedly, admissions to Illinois' casinos fell 23.3% in FY 2021, which follows a 29.6% drop in FY 2020. Therefore, over the last two fiscal years, AGR levels have fallen a combined 33.4% (from $1.347 billion to $897 million) and admissions have fallen an even worse 46.0% (from 10.6 million to 5.7 million patrons). These measures are illustrated on the following page.

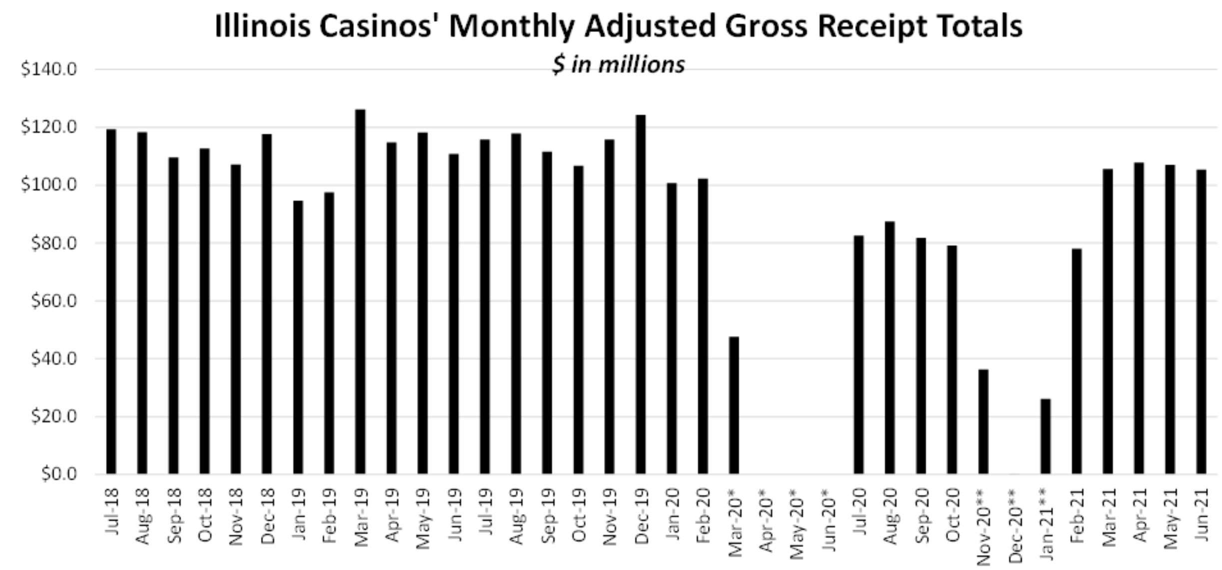
These declines are, of course, in large part due to the suspension of gaming operations between March 16th and June 30th and again between November 19th and January 15th, in response to COVID-19 mitigation guidelines. Even between and after these two suspension periods, gaming only returned on a limited basis at times, with restrictions limiting casino attendance.



The sudden impact of the pandemic on casino numbers is clearly seen by looking at the casino figures on a month-by-month basis, as shown in the following two graphs.

The first graph displays the monthly AGR totals of Illinois' ten operating casinos. The impact of the suspension of gaming operations is clearly seen by the falloff and absence of revenues during the March 2020 – June 2020 period. When suspensions were lifted during the summer months of 2020, revenues were again generated, but the monthly totals were well short of pre-pandemic levels. The second suspension period beginning in November 2020 again put a damper on casino revenues in December and much of January 2021. Since the time of reopening, casino revenues have returned, but have remained below previous levels.

The second graph shows the casino monthly admission totals fluctuating in a similar manner to the adjusted gross receipts graph. However, the falloffs are even more pronounced. The graph illustrates how admissions to Illinois' casinos are still well below pre-pandemic levels. Over the last quarter (April 2021 – June 2021), Illinois casinos have had an average monthly attendance total of around 670,000. This is nearly 200,000 below the 870,000 gamblers, on average, that patronized Illinois casinos on a monthly basis during this same time period in 2019.



* Due to the COVID-19 pandemic, gaming operations were suspended on March 16, 2020 and continued thru the end of FY 2020. The casinos reopened at limited capacity on July 1, 2020.

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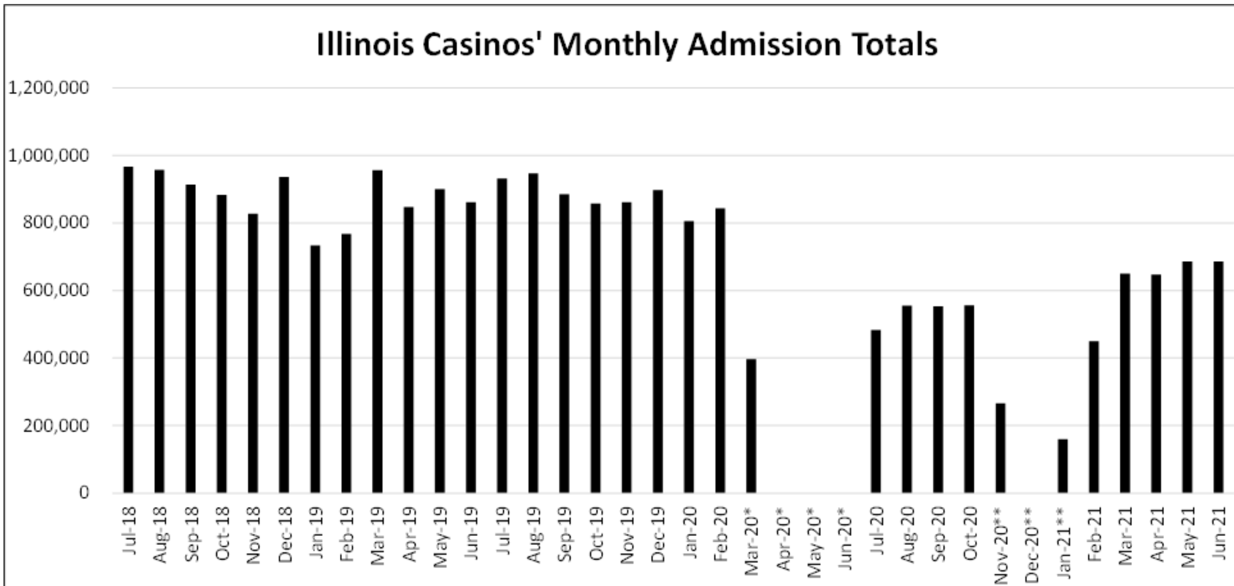

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There are a number of factors that are likely contributing to these lower casino figures. Obviously, the suspension and restrictions put forth on the casino industry severely hampered its performance. Even when the suspension of play was lifted, attendance restrictions limited their ability to operate at full capacity. Illinois casinos were not allowed to fully open until entering "Phase 5" of the Restore Illinois framework on June 11. This means that there were only a very limited number of days in FY 2021 that the casino industry was not under some type of attendance restriction.

However, aside from the casino limitations, there were a number of other factors that have contributed to the low casino numbers. First, there is still a segment of the population that continues to be cautious in regards to COVID-19 and will likely continue to avoid public places like casinos. Another factor is the availability of other more-convenient gambling options, such as local video gaming terminals, which are often closer to home and much less crowded than the typical casino setting. Some no doubt view this as, at least, a perceived "safer" option to gamble. Thirdly, casino numbers over the last decade in Illinois have been on a downward trend, even before COVID-19, and the pandemic may be accelerating this trend.

Regardless of the reasons, lower revenue and attendance totals have resulted in less tax revenues the State receives from these casinos. For example, no revenues were transferred from the State Gaming Fund to the State's Education Assistance Fund during FY 2021. Although this absence of transfer was due to a combination of factors (the low figures discussed above, a reduced tax structure, the obligatory fulfilment of shorted payments in FY 2020 and FY 2021, etc.), the fact remains that this recent struggle of the casino industry has had a direct negative impact on available State funds.

In September 2021 the Commission plans on releasing its annual Wagering Report, which will provide more detail to the numbers discussed above. It will discuss, not only the trends of the casino industry, but will also discuss other gaming related items, such as how video gaming figures have fared since the pandemic began, the performance of the State's Lottery program, the implementation of sports wagering throughout Illinois, a discussion on horse racing, and an update on gaming expansion, including the possibility of new casinos being opened in Illinois in the near future.

INDICATORS OF ILLINOIS ECONOMIC ACTIVITY

INDICATORS*	LATEST MONTH	PRIOR MONTH	A YEAR AGO
Unemployment Rate (Average) (June)	7.2%	7.1%	14.2%
Inflation in Chicago (12-month percent change) (June)	4.7%	4.7%	1.1%

	LATEST MONTH	CHANGE OVER PRIOR MONTH	CHANGE OVER A YEAR AGO
Civilian Labor Force (thousands) (June)	6,181.7	0.4%	-2.7%
Employment (thousands) (June)	5,738.2	0.3%	5.2%
Nonfarm Payroll Employment (June)	5,745,100	12,500	310,100
New Car & Truck Registration (June)	56,080	9.9%	47.8%
Single Family Housing Permits (June)	1,037	9.9%	7.2%
Total Exports ($ mil) (May)	5,778.4	7.0%	51.8%
Chicago Purchasing Managers Index (July)	73.4	11.0%	41.4%

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

REVENUE: TIMING OF LAST YEAR'S DELAYED TAX DAY DEADLINE RESULTS IN EXPECTED DROP OF JULY INCOME TAX RECEIPTS—LOSSES PARTIALLY OFFSET BY STRONGER SALES TAX, TRANFERS, AND FEDERAL SOURCES

Jim Muschinske, Revenue Manager

Base July general funds revenues fell $880 million overall. An expected loss of approximately $1.2 billion of income tax receipts related to last year's delayed July 15th filing deadline was the primary driver of the decline. Comparatively better sales tax receipting, coupled with higher transfers into the general funds, along with a strong month for federal sources, served to offset much of the income tax drop off. July had one less receipting day than the prior year.

To review, as a consequence of policy decisions related to COVID-19, last year [2020] the usual April 15th income tax filing deadline was moved back three months to July 15th, both at the Federal as well as State level. That delay resulted in approximately $1.3 billion of final income tax payments falling into early FY 2021. [While final payments were again delayed this past April, it was only for one month, thereby still falling within the same fiscal year]. As a consequence of these timing variations, a significant drop in this July's income tax receipts was expected.

For the month, gross personal income taxes fell $1.161 billion, or $997 billion on a net basis [net income tax receipts account for required distribution into the Refund Fund as well as direct deposits to the LGDF]. Gross corporate income taxes also fell substantially, dropping $246 million, or $198 million net. A number or other revenue sources also experienced falloffs, albeit significantly less in absolute terms. Insurance taxes fell $62 million, while corporate franchise taxes dropped $32 million. Interest earnings were $21 million behind last year's levels, other sources fell $11 million, cigarette taxes were down $5 million, and public utility taxes dipped $1 million.

Only a few revenue sources experienced gains to begin the fiscal year. Sales tax receipts grew a healthy $154 million on a gross basis, or $166 million net [net sales tax receipts takes into account required deposits into several transportation funds]. Estate tax receipts moved up $17 million, while liquor taxes grew $4 million. Vehicle use tax managed to eke out a $1 million gain.

As mentioned earlier, transfers into the general funds was stronger this July as compared to last fiscal year, as overall transfers grew $82 million. While lottery transfers were down $15 million, that decline was more than made up for by an increase of $97 million in other miscellaneous transfers. Federal sources began the new fiscal year in impressive fashion, growing $177 million.

July

FY 2022 vs. FY 2021

($ million)

Revenue Sources	**July FY 2022**	**July FY 2021**	**$ CHANGE**	**% CHANGE**
State Taxes				
Personal Income Tax	$1,575	$2,736	($1,161)	-42.4%
Corporate Income Tax (regular)	158	404	(246)	-60.9%
Sales Taxes	924	770	154	20.0%
Public Utility Taxes (regular)	53	54	(1)	-1.9%
Cigarette Tax	23	28	(5)	-17.9%
Liquor Gallonage Taxes	19	15	4	26.7%
Vehicle Use Tax	4	3	1	33.3%
Inheritance Tax	29	12	17	141.7%
Insurance Taxes and Fees	10	72	(62)	-86.1%
Corporate Franchise Tax & Fees	14	46	(32)	-69.6%
Interest on State Funds & Investments	1	22	(21)	-95.5%
Cook County IGT	0	0	0	N/A
Other Sources	17	28	(11)	-39.3%
Subtotal	$2,827	$4,190	($1,363)	-32.5%
Transfers				
Lottery	$45	$60	($15)	-25.0%
Riverboat transfers & receipts	0	0	0	N/A
Proceeds from Sale of 10th license	0	0	0	N/A
Refund Fund transfer	0	0	0	N/A
Other	136	39	97	248.7%
Total State Sources	$3,008	$4,289	($1,281)	-29.9%
Federal Sources	$481	$304	$177	58.2%
Total Federal & State Sources	$3,489	$4,593	($1,104)	-24.0%
Nongeneral Funds Distributions/Direct Receipts:				
Refund Fund				
Personal Income Tax	($146)	($246)	$100	-40.7%
Corporate Income Tax	(24)	(57)	33	-57.9%
LGDF--Direct from PIT	(87)	(151)	64	-42.4%
LGDF--Direct from CIT	(9)	(24)	15	-62.5%
Downstate Pub/Trans--Direct from Sales	(24)	(36)	12	-33.3%
Subtotal General Funds	$3,199	$4,079	($880)	-21.6%
Treasurer's Investments	$0	$0	$0	N/A
Interfund Borrowing	$0	$0	$0	N/A
Short Term Borrowing [MLF]	$0	$0	$0	N/A
Total General Funds	$3,199	$4,079	($880)	-21.6%

CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding 3-Aug-21