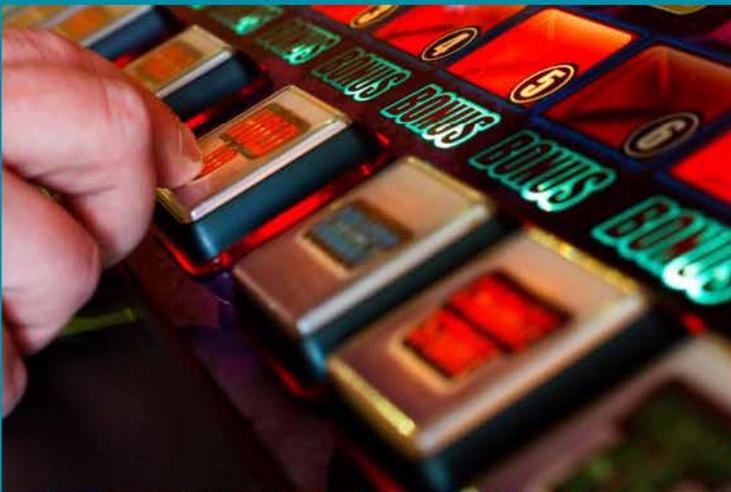


WAGERING IN ILLINOIS

2016 UPDATE



Commission on Government
Forecasting and Accountability

***Commission on Government Forecasting
and Accountability***

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EXECUTIVE SUMMARY

The following document is the Commission's 2016 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 2016, the State's share of tax revenues from wagering in Illinois reached \$1.229 billion, a 3.8% increase from FY 2015 levels. The continued growth in video gaming revenues paid into the Capital Projects Fund (\$56 million increase in FY 2016) and the slight increase (\$5 million) in lottery transfers was enough to offset the \$15 million loss in riverboat gaming transfers. Horse racing related State revenues continued its downward trend generating only \$6 million in FY 2016.
- Lottery transfers (and other State-related lottery revenues) comprised 56.5% of total gaming revenues in FY 2016, whereas riverboat transfers comprised 22.5%, and horse racing comprised 0.5%. Video gaming's growth in Illinois' gaming market continued in FY 2016, comprising 20.5% of these gaming revenues in FY 2016, up from 16.5% in FY 2015 and 9.1% in FY 2014.
- Statewide adjusted gross receipts (AGR) for Illinois riverboats in FY 2016 were down 2.1% from FY 2015 levels, while admissions declined 4.1%. Modest increases in AGR at the casinos in Elgin, Joliet (Hollywood), and East St. Louis were offset by AGR declines at the other seven Illinois casinos. State revenues generated from riverboat gambling totaled \$400.8 million in FY 2016, which was a 2.7% decline from FY 2015 levels. Increased competition from video gaming continues 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 AGR) of the casino-operating states in the Midwest. The addition of the casino in Des Plaines had allowed Illinois to rise ahead of Iowa between FY 2012 and FY 2015. But four consecutive years of declining revenues has Illinois (\$1.429 billion in FY 2016) again trailing Iowa (\$1.437 billion), in addition to, Indiana (\$2.140 billion) and Missouri (\$1.713 billion).

- In July 2009, Public Act 96-0034 became law, legalizing video gaming in Illinois. By the end of FY 2016 (June 2016), 23,891 video gaming terminals were in operation across Illinois – up from 20,730 in June 2015. In FY 2016, video gaming machines generated \$1.021 billion in net terminal income. This generated \$51 million in tax revenues to local governments (up from \$40 million in FY 2015) and over \$255 million to the Capital Projects Fund (up from \$201 million in FY 2015).
- 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 3,856 terminals (FY 2016). The counties of Lake, Winnebago, Sangamon, and Will rounded out the top five. In regards to municipalities, Springfield had the highest amount of video gaming terminals in FY 2016 with 622 terminals. Rockford ranked 2nd, followed by Decatur and Joliet.
- Gaming related revenues from riverboat casinos fell 2.1% in FY 2016. However, when combined with video gaming totals, gaming revenues as a whole actually increased 8.2% Statewide in FY 2016. When shown together, revenues from these two gaming formats have increased from \$1.641 billion in FY 2012 to \$2.450 billion in FY 2016, an increase of \$809.2 million or +49.3% during this four-year period.
- 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 8,929 video gaming terminals in the Chicago Metropolitan Statistical Area in FY 2016, which is the equivalency of adding over seven full-size casinos to this region. When 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 has only increased slightly, going from \$2.246 billion in FY 2012 to \$2.381 billion in FY 2016. This is an average annual increase in gaming revenues of only 1.5%.
- Illinois' total horse racing handle amount decreased from \$624 million in CY 2014 to \$593 million in CY 2015, a decline of 4.9%. This decline occurred despite the fact that advance deposit wagering increased \$8 million or 5.6%. This increase was offset by an \$11 million decline in on-track racing, a \$9 million falloff in intertrack racing, and a \$17 million decrease in off-track racing. The overall horse racing handle total in 2015 was 40.8% below levels from ten years ago.

- The horse racing numbers will likely be much worse in CY 2016 due to the closing of two of Illinois' horse tracks: Balmoral Park and Maywood Park. Both tracks filed for bankruptcy, which allowed the two racetracks to continue their operations in 2015. However, efforts to find buyers willing to keep Maywood Park and Balmoral Park open were unsuccessful. Maywood Park's final race program was on October 2nd (2015) and Balmoral Park wrapped up live racing on December 26th (2015).
- In FY 2016, the Illinois Lottery had \$2.86 billion in sales which was an increase of approximately 0.6%, or about \$18 million, from FY 2015. Powerball sales, which were up \$74 million, were the main driver of the net \$18 million increase, while the rest of the games were basically flat or down for the year.
- Transfers to the Common School Fund totaled \$691.6 million in FY 2016. This was an increase of 1.9%. Transfers to special causes declined 8% to \$3.3 million. Due to poor performance of the lottery in FY 2016, there was no transfer to the Capital Projects Fund which was down from \$8 million in FY 2015 and a high of \$145 million in FY 2014.
- Illinois had the 10th largest lottery in the U.S. in FY 2015. The per capita average of lottery sales in Illinois was \$221 which was 19th out of the 45 lotteries in the U.S. Per capita sales were basically flat at \$222 in FY 2016.
- In September 2015, the State and the Northstar Lottery Group entered into a termination agreement that would lead to a new private lottery manager. A request for proposals for a new private manager was initiated in July 2016. The State seeks to have the new manager take over day-to-day management of the lottery on January 1, 2017.

OVERVIEW OF GAMING IN ILLINOIS

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 entered the equation as the first legalized video gaming machines were put into operation. This new revenue source continues to thrive in Illinois as net terminal income from video gaming surpassed \$1.0 billion in FY 2016, more than doubling its totals from just two years ago (\$485M in FY 2014). But while video gaming in Illinois has continued to grow, the same cannot be said for Illinois’ other gaming formats.

The majority of State designated tax revenues continues to come from the Lottery (\$695 million), but revenues from this source were stagnant in FY 2016 (up only \$5 million) and are down \$120 million from two years ago. Tax revenues from riverboat casinos continue to disappoint, falling another \$15 million to \$277 million in FY 2016. The struggles of the horse racing industry continued in FY 2016, generating a mere \$6 million (down \$1 million).

Despite the lack of growth in these historically prominent revenue sources, State designated tax revenues from overall gaming in Illinois grew 3.8% in FY 2016 to \$1.229 billion, an increase of \$45 million. Video gaming’s tax revenue growth of \$56 million was the reason for this, offsetting the struggles of the other gaming sources. 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.

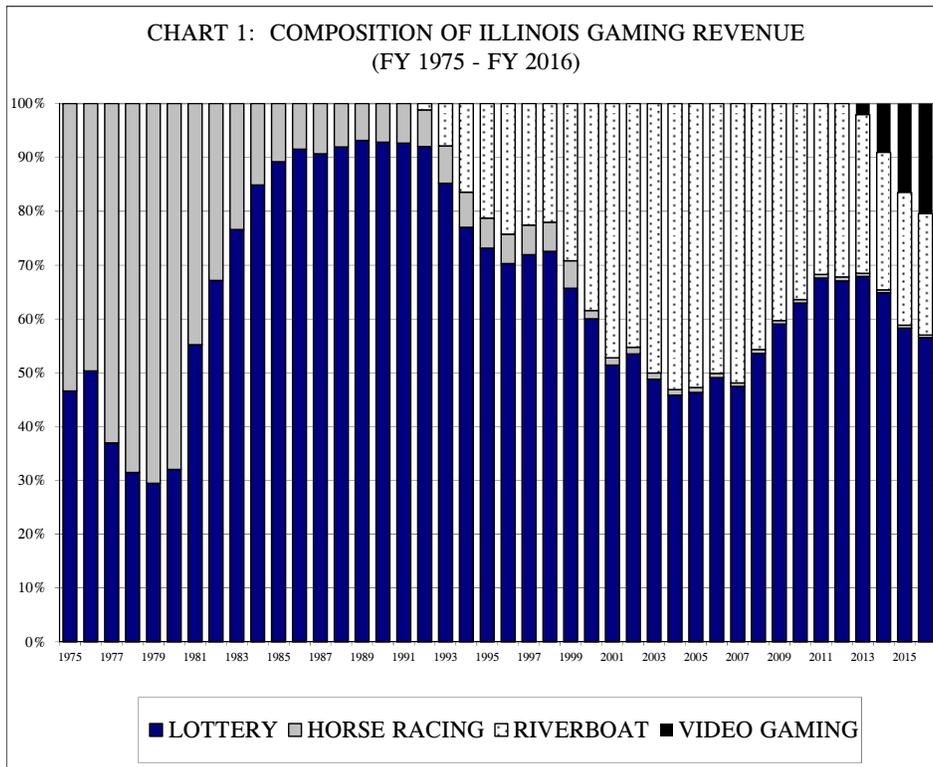


TABLE 1: STATE GAMING REVENUE (\$ in Millions)

FISCAL YEAR	HORSE			VIDEO		PRIOR YEAR % CHANGE
	LOTTERY ⁽¹⁾	RACING ⁽²⁾	RIVERBOAT ⁽³⁾	GAMING ⁽⁴⁾	TOTAL	
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%
2016	\$695	\$6	\$277	\$252	\$1,229	3.8%

(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. The FY 2016 figure includes \$14.7M in revenues intended for FY 2016, but officially received in FY 2017.

(2) Figures equal State revenue generated, not allocated.

(3) Figures represent appropriations (FY 1992-FY 1995) and transfers (FY 1996-FY 2016) 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 2016, lottery transfers (and other State-related lottery revenues) remained the largest generator of gaming revenues, comprising 56.5% of total gaming revenues. But this percentage has declined from a recent high-mark of 67.9% in FY 2013. Riverboat transfers fell to 22.5% in FY 2016, while horse racing revenues continued to comprise a relatively miniscule 0.5%. On the other hand, video gaming's composition has continued to shoot up, growing from 9.1% in FY 2014 to 16.5% in FY 2015 to 20.5% in FY 2016. 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 strong performance of the newer Des Plaines Casino. The casino in Des Plaines, which opened in July 2011 (FY 2012), continued to be, by far, the largest revenue producing casino in the State, generating \$425 million in adjusted gross receipts in FY 2016. But, for the first time, Des Plaines saw a year-over-year decline in its AGR totals, falling 0.8% in FY 2016. Four other casinos reside in the Chicago area with AGR totals ranging from \$120 million to \$186 million. And while the overall downward trend of these casinos has stabilized (down 2.1% in FY 2016), the revenue performance of these casinos are well below levels experienced in the past (down 20.6% from FY 2011 levels). Competition from the newer Des Plaines casino and the rapid development of video gaming in Illinois has no doubt contributed to these downward trends.

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 2016 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, the Commission has again included in this report an analysis 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 2016, there were 23,891 video gaming terminals in operation across the State (June 2016). And while the number of new terminals being introduced per month has slowed, current trends would indicate that by the time that video gaming reaches “full implementation”, over 25,000 video gaming terminals will be in operation across Illinois. 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 21 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 2015 was at \$593 million, which is 40.8% below levels seen just a decade ago. And to make matters worse, two Illinois racetracks, Maywood Park and Balmoral Park, closed at the end of 2015.

Because of the ongoing 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. While total lottery sales did increase 0.6% over FY 2015’s results, many would view the Lottery’s performance over the last several years as disappointing. Higher totals were expected under the private management company, Northstar. Lottery-related transfers grew by only \$5 million in FY 2016 to \$695 million. This figure is well below the \$815 million transferred in FY 2014. This falloff is primarily because the amount transferred to the Capital Projects Fund has dropped from a high of \$145 million in FY 2014 to \$8 million in FY 2015 to \$0 in FY 2016.

Due to the poor performance in recent years, the State and Northstar entered into a letter of termination related to the private management agreement in September 2015. A request for proposal for a new private manager is due in late September 2016. Northstar is expected to continue day-to-day control of the Lottery until January 1, 2017. A discussion on this termination of the private management agreement, along with other statistics surrounding the lottery is included in the Lottery section of this report.

Table 2, below, 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 2016 amounts are estimates for Lottery and horse racing).

As Table 2 reveals, FY 2016 State gaming revenues totaled approximately \$1.229 billion. The gaming industry’s FY 2016 estimated gaming hold total of \$3.67 billion increased 5.6% from FY 2015 levels. Per-capita spending increased at a similar growth rate to approximately \$285 in FY 2016. These increases are mainly due to the growth in video gaming’s net terminal income, as the other three gaming formats saw little to no increase in their respective figures. The expansion of video gaming terminals has provided more opportunities for gaming, thus, causing per-capita 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.

TABLE 2: THE STATUS OF ILLINOIS GAMING BASED ON STATE REVENUE, GAMING HOLD, AND PER-CAPITA SPENDING							
	2010	2011	2012	2013	2014	2015	2016*
POPULATION (IN MILLIONS)	12.8	12.9	12.9	12.9	12.9	12.9	12.9
HORSE RACING (CY)							
STATE REVENUE (IN MILLIONS)	\$ 7	\$ 7	\$ 8	\$ 7	\$ 7	\$ 7	\$ 6
GAMING HOLD (IN MILLIONS)	\$ 163	\$ 154	\$ 150	\$ 138	\$ 140	\$ 134	\$ 129
% CHANGE IN GAMING HOLD	-1.9%	-5.4%	-2.8%	-7.8%	1.7%	-4.5%	-3.6%
** PER-CAPITA SPENDING	\$ 13	\$ 12	\$ 12	\$ 11	\$ 11	\$ 10	\$ 10
% CHANGE IN PER-CAPITA SPENDING	-1.4%	-5.7%	-2.8%	-7.9%	1.7%	-4.4%	-3.6%
LOTTERY (FY)							
LOTTERY TRANSFERS (IN MILLIONS)	\$ 662	\$ 690	\$ 708	\$ 794	\$ 815	\$ 690	\$ 695
GAMING HOLD (IN MILLIONS)	\$ 926	\$ 964	\$ 1,115	\$ 1,113	\$ 1,103	\$ 1,098	\$ 1,106
% CHANGE IN GAMING HOLD	8.6%	4.1%	15.7%	-0.2%	-0.9%	-0.4%	0.6%
** PER-CAPITA SPENDING	\$ 72	\$ 75	\$ 87	\$ 86	\$ 86	\$ 85	\$ 86
% CHANGE IN PER-CAPITA SPENDING	9.2%	3.8%	15.6%	-0.2%	-0.9%	-0.3%	0.6%
RIVERBOATS (FY)							
AMOUNT TO EAF & CSF (IN MILLIONS)	\$ 383	\$ 324	\$ 340	\$ 345	\$ 321	\$ 292	\$ 277
GAMING HOLD (IN MILLIONS)	\$ 1,405	\$ 1,351	\$ 1,641	\$ 1,595	\$ 1,488	\$ 1,459	\$ 1,429
% CHANGE IN GAMING HOLD	-5.0%	-3.8%	21.5%	-2.8%	-6.7%	-1.9%	-2.1%
** PER-CAPITA SPENDING	\$ 110	\$ 105	\$ 127	\$ 124	\$ 116	\$ 113	\$ 111
% CHANGE IN PER-CAPITA SPENDING	-4.5%	-4.1%	21.4%	-2.9%	-6.7%	-1.8%	-2.1%
VIDEO GAMING (FY)							
AMOUNT TO CAPITAL PROJECTS FUND	\$ -	\$ -	\$ -	\$ 24	\$ 114	\$ 196	\$ 252
GAMING HOLD (IN MILLIONS)	\$ -	\$ -	\$ -	\$ 96	\$ 456	\$ 783	\$ 1,006
% CHANGE IN GAMING HOLD					375.0%	71.6%	28.6%
** PER-CAPITA SPENDING	\$ -	\$ -	\$ -	\$ 7	\$ 35	\$ 61	\$ 78
% CHANGE IN PER-CAPITA SPENDING					375.1%	71.9%	28.6%
ALL WAGERING							
TOTAL REVENUE (IN MILLIONS)	\$ 1,052	\$ 1,021	\$ 1,056	\$ 1,170	\$ 1,257	\$ 1,184	\$ 1,229
GAMING HOLD (IN MILLIONS)	\$ 2,494	\$ 2,469	\$ 2,906	\$ 2,942	\$ 3,188	\$ 3,475	\$ 3,670
% CHANGE IN GAMING HOLD	-0.2%	-1.0%	17.7%	1.2%	8.3%	9.0%	5.6%
** PER-CAPITA SPENDING	\$ 194	\$ 192	\$ 226	\$ 228	\$ 247	\$ 270	\$ 285
% CHANGE IN PER-CAPITA SPENDING	0.4%	-1.3%	17.6%	1.2%	8.4%	9.2%	5.6%
*THE FY 2016 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.							

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 2016 and beyond. The section opens by providing a basic summary of Illinois' riverboat tax structure, as well as a synopsis of FY 2016 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 (increased video gaming competition, gaming expansion, etc.).

During the Spring 2016 Legislative Session, despite talks of gaming expansion in Illinois, little was done. Any reported discussions that did occur seem to revolve around HB 2939 and HB 3564. While these bills have so far failed to receive support for legislative advancement, 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 2011 thru 2016 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 2011 - FY 2016) (\$ in millions)						
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Des Plaines	\$0.0	\$393.5	\$410.1	\$421.5	\$428.2	\$424.7
Joliet Harrah's	\$236.3	\$215.3	\$206.5	\$196.2	\$195.8	\$185.8
Elgin	\$286.1	\$226.7	\$201.4	\$180.2	\$168.8	\$170.0
Joliet Hollywood	\$147.7	\$135.7	\$141.0	\$123.6	\$123.9	\$125.2
Aurora	\$178.4	\$159.9	\$149.2	\$131.8	\$125.1	\$119.7
East St. Louis	\$127.9	\$132.1	\$128.7	\$116.2	\$106.8	\$108.1
East Peoria	\$115.5	\$116.2	\$112.0	\$100.1	\$93.2	\$86.0
Metropolis	\$100.1	\$102.7	\$91.8	\$80.6	\$83.6	\$82.4
Rock Island	\$83.1	\$87.5	\$85.5	\$77.6	\$77.3	\$76.7
Alton	\$75.7	\$70.9	\$68.5	\$59.8	\$56.6	\$50.4
TOTAL	\$1,350.8	\$1,640.6	\$1,594.8	\$1,487.6	\$1,459.4	\$1,428.9
% INCREASE	-3.8%	21.5%	-2.8%	-6.7%	-1.9%	-2.1%

SOURCE: ILLINOIS GAMING BOARD, MONTHLY RIVERBOAT CASINO REPORT

TABLE 4: ILLINOIS RIVERBOAT ADMISSIONS (FY 2011 - FY 2016)						
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Des Plaines	0	3,894,173	3,846,084	3,633,523	3,463,309	3,346,849
Joliet Harrah's	2,022,995	1,828,825	1,721,408	1,606,567	1,594,741	1,530,609
Elgin	2,051,999	1,719,111	1,634,974	1,470,024	1,341,104	1,366,731
Joliet Hollywood	1,374,618	1,306,020	1,326,579	1,143,896	1,084,189	1,101,637
Aurora	1,485,692	1,438,442	1,338,499	1,140,285	1,072,737	1,018,597
East St. Louis	1,955,279	1,940,539	1,791,770	1,542,603	1,311,198	1,226,581
East Peoria	1,253,969	1,204,672	1,154,330	1,037,744	997,589	920,257
Metropolis	825,466	825,745	718,985	628,458	702,039	655,981
Rock Island	1,382,827	1,309,522	1,260,803	1,108,979	1,073,840	1,026,313
Alton	982,773	900,658	818,856	701,461	625,566	532,252
TOTAL	13,335,618	16,367,707	15,612,288	14,013,540	13,266,312	12,725,807
% INCREASE	-7.1%	22.7%	-4.6%	-10.2%	-5.3%	-4.1%

SOURCE: ILLINOIS GAMING BOARD, MONTHLY RIVERBOAT CASINO REPORT

**TABLE 5: STATE REVENUE GENERATED FROM ILLINOIS RIVERBOATS
(FY 2011 - FY 2016)**

(\$ in millions)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Des Plaines*	\$0.0	\$117.3	\$157.9	\$162.6	\$165.3	\$163.4
Joliet Harrah's	\$77.3	\$67.2	\$62.7	\$58.1	\$57.5	\$53.0
Elgin	\$98.6	\$74.8	\$60.9	\$52.3	\$46.2	\$46.6
Joliet Hollywood	\$37.4	\$34.4	\$35.4	\$30.1	\$29.2	\$29.8
Aurora	\$50.3	\$44.1	\$38.4	\$33.0	\$29.9	\$28.0
East St. Louis	\$32.7	\$33.5	\$32.5	\$28.6	\$24.6	\$24.2
East Peoria	\$26.9	\$27.0	\$26.0	\$22.3	\$19.6	\$17.8
Metropolis	\$22.7	\$21.1	\$19.1	\$15.8	\$16.1	\$15.9
Rock Island	\$15.7	\$17.1	\$16.9	\$14.7	\$14.1	\$14.0
Alton	\$14.8	\$13.5	\$12.8	\$10.7	\$9.6	\$8.2
TOTAL	\$376.4	\$449.9	\$462.6	\$428.1	\$412.1	\$400.8
% INCREASE	-5.5%	19.5%	2.8%	-7.5%	-3.7%	-2.7%
Des Plaines Distributions*:	\$0.0	(\$74.8)	(\$77.9)	(\$76.7)	(\$76.8)	(\$76.7)
Total after Distributions:	\$376.4	\$375.1	\$384.7	\$351.4	\$335.3	\$324.1
% INCREASE	-5.5%	-0.4%	2.6%	-8.6%	-4.6%	-3.3%

* Of the State revenues generated by Des Plaines in FY 2012 and FY 2013, a portion (\$75M in FY 2012 and \$78M 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 St. University. P.A. 98-0018 altered the distribution language to provide that the Horse Racing Equity Fund will receive only \$23M (one-time in July 2013) and will receive no additional transfers in the future. Chicago St. will receive \$1.6M per year, but received no one-time transfers in July 2013. The School Infrastructure Fund received a one-time payment of \$92M in July 2013 and will annually receive \$66.4M 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 2011 - FY 2016)**

(\$ in millions)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Des Plaines	\$0.0	\$23.6	\$24.4	\$24.7	\$24.9	\$24.6
Joliet Harrah's	\$13.8	\$12.6	\$12.0	\$11.4	\$11.4	\$10.8
Elgin	\$16.4	\$13.1	\$11.7	\$10.5	\$9.8	\$9.9
Joliet Hollywood	\$8.8	\$8.1	\$8.4	\$7.3	\$7.3	\$7.4
Aurora	\$10.4	\$9.4	\$8.8	\$7.7	\$7.3	\$7.0
East St. Louis	\$8.4	\$8.5	\$8.2	\$7.4	\$6.7	\$6.6
East Peoria	\$7.0	\$7.0	\$6.8	\$6.0	\$5.7	\$5.2
Metropolis	\$5.8	\$6.0	\$5.3	\$4.7	\$4.9	\$4.8
Rock Island	\$5.5	\$5.7	\$5.5	\$5.0	\$4.9	\$4.9
Alton	\$4.8	\$4.4	\$4.2	\$3.7	\$3.5	\$3.1
TOTAL	\$80.9	\$98.4	\$95.4	\$88.4	\$86.2	\$84.2
% INCREASE	-4.4%	21.7%	-3.1%	-7.3%	-2.4%	-2.4%

SOURCE: ILLINOIS GAMING BOARD, MONTHLY RIVERBOAT CASINO REPORT

**TABLE 7: TOTAL REVENUE GENERATED FROM ILLINOIS RIVERBOATS
(FY 2011 - FY 2016)**

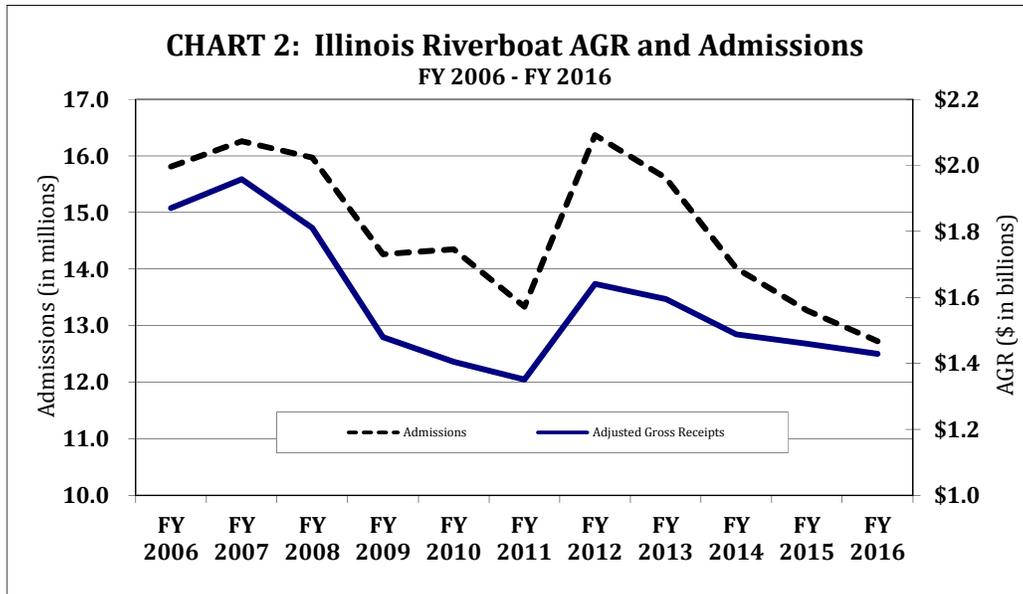
(\$ in millions)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Des Plaines	\$0.0	\$140.8	\$182.2	\$187.3	\$190.1	\$188.0
Joliet Harrah's	\$91.1	\$79.8	\$74.7	\$69.5	\$68.9	\$63.9
Elgin	\$115.0	\$87.9	\$72.6	\$62.8	\$56.0	\$56.4
Joliet Hollywood	\$46.2	\$42.5	\$43.8	\$37.4	\$36.5	\$37.1
Aurora	\$60.7	\$53.5	\$47.2	\$40.7	\$37.2	\$35.0
East St. Louis	\$41.0	\$42.0	\$40.8	\$35.9	\$31.2	\$30.8
East Peoria	\$33.9	\$34.0	\$32.8	\$28.3	\$25.2	\$23.0
Metropolis	\$28.5	\$27.0	\$24.4	\$20.4	\$21.0	\$20.7
Rock Island	\$21.3	\$22.8	\$22.4	\$19.7	\$19.1	\$18.9
Alton	\$19.6	\$17.9	\$17.1	\$14.4	\$13.1	\$11.3
TOTAL	\$457.3	\$548.3	\$557.9	\$516.5	\$498.3	\$485.0
% INCREASE	-5.3%	19.9%	1.8%	-7.4%	-3.5%	-2.7%

SOURCE: ILLINOIS GAMING BOARD, MONTHLY RIVERBOAT CASINO REPORT

Statewide Historical Perspective

The recent downward trend in Illinois' riverboat casino statistics continued in FY 2016. This downward trend concludes a ten-year period full of "ups and downs". Over the past several years, numerous factors have influenced the performance of Illinois riverboats, including the indoor smoking ban, the tumultuous economy, the opening of the 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 (AGR) and admissions. These fluctuations can be seen in the below graph.



Illinois' gambling numbers began this recent ten-year period strong as the State's total AGR increased 6.7% in FY 2006 and 4.7% in FY 2007. But things changed in FY 2008 as AGR levels 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 more sharply in FY 2009 as 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 total AGR dropped another 5.0%. Admissions held flat in FY 2010, increasing a minuscule 0.6%. The trend continued in FY 2011 with AGR levels 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 was the primary reason for this dramatic improvement. In FY 2013, AGR and admissions had a relatively stable year, falling 2.8% and 4.6%, respectively. But declines in riverboat figures have occurred ever since: FY 2014: -6.7% for AGR and -10.2% for admissions; FY 2015: -1.9% for AGR and -5.3% for admissions; and FY 2016: -2.1% for AGR and -4.1% for admissions. As is discussed later in the report, it is believed that the growth of video gaming throughout Illinois is the main contributor to the recent Statewide falloff in riverboat numbers.

Casino by Casino Perspective

On an individual basis, the performance of Illinois' ten riverboats has been mixed. Seven of the ten casinos saw their AGR levels fall in FY 2016. The largest declines came from Alton Argosy (-11.0%), the Par-a-Dice Casino in East Peoria (-7.7%) and Joliet Harrah's (-5.1%). Illinois' largest AGR producer, the Rivers Casino in Des Plaines, also experienced a decline in FY 2016, falling 0.8%. This was the first year-over-year drop in fiscal year receipts for Des Plaines since its opening in FY 2012.

These declines were partially offset by increases at three Illinois casinos, albeit minor increases. The largest upturn in FY 2016 came from East St. Louis' Casino Queen, which grew 1.2%. The other increases came from Joliet Hollywood (+1.0%) and Elgin's Grand Victoria (+0.7%).

In terms of attendance, only two casinos saw their admissions grow in FY 2016: Elgin (+1.9%) and Joliet Hollywood (+1.6%). Conversely, eight of the Illinois casinos experienced a falloff in admissions, led by Alton (-14.9%). While FY 2016 was the first year that Des Plaines has experienced a decline in AGR levels, admission levels have slowly fallen every year since its opening in FY 2012, and fell an additional 3.4% in FY 2016. Still, Des Plaines is by far the most attended casino in Illinois with 3.3 million admissions in FY 2016 and makes up 26.3% of all casino admissions in Illinois.

TABLE 8: ILLINOIS RIVERBOATS BY AGR AND ADMISSIONS							
ADJUSTED GROSS RECEIPTS							
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Des Plaines	N/A	N/A	N/A	4.2%	2.8%	1.6%	-0.8%
Joliet Harrah's	-13.1%	-6.9%	-8.9%	-4.1%	-5.0%	-0.2%	-5.1%
Elgin	-8.2%	0.0%	-20.8%	-11.1%	-10.5%	-6.3%	0.7%
Aurora	-14.0%	-3.5%	-10.4%	-6.6%	-11.7%	-5.1%	-4.4%
Joliet Hollywood	22.6%	-5.8%	-8.1%	3.9%	-12.4%	0.2%	1.0%
East St. Louis	-9.5%	-8.4%	3.2%	-2.6%	-9.7%	-8.1%	1.2%
East Peoria	-1.5%	0.8%	0.6%	-3.6%	-10.6%	-6.9%	-7.7%
Metropolis	-8.0%	-11.5%	2.7%	-10.7%	-12.2%	3.7%	-1.4%
Rock Island	44.7%	9.8%	5.3%	-2.3%	-9.3%	-0.3%	-0.8%
Alton	-7.8%	-5.5%	-6.2%	-3.4%	-12.7%	-5.4%	-11.0%
TOTAL	-5.0%	-3.8%	21.5%	-2.8%	-6.7%	-1.9%	-2.1%
ADMISSIONS							
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Des Plaines	N/A	N/A	N/A	-1.2%	-5.5%	-4.7%	-3.4%
Joliet Harrah's	-6.5%	-14.7%	-9.6%	-5.9%	-6.7%	-0.7%	-4.0%
Elgin	-0.2%	-2.9%	-16.2%	-4.9%	-10.1%	-8.8%	1.9%
Aurora	-5.5%	-2.3%	-3.2%	-6.9%	-14.8%	-5.9%	-5.0%
Joliet Hollywood	23.3%	-3.5%	-5.0%	1.6%	-13.8%	-5.2%	1.6%
East St. Louis	-5.0%	-9.4%	-0.8%	-7.7%	-13.9%	-15.0%	-6.5%
East Peoria	-1.3%	-5.5%	-3.9%	-4.2%	-10.1%	-3.9%	-7.8%
Metropolis	-3.9%	-19.6%	0.0%	-12.9%	-12.6%	11.7%	-6.6%
Rock Island	30.1%	6.3%	-5.3%	-3.7%	-12.0%	-3.2%	-4.4%
Alton	-4.2%	-11.2%	-8.4%	-9.1%	-14.3%	-10.8%	-14.9%
TOTAL	0.6%	-7.1%	22.7%	-4.6%	-10.2%	-5.3%	-4.1%
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 changes in the amount of State revenues collected. As shown below, State revenues from Illinois casinos fell 2.7% in FY 2016. And when including the statutory distributions from the Des Plaines Casino, the fall-off worsens to -3.3%.

TABLE 9: ANNUAL PERCENT CHANGE OF RIVERBOAT STATE REVENUES								
Comparison of FY 2013 thru FY 2016								
\$ in millions								
	FY 2013 STATE REVENUE*	Annual % change	FY 2014 STATE REVENUE*	Annual % change	FY 2015 STATE REVENUE*	Annual % change	FY 2016 STATE REVENUE*	Annual % change
Des Plaines*	\$157.9	34.6%	\$162.6	3.0%	\$165.3	1.7%	\$163.4	-1.1%
Joliet Harrah's	\$62.7	-6.7%	\$58.1	-7.4%	\$57.5	-0.9%	\$53.0	-7.8%
Elgin	\$60.9	-18.6%	\$52.3	-14.2%	\$46.2	-11.6%	\$46.6	0.7%
Joliet Hollywood	\$35.4	3.1%	\$30.1	-15.0%	\$29.2	-3.1%	\$29.8	2.0%
Aurora	\$38.4	-13.1%	\$33.0	-14.0%	\$29.9	-9.5%	\$28.0	-6.4%
East St. Louis	\$32.5	-2.8%	\$28.6	-12.2%	\$24.6	-13.9%	\$24.2	-1.8%
East Peoria	\$26.0	-3.6%	\$22.3	-14.3%	\$19.6	-12.2%	\$17.8	-9.3%
Metropolis	\$19.1	-9.3%	\$15.8	-17.4%	\$16.1	1.9%	\$15.9	-0.8%
Rock Island	\$16.9	-1.2%	\$14.7	-12.8%	\$14.1	-3.9%	\$14.0	-1.1%
Alton	\$12.8	-5.1%	\$10.7	-16.4%	\$9.6	-10.3%	\$8.2	-14.3%
TOTAL	\$462.6	2.8%	\$428.1	-7.5%	\$412.1	-3.7%	\$400.8	-2.7%
Des Plaines Distributions*:	<u>-\$77.9</u>		<u>-\$76.7</u>		<u>-\$76.8</u>		<u>-\$76.7</u>	
Total after Distributions:	\$384.7	2.6%	\$351.4	-8.6%	\$335.3	-4.6%	\$324.1	-3.3%

* 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, East Peoria, which over the past three fiscal years has seen declines in its AGR of -10.6%, -6.9%, and -7.7%, has had its State tax revenue totals decline -14.3%, -12.2%, and -9.3%. East Peoria's operating tax rate has been effectively reduced from 26.2% to 23.5% over the last four years due to this reduction in its adjusted gross receipts. A table displaying each casino's operating tax rates since FY 2011 is shown below. As shown, the Statewide average operating tax rate came in at 27.1% in FY 2016, down from 27.3% in FY 2015, 28.1% in FY 2014, and from 28.9% in FY 2013.

TABLE 10: OPERATING TAX RATES FOR ILLINOIS RIVERBOATS						
(FY 2011 - FY 2016)						
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Des Plaines	N/A	32.8%	41.6%	41.8%	42.0%	41.9%
Joliet Harrah's	36.0%	34.5%	33.7%	33.0%	32.8%	31.9%
Elgin	38.0%	36.5%	33.6%	32.4%	30.8%	30.8%
Aurora	31.5%	30.8%	28.9%	28.3%	27.2%	26.7%
Joliet Hollywood	28.5%	28.4%	28.2%	27.5%	26.8%	27.0%
East St. Louis	27.5%	27.4%	27.5%	26.9%	25.6%	25.1%
East Peoria	26.1%	26.2%	26.2%	25.2%	23.9%	23.5%
Metropolis	26.0%	23.9%	24.3%	23.0%	22.6%	22.8%
Rock Island	22.3%	23.0%	23.3%	22.5%	21.9%	21.9%
Alton	22.0%	21.5%	21.3%	20.6%	19.8%	19.2%
Average Tax Rate	27.7%	28.5%	28.9%	28.1%	27.3%	27.1%

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 2016, the AGR total was only \$1.4 billion, a decline of 27.0% 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 -61.0%.

As has been highlighted extensively in past editions of this report, the July 2011 opening of the Des Plaines casino had an obvious cannibalization effect on nearby casinos. When looking at the four "older" casinos in the Chicago area since Des Plaines' opening, comparing FY 2011 totals to FY 2015 totals, their combined AGR fell \$235 million, or -27.7%. 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 grew 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. In FY 2016, the AGR of the five Indiana casinos near the Chicago metropolitan area totaled \$934 million, which is nearly \$243 million or 20.6% below their FY 2011 levels. This includes a 23.4% decline at the Horseshoe Casino in Hammond, which is arguably the biggest competitor to Illinois casinos.

It is likely that a significant portion of the \$243 million that Indiana's Chicago area casinos have lost over the past several years has found its way into Illinois. However, if this Indiana money has found its way into Illinois' coffers, not all of it has come in the form of casino revenues. When combining the AGR levels for all casinos in the Chicago Metropolitan Area (including the five Indiana casinos), casino revenues are down a combined \$65.7 million or -3.2% in FY 2016 compared to FY 2011. So despite the creation of the Des Plaines casino, adjusted gross receipts of the casinos in the Chicago Metropolitan Area are actually lower now (\$1.959 billion) than they were before the Des Plaines casino opened (\$2.025 billion in FY 2011).

So, while the casino in Des Plaines has negatively impacted the nearby casinos, the numbers indicate that another factor is driving the overall declines of the casino gaming market in this area: Video Gaming. This factor is discussed, in detail, on page 43 in the Video Gaming section.

TABLE 11: Statistical Summary of the Midwestern Gaming States

ILLINOIS CASINOS														
\$ IN MILLIONS	Casino Type	Region	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	1-Yr.	2-Yr.	5-Yr.	June 2016	2016 AGR/
			AGR	AGR	Change	Change	Change	Positions						
ALTON ARGOSY - Alton	Casino	St. Louis	\$80.1	\$75.7	\$70.9	\$68.5	\$59.8	\$56.6	\$50.4	-11.0%	-15.8%	-33.4%	800	\$194
PAR-A-DICE - E. Peoria	Casino	Central IL	\$114.5	\$115.5	\$116.2	\$112.0	\$100.1	\$93.2	\$86.0	-7.7%	-14.1%	-25.6%	1,055	\$242
JUMER'S - Rock Island	Casino	Quad City	\$75.7	\$83.1	\$87.5	\$85.5	\$77.6	\$77.3	\$76.7	-0.8%	-1.2%	-7.8%	1,051	\$202
HOLLYWOOD CASINO - Joliet	Casino	Chicago	\$156.8	\$147.7	\$135.7	\$141.0	\$123.6	\$123.9	\$125.2	1.0%	1.3%	-15.2%	1,085	\$313
HARRAH'S - Metropolis	Casino	S. Illinois	\$113.1	\$100.1	\$102.7	\$91.8	\$80.6	\$83.6	\$82.4	-1.4%	2.3%	-17.7%	886	\$258
HARRAH'S - Joliet	Casino	Chicago	\$253.9	\$236.3	\$215.3	\$206.5	\$196.2	\$195.8	\$185.8	-5.1%	-5.3%	-21.4%	1,200	\$447
HOLLYWOOD CASINO - Aurora	Casino	Chicago	\$185.0	\$178.4	\$159.9	\$149.2	\$131.8	\$125.1	\$119.7	-4.4%	-9.2%	-32.9%	1,140	\$301
CASINO QUEEN - E. St. Louis	Casino	St. Louis	\$139.7	\$127.9	\$132.1	\$128.7	\$116.2	\$106.8	\$108.1	1.2%	-7.0%	-15.5%	1,142	\$256
GRAND VICTORIA - Elgin	Casino	Chicago	\$286.1	\$286.1	\$226.7	\$201.4	\$180.2	\$168.8	\$170.0	0.7%	-5.7%	-40.6%	1,200	\$386
RIVERS CASINO - Des Plaines	Casino	Chicago	\$0.0	\$0.0	\$393.5	\$410.1	\$421.5	\$428.2	\$424.7	-0.8%	0.8%	N/A	1,200	\$978
TOTALS			\$1,404.9	\$1,350.8	\$1,640.6	\$1,594.8	\$1,487.6	\$1,459.4	\$1,428.9	-2.1%	-3.9%	5.8%	10,758	\$372
CHICAGO REGION TOTALS			\$881.8	\$848.5	\$1,131.1	\$1,108.3	\$1,053.3	\$1,041.9	\$1,025.4	-1.6%	-2.6%	20.8%	5,824	\$490
CHICAGO REGION W/O DES PLAINES			\$881.8	\$848.5	\$737.6	\$698.2	\$631.8	\$613.7	\$600.7	-2.1%	-4.9%	-29.2%	4,624	\$364
ST. LOUIS REGION TOTALS			\$219.8	\$203.6	\$203.0	\$197.2	\$176.1	\$163.4	\$158.5	-3.0%	-10.0%	-22.2%	1,942	\$231

INDIANA CASINOS														
\$ IN MILLIONS	Casino Type	Region	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	1-Yr.	2-Yr.	5-Yr.	June 2016	2016 AGR/
			AGR	AGR	Change	Change	Change	Positions						
AMERISTAR - East Chicago	Casino	Chicago	\$253.6	\$248.1	\$239.6	\$231.5	\$208.7	\$221.2	\$222.8	0.7%	6.8%	-10.2%	1,920	\$316
HOLLYWOOD - Lawrenceburg	Casino	SE Indiana	\$449.2	\$434.9	\$429.1	\$339.0	\$214.5	\$179.2	\$168.4	-6.0%	-21.5%	-61.3%	2,000	\$245
BELTERRA - Switzerland County	Casino	SE Indiana	\$145.6	\$141.9	\$149.8	\$140.4	\$113.2	\$110.1	\$103.2	-6.3%	-8.8%	-27.3%	1,283	\$235
BLUE CHIP - Michigan City	Casino	Chicago	\$177.1	\$174.9	\$175.1	\$166.4	\$149.7	\$152.5	\$155.1	1.7%	3.6%	-11.3%	1,858	\$225
TROPICANA - Evansville	Casino	S. Indiana	\$114.0	\$117.1	\$119.7	\$114.8	\$111.4	\$115.6	\$119.4	3.3%	7.3%	2.0%	1,133	\$279
FRENCH LICK - French Lick	Casino	S. Indiana	\$81.3	\$83.1	\$86.5	\$82.6	\$68.4	\$71.0	\$77.5	9.1%	13.3%	-6.7%	1,094	\$178
RISING STAR - Rising Sun	Casino	SE Indiana	\$100.6	\$96.0	\$92.3	\$78.0	\$54.7	\$43.7	\$45.0	2.8%	-17.8%	-53.2%	1,043	\$115
HOOSIER PARK - Anderson	Racino	Central IN	\$201.2	\$216.9	\$201.0	\$188.9	\$201.6	\$198.4	\$204.1	2.9%	1.2%	-5.9%	1,718	\$316
HORSESHOE - Hammond	Casino	Chicago	\$542.0	\$538.1	\$499.0	\$489.0	\$455.8	\$427.5	\$412.0	-3.6%	-9.6%	-23.4%	3,124	\$375
HORSESHOE - Harrison County	Casino	S. Indiana	\$282.5	\$265.3	\$260.5	\$269.9	\$257.8	\$247.6	\$244.0	-1.5%	-5.4%	-8.0%	2,018	\$336
INDIANA GRAND - Shelbyville	Racino	Central IN	\$228.1	\$240.4	\$222.0	\$208.8	\$236.2	\$239.3	\$245.3	2.5%	3.8%	2.0%	1,876	\$350
MAJESTIC STAR - Gary	Casino	Chicago	\$110.3	\$113.4	\$111.0	\$102.8	\$93.5	\$87.4	\$83.8	-4.2%	-10.4%	-26.1%	1,074	\$223
MAJESTIC STAR II - Gary	Casino	Chicago	\$98.6	\$101.7	\$90.7	\$83.6	\$67.6	\$63.2	\$60.1	-4.8%	-11.1%	-40.9%	888	\$195
TOTALS			\$2,784.2	\$2,771.7	\$2,676.1	\$2,495.8	\$2,232.9	\$2,156.7	\$2,140.5	-0.8%	-4.1%	-22.8%	21,028	\$281
CHICAGO REGION AREA TOTALS			\$1,181.7	\$1,176.2	\$1,115.3	\$1,073.4	\$975.2	\$951.8	\$933.7	-1.9%	-4.3%	-20.6%	8,863	\$294
Composition of Chicago Region:			57.3%	58.1%	49.6%	49.2%	48.1%	47.7%	47.7%					
TOTAL CASINOS			\$2,354.9	\$2,314.5	\$2,253.2	\$2,098.1	\$1,795.1	\$1,719.0	\$1,691.1	-1.6%	-5.8%	-26.9%	17,435	\$270
TOTAL RACINOS			\$429.3	\$457.2	\$422.9	\$397.7	\$437.8	\$437.7	\$449.4	2.7%	2.6%	-1.7%	3,594	\$334

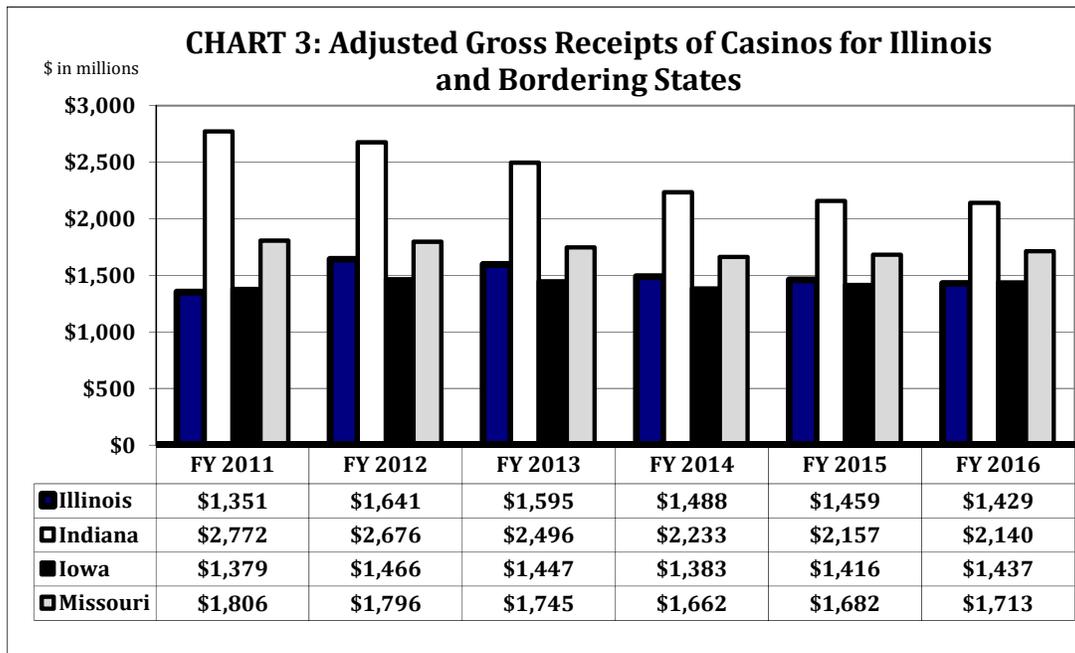
MISSOURI CASINOS														
\$ IN MILLIONS	Casino Type	Region	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	1-Yr.	2-Yr.	5-Yr.	June 2016	2016 AGR/
			AGR	AGR	Change	Change	Change	Positions						
ARGOSY - Riverside	Casino	Kansas City	\$194.0	\$193.1	\$178.8	\$152.8	\$142.9	\$141.8	\$151.2	6.6%	5.8%	-21.7%	1,550	\$251
ISLE OF CAPRI - Boonville	Casino	Central MO	\$80.7	\$82.0	\$84.2	\$82.1	\$78.0	\$81.6	\$81.6	0.0%	4.5%	-0.5%	928	\$241
LADY LUCK - Caruthersville	Casino	SE Missouri	\$33.2	\$33.3	\$35.4	\$33.2	\$31.1	\$34.2	\$37.1	8.6%	19.3%	11.7%	551	\$170
HOLLYWOOD - Maryland Hts	Casino	St. Louis	\$288.0	\$269.3	\$272.3	\$243.0	\$223.4	\$218.9	\$228.5	4.4%	2.3%	-15.2%	2,224	\$270
HARRAH'S - North Kansas City	Casino	Kansas City	\$195.8	\$193.3	\$190.0	\$179.9	\$175.1	\$174.6	\$172.9	-1.0%	-1.3%	-10.6%	1,522	\$314
ISLE OF CAPRI - Kansas City	Casino	Kansas City	\$81.6	\$83.6	\$86.0	\$79.9	\$75.6	\$77.7	\$77.4	-0.3%	2.5%	-7.4%	969	\$220
LUMIERE PLACE - St. Louis	Casino	St. Louis	\$195.1	\$173.1	\$169.2	\$160.3	\$145.0	\$136.0	\$138.1	1.6%	-4.8%	-20.2%	1,971	\$189
AMERISTAR - Kansas City	Casino	Kansas City	\$239.0	\$241.1	\$231.2	\$213.2	\$197.6	\$196.2	\$199.9	1.9%	1.2%	-17.1%	2,320	\$232
RIVER CITY - St. Louis	Casino	St. Louis	\$57.5	\$180.8	\$203.7	\$205.8	\$207.6	\$216.0	\$223.7	3.6%	7.7%	23.7%	2,047	\$289
PRESIDENT - St. Louis	Casino	St. Louis	\$19.2	\$0.0	\$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	\$36.1	-0.2%	-1.4%	-5.3%	622	\$159
AMERISTAR - St. Charles	Casino	St. Louis	\$288.8	\$278.3	\$274.5	\$270.0	\$254.4	\$266.0	\$262.2	-1.4%	3.1%	-5.8%	2,498	\$292
FRONTIER - St. Joseph	Casino	NW Missouri	\$38.4	\$40.2	\$31.7	\$40.4	\$37.9	\$40.0	\$39.6	-0.9%	4.6%	-1.4%	518	\$212
ISLE OF CAPRI - Cape Girardeau	Casino	S. Illinois	\$0.0	\$0.0	\$0.0	\$45.7	\$57.3	\$63.0	\$64.8	2.9%	13.1%	N/A	977	\$177
TOTALS			\$1,748.3	\$1,806.3	\$1,796.1	\$1,744.8	\$1,662.5	\$1,682.1	\$1,713.1	1.8%	3.0%	-5.2%	18,698	\$246
ST LOUIS REGION TOTALS			\$848.6	\$901.5	\$919.7	\$879.1	\$830.4	\$836.8	\$852.5	1.9%	2.7%	-5.4%	8,741	\$262
Composition of St. Louis Region:			79.4%	81.6%	81.9%	81.7%	82.5%	83.7%	84.3%					

IOWA CASINOS														
\$ IN MILLIONS	Casino Type	Region	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	1-Yr.	2-Yr.	5-Yr.	June 2016	2016 AGR/
			AGR	AGR	AGR	AGR	AGR	AGR	AGR	AGR	Change	Change	Change	Positions
LADY LUCK - Marquette	Casino	NE Iowa	\$29.2	\$30.0	\$29.9	\$29.8	\$26.7	\$28.6	\$27.1	-5.0%	1.5%	-9.6%	525	\$149
DIAMOND JO - Dubuque	Casino	NW Illinois	\$68.4	\$67.2	\$70.1	\$66.5	\$63.6	\$63.9	\$67.6	5.7%	6.3%	0.5%	1,003	\$175
WILD ROSE - Clinton	Casino	NW Illinois	\$39.2	\$40.2	\$39.2	\$37.6	\$32.8	\$32.9	\$32.9	0.0%	0.3%	-18.1%	565	\$160
CATFISH BEND - Burlington	Casino	W. Illinois	\$38.7	\$38.5	\$39.4	\$38.8	\$38.3	\$42.0	\$43.8	4.3%	14.5%	13.9%	681	\$169
ARGOSY - Sioux City	Casino	NW Iowa	\$57.8	\$59.8	\$61.0	\$56.1	\$48.0	\$3.1	\$0.0	N/A	N/A	N/A	-	N/A
LAKESIDE - Osceola	Casino	Central IA	\$48.6	\$50.0	\$50.1	\$53.5	\$49.3	\$51.7	\$49.4	-4.4%	0.1%	-1.1%	880	\$161
WILD ROSE - Emmetsburg	Casino	W. Illinois	\$28.7	\$30.8	\$31.9	\$32.2	\$31.0	\$30.5	\$29.0	-4.9%	-6.4%	-5.7%	446	\$187
ISLE CASINO - Waterloo	Casino	Central IA	\$80.3	\$80.7	\$83.6	\$86.0	\$85.1	\$88.9	\$89.6	0.8%	5.3%	11.0%	1,009	\$241
RHYTHM CITY - Davenport	Casino	Quad City	\$54.8	\$49.3	\$50.5	\$48.3	\$44.4	\$43.1	\$43.9	2.0%	-1.1%	-11.0%	774	\$153
ISLE OF CAPRI - Bettendorf	Casino	Quad City	\$78.3	\$78.5	\$75.7	\$74.5	\$70.2	\$68.5	\$69.7	1.7%	-0.7%	-11.2%	971	\$193
AMERISTAR - Council Bluffs	Casino	W. Iowa	\$156.1	\$164.9	\$170.3	\$167.8	\$163.7	\$168.6	\$169.0	0.2%	3.2%	2.4%	1,485	\$311
HARRAH'S - Council Bluffs	Casino	W. Iowa	\$84.1	\$74.4	\$68.2	\$67.4	\$73.9	\$74.1	\$70.6	-4.7%	-4.4%	-5.2%	624	\$325
DIAMOND JO - Northwood	Casino	N. Iowa	\$80.3	\$83.7	\$90.6	\$88.6	\$84.2	\$84.3	\$86.5	2.7%	2.7%	3.4%	1,084	\$213
RIVERSIDE CASINO - Riverside	Casino	Central IA	\$85.2	\$87.3	\$90.3	\$88.7	\$87.7	\$86.7	\$85.2	-1.8%	-2.8%	-2.4%	1,136	\$209
GRAND FALLS - Larchwood	Casino	NW Iowa	\$0.0	\$4.4	\$57.4	\$58.2	\$59.2	\$58.2	\$55.7	-4.2%	-5.8%	N/A	895	\$178
HARD ROCK CASINO - Sioux City	Casino	W. Iowa	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$70.1	\$83.2	18.7%	N/A	N/A	903	\$213
WILD ROSE - Jefferson	Casino	Central IA	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$26.9	N/A	N/A	N/A	531	N/A
PRAIRIE MEADOWS - Altoona	Racino	Central IA	\$186.6	\$189.9	\$194.7	\$195.0	\$181.0	\$186.1	\$182.5	-1.9%	0.9%	-3.9%	2,090	\$244
BLUFFS RUN - Council Bluffs	Racino	W. Iowa	\$186.0	\$189.2	\$204.2	\$200.3	\$192.8	\$183.5	\$175.6	-4.3%	-8.9%	-7.2%	1,630	\$308
MYSTIQUE - Dubuque	Racino	NW Illinois	\$62.1	\$60.2	\$58.9	\$57.6	\$51.1	\$50.8	\$48.8	-3.9%	-4.6%	-18.9%	868	\$160
TOTALS			\$1,364.2	\$1,37										

Competition for the Midwest Gaming Dollar

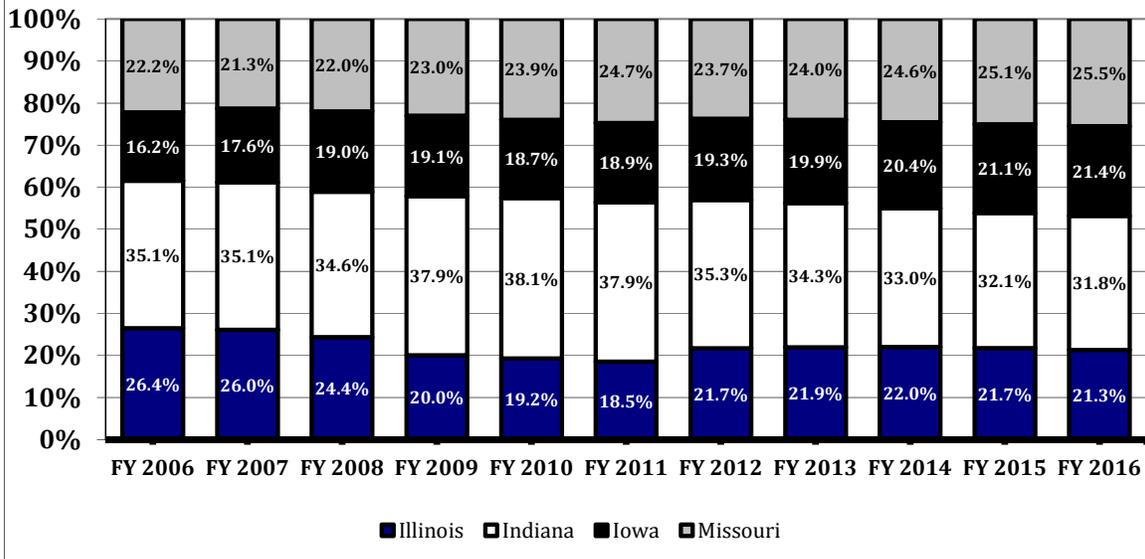
In order to better understand Illinois’ gaming landscape and the competition that exists with other states, Table 11, on the previous page, provides a statistical summary of the following Midwest gaming states: Illinois, Indiana, Missouri, and Iowa. The tables include a listing of the gaming facilities 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. But again in FY 2016, Illinois has fallen to the fourth highest AGR total in the Midwest with a total of \$1.429 billion, behind Indiana (\$2.140 billion), Missouri (\$1.713 billion), and Iowa (\$1.437 billion).



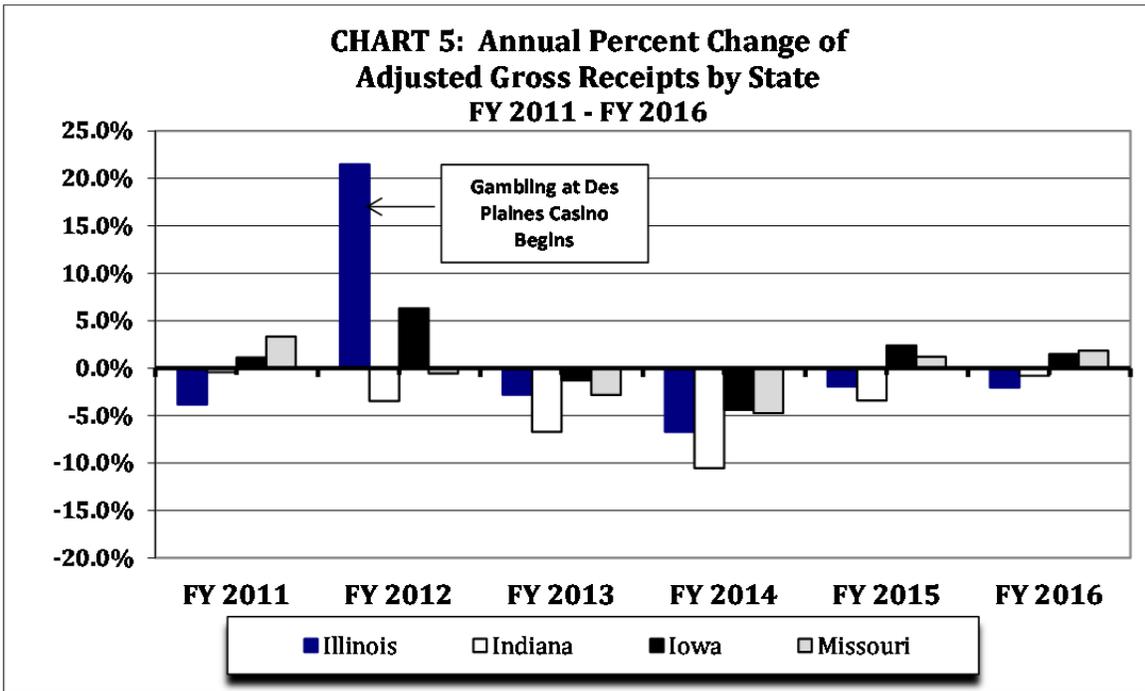
On the following page is a chart displaying the composition percentages of states in the Midwest in relation to each state’s AGR totals. Illinois hit its ten-year high in FY 2005 with 27.3% of the Midwest casino AGR market. It fell to 18.5% in FY 2011, but bounced back to 22.0% in FY 2014, thanks to the success of the casino in Des Plaines. However, it has fallen back down to 21.3% in FY 2016, in part due to growth in AGR levels in Iowa (+1.5%) and in Missouri (+1.8%).

CHART 4: AGR Composition for Illinois and Bordering States



A chart indicating the annual percent changes of AGR of the Midwest region states since FY 2011 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 Iowa and Missouri have seen improvement in their AGR figures over the past two fiscal years. Indiana suffered its seventh straight fiscal year of declining revenues in FY 2016 falling another -0.8%.

CHART 5: Annual Percent Change of Adjusted Gross Receipts by State FY 2011 - FY 2016



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 \$2.140 billion. However, its FY 2016 total was 23.6% below levels experienced just seven 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 1.9% in FY 2016 and has fallen 20.6% 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 2016, 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, 31.4% in FY 2014, 12.9% in FY 2015, and another 5.0% in FY 2016. The reduction in these casinos is a significant contributing factor for the Statewide 0.8% drop in adjusted gross receipts in FY 2016 and its 20.0% decline over the past four years.

Missouri

- Missouri's Statewide AGR levels improved 1.8% in FY 2016, but have fallen 5.2% over the last five years. The state's three largest casinos (in terms of AGR in FY 2016) all reside in the St. Louis area: St. Charles Ameristar (\$262M); Hollywood Casino in Maryland Heights (\$229M); and the River City Casino in St. Louis (\$224M). Other Missouri casinos near the border of Illinois include St. Louis' Lumiere Place (\$138M) and the Isle of Capri in Cape Girardeau (\$65M).

- 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 33.4% and Illinois' casino in East St. Louis casino has fallen 15.5%.
- In FY 2016, Missouri's portion of total AGR in the St. Louis region was at 84.3%, while Illinois comprised 15.7% 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 3.0% in FY 2016, Missouri's four St. Louis area casinos combined for a slight increase of 1.9%. 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 1,570 video gaming terminals in FY 2016. This additional amount of terminals is the equivalent of adding two casinos the size of Alton's Argosy Casino to the area.

Iowa

- Iowa in FY 2016 operated 19 gaming facilities, which consisted of sixteen casinos and three racinos. A new casino opened in Jefferson, Iowa in FY 2016. Overall, Iowa's AGR increased 1.5% in FY 2016 and is up 4.2% over the last five years. Its AGR total of \$1.437 billion is now just ahead of Illinois' AGR total of \$1.429 billion.
- Seven of Iowa's 19 gaming facilities lie near Illinois' borders. These locations (Dubuque "Diamond Jo": \$68M; Clinton: \$33M; Burlington: \$44M; Emmetsburg: \$29M; Dubuque "Mystique": \$49M; Davenport: \$44M; and Bettendorf: \$70M) generated approximately \$336 million in FY 2016. 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 had 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' newer Rock Island casino's AGR increased from \$33.4 million to \$77.3 million. But these trends may soon change as both Iowa casinos have opened new "land based" casinos in June 2016. The new Bettendorf casino is of similar size to the old riverboat venue, but includes an improved gaming floor, a new bar and restaurant, and includes two hotel towers with 514 hotel rooms. The new Rhythm City Casino Resort in Davenport opened with a new spa, hotel, and events center, and includes shopping and dining options. Due to these new openings, it would not be surprising to see a decline in Rock Island's AGR totals in FY 2017.

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, revenues have only grown from \$30.5 billion in CY 2009 to approximately \$31.0 billion in CY 2015 – an average annual growth rate of only 0.3%. In CY 2015, these combined revenues grew 1.8%, but this followed a 1.5% decline in CY 2014.

Nevada remains, by far, the largest gaming state in the country (\$11.1 billion in CY 2015), followed by Louisiana (\$3.242 billion, when including video gaming), Pennsylvania (\$3.174 billion), New Jersey (\$2.414 billion), and Illinois (\$2.352 billion, when including video gaming). Tables displaying a recent history of gaming dollars for the Midwest and other prominent gaming states are shown below on a calendar year basis.

Table 12: 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
2015	\$2.352	\$2.142	\$1.424	\$1.376	\$1.702	\$0.812
<i>Annual % Change</i>						
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%
2015	10.7%	-0.7%	2.4%	3.3%	2.5%	0.4%

* Includes Video Gaming Revenues

Table 13: AGR from Commercial Casino Gaming (Other Prominent Gaming States)						
\$ in billions						
CY	Nevada	Louisiana*	Pennsylvania	New Jersey	Mississippi	Total**
2009	\$10.393	\$3.089	\$1.965	\$3.943	\$2.465	\$30.533
2010	\$10.405	\$2.984	\$2.486	\$3.261	\$2.389	\$30.228
2011	\$10.701	\$2.981	\$3.025	\$2.951	\$2.239	\$30.747
2012	\$10.861	\$3.014	\$3.158	\$2.707	\$2.251	\$30.931
2013	\$11.143	\$3.042	\$3.114	\$2.860	\$2.137	\$30.956
2014	\$11.019	\$3.064	\$3.069	\$2.616	\$2.068	\$30.502
2015	\$11.114	\$3.242	\$3.174	\$2.414	\$2.097	\$31.038
<i>Annual % Change</i>						
CY	Nevada	Louisiana*	Pennsylvania	New Jersey	Mississippi	Total**
2009	-10.4%	19.6%	21.6%	-12.4%	-9.4%	-3.7%
2010	0.1%	-3.4%	26.6%	-17.3%	-3.1%	-1.0%
2011	2.8%	-0.1%	21.7%	-9.5%	-6.3%	1.7%
2012	1.5%	1.1%	4.4%	-8.2%	0.5%	0.6%
2013	2.6%	0.9%	-1.4%	5.6%	-5.1%	0.1%
2014	-1.1%	0.7%	-1.4%	-8.5%	-3.2%	-1.5%
2015	0.9%	5.8%	3.4%	-7.7%	1.4%	1.8%

* 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 former 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. During the Spring Session of 2016, these bills were again the templates for further discussion, but no additional significant pieces of gaming expansion legislation were offered. 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, the Rockford area, 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 2016 (\$425M), 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 (FY 2016).

Horseshoe in Hammond, IN:	Positions: 3,124	FY 2016 AGR: \$412.0M
Ameristar in St. Charles, MO:	Positions: 2,666	FY 2016 AGR: \$262.2M
Parx in Bensalem, PA	Positions: 4,089	FY 2016 AGR: \$543.4M
Sands in Bethlehem, PA	Positions: 3,822	FY 2016 AGR: \$533.5M
The Rivers in Pittsburgh, PA	Positions: 3,229	FY 2016 AGR: \$342.7M
MGM Grand in Detroit, MI	Positions: 3,800	FY 2016 AGR: \$583.2M

Note: 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

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.

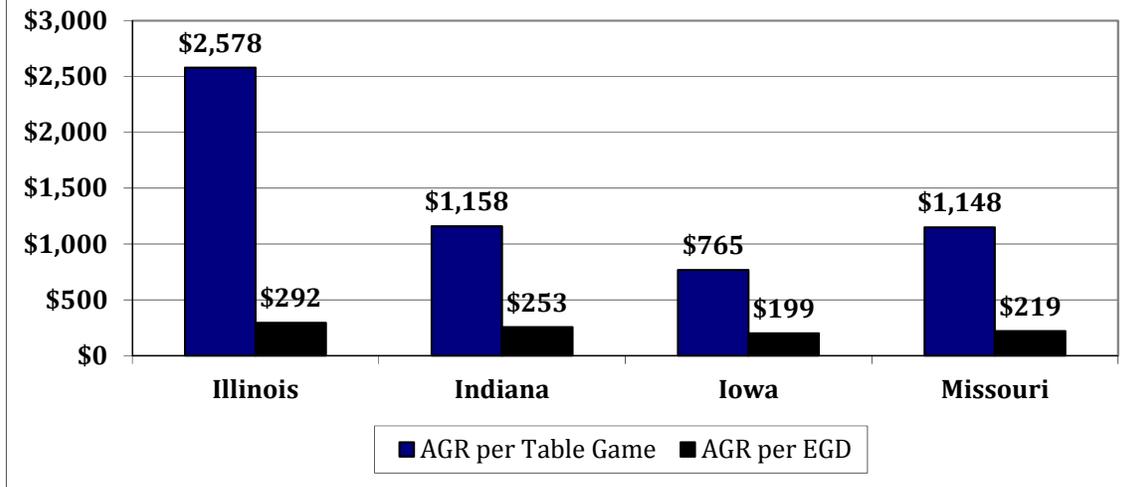
Aside from the recurring revenues, millions of dollars in one-time revenues could also be collected from the development of new casinos. These revenues would come from the bidding of new licenses, application fees, and from the purchasing of gaming positions. Some of the recent gaming proposals have 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 casino 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 2016 (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. For example, Illinois' AGR per Table Game average was \$2,578 compared to Indiana's value of \$1,158, Iowa's value of \$765, and Missouri's value of \$1,148.

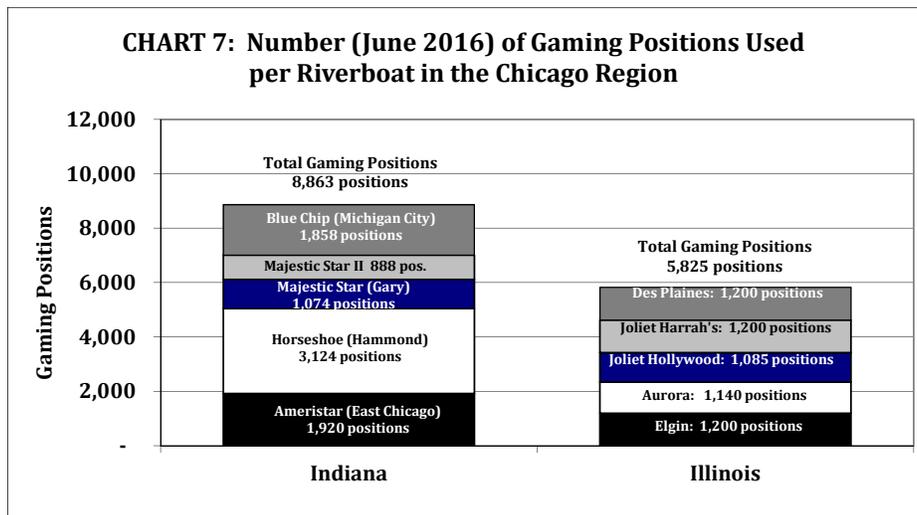
**CHART 6: Adjusted Gross Receipts per Table Game and per Electronic Gaming Device per day
(June 2016 Actuals)**



Of course, simply adding more slots machines or table games will not guarantee more revenues if the demand is not there. But despite the recent decline in casino revenues, the numbers suggest that, at least for the higher attended casinos, the allowance of additional gaming positions could lead to additional revenues. For example, Des Plaines, who is maxed out at 1,200 gaming positions, had an “AGR/table game/day” average of \$6,972 and an “AGR/EGD/day” value of \$777.

These values are significantly higher than Indiana’s largest revenue producer, Hammond Horseshoe, whose 3,124 gaming positions in June 2016 yielded comparative values of \$1,589 and \$284, respectively. Despite the large discrepancy in gaming positions, Des Plaines generated a higher AGR amount in FY 2016 (\$425M) than Hammond (\$412M). Proponents would contend that Des Plaines’ AGR totals would have surpassed Hammond by an even greater margin if they were allowed to set their own gaming position limit to maximize revenues.

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 2016 monthly gaming report, the five Indiana riverboats closest to Chicago had 8,863 gaming positions. That is 3,038 more positions than the 5,825 gaming positions at the five Chicago area riverboats in Illinois. Based on these figures, the five Indiana riverboats in the Chicago area made up 60.3% of all gaming positions in that region. Again, this is despite the fact that the majority of the population is in Illinois. 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 Rivers 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 Illinois casinos were at or near the position max of 1,200 gaming positions in June 2016. In June 2014, there were 11,469 gaming positions at Illinois casinos (5,936 in the Chicago area). In June 2016, this number has fallen to 10,758 gaming positions (5,825 in the Chicago area), a Statewide decline of 6.2% (and a decline of 1.9% in the Chicago area). The decrease 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.

TABLE 14: FY 2016 AGR Statistics at Selected Racetrack Casinos				
Racino	Location	FY 2016 AGR (in mil.)	Gaming Positions (June '16)	AGR/Slot/ Day
Prairie Meadows	Altoona, IA	\$182.5	2,090	\$244
Horseshoe Casino	Council Bluffs, IA	\$175.6	1,630	\$308
Mystique Casino	Dubuque, IA	\$48.8	868	\$160
Hoosier Park	Anderson, IN	\$204.1	1,718	\$316
Indiana Grand	Shelbyville, IN	\$245.3	1,876	\$350
Harrah's Chester Casino	Chester, PA	\$282.9	3,095	\$252
Presque Isle Downs Casino	Erie, PA	\$132.4	1,637	\$219
The Meadows Racetrack & Casino	Washington, PA	\$258.0	3,295	\$202
Mohegan Sun at Pocono Downs	Wilkes-Barre, PA	\$267.4	2,579	\$278
Parx Casino	Bensalem, PA	\$543.4	4,089	\$340
Hollywood Casino at Penn National	Grantville, PA	\$247.5	2,547	\$268

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

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 2016, \$449 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 2016, Iowa generated a combined \$407 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 \$593 million in CY 2015 is 40.8% lower than it was a decade ago. In fact, the financial hardships became too much for two of Illinois' horse tracks as both Balmoral and Maywood closed their doors in 2016. This leaves Arlington, Hawthorne, and Fairmount as the only horse tracks currently in operation in Illinois.

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.

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 above 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 from \$48.8 million to \$543.3 million in adjusted gross receipts per year with

AGR/slot/day values ranging between \$160 and \$350 per day. The sizes of the racinos vary, with the largest at 4,089 positions.

For the horse tracks still in operation in Illinois, if slots at tracks were to become a reality, it is estimated that 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 is allowed to have, 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.

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. The Commission's 2015 recurring revenue estimate for HB 3564 (Chicago Casino, 4 new riverboats, racinos) was approximately \$450 million. But as video gaming's popularity grows and riverboat casino numbers weaken, future estimates may need to be revised downward to account for this growing saturation of the gaming industry.

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 the steady performance of the Rivers Casino in Des Plaines, the combined AGR of the State's ten casinos have fallen 10.4% since FY 2013. The lack of growth can be attributed to numerous factors, but the primary reason for the recent declines is undoubtedly 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.

Discussions of further expansion of Illinois' casino market are sure to come, especially as budgetary difficulties persist. The absence of casinos in certain areas of Illinois, especially in Chicago, creates a hope that gaming expansion could fix many of the financial woes that the State and local governments are enduring. But, the Commission cautions that the revenue potential of new casinos in Illinois is not near what it used to be.

Nearly 25,000 video gaming machines have been put into operation across Illinois over the past couple of years. Compare that to the roughly 11,000 gaming positions existing at the State's ten casinos and gaming opportunities have more than tripled in Illinois since FY 2013. Because of this, the value of a new casino in Illinois has no doubt weakened. And even though the City of Chicago continues to prohibit video gaming in its borders, the availability of a multitude of video gaming options in the nearby suburbs has diminished the revenue potential that a new Chicago once had.

For gaming expansion to be a meaningful tax revenue generator for the State, the casino industry would have to 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 dramatic increases in new gaming dollars were not to occur, the potential exists that, when accounting for the cannibalization impact on other casinos and its corresponding lowering of effective tax rates (under the current graduated tax structure), 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 2016, 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 | 4) Supplier: \$2,500 |
| 2) Distributor: \$5,000 | 5) Technician: \$100 |
| 3) Operator: \$5,000 | 6) Terminal Handler: \$50 |

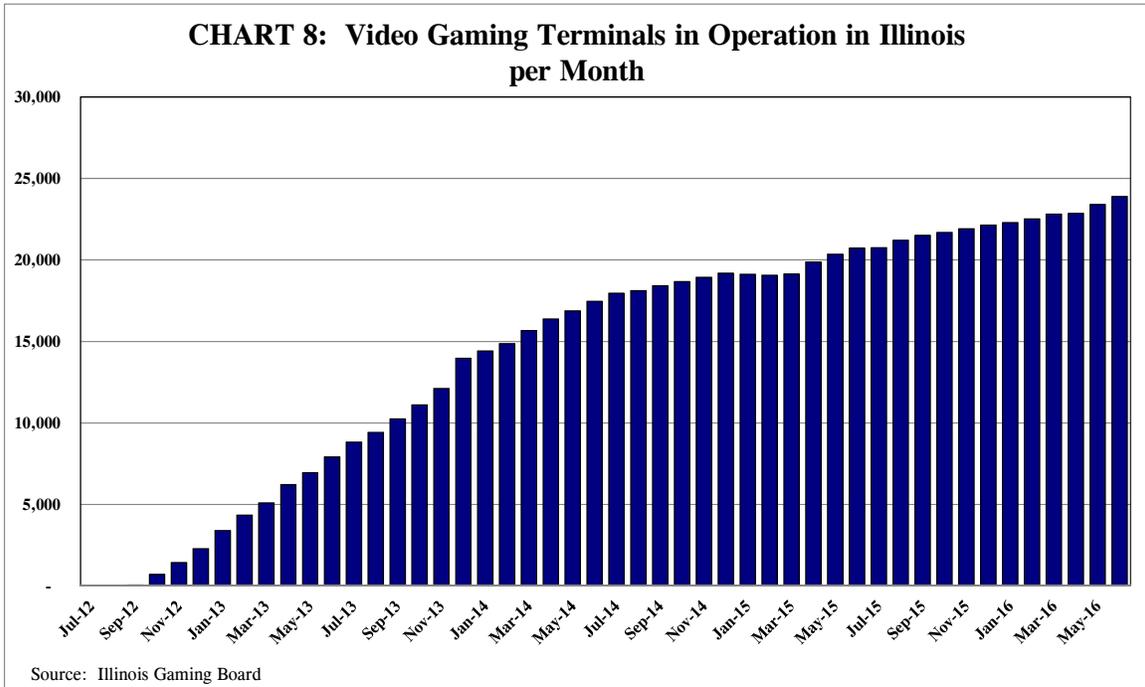
In addition, the Gaming Board shall establish an annual fee for each license not to exceed the following:

- | | |
|---------------------------|---------------------------------|
| 1) Manufacturer: \$10,000 | 5) Technician: \$100 |
| 2) Distributor: \$10,000 | 6) Establishments: \$100 |
| 3) Operator: \$5,000 | 7) Video Gaming Terminal: \$100 |
| 4) Supplier: \$2,000 | 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 2016 (June 2016), this number had risen to 23,891 machines – up from 7,920 terminals in June 2013, 17,467 in June 2014, and 20,730 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 was activated per month across Illinois. In FY 2015, this monthly average had slowed to 272 terminals per month. In FY 2016, this average slowed even further to 263 new terminals per month. Although the number of new terminals has slowed, it appears that video gaming has yet to reach its plateau.

At implementation, the Gaming Board had stated that they estimated that this number would level off at around 20,000 terminals. However, the latest trends indicate that the leveling off point will easily surpass the 25,000 terminal mark. It is expected that the terminal count will continue to grow in FY 2017, but will again see its monthly rate of new machines slow as the State nears “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:

www.igb.illinois.gov/VideoProhibit.aspx

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 2016 data shows that the percentage of Illinois communities without video gaming had fallen to 44.8%. As the economy trickles along and the budgets of local governments struggle to stay out of the red, many communities are turning to video gaming for a new revenue source. Again, 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.

But while this percentage has fallen, a number of Illinois communities have so far withstood the pressure to overturn this ban. This includes the City of Chicago. A list of the highest populated cities without video gaming is shown on the following page.

**Table 15: Highest Populated Cities without Video Gaming
in FY 2016**

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	Park Ridge	37,480	0.3%
21	Northbrook	33,170	0.3%
22	St. Charles	32,974	0.3%
23	Gurnee	31,295	0.2%
24	Niles	29,803	0.2%
25	Highland Park	29,763	0.2%

Video Gaming Statistics

Table 16, below, provides a summary of the amount of revenue generated from video gambling in FY 2016. This table displays how the number of video gaming terminals grew throughout the fiscal year, reaching 23,891 by June 2016. The monthly amount of net terminal income generated from video gaming grew from \$75.8 million in July 2016 to as high as \$98.9 million in March 2016. This resulted in total tax revenues increasing from \$22.7 million to \$29.7 million per month during this time span.

On average, these video gaming terminals generated between \$115 and \$149 in net terminal income per position per day. For the fiscal year, \$306.2 million in tax revenues were generated with \$255.2 million going to the Capital Projects Fund and \$51.0 million to local governments.

Table 16: FY 2016 Illinois Video Gaming Statistics						
\$ in millions						
	Terminals	Net Terminal Income (NTI)	NTI / Position / Day	Tax Revenue (30%)	State Share (25%)	Municipality Share (5%)
July	20,751	\$75.753	\$117.76	\$22.726	\$18.938	\$3.788
August	21,208	\$75.920	\$115.48	\$22.776	\$18.980	\$3.796
September	21,509	\$75.578	\$117.13	\$22.673	\$18.895	\$3.779
October	21,695	\$83.151	\$123.64	\$24.945	\$20.788	\$4.158
November	21,908	\$78.941	\$120.11	\$23.682	\$19.735	\$3.947
December	22,135	\$85.504	\$128.76	\$25.651	\$21.376	\$4.275
January	22,295	\$81.577	\$118.03	\$24.473	\$20.394	\$4.079
February	22,525	\$88.881	\$136.06	\$26.664	\$22.220	\$4.444
March	22,815	\$98.879	\$149.45	\$29.664	\$24.720	\$4.944
April	22,865	\$96.671	\$145.79	\$29.001	\$24.168	\$4.834
May	23,407	\$92.652	\$127.69	\$27.796	\$23.163	\$4.633
June	23,891	\$87.322	\$121.83	\$26.197	\$21.830	\$4.366
FY 2016 Totals:		\$1,020.828		\$306.248	\$255.207	\$51.041

Table 17, on the following page, displays the 25,452 terminals that were in operation during FY 2016. The results are shown by county. This fiscal year total is higher than the monthly amounts shown in Table 16 because this figure would include terminals that have since been removed from operation. In other words, the fiscal year ended with 23,891 terminals, but 25,452 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 17: Video Gaming Statistics by Illinois County - FY 2016 Totals

County	Busin- esses	Termi- nals	Net Terminal Income	Tax Revenue	State Portion	Local Portion	County	Busin- esses	Termi- nals	Net Terminal Income	Tax Revenue	State Portion	Local Portion
State Totals:	5,999	25,452	\$1,020,828,246	\$306,249,532	\$255,208,022	\$51,041,511	State Totals:	5,999	25,452	\$1,020,828,246	\$306,249,532	\$255,208,022	\$51,041,511
Adams	74	166	\$6,300,757	\$1,890,241	\$1,575,201	\$315,040	Lee	53	225	\$7,446,729	\$2,234,038	\$1,861,699	\$372,339
Alexander	13	54	\$1,638,009	\$491,408	\$409,507	\$81,901	Livingston	53	218	\$6,765,725	\$2,029,739	\$1,691,450	\$338,289
Bond	19	64	\$1,969,834	\$590,956	\$492,463	\$98,493	Logan	34	143	\$5,274,271	\$1,582,292	\$1,318,577	\$263,715
Boone	31	132	\$6,120,192	\$1,836,069	\$1,530,058	\$306,011	McDonough	17	54	\$1,138,010	\$341,408	\$284,507	\$56,901
Brown	3	8	\$91,753	\$27,489	\$22,908	\$4,582	McHenry	192	851	\$32,791,185	\$9,837,433	\$8,197,863	\$1,639,570
Bureau	61	239	\$5,601,548	\$1,680,438	\$1,400,365	\$280,072	McLean	104	449	\$22,200,943	\$6,660,323	\$5,550,271	\$1,110,052
Calhoun	9	29	\$528,424	\$158,530	\$132,108	\$26,422	Macon	99	463	\$24,846,514	\$7,453,994	\$6,211,663	\$1,242,331
Carroll	25	93	\$2,263,598	\$679,087	\$565,906	\$113,181	Macoupin	64	258	\$5,671,588	\$1,701,499	\$1,417,917	\$283,582
Cass	17	66	\$1,842,505	\$552,478	\$460,398	\$92,080	Madison	182	748	\$27,590,487	\$8,277,220	\$6,897,686	\$1,379,535
Champaign	125	548	\$26,906,028	\$8,071,862	\$6,726,553	\$1,345,309	Marion	59	266	\$8,091,267	\$2,427,403	\$2,022,837	\$404,567
Christian	52	224	\$6,814,793	\$2,044,459	\$1,703,717	\$340,742	Marshall	25	105	\$1,670,303	\$501,098	\$417,582	\$83,516
Clark	11	47	\$2,570,394	\$771,122	\$642,602	\$128,520	Mason	24	94	\$1,893,495	\$568,056	\$473,380	\$94,676
Clay	9	42	\$1,574,604	\$472,385	\$393,654	\$78,731	Massac	5	20	\$1,426,672	\$428,004	\$356,670	\$71,334
Clinton	43	156	\$4,458,169	\$1,337,466	\$1,114,555	\$222,910	Menard	12	49	\$1,346,568	\$403,975	\$336,646	\$67,329
Coles	57	248	\$8,587,359	\$2,576,223	\$2,146,854	\$429,370	Mercer	13	52	\$1,144,239	\$343,275	\$286,063	\$57,212
Cook	857	3,856	\$198,136,187	\$59,441,233	\$49,534,372	\$9,906,860	Monroe	18	68	\$2,324,715	\$697,420	\$581,183	\$116,236
Crawford	9	37	\$1,067,474	\$320,246	\$266,872	\$53,374	Montgomery	47	176	\$4,985,422	\$1,495,641	\$1,246,368	\$249,273
Cumberland	10	45	\$1,194,700	\$358,414	\$298,678	\$59,735	Morgan	41	176	\$7,609,708	\$2,282,930	\$1,902,442	\$380,488
DeKalb	60	243	\$8,362,714	\$2,508,836	\$2,090,698	\$418,138	Moultrie	16	68	\$1,940,384	\$582,122	\$485,101	\$97,020
DeWitt	19	90	\$3,079,689	\$923,915	\$769,929	\$153,985	Ogle	59	249	\$8,479,163	\$2,543,772	\$2,119,811	\$423,961
Douglas	26	111	\$3,621,353	\$1,086,416	\$905,347	\$181,069	Peoria	149	663	\$20,383,782	\$6,115,186	\$5,095,990	\$1,019,196
DuPage	127	572	\$32,690,357	\$9,807,164	\$8,172,638	\$1,634,526	Perry	20	88	\$3,025,776	\$907,461	\$756,218	\$151,243
Edgar	14	66	\$2,191,587	\$657,481	\$547,901	\$109,580	Piatt	12	52	\$2,051,894	\$615,573	\$512,978	\$102,595
Edwards	8	31	\$1,222,479	\$366,746	\$305,622	\$61,124	Pike	15	53	\$1,474,457	\$442,342	\$368,618	\$73,723
Effingham	56	241	\$10,540,554	\$3,162,186	\$2,635,156	\$527,030	Pope	3	11	\$222,890	\$66,868	\$55,723	\$11,145
Fayette	22	93	\$3,805,814	\$1,141,752	\$951,460	\$190,292	Pulaski	3	14	\$364,041	\$109,213	\$91,011	\$18,202
Ford	21	87	\$1,604,710	\$481,419	\$401,183	\$80,236	Putnam	12	43	\$552,583	\$165,777	\$138,148	\$27,630
Franklin	49	195	\$5,802,581	\$1,740,789	\$1,450,658	\$290,131	Randolph	40	173	\$5,794,441	\$1,738,328	\$1,448,607	\$289,721
Fulton	48	179	\$4,285,197	\$1,285,574	\$1,071,312	\$214,262	Richland	10	42	\$1,542,822	\$462,850	\$385,709	\$77,142
Gallatin	4	17	\$448,918	\$134,677	\$112,231	\$22,446	Rock Island	98	367	\$12,511,569	\$3,753,506	\$3,127,923	\$625,583
Greene	14	55	\$1,466,670	\$440,006	\$366,671	\$73,334	St. Clair	167	684	\$22,154,233	\$6,646,331	\$5,538,611	\$1,107,720
Grundy	64	261	\$8,412,237	\$2,523,694	\$2,103,079	\$420,615	Saline	21	96	\$3,605,398	\$1,081,629	\$901,358	\$180,271
Hamilton	5	21	\$726,467	\$217,943	\$181,619	\$36,324	Sangamon	250	1,092	\$48,305,276	\$14,491,680	\$12,076,403	\$2,415,277
Hancock	17	51	\$1,278,759	\$383,633	\$319,694	\$63,939	Schuyler	6	23	\$640,862	\$192,250	\$160,209	\$32,042
Hardin	1	3	\$70,878	\$21,264	\$17,720	\$3,544	Scott	8	31	\$956,748	\$287,027	\$239,189	\$47,838
Henderson	8	30	\$606,218	\$181,868	\$151,557	\$30,311	Shelby	18	72	\$1,697,558	\$509,198	\$424,332	\$84,866
Henry	38	158	\$4,578,133	\$1,373,454	\$1,144,546	\$228,909	Stark	7	24	\$345,965	\$103,791	\$86,493	\$17,298
Iroquois	48	182	\$4,385,521	\$1,315,464	\$1,096,221	\$219,243	Stephenson	43	188	\$7,747,720	\$2,324,334	\$1,936,946	\$387,388
Jackson	40	165	\$4,796,538	\$1,438,976	\$1,199,148	\$239,829	Tazewell	110	469	\$14,322,330	\$4,296,738	\$3,580,616	\$716,122
Jasper	10	36	\$880,538	\$264,164	\$220,137	\$44,027	Union	18	76	\$1,910,677	\$573,209	\$477,675	\$95,535
Jefferson	26	118	\$6,819,567	\$2,045,882	\$1,704,902	\$340,980	Vermilion	80	332	\$12,963,900	\$3,889,200	\$3,241,001	\$648,199
Jersey	21	70	\$1,859,067	\$557,726	\$464,772	\$92,954	Wabash	8	34	\$1,356,136	\$406,844	\$339,037	\$67,807
JoDaviess	41	148	\$4,354,445	\$1,306,341	\$1,088,618	\$217,723	Warren	16	61	\$1,497,329	\$449,204	\$374,337	\$74,867
Johnson	8	34	\$863,977	\$259,196	\$215,996	\$43,199	Washington	29	129	\$3,602,941	\$1,080,893	\$900,745	\$180,148
Kane	158	671	\$29,386,278	\$8,815,951	\$7,346,628	\$1,469,323	Wayne	6	28	\$745,928	\$223,781	\$186,484	\$37,297
Kankakee	106	464	\$15,017,764	\$4,505,374	\$3,754,480	\$750,894	White	7	31	\$1,170,600	\$351,182	\$292,652	\$58,530
Kendall	36	158	\$5,483,148	\$1,644,959	\$1,370,800	\$274,159	Whiteside	63	285	\$9,189,818	\$2,756,971	\$2,297,477	\$459,494
Knox	53	210	\$7,374,069	\$2,212,005	\$1,843,338	\$368,667	Will	255	1,071	\$42,278,220	\$12,683,565	\$10,569,641	\$2,113,924
Lake	277	1,246	\$64,548,245	\$19,364,595	\$16,137,166	\$3,227,429	Williamson	55	240	\$9,061,914	\$2,718,598	\$2,265,499	\$453,099
LaSalle	214	863	\$27,345,067	\$8,203,557	\$6,836,300	\$1,367,256	Winnebago	239	1,115	\$63,687,522	\$19,106,367	\$15,921,976	\$3,184,391
Lawrence	23	97	\$3,077,653	\$923,305	\$769,421	\$153,884	Woodford	27	113	\$2,372,007	\$711,578	\$592,982	\$118,596
Chi Area*	2,026	8,929	\$422,088,572	\$126,627,429	\$105,522,885	\$21,104,544	% in Chi Area*:	33.8%	35.1%	41.3%	41.3%	41.3%	41.3%

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

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

Table 18 displays the video gaming statistics shown in Table 17 on a per-capita basis. Statewide, the average terminal-per-capita value was 0.20%. The net terminal income-per-capita value was \$79.56. 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 18: Video Gaming Statistics per County Population - FY 2016 Totals											
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:	25,452	0.20%		\$79.56		State Totals:	25,452	0.20%		\$79.56	
Adams	166	0.25%	84	\$93.90	66	Lee	225	0.62%	12	\$206.68	8
Alexander	54	0.66%	8	\$198.84	10	Livingston	218	0.56%	20	\$173.70	20
Bond	64	0.36%	55	\$110.86	55	Logan	143	0.47%	32	\$174.04	19
Boone	132	0.24%	86	\$112.99	54	McDonough	54	0.17%	94	\$34.90	100
Brown	8	0.12%	99	\$13.23	102	McHenry	851	0.28%	74	\$106.20	59
Bureau	239	0.68%	6	\$160.14	26	McLean	449	0.26%	79	\$130.92	43
Calhoun	29	0.57%	19	\$103.84	63	Macon	463	0.42%	39	\$224.31	5
Carroll	93	0.60%	15	\$147.11	33	Macoupin	258	0.54%	24	\$118.74	47
Cass	66	0.48%	30	\$135.06	39	Madison	748	0.28%	73	\$102.46	64
Champaign	548	0.27%	76	\$133.81	40	Marion	266	0.67%	7	\$205.17	9
Christian	224	0.64%	10	\$195.83	11	Marshall	105	0.83%	2	\$132.14	42
Clark	47	0.29%	71	\$157.35	30	Mason	94	0.64%	11	\$129.11	45
Clay	42	0.30%	68	\$113.98	51	Massac	20	0.13%	98	\$92.47	67
Clinton	156	0.41%	40	\$118.06	48	Menard	49	0.39%	50	\$105.99	60
Coles	248	0.46%	35	\$159.40	27	Mercer	52	0.32%	62	\$69.63	86
Cook	3,856	0.07%	100	\$38.14	98	Monroe	68	0.21%	90	\$70.54	85
Crawford	37	0.19%	91	\$53.87	94	Montgomery	176	0.58%	16	\$165.61	24
Cumberland	45	0.41%	43	\$108.14	57	Morgan	176	0.50%	27	\$214.07	7
DeKalb	243	0.23%	87	\$79.52	83	Moultrie	68	0.46%	36	\$130.70	44
DeWitt	90	0.54%	23	\$185.96	13	Ogle	249	0.47%	33	\$158.50	29
Douglas	111	0.56%	21	\$181.25	16	Peoria	663	0.36%	56	\$109.30	56
DuPage	572	0.06%	102	\$35.65	99	Perry	88	0.39%	49	\$135.38	38
Edgar	66	0.36%	57	\$117.98	49	Piatt	52	0.31%	64	\$122.65	46
Edwards	31	0.46%	34	\$181.89	15	Pike	53	0.32%	60	\$89.74	72
Effingham	241	0.70%	5	\$307.83	1	Pope	11	0.25%	85	\$49.86	95
Fayette	93	0.42%	38	\$171.90	22	Pulaski	14	0.23%	88	\$59.09	91
Ford	87	0.62%	13	\$113.96	52	Putnam	43	0.72%	4	\$92.01	68
Franklin	195	0.49%	28	\$146.67	34	Randolph	173	0.52%	26	\$173.09	21
Fulton	179	0.48%	31	\$115.60	50	Richland	42	0.26%	80	\$95.04	65
Gallatin	17	0.30%	67	\$80.32	80	Rock Island	367	0.25%	82	\$84.80	75
Greene	55	0.40%	47	\$105.62	62	St. Clair	684	0.25%	81	\$82.04	78
Grundy	261	0.52%	25	\$168.03	23	Saline	96	0.39%	51	\$144.72	35
Hamilton	21	0.25%	83	\$85.90	73	Sangamon	1,092	0.55%	22	\$244.63	3
Hancock	51	0.27%	78	\$66.94	88	Schuyler	23	0.30%	65	\$84.95	74
Hardin	3	0.07%	101	\$16.41	101	Scott	31	0.58%	17	\$178.66	17
Henderson	30	0.41%	41	\$82.69	77	Shelby	72	0.32%	61	\$75.91	84
Henry	158	0.31%	63	\$90.68	71	Stark	24	0.40%	45	\$57.72	92
Iroquois	182	0.61%	14	\$147.57	32	Stephenson	188	0.39%	48	\$162.39	25
Jackson	165	0.27%	75	\$79.65	82	Tazewell	469	0.35%	58	\$105.78	61
Jasper	36	0.37%	53	\$90.80	70	Union	76	0.43%	37	\$107.29	58
Jefferson	118	0.30%	69	\$175.64	18	Vermilion	332	0.41%	44	\$158.82	28
Jersey	70	0.30%	66	\$80.88	79	Wabash	34	0.28%	72	\$113.51	53
JoDaviss	148	0.65%	9	\$192.01	12	Warren	61	0.34%	59	\$84.56	76
Johnson	34	0.27%	77	\$68.67	87	Washington	129	0.88%	1	\$244.83	2
Kane	671	0.13%	97	\$57.03	93	Wayne	28	0.17%	93	\$44.51	97
Kankakee	464	0.41%	42	\$132.37	41	White	31	0.21%	89	\$79.82	81
Kendall	158	0.14%	96	\$47.79	96	Whiteside	285	0.49%	29	\$157.10	31
Knox	210	0.40%	46	\$139.35	36	Will	1,071	0.16%	95	\$62.40	89
Lake	1,246	0.18%	92	\$91.76	69	Williamson	240	0.36%	54	\$136.56	37
LaSalle	863	0.76%	3	\$240.03	4	Winnebago	1,115	0.38%	52	\$215.70	6
Lawrence	97	0.58%	18	\$182.83	14	Woodford	113	0.29%	70	\$61.35	90
Metro Area*	8,929	0.11%		\$52.78		% in Chi Area*:	35.1%				

*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.

There are several interesting observations that can be taken from the rankings shown below. One is in regard 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 2016 with 3,856 terminals and the highest amount of net terminal income collected with a value of \$198.1 million. However, on a per-capita basis, because of Chicago's absence, Cook County ranks near the bottom in terminal per capita (ranked 100 of 102) and in net terminal income (NTI) per capita (ranked 98 of 102).

Washington County ranked first in terminals per capita with a rate of 0.88%. The lowest ranked county in this category was DuPage County with a value of 0.06%. In terms of NTI per capita, Effingham County ranked first with a value of \$307.83. Ranked last in this category was Brown County with a value of only \$13.23.

Table 19: Video Gaming Statistics by County Ranking											
FY 2016 Totals											
Rank	County	Terminals	Rank	County	Terminals per Capita	Rank	County	Net Terminal Income	Rank	County	NTI per Capita
"TOP TWENTY COUNTIES"											
1	Cook	3,856	1	Washington	0.88%	1	Cook	\$198,136,187	1	Effingham	\$307.83
2	Lake	1,246	2	Marshall	0.83%	2	Lake	\$64,548,245	2	Washington	\$244.83
3	Winnebago	1,115	3	LaSalle	0.76%	3	Winnebago	\$63,687,522	3	Sangamon	\$244.63
4	Sangamon	1,092	4	Putnam	0.72%	4	Sangamon	\$48,305,276	4	LaSalle	\$240.03
5	Will	1,071	5	Effingham	0.70%	5	Will	\$42,278,220	5	Macon	\$224.31
6	LaSalle	863	6	Bureau	0.68%	6	McHenry	\$32,791,185	6	Winnebago	\$215.70
7	McHenry	851	7	Marion	0.67%	7	DuPage	\$32,690,357	7	Morgan	\$214.07
8	Madison	748	8	Alexander	0.66%	8	Kane	\$29,386,278	8	Lee	\$206.68
9	St. Clair	684	9	JoDaviess	0.65%	9	Madison	\$27,590,487	9	Marion	\$205.17
10	Kane	671	10	Christian	0.64%	10	LaSalle	\$27,345,067	10	Alexander	\$198.84
11	Peoria	663	11	Mason	0.64%	11	Champaign	\$26,906,028	11	Christian	\$195.83
12	DuPage	572	12	Lee	0.62%	12	Macon	\$24,846,514	12	JoDaviess	\$192.01
13	Champaign	548	13	Ford	0.62%	13	McLean	\$22,200,943	13	DeWitt	\$185.96
14	Tazewell	469	14	Iroquois	0.61%	14	St. Clair	\$22,154,233	14	Lawrence	\$182.83
15	Kankakee	464	15	Carroll	0.60%	15	Peoria	\$20,383,782	15	Edwards	\$181.89
16	Macon	463	16	Montgomery	0.58%	16	Kankakee	\$15,017,764	16	Douglas	\$181.25
17	McLean	449	17	Scott	0.58%	17	Tazewell	\$14,322,330	17	Scott	\$178.66
18	Rock Island	367	18	Lawrence	0.58%	18	Vermilion	\$12,963,900	18	Jefferson	\$175.64
19	Vermilion	332	19	Calhoun	0.57%	19	Rock Island	\$12,511,569	19	Logan	\$174.04
20	Whiteside	285	20	Livingston	0.56%	20	Effingham	\$10,540,554	20	Livingston	\$173.70
"BOTTOM TWENTY COUNTIES"											
83	Richland	42	83	Hamilton	0.25%	83	Cumberland	\$1,194,700	83	DeKalb	\$79.52
84	Crawford	37	84	Adams	0.25%	84	White	\$1,170,600	84	Shelby	\$75.91
85	Jasper	36	85	Pope	0.25%	85	Mercer	\$1,144,239	85	Monroe	\$70.54
86	Johnson	34	86	Boone	0.24%	86	McDonough	\$1,138,010	86	Mercer	\$69.63
87	Wabash	34	87	DeKalb	0.23%	87	Crawford	\$1,067,474	87	Johnson	\$68.67
88	Edwards	31	88	Pulaski	0.23%	88	Scott	\$956,748	88	Hancock	\$66.94
89	Scott	31	89	White	0.21%	89	Jasper	\$880,538	89	Will	\$62.40
90	White	31	90	Monroe	0.21%	90	Johnson	\$863,977	90	Woodford	\$61.35
91	Henderson	30	91	Crawford	0.19%	91	Wayne	\$745,928	91	Pulaski	\$59.09
92	Calhoun	29	92	Lake	0.18%	92	Hamilton	\$726,467	92	Stark	\$57.72
93	Wayne	28	93	Wayne	0.17%	93	Schuyler	\$640,862	93	Kane	\$57.03
94	Stark	24	94	McDonough	0.17%	94	Henderson	\$606,218	94	Crawford	\$53.87
95	Schuyler	23	95	Will	0.16%	95	Putnam	\$552,583	95	Pope	\$49.86
96	Hamilton	21	96	Kendall	0.14%	96	Calhoun	\$528,424	96	Kendall	\$47.79
97	Massac	20	97	Kane	0.13%	97	Gallatin	\$448,918	97	Wayne	\$44.51
98	Gallatin	17	98	Massac	0.13%	98	Pulaski	\$364,041	98	Cook	\$38.14
99	Pulaski	14	99	Brown	0.12%	99	Stark	\$345,965	99	DuPage	\$35.65
100	Pope	11	100	Cook	0.07%	100	Pope	\$222,890	100	McDonough	\$34.90
101	Brown	8	101	Hardin	0.07%	101	Brown	\$91,753	101	Hardin	\$16.41
102	Hardin	3	102	DuPage	0.06%	102	Hardin	\$70,878	102	Brown	\$13.23

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

Behind Cook County, Lake County had the second highest number of both video gaming terminals and net terminal income in the State. Coming in third in these categories was Winnebago County. A major reason for this is that two of the top six Illinois cities with video gaming terminals reside in Winnebago County: Rockford (ranked 2nd with 453 terminals) and Loves Park (ranked 6th with 278 terminals).

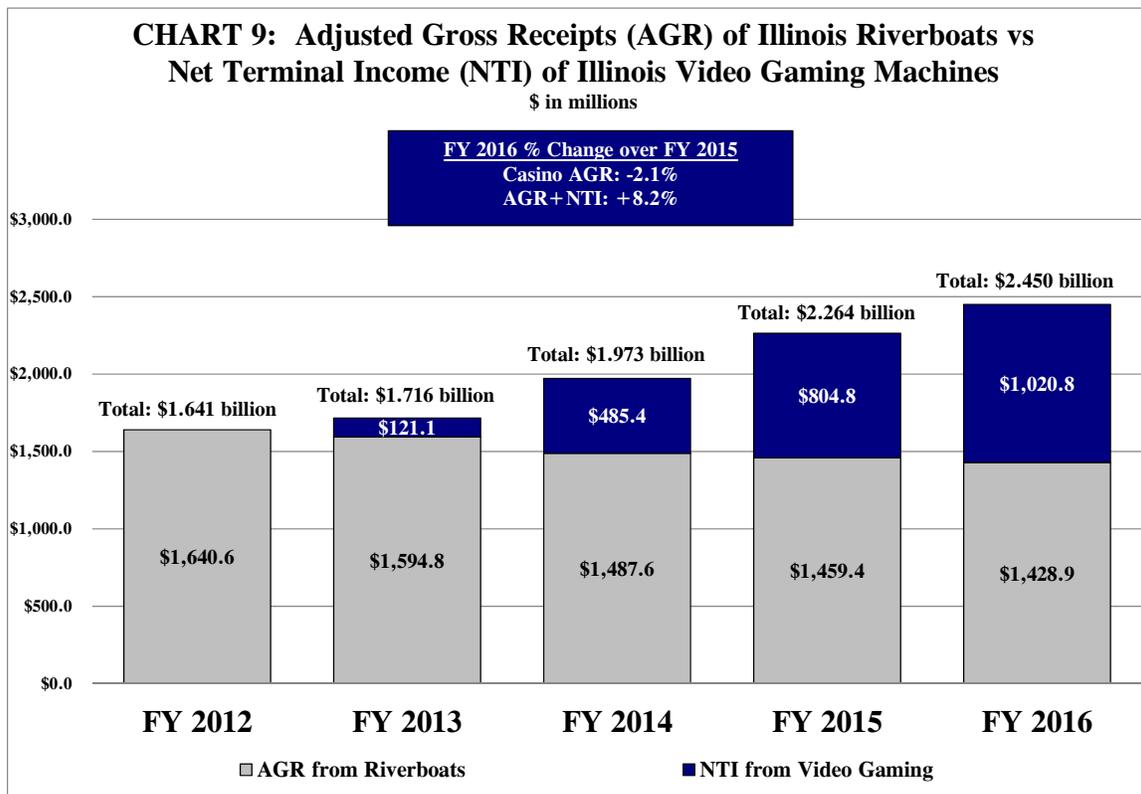
Springfield had the highest amount of terminals in the State at 622 terminals, as well as the highest amount of net terminal income in FY 2016 with \$29.2 million collected. Below is a list of the top 25 municipalities with video gaming in Illinois in FY 2016.

Table 20: Top Municipalities with Video Gaming					
FY 2016 Totals					
Rank	Municipality	Terminals	Rank	Municipality	Net Terminal Income
1	Springfield	622	1	Springfield	\$29,150,346
2	Rockford	453	2	Rockford	\$27,914,461
3	Decatur	375	3	Decatur	\$20,858,463
4	Joliet	281	4	Waukegan	\$16,476,977
5	Peoria	280	5	Loves Park	\$14,926,764
6	Loves Park	278	6	Bloomington	\$14,571,802
7	Lake County	272	7	Champaign	\$12,740,663
8	Bloomington	260	8	Joliet	\$12,069,531
9	Waukegan	257	9	Lake County	\$11,622,307
10	Berwyn	242	10	Oak Lawn	\$9,980,204
11	Champaign	232	11	Peoria	\$9,382,512
12	Sangamon County	189	12	Berwyn	\$8,987,022
13	Oak Lawn	181	13	Sangamon County	\$8,567,675
14	Kankakee	174	14	Cicero	\$7,908,798
15	Pekin	153	15	Effingham	\$7,322,381
16	Effingham	145	16	Kankakee	\$6,132,531
17	Mattoon	144	17	Aurora	\$6,072,475
18	Streator	142	18	Hoffman Estates	\$6,071,174
19	Aurora	139	19	Freeport	\$5,792,562
20	Ottawa	136	20	Mattoon	\$5,775,977
21	Alton	132	21	Pekin	\$5,665,007
22	Danville	130	22	McHenry	\$5,599,148
23	Galesburg	130	23	Villa Park	\$5,524,124
24	McHenry County	129	24	Jacksonville	\$5,518,886
25	Cicero	123	25	Fox Lake	\$5,437,714

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; -1.9% in FY 2015; and -2.1% in FY 2016. Since FY 2012, overall casino receipts have fallen a combined 12.9%. Only one casino, Rivers Casino in Des Plaines, has experienced an increase in AGR during this four-year period (+7.9%). Excluding Des Plaines, the other nine casinos have fallen a combined 18.6% since FY 2012, with all but Joliet Hollywood (-7.8%) experiencing double-digit losses.

While there are an abundance of factors causing 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 when combined with video gaming, revenues

grew a net \$257 million or +15.0%. Similarly, riverboat revenues fell 1.9% in FY 2015, but when combined with video gaming, total revenues actually increased \$291 million or +14.8%.

In FY 2016, the trend continued as video gaming grew an additional \$216 million (+26.8%), which more than offset the \$30.5 million reduction in adjusted gross receipts from Illinois casinos. Consequently, in FY 2016, combined revenues grew a net \$185.5 million or +8.2%. Therefore, since FY 2012, even though the AGR of riverboats have fallen a combined -12.9%, overall gaming revenues have risen +49.3%.

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 appear to have brought in a lot of “new” gaming dollars to State and local coffers creating the overall 49.3% increase in total gaming revenues over the past four 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 2,026 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 2016 that offered video gaming. These locations were home to 8,929 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, \$314.4 million in FY 2015, and an additional \$422.1 million in FY 2016.

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 approximately 7 full-size casinos to the Chicago metropolitan region. Again, these totals are without the City of Chicago even participating in this gaming expansion. These 8,929 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.

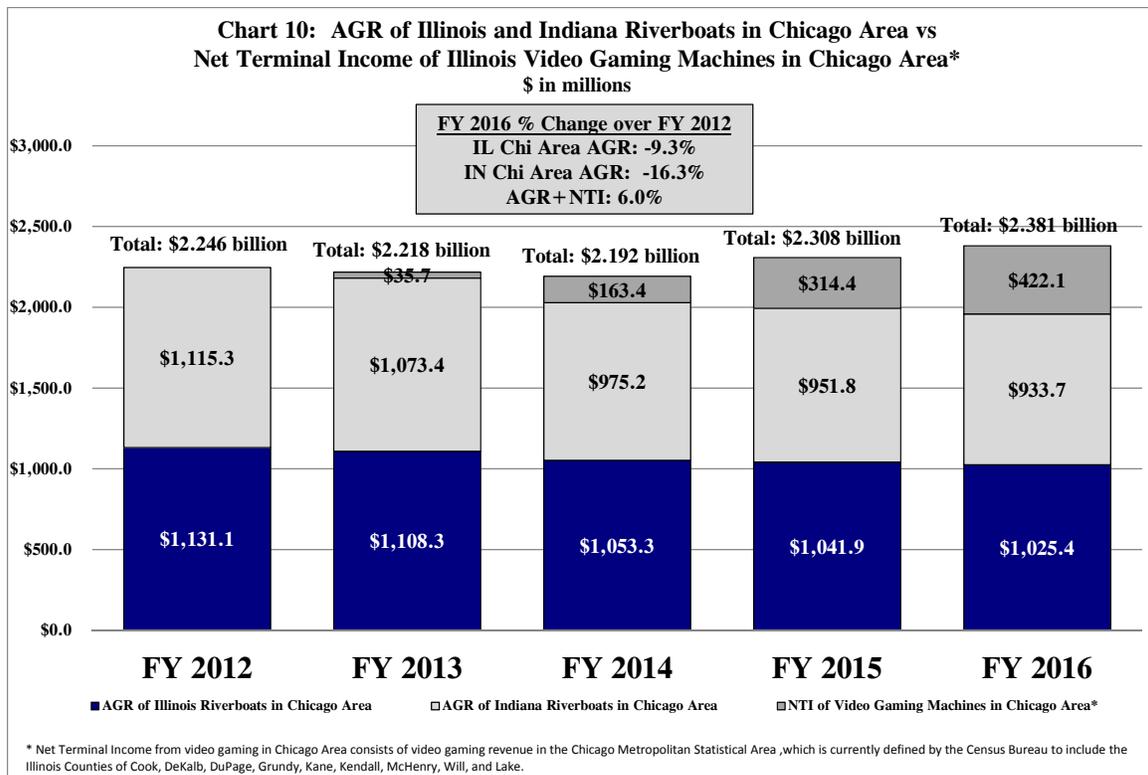
Despite AGR increases at the Des Plaines casino, combined, these five casinos have seen their FY 2016 AGR totals decline 9.3% since FY 2012. Without the newer Des Plaines casino, these Illinois based casinos have fallen 18.6% over the last four fiscal years. The popular Des Plaines casino is part of 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 \$934 million in FY 2016, a four-year decline of 16.3%. 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 2016, the AGR totals of these ten casinos have fallen to \$1.959 billion – a combined four-year falloff of 12.8%. And this decrease includes the 7.9% 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 has remained relatively stagnant. Collectively, total gaming in this area went from \$2.246 billion in FY 2012 to \$2.381 billion in FY 2016. This results in a four-year change in combined gaming revenues of 6.0% - an average increase of only 1.5% per year.

The numbers in the 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 1.5% 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 relatively stagnant in the Chicago Area if the Statewide totals have increased 49.3% 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 8,929 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.

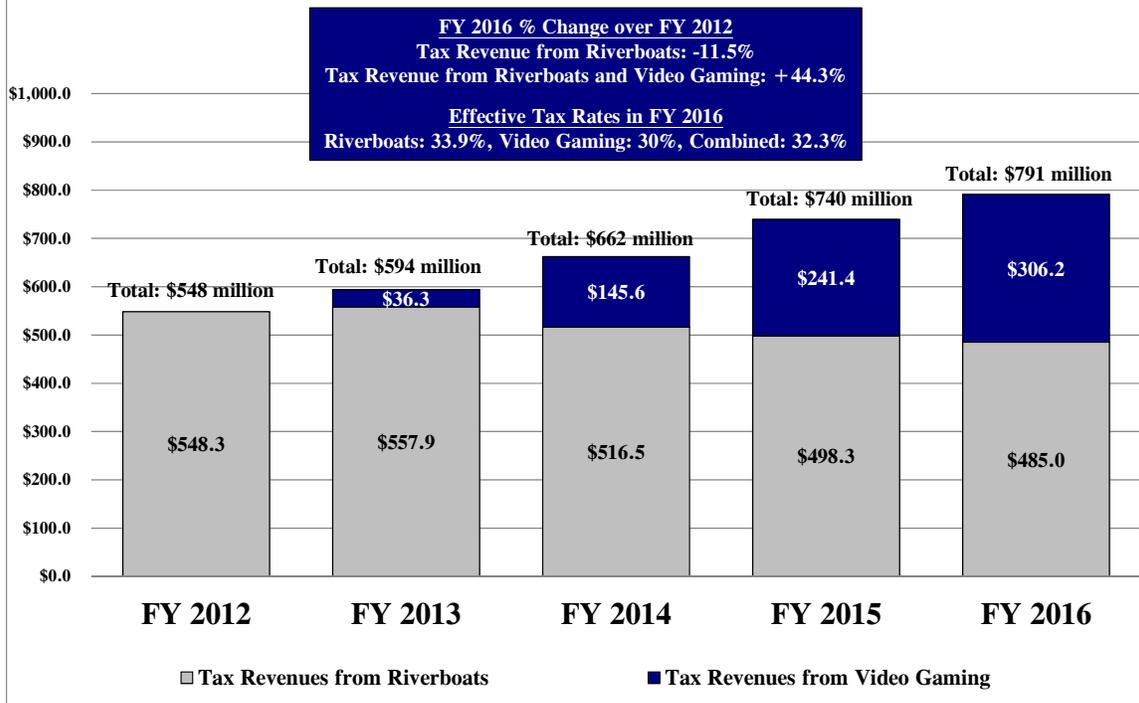
Many gambling proponents argue that because Chicago has yet to enter into the gaming market, there remains a large untapped amount of gaming dollars. There is likely a lot of truth to this, especially when considering the potential revenues from tourists that typically would not venture outside of the 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 neared 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 \$485 million in FY 2016, a four-year decline of 11.5%. 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, to \$306 million in FY 2016. When combining these video gaming tax revenues with casino tax revenues, overall tax revenues grew from \$548 million in FY 2012 to \$791 million in FY 2016, an increase of 44.3%. These figures are displayed in the following chart.

CHART 11: Tax Revenue from Riverboats and Video Gaming in Illinois
\$ in millions



While higher tax revenues are welcomed, there are aspects of this growth that may be concerning to some. The first pertains to the tax rate imposed on these gaming sources. Video gaming revenues are taxed at a flat 30% tax rate. Casino revenues, on the other hand, are taxed on a graduated basis – meaning the more revenues that are collected, the higher the tax. In FY 2016, the effective tax rate for the 10 casinos was 33.9% (includes both state and local wagering and admission taxes). As gaming dollars move from the casinos to the video gaming terminals, these dollars are then taxed at a lower rate, thereby reducing overall tax collections.

The other aspect that may be troubling to some is the destination of these gaming tax dollars. The majority of tax revenues from casinos are eventually transferred to the Education Assistance Fund. The majority of tax revenues from video gaming are deposited into the Capital Projects Fund. Therefore, if video gaming causes a reduction in revenues from riverboats, tax dollars are effectively being shifted from the Education Assistance Fund to the Capital Projects Fund.

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

Video Gaming's Future

So, how much revenue will be generated from video gaming in the future? Several years ago, insiders estimated 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 sailed past this mark (FY 2016 ended with 23,891 terminals). Although the number of new terminals being added each month has slowed, it now appears that the Statewide total for terminals in operation in one month will approach 25,000 terminals by the end of FY 2017.

In FY 2016, the net terminal income per position per day average was \$127. Assuming net terminal income will continue at this rate, the Commission estimates that net terminal income in Illinois will total approximately \$1.141 billion in FY 2017. This would equate to tax revenues totaling around \$342 million for the fiscal year, with the Capital Project Fund receiving approximately \$285. Local governments would receive the remaining \$57 million.

These numbers, of course, assume that the strong performance of the current establishments will continue. The Gaming Board has pointed out that some establishments are reducing their number of terminals or dropping them altogether due to the amount of competition that now exists. But so far the number of establishments falling into this category has not been enough to offset the upward trend in video gaming as a whole.

The FY 2017 estimate assumes that video gaming revenues will plateau as the end of the fiscal year approaches. But, if video gaming continues to thrive, there likely will be other businesses that will want to invest their time and energy into starting video gaming at their own locations. In addition, the tax revenue potential of video gaming could sway communities currently banning video gaming to 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 occur, this could have a negative impact on future revenues 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 2015, Illinois horse racing wagering generated \$12.7 million in total revenues with the State receiving \$6.85 million and local governments receiving \$5.82 million. Table 21 examines the sources and allocation of CY 2015 horse racing revenues while Table 22 details State and local racing revenues over the past ten years.

**TABLE 21: SOURCES AND ALLOCATION OF HORSE RACING
REVENUE FOR CALENDAR YEAR 2015**

REVENUE SOURCE	
Application and License Fees of Racing Associations	\$68,690
Admission Taxes	\$67,439
Pari-mutuel Tax	\$6,400,415
Pari-mutuel Tax Credit	(\$3,348,722)
Advanced Deposit Wagering (ADW) Pari-Mutuel Tax (1.75%)	\$2,520,258
.2% Surcharge for Racing Board*	\$890,176
Licensing of Racing Personnel	\$174,000
Fingerprint Fees	\$26,016
Photo Fees	\$85
Horsemen's Fines	\$50,379
Miscellaneous Sources	\$152
TOTAL STATE REVENUES RECEIVED	\$6,848,888
2% of OTB Handle to City and County	\$5,275,360
OTB Admission Tax to City of Chicago	\$86,363
OTB Admission Tax to Cook County	\$189,175
On Track City Admission Tax	\$39,554
Intertrack Surcharge to County (20%)	\$226,261
TOTAL LOCAL REVENUES RECEIVED	\$5,816,712
TOTAL REVENUES RECEIVED	\$12,665,601
ALLOCATION OF REVENUE	
Horse Racing Fund	\$6,347,033
Quarterhorse Breeders' Fund	\$15,821
Quarterhorse Purse Fund (from IRB .2% Surcharge)*	\$100,000
Standardbred Purse Fund (.25% Tax of ADW Handle)	\$360,018
Fingerprinting (State Police and Vendor)	\$26,016
TOTAL STATE REVENUES ALLOCATED	\$6,848,888
To Cities	\$2,763,597
To Counties	\$3,053,116
TOTAL LOCAL	\$5,816,712
TOTAL REVENUES ALLOCATED	\$12,665,601
<p>Note: Due to a Budget Impasse, the \$1 OTB Admission Tax (a pass-through Fund collected by the Board and then paid monthly to Cook County and Chicago), after July 1, 2015 was collected but not paid. The Board had paid \$54,620 to Chicago and \$123,060 to Cook County before July 1.</p>	
<p>SOURCE: ILLINOIS RACING BOARD - 2015 ANNUAL REPORT</p>	

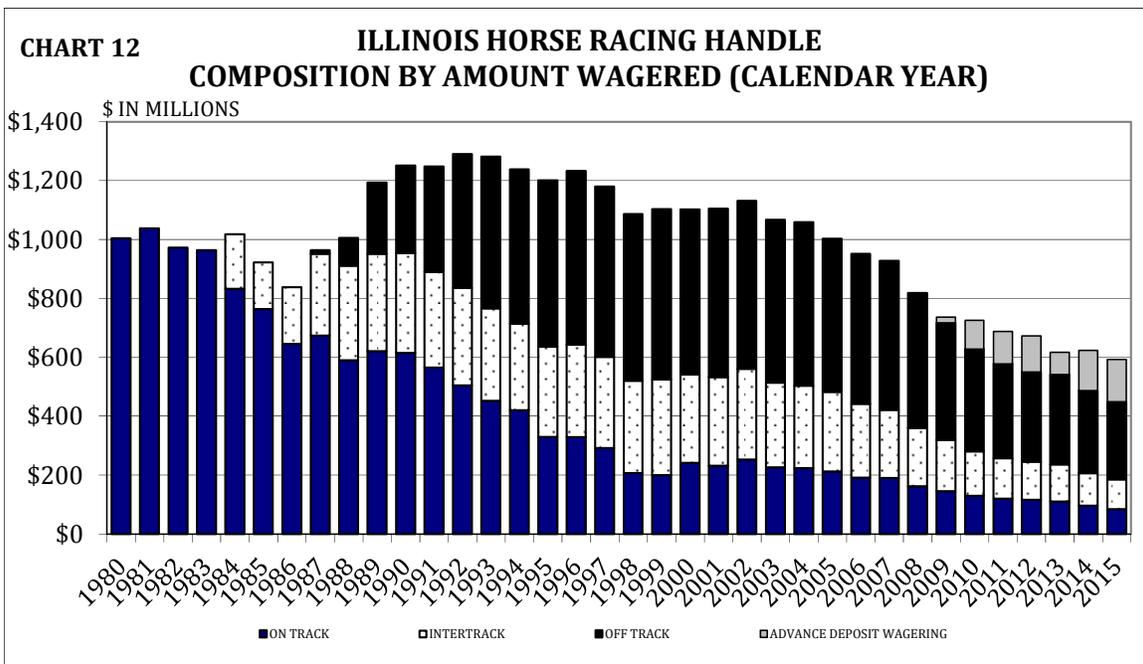
**TABLE 22: HORSE RACING REVENUES AND ASSOCIATED ALLOCATIONS
BY CALENDAR YEAR (IN MILLIONS)**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
TOTAL STATE REVENUE	\$11.8	\$10.3	\$8.9	\$8.0	\$7.1	\$7.4	\$7.8	\$7.5	\$6.4	\$7.5	\$6.8
TOTAL LOCAL REVENUE	\$11.6	\$11.3	\$11.6	\$10.6	\$9.1	\$7.8	\$7.2	\$6.8	\$6.7	\$6.2	\$5.8
* TOTAL REVENUES RECEIVED	\$23.4	\$21.6	\$20.6	\$18.5	\$16.2	\$15.3	\$15.0	\$14.2	\$13.1	\$13.7	\$12.7
TOTAL STATE ALLOCATIONS	\$11.8	\$10.3	\$8.9	\$8.0	\$7.1	\$7.4	\$7.8	\$7.5	\$6.4	\$7.5	\$6.8
TOTAL LOCAL ALLOCATIONS	\$11.6	\$11.3	\$11.6	\$10.6	\$9.1	\$7.8	\$7.2	\$6.8	\$6.7	\$6.2	\$5.8
TO CITIES	\$5.7	\$5.6	\$5.5	\$4.9	\$4.3	\$3.7	\$3.4	\$3.2	\$3.2	\$2.9	\$2.8
TO COUNTIES	\$5.9	\$5.7	\$6.1	\$5.6	\$4.8	\$4.1	\$3.8	\$3.6	\$3.6	\$3.3	\$3.1
*TOTAL REVENUES ALLOCATED	\$23.4	\$21.6	\$20.6	\$18.5	\$16.2	\$15.3	\$15.0	\$14.2	\$13.1	\$13.7	\$12.7

* 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 2015 Annual Report, the Racing Board reported that 388 race programs were conducted during CY 2015 (down from 426 race programs in CY 2014 and 518 race programs in CY 2013). A total handle amount of \$593 million resulted. This was a 4.9% decline from CY 2014 when \$624 million was collected. As shown in Chart 12, the decline is the latest in a series of declines over the past two decades.

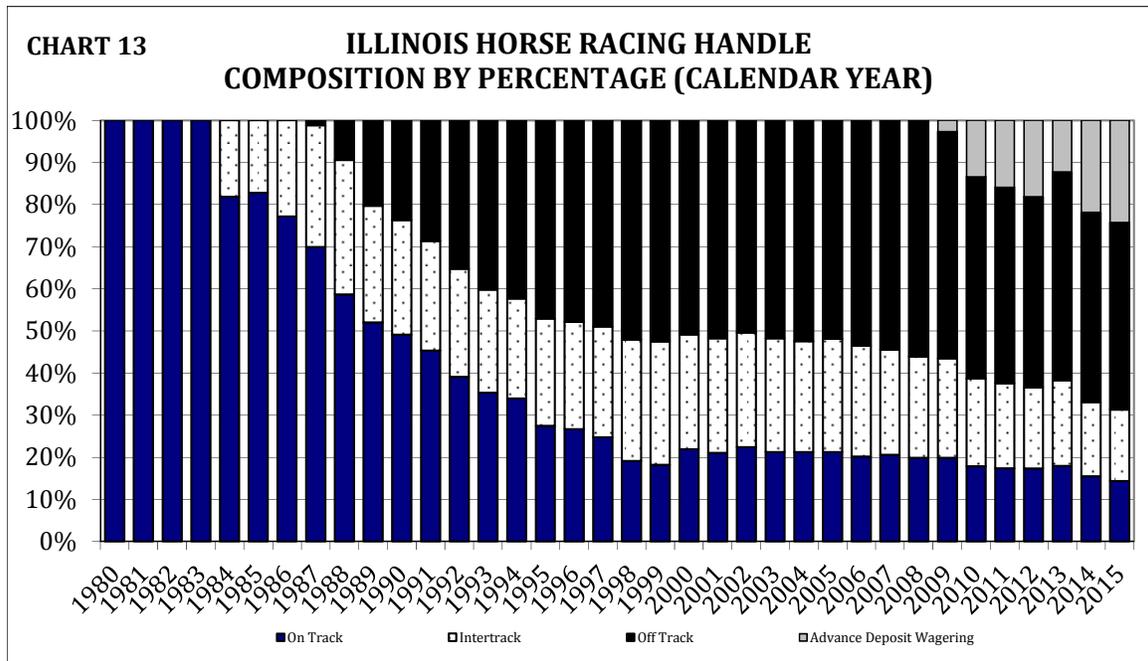


The overall 4.9% decline in the racing handle was despite a 5.6% increase in advance deposit wagering (ADW). While the ADW handle increased nearly \$8 million in 2015, the handle from on-track racing fell \$11 million (-11.8%), intertrack racing declined \$9 million (-8.6%), and off-track racing decreased another \$17 million (-6.2%). The overall handle total in 2015 was 40.8% below levels from just ten years ago.

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 2015 the percentage of the total handle generated from on-track wagering fell from 49% to 14%. 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 44%. Inter-track wagering for years remained relatively stable, generally comprising around 25% of the total handle. But this rate has fallen to 17% as advance deposit wagering has quickly emerged as the trending source for new wagering. In 2015 ADW's composition grew to 24%. Chart 13 illustrates the historic shift in the composition of the racing handle.



2015 Racing Statistics

TABLE 23: Illinois Racing Statistics for 2015

\$ in millions

	2014 Handle	2015 Handle	% Change
Thoroughbred	\$365.6	\$340.9	-6.7%
Standardbred	\$122.1	\$108.5	-11.1%
ADW	\$136.3	\$144.0	5.6%
Total Illinois Handle	\$624.0	\$593.4	-4.9%

Of the \$593.4 million total handle in 2015....

Location of Race	Amount	Composition
Wagered on Illinois Races	\$91.9	15.5%
Wagered on Out-of-State Tracks	\$501.5	84.5%
Total	\$593.4	100%

The largest handle at Illinois tracks came from:

Arlington	\$39.6
Hawthorne	\$17.2
Balmoral	\$18.5
Maywood	\$9.4
Fairmount	\$6.7
State/County Fairs	\$0.5

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

Gulfstream	\$49.6
Belmont	\$30.9
Santa Anita	\$28.9
Churchill	\$24.1
Woodbine	\$19.5

Source: Illinois Racing Board Annual Report

Off-Track Betting (OTB) Licenses

According to the Illinois Racing Board’s website, “The Illinois Horse Racing Act states that each Illinois racetrack is entitled to receive up to 6 OTB licenses, except Fairmount Park, which is entitled to 7 licenses, and more recently, racetracks in Cook County are entitled to receive up to 8 OTB licenses, bringing the statewide total to 43 authorized facilities. As of April 20, 2016, Arlington Park has 5 OTB's in operation, Hawthorne Race Course has 8, Fairmount Park has 3 and Quad City Downs has 5 OTB parlors. This brings the statewide total to 21 OTB parlors”.

A list of Illinois OTBs currently in operation is shown in Table 24.

TABLE 24: 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.)
FAIRMOUNT PARK	MADISON	ALTON SAUGET SPRINGFIELD
HAWTHORNE RACE COURSE	COOK	BOLINGBROOK CHICAGO (Corliss) CRESTWOOD* GLENDALE HEIGHTS JOLIET MOKENA OAKBROOK* PROSPECT HEIGHTS
QUAD CITY DOWNS	ROCK ISLAND	AURORA HOFFMAN* MCHENRY ROCKFORD SOUTH ELGIN
*NEW IN 2016.		
<i>Note: The 9 OTBs associated with the now closed Balmoral and Maywood racetracks were forced to close in 2016.</i>		
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 of 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 become more reliable. 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. In FY 2016, \$2.7 million in tax revenues were collected, equating to a handle amount of approximately \$156 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 \$144 million in CY 2015, all other categories of wagering (on-track, inter-track, off-track) fell a combined \$38 million in 2015 and have fallen a combined \$267 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, the handle fell 4.9% in 2015 and is now down nearly 41% over the last 10 years. And the figures will likely be much worse in CY 2016 due to the closing of two of Illinois' horse tracks. As stated in its 2015 Annual Report, the Racing Board reported the following:

On December 24, 2014, Balmoral Park and Maywood Park filed for bankruptcy under Chapter 11 to restructure, as a result of a lawsuit judgment to four riverboat casinos in the amount of approximately \$78 million. Chapter 11 allowed the two racetracks to continue their operations in 2015. However, efforts to find buyers willing to keep Maywood Park and Balmoral Park open were unsuccessful. Maywood Park's final race program was on October 2nd (2015) and Balmoral Park wrapped up live racing on December 26th (2015).

As a result of this action, the Board voted to consolidate all Chicagoland racing to Arlington Park and Hawthorne Race Course. As such, Balmoral Park and Maywood Park were not awarded racing dates in 2016. Fairmount Park is now the only other racetrack in currently offering live racing in Illinois.

The reason for the struggles of Illinois' horse racing industry is because its tracks are 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, 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 over 50% - from \$190 million in 2005 to \$91 million in 2014 - despite the opening of two racinos in 2008. *(The 2015 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 casino revenues in each of the last eight 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.

The Pennsylvania Gaming Control Board reported in April 2016 that, “more than \$228 million was accrued for purses at six Pennsylvania racetracks in 2015 with 89.6% of the funds derived from slot machine revenue.” The same article also shows that the on-track handle on live racing at Pennsylvania’s six tracks has fallen from \$38.2 million in 2011 to \$30.6 million in 2015, a decrease of nearly 20% during this time frame.

(<http://www.bloodhorse.com/horse-racing/articles/210920/pa-report-slots-provide-almost-90-of-purses>).

This is an example of 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 (as shown in the case of Pennsylvania) 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”. 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 additional 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 2016 was the fifth 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 \$61 billion and the Lottery has transferred almost \$20 billion back to the State. Table 25 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

Total lottery sales were basically flat in FY 2016. Total sales were \$2.86 billion. This amount equaled growth of \$18.4 million or an increase of 0.6% over FY 2015's results. This was the second smallest increase in total sales that the Lottery has had since FY 2003. The only worse year for total sales was in FY 2014 when sales actually declined by -1.4%.

As seen in Chart 14, instant game sales have steadily become a larger part of total lottery sales since the late 1980s. 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 2015, total instant sales peaked in their makeup of the lottery sales at 64.1%. Instant sales made up 63.4% of FY 2016's sales.

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 2016, instant ticket sales accounted for 63% of total sales, while draw games were at 37%. In FY 2016, instant games sales were down \$9.8 million to \$1.812 billion. This was a decline of -0.5% compared to FY 2015.

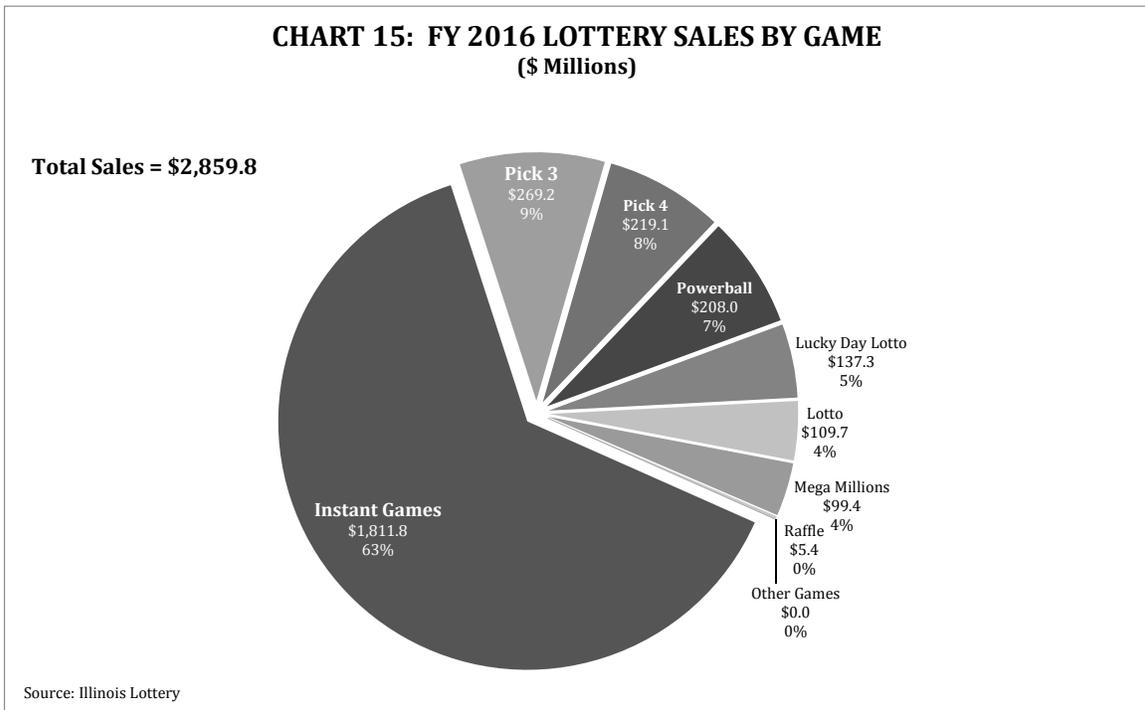
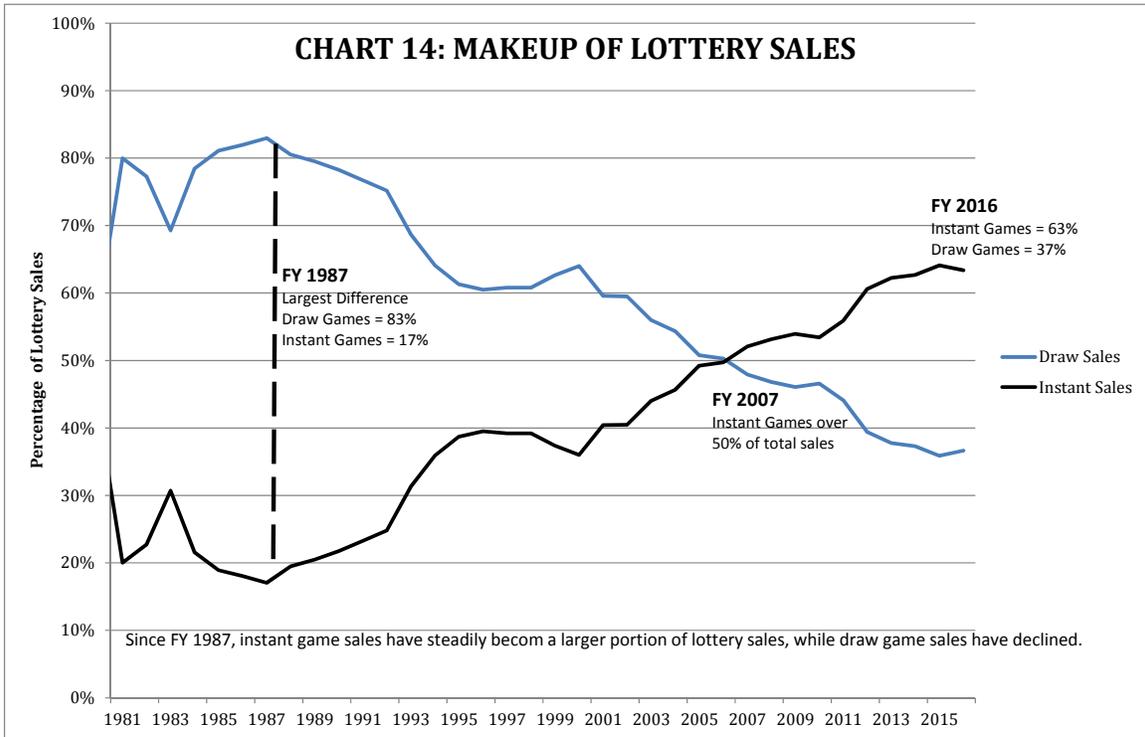
Draw games constituted 37% of lottery sales in FY 2016. The draw games were up \$28 million to \$1.048 billion. This equaled growth of 2.8%. Looking at the individual draw games, Powerball's strong performance stood out. Powerball increased its sales from \$134 million to \$208 million. This strong growth was offset somewhat by declines in Mega Millions (down \$21 million), Lucky Day Lotto (down \$14 million), and the annual Raffle (down \$8 million).

As shown on the following pages, Table 25 displays the contributions of each game through the Lottery's history, while Chart 15 and Table 26 illustrate the break-down of lottery sales by game for FY 2016 and throughout the Lottery's history.

TABLE 25: LOTTERY SALES BY GAME
FY 1975 - FY 2016*

Fiscal Year	Instant Games		Pick 3**		Raffles		Pick 4**		Lotto		Lucky Day Lotto		Mega Millions		Powerball		Other Games		Total Sales		
	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	\$	n/a	\$	129.3	n/a
1976	\$	56.6	\$	n/a	\$	n/a	\$	n/a	\$	n/a	\$	n/a	\$	n/a	\$	n/a	\$	107.3	\$	163.9	26.8%
1977	\$	62.9	\$	11.1%	\$	n/a	\$	n/a	\$	n/a	\$	n/a	\$	n/a	\$	n/a	\$	50.0	\$	112.9	-31.1%
1978	\$	57.5	\$	-8.6%	\$	n/a	\$	n/a	\$	n/a	\$	n/a	\$	n/a	\$	n/a	\$	31.6	\$	89.1	-21.1%
1979	\$	56.3	\$	-2.1%	\$	n/a	\$	n/a	\$	n/a	\$	n/a	\$	n/a	\$	n/a	\$	20.4	\$	76.7	-13.9%
1980	\$	41.4	\$	-26.5%	\$	42.4	\$	n/a	\$	n/a	\$	n/a	\$	n/a	\$	n/a	\$	13.7	\$	97.5	27.1%
1981	\$	43.0	\$	3.9%	\$	164.2	\$	287.3%	\$	n/a	\$	n/a	\$	n/a	\$	n/a	\$	7.5	\$	214.7	120.2%
1982	\$	78.2	\$	81.9%	\$	248.2	\$	51.2%	\$	n/a	\$	n/a	\$	n/a	\$	n/a	\$	0.0	\$	344.1	60.3%
1983	\$	158.1	\$	102.2%	\$	283.8	\$	14.3%	\$	26.9	\$	n/a	\$	n/a	\$	n/a	\$	-	\$	514.8	49.6%
1984	\$	196.6	\$	24.4%	\$	367.4	\$	29.5%	\$	49.4	\$	7.4%	\$	1010.8%	\$	n/a	\$	-	\$	912.2	77.2%
1985	\$	233.7	\$	18.9%	\$	356.2	\$	-3.0%	\$	75.5	\$	52.8%	\$	89.9%	\$	2.8	\$	n/a	\$	1235.6	35.5%
1986	\$	237.6	\$	1.7%	\$	347.6	\$	-2.4%	\$	88.1	\$	16.7%	\$	642.3	\$	-	\$	n/a	\$	1315.6	6.5%
1987	\$	227.3	\$	-4.3%	\$	335.1	\$	-3.6%	\$	93.0	\$	5.6%	\$	678.5	\$	-	\$	n/a	\$	1333.9	1.4%
1988	\$	260.1	\$	14.4%	\$	352.6	\$	5.2%	\$	105.9	\$	13.9%	\$	600.6	\$	-	\$	n/a	\$	1335.5	0.1%
1989	\$	321.9	\$	23.8%	\$	369.6	\$	4.8%	\$	108.6	\$	2.5%	\$	607.1	\$	16.3	\$	n/a	\$	1573.5	17.7%
1990	\$	341.2	\$	6.0%	\$	382.5	\$	3.5%	\$	114.1	\$	5.1%	\$	588.7	\$	143.7	\$	n/a	\$	1570.2	-0.1%
1991	\$	364.6	\$	6.9%	\$	368.5	\$	-3.7%	\$	109.0	\$	-4.5%	\$	601.0	\$	123.4	\$	n/a	\$	1566.5	-0.2%
1992	\$	406.0	\$	11.4%	\$	362.0	\$	-1.8%	\$	112.3	\$	3.0%	\$	633.5	\$	123.1	\$	n/a	\$	1636.9	4.5%
1993	\$	493.2	\$	21.5%	\$	350.5	\$	-3.2%	\$	112.3	\$	0.0%	\$	489.9	\$	129.9	\$	n/a	\$	1575.9	-3.7%
1994	\$	548.7	\$	11.3%	\$	344.5	\$	-1.7%	\$	109.7	\$	-2.3%	\$	403.0	\$	122.7	\$	n/a	\$	1528.6	-3.0%
1995	\$	630.7	\$	14.9%	\$	358.4	\$	4.0%	\$	123.7	\$	12.8%	\$	386.6	\$	130.1	\$	n/a	\$	1629.5	6.6%
1996	\$	646.7	\$	2.5%	\$	357.5	\$	-0.3%	\$	140.3	\$	13.4%	\$	363.4	\$	129.4	\$	n/a	\$	1637.3	0.5%
1997	\$	636.2	\$	-1.6%	\$	340.7	\$	-4.7%	\$	139.8	\$	-0.4%	\$	295.3	\$	118.8	\$	n/a	\$	1623.2	-0.9%
1998	\$	618.3	\$	-2.8%	\$	344.7	\$	1.2%	\$	145.3	\$	3.9%	\$	263.0	\$	111.8	\$	n/a	\$	1576.9	-2.9%
1999	\$	570.1	\$	-7.8%	\$	335.3	\$	-2.7%	\$	144.5	\$	-0.6%	\$	168.8	\$	113.7	\$	n/a	\$	1525.9	-3.2%
2000	\$	541.5	\$	-5.0%	\$	341.4	\$	1.8%	\$	154.4	\$	6.9%	\$	146.3	\$	101.0	\$	n/a	\$	1503.9	-1.4%
2001	\$	586.1	\$	8.2%	\$	326.6	\$	-4.3%	\$	151.3	\$	-2.0%	\$	143.5	\$	88.3	\$	n/a	\$	1449.8	-3.6%
2002	\$	643.8	\$	9.8%	\$	327.9	\$	0.4%	\$	158.0	\$	4.4%	\$	134.9	\$	81.7	\$	n/a	\$	1590.0	9.7%
2003	\$	697.9	\$	8.4%	\$	314.1	\$	-4.2%	\$	161.9	\$	2.5%	\$	121.2	\$	78.0	\$	n/a	\$	1585.8	-0.3%
2004	\$	780.5	\$	11.8%	\$	308.9	\$	-1.7%	\$	167.2	\$	3.2%	\$	117.4	\$	99.7	\$	n/a	\$	1709.2	7.8%
2005	\$	907.1	\$	16.2%	\$	307.4	\$	-0.5%	\$	168.4	\$	0.7%	\$	131.6	\$	131.8	\$	n/a	\$	1842.9	7.8%
2006	\$	976.7	\$	7.7%	\$	309.2	\$	0.6%	\$	170.1	\$	1.0%	\$	125.3	\$	126.2	\$	n/a	\$	1964.8	6.6%
2007	\$	1,041.6	\$	6.6%	\$	308.7	\$	-0.2%	\$	170.2	\$	0.1%	\$	112.1	\$	127.9	\$	n/a	\$	2,001.3	1.9%
2008	\$	1,094.0	\$	5.0%	\$	299.0	\$	-3.1%	\$	159.9	\$	-1.4%	\$	112.9	\$	128.4	\$	n/a	\$	2,057.5	2.8%
2009	\$	1,121.1	\$	2.5%	\$	297.7	\$	-0.4%	\$	189.9	\$	17.6%	\$	122.7	\$	129.0	\$	n/a	\$	2,078.6	1.0%
2010	\$	1,173.9	\$	4.7%	\$	301.4	\$	1.3%	\$	191.0	\$	8.0%	\$	113.5	\$	120.7	\$	n/a	\$	2,197.5	5.7%
2011	\$	1,264.7	\$	7.7%	\$	290.6	\$	-3.6%	\$	191.0	\$	0.0%	\$	107.6	\$	119.5	\$	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%	\$	193.6	\$	1.4%	\$	105.3	\$	131.2	\$	n/a	\$	146.3	10.2%
2013	\$	1,768.4	\$	9.0%	\$	261.5	\$	-5.9%	\$	198.7	\$	2.6%	\$	96.6	\$	134.7	\$	n/a	\$	237.8	62.6%
2014	\$	1,757.4	\$	-0.6%	\$	250.6	\$	-4.2%	\$	202.2	\$	1.7%	\$	114.3	\$	151.6	\$	n/a	\$	163.3	-31.3%
2015	\$	1,821.6	\$	3.7%	\$	263.1	\$	5.0%	\$	132.2	\$	-19.9%	\$	223.9	\$	131.6	\$	n/a	\$	133.5	-17.1%
2016	\$	1,811.8	\$	-0.5%	\$	269.2	\$	2.3%	\$	219.1	\$	-2.1%	\$	109.7	\$	137.3	\$	n/a	\$	208.0	55.8%
TOTALS	\$	26,897.8	\$	11,466.7	\$	1,605.5	\$	4,900.9	\$	9,638.4	\$	3,451.6	\$	2,543.3	\$	1,037.9	\$	1,486.7	\$	61,583.7	

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



**TABLE 26: COMPOSITION OF LOTTERY SALES BY GAME
FY 1975 - FY 2016***

(% 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
2016	63.4%	9.4%	0.2%	7.7%	3.8%	4.8%	3.5%	7.3%	0.0%	\$ 2,859.8
TOTALS	43.7%	18.6%	0.3%	8.0%	15.7%	5.6%	4.1%	1.7%	2.4%	\$ 61,583.7

* Preliminary, unaudited data

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

SOURCE: ILLINOIS DEPARTMENT OF REVENUE

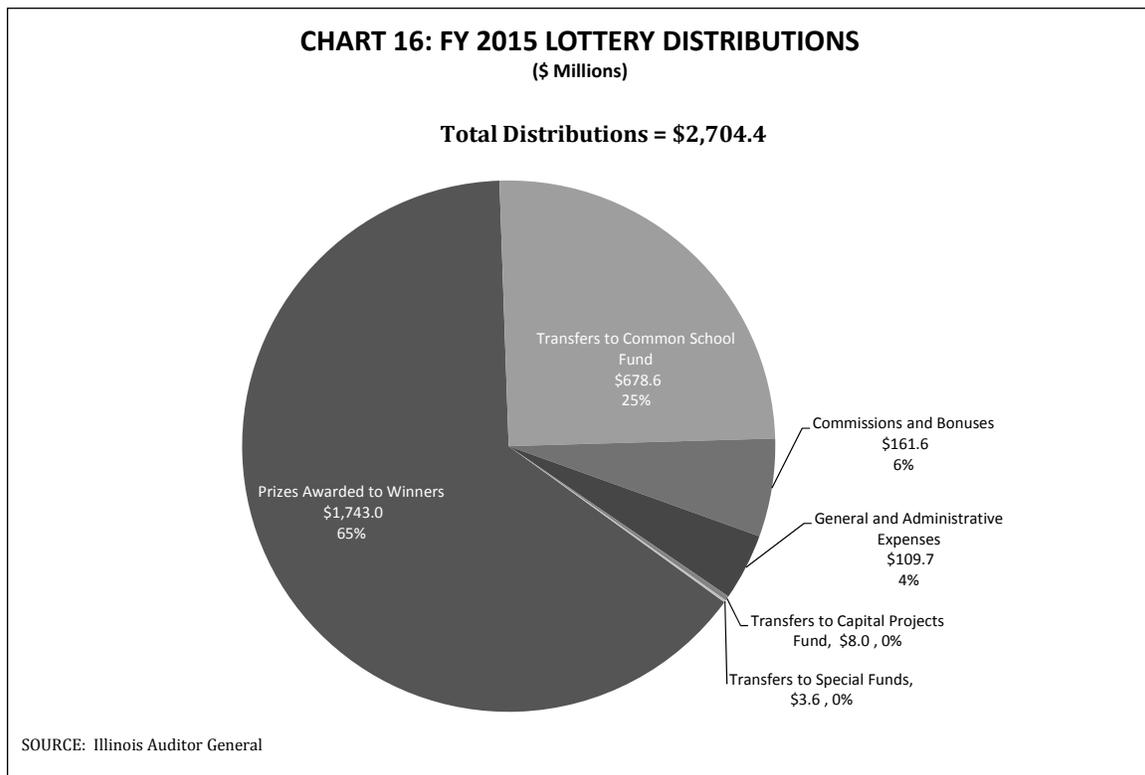
Lottery Revenue Distribution

Due to the time necessary to prepare financial statements, analyzing how the lottery distributes the cash flow from its operating activities must be done on the previous year's financial statements. In FY 2015, the lottery received over \$2.87 billion in cash from sales and services and other operating activities. A total of \$2.70 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 \$2.00 billion, or 74%, of the distributions. Prizes awarded to winners at \$1.74 billion made up the largest portion of the cash payments for lottery operations. Commissions and bonuses (\$162 million) and General and Administrative Expenses (\$110 million) made up the rest of the cash payments related to operating expenses.

Cash transfers out to other funds explain the remaining \$690 million in distributions. The traditional lottery transfer to the Common School Fund was \$679 million in FY 2015. The Capital Projects Fund received only \$8 million. This was a 94% decline from the \$145 million transfer that was made in FY 2014. Special cause funds received \$3.6 million. Chart 16 illustrates the cash distributions for FY 2015.

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



**TABLE 27: LOTTERY DISTRIBUTIONS
FY 2007 - FY 2016**

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		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	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	\$ 10.0	7.4%	\$148.5	\$ (1.1)	-0.7%	\$2.3	\$ (0.7)	-22.8%	\$2,822.6	\$ (12.8)	-0.5%	
2015	\$1,743.0	\$ 43.3	2.6%	\$678.6	\$ 22.9	1.6%	\$161.6	\$ 2.5	1.6%	\$ 8.0	\$ (137.0)	-94.5%	\$109.7	\$ (38.8)	-26.1%	\$3.6	\$ 1.3	58.0%	\$2,704.4	\$ (118.2)	-4.2%	
2016**	n/a	n/a	n/a	\$691.6	***	\$ 23.4	1.9%	n/a	n/a	n/a	\$ -	\$ (8.0)	-100.0%	n/a	n/a	n/a	\$3.3	\$ (0.3)	-8.0%	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 2016 is not available at the time of printing of this report

*** Due to the timing of the last weekly lottery transfer to the Common School Fund in FY 2016, \$14.5 million of the \$691.6 million was actually received by the Comptroller in FY 2017. We will record this transfer as if it was a FY 2016 transfer as that was when the transfer was initiated by the Lottery.

Current special cause game proceeds go to cancer research, veteran'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 27, 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. 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).

In FY 2016, \$691.6 million was transferred to the Common School Fund. This was an increase of 1.9% from FY 2015. Due to the time necessary to process the transfer from the Lottery to the Office of the Comptroller, the last weekly transfer from the Lottery of \$14.5 million in FY 2016 was recorded in the Office of the Comptroller's records as being received in FY 2017. In this report, we will record this amount as being a FY 2016 transfer due to that being when the transfer was initiated.

The second destination for Lottery profits are a set of five special cause funds. Special cause lottery sales raised \$3.3 million in FY 2016. This was a decline of 8% from FY 2014's results. Special cause sales peaked in FY 2009 when they totaled \$5.2 million. Special cause sales have declined every year since FY 2009 except FY 2015.

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 2016, \$0.5 million was transferred into this fund. This was a 10% decline from the previous year. Transfers to the Ticket for the Cure Fund have declined eight of the last ten 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 \$0.7 million. This was a decline of over 20%. The veterans' game has had decreasing sales for seven out of the last eight years.

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 \$0.7 million. This equaled growth of over 25% in FY 2016. This game's sales have increased over \$200,000 over the past two fiscal years.

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 2016, which was an increase of 6.7%.

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 are to be used to support training, competitions, and programs for future Special Olympics athletes. The proceeds from this game are to be 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. Sales in FY 2016 slowed, as only \$0.6 million was raised throughout the year.

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. 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. In FY 2015, only \$8 million was transferred. In FY 2016, there was no transfer into the Capital Projects Fund due to poor overall results by the Lottery.

Table 28, on the next page, shows the history of lottery transfers.

**TABLE 28: LOTTERY TRANSFERS
FY 1975 - FY 2016**

(\$ Millions)

Fiscal Year	Total Sales	Transfers to General Revenue Fund	Transfers to Common School Fund	Transfers to Capital Projects Fund	Transfers to Special Causes	Transfer to Other Funds	Total Transfers	Transfers as a % of Total Sales
1975	\$ 129.3	\$ 54.5	\$ -	\$ -	\$ -	\$ -	\$ 54.5	42.1%
1976	\$ 163.9	\$ 78.5	\$ -	\$ -	\$ -	\$ -	\$ 78.5	47.9%
1977	\$ 112.9	\$ 47.1	\$ -	\$ -	\$ -	\$ -	\$ 47.1	41.8%
1978	\$ 89.1	\$ 32.7	\$ -	\$ -	\$ -	\$ -	\$ 32.7	36.6%
1979	\$ 76.7	\$ 32.6	\$ -	\$ -	\$ -	\$ -	\$ 32.6	42.4%
1980	\$ 97.5	\$ 32.2	\$ -	\$ -	\$ -	\$ -	\$ 32.2	33.0%
1981	\$ 214.7	\$ 68.8	\$ -	\$ -	\$ -	\$ 20.0	\$ 88.8	41.4%
1982	\$ 344.1	\$ 137.6	\$ -	\$ -	\$ -	\$ -	\$ 137.6	40.0%
1983	\$ 514.8	\$ 215.0	\$ -	\$ -	\$ -	\$ 0.8	\$ 215.8	41.9%
1984	\$ 912.2	\$ 358.1	\$ -	\$ -	\$ -	\$ 0.3	\$ 358.4	39.3%
1985	\$ 1,235.6	\$ 506.2	\$ -	\$ -	\$ -	\$ -	\$ 506.2	41.0%
1986	\$ 1,315.6	\$ 86.8	\$ 465.0	\$ -	\$ -	\$ -	\$ 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	\$ -	\$ 610.0	\$ -	\$ -	\$ -	\$ 610.0	37.3%
1993	\$ 1,575.9	\$ -	\$ 587.4	\$ -	\$ -	\$ -	\$ 587.4	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	\$ -	\$ 622.4	\$ -	\$ 4.1	\$ -	\$ 626.5	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	\$ 2,859.8	\$ -	\$ 678.6	\$ 8.0	\$ 3.6	\$ -	\$ 690.1	24.1%
2016*	\$ 2,859.8	\$ -	\$ 691.6	\$ -	\$ 3.3	\$ -	\$ 694.8	24.3%
TOTALS	\$ 61,602.1	\$ 1,649.8	\$ 18,386.0	\$ 440.2	\$ 41.1	\$ 21.2	\$ 20,538.3	33.3%

* Preliminary, unaudited data

Due to the timing of the last weekly lottery transfer to the Common School Fund in FY 2016, \$14.5 million of the \$691.6 million was actually received by the Comptroller in FY 2017. We will record this transfer as if it was a FY 2016 transfer as that was when the transfer was initiated by the Lottery. A similar situation occurred with the \$32.9 transfers to the Capital Projects Fund in FY 2010.

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 2016, forty-four states plus the District of Columbia, and the U.S. Virgin Islands offer Mega Millions tickets. Powerball tickets are sold in the same locales plus Puerto Rico. Table 29 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 Powerball game showed significant growth in FY 2016. Total Sales went from \$133.5 million in FY 2015 to \$208.0 million in FY 2016. This equaled growth of over 55%. This growth was likely driven partially by an increase in high level jackpots. In FY 2015, the Powerball game had 41 drawings with jackpots of over \$100 million and 9 drawings worth more than \$200 million. These amounts increased to 62 drawings over \$100 million and 25 drawings over \$200 million in FY 2016.

Mega Millions sales on the other hand were down over 17% for the second year in a row. In FY 2014, Mega Millions sales were \$145.0 million. They fell to \$120.3 million in FY 2015 and down to \$99.4 million in FY 2016. The change in Powerball rules in January of 2012 may be having an effect on Mega Millions sales. At that time, Powerball went from \$1 per ticket to \$2 per ticket. With this increase in price, the starting jackpot increased from \$20 million to \$40 million which is over twice as much as Mega Millions beginning jackpot of \$15 million. In Fiscal Years 2011 – 2012, the only two years of full sales data for both Mega Millions and Powerball prior to the rules change, Mega Millions averaged sales of approximately \$180 million per year. Since then Mega Millions has averaged only \$118 million per year.

Results for both multi-state games can be found in Table 30.

TABLE 29: 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
PUERTO RICO	N/A	2014
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 30: MULTI STATE GAME RESULTS
(\$ Million)

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
MEGA MILLIONS											
Average Jackpot Drawing	\$80.1	\$55.9	\$68.1	\$57.7	\$73.5	\$64.8	\$80.2	\$51.3	\$98.0	\$93.8	\$101.7
Drawings over \$100 M	30	14	25	19	30	20	19	9	35	40	42
Drawings over \$200 M	9	3	5	3	6	6	6	0	13	12	12
Mega Millions Sales	\$243.8	\$195.9	\$221.1	\$204.6	\$222.6	\$172.0	\$189.6	\$109.1	\$145.0	\$120.3	\$99.4
% Change	26.6%	-19.6%	12.9%	-7.5%	8.8%	-22.7%	10.2%	-42.5%	33.0%	-17.1%	-17.4%
POWERBALL											
Average Jackpot Drawing	\$81.5	\$68.4	\$70.4	\$67.8	\$82.3	\$62.4	\$85.2	\$120.0	\$117.3	\$105.2	\$159.6
Drawings over \$100 M	30	25	25	23	32	17	33	48	44	41	62
Drawings over \$200 M	9	4	6	2	7	2	8	16	15	9	25
Powerball Sales	\$0.0	\$0.0	\$0.0	\$0.0	\$51.7*	\$97.4	\$146.3**	\$237.8	\$163.3	\$133.5	\$208.0
% Change	n/a	n/a	n/a	n/a	n/a	88.3%	\$0.50	62.6%	-31.3%	-18.3%	55.8%
MEGA MILLIONS AND POWERBALL											
Average Jackpot Drawing	\$80.8	\$62.2	\$69.3	\$62.8	\$77.9	\$63.6	\$82.7	\$85.6	\$107.6	\$99.5	\$130.7
Drawings over \$100 M	60	39	50	42	62	37	52	57	79	81	104
Drawings over \$200 M	18	7	11	5	13	8	14	16	28	21	37
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	\$307.4
% Change	26.6%	-19.6%	12.9%	-7.5%	34.1%	-1.8%	24.7%	3.3%	-11.1%	-17.7%	21.1%

* 5 months of sales

** Powerball price increases from \$1 to \$2 per ticket and beginning jackpot rises to \$40 million in January of 2012

SOURCE: www.lottoreport.com

U.S. Lottery Results

Based on data from the North American Association of State and Provincial Lotteries, in FY 2015, Illinois had the 10th largest lottery in the U.S. based on total sales. This was a decline from 9th in FY 2014 but the major reason this occurred is that Ohio overtook Illinois in total sales because they include video gaming results in their total sales, while Illinois does not.

In FY 2015, Illinois had sales per capita of \$221 which was ranked 19th of the 45 lotteries studied. This was down one spot from FY 2014 when Illinois averaged lottery sales of \$218 per person. In FY 2016, this amount increased slightly to \$222. The highest rates of sales per capita can be found in the northeastern portion of the U.S. as Rhode Island (\$820), Massachusetts (\$736), and Delaware (\$633) were the highest ranked states.

Analyzing last year's lottery sales on a percentage of per capita personal income basis places Illinois near the middle of U.S. lotteries. Illinois residents averaged spending approximately 0.45% of their personal income on the lottery. This level of spending ranked Illinois 21st. This level of spending and ranking were the same as FY 2014. As one would expect, the states with the highest level of spending per capita tended to have high levels of spending when compared to personal income with a few exemptions. Connecticut and Washington D.C. had high levels of lottery spending (9th and 10th) but were lower down (19th and 22nd) when compared to personal income. South Carolina, Michigan, Kentucky, and North Carolina, on the other hand, were five to six spots higher when the same analysis was performed on their results. Table 31 and Chart 17 highlight these results.

One other way to compare the various lotteries in the U.S. is the number of people in the State compared to the number of lottery sales locations. Chart 18 shows these results for FY 2015. Illinois had 1,660 people per lottery retailer. This ranked 37th out of the 45 U.S. lotteries analyzed. Rhode Island and Massachusetts had the least amount of people per retailer at 814 and 825. This was followed by Vermont (909), New Hampshire (1,031), and Maine (1,041). The U.S. average was 1,420 people per lottery retailer. At the time of this comparison, Illinois had 7,749 retailers. To get to the U.S. average, Illinois would have to get to 9,054 retailers which would be an increase of 1,305 retailers. This would equal an increase of almost 17% in total retailers. As of August 2016, lottery tickets are available at 7,705 retailers.

**TABLE 31: LOTTERY RANKINGS
(FY 2015)**

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	4.9	\$ 38,965	\$ 0.0	46	\$ 0	46	0.00%	46
ALASKA	0.7	\$ 55,940	\$ 0.0	46	\$ 0	46	0.00%	46
ARIZONA	6.8	\$ 39,060	\$ 750.0	24	\$ 110	32	0.28%	31
ARKANSAS	3.0	\$ 39,107	\$ 408.7	31	\$ 137	30	0.35%	29
CALIFORNIA	39.1	\$ 52,651	\$ 5,524.9	3	\$ 141	29	0.27%	32
COLORADO	5.5	\$ 50,410	\$ 538.0	29	\$ 99	36	0.20%	37
CONNECTICUT	3.6	\$ 66,972	\$ 1,144.0	18	\$ 319	9	0.48%	19
DELAWARE (1)	0.9	\$ 47,662	\$ 598.4	26	\$ 633	3	1.33%	3
DISTRICT OF COLUMBIA	0.7	\$ 71,496	\$ 212.3	37	\$ 316	10	0.44%	22
FLORIDA	20.3	\$ 44,101	\$ 5,583.3	2	\$ 275	17	0.62%	13
GEORGIA	10.2	\$ 40,551	\$ 4,195.2	6	\$ 411	7	1.01%	5
HAWAII	1.4	\$ 47,753	\$ 0.0	46	\$ 0	46	0.00%	46
IDAHO	1.7	\$ 37,509	\$ 210.2	38	\$ 127	31	0.34%	30
ILLINOIS	12.9	\$ 49,471	\$ 2,841.4	10	\$ 221	19	0.45%	21
INDIANA	6.6	\$ 40,998	\$ 1,040.7	21	\$ 157	28	0.38%	26
IOWA	3.1	\$ 44,971	\$ 324.8	32	\$ 104	33	0.23%	33
KANSAS	2.9	\$ 45,876	\$ 250.0	36	\$ 86	38	0.19%	38
KENTUCKY	4.4	\$ 38,989	\$ 899.1	22	\$ 203	22	0.52%	17
LOUISIANA	4.7	\$ 43,252	\$ 452.5	30	\$ 97	37	0.22%	34
MAINE	1.3	\$ 42,077	\$ 253.1	34	\$ 190	24	0.45%	20
MARYLAND	6.0	\$ 56,127	\$ 2,799.1	11	\$ 466	5	0.83%	6
MASSACHUSETTS	6.8	\$ 61,032	\$ 5,003.4	4	\$ 736	2	1.21%	4
MICHIGAN	9.9	\$ 42,427	\$ 2,771.9	12	\$ 279	15	0.66%	10
MINNESOTA	5.5	\$ 50,541	\$ 546.9	28	\$ 100	34	0.20%	36
MISSISSIPPI	3.0	\$ 35,444	\$ 0.0	46	\$ 0	46	0.00%	46
MISSOURI	6.1	\$ 42,752	\$ 1,127.4	19	\$ 185	25	0.43%	23
MONTANA	1.0	\$ 41,280	\$ 52.5	43	\$ 51	42	0.12%	42
NEBRASKA	1.9	\$ 48,006	\$ 160.0	40	\$ 84	39	0.18%	39
NEVADA	2.9	\$ 42,185	\$ 0.0	46	\$ 0	46	0.00%	46
NEW HAMPSHIRE	1.3	\$ 54,817	\$ 281.1	33	\$ 211	21	0.39%	25
NEW JERSEY	9.0	\$ 59,782	\$ 3,000.5	9	\$ 335	8	0.56%	15
NEW MEXICO	2.1	\$ 38,457	\$ 137.0	41	\$ 66	41	0.17%	40
NEW YORK	19.8	\$ 57,705	\$ 9,156.0	1	\$ 463	6	0.80%	7
NORTH CAROLINA	10.0	\$ 40,656	\$ 1,972.2	13	\$ 196	23	0.48%	18
NORTH DAKOTA	0.8	\$ 54,376	\$ 27.0	44	\$ 36	44	0.07%	44
OHIO*	11.6	\$ 43,478	\$ 3,665.0	8	\$ 316	11	0.73%	9
OKLAHOMA	3.9	\$ 44,272	\$ 171.6	39	\$ 44	43	0.10%	43
OREGON	4.0	\$ 42,974	\$ 1,116.9	20	\$ 277	16	0.65%	12
PENNSYLVANIA	12.8	\$ 49,180	\$ 3,819.6	7	\$ 298	12	0.61%	14
RHODE ISLAND	1.1	\$ 50,080	\$ 866.0	23	\$ 820	1	1.64%	2
SOUTH CAROLINA	4.9	\$ 38,041	\$ 1,401.7	16	\$ 286	14	0.75%	8
SOUTH DAKOTA	0.9	\$ 45,002	\$ 250.3	35	\$ 292	13	0.65%	11
TENNESSEE	6.6	\$ 42,069	\$ 1,475.8	15	\$ 224	18	0.53%	16
TEXAS	27.5	\$ 46,745	\$ 4,529.7	5	\$ 165	27	0.35%	28
UTAH	3.0	\$ 39,045	\$ 0.0	46	\$ 0	46	0.00%	46
VERMONT	0.6	\$ 47,864	\$ 111.8	42	\$ 179	26	0.37%	27
VIRGINIA	8.4	\$ 52,136	\$ 1,843.9	14	\$ 220	20	0.42%	24
WASHINGTON	7.2	\$ 51,146	\$ 600.3	25	\$ 84	40	0.16%	41
WEST VIRGINIA	1.8	\$ 37,047	\$ 1,164.0	17	\$ 631	4	1.70%	1
WISCONSIN	5.8	\$ 45,617	\$ 574.6	27	\$ 100	35	0.22%	35
WYOMING	0.6	\$ 55,303	\$ 17.5	45	\$ 30	45	0.05%	45
TOTALS	321.4	\$ 41,560	\$ 73,870.3		\$ 230		0.55%	

All figures should be considered preliminary and unaudited

*Includes video gaming sales in total.

SOURCES: NORTH AMERICAN ASSOCIATION OF STATE AND PROVINCIAL LOTTERIES, BUREAU OF ECONOMIC ANALYSIS, CGFA

CHART 17: ILLINOIS LOTTERY SALES PER CAPITA

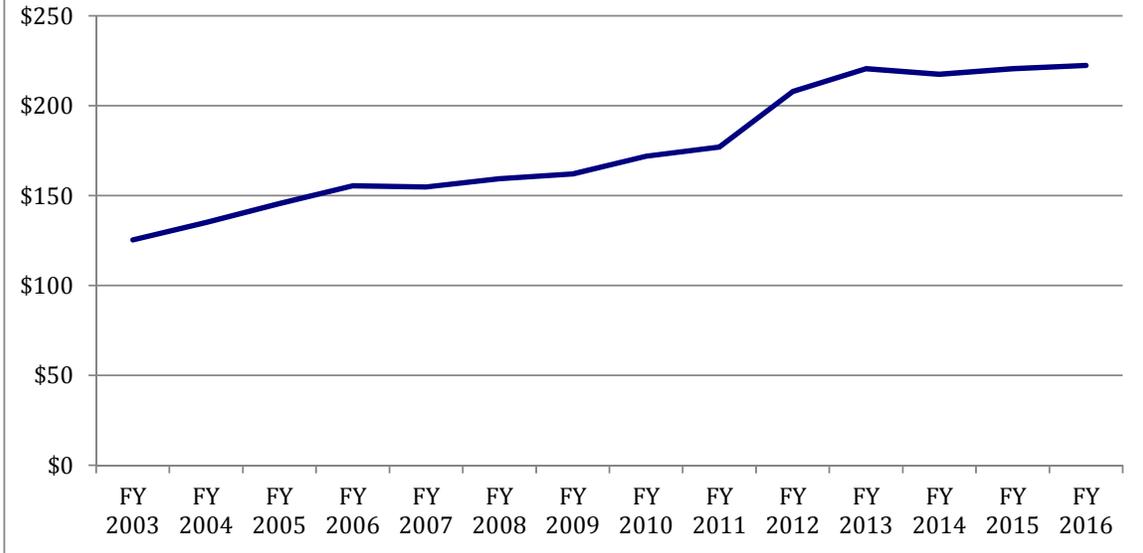
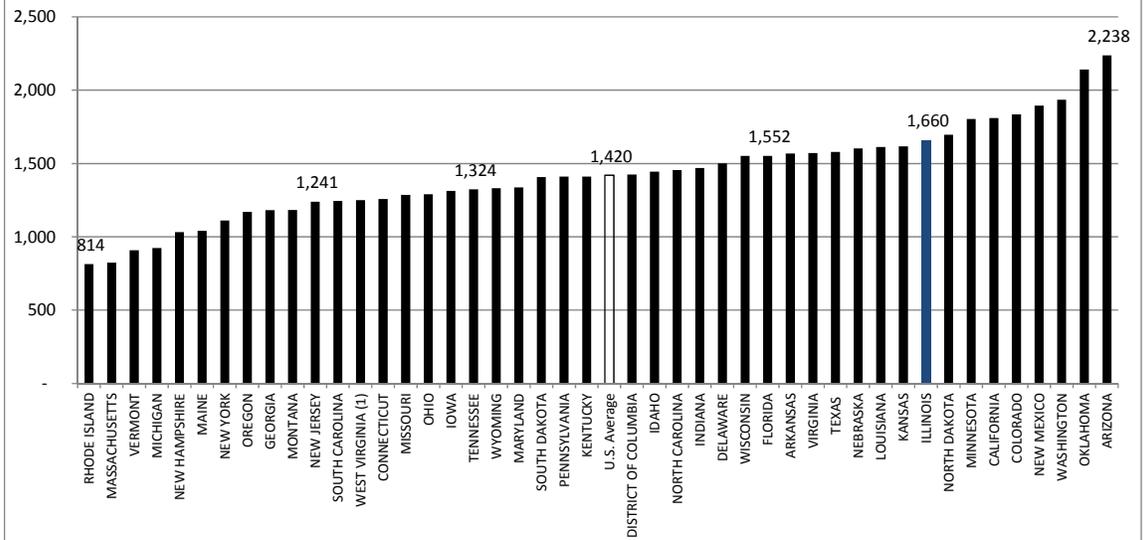


CHART 18. PEOPLE PER LOTTERY RETAILER

Illinois ranks 37th with one lottery retailer per 1,660 people



SOURCES: North American Association of State And Provincial Lotteries, U.S. Census Bureau, CGFA

Private Manager

On September 15, 2010, the State 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. After an initial increase in sales and transfers, the results of the lottery under the management have disappointed in recent years. The State and the Northstar Lottery Group have had a rocky relationship since the beginning of the private management agreement. The two have had to go to arbitration several times to resolve numerous issues which were noted in detail in previous versions of this report.

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.

The State and Northstar continued to work towards the dissolution of the private management agreement and on September 18, 2015, the State executed a Letter Agreement of Termination, which resolved certain outstanding disputes between Northstar and the Department of the Lottery. The Letter Agreement contains provisions regarding Northstar paying the Department for not meeting net income goals pursuant to the private management agreement, a retroactive supply agreement reduction, and Northstar's reimbursement of legal fees related disputes. Northstar also agreed to remain in charge of day-to-day operations of the lottery until a new private manager was hired based on optional 3-month to 6-month contracts.

Based on the termination agreement being negotiated at the time, the Lottery recorded a receivable from Northstar on June 30, 2015, in the amount of \$32.6 million. Of this amount, \$10.0 million represents shortfall payments for not meeting net income goals. The remaining \$22.6 million is comprised of \$19.1 million for excess advances for expense reimbursements, \$3.3 million for the retroactive supply agreement reduction, and \$0.2 million for reimbursement of legal fees.

Another aspect of the termination agreement concerns the use of GTECH as its systems provider. Per the terms of the Letter Agreement of Termination, should the replacement private manager choose not to retain GTECH as its systems provider either as a sole provider or as part of a consortium, the State will be liable for compensating GTECH for the residual value of the remainder of the original supply agreement. Assuming the supply agreement is terminated by the replacement private manager on July 1, 2017, the amount payable would be \$55 million. This amount shall be prorated in the event the supply agreement is terminated on a different date.

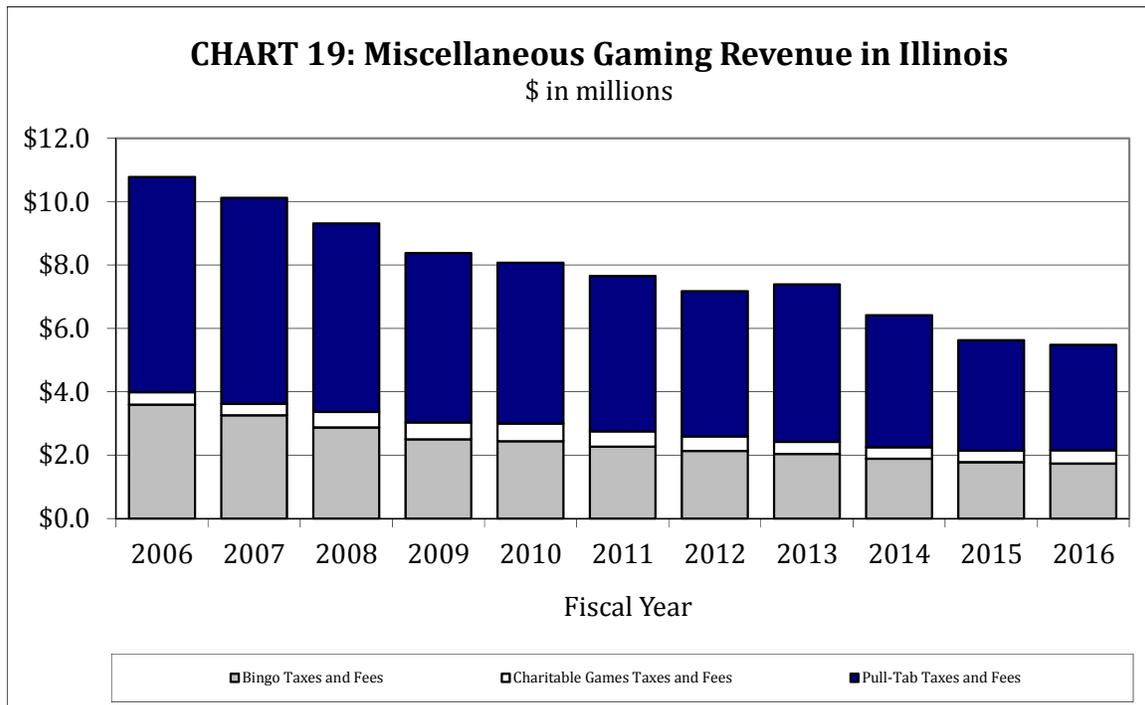
On July 28, 2016, the Department of the Lottery sent out a request for proposals (RFP) related to the hiring of a new private manager of the Lottery. The due date for these proposals is September 28, 2016. The current expectation is that the new private manager would take over the day-to-day management of the lottery on January 1, 2017.

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 2016, the State generated \$137,046 in bingo license fees and \$1.6 million in bingo taxes. Total bingo receipts were down 2.8% from FY 2015 levels.
- Illinois receives two forms of revenue from charitable games: license fees and the charitable games receipts tax. In FY 2016, the State received \$91,585 in license fees and \$329,072 from the charitable games tax. Total charitable games receipts were up 15.2% from FY 2015 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 2016, the State received \$413,488 in license fees and \$2.9 million from the pull tabs and jar games tax. Total pull-tabs and jar games receipts were down 4.4% from FY 2015 levels.

In total, these miscellaneous gaming revenue sources generated approximately \$5.5 million in FY 2016. This figure is 2.6% below the FY 2015 total of \$5.6 million. The chart below illustrates a history of miscellaneous gaming revenue over the past decade.



CONCLUSION

With the rapid expansion of video gaming throughout the State, Illinois has more gambling options than they have ever had before. The growth in video gaming was the impetus behind the 3.8% increase in State revenues from gaming-related sources in FY 2016. But while video gaming has flourished, the remaining gaming sources have struggled, in large part, because of this new competition.

The 2.1% decline in adjusted gross receipts from Illinois' ten casinos in FY 2016 is 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 newer Des Plaines casino are statutorily redistributed, a major part of the decline is because every one of the "older" casinos has experienced a decline in its adjusted gross receipts over the past five fiscal years. And eight of these nine casinos have experienced double-digit declines during this time span.

There are a couple primary reasons for these declines at the older riverboats. First, casino data suggests that the opening of the Des Plaines casino in FY 2012 has had 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 29.2% since FY 2011 – the last year before Des Plaines' opening. But contributing to this falloff in recent years is the development of video gaming in Illinois.

Video gaming in Illinois continues to grow since its inception in September 2012. The 23,891 video gaming terminals in operation at the end of FY 2016 is the equivalent of adding nearly twenty casinos to the State. These machines generated a little over \$1.0 billion in net terminal income for the fiscal year, resulting in approximately \$306 million in tax revenues. The emergence of video gaming has created more competition for the riverboat casino industry, which has had a negative impact on their attendance and revenues. But it should be emphasized that when combining riverboat and video gaming numbers, the amount of dollars spent on these gaming formats Statewide increased 8.2% in FY 2016.

A closer look 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, before video gaming's arrival, riverboat revenues from the Chicago area casinos in Illinois and Indiana generated \$2.246 billion. In FY 2016, even with the addition of 8,929 video gaming machines in this area, the Commission estimates that gaming revenue totals in the Chicago area have only increased slightly to \$2.381 billion - an average year-over-year growth in gaming dollars of only 1.5%.

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 45% 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 surpass 25,000 gaming terminals statewide before leveling off.

While video gaming continues to grow across the State, the horse racing industry continues to struggle. The CY 2015 handle amount of \$593 million was 4.9% below CY 2014 levels and 40.8% below its levels of a decade ago. The handle from thoroughbred racing dropped 6.7% in CY 2015, while the handle from standardbred racing dropped 11.1%. Advanced deposit wagering did increase 5.6% during the calendar year, but this increase was not near enough to offset these other declines.

Making matters worse, two racetracks closed in 2016: Balmoral and Maywood. This leaves only three racetracks in Illinois still offering live racing (Arlington, Fairmount, and Hawthorne). 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 2016 was another disappointing year for the Lottery, especially in terms of State related revenues/transfers from lottery proceeds. Total sales for the lottery were up an anemic 0.6%. In FY 2016, \$695 million was transferred from the Lottery back to the State, which was a slight increase over FY 2015 totals, but well below the \$815 million transferred in FY 2014.

In September of 2015, the State and Northstar came to an agreement on the termination of the private management agreement. The agreement resolved outstanding issues related to penalty payments and supplier contracts and outlines a path to finding a new private manager for the lottery. The new private manager is expected to take over management of the lottery in 2017.

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.

While a number of changes have occurred in the past several years, this report shows that a number of significant uncertainties remain. How will video gaming

perform in its fifth year of existence? Will the expansion of video gaming continue to negatively impact riverboat casinos? Will the Governor and the State Legislature be able to come to a compromise regarding gaming expansion in Illinois? What will be the outcome of the search for a new manager to run the State lottery? 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:

Commission on Government Forecasting and Accountability
703 Stratton Office Building
Springfield, Illinois 62706
(217) 782-5320
(217) 782-3513 (FAX)

<http://cgfa.ilga.gov>