

2021 UPDATE WAGERING IN ILLINOIS



Team	Line 1	Line 2
N.Y. YANKE	2.80	1.45
L.A. DODGE	1.85	1.95
KANSAS	1.65	2.25
TORONTO	1.55	2.45
MILWAUKEE	1.75	2.05
WASHINGTON	1.75	2.05
TAMPA BAY	2.00	1.75
PITTSBURGH	1.85	1.95
ST. LOUIS		
OAKLAND		
CH. CUBS		
SEATTLE		
ARIZONA		



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EXECUTIVE SUMMARY

This report is the Commission's 2021 edition of Wagering in Illinois. This edition marks the 29th anniversary of the Commission's first report, which was completed in 1992 in accordance with Senate Resolution 875 (87th General Assembly). 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.

The 2021 edition updates previous releases and provides further analysis of State gaming with the focus on casino gambling, video gaming, the Lottery, horse racing, and the newest gambling format: sports wagering. This edition includes detailed discussions of the gaming expansion package included as part of P.A. 101-0031 and P.A. 101-0648. Also discussed throughout the report are the ramifications of the COVID-19 virus on gaming revenues during FY 2020 and FY 2021. The highlights of the report are shown below.

- In FY 2021, the State's share of tax revenues from wagering in Illinois totaled \$1.358 billion, an 11.1% increase over FY 2020 levels. This increase follows the 12.9% decrease in FY 2020 caused by the impacts of COVID-19 on gaming operations. Video gaming tax revenues paid into the Capital Projects Fund increased in FY 2021 from \$376 million to \$499 million; Lottery transfers rose from \$638 million to \$786 million; and horse racing revenues remained at a relatively low \$7 million. The FY 2021 total was aided by the inclusion of \$66 million in transfers to the Capital Projects Fund from sports wagering tax revenues. The overall increase occurred despite the fact that no casino revenues were transferred into the Education Assistance Fund in FY 2021 due to a number of factors, including a falloff in casino revenues, a reduced tax structure, and statutory subtractions.
- The revenue totals could continue to see changes in the near future due to the enactments of P.A. 101-0031 and P.A. 101-0648. These public acts made numerous changes to State law impacting a variety of different tax revenue sources. The most significant changes that are to be implemented in the years to come include: the development of six new casinos in Illinois, including a 4,000 position Chicago Casino, and racinos at Illinois' horse tracks. Changes that have already been implemented include: increased gaming positions at existing locations; increased betting and terminal limits at video gaming establishments; and the implementation of sports wagering in Illinois.
- Statewide adjusted gross receipts (AGR) for Illinois casinos fell 4.8% in FY 2021. This follows the 30.0% decline in FY 2020. Gaming operations were suspended for two periods of time over the last two fiscal years, greatly contributing to these falloffs. All ten casinos in Illinois experienced sizeable losses in FY 2020 with only

the Rivers Casino in Des Plaines seeing AGR growth in FY 2021. Among the changes to the gaming industry is a modification to the privilege tax imposed on casinos. As part of P.A. 101-0648, this new tax structure went into effect on July 1, 2020 and was imposed on all existing casinos in FY 2021. The combination of the falloff in revenues and the reduced tax structure resulted in state tax revenues falling nearly 45% in FY 2021.

- Additional tax revenues could come relatively soon from the development of new casinos that were authorized under P.A. 101-0031. A few of these locations (Rockford and Williamson County) have been granted “preliminary suitability” from the Gaming Board and could begin gambling operations at temporary facilities in the next year or so. The other locations are further behind in the implementation process. This includes the potential 4,000 position casino in Chicago which is not expected to select a final applicant until 2022. The opening of that casino is not expected for several more years.
- In July 2009, Public Act 96-0034 became law, legalizing video gaming in Illinois. By the end of FY 2021, over 40,000 video gaming terminals were in operation across Illinois—up from just 32,000 in June 2019. In FY 2021, video gaming machines generated \$1.934 billion in net terminal income, a 58.2% increase over the virus impacted FY 2020 value of \$1.223 billion. Nearly \$100 million in tax revenues to local governments were generated in FY 2021, as well as \$561 million to the Capital Projects Fund – an increase of 64% over the prior year. This large growth occurred despite the fact that play was suspended between parts of November thru January of the fiscal year. Reasons for the growth include increases in terminal and betting limits, a higher tax rate (now at 34%), pent-up demand, increases in discretionary income, and the perceived “safer” environment of local gaming establishments versus the more public casino.
- 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 over 7,500 terminals (FY 2021). The counties of Lake, Will, Winnebago, and Sangamon round out the top five. In regard to municipalities, Springfield had the most terminals (736 terminals), while Decatur generated the highest amount of net terminal income (\$38.8 million) in FY 2021.
- Since video gaming commenced in FY 2012, gaming related revenues from casinos have consistently fallen. However, when combined with video gaming totals, gaming revenues as a whole have increased significantly - from \$1.641 billion in FY 2012 to \$2.940 billion in FY 2019, which is an increase of \$1.299 billion. The FY 2020 and FY 2021 totals fell below the FY 2019 mark due to the pandemic’s

impact on revenues. Still, these virus-compromised totals are higher than what was generated in FY 2012 without video gaming.

- In FY 2021, the Illinois Lottery had \$3.4 billion in sales, which is the highest level ever. This total was over \$600 million higher than FY 2020, an increase of nearly 22%. This remarkable growth was due to several factors including improved household finances, less competition from other forms of wagering due to pandemic restrictions, and the fact that FY 2021 is compared to FY 2020, when sales were significantly impacted by virus-related restrictions put on retailers.
- Instant games were up \$366 million in FY 2021, while draw games improved by almost \$244 million. Lottery transfers to the Common School Fund surged to \$777 million, which was an all-time high. Transfers to special causes increased from \$7.2 million to \$9.4 million. There was no payment into the Capital Projects Fund in FY 2021 based on results from FY 2020.
- Illinois' horse racing handle amount fell from \$557 million in CY 2019 to \$538 million in CY 2020, a decline of -3.4%. These levels are down 51.2% over the past two decades. The declines would have been significantly worse if it were not for the 71% increase in advance deposit wagering (ADW). The online capabilities of ADW provided revenues for the industry that would have otherwise been devastated by the sharp decline in attendance during the pandemic.
- The horse racing industry is finding it difficult to compete not only with racetracks in other states that are able to offer higher purses, but also with the proliferation of other gambling opportunities that now exist in the State. With the upcoming closure of Arlington Racecourse in Cook County, only two Illinois horse tracks will remain in operation: Hawthorne Race Course in Cook County and Fairmount Park in Madison County. While the racing community is hopeful that the recent authorization of racinos and sports betting at Illinois horse tracks will help turn the industry around, the development of racinos in nearby states has not resulted in an increase in those states' racing handles.
- In its first full fiscal year of operations, sports wagering in Illinois generated approximately \$380 million in adjusted gross receipts. At the 15% tax rate, \$57 million in tax revenues was collected. Revenues from this tax are transferred to the Capital Projects Fund. At the end of FY 2021, seven of the ten operating casinos had a sports wagering license, as well as two racetracks. It is possible that additional sportsbooks will be developed in the future at other casinos, sports arenas, and OTBs. The availability of online sports wagering through these sportsbooks has been a valuable revenue opportunity, especially during the pandemic.

OVERVIEW OF GAMING IN ILLINOIS

Over its history, tax revenues generated from gaming related sources in Illinois have seen its share of fluctuation. This is because the State's gaming industry has seen a multitude of changes, especially in recent years. For much of Illinois' history, wagering tax dollars came from three primary sources: riverboat casino gambling, the lottery, and horse racing. However, in 2012, a new gaming format was unveiled in the form of video gaming, which helped revitalize gaming revenues which were struggling to offer reliable growth for State coffers.

Through the recent enactments of P.A. 101-0031 and P.A. 101-0648, even more gaming opportunities are materializing across the State. This includes an increase in position limits at casinos and video gaming establishments, as well as the implementation of sports wagering in Illinois. Gaming options will expand even further through the authorization and expected development of new casinos and racetrack casinos in the months and years ahead.

Despite the implementation of several new gaming options in Illinois, wagering-related revenue sources have seen challenges over the last two fiscal years. These challenges are directly related to the COVID-19 pandemic. State designated tax revenues from overall gaming in Illinois fell 12.9% in FY 2020 to \$1.222 billion, a drop of \$182 million. These tax revenues rebounded with an 11.1% increase to \$1.358 billion in FY 2021, but this total is still short of the \$1.404 billion generated in FY 2019. A table displaying a history of State-related revenues from the gaming industry is shown on the following page. Chart 1, on page 3, displays the historical performance of gaming-related "State" revenues in Illinois since 1975.

As illustrated, the majority of State designated tax revenue in FY 2021 came from the lottery, generating \$786 million. The \$136 million increase in lottery-related revenues helped ease the lack of any casino revenues being transferred to the State's Education Assistance Fund during FY 2021. This absence of any transfer was due to a combination of factors: a falloff in casino tax revenues due to pandemic related shutdowns and restrictions, a reduced tax structure, and the obligatory fulfillment of required payments in FY 2020 and FY 2021 that had to be completed before any "State" transfers could be made. Helping to offset this casino revenue shortage was a strong bounce back year for video gaming transfers to the Capital Projects Fund (up 32.7% or \$136 million) and \$66 million in new revenues from the sports wagering tax in FY 2021. Horse Racing generated a mere \$7 million in tax revenues in FY 2021.

It should be emphasized that the tax revenues discussed above are amounts reported by the Comptroller specifically earmarked for "State" sources (such as general funds or amounts transferred into the Capital Projects Fund) for a particular fiscal year and do not include local government related tax revenues. The details behind these figures come from collection data provided by the State Gaming Board. Because there is often a lag between collections and receipts, the Comptroller's figures discussed above may not precisely match with other totals shown throughout the remainder of this report.

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

FISCAL YEAR	LOTTERY ⁽¹⁾	HORSE RACING ⁽²⁾	RIVERBOAT CASINOS ⁽³⁾	VIDEO GAMING ⁽⁴⁾	SPORTS WAGERING ⁽⁵⁾	TOTAL	PRIOR YEAR % CHANGE
1975	\$55	\$63	\$0	\$0	\$0	\$118	N/A
1976	\$76	\$75	\$0	\$0	\$0	\$151	28.0%
1977	\$44	\$75	\$0	\$0	\$0	\$119	-21.2%
1978	\$34	\$74	\$0	\$0	\$0	\$108	-9.2%
1979	\$33	\$79	\$0	\$0	\$0	\$112	3.7%
1980	\$33	\$70	\$0	\$0	\$0	\$103	-8.0%
1981	\$90	\$73	\$0	\$0	\$0	\$163	58.3%
1982	\$139	\$68	\$0	\$0	\$0	\$207	27.0%
1983	\$216	\$66	\$0	\$0	\$0	\$282	36.2%
1984	\$365	\$65	\$0	\$0	\$0	\$430	52.5%
1985	\$503	\$61	\$0	\$0	\$0	\$564	31.2%
1986	\$552	\$51	\$0	\$0	\$0	\$603	6.9%
1987	\$553	\$57	\$0	\$0	\$0	\$610	1.2%
1988	\$524	\$46	\$0	\$0	\$0	\$570	-6.6%
1989	\$586	\$43	\$0	\$0	\$0	\$629	10.4%
1990	\$594	\$46	\$0	\$0	\$0	\$640	1.7%
1991	\$580	\$46	\$0	\$0	\$0	\$626	-2.2%
1992	\$611	\$45	\$8	\$0	\$0	\$664	6.1%
1993	\$588	\$48	\$54	\$0	\$0	\$690	3.9%
1994	\$552	\$47	\$118	\$0	\$0	\$717	3.9%
1995	\$588	\$45	\$171	\$0	\$0	\$804	12.1%
1996	\$594	\$46	\$205	\$0	\$0	\$845	5.1%
1997	\$590	\$45	\$185	\$0	\$0	\$820	-3.0%
1998	\$560	\$42	\$170	\$0	\$0	\$772	-5.9%
1999	\$540	\$42	\$240	\$0	\$0	\$822	6.5%
2000	\$515	\$13	\$330	\$0	\$0	\$858	4.4%
2001	\$501	\$13	\$460	\$0	\$0	\$974	13.5%
2002	\$555	\$13	\$470	\$0	\$0	\$1,038	6.6%
2003	\$540	\$13	\$554	\$0	\$0	\$1,107	6.6%
2004	\$570	\$13	\$661	\$0	\$0	\$1,244	12.4%
2005	\$614	\$12	\$699	\$0	\$0	\$1,325	6.5%
2006	\$674	\$11	\$689	\$0	\$0	\$1,374	3.7%
2007	\$627	\$9	\$685	\$0	\$0	\$1,321	-3.9%
2008	\$662	\$9	\$564	\$0	\$0	\$1,235	-6.5%
2009	\$630	\$7	\$430	\$0	\$0	\$1,067	-13.6%
2010	\$629	\$7	\$383	\$0	\$0	\$1,019	-4.5%
2011	\$723	\$7	\$324	\$0	\$0	\$1,054	3.4%
2012	\$708	\$8	\$340	\$0	\$0	\$1,056	0.2%
2013	\$794	\$7	\$345	\$24	\$0	\$1,170	10.8%
2014	\$815	\$7	\$321	\$114	\$0	\$1,258	7.5%
2015	\$690	\$7	\$292	\$196	\$0	\$1,184	-5.8%
2016	\$680	\$6	\$277	\$252	\$0	\$1,215	2.6%
2017	\$738	\$6	\$270	\$296	\$0	\$1,310	7.9%
2018	\$732	\$6	\$272	\$347	\$0	\$1,356	3.5%
2019	\$735	\$6	\$269	\$395	\$0	\$1,404	3.5%
2020	\$638	\$6	\$195	\$376	\$7	\$1,222	-12.9%
2021	\$786	\$7	\$0	\$499	\$66	\$1,358	11.1%

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

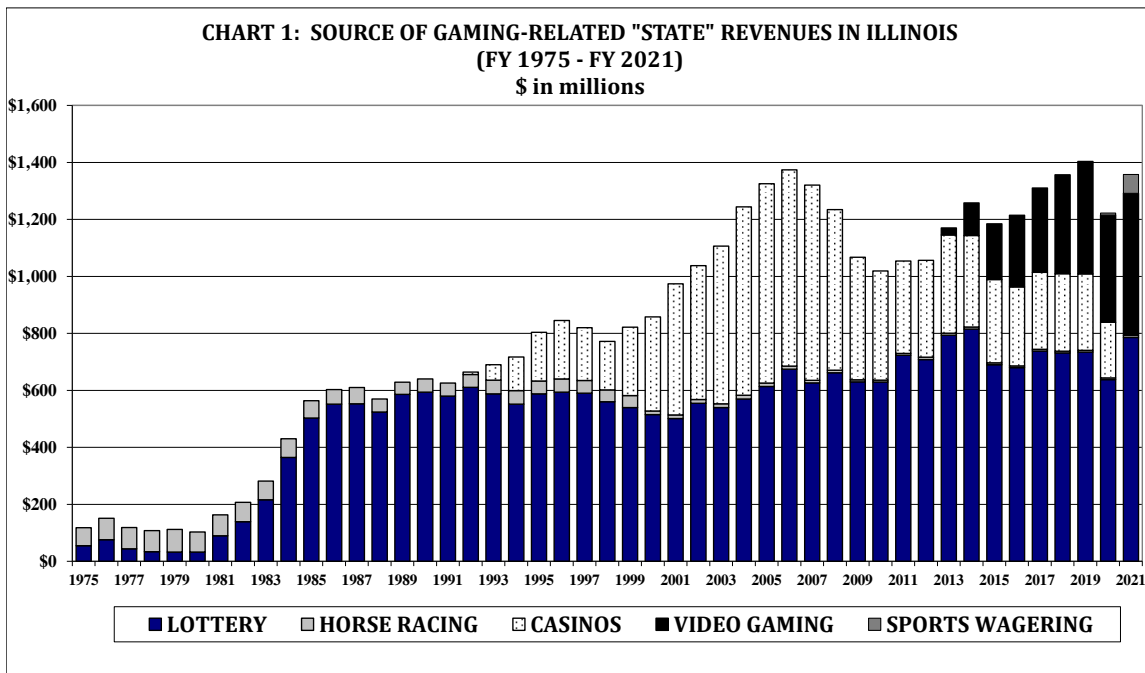
(2) Figures equal State revenue generated, not allocated.

(3) Figures represent appropriations (FY 1992-FY 1995) and transfers (FY 1996-FY 2021) 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. Due to pandemic related disruptions affecting casino tax revenues, a reduced tax structure, and the fulfillment of required tax revenues distributions in both FY 2020 and FY 2021, \$0 was transferred into the Education Assistance Fund in FY 2021.

(4) Figures include revenues paid into the Capital Projects Fund. It does not include the portion paid to local governments. This figure does not match the Gaming Board's fiscal year totals due to an approximate one-month lag between reported activity and receipts.

(5) Figures include sports wagering taxes and fees transferred from the Sports Wagering Fund into the Capital Projects Fund.

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



As the above chart shows, in the early years of legalized wagering, horse racing was the primary source of gambling in Illinois. But in the 1980s, the lottery emerged as the top revenue producer of wagering revenues. During the 1990s and into the 2000s, the proportion of casino gaming tax revenues increased dramatically. FY 2003 was the first of five consecutive years that casino revenues topped the lottery as the largest source of gaming-related revenues. However, eventual declines in riverboat casino transfers, coupled with modest lottery growth, again placed lottery as the largest contributor of gaming revenues in Illinois.

In FY 2021, lottery transfers (and other State-related lottery revenues) remained the largest generator of gaming revenues, comprising 57.9% of the revenue total. However, this percentage has declined from a recent high-mark of 67.8% in FY 2013. Casino transfers, which comprised over 50% of gaming related revenues just a decade ago, fell to 0% in FY 2021 (due to the previously discussed factors), but has generally made up a little under 20% of gaming revenues in recent years. In just its ninth year of generating tax revenues, video gaming's composition has quickly surpassed that of casinos in this metric, growing to its FY 2021 composition value of 36.7%. Sports wagering made up 4.9% of these combined revenues in its initial full year. Horse racing revenues continued to comprise a relatively insignificant 0.5%.

Table 2, on the following page, displays the differences between the lottery, horse racing, casino gambling, video gaming, and sports wagering in terms of State revenue, gaming hold, and per capita spending. The gaming hold is equal to the difference between the total wagered and the amount paid to winners. For casinos and sports wagering, this is adjusted gross receipts (AGR). For video gaming, this is net terminal income (NTI). The gaming industry's FY 2021 estimated gaming hold total of approximately \$4.5 billion is an estimated 37.4% increase over the virus-impacted value of \$3.3 billion in FY 2020. Similarly, per-capita spending rose 35.9% in FY 2021.

TABLE 2: THE STATUS OF ILLINOIS GAMING BASED ON STATE REVENUE, GAMING HOLD, AND PER CAPITA SPENDING							
	2015	2016	2017	2018	2019	2020*	2021*
POPULATION (IN MILLIONS)	12.8	12.8	12.8	12.7	12.7	12.7	12.8
LOTTERY (FY)							
Lottery Transfers (\$ in mil)	\$690.2	\$680.2	\$738.2	\$731.7	\$734.6	\$637.6	\$785.9
Gaming Hold (\$ in mil)	\$1,098.4	\$890.7	\$1,019.0	\$1,021.8	\$1,069.3	\$999.8	\$1,184.2
% Change in Gaming Hold	-0.4%	-18.9%	14.4%	0.3%	4.6%	-6.5%	18.4%
**Per Capita Spending	\$86	\$69	\$80	\$80	\$84	\$79	\$92
% Change in Per Capita Spending	-0.2%	-18.9%	14.7%	0.8%	5.0%	-6.3%	17.1%
HORSE RACING (CY)							
State Revenue (\$ in mil)	\$6.5	\$6.0	\$6.0	\$5.7	\$5.7	\$6.2	\$6.9
Gaming Hold (\$ in mil)	\$134.1	\$127.0	\$130.8	\$127.9	\$124.1	\$119.9	\$118.3
% Change in Gaming Hold	-4.5%	-5.3%	3.0%	-2.2%	-2.9%	-3.4%	-1.3%
**Per Capita Spending	\$10	\$10	\$10	\$10	\$10	\$9	\$9
% Change in Per Capita Spending	-4.3%	-5.3%	3.2%	-1.8%	-2.6%	-3.2%	-2.4%
CASINOS (FY)							
Amount to Ed. Assist. Fund (\$ in mil)	\$292.0	\$277.0	\$270.0	\$271.9	\$268.6	\$195.2	\$0.0
Gaming Hold or AGR (\$ in mil)	\$1,459.4	\$1,428.9	\$1,405.6	\$1,386.7	\$1,347.1	\$942.7	\$897.3
% Change in Gaming Hold	-1.9%	-2.1%	-1.6%	-1.3%	-2.9%	-30.0%	-4.8%
**Per Capita Spending	\$114	\$111	\$110	\$109	\$106	\$74	\$70
% Change in Per Capita Spending	-1.7%	-2.1%	-1.4%	-0.9%	-2.5%	-29.9%	-5.9%
VIDEO GAMING (FY)							
Amount to Cap. Projects Fund (\$ in mil)	\$195.7	\$251.6	\$296.0	\$347.2	\$394.7	\$376.2	\$499.1
Gaming Hold or NTI (\$ in mil)	\$804.8	\$1,020.8	\$1,202.0	\$1,406.5	\$1,592.5	\$1,222.6	\$1,934.0
% Change in Gaming Hold	76.5%	26.8%	17.8%	17.0%	13.2%	-23.2%	58.2%
**Per Capita Spending	\$63	\$80	\$94	\$110	\$125	\$96	\$151
% Change in Per Capita Spending	76.9%	26.9%	18.1%	17.6%	13.6%	-23.1%	56.5%
SPORTS WAGERING (FY)							
Amount to Cap. Projects Fund (\$ in mil)							\$66.2
Gaming Hold or AGR (\$ in mil)							\$380.1
% Change in Gaming Hold							N/A
**Per Capita Spending							\$30
% Change in Per Capita Spending							N/A
ALL WAGERING							
Total Revenue (\$ in mil)	\$1,184.4	\$1,214.8	\$1,310.2	\$1,356.4	\$1,403.7	\$1,215.2	\$1,358.0
Gaming Hold (\$ in mil)	\$3,496.7	\$3,467.5	\$3,757.4	\$3,942.9	\$4,133.0	\$3,285.0	\$4,513.9
% Change in Gaming Hold	9.7%	-0.8%	8.4%	4.9%	4.8%	-20.5%	37.4%
**Per Capita Spending	\$272	\$270	\$294	\$309	\$325	\$259	\$352
% Change in Per Capita Spending	9.9%	-0.8%	8.6%	5.4%	5.2%	-20.3%	35.9%
*The Gaming Hold figures for horse racing (FY 2020 and FY 2021) and lottery (FY 2021) are estimates.							
** Per capita spending equals gaming hold divided by population. The population value for FY 2021 comes from the recently released data from the 2020 census.							
Note: There are minor differences between the numbers shown above and numbers shown later in the report due to a timing lag between figures based on actual receipts (as shown in table above) and figures based on monthly reports (as shown later in report).							
SOURCES: ILLINOIS RACING BOARD, ILLINOIS DEPT. OF REVENUE, ILLINOIS GAMING BOARD, CENSUS.GOV.							

The revenue totals and composition percentages discussed in the previous tables will continue to evolve over the next several years due to the enactment of P.A. 101-0031, which became effective in June 2019. This was followed up by P.A. 101-0648 in June 2020 to modify some of those initial changes. The Acts made numerous modifications to State law impacting multiple tax revenue sources. However, the most significant changes, especially as they relate to this report, are to the gaming industry.

Among the modifications created by these Acts are the authorization of six new casinos in Illinois, including a 4,000 position Chicago Casino; racinos at Illinois' horse tracks; increased positions at casinos; increased betting and terminal limits at video gaming establishments; and the authorization of sports wagering in Illinois. Some of these changes have already been implemented (increased positions, video gaming changes, sports wagering), while others remain in the development stage (new casinos, new racinos). Proponents are hopeful that these modifications will help revitalize areas that have seen their share of struggles in recent years.

For example, Illinois' casino industry has been demonstrating a declining trend in recent years. The adjusted gross receipts (AGR) of the ten operating casinos fell a combined 30.0% in FY 2020. This was followed by a 4.8% drop in FY 2021. While the severity of these declines are due to the pandemic-related suspension of gaming operations for portions of 2020 and 2021, these declines now mark nine consecutive fiscal years of declining revenue for Illinois casinos as a whole.

The Rivers Casino in Des Plaines continues to be, by far, Illinois' most successful casino in terms of revenues generated, growing 4.4% over the five years prior to the pandemic. However, even the popular Rivers Casino could not avoid the negative impacts of COVID-19 as its AGR fell from \$440 million to \$321 million in FY 2020. It did bounce back to \$340 million in FY 2021, but its latest totals continue to be well below its pre-pandemic levels. Rivers was the only casino to post a positive gain in FY 2021. This diminishing trend is nothing new for these remaining casinos. Even prior to the pandemic, all of the other nine casinos had experienced declines over the past several years with eight of the nine experiencing double digit losses. Competition from the Des Plaines casino and the rapid development of video gaming in Illinois are viewed as the primary reasons for these overall downward trends.

The Casino section of this report includes a detailed look at the revenue performance of Illinois' casinos, as well as the revenue returns of other casinos throughout the Midwest, and discusses how these results compare. Included in this section is a detailed look at the specific changes to the casino industry stemming from P.A. 101-0031 and P.A. 101-0648 and how they could impact gaming revenues.

Although the recently enacted changes will expand gambling in the near future, some would argue that significant expansion has already taken place in recent years with the rapid growth of video gaming in Illinois. By the end of FY 2021, the number of video gaming terminals in operation across Illinois surpassed 40,000, the equivalent of over 33 "full-size" Illinois casinos (prior to P.A. 101-0031, Illinois casinos were maxed out at 1,200 positions). The number of new terminals being introduced per month had slowed in recent years. However, P.A. 101-0031's allowance of increased terminal limits has resulted in recent new growth. The virus-induced suspension of gaming prevented the growth from being demonstrated in the form of increased revenues in FY 2020. However, even with additional suspensions in the middle of FY 2021, video gaming revenues bounced back significantly, growing from \$1.223 billion in FY 2020 to \$1.934 billion in FY 2021 – a new record high for this revenue source. These elevated totals, in combination with a new established higher tax rate of 34%, resulted in over \$650 million in new tax revenues for state and local governments.

While Illinois casino revenues continued to struggle in FY 2021, the casinos of nearby states saw significant improvement with their totals approaching or even surpassing pre-pandemic levels. The reason for this discrepancy appears to be due to the availability of video gaming in Illinois, which may have been perceived as a "safer" and more convenient option to gamble at during the heights of the pandemic than the casinos. The surrounding states do not have this local gaming option and is likely why their casinos saw notable increases while Illinois' casinos lost revenues. This is discussed in further detail in the Video Gaming section of the report.

The proliferation of video gaming terminals throughout the State has occurred despite the fact that the City of Chicago and numerous other communities in Illinois are not participating in video gaming due to local government bans on this form of gambling. 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 casino industry has been impacted by the emergence of video gaming. The changes of P.A. 101-0031 and P.A. 101-0648 pertaining to video gaming are also discussed throughout this section.

The largest amount of revenues from gaming-related sources continues to come from the State's lottery program. The COVID-19 pandemic interrupted lottery sales during the final months of FY 2020 which led to an annual decline of 5.8% from \$2.977 billion to \$2.805 billion. As a consequence to this decline, transfers to the Common School Fund fell from \$731 million to \$630 million in FY 2020, a drop of 13.8%. However, the pandemic, which hurt the lottery in FY 2020, may have aided lottery results in FY 2021. Total lottery sales surged to \$3.4 billion which is the highest level ever. This growth of over \$600 million equaled growth of almost 22%. Instant games were up over \$366 million, while draw games improved by almost \$244 million. Transfers to the Common School Fund were also at an all-time high at \$777 million in FY 2021. This was an increase of over 23%.

The remarkable growth in the Lottery was presumably due to an environment that was conducive to a recovery in lottery sales in FY 2021. First, the pandemic hindered results in FY 2020 which lowered the base to which this year's results were compared. Secondly, while the recession related to the virus was very harmful to some individual residents, overall, household finances improved significantly due to government payments which allowed for more disposable income to be available to spend on the lottery. Finally, opportunities to spend on other forms of wagering, such as casinos and video gaming, were limited at times due to restrictions put in place to stop the spread of the virus.

As the popularity of some gaming sources has grown in recent years, the opposite has been the case for the horse racing industry. The amount wagered on Illinois horse racing (the handle) in 2020 was at \$538 million, which is 25.9% below levels seen just a decade ago. The racing industry is hopeful that they can augment these revenue losses through P.A. 101-0031's authorization of racinos and sports wagering. It should be noted, however, that one of the remaining three operating race tracks, Arlington Park, will no longer have live racing after September 2021. Therefore a new racino will not be opening at this location, as originally expected. Details regarding the impact of racinos at other racetracks across the country, as well as other pertinent information relating to horse racing, are provided in the Horse Racing section.

As noted above, sports wagering had its first full fiscal year of operations in FY 2021. In total, \$380 million in adjusted gross receipts were collected, resulting in \$57 million in tax revenues. The sport of basketball generated the most wagering activity, followed by football and baseball. Tables and graphs summarizing these statistics are provided in the Sports Wagering section.

After looking at each of Illinois' gaming sources individually, the report concludes with a brief look at miscellaneous gaming sources in Illinois including bingo, pull-tabs, and charitable games.

CASINO GAMBLING

CASINO 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 casinos through license fees, wagering taxes, and admission taxes. The wagering tax (or privilege tax) is based on the adjusted gross receipts (AGR) of a casino, 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 casino taxes, a portion of the wagering tax and the admissions tax is distributed to the county and municipality where the casino is located.

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 to the casino 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; the addition of the Rivers Casino in Des Plaines in 2011, and multiple changes to the wagering and admission tax rate structure.

The tax structure was once again altered in FY 2021 as part of recently enacted P.A. 101-0031 and P.A. 101-0648. Details of this structure modification, as well as a summary of the numerous other changes provided by these Acts are included in this section. This includes the authorization of several new casino licenses, some of which could commence gaming operations in Illinois in the near future.

Also included in this section is a synopsis of Illinois' FY 2021 casino statistics and how these numbers compare to past years and to other gaming states across the country. The effects of the COVID-19 virus on gaming figures are clearly evident in these numbers. The section concludes with a detailed discussion of the major components of P.A. 101-0031 and P.A. 101-0648 and how the expansion of gaming in Illinois could impact individual locations and overall tax revenues.

Recent Changes to the Casino Industry

In June 2019, P.A. 101-0031 was enacted, creating numerous changes to Illinois' gaming industry. In June 2020, P.A. 101-0648 was enacted, modifying some of those changes. The highlights of these Acts, as they relate to the casino industry, are laid out below. A more detailed discussion of the potential impact of these changes are included on page 24 of the report.

- **Six New Casinos.** P.A. 101-0031 authorizes the issuance of six additional licenses to conduct casino operations in Illinois. These shall be located in the following locations:
 - 1) In the City of Chicago
 - 2) In the City of Danville.
 - 3) In the City of Waukegan.
 - 4) In the City of Rockford.
 - 5) In the South Suburbs of Cook County.
 - 6) In an unincorporated area of Williamson County.

An owner's licensee of the Chicago casino can have up to 4,000 gaming positions. All other owners' licensees shall limit the number of gaming positions to 2,000 (except for Williamson County, which would be limited to 1,200 gaming positions).

- **New Racinos.** P.A. 101-0031 authorizes both electronic gaming and table games at Illinois racetracks (racinos). The gaming positions at the racinos shall be allocated as follows:
 - 1) up to 1,200 gaming positions for any electronic gaming licensee in Cook County (Arlington, Hawthorne);
 - 2) up to 900 gaming positions for any electronic gaming licensee outside of Cook County (Fairmount).
 - 3) In addition, the Board shall issue an organization license limited to Standardbred racing to a racetrack located in Cook County. If established, this location could have 1,200 gaming positions, and the ability to offer internet wagering on horse racing.
- **Existing Casino Position Increase.** Casinos already in operation shall also see their gaming position limit increased from 1,200 to 2,000 positions. The initial fee for each gaming position obtained on or after the effective date of this amendatory Act shall range from \$17,500 to \$30,000 per position (depending on location). These fees are to be deposited into the Rebuild Illinois Projects Fund.
- **Location Options.**
 - **Land-Based Option.** An owners licensee may conduct land-based gambling operations upon approval by the Board and payment of a fee of \$250,000, which shall be deposited into the State Gaming Fund.
 - **Gaming at Airports.** The Chicago casino may conduct gaming operations at O'Hare and/or Midway. The combined number of gaming positions operating in the City of Chicago at the airports and at the temporary and permanent casino facility may not exceed the maximum number of gaming positions authorized.
 - **Temporary Facilities.** New casinos and racinos may conduct gaming at a temporary facility pending the construction of a permanent facility or the remodeling or relocation of an existing facility to accommodate gaming participants for up to 24 months after the temporary facility begins to conduct

gaming. This timeframe may be extended up to 12 months upon approval of the Board.

- **Admission Tax for Racinos.** P.A. 101-0031 provides that the admission tax for racinos shall be at the rate of \$3 per person. Of this amount, \$1 would go to various local governments that host the gaming licensee. The remaining \$2 in tax shall be transferred into the Capital Projects Fund.
- **Revised Privilege Tax Structure.** P.A. 101-0031 modifies the privilege tax structure to be imposed on the casinos and the racinos. It is shown below. Under P.A. 101-0031, this revised tax structure was set to begin on the first day that a new casino conducts gambling operations, either in a temporary facility or a permanent facility. However, P.A. 101-0648 modified the language to provide that this revised privilege tax rate structure shall begin July 1, 2020 (FY 2021) and shall be imposed on all casinos other than the Chicago Casino.

Adjusted Gross Receipts	Rates Prior to P.A. 101-0031	Modified Gaming Tax on Table Games	Modified Gaming Tax on Electronic Gaming Devices
Up to \$25M	15.0%	15.0%	15.0%
\$25M to \$50M	22.5%	20.0%	22.5%
\$50M to \$75M	27.5%	20.0%	27.5%
\$75M to \$100M	32.5%	20.0%	32.5%
\$100M to \$150M	37.5%	20.0%	37.5%
\$150M to \$200M	45.0%	20.0%	45.0%
Over \$200M	50.0%	20.0%	50.0%

Potential tax revenues generated by the privilege tax may be offset or reduced by certain provisions in P.A. 101-0031, including a modified taxable base for the East St. Louis Casino, renovation tax credits, hold harmless provisions, the removal of certain vouchers in the AGR calculation, and the creation of multiple revenue distributions.

- **Chicago Casino Privilege Tax Structure.** P.A. 101-0648 eliminates the additional tax created by P.A. 101-0031 that was equal to 1/3 of the Chicago casino’s AGR and provides a new privilege tax rate structure to be imposed on the Chicago Casino. Similar to the revised tax structure imposed on all non-Chicago casinos, the enacted Chicago Casino privilege tax has a separate tax structure for table games and slot machines. However, the rates imposed will be different. The Chicago Casino tax rate structure is as follows:

City of Chicago Privilege Tax Structure under P.A. 101-0648						
	Electronic Gaming Device Tax			Table Game Tax		
	State Tax	City of Chicago Tax	Total Tax	State Tax	City of Chicago Tax	Total Tax
AGR < \$25 million	12.0%	10.5%	22.5%	8.1%	6.9%	15.0%
AGR between \$25M and \$50M	16.0%	14.0%	30.0%	10.7%	9.3%	20.0%
AGR between \$50M and \$75M	20.1%	17.4%	37.5%	10.7%	9.3%	20.0%
AGR between \$75M and \$100M	21.4%	18.6%	40.0%	11.2%	9.8%	21.0%
AGR between \$100M and \$150M	22.7%	19.8%	42.5%	11.2%	9.8%	21.0%
AGR between \$150M and \$175M	24.1%	20.9%	45.0%	11.2%	9.8%	21.0%
AGR between \$175M and \$225M	24.1%	20.9%	45.0%	13.5%	11.5%	25.0%
AGR between \$225M and \$275M	26.8%	23.2%	50.0%	15.1%	12.9%	28.0%
AGR between \$275M and \$375M	26.8%	23.2%	50.0%	16.2%	13.8%	30.0%
AGR between \$375M and \$1.0B	26.8%	23.2%	50.0%	18.9%	16.1%	35.0%
AGR > \$1.0B	40.0%	34.7%	74.7%	18.9%	16.1%	35.0%

- **Distribution of Chicago Casino Tax Revenues.** Distribution language is created under P.A. 101-0648 to provide that of the tax revenue generated from the Chicago Casino's privilege tax that is to be paid to the City of Chicago, an amount equal to 0.5% of the annual AGR generated by the Chicago Casino, shall be distributed to Cook County for the purpose of enhancing the criminal justice system. The balance is to be distributed to the City of Chicago and shall be expended or obligated by the City for pension payments.
- **One-Time Revenue Sources.** The following one-time revenues were established to be collected under P.A. 101-0031 and deposited into the Rebuild Illinois Projects Fund.
 - **Bidding for New Licenses.** Owners licenses newly authorized may be issued by the Board to a qualified applicant pursuant to an open and competitive bidding process.
 - **License Fees.** Each new casino and racino must pay a fee for the issuance or renewal of a license in the amount of \$250,000. Each location must also pay an initial fee ranging from \$17,500 to \$30,000 per gaming position.
 - **Reconciliation Payments.** P.A. 101-0031 provides for several types of reconciliation payments that would be collected at various times of the implementation process. This includes a \$15 million payment at the time of issuance as well as future payments equal to 75% of the AGR for the most lucrative 12-month period of operations minus certain upfront fees paid.

Under P.A. 101-0031, these reconciliation payments were to be paid within two years after casinos were in operations. P.A. 101-0648 provides that the reconciliation payment installments can now be made over a period of no more than six years.

- **Licensing Process.** P.A. 101-0648 provides that if at any point after June 1, 2020 there are no pending applications for a gaming license and not all licenses authorized have been issued, then the Gaming Board shall reopen the license application process for those licenses that have not been issued. The Gaming Board shall follow the licensing process previously laid out with all time frames tied to the last date for issuing a license rather than the effective date of the amendatory Act.
- **Position Fee Payment Date Change.** P.A. 101-0648 provides that a casino that obtains additional gaming positions after June 28, 2019 shall pay a fee for these positions by July 1, 2021. Under P.A. 0031, the deadline for date of payment was to be July 1, 2020. [In effect, casinos may operate additional positions for two years before the additional fee is due].
- **State Gaming Fund Transfer Change.** P.A. 102-0016 provides that, beginning on July 1, 2021, the Gaming Board shall transfer \$22.5 million, along with any deficiencies in such amounts from prior months, from the State Gaming Fund to the Education Assistance Fund; then the Board shall transfer the remainder of the funds, if any, from the State Gaming Fund to the Capital Projects Fund. This means that the Gaming Fund Transfer to the State's General Funds would be maxed out at \$270 million per year if/when there are sufficient tax revenues to reach this limit.

Data Analysis

The tables below and on the following page provide a summary of the performance of each of the State's ten active casino licenses during FY 2016 thru FY 2021 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)*. The impact of the suspension of operations due to the COVID-19 virus is clearly seen in the FY 2020 and FY 2021 figures.

TABLE 3: ILLINOIS CASINO ADJUSTED GROSS RECEIPTS						
(FY 2016 - FY 2021)						
(\$ in millions)						
	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020**	FY 2021***
Des Plaines	\$424.7	\$429.3	\$438.5	\$440.1	\$321.2	\$340.2
Joliet Harrah's	\$185.8	\$182.6	\$179.1	\$175.2	\$116.3	\$107.2
Elgin	\$170.0	\$166.4	\$162.9	\$157.2	\$107.6	\$107.1
Aurora	\$119.7	\$121.2	\$117.6	\$115.1	\$77.7	\$71.5
Joliet Hollywood	\$125.2	\$120.0	\$120.7	\$115.2	\$79.1	\$64.3
East St. Louis	\$108.1	\$107.0	\$99.1	\$94.3	\$67.2	\$54.9
Metropolis	\$82.4	\$79.7	\$73.6	\$68.7	\$50.8	\$48.5
East Peoria	\$86.0	\$78.9	\$77.7	\$74.5	\$48.7	\$48.3
Rock Island	\$76.7	\$72.1	\$70.0	\$66.7	\$43.9	\$31.5
Alton	\$50.4	\$48.3	\$47.4	\$40.0	\$30.1	\$23.9
TOTAL	\$1,428.9	\$1,405.6	\$1,386.7	\$1,347.1	\$942.7	\$897.3
% CHANGE	-2.1%	-1.6%	-1.3%	-2.9%	-30.0%	-4.8%

TABLE 4: ILLINOIS CASINO ADMISSIONS						
(FY 2016 - FY 2021)						
	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020**	FY 2021***
Des Plaines	3,346,849	3,187,953	3,035,086	2,945,397	2,079,184	1,689,278
Joliet Harrah's	1,530,609	1,429,434	1,332,463	1,241,286	853,823	594,674
Elgin	1,366,731	1,320,807	1,237,674	1,150,227	799,024	597,941
Aurora	1,018,597	1,000,218	945,109	924,555	636,257	511,462
Joliet Hollywood	1,101,637	1,047,889	1,001,302	929,855	643,872	487,812
East St. Louis	1,226,581	1,142,751	1,000,640	928,944	697,294	510,937
Metropolis	655,981	563,224	484,155	443,686	343,620	338,037
East Peoria	920,257	808,396	746,844	721,444	480,095	353,952
Rock Island	1,026,313	973,516	942,041	857,142	590,216	325,939
Alton	532,252	509,339	490,469	407,886	301,731	284,977
TOTAL	12,725,807	11,983,527	11,215,783	10,550,422	7,425,116	5,695,009
% CHANGE	-4.1%	-5.8%	-6.4%	-5.9%	-29.6%	-23.3%

TABLE 5: TOTAL REVENUE GENERATED FROM ILLINOIS CASINOS						
(FY 2016 - FY 2021)						
(\$ in millions)						
	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020**	FY 2021***
Des Plaines	\$188.0	\$189.9	\$194.0	\$194.5	\$143.0	\$92.0
Joliet Harrah's	\$63.9	\$62.2	\$60.7	\$58.5	\$40.7	\$23.5
Elgin	\$56.4	\$54.1	\$53.4	\$50.3	\$35.9	\$22.9
Aurora	\$35.0	\$35.3	\$34.1	\$33.0	\$23.5	\$14.2
Joliet Hollywood	\$37.1	\$35.1	\$35.4	\$33.2	\$24.0	\$12.9
East St. Louis	\$30.8	\$30.6	\$27.3	\$25.5	\$19.7	\$10.4
Metropolis	\$20.7	\$19.5	\$17.8	\$16.0	\$12.4	\$8.5
East Peoria	\$23.0	\$20.3	\$19.5	\$18.4	\$12.6	\$8.3
Rock Island	\$18.9	\$17.6	\$16.8	\$15.7	\$11.1	\$5.4
Alton	\$11.3	\$10.6	\$10.3	\$8.9	\$6.5	\$4.4
TOTAL	\$485.0	\$475.3	\$469.4	\$454.0	\$329.2	\$202.4
% CHANGE	-2.7%	-2.0%	-1.2%	-3.3%	-27.5%	-38.5%

** Due to the COVID-19 pandemic, gaming operations were suspended from March 16, 2020 thru June 30, 2020.

*** Due to the COVID-19 pandemic, gaming operations were suspended from November 19, 2020 thru January 14, 2021.

SOURCE: ILLINOIS GAMING BOARD, MONTHLY RIVERBOAT CASINO REPORT

**TABLE 6: STATE REVENUE GENERATED FROM ILLINOIS CASINOS
(FY 2016 - FY 2021)**

(\$ in millions)

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020**	FY 2021***
Des Plaines*	\$163.4	\$165.2	\$169.0	\$169.6	\$124.8	\$73.3
Joliet Harrah's	\$53.0	\$51.7	\$50.4	\$48.5	\$34.0	\$17.5
Elgin	\$46.6	\$44.5	\$44.0	\$41.2	\$29.7	\$16.9
Aurora	\$28.0	\$28.2	\$27.3	\$26.3	\$19.0	\$10.1
Joliet Hollywood	\$29.8	\$28.1	\$28.4	\$26.5	\$19.4	\$9.2
East St. Louis	\$24.2	\$24.2	\$21.4	\$19.8	\$15.6	\$7.1
Metropolis	\$15.9	\$15.0	\$13.7	\$12.1	\$9.5	\$5.8
East Peoria	\$17.8	\$15.6	\$14.9	\$14.0	\$9.7	\$5.5
Rock Island	\$14.0	\$13.0	\$12.3	\$11.6	\$8.3	\$3.5
Alton	\$8.2	\$7.7	\$7.4	\$6.5	\$4.7	\$3.0
TOTAL	\$400.8	\$393.0	\$388.8	\$376.1	\$274.6	\$151.9
% CHANGE	-2.7%	-1.9%	-1.1%	-3.3%	-27.0%	-44.7%
Des Plaines Distributions*:	(\$76.7)	(\$76.8)	(\$77.0)	(\$77.0)	(\$58.0)	(\$92.8)
Total after Distributions:	\$324.1	\$316.2	\$311.8	\$299.0	\$216.6	\$59.1
% CHANGE	-3.3%	-2.4%	-1.4%	-4.1%	-27.6%	-72.7%

* P.A. 98-0018 provided that Chicago State U. receive \$1.6M per year and the School Infrastructure Fund annually receive \$66.4M per year from the Des Plaines Casino tax revenue deposited into the State Gaming Fund. In addition, the Cook County Criminal Justice System would receive 2% of Des Plaines' AGR. P.A. 101-0031 increased the amount to Chicago State University from \$1.6M to \$3.0M per year, for FY 2021 and thereafter. Due to COVID-19 and the lack of available revenues, only \$50.0M of the \$66.4M was sent to the School Infrastructure Fund (SIF) in FY 2020. This shortage was made up in FY 2021 resulting in a total transfer amount to the SIF of \$82.6M.

Note: State revenues remaining after the Des Plaines statutory distributions are first used to pay for administrative expenses of the State Gaming Board. Any remaining revenues are then transferred to the Education Assistance Fund {EAF} (commonly referred to as the State Gaming Fund Transfer). The State tax revenues collected in FY 2020 and FY 2021 were not sufficient to fully pay for the above required payments, thereby resulting in \$0 for the EAF in FY 2021.

** Due to the COVID-19 pandemic, gaming operations were suspended from March 16, 2020 thru June 30, 2020.

*** Due to the COVID-19 pandemic, gaming operations were suspended from November 19, 2020 thru January 14, 2021.

SOURCE: ILLINOIS GAMING BOARD, MONTHLY RIVERBOAT CASINO REPORT

**TABLE 7: LOCAL REVENUE GENERATED FROM ILLINOIS CASINOS
(FY 2016 - FY 2021)**

(\$ in millions)

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020**	FY 2021***
Des Plaines	\$24.6	\$24.7	\$25.0	\$24.9	\$18.1	\$18.7
Joliet Harrah's	\$10.8	\$10.6	\$10.3	\$10.0	\$6.7	\$5.9
Elgin	\$9.9	\$9.6	\$9.4	\$9.0	\$6.2	\$6.0
Aurora	\$7.0	\$7.1	\$6.8	\$6.7	\$4.5	\$4.1
Joliet Hollywood	\$7.4	\$7.0	\$7.0	\$6.7	\$4.6	\$3.7
East St. Louis	\$6.6	\$6.5	\$6.0	\$5.6	\$4.1	\$3.3
Metropolis	\$4.8	\$4.5	\$4.2	\$3.9	\$2.9	\$2.8
East Peoria	\$5.2	\$4.8	\$4.6	\$4.4	\$2.9	\$2.8
Rock Island	\$4.9	\$4.6	\$4.4	\$4.2	\$2.8	\$1.9
Alton	\$3.1	\$2.9	\$2.9	\$2.4	\$1.8	\$1.5
TOTAL	\$84.2	\$82.3	\$80.5	\$77.9	\$54.6	\$50.5
% CHANGE	-2.4%	-2.3%	-2.1%	-3.3%	-30.0%	-7.4%

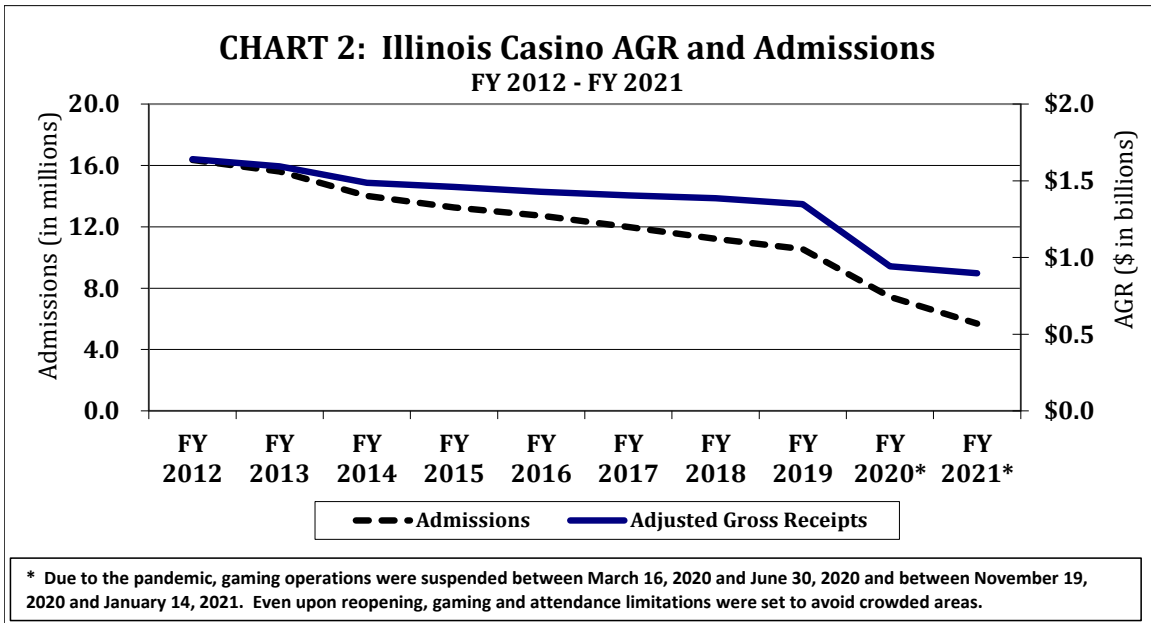
** Due to the COVID-19 pandemic, gaming operations were suspended from March 16, 2020 thru June 30, 2020.

*** Due to the COVID-19 pandemic, gaming operations were suspended from November 19, 2020 thru January 14, 2021.

SOURCE: ILLINOIS GAMING BOARD, MONTHLY RIVERBOAT CASINO REPORT

Statewide Historical Perspective

Over the last decade, Illinois’ casinos have seen a downward trend in adjusted gross receipts (AGR) and admission totals. Numerous factors have influenced the performance of Illinois casinos, including the tumultuous economy, competition from nearby casinos, and the introduction of video gaming. These declines have been further exacerbated by the pandemic which suspended and limited gaming operations in parts of FY 2020 and FY 2021. These declines are illustrated below.



Between FY 2012 and FY 2019, adjusted gross receipts, in total, declined 17.9%, including a falloff of 2.9% in FY 2019. Admission figures fared even worse declining nearly 36% during this time frame, including a 5.9% decline in FY 2019. The rapid growth of video gaming throughout Illinois is believed to be the main contributor to the falloff in these casino numbers. Statistics supporting this view are discussed in the video gaming portion of this report.

Due to the pandemic induced suspension of play between March 16, 2020 and June 30, 2020, adjusted gross receipts fell 30% in FY 2020. Similarly, admission totals were down 29.6% compared to the prior year. The downward spiral continued into FY 2021 in large part due to another suspension of play between November 19, 2020 and January 14, 2021. Even with the resumption of play, gaming was not allowed at full capacity for several months to avoid large crowds. This resulted in an AGR decline of 4.8% and an admission decline of 23.3% in FY 2021.

Therefore, the adjusted gross receipts from Illinois’ ten casinos have fallen a combined 45.3% over the last ten fiscal years. Admissions to the casinos have declined a combined 65.2% over this same time frame. While the pandemic has much to do with these recent falloffs, the fact remains that a downward trend in these figures was already established before the COVID-19 virus entered the picture.

Casino by Casino Perspective

On an individual basis, the recent performance of Illinois' ten casinos has mostly followed the overall downward trend. The only casino that had seen positive growth in adjusted gross receipts in recent years is the Rivers Casino in Des Plaines, growing in six of the seven fiscal years prior to the pandemic. Rivers grew 7.3% between FY 2013 and FY 2019. The remaining nine casinos all experienced declines of at least 15% over this same time frame.

The suspension of gaming operations in parts of the last two fiscal years has resulted in even higher pronounced losses for Illinois' casinos in FY 2020 and FY 2021. As shown in the table below, the year-over-year losses in each casino's adjusted gross receipts in FY 2020 ranged from -24.7% in Alton to -34.6% in East Peoria. Even the successful Rivers Casino in Des Plaines fell 27.0% in FY 2020 as a result of the pandemic. In FY 2021, nine of the ten operating casinos experienced another year of declines despite the already reduced base established the year prior. The Rivers Casino, however, managed to grow 5.9% in FY 2021, but its AGR amount of \$340 million remains well below the \$440 million generated just two years prior.

In terms of attendance, for the fifth consecutive year, all Illinois casinos saw their admission totals fall in FY 2021. Due to pandemic-related restrictions, most casinos experienced another year of double-digit declines. The largest decline came from Rock Island's casino, declining 44.8% in FY 2021. While the latest admission totals are obviously tainted due to the temporary shutdowns, as the table below displays, admission totals have been on a steady decline over the last decade.

TABLE 8: RATES OF CHANGE OF ILLINOIS CASINOS										
ADJUSTED GROSS RECEIPTS										
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Des Plaines	N/A	4.2%	2.8%	1.6%	-0.8%	1.1%	2.1%	0.4%	-27.0%	5.9%
Joliet Harrah's	-8.9%	-4.1%	-5.0%	-0.2%	-5.1%	-1.8%	-1.9%	-2.2%	-33.6%	-7.8%
Elgin	-20.8%	-11.1%	-10.5%	-6.3%	0.7%	-2.1%	-2.1%	-3.5%	-31.5%	-0.5%
Aurora	-10.4%	-6.6%	-11.7%	-5.1%	-4.4%	1.3%	-3.0%	-2.1%	-32.5%	-8.0%
Joliet Hollywood	-8.1%	3.9%	-12.4%	0.2%	1.0%	-4.2%	0.6%	-4.5%	-31.3%	-18.8%
East St. Louis	3.2%	-2.6%	-9.7%	-8.1%	1.2%	-1.1%	-7.3%	-4.8%	-28.8%	-18.3%
East Peoria	0.6%	-3.6%	-10.6%	-6.9%	-7.7%	-8.2%	-1.5%	-4.2%	-34.6%	-1.0%
Metropolis	2.7%	-10.7%	-12.2%	3.7%	-1.4%	-3.2%	-7.7%	-6.6%	-26.2%	-4.5%
Rock Island	5.3%	-2.3%	-9.3%	-0.3%	-0.8%	-5.9%	-3.0%	-4.8%	-34.1%	-28.4%
Alton	-6.2%	-3.4%	-12.7%	-5.4%	-11.0%	-4.2%	-1.7%	-15.6%	-24.7%	-20.6%
TOTAL	21.5%	-2.8%	-6.7%	-1.9%	-2.1%	-1.6%	-1.3%	-2.9%	-30.0%	-4.8%
ADMISSIONS										
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Des Plaines	N/A	-1.2%	-5.5%	-4.7%	-3.4%	-4.7%	-4.8%	-3.0%	-29.4%	-18.8%
Joliet Harrah's	-9.6%	-5.9%	-6.7%	-0.7%	-4.0%	-6.6%	-6.8%	-6.8%	-31.2%	-30.4%
Elgin	-16.2%	-4.9%	-10.1%	-8.8%	1.9%	-3.4%	-6.3%	-7.1%	-30.5%	-25.2%
Aurora	-3.2%	-6.9%	-14.8%	-5.9%	-5.0%	-1.8%	-5.5%	-2.2%	-31.2%	-19.6%
Joliet Hollywood	-5.0%	1.6%	-13.8%	-5.2%	1.6%	-4.9%	-4.4%	-7.1%	-30.8%	-24.2%
East St. Louis	-0.8%	-7.7%	-13.9%	-15.0%	-6.5%	-6.8%	-12.4%	-7.2%	-24.9%	-26.7%
East Peoria	-3.9%	-4.2%	-10.1%	-3.9%	-7.8%	-12.2%	-7.6%	-3.4%	-33.5%	-26.3%
Metropolis	0.0%	-12.9%	-12.6%	11.7%	-6.6%	-14.1%	-14.0%	-8.4%	-22.6%	-1.6%
Rock Island	-5.3%	-3.7%	-12.0%	-3.2%	-4.4%	-5.1%	-3.2%	-9.0%	-31.1%	-44.8%
Alton	-8.4%	-9.1%	-14.3%	-10.8%	-14.9%	-4.3%	-3.7%	-16.8%	-26.0%	-5.6%
TOTAL	22.7%	-4.6%	-10.2%	-5.3%	-4.1%	-5.8%	-6.4%	-5.9%	-29.6%	-23.3%

SOURCE: ILLINOIS GAMING BOARD

Tax Revenue Analysis

The amount of tax revenues collected from Illinois casinos is directly related to each casino's adjusted gross receipts and admissions. Casinos with increases/decreases in these figures typically see similar changes in the amount of State revenues collected. For example, in FY 2020, the 30% drop in adjusted gross receipts and 29.6% decline in admissions resulted in a 27.0% decline in State revenues. However, the 44.7% falloff in State revenues in FY 2021 (as shown below) was significantly worse than the 4.8% decline in AGR and 23.3% drop in admissions. The reason for this is due to the new graduated tax structure that went into effect on July 1, 2021.

TABLE 9: ANNUAL PERCENT CHANGE OF CASINO STATE REVENUES								
Comparison of FY 2018 thru FY 2021								
\$ in millions								
	FY 2018 STATE REVENUE	Annual % change	FY 2019 STATE REVENUE	Annual % change	FY 2020 STATE REVENUE	Annual % change	FY 2021 STATE REVENUE	Annual % change
Des Plaines	\$169.0	2.3%	\$169.6	0.3%	\$124.8	-26.4%	\$73.3	-41.3%
Joliet Harrah's	\$50.4	-2.4%	\$48.5	-3.7%	\$34.0	-30.0%	\$17.5	-48.4%
Elgin	\$44.0	-1.1%	\$41.2	-6.2%	\$29.7	-28.0%	\$16.9	-42.9%
Aurora	\$27.3	-3.1%	\$26.3	-3.7%	\$19.0	-27.8%	\$10.1	-46.9%
Joliet Hollywood	\$28.4	0.9%	\$26.5	-6.7%	\$19.4	-26.8%	\$9.2	-52.7%
East St. Louis	\$21.4	-11.4%	\$19.8	-7.3%	\$15.6	-21.3%	\$7.1	-54.5%
Metropolis	\$13.7	-8.8%	\$12.1	-11.3%	\$9.5	-21.7%	\$5.8	-39.1%
East Peoria	\$14.9	-4.4%	\$14.0	-6.0%	\$9.7	-30.8%	\$5.5	-42.8%
Rock Island	\$12.3	-5.3%	\$11.6	-6.3%	\$8.3	-28.5%	\$3.5	-58.0%
Alton	\$7.4	-2.7%	\$6.5	-13.3%	\$4.7	-27.7%	\$3.0	-36.5%
TOTAL	\$388.8	-1.1%	\$376.1	-3.3%	\$274.6	-27.0%	\$151.9	-44.7%

Source: Illinois Gaming Board Monthly Riverboat Casino Report

The modified tax structure, which can be viewed on page 11, was set into place by P.A. 101-0031 and P.A. 101-0648. Previously, casinos were taxed on a graduated basis with tax rates ranging from 15% to as high as 50% for AGR over \$200 million. Under the new tax structure, table games and electronic gaming devices (i.e. slot machines) have separate tax structures. The tax rates for the electronic gaming devices have the same graduated tax structure as prior law (with seven different brackets), but the tax structure on table games are lower and much simpler – taxing AGR less than \$25 million at 15% and everything over \$25 million at 20%.

The result of this modified tax structure is significantly lower effective tax rates and thus, lower taxes. This impact can be clearly seen in the table below. As shown, the average effective tax rate in FY 2020 was 27.3%. In FY 2021, this average rate dropped to 17.6%. The Rivers Casino in Des Plaines benefitted the most from this change with their effective tax rate falling from 42.6% in FY 2020 to 25.6% in FY 2021.

TABLE 10: OPERATING TAX RATES FOR ILLINOIS CASINOS						
	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Des Plaines	41.9%	42.0%	42.2%	42.2%	42.6%	25.6%
Joliet Harrah's	31.9%	31.7%	31.7%	31.3%	32.8%	20.3%
Elgin	30.8%	30.1%	30.5%	29.8%	31.1%	19.7%
Aurora	27.0%	26.7%	26.8%	26.4%	27.9%	17.7%
Joliet Hollywood	26.7%	26.6%	26.6%	26.3%	27.8%	17.7%
East St. Louis	25.1%	25.4%	24.6%	24.1%	26.2%	16.1%
Metropolis	22.8%	22.4%	22.3%	21.3%	22.3%	15.5%
East Peoria	23.5%	22.7%	22.2%	21.8%	22.9%	15.0%
Rock Island	20.6%	20.4%	19.9%	19.8%	21.1%	14.0%
Alton	19.2%	18.8%	18.6%	19.1%	18.5%	15.0%
Average Tax Rate	26.9%	26.7%	26.5%	26.2%	27.3%	17.6%

TABLE 11: FY 2021 AGR Statistics				
<i>\$ in millions</i>				
	AGR from Table Games	AGR from EGDs	AGR Composition	
			% Table	% EGD
Argosy Casino Alton	\$1.9	\$22.0	7.9%	92.1%
DraftKings at Casino Queen	\$11.1	\$43.8	20.2%	79.8%
Grand Victoria Casino	\$19.0	\$88.1	17.8%	82.2%
Harrah's Joliet Casino & Hotel	\$17.4	\$89.8	16.3%	83.7%
Harrah's Metropolis Casino	\$8.2	\$40.3	17.0%	83.0%
Hollywood Casino Aurora	\$12.0	\$59.6	16.7%	83.3%
Hollywood Casino Joliet	\$8.5	\$55.7	13.2%	86.8%
Jumer's Casino & Hotel	\$1.7	\$29.8	5.3%	94.7%
Par-A-Dice Hotel Casino	\$9.1	\$39.1	19.0%	81.0%
Rivers Casino	\$132.8	\$207.4	39.0%	61.0%
OVERALL	\$221.8	\$675.6	24.7%	75.3%

As the FY 2021 statistics show, the casinos that benefit the most from this tax structure change are the higher revenue-generating casinos – especially the ones with large amounts of adjusted gross receipts from table games, like that of Des Plaines. For example, as shown in the above table, 39.0% of the AGR generated by the Rivers Casino in FY 2021 was from table games. This composition of table game revenues was significantly higher than the other Illinois casinos.

Under the previous tax structure, once the AGR from table games, when included with the AGR of EGDs, totaled over \$200 million, the revenue was taxed at 50%. This, effectively would have been the case for the \$133 million in table game AGR from the Rivers Casinos revenues in FY 2021, as EGD revenues totaled over \$200 million on its own. Under the new tax structure, however, these revenues are instead taxed at a rate of no more than 20%. This is why the Rivers Casino's effective tax rate dropped from near 43% to under 26% in just one year.

The impact of this effective tax reduction is significant. Simply applying the prior tax structure to the recent figures, State tax revenues would have amounted to around \$200 million. Instead, under the revised tax structure, only \$152 million was generated in FY 2021, a difference of nearly \$50 million.

Mathematically, the equation is simple. The new tax structure with a lower effective tax rate will generate less revenues than the prior tax rate structure. This revenue impact will be more pronounced in the years to come as it will be imposed on all of the new casinos created under P.A. 101-0031 (except for the new mega casino in Chicago which will have its own tax structure). The casino industry argues that a lower effective tax will lead to more available dollars for marketing and infrastructure improvements, which should materialize into larger attendance and ultimately more gaming revenues.

Why Was the State Gaming Fund Transfer \$0 in FY 2021?

The combination of the pandemic's impact on the casino industry, along with the effects of the reduced tax structure, has resulted in a significant reduction in the State share of tax revenues from Illinois casinos in FY 2020 and FY 2021. The FY 2021 "State" share¹ of \$152 million is nearly 60% lower than the FY 2021 amount of \$376 million. One concerning aspect of this revenue decline is that \$0 was transferred from the State Gaming Fund to the Education Assistance Fund {EAF} in FY 2021, as shown in Table 1 of the report. The reason for this lack of transfer has to do with the statutory distribution of State tax revenues that must be undergone before the State Gaming transfer can be made.

In 2013, P.A. 98-0018 provided that of the State share of tax revenues generated from the Des Plaines Casino and deposited into the State Gaming Fund, Chicago State University would receive \$1.6 million per year and the School Infrastructure Fund {SIF} annually would receive \$66.4 million per year. In addition, the Cook County Criminal Justice System would receive 2% of Des Plaines' AGR. In 2019, P.A. 101-0031 increased the amount to Chicago State University from \$1.6 million to \$3.0 million per year for FY 2021 and thereafter.

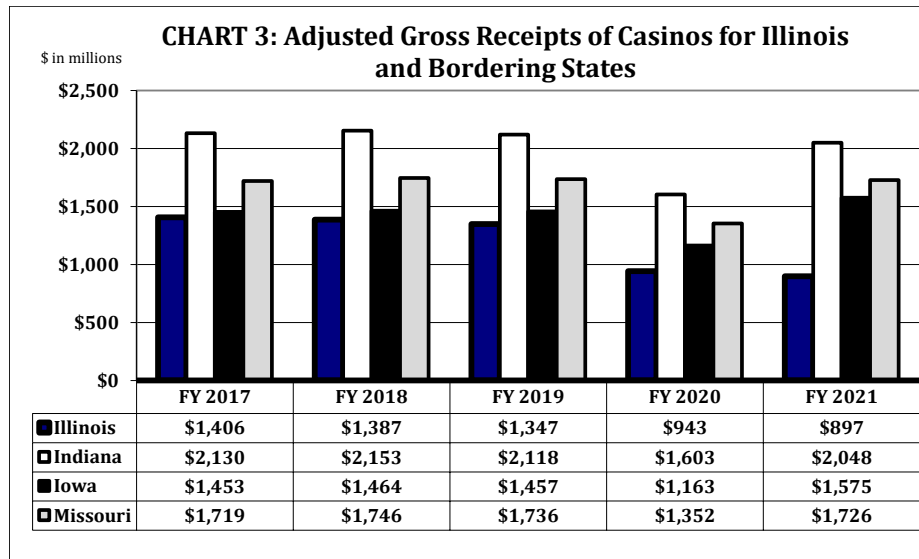
Due to the lower tax totals, only \$50.0 million of the \$66.4 million was sent to the SIF in FY 2020. Because of this, the shortage had to be made up with FY 2021 revenues. Therefore, when backfilling this shortage, as well as making the full FY 2021 payment, the total transfer amount to the SIF in FY 2021 was \$82.6 million. In addition, the required \$3.0 million payment to Chicago State University was made, along with an estimated \$6.8 million to the Cook County Criminal Justice System. As shown in Table 6 on page 14, this resulted in a combined \$92.8 million in Des Plaines related subtractions from the State Gaming Fund in FY 2021 leaving only \$59 million. However, before any State tax revenues are transferred to the EAF, State law provides that the remaining funds should be first used to pay for administrative expenses of the State Gaming Board. The value of these expenses in FY 2021 was approximately \$48 million. This results in a remainder of only \$11 million.

Despite the fact that the State Gaming Transfer amount fell from \$269 million to \$195 million in FY 2020, the EAF actually received more than it should have in FY 2020 by roughly \$40 million. This is because the impact of the pandemic was understandably not anticipated in the early stages of FY 2020 and "typical" transfers to the EAF were made throughout much of the fiscal year with the assumption that more revenues would come in to pay for the other required payments. Once the pandemic hit and tax revenues slowed, not enough tax revenues were generated to pay for the obligatory distributions. Instead of receiving \$195 million, the EAF should have only received around \$150 million in FY 2020. Accounting for this "overpayment" in FY 2020 and the lack of available tax revenues in FY 2021, the bottom line result was \$0 being transferred from the State Gaming Fund to the EAF in FY 2021.

¹*From the taxes imposed on casinos, \$1 of each admission and 5% of AGR totals are paid to local governments. The remainder is considered the "State" share.*

Competition for the Midwest Gaming Dollar

In order to better understand Illinois’ gaming landscape and the competition that exists with other states, Table 12, on the following page, provides a statistical summary with its direct competitors: Indiana, Missouri, and Iowa. The chart below displays the AGR of these Midwestern states over the past five years. After being a leader for years in this region, Illinois’ casino revenues have fallen in recent years to the point that Illinois now has the lowest amount of gaming revenue of the casino-operating states in the Midwest. In FY 2021, Illinois’ AGR total of \$897 million was well below Indiana (\$2.048 B), Missouri (\$1.726 B), and Iowa (\$1.575 B).



As shown, due to the pandemic, all of these states saw significant reductions in their AGR totals in FY 2020. However, Illinois’ decline of 30% was much more severe than that of Indiana (-24.3%), Iowa (-20.2%) and Missouri (-22.1%). One of the main reasons for this is that the neighboring states reopened earlier than Illinois. Iowa and Missouri reopened in June 2020, while Illinois did not reopen until July 2020.

During FY 2021, Illinois again suspended gaming operations between parts of November 2020 thru January 2021. While the neighboring states instituted capacity limits during this time, they continued to operate. Iowa’s growth of +35.4% in FY 2021 to \$1.575 billion was enough to surpass its pre-pandemic FY 2019 totals. Missouri grew +27.6% in FY 2021 to \$1.726 billion – just shy of the \$1.736 billion it realized in FY 2019. Similarly, Indiana’s FY 2021 total was just short of its FY 2019 level, but it did grow +27.8% to \$2.048 billion. Illinois, on the other hand, instead of rebounding with a double-digit increase, fell another 4.8%, as illustrated in the above graph.

It should be mentioned, however, if the \$1.934 billion in Illinois’ video gaming net terminal income were included in this comparison, gaming revenues in Illinois actually increased 30.8% in FY 2021 and would make it the highest revenue producing state in this region at \$2.831 billion. Although Illinois’ FY 2021 totals would still be short of FY 2019 levels, the revenue patterns, when combining both sources, would be more similar to what other states have recently experienced. *Note: Video gaming’s impact on casinos is further discussed on page 45 of the report.*

Table 12: Statistical Summary of the Midwestern Gaming States

\$ in millions

ILLINOIS CASINOS												
\$ IN MILLIONS	Casino Type	Region	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	1-Yr.	5-Yr.	June '21	AGR/
			AGR	AGR	AGR	AGR	AGR	AGR	Change	Change	Positions	Pos/Day
ALTON ARGOSY - Alton	Casino	St. Louis	\$50.4	\$48.3	\$47.4	\$40.0	\$30.1	\$23.9	-20.6%	-52.5%	371	\$177
PAR-A-DICE - E. Peoria	Casino	Central IL	\$86.0	\$78.9	\$77.7	\$74.5	\$48.7	\$48.3	-1.0%	-43.9%	583	\$227
JUMER'S - Rock Island	Casino	Quad City	\$76.7	\$72.1	\$70.0	\$66.7	\$43.9	\$31.5	-28.4%	-59.0%	884	\$98
HOLLYWOOD CASINO - Joliet	Casino	Chicago	\$125.2	\$120.0	\$120.7	\$115.2	\$79.1	\$64.3	-18.8%	-48.7%	740	\$238
HARRAH'S - Metropolis	Casino	S. Illinois	\$82.4	\$79.7	\$73.6	\$68.7	\$50.8	\$48.5	-4.5%	-41.1%	660	\$201
HARRAH'S - Joliet	Casino	Chicago	\$185.8	\$182.6	\$179.1	\$175.2	\$116.3	\$107.2	-7.8%	-42.3%	926	\$317
HOLLYWOOD CASINO - Aurora	Casino	Chicago	\$119.7	\$121.2	\$117.6	\$115.1	\$77.7	\$71.5	-8.0%	-40.2%	889	\$221
CASINO QUEEN - E. St. Louis	Casino	St. Louis	\$108.1	\$107.0	\$99.1	\$94.3	\$67.2	\$54.9	-18.3%	-49.2%	1,035	\$145
GRAND VICTORIA - Elgin	Casino	Chicago	\$170.0	\$166.4	\$162.9	\$157.2	\$107.6	\$107.1	-0.5%	-37.0%	957	\$307
RIVERS CASINO - Des Plaines	Casino	Chicago	\$424.7	\$429.3	\$438.5	\$440.1	\$321.2	\$340.2	5.9%	-19.9%	1,261	\$739
TOTALS			\$1,428.9	\$1,405.6	\$1,386.7	\$1,347.1	\$942.7	\$897.3	-4.8%	-37.2%	8,305	\$296
CHICAGO REGION TOTALS			\$1,025.4	\$1,019.5	\$1,018.8	\$1,002.8	\$701.9	\$690.3	-1.7%	-32.7%	4,772	\$396
ST. LOUIS REGION TOTALS			\$158.5	\$155.3	\$146.6	\$134.4	\$97.3	\$78.8	-19.0%	-50.3%	1,406	\$154

INDIANA CASINOS												
\$ IN MILLIONS	Casino Type	Region (*near IL)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	1-Yr.	5-Yr.	June '21	AGR/
			AGR	AGR	AGR	AGR	AGR	AGR	Change	Change	Positions	Pos/Day
AMERISTAR - East Chicago	Casino	NW Indiana*	\$222.8	\$204.1	\$208.5	\$211.5	\$157.3	\$242.6	54.3%	8.9%	1,329	\$500
HOLLYWOOD - Lawrenceburg	Casino	SE Indiana	\$168.4	\$162.9	\$167.7	\$163.2	\$125.9	\$152.5	21.1%	-9.4%	1,647	\$254
BELTERRA - Switzerland County	Casino	SE Indiana	\$103.2	\$111.2	\$109.2	\$108.6	\$72.3	\$84.2	16.5%	-18.4%	1,082	\$213
BLUE CHIP - Michigan City	Casino	NW Indiana*	\$155.1	\$152.6	\$146.4	\$146.5	\$109.0	\$113.4	4.0%	-26.8%	1,613	\$193
TROPICANA - Evansville	Casino	S. Indiana	\$119.4	\$120.7	\$142.3	\$142.0	\$105.9	\$122.4	15.6%	2.5%	1,024	\$328
FRENCH LICK - French Lick	Casino	S. Indiana	\$77.5	\$85.4	\$86.3	\$90.1	\$62.7	\$64.0	2.2%	-17.4%	843	\$208
RISING STAR - Rising Sun	Casino	SE Indiana	\$45.0	\$45.8	\$44.9	\$42.6	\$30.9	\$44.1	42.5%	-2.0%	700	\$172
HOOSIER PARK - Anderson	Racino	Central IN	\$204.1	\$209.5	\$208.8	\$212.0	\$168.8	\$208.8	23.7%	2.3%	1,265	\$452
HORSESHOE - Hammond	Casino	NW Indiana*	\$412.0	\$399.3	\$401.4	\$380.2	\$303.2	\$377.1	24.4%	-8.5%	2,402	\$430
CAESARS - Harrison County	Casino	S. Indiana	\$244.0	\$242.1	\$238.0	\$216.5	\$161.8	\$204.1	26.2%	-16.3%	1,288	\$434
INDIANA GRAND - Shelbyville	Racino	Central IN	\$245.3	\$256.1	\$261.1	\$268.5	\$211.4	\$298.9	41.4%	21.9%	1,897	\$432
MAJESTIC STAR - Gary**	Casino	NW Indiana*	\$83.8	\$86.2	\$84.3	\$81.3	\$57.0	\$60.0	5.1%	-28.4%	-	N/A
MAJESTIC STAR II - Gary**	Casino	NW Indiana*	\$60.1	\$54.5	\$53.7	\$55.4	\$36.7	\$29.3	-20.2%	-51.3%	-	N/A
HARD ROCK - Gary**	Casino	NW Indiana*	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$47.0	N/A	N/A	1,592	\$81
TOTALS			\$2,140.5	\$2,130.4	\$2,152.6	\$2,118.2	\$1,602.9	\$2,048.4	27.8%	-4.3%	16,682	\$336
**The Majestic Star and Majestic Star II closed in April 2021 and relocated its operations to the new Hard Rock Casino, also in Gary, in May 2021.												
CHICAGO REGION AREA TOTALS			\$933.7	\$896.7	\$894.3	\$874.7	\$663.2	\$869.3	31.1%	-6.9%	5,344	\$446
Composition of Chicago Region:			47.7%	46.8%	46.7%	46.6%	48.6%	55.7%				
TOTAL CASINOS			\$1,691.1	\$1,664.8	\$1,682.7	\$1,637.7	\$1,222.7	\$1,493.7	22.2%	-11.7%	11,928	\$343
TOTAL RACINOS			\$449.4	\$465.5	\$470.0	\$480.5	\$380.3	\$507.7	33.5%	13.0%	3,162	\$440

MISSOURI CASINOS												
\$ IN MILLIONS	Casino Type	Region (*near IL)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	1-Yr.	5-Yr.	June '21	AGR/
			AGR	AGR	AGR	AGR	AGR	AGR	Change	Change	Positions	Pos/Day
ARGOSY - Riverside	Casino	Kansas City	\$151.2	\$155.6	\$165.6	\$165.3	\$128.0	\$160.2	25.1%	5.9%	1,180	\$372
ISLE OF CAPRI - Boonville	Casino	Central MO	\$81.6	\$81.5	\$80.2	\$78.6	\$60.8	\$80.6	32.5%	-1.2%	837	\$264
CENTURY - Caruthersville	Casino	SE Missouri	\$37.1	\$36.9	\$37.3	\$37.4	\$31.2	\$46.8	50.0%	26.0%	527	\$243
HOLLYWOOD - Maryland Hts	Casino	St. Louis*	\$228.5	\$239.1	\$236.1	\$233.5	\$176.7	\$189.8	7.4%	-16.9%	1,648	\$316
HARRAH'S - North Kansas City	Casino	Kansas City	\$172.9	\$169.6	\$174.2	\$177.7	\$140.4	\$182.5	30.0%	5.6%	1,246	\$401
CASINO KC - Kansas City	Casino	Kansas City	\$77.4	\$75.0	\$70.2	\$66.4	\$50.9	\$83.5	64.2%	7.9%	803	\$285
LUMIERE PLACE - St. Louis	Casino	St. Louis*	\$138.1	\$140.5	\$159.9	\$162.1	\$121.4	\$161.5	33.0%	16.9%	1,243	\$356
AMERISTAR - Kansas City	Casino	Kansas City	\$199.9	\$194.3	\$191.5	\$195.1	\$149.2	\$187.2	25.5%	-6.4%	2,030	\$253
RIVER CITY - St. Louis	Casino	St. Louis*	\$223.7	\$224.9	\$224.4	\$220.3	\$170.0	\$199.9	17.6%	-10.6%	1,904	\$288
MARK TWAIN - LaGrange	Casino	E. Missouri*	\$36.1	\$34.3	\$33.6	\$31.0	\$27.3	\$38.7	41.5%	7.3%	423	\$251
AMERISTAR - St. Charles	Casino	St. Louis*	\$262.2	\$261.3	\$264.6	\$268.7	\$212.8	\$283.4	33.2%	8.1%	2,305	\$337
FRONTIER - St. Joseph	Casino	NW Missouri	\$39.6	\$40.1	\$43.0	\$37.7	\$32.8	\$41.5	26.3%	4.6%	436	\$260
ISLE OF CAPRI - Cape Girardeau	Casino	E. Missouri*	\$64.8	\$65.9	\$65.0	\$61.8	\$50.8	\$70.7	39.0%	9.0%	878	\$221
TOTALS			\$1,713.1	\$1,718.9	\$1,745.6	\$1,735.8	\$1,352.4	\$1,726.3	27.6%	0.8%	15,460	\$306
ST LOUIS REGION TOTALS			\$852.5	\$865.8	\$885.1	\$884.7	\$680.9	\$834.7	22.6%	-2.1%	7,100	\$322
Composition of St. Louis Region:			84.3%	84.8%	85.8%	86.8%	87.5%	91.4%				

IOWA CASINOS												
\$ IN MILLIONS	Casino Type	Region (*near IL)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	1-Yr.	5-Yr.	June '21	AGR/
			AGR	AGR	AGR	AGR	AGR	AGR	Change	Change	Positions	Pos/Day
AMERISTAR - Council Bluffs	Casino	W. Iowa	\$169.0	\$171.4	\$170.1	\$163.9	\$125.1	\$165.8	32.6%	-1.9%	1,344	\$338
CASINO QUEEN - Marquette	Casino	NE Iowa	\$27.1	\$26.4	\$23.8	\$21.6	\$16.8	\$18.1	8.0%	-33.2%	405	\$123
CATFISH BEND - Burlington	Casino	E. Iowa*	\$43.8	\$41.7	\$39.3	\$39.6	\$32.1	\$43.3	34.8%	-1.2%	714	\$166
DIAMOND JO - Dubuque	Casino	E. Iowa*	\$67.6	\$66.9	\$69.1	\$69.1	\$56.3	\$68.1	20.9%	0.8%	783	\$238
DIAMOND JO - Northwood	Casino	N. Iowa	\$86.5	\$85.2	\$84.8	\$84.5	\$66.2	\$95.9	44.9%	10.8%	897	\$293
GRAND FALLS - Larchwood	Casino	NW Iowa	\$55.7	\$54.8	\$56.2	\$61.5	\$51.1	\$78.0	52.7%	39.9%	849	\$252
HARD ROCK CASINO - Sioux City	Casino	W. Iowa	\$83.2	\$77.0	\$80.9	\$76.0	\$61.1	\$87.1	42.4%	4.7%	688	\$347
HARRAH'S - Council Bluffs	Casino	W. Iowa	\$70.6	\$71.3	\$73.1	\$71.3	\$52.3	\$58.1	11.0%	-17.7%	550	\$290
HORSESHOE - Council Bluffs	Racino	W. Iowa	\$175.6	\$172.1	\$176.9	\$168.5	\$141.1	\$180.3	27.8%	2.7%	1,576	\$314
ISLE OF CAPRI - Bettendorf	Casino	Quad City*	\$69.7	\$77.5	\$69.8	\$66.0	\$51.2	\$68.5	33.9%	-1.7%	889	\$211
ISLE CASINO - Waterloo	Casino	Central IA	\$89.6	\$87.0	\$85.3	\$83.7	\$65.6	\$88.4	34.7%	-1.3%	909	\$266
LAKESIDE - Osceola	Casino	Central IA	\$49.4	\$48.1	\$46.1	\$47.2	\$40.1	\$47.6	18.6%	-3.7%	650	\$201
PRAIRIE MEADOWS - Altoona	Racino	Central IA	\$182.5	\$190.2	\$201.2	\$206.5	\$157.2	\$206.7	31.5%	13.2%	1,435	\$394
Q CASINO - Dubuque	Racino	E. Iowa*	\$48.8	\$47.6	\$47.8	\$50.5	\$39.7	\$50.3	26.6%	3.0%	801	\$172
RHYTHM CITY - Davenport	Casino	Quad City*	\$43.9	\$61.9	\$67.0	\$71.2	\$64.1	\$110.3	72.0%	151.1%	871	\$347
RIVERSIDE CASINO - Riverside	Casino	Central IA	\$85.2	\$85.7	\$85.8	\$90.1	\$76.7	\$116.3	51.6%	36.5%	1,003	\$318
WILD ROSE - Clinton	Casino	E. Iowa*	\$32.9	\$31.4	\$30.2	\$29.3	\$24.0	\$32.9	37.4%	0.0%	528	\$171
WILD ROSE - Emmetsburg	Casino	N. Iowa	\$29.0	\$28.4	\$28.3	\$27.4	\$20.3	\$27.4	35.1%	-5.5%	470	\$160
WILD ROSE - Jefferson	Casino	Central IA	\$26.9	\$28.2	\$28.2	\$29.1	\$22.5	\$32.3	43.8%	20.4%	525	\$169
TOTALS			\$1,437.1	\$1,452.9	\$1,463.8	\$1,457.0	\$1,163.4	\$1,575.4	35.4%	9.6%	15,886	\$272
QUAD CITY REGION TOTALS			\$113.6	\$139.4	\$136.7	\$137.2	\$115.3	\$178.8	55.1%	57.4%	1,761	\$278
OTHER CASINOS BORDERING ILLINOIS			\$193.1	\$187.6	\$186.5	\$188.5	\$152.1	\$194.6	27.9%	0.7%	2,826	\$189
AGR Composition of Casinos on IA/IL Border:			80.0%	81.9%	82.2%	83.0%	85.9%	92.2%				
TOTAL CASINOS			\$1,030.2	\$1,042.9	\$1,037.9	\$1,031.5	\$825.5	\$1,138.2	37.9%	10.5%	14,542	\$214
TOTAL RACINOS			\$407.0	\$410.0	\$426.0	\$425.5	\$338.0	\$437.3	29.4%	7.4%	3,812	\$314

Below, and on the following page, is an overview of the casino industry involving Illinois' gaming competitors.

Indiana

- Despite having a population of about half the size of Illinois, Indiana's AGR totals of its casinos continue to be higher than Illinois. In FY 2021, Indiana's total was \$2.048 billion compared to Illinois' total of \$897 million. The FY 2021 total is a 27.8% increase from the virus-impacted FY 2020 total of \$1.603 billion. However, its AGR has consistently fallen over the last decade. In FY 2009 its AGR totals were over \$2.8 billion. While the five Chicago Area casinos in Indiana have seen their numbers falter in recent years, these casinos still make over half (55.7% in FY 2021) of the Chicago area casino market.
- Indiana hopes to revitalize their casino figures via a new "Hard Rock" casino in Lake County, which in May 2021 replaced the Majestic Star casinos located in Gary. The new casino is located adjacent to the Borman Expressway (I-94) at Burr Street and 29th Avenue, thereby making it easily accessible from the south suburbs of Chicago. This casino will be in direct competition with many of the Illinois casinos in that area, especially the new casino authorized in the south suburbs of Cook County.
- A new casino had also been authorized to be located in Vigo County near Terre Haute. This casino, which was to be called the Rocksino, was to be opened in the Fall of 2021. However, in June 2021, the Indiana Gaming Commission voted unanimously to not renew the casino license issued to Lucy Luck Gaming LLC, citing funding and staffing concerns as reasons for the cancellation. This casino license is now again seeking applicant bids. A casino in Terre Haute would be minutes from Illinois' border and would bring competition for the new Illinois casino approved for Danville.
- On September 1, 2019, sports betting became legal in Indiana. This new gaming format is available at Indiana casinos, racinos, or off-track betting facilities.

Missouri

- Adjusted Gross Receipts from Missouri casinos increased sharply (+27.6%) in FY 2021, as its thirteen operating casinos bounced back well from the pandemic-impacted falloffs of FY 2020. The four St. Louis area casinos near the Illinois border generated \$835 million in adjusted gross receipts in FY 2021. Approximately 91% of the AGR revenues in this area are collected in Missouri.
- The growth in St. Louis' area AGR may have been more if it were not for the increased competition from video gaming terminals in Illinois. The four Illinois counties closest to St. Louis (Jersey, Madison, Monroe, and St. Clair) had nearly 3,000 video gaming terminals in operation in FY 2021 with net terminal income

totaling \$121 million. More competition could soon come to the area with the authorization of a racino at Fairmount Racetrack, which could add as many as 900 new gaming positions to this metropolitan area on the Illinois side of the border.

Iowa

- Despite a much smaller population, the FY 2021 AGR totals were again higher in Iowa (\$1.575 billion) than Illinois (\$897 million). Iowa's AGR levels grew +35.4% in FY 2021 and have increased 9.6% over the last five years. In FY 2021, on an individual basis, Illinois' Rock Island Casino (\$32M) was outperformed by Bettendorf's Isle of Capri (\$69M) and Davenport's Rhythm City (\$110M). With two casinos compared to one, Iowa brings in the vast majority of revenues in the Quad City area. An additional \$195 million in AGR was brought in by other Iowa casinos near the Illinois border.
- Iowa also adds gaming revenues via sports betting at casinos. This new gaming format began on August 15, 2019.

Wisconsin

- While Wisconsin does not have public casinos, it does have a number of tribal gaming facilities throughout the state. The closest Wisconsin casinos to Illinois' border currently reside in Milwaukee and Madison.
- A tribal casino to be located in the city of Beloit (just north of Rockford) was approved by Wisconsin governor Tony Evers in March 2021. The project is now awaiting final approval from the federal government. If approved, the casino could begin construction this year with a potential 2022 opening. This \$405 million casino project would be located across from the Wisconsin Welcome Center, just past the Illinois border, along I-39/I-90. This casino would be in direct competition with Illinois' newly authorized casino location in Rockford.
- Another proposal for the city of Kenosha, a few miles north of Waukegan, was rejected by Wisconsin Governor Scott Walker in 2015, and has not regained traction since.

Michigan

- While Michigan's large public casinos reside relatively far from Illinois in Detroit, the state does have a number of tribal casinos. One of those casinos, the Four Winds Casino, is located off of I-94 approximately 90 minutes from Chicago in New Buffalo, Michigan. While somewhat far from Chicago, the casino offers low-cost shuttles from several Illinois locations to entice gamblers to its venue.

The Future of the Casino Industry and the Anticipated Impact of P.A. 101-0031 and P.A. 101-0648

Over the past couple of decades, many legislative proposals advocating gaming expansion have been offered by State lawmakers, but, up until 2019, these proposals failed to garner enough support for enactment. However, in June 2019, this all changed as Governor Pritzker signed into law P.A. 101-0031. Parts of this Act were modified by P.A. 101-0648, which was signed into law in June 2020. While these public acts make numerous changes to State law impacting a wide range of tax revenues, this section will focus on the changes that will impact the casino industry.

Although it has been two years since the gaming expansion bill was signed into law, very little progress, in terms of revenues, has been made so far (outside of an increase in positions at existing casinos and a reduced tax structure). This is not surprising as history has shown that the process of selecting, developing, and implementing new gaming options in Illinois can take months, if not years. The question of how much revenue could be generated from gaming expansion once new casinos become operational is difficult to answer because there are a number of variables that 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 impact of the new taxing structure; the cannibalization effect on existing facilities, and the lingering impact of the pandemic.

With these factors in mind, the following paragraphs offer a brief analysis of the principal components of the casino-related changes of P.A. 101-0031 and P.A. 101-0648. It then discusses the revenue potential from these gaming components upon full implementation. At this state of the process, these revenue projections must be viewed in broad terms because of the many uncertainties (casino locations, gaming positions per location, timeframe of openings, etc.) that have yet to be established.

- **New Casino Licenses**

Over the past several years, Illinois has had ten operating casino licenses. Public Act 101-0031 increases this number by six, authorizing a large land-based casino in the City of Chicago, as well as five additional casino licenses in Waukegan, the South Suburbs, Rockford, Danville, and in Williamson County. So far, none of these new sites have obtained final approval to begin operating a casino, although a few appear to be getting close.

In June 2021, the site in Rockford, which will be known as the Hard Rock Casino, received the go-ahead from the Illinois Gaming Board to move forward with requesting approval to commence construction on a temporary and permanent facility. It is expected that the casino will begin operations at the temporary location within the next year. This temporary location is anticipated to be used for two years while a permanent location is built. The initial plans are for the permanent location to have 1,500 slot machines and 55 table games once fully opened.

Another location that has received “preliminary suitability” from the Gaming Board is the future Walker’s Bluff Casino in Williamson County. The proposed facility would include a casino with 650 slots and 20 table game, along with hotel, events center, and several restaurants. According to a June 2021 thesouthern.com article, if a temporary facility is built, the casino could be open about nine months after the license is awarded. The article also states that a permanent location is expected to take about 15 months to complete.

The other future casinos in Waukegan, Danville, and the south suburbs are further behind in the implementation process, though future development is still anticipated. The Gaming Board states that some of these locations could be granted “preliminary suitability” in the months ahead, which would allow them to proceed with construction plans. While the mega Chicago Casino issued a Request for Proposal (RFP) in April 2021, its opening appears to be several years away. According to news reports, the City is expected to select a final applicant in early 2022 with a new casino opening in 2025, if things go as planned.

The new casinos, especially the large 4,000 position (max) casino in Chicago, will no doubt generate millions of dollars to the State and local governments, but how much revenue could these new casinos realistically generate? The amount of revenue generated from the newly authorized downstate locations would probably be very similar to the other smaller “existing” casinos across the State. This would mean downstate casinos like Danville and Williamson County would likely see adjusted gross receipts (taxable base) of less than \$75 million per location and would see recurring tax revenues totaling less than \$15 million per location. The revenue generated from casinos in more highly populated locations, such as Waukegan, South Suburbs, and Rockford, are projected to see AGR totals per location between \$100 million and \$150 million upon full implementation. Resulting recurring tax totals would thus total between \$25 million and \$50 million per location under the enacted tax structure.

Because of its anticipated large size, a new 4,000 position casino strategically located near an untapped area of Chicago should exceed Illinois’ highest revenue generating casino, which was Des Plaines in FY 2019 (\$440M), and would rival other large casinos across the country. To put a Chicago casino’s revenue potential into perspective, the following table displays the top 25 casinos in the Great Lakes Region in terms of AGR. [The focus here is on the pre-pandemic 2019 totals to avoid the comparative complications caused by the COVID-19 virus].

As shown, the casino with the highest amount of AGR in this region in CY 2019 was the MGM Grand in Detroit with adjusted gross receipts totaling \$619 million. Only three casinos in this region had AGR levels above \$500 million (MGM in Detroit, Parx near Philadelphia, and Wind Creek in Bethlehem, PA – near the New Jersey state line). These three casinos have gaming position totals similar to the 4,000 positions the Chicago Casino is authorized to operate. Some believe that a Chicago casino could potentially top the list shown above. However, it must be stressed that this would have to occur at a time that gaming options in the Chicago metropolitan area would be higher than they have ever been before.

**Table 13: Statistical Summary of the Top 25 Revenue Generating Casinos in the Great Lakes Region
(Including the States of Illinois, Indiana, Iowa, Michigan, Missouri, Ohio, and Pennsylvania)**

\$ in millions

Rank	Location	State	CY 2013 AGR	CY 2014 AGR	CY 2015 AGR	CY 2016 AGR	CY 2017 AGR	CY 2018 AGR	CY 2019 AGR	Dec 2019 Positions	AGR/ Pos/Day
1	MGM GRAND - Detroit	Michigan	\$566.8	\$561.1	\$582.0	\$592.1	\$592.2	\$619.2	\$623.5	3,901	\$438
2	PARX - Bensalem	Pennsylvania	\$487.7	\$490.6	\$523.5	\$551.7	\$566.5	\$602.7	\$613.9	3,903	\$431
3	WIND CREEK - Bethlehem	Pennsylvania	\$465.0	\$470.0	\$513.9	\$535.2	\$545.7	\$521.0	\$522.2	4,064	\$352
4	MOTORCITY CASINO - Detroit	Michigan	\$454.3	\$445.0	\$464.5	\$467.9	\$478.6	\$489.7	\$493.6	2,740	\$494
5	RIVERS CASINO - Des Plaines	Illinois	\$418.9	\$425.5	\$425.0	\$428.4	\$433.0	\$441.8	\$450.5	1,317	\$937
6	HORSESHOE - Hammond	Indiana	\$480.4	\$430.5	\$421.3	\$399.5	\$403.7	\$392.5	\$389.1	2,727	\$391
7	THE RIVERS - Pittsburgh	Pennsylvania	\$352.0	\$346.3	\$348.3	\$334.2	\$335.5	\$357.4	\$379.7	3,018	\$345
8	GREEKTOWN CASINO - Detroit	Michigan	\$328.3	\$326.7	\$329.9	\$325.6	\$329.7	\$335.2	\$337.2	3,344	\$276
9	THE RIVERS - Philadelphia	Pennsylvania	\$265.6	\$265.1	\$269.0	\$297.7	\$297.7	\$302.5	\$312.0	2,325	\$368
10	INDIANA GRAND - Shelbyville	Indiana	\$217.9	\$236.5	\$241.0	\$250.1	\$263.4	\$261.7	\$271.1	1,801	\$412
11	AMERISTAR - St. Charles	Missouri	\$258.4	\$259.8	\$265.1	\$261.1	\$263.3	\$267.2	\$266.8	2,541	\$288
12	MGM - Northfield	Ohio	\$8.2	\$179.8	\$209.5	\$225.1	\$239.5	\$255.9	\$253.6	2,069	\$336
13	HARRAH'S - Chester	Pennsylvania	\$311.2	\$286.8	\$286.6	\$272.1	\$263.5	\$261.7	\$250.6	2,661	\$258
14	PENN NATIONAL - Grantville	Pennsylvania	\$266.8	\$247.4	\$245.3	\$244.2	\$244.8	\$242.6	\$240.3	2,206	\$298
15	HOLLYWOOD - Maryland Hts	Missouri	\$232.3	\$218.3	\$226.0	\$233.8	\$237.8	\$233.6	\$237.8	2,248	\$290
16	THE MEADOWS - Washington	Pennsylvania	\$264.3	\$245.4	\$251.5	\$253.0	\$250.9	\$246.9	\$235.6	2,702	\$239
17	HOLLYWOOD - Columbus	Ohio	\$210.8	\$207.8	\$210.3	\$213.5	\$220.9	\$226.5	\$229.2	2,426	\$259
18	MOHEGAN SUN - Wilkes-Barre	Pennsylvania	\$263.4	\$262.8	\$265.3	\$261.7	\$246.9	\$234.1	\$226.8	2,066	\$301
19	RIVER CITY - St. Louis	Missouri	\$207.4	\$209.1	\$220.9	\$224.1	\$225.7	\$226.3	\$221.2	2,034	\$298
20	HOOSIER PARK - Anderson	Indiana	\$191.6	\$197.4	\$205.6	\$205.2	\$208.4	\$214.2	\$213.7	1,337	\$438
21	JACK - Cleveland	Ohio	\$242.6	\$220.4	\$212.7	\$203.6	\$197.9	\$204.9	\$212.1	1,853	\$314
22	PRAIRIE MEADOWS - Altoona	Iowa	\$187.3	\$183.5	\$182.6	\$187.0	\$194.7	\$206.5	\$208.3	1,771	\$322
23	CAESARS - Harrison County	Indiana	\$260.9	\$253.7	\$244.4	\$238.9	\$247.5	\$228.4	\$207.8	1,543	\$369
24	JACK - Cincinnati	Ohio	\$184.5	\$197.8	\$196.5	\$189.3	\$201.5	\$203.5	\$207.7	2,246	\$253
25	AMERISTAR - East Chicago	Indiana	\$212.5	\$216.3	\$221.7	\$215.4	\$201.7	\$217.5	\$206.5	2,064	\$274

Not only will the Chicago Casino compete with the five Illinois casinos that currently reside in the Chicago metro area, including the successful Des Plaines casino (5th on the above list, despite the fact that it has been limited to 1,200 positions), but also with five nearby Indiana casinos, two new suburban casinos (in Waukegan and the South Suburbs), two potential racinos in the metro area, as well as competing with over 15,000 video gaming terminals in the Chicago metropolitan area. The top casinos in the previous table have significantly less competition for the gaming dollar than a Chicago Casino will have, which makes Chicago topping this list much more challenging.

Ultimately, the revenue performance of the Chicago Casino, as well as the other newly allowed casinos, will depend on a multitude of other variables. These variables include the number of gaming positions actually utilized, the location of the new facility, the proximity to competing gaming options, and the marketing decisions of casino owners in lieu of Illinois tax rates that may be higher than imposed on casinos they own in other states.

Aside from the recurring revenues, millions of dollars in one-time revenues could be collected from the development of the new casinos. These revenues are expected to come from the bidding of new licenses, application fees, gaming position fees, and reconciliation payments. While these components could bring in near \$1.0 billion for the State (collected over a number of years) if every aspect of gaming expansion goes according to plan, its precise value remains in question as many of these fees are based on casino performance and future casino operation decisions.

- **Additional Gaming Position Purchasing Option**

For years, many have argued that Illinois casinos have been at a competitive disadvantage with other states because State law limited their gaming positions to 1,200 per casino. The capping of the number of slots and table games that a casino may operate prevents them from increasing certain games that are in demand. At popular locations, this position limit often creates waiting times for the more sought-after games during the peak hours and creates a disincentive for the would-be gambler. This has caused some gamblers to spend their money elsewhere, thereby, creating missed opportunities for revenues.

In light of this, as a way for existing casinos to respond to the upcoming competition, P.A. 101-0031 authorized casinos the opportunity to increase their available gaming positions from 1,200 positions to as many as 2,000 positions. However, to obtain these positions, the casinos must purchase these positions at a cost of \$17,500 per position for licenses not located in Cook County and \$30,000 per position for licenses located in Cook County.

Despite the opportunity to increase their gaming positions, most of the existing casinos have declined this opportunity. This is because prior to the onset of this additional position availability, only 3 of the 10 Illinois casinos were at or near the maximum limit of 1,200 gaming positions (Joliet Harrah's: 1,187; Elgin: 1,200; Des Plaines: 1,200). Furthermore, there is very little incentive for these casinos to spend the money to operate additional gaming positions, especially in light of the looming additional competition that will soon be added throughout Illinois.

Gaming Board reports show that only the Rivers Casino in Des Plaines has taken the opportunity to operate at more than the 1,200 threshold. The latest figures show Des Plaines nearing 1,300 positions. The fact that Rivers has chosen to invest in additional positions is not surprising considering its AGR/position/day figures have been historically much higher than all other casinos in the region. As shown in Table 13, its 2019 end-of-year value was at \$957. No other casino in the region was above \$500. To many, this discrepancy shows the revenue potential that still exists for casinos near the City's downtown areas. Because of this, it would not be surprising to see Rivers' position total grow much higher in the months to come as the pandemic fades and gaming conditions return to "normal".

However, the window of opportunity for Rivers to profit on these additional gaming positions before the new competing casinos are built and become operational may be short lived. The new gaming locations, as soon as the selection process is completed, will be seeking to open up temporary facilities as soon as possible to begin generating revenues. Unfortunately for Rivers, this period of opportunity has been shortened even further by the suspension of play and limitations caused by the COVID-19 pandemic. Time will tell whether the purchasing of these additional positions was worth the extra investment.

- **Casinos at Racetracks (Racinos)**

Illinois' horse racing industry has lobbied for years to join other states and allow casinos at its horse tracks (commonly referred to as racinos). P.A. 101-0031 allowed this to become a reality as the Act authorizes both electronic gaming and table games at Illinois' racetracks under the following gaming position limits: Arlington: 1,200 positions; Hawthorne: 1,200 positions; and Fairmount: 900 positions. It also allows for an additional 1,200 position racetrack casino in Cook County in the future if it meets certain racing and licensing requirements. However, the amount of positions that will ultimately be put into operation will likely be less than these allotted values. While Hawthorne and Fairmount have indicated that they plan on taking the necessary steps to obtain a license in the near future. Arlington International Racecourse announced in August 2019 that they would not pursue a casino license.

How much revenue could Illinois realize from these racinos? This is difficult to answer. The table below shows the amount of gross receipts generated by the racinos in the Great Lakes Region in the three calendar years prior to the pandemic. As shown, the revenue discrepancy between each of the locations is wide, ranging from just under \$50 million to over \$600 million. The performance of these racinos is strongly influenced by factors that affect any casino: location of the facility, distance from competing venues, gaming positions utilized, tax structure imposed, etc.

While Illinois' operating racetracks would be in highly populated regions, they also lie within short distances of either existing casinos or newly proposed locations. These venues will immediately have strong competition surrounding them, and that does not include the successful video gaming terminals that operate across the State. As a result, obtaining revenue totals that match the large revenue producing casinos shown below will be challenging, especially because the gaming positions at Illinois' racinos will be limited.

Racino	Location	CY 2017 AGR (in mil.)	CY 2018 AGR (in mil.)	CY 2019 AGR (in mil.)	Est. Gaming Positions (Dec '19)	AGR/ Position/ Day
Parx Casino	Bensalem, PA	\$566.5	\$602.7	\$613.9	3,903	\$431
Indiana Grand	Shelbyville, IN	\$263.4	\$261.7	\$271.1	1,801	\$412
MGM	Northfield, OH	\$239.5	\$255.9	\$253.6	2,069	\$336
Harrah's Chester Casino	Chester, PA	\$263.5	\$261.7	\$250.6	2,661	\$258
Hollywood Casino at Penn National	Grantville, PA	\$244.8	\$242.6	\$240.3	2,206	\$298
The Meadows Racetrack & Casino	Washington, PA	\$250.9	\$246.9	\$235.6	2,702	\$239
Mohegan Sun at Pocono Downs	Wilkes-Barre, PA	\$246.9	\$234.1	\$226.8	2,066	\$301
Hoosier Park	Anderson, IN	\$208.4	\$214.2	\$213.7	1,337	\$438
Prairie Meadows	Altoona, IA	\$194.7	\$206.5	\$208.3	1,771	\$322
Scioto Downs	Columbus, OH	\$160.4	\$175.1	\$183.5	1,990	\$253
Miama Valley	Lebanon, OH	\$147.5	\$161.0	\$179.8	1,674	\$294
Horseshoe Casino	Council Bluffs, IA	\$174.0	\$172.9	\$173.0	1,579	\$300
Jack Thistletown	Cleveland, OH	\$115.4	\$127.4	\$142.5	1,321	\$296
Presque Isle Downs Casino	Erie, PA	\$125.6	\$129.9	\$129.4	1,588	\$223
Hollywood - Mahoning Valley	Mahoning Valley, OH	\$112.4	\$119.1	\$128.6	990	\$356
Hollywood - Dayton	Dayton, OH	\$99.7	\$106.7	\$116.7	959	\$334
Belterra Park	Cincinnati, OH	\$82.5	\$81.2	\$85.8	1,238	\$190
Q Casino	Dubuque, IA	\$47.4	\$49.8	\$49.7	831	\$164

* The Q Casino is located at a greyhound race track. All other locations on this list are horse tracks.

Factors that Could Limit Tax Revenue Growth

Despite the fact that authorized gaming positions could more than triple under P.A. 101-0031 and P.A. 101-0648, the Commission projects only modest growth in gaming-related tax revenues. Reasons for this are discussed below.

- **An Effectively Reduced Tax Structure**

As discussed earlier, among the changes of P.A. 101-0031 and P.A. 101-0648 is a modification to the privilege tax structure imposed on casinos. The new law provides that table games and electronic gaming devices have separate tax structures, which in itself reduces the tax revenue potential under a graduating tax format. The revenue potential is further limited by the fact that the rates imposed on table games are much lower than under prior law. These changes create an effective tax rate that will be significantly lower than before, thereby making it more challenging to generate large amounts of “new” tax revenues for the State. This is despite the fact that the gaming industry’s taxable base could see significant growth from its new gaming options.

- **Cannibalization and Area Saturation**

Few would argue that the new casinos and racinos will generate revenues for the State. The question, however, is at what cost? In areas where gaming approaches saturation, a “cannibalization” effect often occurs where upon existing casinos see revenue losses as a result of the new local competition. There have been numerous gaming-related examples of this cannibalization effect in recent years. As discussed in the video gaming section, the most recent is the impact that video gaming has had on the Chicago Area casinos (AGR decline of -16.4% since video gaming’s inception).

It is expected that cannibalization at existing Illinois casinos is inevitable, especially those in the Chicago metropolitan area where the majority of the gaming expansion will take place. The extent that revenues from these current locations will suffer remains in question. Some would argue that many portions of this metro area are already near saturation, even without gaming expansion. Because of this, the overall value of tax revenue growth from gaming expansion will likely be modest at best once accounting for the cannibalization on existing gaming options and the factors above.

Internet Gaming Option

One gaming expansion option that Illinois has yet to adopt is “internet gaming” or commonly referred to as the allowance of “online casinos”. These online casino platforms are typically setup and managed by the operating casinos of a state. Currently, there are only a handful of states that allow online casinos in the United States: Delaware; New Jersey; Pennsylvania; West Virginia; and Michigan. The ability to gamble online made this format a popular option during the pandemic for these states.

As directed by Senate Resolution 303 of the 102nd General Assembly, the Commission recently estimated that if Internet Gaming was available in Illinois during the pandemic, adjusted gross revenue (taxable base) totals of between \$622 million and \$1.249 billion could have been generated. These figures were based on the revenue results of those states with online casinos. The taxes generated from these revenues is dependent on the tax rate imposed, but based on the directed rates of 12% to 16%, tax revenues could have ranged between \$75 million and \$200 million during this specific pandemic time period.

It must be stressed, however, that revenues generated during a pandemic are likely higher than typical as other gaming/spending options would emerge once virus concerns wane. It should also be pointed out that the process of legalizing, developing, and implementing online gaming would take many months to accomplish, so the revenue projections shown above would have been difficult to achieve without the framework first being established.

Another aspect that must be considered in regard to online gaming is that an online gaming option would no doubt hurt other gaming industries, such as land based casinos and video gaming establishments. Therefore, the overall impact of implementing Internet Gaming in Illinois must also consider the potential loss of revenue from other competing sources.

The Commission’s response to Senate Resolution 303 in regard to Internet Gaming in Illinois can be viewed on the Commission’s website at:

<https://cgfa.ilga.gov/Upload/SR0303%20Internet%20Gaming%20in%20Illinois-July%202021.pdf>

VIDEO GAMING

VIDEO GAMING

Video Gaming was first legalized in July 2009 thru P.A. 96-0034. The following section provides an overview of the legislation legalizing video gaming in Illinois, graphs and tables depicting the growth of video gaming thru FY 2021, a detailed discussion on the impact that video gaming is having on the casino industry, and a look at the impact that P.A. 101-0031 and P.A. 101-0648 has had on video gaming in Illinois thus far.

Public Act 96-0034 – The Capital Bill and Video Gaming’s Original Arrangement

In July 2009, Governor Quinn signed into law Public Act 96-0034, which became the first comprehensive capital bill in many years. The revenue streams used to pay for the new capital projects were as follows: 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.

Legal issues and interruptions in the implementation of many of these sources caused significant delays in receiving these capital-earmarked revenues. For video gaming, the delays included limited staffing available to oversee the new program, time-consuming background checks on operation applicants, and a longer-than-expected process of selecting and implementing a Central Communications System. Video gaming finally began operations in Illinois in September 2012, a little over three years after P.A. 96-0034 was signed into law.

In the original arrangement, each qualified establishment was allowed to operate up to 5 video gaming terminals on its premises at any time. Revenues, after payouts, were 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. Of the after-tax profits from a video gaming terminal, 50% was paid to the terminal operator and 50% to the establishment conducting video gaming. As shown on the next page, these limits, rates, and distributions have been since modified.

A non-refundable application fee is paid at the time an application for a license is filed with the Gaming Board. The current level of application fees is as follows:

- | | |
|-------------------------------|---|
| 1) Manufacturing: \$5,000 | 5) Technician: \$100 |
| 2) Distributor: \$5,000 | 6) Terminal Handler: \$100 (up from \$50) |
| 3) Terminal Operator: \$5,000 | 7) Establishment: \$100 |
| 4) Supplier: \$2,500 | |

In addition, the Gaming Board establishes an annual fee for each license as follows:

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

Of these fees, 25% shall be paid for the treatment of compulsive gambling and 75% shall be used for the administration of the Video Gaming Act.

Changes to Video Gaming under P.A. 101-0031

P.A. 101-0031 made the following changes to the Video Gaming Act. A discussion of the impact of these changes is included at the end of this section.

- **Betting Limit Changes**

The maximum wager played per hand shall not exceed \$4 (\$2 under prior law).

- No cash award for the maximum wager on any individual hand shall exceed \$1,199 (\$500 under prior law).
- No cash award for the maximum wager on a jackpot, progressive or otherwise, shall exceed \$10,000.
- In-location bonus jackpot games are also authorized.

- **Regular Terminal Limit Increased from 5 to 6**

- The limit on video gaming terminals per establishment shall be increased from 5 to 6 terminals.

- **Truck Stop Terminal Limit Increased to 10**

- A licensed truck stop establishment (with at least 50,000 gallons or more sold) may operate up to 10 video gaming terminals on its premises at any time.

- **Tax Rate Change**

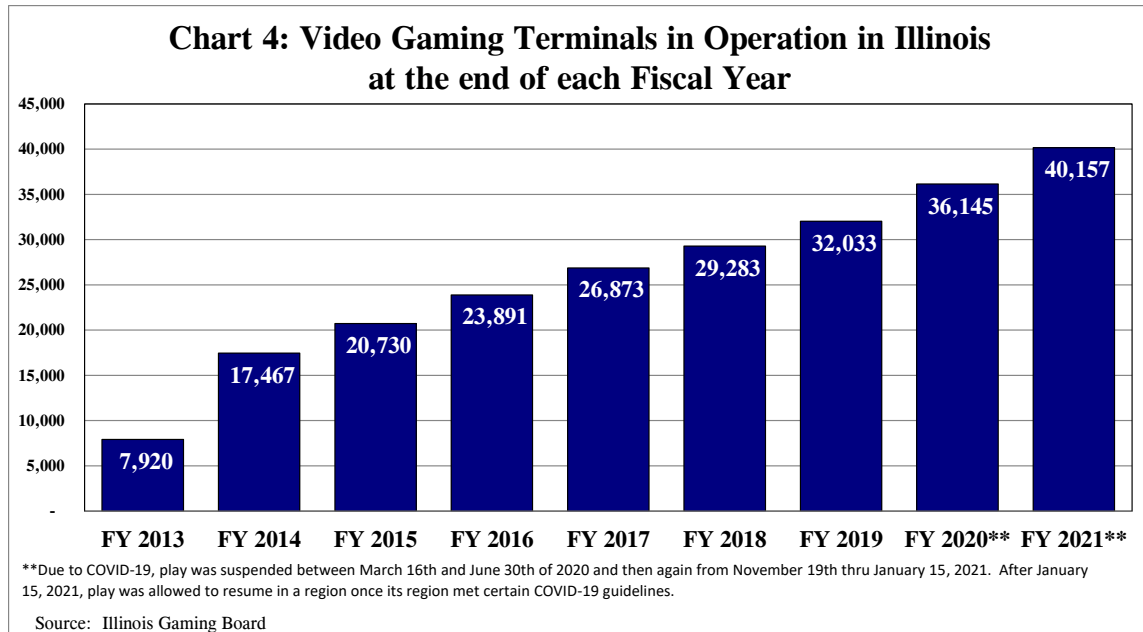
- Beginning on July 1, 2019, an additional tax of 3% is imposed on net terminal income and shall be collected by the Gaming Board (bringing the tax to 33%).
- Beginning on July 1, 2020, an additional tax of 1% is imposed on net terminal income and shall be collected by the Gaming Board (bringing the tax to 34%).
- The additional tax is deposited into the Capital Projects Fund.

- **State Fair Gaming Act**

- Up to 50 video gaming terminals during the scheduled dates of the Illinois State Fair; and
- Up to 30 video gaming terminals during the scheduled dates of the DuQuoin State Fair.
- A tax is imposed at the rate of 35% of net terminal income.
- The tax revenue shall be remitted to the Gaming Board and deposited into the newly created State Fairgrounds Capital Improvements and Harness Racing Fund.
- P.A. 101-0648 modified the original legislation to provide that the Gaming Board shall issue an establishment license to the Department of Agriculture to operate video gaming at these fairs (rather than issuing the license to a concessioner).

Video Gaming Statistics

In its opening month of September 2012, 61 video gaming terminals were in operation in Illinois. By the end of FY 2021 (June 2021), this number had risen to 40,157 terminals. The chart below displays the significant 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. This monthly average of “new” terminals gradually slowed to 229 new terminals per month in FY 2019. However, since that time, the number of new terminals added across the State has crept back up to an average of 365 new terminals per month in FY 2021.

The increase in both total terminals and “new” terminals added per month in FY 2021 is in large part due to the July 1, 2019 terminal limit increase from 5 to 6 terminals at regular establishments and from 5 to 10 terminals at qualifying truck stops. The FY 2021 data show that 4,220 of 8,037 (52.5%) establishments operated 6 terminals at one point during the fiscal year. In addition, one location (assumedly a truck stop) operated 8 terminals; three operated nine terminals, and 49 locations maxed out at 10 terminals. A breakdown of the FY 2021 data by number of terminals per location is shown in the table below.

TABLE 15: Video Gaming Statistics Grouped by Number of Terminals per Location											
FY 2021 Totals											
	Terminals										Total
	1	2	3	4	5	6	7	8	9	10	
# of Locations:	2	92	690	824	2,151	4,220	-	1	3	49	8,037
# of Terminals:	2	184	2,070	3,296	10,755	25,320	-	8	27	490	42,152
NTI Totals (\$ in mil):	\$0.05	\$2.5	\$37.2	\$61.5	\$303.4	\$1,481.4	\$0.0	\$0.6	\$1.8	\$46.9	\$1,934.0
NTI/Location:	\$24,992	\$27,556	\$53,946	\$74,585	\$141,054	\$351,033	\$0	\$569,239	\$595,791	\$957,868	\$240,638
NTI/Location/Day:	\$81	\$90	\$176	\$243	\$459	\$1,143	\$0	\$1,854	\$1,941	\$3,120	\$784
NTI/Terminals/Day:	\$81	\$45	\$59	\$61	\$92	\$191	\$0	\$232	\$216	\$312	\$149

While there is a limit on the number of casinos/racinos that can be in operation across the State, Illinois does not limit the number of establishments that can offer video gaming. 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. If municipality limits or bans on video gaming were to be lifted (such as in Chicago), the terminal total could grow significantly.

As the terminals have increased, so have the amounts of revenue and tax dollars generated by these machines. As shown in the table below, total net terminal income increased from \$121 million to nearly \$1.6 billion between FY 2013 and FY 2019. This resulted in tax revenue totals growing from \$36 million in FY 2013 to a high of \$478 million in FY 2019.

This tax revenue total was expected to further increase in FY 2020 due to the tax rate hike from 30% to 33%. However, the outbreak of COVID-19, along with the suspension of video gaming operations between March 16th and June 30th, significantly impacted the amount of revenues collected in FY 2020. Still, \$404 million in total tax revenues were collected from the \$1.2 billion in net terminal income (taxable income) generated during the fiscal year. Of this tax revenue total, \$342 million went to the State (Capital Projects Fund), while the remaining \$61 million went to local governments.

In FY 2021, even with the COVID-19 virus lingering, revenues from video gaming experienced huge gains. Net terminal income totals reached \$1.934 billion for the fiscal year, a 58.2% increase from the prior year and even 21.4% above the pre-pandemic totals of FY 2019. These impressive totals were collected despite the fact that play was suspended again between November 19th and January 15, 2021 of the fiscal year. The \$1.934 billion in net terminal income resulted in \$658 million in tax revenues, of which \$561 million went to the Capital Projects Fund and \$97 million went to local governments. These values, along with other fiscal year totals of video gaming data, are shown in the table below.

Fiscal Year	Terminals in Operation at end of FY	Net Terminal Income (\$ in mil)	NTI per Terminal per Day	Tax Revenue* (\$ in mil)	State Share of Total* (\$ in mil)	Local Share of Total* (\$ in mil)
FY 2013	7,920	\$121.1	\$41.88	\$36.3	\$30.3	\$6.1
FY 2014	17,467	\$485.4	\$76.14	\$145.6	\$121.4	\$24.3
FY 2015	20,730	\$804.8	\$106.36	\$241.4	\$201.2	\$40.2
FY 2016	23,891	\$1,020.8	\$117.06	\$306.2	\$255.2	\$51.0
FY 2017	26,873	\$1,202.0	\$122.55	\$360.6	\$300.5	\$60.1
FY 2018	29,283	\$1,406.5	\$131.59	\$421.9	\$351.6	\$70.3
FY 2019	32,033	\$1,592.5	\$136.21	\$477.8	\$398.1	\$79.6
FY 2020**	36,145	\$1,222.6	\$130.60	\$403.5	\$342.3	\$61.1
FY 2021**	40,157	\$1,934.0	\$156.88	\$657.6	\$560.9	\$96.7

* Prior to July 1, 2019, tax imposed on video gaming net terminal income was at 30% in which 5/6 of the tax revenues went to the Capital Projects Fund and the remaining 1/6 went to local governments. Beginning on July 1, 2019, an additional tax of 3% began, bringing the tax to 33%. On July 1, 2020, the tax increased to 34%. Revenues from the additional tax are to be deposited into the Capital Projects Fund.

**Due to COVID-19, play was suspended between March 16th and June 30th of 2020 and then again from November 19th thru January 15, 2021. After January 15, 2021, play was allowed to resume in a region once its region met certain COVID-19 guidelines.

The previous table also illustrates how the net terminal income per terminal per day values rose each year between FY 2013 and FY 2019. This value fell slightly to \$130.60 in FY 2020, likely due to the initial impacts of the pandemic. However, in FY 2021, this value shot up to \$156.88. The reason for this increase, and for the overall strong increase in video gaming revenues, can likely be attributed to the pent-up demand of would-be gamblers during much of the pandemic. Once restrictions eased and it became safer to “get out of the house”, it appears the gamblers flocked to the local establishments to wager on these video gaming machines. Aiding this growth in revenues was the increase in the number of new terminals added per establishment and the continued growth of new establishments housing these terminals.

In addition, the timing of federal stimulus checks may have contributed to these large increases. For example, while the FY 2021 average NTI per terminal per day value was \$156.88, the months of March and April had record-high values of over \$200 per day. It was during these months that many Americans received federal stimulus checks, as well as tax refunds. The net terminal income totals during the latter stages of FY 2021 were significantly higher than any prior month in Illinois’ history. These upticks in monthly revenues are clearly seen in the following graph.



The graphs below display the breakout of net terminal income (taxable base) and tax revenues collected from video gaming on a fiscal year basis. Again, through FY 2019, the tax on video gaming was equal to 30% of net terminal income. From this amount, 5/6 went to the Capital Projects Fund and the remaining 1/6 of the tax revenues went to the local governments. P.A. 101-0031 increased this tax rate to 33% in FY 2020. The tax then rose to 34% in FY 2021. These rate increases, along with the significant growth in net terminal income, is why the State share of tax revenues (to the Capital Projects Fund) is shown to grow significantly in Chart 7.

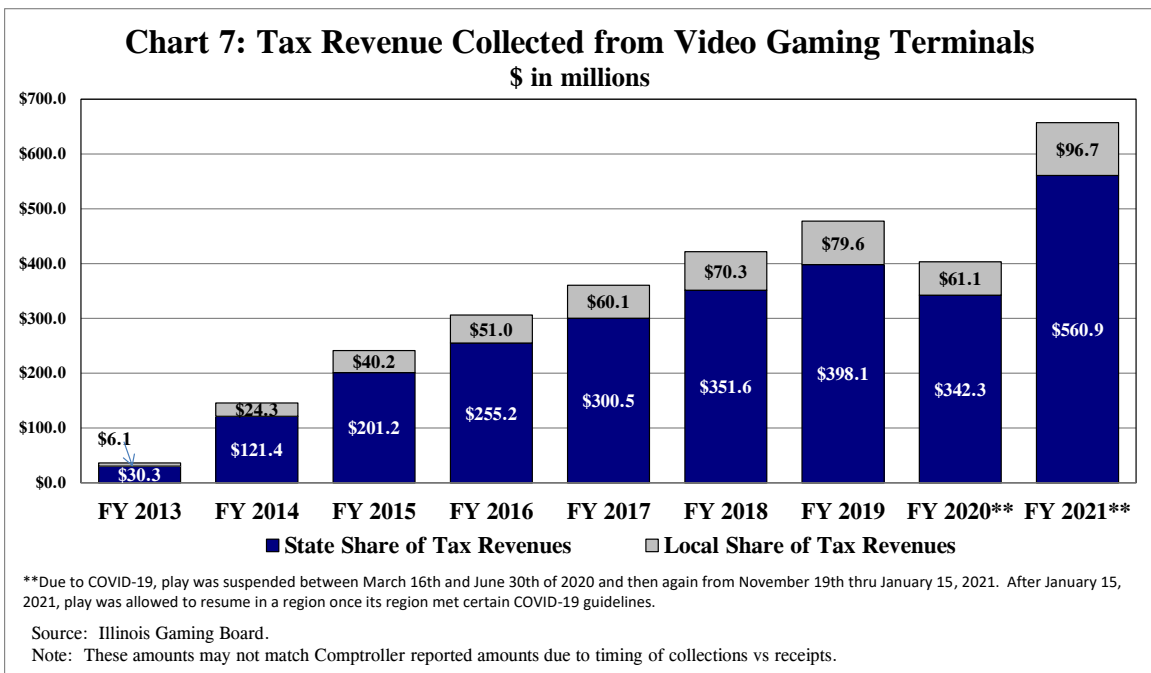
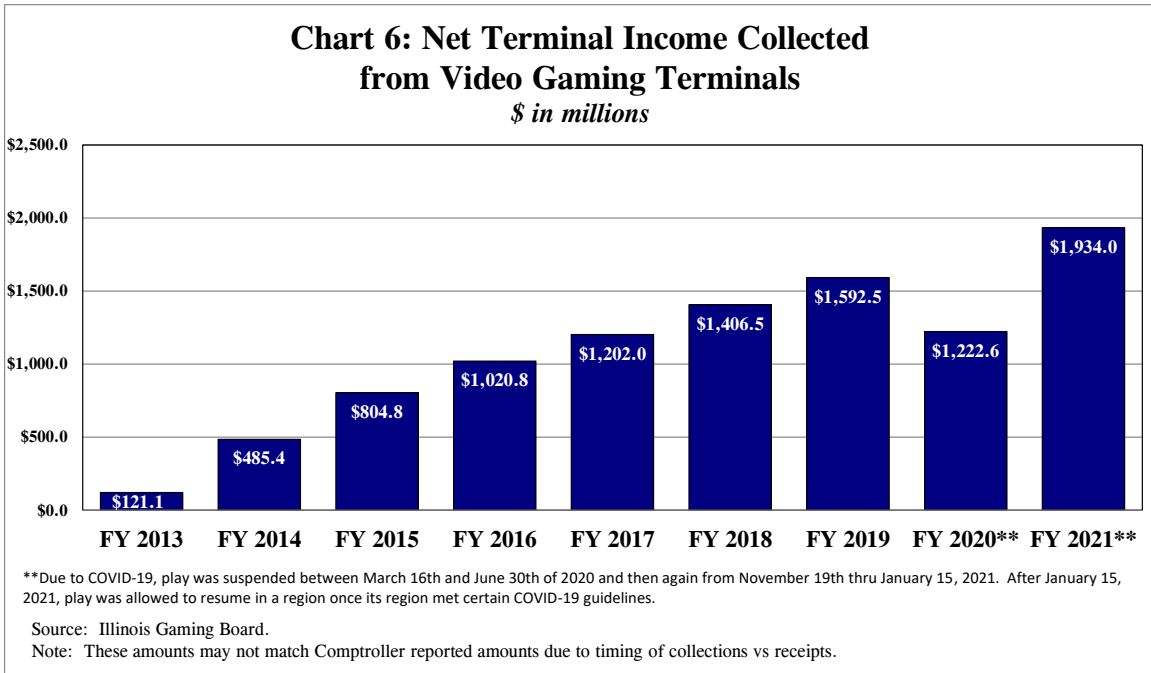


Table 17 below displays the FY 2021 figures on a county by county basis. Here, the terminal total for FY 2021 is listed as 42,152. This is higher than the value of 40,157 shown in Table 17 because this figure would include terminals that have since been removed from operation. In other words, the fiscal year ended with 40,157 terminals, but 42,152 terminals were used at some point during the fiscal year.

Table 17: Video Gaming Statistics by Illinois County													
FY 2021 Totals													
\$ in millions													
County	Busin- esses	Term- inals	NTI	Tax Revenue	State Portion	Local Portion	County	Busin- esses	Term- inals	NTI	Tax Revenue	State Portion	Local Portion
Totals:	8,037	42,152	\$1,934.0	\$657.6	\$560.9	\$96.7	Totals:	8,037	42,152	\$1,934.0	\$657.6	\$560.9	\$96.7
Adams	113	391	\$19.4	\$6.6	\$5.6	\$1.0	Lee	63	323	\$10.5	\$3.6	\$3.0	\$0.5
Alexander	9	45	\$1.9	\$0.6	\$0.5	\$0.1	Livingston	60	296	\$9.2	\$3.1	\$2.7	\$0.5
Bond	22	110	\$3.7	\$1.3	\$1.1	\$0.2	Logan	46	256	\$9.2	\$3.1	\$2.7	\$0.5
Boone	50	275	\$11.6	\$3.9	\$3.4	\$0.6	Macon	111	627	\$45.3	\$15.4	\$13.1	\$2.3
Brown	7	30	\$0.6	\$0.2	\$0.2	\$0.0	Macoupin	77	388	\$12.5	\$4.2	\$3.6	\$0.6
Bureau	70	333	\$8.1	\$2.7	\$2.3	\$0.4	Madison	256	1,348	\$57.2	\$19.5	\$16.6	\$2.9
Calhoun	12	49	\$0.8	\$0.3	\$0.2	\$0.0	Marion	65	361	\$15.7	\$5.4	\$4.6	\$0.8
Carroll	31	142	\$3.8	\$1.3	\$1.1	\$0.2	Marshall	24	120	\$2.5	\$0.9	\$0.7	\$0.1
Cass	25	119	\$4.3	\$1.5	\$1.2	\$0.2	Mason	36	169	\$4.1	\$1.4	\$1.2	\$0.2
Champaign	140	721	\$42.8	\$14.5	\$12.4	\$2.1	Massac	13	67	\$4.6	\$1.6	\$1.3	\$0.2
Christian	73	401	\$14.2	\$4.8	\$4.1	\$0.7	Mcdonough	24	105	\$2.9	\$1.0	\$0.8	\$0.1
Clark	15	87	\$6.2	\$2.1	\$1.8	\$0.3	McHenry	264	1,351	\$56.8	\$19.3	\$16.5	\$2.8
Clay	16	80	\$3.2	\$1.1	\$0.9	\$0.2	Mclean	123	598	\$32.0	\$10.9	\$9.3	\$1.6
Clinton	69	342	\$10.7	\$3.6	\$3.1	\$0.5	Menard	20	106	\$2.9	\$1.0	\$0.8	\$0.1
Coles	58	311	\$17.3	\$5.9	\$5.0	\$0.9	Mercer	17	70	\$1.6	\$0.5	\$0.5	\$0.1
Cook	1,368	7,576	\$417.6	\$142.0	\$121.1	\$20.9	Monroe	34	168	\$6.1	\$2.1	\$1.8	\$0.3
Crawford	18	91	\$3.3	\$1.1	\$0.9	\$0.2	Montgomery	52	268	\$10.2	\$3.5	\$2.9	\$0.5
Cumberland	14	73	\$2.6	\$0.9	\$0.7	\$0.1	Morgan	53	275	\$12.7	\$4.3	\$3.7	\$0.6
De Witt	27	154	\$6.0	\$2.0	\$1.7	\$0.3	Moultrie	20	98	\$3.0	\$1.0	\$0.9	\$0.1
Dekalb	76	395	\$13.7	\$4.7	\$4.0	\$0.7	Ogle	78	409	\$13.6	\$4.6	\$4.0	\$0.7
Douglas	30	155	\$4.5	\$1.5	\$1.3	\$0.2	Peoria	174	871	\$38.0	\$12.9	\$11.0	\$1.9
DuPage	234	1,282	\$77.3	\$26.3	\$22.4	\$3.9	Perry	30	162	\$5.6	\$1.9	\$1.6	\$0.3
Edgar	17	92	\$4.5	\$1.5	\$1.3	\$0.2	Piatt	22	112	\$3.6	\$1.2	\$1.0	\$0.2
Edwards	7	32	\$0.7	\$0.2	\$0.2	\$0.0	Pike	30	153	\$4.5	\$1.5	\$1.3	\$0.2
Effingham	65	338	\$15.3	\$5.2	\$4.4	\$0.8	Pope	3	13	\$0.3	\$0.1	\$0.1	\$0.0
Fayette	29	154	\$7.1	\$2.4	\$2.1	\$0.4	Pulaski	9	46	\$1.2	\$0.4	\$0.3	\$0.1
Ford	23	113	\$2.8	\$1.0	\$0.8	\$0.1	Putnam	14	59	\$1.0	\$0.4	\$0.3	\$0.1
Franklin	67	349	\$14.2	\$4.8	\$4.1	\$0.7	Randolph	54	288	\$10.1	\$3.4	\$2.9	\$0.5
Fulton	55	268	\$7.9	\$2.7	\$2.3	\$0.4	Richland	17	80	\$3.9	\$1.3	\$1.1	\$0.2
Gallatin	8	37	\$1.0	\$0.3	\$0.3	\$0.1	Rock Island	135	670	\$25.2	\$8.6	\$7.3	\$1.3
Greene	20	100	\$3.5	\$1.2	\$1.0	\$0.2	Saline	30	164	\$7.2	\$2.4	\$2.1	\$0.4
Grundy	67	346	\$13.7	\$4.7	\$4.0	\$0.7	Sangamon	287	1,543	\$73.2	\$24.9	\$21.2	\$3.7
Hamilton	6	34	\$1.3	\$0.4	\$0.4	\$0.0	Schuyler	7	31	\$1.0	\$0.3	\$0.3	\$0.0
Hancock	24	107	\$3.4	\$1.2	\$1.0	\$0.2	Scott	10	48	\$1.5	\$0.5	\$0.4	\$0.1
Hardin	3	15	\$0.4	\$0.1	\$0.1	\$0.0	Shelby	27	130	\$4.6	\$1.5	\$1.3	\$0.2
Henderson	12	52	\$1.2	\$0.4	\$0.4	\$0.1	St. Clair	240	1,268	\$53.7	\$18.3	\$15.6	\$2.7
Henry	54	270	\$9.2	\$3.1	\$2.7	\$0.5	Stark	9	38	\$0.9	\$0.3	\$0.3	\$0.0
Iroquois	56	268	\$7.4	\$2.5	\$2.1	\$0.4	Stephenson	61	321	\$13.2	\$4.5	\$3.8	\$0.7
Jackson	50	234	\$9.3	\$3.2	\$2.7	\$0.5	Tazewell	121	619	\$27.0	\$9.2	\$7.8	\$1.4
Jasper	18	85	\$1.9	\$0.7	\$0.6	\$0.1	Union	21	107	\$3.7	\$1.3	\$1.1	\$0.2
Jefferson	40	226	\$13.4	\$4.6	\$3.9	\$0.7	Vermilion	95	517	\$28.6	\$9.7	\$8.3	\$1.4
Jersey	32	150	\$4.0	\$1.4	\$1.2	\$0.2	Wabash	13	66	\$2.2	\$0.7	\$0.6	\$0.1
Jo Daviess	51	250	\$7.9	\$2.7	\$2.3	\$0.4	Warren	22	97	\$2.4	\$0.8	\$0.7	\$0.1
Johnson	9	46	\$1.5	\$0.5	\$0.4	\$0.1	Washington	36	190	\$5.3	\$1.8	\$1.5	\$0.3
Kane	222	1,178	\$53.3	\$18.1	\$15.4	\$2.7	Wayne	12	64	\$3.2	\$1.1	\$0.9	\$0.2
Kankakee	118	626	\$27.1	\$9.2	\$7.8	\$1.4	White	22	105	\$4.1	\$1.4	\$1.2	\$0.2
Kendall	60	321	\$14.6	\$5.0	\$4.2	\$0.7	Whiteside	91	495	\$17.8	\$6.0	\$5.2	\$0.9
Knox	60	313	\$13.5	\$4.6	\$3.9	\$0.7	Will	335	1,789	\$80.7	\$27.4	\$23.4	\$4.0
La Salle	241	1,223	\$41.0	\$13.9	\$11.9	\$2.0	Williamson	93	506	\$20.6	\$7.0	\$6.0	\$1.0
Lake	354	1,971	\$111.9	\$38.0	\$32.4	\$5.6	Winnebago	277	1,557	\$99.5	\$33.8	\$28.9	\$5.0
Lawrence	28	141	\$7.1	\$2.4	\$2.0	\$0.4	Woodford	31	139	\$4.2	\$1.4	\$1.2	\$0.2
Chi Area*	2,980	16,209	\$839.6	\$285.5	\$243.5	\$42.0	% in Chi Area*	37.1%	38.5%	43.4%	43.4%	43.4%	43.4%

*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, below, displays the video gaming statistics shown in Table 17 on a per-capita basis. Statewide, the average terminal-per-capita value was 0.3%. The net terminal income-per-capita value was \$150.73. The rankings of the 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 2021 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:	42,152	0.33%		\$150.73		State Totals:	42,152	0.33%		\$150.73	
Adams	391	0.58%	56	\$288.37	27	Lee	323	0.90%	17	\$291.32	26
Alexander	45	0.55%	66	\$227.52	51	Livingston	296	0.76%	35	\$236.06	46
Bond	110	0.62%	53	\$209.37	59	Logan	256	0.84%	25	\$304.78	22
Boone	275	0.51%	71	\$213.33	55	Macon	627	0.57%	61	\$408.84	3
Brown	30	0.43%	83	\$90.05	98	Macoupin	388	0.81%	28	\$260.95	36
Bureau	333	0.95%	9	\$230.59	49	Madison	1,348	0.50%	72	\$212.45	57
Calhoun	49	0.96%	8	\$150.39	86	Marion	361	0.92%	14	\$399.09	5
Carroll	142	0.92%	13	\$244.13	42	Marshall	120	0.95%	10	\$199.31	65
Cass	119	0.87%	22	\$313.38	20	Mason	169	1.15%	2	\$281.34	30
Champaign	721	0.36%	92	\$212.77	56	Massac	67	0.43%	82	\$299.72	25
Christian	401	1.15%	3	\$408.15	4	Mcdonough	105	0.32%	95	\$88.18	99
Clark	87	0.53%	68	\$381.98	6	McHenry	1,351	0.44%	81	\$183.85	72
Clay	80	0.58%	59	\$234.41	47	Mclean	598	0.35%	93	\$188.99	69
Clinton	342	0.91%	15	\$284.01	29	Menard	106	0.83%	27	\$228.03	50
Coles	311	0.58%	60	\$321.15	19	Mercer	70	0.43%	84	\$94.55	96
Cook	7,576	0.15%	101	\$80.40	101	Monroe	168	0.51%	70	\$184.34	71
Crawford	91	0.46%	78	\$164.15	81	Montgomery	268	0.89%	19	\$337.88	16
Cumberland	73	0.66%	47	\$232.67	48	Morgan	275	0.77%	32	\$356.50	12
De Witt	154	0.93%	12	\$360.01	8	Moultrie	98	0.66%	48	\$201.76	62
DeKalb	395	0.38%	89	\$130.13	89	Ogle	409	0.76%	33	\$254.95	38
Douglas	155	0.78%	31	\$222.98	52	Peoria	871	0.47%	77	\$203.49	60
DuPage	1,282	0.14%	102	\$84.34	100	Perry	162	0.72%	37	\$249.98	40
Edgar	92	0.50%	73	\$243.79	43	Piatt	112	0.67%	45	\$214.33	53
Edwards	32	0.48%	75	\$104.51	94	Pike	153	0.93%	11	\$272.92	35
Effingham	338	0.99%	6	\$447.30	1	Pope	13	0.29%	96	\$74.37	102
Fayette	154	0.70%	42	\$321.39	18	Pulaski	46	0.75%	36	\$192.43	68
Ford	113	0.80%	29	\$200.36	63	Putnam	59	0.98%	7	\$171.82	78
Franklin	349	0.88%	20	\$358.15	10	Randolph	288	0.86%	23	\$302.84	24
Fulton	268	0.72%	38	\$214.01	54	Richland	80	0.49%	74	\$239.32	44
Gallatin	37	0.66%	46	\$181.85	75	Rock Island	670	0.45%	80	\$170.71	79
Greene	100	0.72%	39	\$251.01	39	Saline	164	0.66%	49	\$287.16	28
Grundy	346	0.69%	43	\$273.76	34	Sangamon	1,543	0.78%	30	\$370.88	7
Hamilton	34	0.40%	86	\$151.42	85	Schuyler	31	0.41%	85	\$130.57	88
Hancock	107	0.56%	62	\$177.12	76	Scott	48	0.90%	18	\$279.16	31
Hardin	15	0.35%	94	\$93.33	97	Shelby	130	0.58%	58	\$203.47	61
Henderson	52	0.71%	41	\$170.25	80	St. Clair	1,268	0.47%	76	\$198.94	66
Henry	270	0.53%	67	\$182.97	73	Stark	38	0.63%	51	\$156.45	83
Iroquois	268	0.90%	16	\$248.76	41	Stephenson	321	0.67%	44	\$276.59	32
Jackson	234	0.39%	87	\$153.89	84	Tazewell	619	0.46%	79	\$199.64	64
Jasper	85	0.88%	21	\$198.73	67	Union	107	0.60%	54	\$210.23	58
Jefferson	226	0.58%	57	\$345.05	15	Vermilion	517	0.63%	52	\$350.39	13
Jersey	150	0.65%	50	\$175.52	77	Wabash	66	0.55%	62	\$182.40	74
Jo Daviess	250	1.10%	4	\$350.26	14	Warren	97	0.55%	65	\$135.21	87
Johnson	46	0.37%	90	\$117.36	92	Washington	190	1.29%	1	\$357.41	11
Kane	1,178	0.23%	100	\$103.37	95	Wayne	64	0.38%	88	\$187.96	70
Kankakee	626	0.55%	64	\$238.53	45	White	105	0.72%	40	\$276.51	33
Kendall	321	0.28%	98	\$127.65	90	Whiteside	495	0.85%	24	\$304.17	23
Knox	313	0.59%	55	\$255.05	37	Will	1,789	0.26%	99	\$119.14	91
La Salle	1,223	1.07%	5	\$359.71	9	Williamson	506	0.76%	34	\$310.13	21
Lake	1,971	0.28%	97	\$159.00	82	Winnebago	1,557	0.53%	69	\$337.09	17
Lawrence	141	0.84%	26	\$419.61	2	Woodford	139	0.36%	91	\$108.80	93
Metro Area*	16,209	0.19%		\$97.78		% in Chi Area*:	38.5%				

*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 county 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 2021 with 7,576 terminals and the highest amount of net terminal income collected with a value of \$417.6 million. However, on a per capita basis, because of Chicago's absence, Cook County ranks near the bottom in terminal per capita (ranked 101 of 102) and in net terminal income (NTI) per capita (ranked 101 of 102).

Washington County ranked first in terminals per capita with a rate of 1.29%. The lowest ranked county in this category was DuPage County with a value of 0.14%. In terms of NTI per capita, Effingham County, with the benefit of several high revenue generating truck stops, ranked first with a value of \$447. Ranked last in this category was Pope County with a value of only \$74.

Table 19: Video Gaming Statistics by County Ranking											
FY 2021 Totals											
Rank	County	Terminals	Rank	County	Terminals per Capita	Rank	County	NTI (\$ in mil)	Rank	County	NTI per Capita
"TOP TWENTY COUNTIES"											
1	Cook	7,576	1	Washington	1.29%	1	Cook	\$417.6	1	Effingham	\$447
2	Lake	1,971	2	Mason	1.15%	2	Lake	\$111.9	2	Lawrence	\$420
3	Will	1,789	3	Christian	1.15%	3	Winnebago	\$99.5	3	Macon	\$409
4	Winnebago	1,557	4	Jo Daviess	1.10%	4	Will	\$80.7	4	Christian	\$408
5	Sangamon	1,543	5	La Salle	1.07%	5	DuPage	\$77.3	5	Marion	\$399
6	McHenry	1,351	6	Effingham	0.99%	6	Sangamon	\$73.2	6	Clark	\$382
7	Madison	1,348	7	Putnam	0.98%	7	Madison	\$57.2	7	Sangamon	\$371
8	DuPage	1,282	8	Calhoun	0.96%	8	McHenry	\$56.8	8	De Witt	\$360
9	St. Clair	1,268	9	Bureau	0.95%	9	St. Clair	\$53.7	9	La Salle	\$360
10	La Salle	1,223	10	Marshall	0.95%	10	Kane	\$53.3	10	Franklin	\$358
11	Kane	1,178	11	Pike	0.93%	11	Macon	\$45.3	11	Washington	\$357
12	Peoria	871	12	De Witt	0.93%	12	Champaign	\$42.8	12	Morgan	\$356
13	Champaign	721	13	Carroll	0.92%	13	La Salle	\$41.0	13	Vermilion	\$350
14	Rock Island	670	14	Marion	0.92%	14	Peoria	\$38.0	14	Jo Daviess	\$350
15	Macon	627	15	Clinton	0.91%	15	Mclean	\$32.0	15	Jefferson	\$345
16	Kankakee	626	16	Iroquois	0.90%	16	Vermilion	\$28.6	16	Montgomery	\$338
17	Tazewell	619	17	Lee	0.90%	17	Kankakee	\$27.1	17	Winnebago	\$337
18	Mclean	598	18	Scott	0.90%	18	Tazewell	\$27.0	18	Fayette	\$321
19	Vermilion	517	19	Montgomery	0.89%	19	Rock Island	\$25.2	19	Coles	\$321
20	Williamson	506	20	Franklin	0.88%	20	Williamson	\$20.6	20	Cass	\$313
"BOTTOM TWENTY COUNTIES"											
83	Cumberland	73	83	Brown	0.43%	83	Marshall	\$2.5	83	Stark	\$156
84	Mercer	70	84	Mercer	0.43%	84	Warren	\$2.4	84	Jackson	\$154
85	Massac	67	85	Schuyler	0.41%	85	Wabash	\$2.2	85	Hamilton	\$151
86	Wabash	66	86	Hamilton	0.40%	86	Jasper	\$1.9	86	Calhoun	\$150
87	Wayne	64	87	Jackson	0.39%	87	Alexander	\$1.9	87	Warren	\$135
88	Putnam	59	88	Wayne	0.38%	88	Mercer	\$1.6	88	Schuyler	\$131
89	Henderson	52	89	Dekalb	0.38%	89	Scott	\$1.5	89	Dekalb	\$130
90	Calhoun	49	90	Johnson	0.37%	90	Johnson	\$1.5	90	Kendall	\$128
91	Scott	48	91	Woodford	0.36%	91	Hamilton	\$1.3	91	Will	\$119
92	Pulaski	46	92	Champaign	0.36%	92	Henderson	\$1.2	92	Johnson	\$117
93	Johnson	46	93	Mclean	0.35%	93	Pulaski	\$1.2	93	Woodford	\$109
94	Alexander	45	94	Hardin	0.35%	94	Putnam	\$1.0	94	Edwards	\$105
95	Stark	38	95	Mcdonough	0.32%	95	Gallatin	\$1.0	95	Kane	\$103
96	Gallatin	37	96	Pope	0.29%	96	Schuyler	\$1.0	96	Mercer	\$95
97	Hamilton	34	97	Lake	0.28%	97	Stark	\$0.9	97	Hardin	\$93
98	Edwards	32	98	Kendall	0.28%	98	Calhoun	\$0.8	98	Brown	\$90
99	Schuyler	31	99	Will	0.26%	99	Edwards	\$0.7	99	Mcdonough	\$88
100	Brown	30	100	Kane	0.23%	100	Brown	\$0.6	100	DuPage	\$84
101	Hardin	15	101	Cook	0.15%	101	Hardin	\$0.4	101	Cook	\$80
102	Pope	13	102	DuPage	0.14%	102	Pope	\$0.3	102	Pope	\$74

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 the amount of net terminal income generated was Winnebago County. A major reason for this is that two of the top six Illinois cities for net terminal income reside in Winnebago County: Rockford (ranked 2nd with \$38.5 million) and Loves Park (ranked 6th with \$23.0 million).

Springfield had the highest number of terminals in the State in FY 2021 at 736 terminals, as well as the third highest amount of net terminal income with \$37.1 million collected. Decatur took the top spot for net terminal income in FY 2021 generating \$38.8 million.

Below is a list of the top 25 municipalities with video gaming in Illinois in FY 2021. Here, the municipalities are ranked according to terminals and according to net terminal income. Next to the net terminal income column is the amount of tax revenue generated in FY 2021 from these locations and distributed to the State (Capital Projects Fund) and to the local governments.

Table 20: Top Municipalities with Video Gaming FY 2021 Totals								
Rank	Municipality*	Terminals	Net Terminal				State Tax Share	Local Tax Share
			Rank	Municipality*	Income (taxable base)	Tax Revenue		
1	Springfield	736	1	Decatur	\$38.8	\$11.6	\$9.7	\$1.9
2	Rockford	541	2	Rockford	\$38.5	\$11.5	\$9.6	\$1.9
3	Decatur	498	3	Springfield	\$37.1	\$11.1	\$9.3	\$1.9
4	Joliet	436	4	Waukegan	\$24.1	\$7.2	\$6.0	\$1.2
5	Loves Park	380	5	Cicero	\$23.2	\$7.0	\$5.8	\$1.2
6	Cicero	373	6	Loves Park	\$23.0	\$6.9	\$5.8	\$1.2
7	Lake County	369	7	Champaign	\$20.2	\$6.1	\$5.0	\$1.0
8	Waukegan	347	8	Bloomington	\$18.5	\$5.5	\$4.6	\$0.9
9	Peoria	337	9	Joliet	\$17.8	\$5.3	\$4.5	\$0.9
10	Berwyn	336	10	Peoria	\$16.8	\$5.0	\$4.2	\$0.8
11	Bloomington	297	11	Oak Lawn	\$16.0	\$4.8	\$4.0	\$0.8
12	Champaign	286	12	Quincy	\$15.1	\$4.5	\$3.8	\$0.8
13	Sangamon County	268	13	Sangamon County	\$14.6	\$4.4	\$3.6	\$0.7
14	Quincy	264	14	Lake County	\$14.3	\$4.3	\$3.6	\$0.7
15	Oak Lawn	250	15	Berwyn	\$14.1	\$4.2	\$3.5	\$0.7
16	Kankakee	228	16	Niles	\$11.8	\$3.5	\$2.9	\$0.6
17	Ottawa	220	17	Tinley Park	\$11.7	\$3.5	\$2.9	\$0.6
18	McHenry	217	18	Mount Vernon	\$11.5	\$3.5	\$2.9	\$0.6
19	Tinley Park	208	19	Crestwood	\$11.4	\$3.4	\$2.9	\$0.6
20	Crestwood	207	20	Mattoon	\$11.2	\$3.4	\$2.8	\$0.6
21	Taylorville	205	21	Kankakee	\$10.7	\$3.2	\$2.7	\$0.5
22	Belleville	202	22	Cook County	\$10.5	\$3.2	\$2.6	\$0.5
23	Pekin	200	23	Elmwood Park	\$10.4	\$3.1	\$2.6	\$0.5
24	Effingham	196	24	Pekin	\$10.3	\$3.1	\$2.6	\$0.5
25	Alton	195	25	Aurora	\$10.1	\$3.0	\$2.5	\$0.5

* When a "county" is listed above, it is referring to the unincorporated totals of that particular county.

Local Governments Banning Video Gaming

While the Video Gaming Act allows video gaming terminals to be located throughout Illinois, it does state 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 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 21.4% of the State’s population (2020 census), 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.

A list of the highest populated cities in Illinois without video gaming is shown on the following page.

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 2021 data shows that the percentage of Illinois communities without video gaming has fallen to approximately 35%. More and more local governments searching for additional revenues are turning to video gaming as a new revenue source. Again, those communities that offer video gaming are set to receive 5% (1/6 of original 30% tax) of total revenues collected. As the need for additional local revenues grows, so does the pressure to overturn the ban.

For example, several of the higher populated municipalities that have been in the aforementioned table over the past several years are no longer included because they now allow video gaming. These include Buffalo Grove, Crystal Lake, Lombard, Mount Prospect, Niles, Orland Park, Schaumburg, and St. Charles.

**Table 21: Highest Populated Cities w/o Video Gaming
FY 2021 Totals**

Rank	Municipality	2020 Census Population	% of State Population
1	Chicago	2,746,388	21.4%
2	Naperville	149,540	1.2%
3	Evanston	78,110	0.6%
4	Arlington Heights	77,676	0.6%
5	Bolingbrook	73,922	0.6%
6	Palatine	67,908	0.5%
7	Skokie	67,824	0.5%
8	Des Plaines	60,675	0.5%
9	Oak Park	54,583	0.4%
10	Wheaton	53,970	0.4%
11	Downers Grove	50,247	0.4%
12	Glenview	48,705	0.4%
13	Elmhurst	45,786	0.4%
14	Plainfield	44,762	0.3%
15	Park Ridge	39,656	0.3%
16	Northbrook	35,222	0.3%
17	Gurnee	30,706	0.2%
18	Highland Park	30,176	0.2%
19	Glen Ellyn	28,846	0.2%
20	Wilmette	28,170	0.2%
21	Vernon Hills	26,850	0.2%
22	West Chicago	25,614	0.2%
23	Lisle	24,223	0.2%
24	South Holland	21,465	0.2%
25	Geneva	21,393	0.2%

Video Gaming and Its Impact on Casinos

The proliferation of video gaming across the State appears to have had a detrimental impact on the casino industry. Since video gaming began in FY 2013, the total AGR of Illinois' ten casinos has fallen in every subsequent fiscal year. Although the recent casino declines of -30.0% in FY 2020 and -4.8% in FY 2021 are in large part due to the pandemic, the availability of video gaming throughout the State may be why Illinois casinos have struggled to recover in FY 2021 like other neighboring states have done.

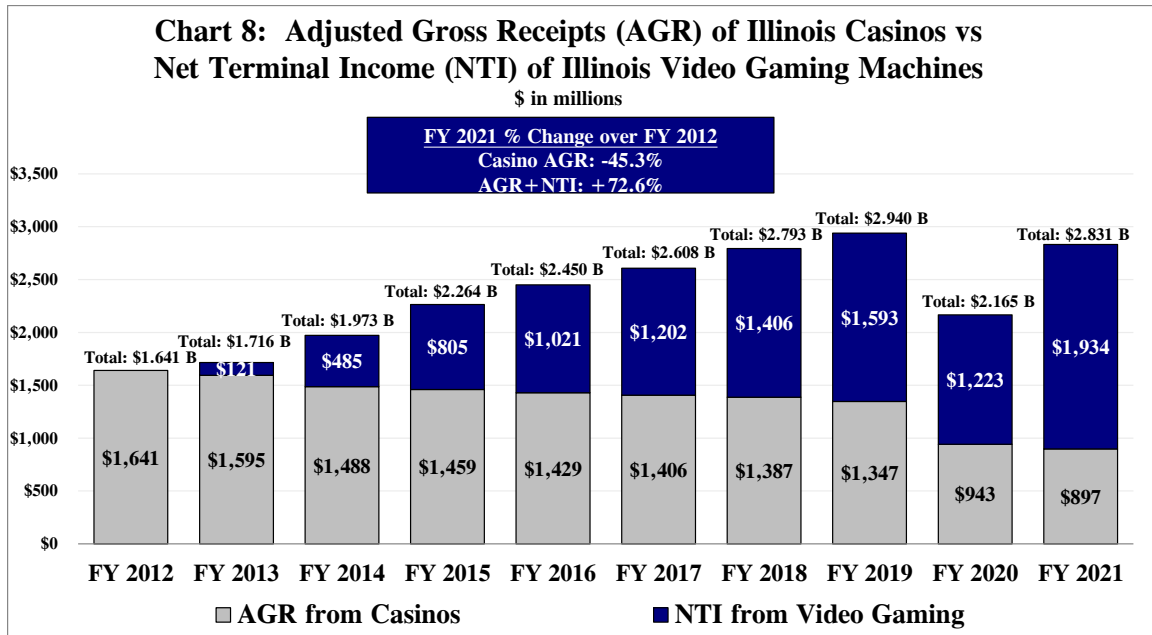
For example, as discussed in the casino section of the report, while the neighboring state's AGR totals rebounded quite well in FY 2021 (Indiana: +27.8%; Iowa: +35.4%; Missouri: +27.6%), Illinois actually saw their AGR levels fall even further, declining 4.8%. Part of this is due to the fact that Illinois suspended operations during parts of FY 2021 (November 19, 2020 thru January 14, 2021) whereas these other states did not. However, even after reopening, the average monthly totals of Illinois casinos over the last four months of the fiscal year (\$106 million per month) were below the FY 2020 monthly average that was collected prior to the pandemic (\$112 million). In comparison, Indiana, had a monthly AGR average of \$176 million prior to the pandemic and \$209 million over the last four months of FY 2021. Similarly, Iowa's monthly average was \$123 million before the pandemic and \$157 million over the last four months. Missouri was \$145 million prior to the pandemic and \$169 million in the closing months of FY 2021.

The elevated figures to close out the fiscal year are not surprising as during this time more gambling money became available via income tax returns, stimulus checks, and improved pay checks as the nation began to recover from the virus-related shutdowns. The question becomes, why did the casino figures from these other states see such marked improvement at the end of the fiscal year while Illinois' casinos did not? The numbers appear to show that when Illinois gamblers returned to gamble, they did so at the local video gaming establishments rather than the casinos.

For example, in the eight months prior to the pandemic, the average monthly net terminal income total in Illinois was around \$142 million. Over the last four months of FY 2021, the average was \$232 million, an increase of nearly 64%. These figures, combined with the casino declines, would suggest that Illinois gamblers have chosen the convenience and smaller crowds of the video gaming parlors over the larger and more public casinos. Video gaming locations are perhaps being perceived as a "safer" option to gamble, which has aided in elevating these video gaming figures. The neighboring states do not have this local video gaming option, which may explain why their casino figures saw improvement in their AGR numbers, while Illinois did not.

Despite the recent struggles of the casino industry, when combined with video gaming totals, gambling as a whole has been on an upward trajectory for the State of Illinois. Between FY 2012 and FY 2019 overall gaming revenues went from \$1.641 billion to \$2.940 billion, an increase of 79.2%. Revenues decreased to \$2.165 billion in FY 2020, but these figures are convoluted by the COVID-19 shutdowns. Although the totals in FY 2021 were not able to reach the pre-pandemic levels of FY 2019, the sharp rebound of video gaming revenues helped gambling revenues reach \$2.831

billion in FY 2021, marking the 2nd highest revenue total over the last decade. This is despite the suspension of gaming operations for a portion of the fiscal year. These results are illustrated in the graph below.

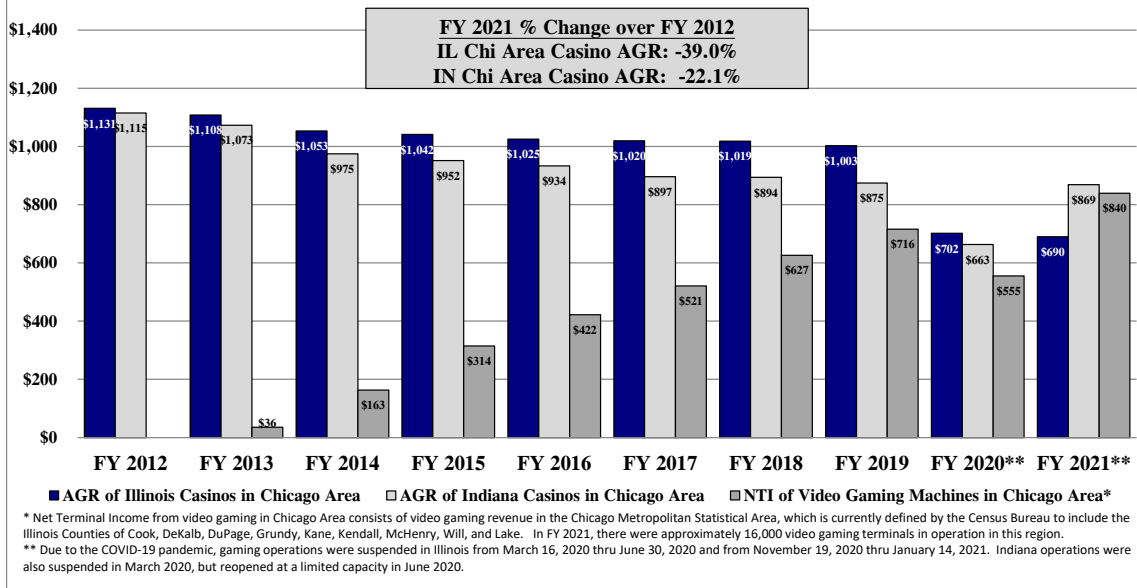


Video gaming’s impact on the casino industry has been especially noticeable in the Chicago region. As shown at the bottom of the county-by-county video gaming table on page 39, there are now nearly 3,000 businesses in the Chicago Metropolitan Statistical Area (which is defined by the Census Bureau to include the Illinois counties of Cook, DeKalb, DuPage, Grundy, Kane, Kendall, McHenry, Will, and Lake) that offer video gaming. These locations are the home to approximately 16,000 video gaming terminals. It is estimated that approximately \$839.6 million in video gaming net terminal income came from communities in the Chicago Area in FY 2021.

Illinois casinos have been limited to 1,200 gaming positions at their locations prior to P.A. 101-0031. This means that video gaming has added the equivalent of over thirteen 1,200 position casinos to the Chicago metropolitan region since the inception of video gaming in Illinois. These 16,000 terminals were added to an area that already had in its region five casinos in four Illinois communities: Joliet, Aurora, Elgin, and Des Plaines. Even prior to the pandemic, despite AGR increases at the Des Plaines casino, combined, these five casinos have seen their AGR totals decline -11.3% between FY 2012 and FY 2019 (or -39.0% when including the pandemic influenced figures thru FY 2021). The popular Des Plaines casino is part of the reason for the declines at the other suburban casinos, but video gaming is unquestionably a significant contributor to this falloff as well.

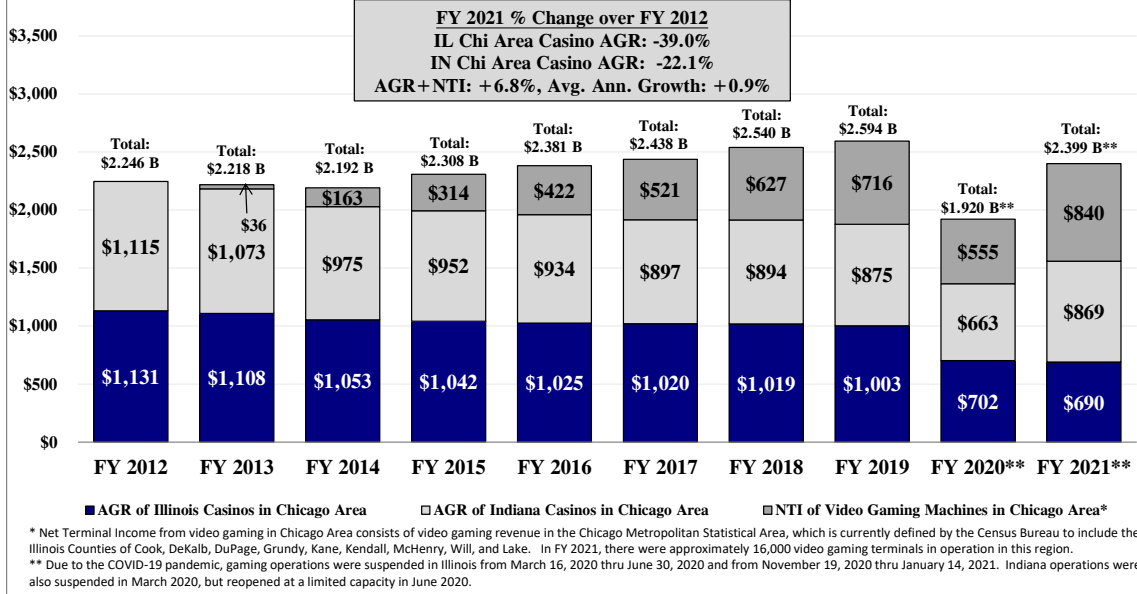
In addition, there are several Indiana casinos within a short drive of the Chicago Area in the communities of East Chicago, Gary, Hammond, and Michigan City. As seen in the following chart, these Indiana casinos have seen their AGR totals fall from \$1.1 billion in FY 2012 to \$869 million in FY 2021, a seven-year decline of -22.1%. Again, the pandemic and the Rivers Casino have likely contributed to this falloff, but the numbers would suggest that video gaming has no doubt exacerbated this decline.

Chart 9: AGR of Illinois and Indiana Casinos in Chicago Area vs Net Terminal Income of Illinois Video Gaming Machines in Chicago Area*
\$ in millions



When combining the receipts of all of the casinos in the Chicago Metropolitan Area, adjusted gross receipts totaled \$2.246 billion in FY 2012. In FY 2021, the AGR totals of these casinos have fallen to \$1.559 billion—a combined nine-year falloff of -30.6%. As shown below, even when the Chicago Area video gaming figures are added to the 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 \$2.399 billion in FY 2021. This results in a nine-year change in combined gaming revenues of 16.8%, an average increase of only +0.9% per year.

Chart 10: AGR of Illinois and Indiana Casinos in Chicago Area vs Net Terminal Income of Illinois Video Gaming Machines in Chicago Area*
\$ in millions



The numbers in the previous graph indicate that the addition of video gaming in the Chicago Area has only slightly increased the amount of gaming dollars in this region. With an average annual growth in gaming of only 0.9% per year, 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. Obviously, the pandemic has slowed this growth over the last two fiscal years, but even before the virus hit, the overall growth in gaming in this region has been relatively modest.

Why have the combined gaming totals remained relatively stagnant in the Chicago Area if the statewide totals have increased 72.6% between FY 2012 and FY 2021? 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, which already had its choice of 10 casinos, has been the home to over 15,000 casino positions. Adding over 16,000 additional video gaming terminals to the region has given gamers more choices, but it appears that it has brought little in the way of new gaming revenues so far. Most downstate communities, however, did not have close gaming options available to them. Video gaming gave 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 already be near a saturation point — and that is before any of the newly authorized gambling in this region has been implemented. Once more gambling opportunities arrive in the form of new casinos/racinos, the competition for the gaming dollar in this area will be bigger than ever and “winners” and “losers” should be anticipated.

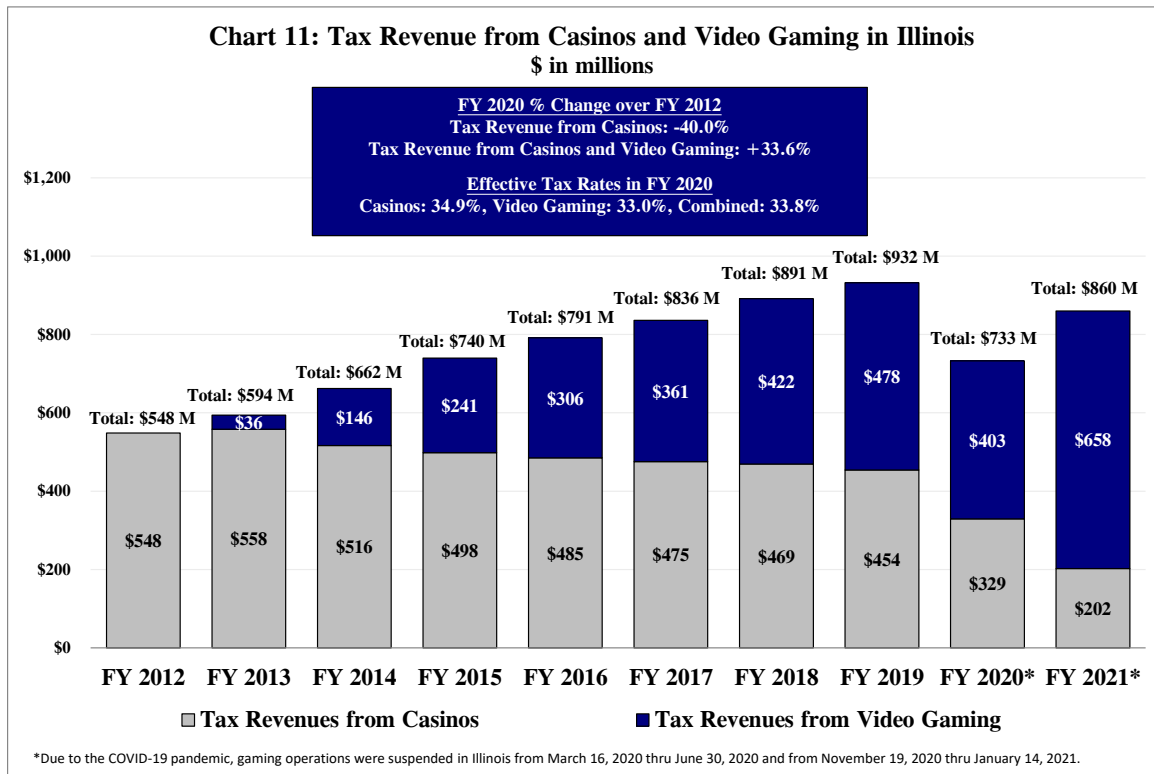
An example from the recent growth in gaming options is the State of Indiana. Even though overall gaming revenues have been stagnant in the Chicago Area as a whole, Illinois appears to be taking advantage of Indiana’s revenue losses. It has been widely believed that a significant portion of Indiana’s casino revenues in recent years have come from Illinois residents crossing the border to gamble at Indiana’s facilities. Indiana’s recent decline in their AGR numbers suggests that Illinois’ increase in its gaming options, whether from the Des Plaines Casino or the new video gaming terminals, has resulted in the retention of more gaming dollars in Illinois, thereby increasing Illinois’ coffers while reducing Indiana’s.

The addition of even more gaming options in the near future could impact Indiana’s figures even further. While Indiana is attempting to counteract Illinois’ growth (such as the recent relocation of Gary’s casino to a larger gaming facility closer to Illinois’ border and the approval of sports wagering at its casinos), it remains to be seen whether these changes will be enough to stop the apparent movement of gamblers to or back to Illinois gaming facilities.

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 casinos (admission tax and the graduated tax on adjusted gross receipts) generated \$548 million. Due to the recent declines in admissions and AGR totals, tax revenue fell to \$454 million in FY 2019, a seven-year decline of 17.2%. The tax total fell sharply to \$329 million in FY 2020 (in large part due to the virus impacts) and then even further to \$202 million in FY 2021 (due to both the virus and the reduced tax structure). 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 steadily increased to \$478 million by FY 2019. This total declined to \$403 million due to the pandemic, but bounced back to \$658 million in FY 2021. When combining these video gaming tax revenues with casino tax revenues, overall tax revenues grew from \$548 million in FY 2012 to \$932 million in FY 2019, an increase of 69.9%. After falling slightly to \$733 million in FY 2020, the total grew to \$860 million in FY 2021, despite the falloffs in casino tax revenues. These figures are displayed in the following chart.

The bottom line is the combined tax revenue total of \$860 million in FY 2021 is significantly higher than the \$548 million that was collected in FY 2012 before the inclusion of video gaming. With the hoped for fading of the virus and the assumption of no more shut-downs in gaming operations, the growing popularity of video gaming should allow for tax revenue totals from gaming to surpass the \$1.0 billion mark in the near future.



The Future of Video Gaming and the Anticipated Impact of P.A. 101-0031

Ever since its inception, video gaming in Illinois has been on an upward trend. In the initial years of implementation, insiders estimated that the State would plateau at around 20,000 video gaming terminals, but the popularity of video gaming has spurred so much interest that the State has sailed past this mark (FY 2021 ended with over 40,000 terminals).

The growth in video gaming figures will continue to be enhanced by the video gaming related changes under P.A. 101-0031. Under this public act, the following changes to the video gaming industry have or will take place: increased betting limits; the terminal limit per location increased from 5 to 6; terminal limit on large truck stops increased from 5 to 10; and the availability of video gaming at the Illinois State Fair and the DuQuoin State Fair.

The implementation of these changes have been somewhat hampered by the pandemic, but even with these virus-related challenges, the numbers show that a lot of progress, in terms of terminal growth, has already been made. For example, over 4,000 locations now have more than 5 terminals. This means that over 4,000 more terminals are now available to generate revenues that would not have been available prior to P.A. 101-0031. This means higher tax revenues for State and local governments. Furthermore, the tax rate imposed on video gaming's net terminal income is now at 34% (effective July 2020) which will result in even more tax dollars for State and local coffers.

Although these video gaming related changes to P.A. 101-0031 should be revenue positive, it should be noted that the large amount of gaming expansion included in this public act could have a negative revenue impact on certain video gaming locations, especially those near areas of new casinos. While the impact that new casinos will have on video gaming locations is not expected to mimic the impact that new video gaming machines had on existing casinos (due to the convenience of local establishments), some cannibalization in video gaming figures is possible.

Finally, another factor that should be monitored is the competition from "sweepstakes" machines. These unregulated devices look and work similarly to video gaming terminals but are not subject to State and local taxation. Although the Illinois Gaming Board has suggested that the machines are illegal, enough ambiguity in the law exists that these machines remain in operation. These machines can be played for free, which reportedly provides a legal "loophole" that these are "not gambling devices". If the popularity of these devices grows and more businesses choose these machines over video gaming terminals, the State's video gaming numbers could be negatively affected.

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. 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 almost \$77 billion and the Lottery has transferred over \$24 billion back to the State. Table 22 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

Lottery sales surged in FY 2021 as total sales rose to \$3.415 billion, which is an all-time high. This was over \$600 million higher than FY 2020. This reflected growth of almost 22% which is the highest growth rate since the early 1980's. These noteworthy results were likely due to the environment created by the COVID-19 pandemic. FY 2020's sales were hampered by the initial outbreak of COVID-19. This led to reduced sales (down 5.8%) in FY 2020. This established a lower base of comparison for FY 2021. While some consumers were hurt significantly during the economic downturn, overall, household finances improved considerably during the pandemic due to the large amount of financial support from the federal government and increased savings due to economic caution and reduced opportunities to spend money related to mandatory shut-downs in the economy. Opportunities to gamble in Illinois via other wagering formats, such as casinos and video gaming parlors, were limited at times during FY 2021, especially as the second wave of COVID-19 took hold during the winter months. Casino and video gaming operations were suspended for a period between November 2020 and February 2021 due to enhanced virus concerns. Even when open, the ability to gamble at these locations was often limited due to occupancy restrictions. The fact that the Lottery did not have these limitations likely assisted in the Lottery's notable results for FY 2021.

Instant ticket sales had been becoming a larger and larger part of overall sales since the late 1980's compared to draw games. However, in the last few years, the ratio of instant ticket sales to draw game sales have stabilized with instant ticket sales making up just less than 2/3rd's of total sales, while draw games contributing a little more than 1/3rd. In FY 2021, instant ticket sales totaled \$2.414 billion. This was an increase of over \$366 million from FY 2020. FY 2021's instant ticket sales growth of 19.8% was the highest level since FY 2012 when they grew over 28% during the first year under a private manager. Draw games grew at an even higher rate at 25.5%. Total draw game sales grew \$244 million from \$956 million in FY 2020 to \$1.2 billion in FY 2021. Growth in draw game sales was the highest since FY 1985 but some of this is due to the almost 15% decline in draw games sales in FY 2020. Chart 12, on page 54, shows the increase in instant ticket sales over the last thirty years, whilst draw game sales have been basically stagnant despite a small rise in recent years.

Chart 13, also on page 54, highlights a breakdown of the games that made up the \$1.2 billion in draw game sales. The Pick 3 and Pick 4 games were the largest contributors to overall draw game revenue. The Pick 3 game's sales increased almost 27% to over \$352

million in FY 2021. Pick 4 sales increased an even larger 31% to \$343 million. Together these two games were up over \$154 million. The multi-state games had a rebound after steep declines in FY 2020. The Mega Millions game grew almost 43% to \$158 million in FY 2021. Powerball grew a similar 35% to a little over \$127 million. While FY 2021's results were strong, both multi-state games remain below where they were in FY 2019. Lucky Day Lotto and the Lotto round out the draw games. Lucky Day Lotto was basically flat at just under \$121 million. The Lotto grew 8% to \$99 million in FY 2021.

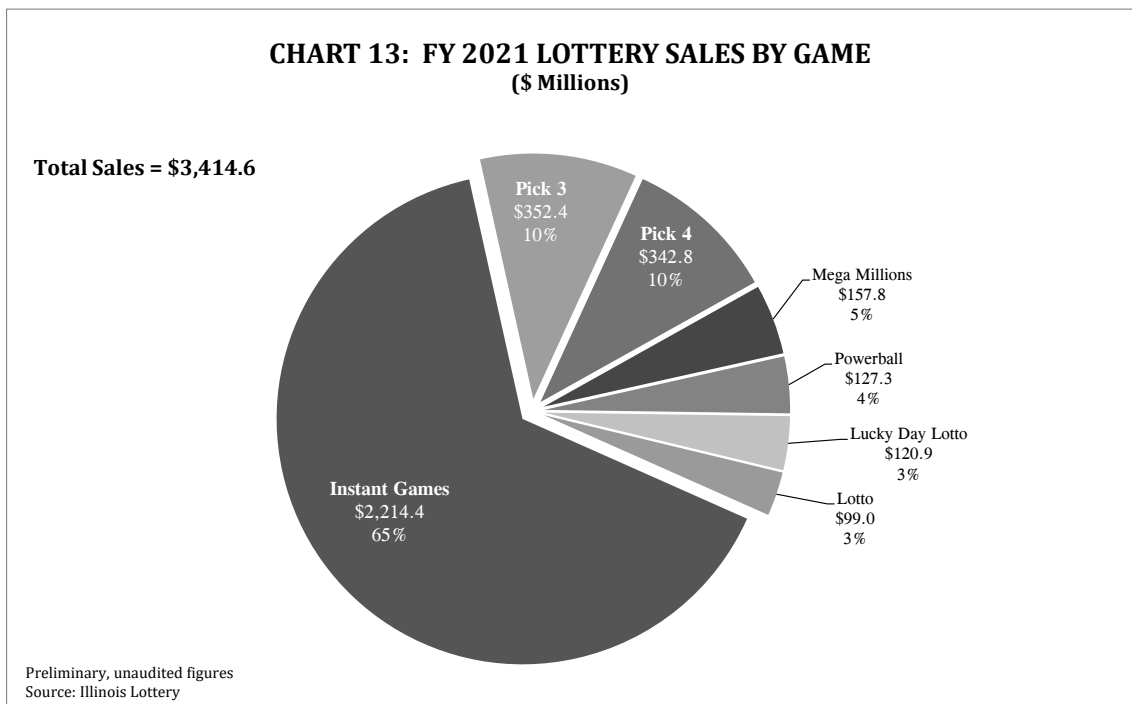
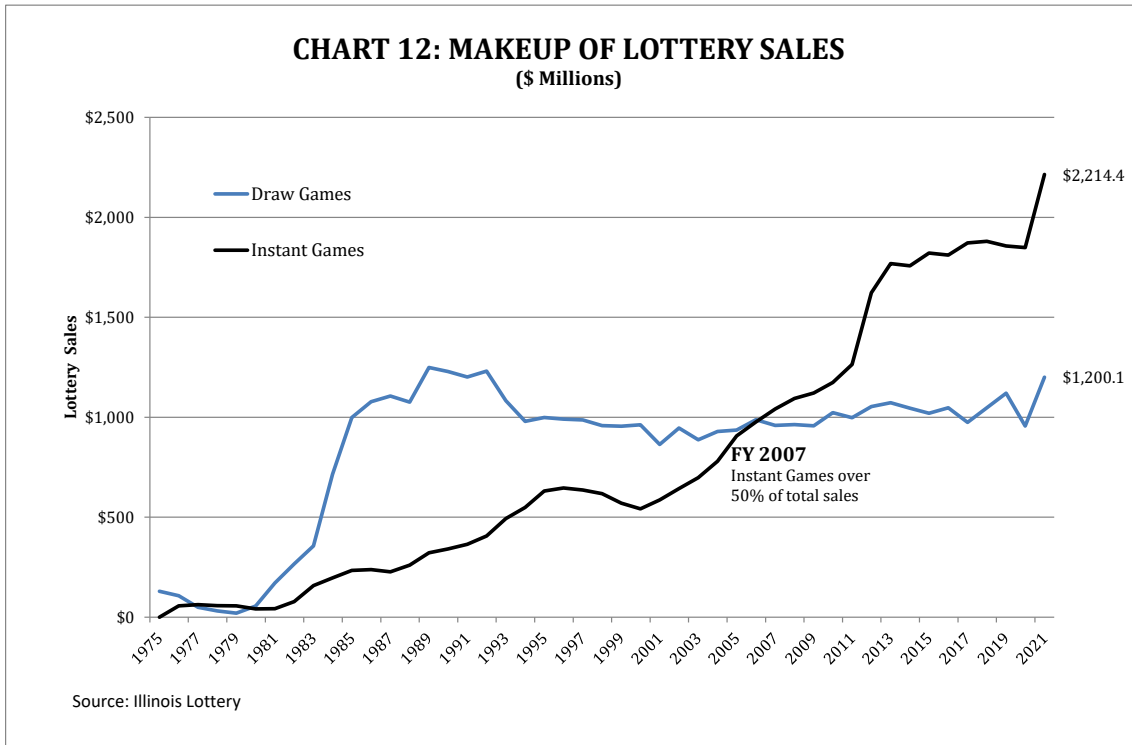


TABLE 22: LOTTERY SALES BY GAME
FY 1975 - FY 2021
(\$ Millions)

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
1975	\$ -	n/a	\$ -	n/a	\$ -	n/a	\$ -	n/a	\$ 129.3	n/a
1976	\$ 56.6	n/a	\$ -	n/a	\$ -	n/a	\$ -	n/a	\$ 107.3	-17.0%
1977	\$ 62.9	11.1%	\$ -	n/a	\$ -	n/a	\$ -	n/a	\$ 50.0	-53.4%
1978	\$ 57.5	-8.6%	\$ -	n/a	\$ -	n/a	\$ -	n/a	\$ 31.6	-36.8%
1979	\$ 56.3	-2.1%	\$ -	n/a	\$ -	n/a	\$ -	n/a	\$ 20.4	-35.4%
1980	\$ 41.4	-26.5%	\$ 42.4	n/a	\$ -	n/a	\$ -	n/a	\$ 13.7	-32.8%
1981	\$ 43.0	3.9%	\$ 164.2	287.3%	\$ -	n/a	\$ -	n/a	\$ 7.5	-45.3%
1982	\$ 78.2	81.9%	\$ 248.2	51.2%	\$ -	n/a	\$ -	n/a	\$ 0.0	-99.5%
1983	\$ 158.1	102.2%	\$ 283.8	14.3%	\$ 26.9	n/a	\$ -	n/a	\$ -	-100.0%
1984	\$ 196.6	24.4%	\$ 367.4	29.5%	\$ 298.8	1010.8%	\$ -	n/a	\$ -	n/a
1985	\$ 233.7	18.9%	\$ 356.2	-3.0%	\$ 567.4	89.9%	\$ -	n/a	\$ -	n/a
1986	\$ 237.6	1.7%	\$ 347.6	-2.4%	\$ 881.1	16.7%	\$ 642.3	13.2%	\$ -	n/a
1987	\$ 227.3	-4.3%	\$ 335.1	-3.6%	\$ 678.5	5.6%	\$ -	n/a	\$ -	n/a
1988	\$ 260.1	14.4%	\$ 352.6	5.2%	\$ 105.9	13.9%	\$ 600.6	-11.5%	\$ 16.3	n/a
1989	\$ 321.9	23.8%	\$ 369.6	4.8%	\$ 108.6	2.5%	\$ 607.1	1.1%	\$ 164.1	906.7%
1990	\$ 341.2	6.0%	\$ 382.5	14.1%	\$ 114.1	5.1%	\$ 588.7	-3.0%	\$ 143.7	-12.4%
1991	\$ 364.6	6.9%	\$ 368.0	-0.9%	\$ 109.0	-4.5%	\$ 610.0	2.1%	\$ 123.4	-14.1%
1992	\$ 406.0	11.4%	\$ 362.0	-1.8%	\$ 112.3	3.0%	\$ 633.5	5.4%	\$ 123.1	-0.2%
1993	\$ 493.2	21.5%	\$ 350.5	-3.2%	\$ 112.3	0.0%	\$ 489.9	-22.7%	\$ 129.9	5.5%
1994	\$ 548.7	11.3%	\$ 344.5	-1.7%	\$ 109.7	-2.3%	\$ 403.0	-17.7%	\$ 122.7	-5.5%
1995	\$ 630.7	14.9%	\$ 358.4	4.0%	\$ 123.7	12.8%	\$ 386.6	-4.1%	\$ 130.1	6.0%
1996	\$ 646.7	2.5%	\$ 357.5	-0.3%	\$ 140.3	13.4%	\$ 363.4	-6.0%	\$ 129.4	-0.5%
1997	\$ 636.2	-1.6%	\$ 340.7	-4.7%	\$ 139.8	-0.4%	\$ 295.3	-18.7%	\$ 118.8	-8.2%
1998	\$ 618.3	-2.8%	\$ 334.7	-1.2%	\$ 145.3	3.9%	\$ 263.0	-10.9%	\$ 111.8	-5.9%
1999	\$ 570.1	-7.8%	\$ 335.3	-2.7%	\$ 144.5	-0.6%	\$ 168.8	-35.8%	\$ 113.7	1.7%
2000	\$ 541.5	-5.0%	\$ 341.4	1.8%	\$ 154.4	6.9%	\$ 146.3	-13.4%	\$ 101.0	-11.2%
2001	\$ 586.1	8.2%	\$ 326.6	-4.3%	\$ 151.3	-2.0%	\$ 143.5	-1.9%	\$ 88.3	-12.5%
2002	\$ 643.8	9.8%	\$ 327.9	0.4%	\$ 158.0	4.4%	\$ 134.9	-6.0%	\$ 81.7	-7.5%
2003	\$ 697.9	8.4%	\$ 314.1	-4.2%	\$ 161.9	2.5%	\$ 121.2	-10.2%	\$ 78.0	-4.5%
2004	\$ 780.5	11.8%	\$ 308.9	-1.7%	\$ 167.2	3.2%	\$ 117.4	-3.1%	\$ 99.7	27.8%
2005	\$ 907.1	16.2%	\$ 307.4	-0.5%	\$ 168.4	0.7%	\$ 131.6	12.1%	\$ 131.8	32.2%
2006	\$ 976.7	7.7%	\$ 309.2	0.6%	\$ 170.1	1.0%	\$ 125.3	-4.8%	\$ 126.2	-4.2%
2007	\$ 1,041.6	6.6%	\$ 308.7	-0.2%	\$ 170.2	0.1%	\$ 112.1	-10.6%	\$ 127.9	1.3%
2008	\$ 1,094.0	5.0%	\$ 299.0	-3.1%	\$ 167.8	-1.4%	\$ 128.4	0.7%	\$ 128.4	0.4%
2009	\$ 1,121.1	2.5%	\$ 297.7	-0.4%	\$ 189.0	18.9%	\$ 127.7	8.7%	\$ 129.0	0.4%
2010	\$ 1,173.9	4.7%	\$ 301.4	1.3%	\$ 191.0	8.0%	\$ 113.5	-7.5%	\$ 120.7	-6.5%
2011	\$ 1,264.7	7.7%	\$ 290.6	-3.6%	\$ 200.0	0.0%	\$ 107.6	-5.1%	\$ 119.5	-0.9%
NORTHSTAR LOTTERY GROUP TAKES OVER CONTROL OF LOTTERY OPERATIONS										
2012	\$ 1,622.6	28.3%	\$ 277.7	-4.4%	\$ 10.0	-50.0%	\$ 193.6	1.4%	\$ 105.3	-2.1%
2013	\$ 1,768.4	9.0%	\$ 261.5	-5.9%	\$ 26.5	-16.4%	\$ 198.7	2.6%	\$ 96.6	-8.3%
2014	\$ 1,757.4	-0.6%	\$ 250.6	-4.2%	\$ 16.5	-37.8%	\$ 202.2	1.7%	\$ 114.3	18.4%
2015	\$ 1,821.6	3.7%	\$ 263.1	5.0%	\$ 13.2	-19.9%	\$ 223.9	10.7%	\$ 108.8	-4.8%
2016	\$ 1,811.8	-0.5%	\$ 269.2	2.3%	\$ 5.4	-59.5%	\$ 219.1	-2.1%	\$ 109.7	0.8%
2017	\$ 1,871.9	3.3%	\$ 262.3	-2.5%	\$ 7.8	-45.5%	\$ 229.1	4.5%	\$ 87.8	-19.9%
CAMELOT ILLINOIS TAKES OVER CONTROL OF LOTTERY OPERATIONS										
2018	\$ 1,880.5	0.5%	\$ 278.1	6.0%	\$ 6.5	-16.8%	\$ 248.8	8.6%	\$ 93.9	6.9%
2019	\$ 1,856.8	-1.3%	\$ 274.7	-1.2%	\$ -	-100.0%	\$ 251.0	0.9%	\$ 102.3	9.0%
2020	\$ 1,848.4	-0.5%	\$ 278.0	1.2%	\$ -	n/a	\$ 261.6	4.2%	\$ 91.7	-10.4%
2021**	\$ 2,214.4	19.8%	\$ 352.4	26.8%	\$ -	n/a	\$ 342.8	31.0%	\$ 99.0	8.0%
TOTALS	\$ 34,335.3		\$ 12,559.7		\$ 174.8		\$ 10,041.1		\$ 3,964.4	
TOTALS	\$ 76,554.9		\$ 1,603.7		\$ 1,486.7		\$ 3,090.3		\$ 1,603.7	

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

** Preliminary, unaudited data

SOURCE: ILLINOIS LOTTERY

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 based on the previous year's financial statements. In FY 2020, an amount of \$2.8 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 \$2.1 billion of the distributions. Operating expenses were down over \$148 million in FY 2020. This was a decline of 6.5%. Most of this decline was associated with a decrease in prize payouts to winners. Prizes Awarded to Winners declined \$103 million from \$1.9 billion in FY 2019 to \$1.8 billion in FY 2020. Commissions and Bonuses fell 6.3% to \$155 million, while General and Administrative Expenses declined almost 20% to \$146 million. Employee Service Payments grew 8.7% to just over \$20 million in FY 2020.

Cash transfers out to other state funds totaled \$656 million in distributions in FY 2020. This was a decline over almost 11%. Transfers out were \$78 million higher at just under \$735 million in FY 2019. An almost 14% decline in Transfers to the Common School Fund explains this drop. The Common School Fund received \$101 million less in FY 2020 than in FY 2019. This transfer declined from \$731 million to \$630 million. Transfers to funds supporting special causes more than doubled in FY 2020 but this still only totaled \$7 million.

The Capital Projects Fund receives any remaining funds once the transfers to the Common School Fund and the special cause funds are completed. Due to a change in law, the Capital Projects Fund did not receive a distribution in FY 2019. Prior to FY 2019, after the transfers to the Common School Fund and the special cause funds, the Lottery was mandated to send any remaining proceeds to the Capital Projects Fund prior to the end of the fiscal year. This obligated the Lottery to estimate what the lotteries financials would be prior to an audit being completed. This led to a mismatch of payments made and what was actually owed to the Capital Projects fund. State law was changed, so that beginning in FY 2019, the Lottery could wait until the auditing process was complete to determine the amount of money that needed to be transferred. Therefore, moving forward, the annual transfer to the Capital Projects Fund will represent what was owed due to the results of the prior fiscal year. As such, no transfer was made in FY 2019. However, in FY 2020, \$18.5 million was transferred to the Capital Projects Fund based on the results of FY 2019's sales, which was almost double what was conveyed in FY 2018.

Chart 14, on the following page, illustrates the cash distributions for FY 2020.

Table 23, also on the following page, shows how the Lottery's distributions have changed in recent years.

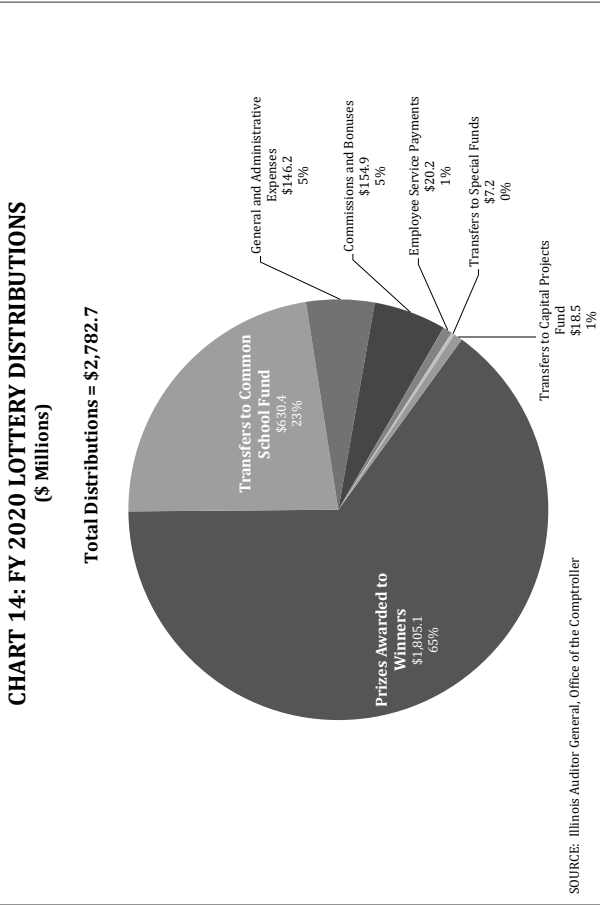


TABLE 23: LOTTERY DISTRIBUTIONS FY 2007 - FY 2021 (\$ Millions)

Fiscal Year	Prizes Awarded to Winners		Transfers to Common School Fund		Commissions and Bonuses		Transfers to Capital Projects Fund		Administrative Expenses		Employee Service Payments		Transfers to Special Causes		Total	
	\$	% Change	\$	% Change	\$	% Change	\$	% Change	\$	% Change	\$	% Change	\$	% Change	\$	% Change
2007	\$1,108.3	n/a	\$622.6	n/a	\$140.9	n/a	\$ -	n/a	\$59.5	n/a	\$ -	n/a	\$4.1	n/a	\$1,935.3	n/a
2008	\$1,166.0	5.2%	\$657.0	5.5%	\$145.0	2.9%	\$ -	n/a	\$57.4	(2.1)	\$ -	\$ -	\$4.6	0.5	\$2,030.0	4.9%
2009	\$1,225.9	5.1%	\$625.0	(4.9%)	\$152.6	5.2%	\$ -	n/a	\$65.3	7.8	\$ -	\$ -	\$5.2	0.6	\$2,073.9	2.2%
2010	\$1,271.5	3.7%	\$625.0	0.0%	\$149.3	(3.3)	\$ -	n/a	\$66.3	1.0	\$ -	\$ -	\$4.2	(0.9)	\$2,116.3	2.0%
2011	\$1,298.9	2.2%	\$631.9	6.9	\$153.0	3.7	\$87.0*	2.5%	\$74.7	8.4	\$ -	\$ -	\$4.1	(0.1)	\$2,249.6	6.3%
NORTHSTAR LOTTERY GROUP TAKES OVER CONTROL OF LOTTERY OPERATIONS																
2012	\$1,561.2	26.2%	\$639.9	8.0	\$151.5	(1.6)	\$65.2	(21.8)	\$123.5	48.9	\$ -	\$ -	\$3.2	(0.9)	\$2,544.5	13.1%
2013	\$1,728.3	10.7%	\$655.6	2.5%	\$164.0	8.3%	\$135.0	107.1%	\$149.6	26.1	\$ -	\$ -	\$2.9	(0.3)	\$2,835.4	11.4%
2014	\$1,699.6	(1.7%)	\$668.1	1.9%	\$159.1	(4.9)	\$10.0	7.4%	\$148.5	(1.1)	\$ -	\$ -	\$2.3	(0.7)	\$2,822.6	(0.5%)
2015	\$1,743.0	2.6%	\$678.6	1.6%	\$161.6	2.5	\$8.0	(137.0)	\$109.7	(38.8)	\$ -	\$ -	\$3.6	1.3	\$2,704.4	(4.2%)
2016	\$1,969.1	13.0%	\$676.9	(1.6)	\$160.9	(0.7)	\$ -	(8.0)	\$101.4	(8.3)	\$ -	\$ -	\$3.3	(0.3)	\$2,911.6	7.7%
2017	\$1,826.9	(7.2%)	\$720.3	43.4	\$160.0	(0.9)	\$15.0	n/a	\$243.4	142.0	\$ -	\$ -	\$2.9	(0.4)	\$2,968.5	2.0%
CAMELOT ILLINOIS TAKES OVER CONTROL OF LOTTERY OPERATIONS																
2018	\$1,906.6	4.4%	\$718.8	(1.5)	\$165.0	5.0	\$9.3	(5.7)	\$136.2	(107.2)	\$ -	\$ -	\$3.6	0.7	\$2,939.5	(1.0%)
2019	\$1,908.1	0.1%	\$731.1	1.7%	\$165.3	0.3	\$ -	(9.3)	\$182.4	46.2	\$18.6	\$18.6	\$3.4	(0.2)	\$3,009.0	2.4%
2020	\$1,805.1	(5.4%)	\$630.4	(100.7)	\$154.9	(10.4)	\$18.5	18.5	\$146.2	(36.2)	\$20.2	\$1.6	\$7.2	3.8	\$2,782.5	(26.4)
2021*	n/a	n/a	\$776.5	146.1	n/a	n/a	\$ -	(18.5)	n/a	n/a	n/a	n/a	\$9.4	2.2	n/a	n/a

* Complete financial data for FY 2021 is not available at the time of printing of this report.
SOURCE: Illinois Auditor General, Office of the Comptroller

Lottery Transfers

As mentioned previously and shown in Table 23, 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). Transfers to the Common School Fund surged to \$777 million in FY 2021, which was an all-time high. This was an increase of over \$146 million, or 23.2%, compared to FY 2020. This large increase was a result of a lowered transfer base in FY 2020 and a rebound in lottery sales due to a friendly sales environment in FY 2021.

The second destination for Lottery profits are a set of nine special cause funds. Special cause games have grown in number in recent years. Special cause games began in FY 2006 with the introduction of the "Ticket for the Cure" scratch off game which supported breast cancer research and the "Veteran's Cash" game that supported veteran's organizations. In FY 2008, Red Ribbon Cash was launched to improve the lives of those living with HIV-AIDS. An instant game supporting Multiple Sclerosis research began in FY 2009. These were the only special cause games until FY 2015 when the Money Bags instant ticket game was introduced to support the Special Olympics in Illinois. Over the last two fiscal years, four additional special cause games have been introduced. In FY 2020, a game was introduced to help build police memorials and another game was initiated to fight homelessness in Illinois. FY 2021 saw the unveiling of two new instant ticket games to fund STEAM (Science, Technology, Engineering, Art, and Math) programs and fight Alzheimer's disease.

As part of P.A. 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. Sales for this game were down almost 60% in FY 2020 to just under \$257,000. Revenue rebounded significantly in FY 2021. Sales grew to over \$643,000. This was growth of over 150% and was the highest level of sales for this game since FY 2013.

A special instant scratch-off was created by P.A. 94-0585 to fund grants for veterans' related issues. Currently this specialty game is named "Winter Double Match". While sales were down in FY 2021, this game has had sales of over \$1 million in each of the last four years which is a respectable level compared to some of the other older specialty games. Sales totaled \$1.3 million in FY 2021. This was down 2.4% compared to FY 2020.

Revenues from the "3 Times the Money" instant ticket game are used to support HIV/AIDS prevention and education. This game was created as part of P.A. 95-0674. Sales for this game have been mostly between \$450,000 and \$700,000 over the last nine years. In FY 2021, proceeds from this game totaled \$487,000. This a decline of 7.4% compared to the previous fiscal year.

A special cause game benefiting multiple sclerosis began sales in September of 2008. As part of P.A. 95-0673, the Multiple Sclerosis Research Fund was created that would benefit research pertaining to multiple sclerosis. Profits from the “Lucky Me” game exploded in FY 2021. Sales had deteriorated to just under \$348,000 in FY 2020. In FY 2021, revenue more than tripled to \$1.5 million. This was the largest amount sent to the Multiple Sclerosis Research Fund since it received \$2.1 million in its inaugural year in FY 2009.

P.A. 98-0649 created the “Money Bags” 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. After surging to over \$2.1 million in FY 2020, income from this game fell to \$1.3 million in FY 2021. Though this equated to a decline of over 37%, it still had the second highest level of sales for the specialty games. The current version of this instant ticket is named “It Takes 2.”

The first of the newest batch of special cause games in recent years was the Blue Police Memorial Ticket game. Introduced in May of 2019, the game will be used to raise funds to support police memorial projects. As part of P. A. 100-0647, revenues from the ticket will be equally divided among the Chicago Police Memorial Foundation Fund, the Police Memorial Committee Fund, and the Illinois State Police Memorial Park Fund. Profits from the Blue Police Memorial Ticket will be used to fund grants for building and maintaining memorials and parks; holding annual memorial commemorations; giving scholarships to children of officers killed or catastrophically injured in the line of duty, or those interested in pursuing a career in law enforcement; providing financial assistance to police officers and their families when a police officer is killed or injured in the line of duty; and providing financial assistance to officers for the purchase or replacement of bullet proof vests to be used in the line of duty. Even though sales for this new began at the end of FY 2019, due to transfer timing between the Lottery and the Comptroller’s office, the initial funds did not arrive at the Comptroller’s office until FY 2020. In its first year of availability, sales from the Blue Police Memorial Ticket game totaled \$1.4 million. Returns from this game tumbled over 23% in FY 2021 to just over \$1.0 million.

The second newly introduced game was the “Easy as 1-2-3” game which became available in September of 2019. This game was created under P.A. 100-1068. Profits of the game will be deposited in the Homelessness Prevention Revenue Fund. These funds will be used by the Illinois Department of Human Services to support homelessness prevention and assistance program grants. In FY 2020, ticket sales totaled \$1.2 million. In FY 2021, a new version of the game, “Big Money Spectacular”, contributed \$1.0 million. This corresponded to a decline of 10.4%.

Two new specialty instant games were introduced through P.A. 101-0561 in FY 2021. The first game was “Booming Bucks”, which raised funds for science, technology, engineering, art, and math (STEAM) programs in Illinois public schools. All proceeds

from the Booming Bucks instant ticket will be sent to the School STEAM Grant Program Fund and will be used to support the School STEAM Grant Program, which the Illinois State Board of Education will create and run. This grant program will support STEAM programming for K-12 students in Illinois, specifically in lower income neighborhoods. This instant game was structured so that sales could only occur in calendar year 2021 and was discontinued on January 1, 2021. Sales of the “Booming Bucks” game totaled just over \$1.1 million during its limited run at the end of 2020.

The other specialty game created under P.A. 101-0561 was the “The End of Alzheimer’s Begins with Me” scratch-off game. The net revenue from this game is deposited into the Alzheimer’s Awareness Fund. This money will go towards Alzheimer’s care, support, education, and awareness programs in Illinois. This game is scheduled to be available through January 1, 2022. In FY 2021 just under \$917,000 was collected.

The last fund that receives lottery funds is the Capital Projects Fund which was created under P.A. 96-0034. 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 since the fund’s creation 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. Since then, transfers to the Common School Fund have ranged from \$0 to \$19 million. In FY 2019, no funds were transferred to the Capital Projects Fund. However, this was somewhat misleading, as due to changes made under P. A. 100-0587, the Lottery now has until September 30th of the following fiscal year after the fiscal year’s audited financial results are finalized to determine how much should be transferred to the Capital Projects Fund. In FY 2020, \$18.5 million was transferred to the Capital Projects Fund based on results from FY 2019. There was no payment into the Capital Projects Fund in FY 2021 based on the Lottery’s results in FY 2020. Current expectations are for little to no payment into this fund in FY 2022. Approximately \$483 million has been transferred to Capital Projects Fund from the Lottery since its creation but the vast majority of those transfers happened between FY 2011 and FY 2014.

Table 24, on the following page, displays historic transfers data for the Lottery.

**TABLE 24: LOTTERY TRANSFERS
FY 1975 - FY 2021***

(\$ Millions)

Fiscal Year	Total Sales	General Revenue Fund	Common School Fund	Capital Projects Fund	Special Cause Funds	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	\$ -	\$ 4.2	\$ -	\$ 629.2	28.6%
2011	\$ 2,262.9	\$ -	\$ 631.9	\$ 87.0	\$ 4.1	\$ -	\$ 723.0	31.9%
NORTHSTAR LOTTERY GROUP 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	\$ -	\$ 676.9	\$ -	\$ 3.3	\$ -	\$ 680.2	23.8%
2017	\$ 2,845.9	\$ -	\$ 720.3	\$ 15.0	\$ 2.9	\$ -	\$ 738.2	25.9%
CAMELOT ILLINOIS TAKES OVER CONTROL OF LOTTERY OPERATIONS								
2018	\$ 2,928.4	\$ -	\$ 718.8	\$ 9.3	\$ 3.6	\$ -	\$ 731.7	25.0%
2019	\$ 2,977.4	\$ -	\$ 731.1	\$ -	\$ 3.4	\$ -	\$ 734.5	24.7%
2020	\$ 2,804.9	\$ -	\$ 630.4	\$ 18.5	\$ 7.2	\$ -	\$ 656.1	23.4%
2021	\$ 3,414.5	\$ -	\$ 776.5	\$ -	\$ 9.4	\$ -	\$ 785.9	23.0%
TOTALS	\$ 76,573.2	\$ 1,649.8	\$ 21,948.4	\$ 483.0	\$ 67.6	\$ 21.2	\$ 24,170.1	31.6%

* Preliminary, unaudited data

SOURCE: ILLINOIS LOTTERY, OFFICE OF THE COMPTROLLER

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 \$20 million. 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 2021, forty-five 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.

Mega Millions has drawings on Tuesdays and Fridays. Powerball conducts their drawings on Wednesdays and Saturdays. Mega Millions and Powerball each cost \$2 per ticket. Mega Millions had been \$1 per ticket but beginning in October 2017, the price rose to \$2 to match the Powerball. In addition to the change in price, the beginning jackpot for Mega Millions rose to \$40 million from \$15 million and the odds of winning the jackpot increased. However, due to a waning interest in both of the multi-state games during the COVID-19 pandemic, the beginning jackpot for both games was reduced in the spring of 2020 to ensure the long-term viability of the game. The beginning jackpot have been at \$20 million since then but the Mega Millions has indicated that future beginning jackpots will be determined by game sales and interest rates.

As mentioned previously, the multi-state games rebounded in FY 2021. The Mega Millions game was down over 48% in FY 2020, while Powerball was down 40%. The Mega Millions game grew almost 43% to \$158 million in FY 2021. Powerball grew a similar 35% to a little over \$127 million. While both games improved in FY 2021, neither has returned to the recent highs that were seen in FY 2019.

Table 25 on the following page shows the change in sales data, along with the growth in higher jackpots in recent years. After coming off record levels of high-level jackpots in FY 2019, the amount of drawings with an estimated jackpot of over \$100 million, \$200 million, and \$300 million all fell in FY 2020. The growth in high-level jackpots was likely due to the higher odds of winning the jackpot with the introduction of new game rules which causes more rollovers. In recent years both games (Powerball 2015, Mega Millions 2017) have changed their rules which lowered the chances of winning the jackpot but increased the chances of winning lesser prizes. The chance of having higher level jackpots will likely be reduced moving forward as the starting jackpots and the minimum increase between drawings were reduced in April of 2020. In FY 2021, the number of jackpots over \$200 million increased from the level seen in FY 2020 but was still below FY 2018 and FY 2019.

TABLE 25: MULTI STATE GAME RESULTS

(\$ Million)

MEGA MILLIONS

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Average Jackpot Drawing	\$68.7	\$42.9	\$98.0	\$93.8	\$101.7	\$77.7	\$146.6	\$220.4	\$136.9	\$166.9
Drawings over \$100 M	19	9	35	40	42	28	55	70	60	50
Drawings over \$200 M	6	0	13	12	12	3	30	46	23	31
Drawings over \$300 M	2	0	6	1	4	3	13	26	8	18
Mega Millions Sales	\$189.6	\$109.1	\$145.0	\$120.3	\$99.4	\$98.2	\$125.0	\$213.4	\$110.4	\$157.8
% Change	10.2%	-42.5%	33.0%	-17.1%	-17.4%	-1.1%	27.3%	70.7%	-48.2%	42.9%

POWERBALL

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Average Jackpot Drawing	\$85.2	\$120.0	\$117.3	\$105.2	\$159.6	\$165.7	\$175.7	\$199.6	\$108.6	\$144.8
Drawings over \$100 M	33	48	44	41	62	65	71	77	48	55
Drawings over \$200 M	8	16	15	9	25	34	34	42	10	26
Drawings over \$300 M	1	6	6	3	9	16	16	18	4	10
Powerball Sales	\$146.3**	\$237.8	\$163.3	\$133.5	\$208.0	\$151.6	\$161.2	\$158.5	\$94.6	\$127.3
% Change	\$0.50	62.6%	-31.3%	-18.3%	55.8%	-27.1%	6.4%	-1.7%	-40.3%	34.6%

MEGA MILLIONS AND POWERBALL

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Average Jackpot Drawing	\$77.0	\$81.5	\$107.6	\$99.4	\$130.8	\$121.5	\$161.2	\$209.9	\$122.8	\$155.8
Drawings over \$100 M	52	57	79	81	104	93	126	147	108	105
Drawings over \$200 M	14	16	28	21	37	37	64	88	33	57
Drawings over \$300 M	3	6	12	4	13	19	29	44	12	28
Total Multi State Game Sales	\$335.9	\$346.8	\$308.3	\$253.7	\$307.4	\$249.8	\$286.2	\$371.8	\$205.0	\$285.1
% Change	24.7%	3.3%	-11.1%	-17.7%	21.1%	-18.7%	14.6%	29.9%	-44.9%	39.1%

* 5 months of sales

** Powerball price increases from \$1 to \$2 per ticket and beginning jackpot rises to \$40 million in January of 2012, beginning jackpot was reduced back to \$20 million in April of 2020

SOURCE: www.lottoreport.com

U.S. Lottery Results

Based on data from the North American Association of State and Provincial Lotteries, in FY 2020, Illinois had the 12th largest lottery in the U.S. based on total traditional lottery sales. This was down one spot from the previous two years. Traditional lottery sales include instant and draw games but exclude electric gaming machines and table games. While Illinois has electric gaming machines and table games, they are under the purview of the Illinois Gaming Board, and as such, will not be included in this analysis of the Lottery. New York had the largest amount of traditional lottery sales in FY 2020 at \$7.7 billion. New York was followed by Florida at \$7.5 billion and Texas at \$6.7 billion.

On a sales per capita basis, Illinois had sales per capita of \$219 in FY 2020. This was a decline of approximately 6.8% compared to FY 2019. This ranked Illinois 22nd out of the forty-six lotteries studied. This was two spots lower than the year before. Massachusetts had the highest levels of lottery sales at \$746 per person. This was followed by Georgia at \$464 and Michigan at \$421. States with higher lottery sales per capita tend to allow Keno games, which Illinois does not offer. Based on preliminary data, Illinois' sales per capita increased to approximately \$266 in FY 2021. This equals an increase of over 21%. This would put the State back on its upward trend after a decline in FY 2020. Chart 15 shows the slow growth of this metric over the past fifteen years.

Similarly, analyzing last year's lottery sales on a percentage of per-capita personal income basis placed Illinois near the middle of U.S. lotteries. In general, spending levels have been coming down in recent years. In FY 2015, people in Illinois spent approximately 0.45% of their personal income on lottery and this level fell to 0.42% in FY 2016 and FY 2017. Spending fell again in FY 2018 to 0.40%, which is where it remained in FY 2019. With the poor results seen in FY 2020, this measure continued to fall to 0.35%. In FY 2020, Illinois ranked 24th in sales per capita as a percentage of personal income. The highest levels of spending on lottery sales based on personal income are seen in Massachusetts (0.94%), Georgia (0.91%), and South Carolina (0.87%).

Another way to compare the various lotteries in the U.S. is by the number of people in the State compared to the number of lottery sales locations. According to the Illinois Lottery, approximately 6,692 retail locations offer lottery products currently. This is down considerably from the 7,400 locations at the end of FY 2019. Chart 16, on page 66 illustrates where Illinois stands regarding this metric. Illinois has approximately 1,915 residents per lottery retailer using 2020 census data. Looking at data from the most recent fiscal year available (FY 2018), this would rank 42nd out of the 46 U.S. lotteries analyzed. Massachusetts and Rhode Island have the greatest availability of lottery products with only 860 and 923 people per lottery location, while Arizona has the most people per retail location at 2,338. The U.S. average was approximately 1,462 people per lottery retailer. To equal the U.S. average, Illinois would have to get to 8,764 retailers which would be an increase of 2,072 retailers. This would be an increase of 31% in total retailers over the current level.

**TABLE 26: LOTTERY RANKINGS
(FY 2020)**

STATE	POPULATION (MILLIONS)	PER CAPITA PERSONAL INCOME	TRADITIONAL LOTTERY SALES		SALES PER CAPITA		SALES PER CAPITA AS A % OF PER-CAPITA PERSONAL INCOME	
			(\$ MILLIONS)	Rank	PER CAPITA	Rank	PERCENTAGE	Rank
ALABAMA	5.0	\$ 46,908	\$ -	47	\$ -	47	0.00%	47
ALASKA	0.7	\$ 64,780	\$ -	47	\$ -	47	0.00%	47
ARIZONA	7.2	\$ 48,950	\$ 1,098	21	\$ 154	28	0.31%	27
ARKANSAS	3.0	\$ 47,109	\$ 531	26	\$ 176	26	0.37%	21
CALIFORNIA	39.5	\$ 71,480	\$ 6,601	4	\$ 167	27	0.23%	31
COLORADO	5.8	\$ 63,522	\$ 659	25	\$ 114	35	0.18%	36
CONNECTICUT	3.6	\$ 79,771	\$ 1,304	19	\$ 362	6	0.45%	15
DELAWARE	1.0	\$ 56,768	\$ 191	39	\$ 193	25	0.34%	26
DISTRICT OF COLUMBIA	0.7	\$ 87,064	\$ 208	37	\$ 302	11	0.35%	25
FLORIDA	21.5	\$ 55,337	\$ 7,505	2	\$ 348	9	0.63%	5
GEORGIA	10.7	\$ 51,165	\$ 4,975	6	\$ 464	2	0.91%	2
HAWAII	1.5	\$ 60,729	\$ -	47	\$ -	47	0.00%	47
IDAHO	1.8	\$ 48,616	\$ 278	33	\$ 151	29	0.31%	28
ILLINOIS	12.8	\$ 62,977	\$ 2,805	12	\$ 219	22	0.35%	24
INDIANA	6.8	\$ 51,340	\$ 1,384	18	\$ 204	24	0.40%	20
IOWA	3.2	\$ 55,218	\$ 372	29	\$ 117	32	0.21%	34
KANSAS	2.9	\$ 56,073	\$ 275	34	\$ 94	38	0.17%	37
KENTUCKY	4.5	\$ 46,507	\$ 1,203	20	\$ 267	15	0.57%	7
LOUISIANA	4.7	\$ 50,037	\$ 509	27	\$ 109	36	0.22%	33
MAINE	1.4	\$ 54,225	\$ 314	32	\$ 231	19	0.43%	17
MARYLAND	6.2	\$ 68,258	\$ 2,190	13	\$ 355	7	0.52%	11
MASSACHUSETTS	7.0	\$ 79,721	\$ 5,245	5	\$ 746	1	0.94%	1
MICHIGAN	10.1	\$ 52,987	\$ 4,247	8	\$ 421	3	0.80%	4
MINNESOTA	5.7	\$ 61,540	\$ 669	24	\$ 117	31	0.19%	35
MISSISSIPPI	3.0	\$ 41,745	\$ 340	30	\$ 115	34	0.27%	29
MISSOURI	6.2	\$ 51,177	\$ 1,513	17	\$ 246	18	0.48%	13
MONTANA	1.1	\$ 53,329	\$ 61	43	\$ 56	44	0.11%	44
NEBRASKA	2.0	\$ 57,942	\$ 183	40	\$ 93	39	0.16%	38
NEVADA	3.1	\$ 53,635	\$ -	47	\$ -	47	0.00%	47
NEW HAMPSHIRE	1.4	\$ 66,418	\$ 389	28	\$ 283	14	0.43%	16
NEW JERSEY	9.3	\$ 75,245	\$ 3,215	10	\$ 346	10	0.46%	14
NEW MEXICO	2.1	\$ 45,803	\$ 127	42	\$ 60	43	0.13%	42
NEW YORK	20.2	\$ 75,548	\$ 7,727	1	\$ 382	5	0.51%	12
NORTH CAROLINA	10.4	\$ 50,086	\$ 3,016	11	\$ 289	13	0.58%	6
NORTH DAKOTA	0.8	\$ 59,388	\$ 24	45	\$ 31	46	0.05%	46
OHIO	11.8	\$ 53,296	\$ 3,472	9	\$ 294	12	0.55%	9
OKLAHOMA	4.0	\$ 49,249	\$ 268	35	\$ 68	41	0.14%	41
OREGON	4.2	\$ 56,765	\$ 337	31	\$ 80	40	0.14%	40
PENNSYLVANIA	13.0	\$ 62,198	\$ 4,557	7	\$ 350	8	0.56%	8
RHODE ISLAND	1.1	\$ 60,837	\$ 246	36	\$ 224	21	0.37%	22
SOUTH CAROLINA	5.1	\$ 47,502	\$ 2,106	15	\$ 412	4	0.87%	3
SOUTH DAKOTA	0.9	\$ 57,273	\$ 58	44	\$ 66	42	0.11%	43
TENNESSEE	6.9	\$ 50,547	\$ 1,841	16	\$ 266	16	0.53%	10
TEXAS	29.1	\$ 54,841	\$ 6,704	3	\$ 230	20	0.42%	18
UTAH	3.3	\$ 52,251	\$ -	47	\$ -	47	0.00%	47
VERMONT	0.6	\$ 58,650	\$ 137	41	\$ 214	23	0.36%	23
VIRGINIA	8.6	\$ 62,362	\$ 2,149	14	\$ 249	17	0.40%	19
WASHINGTON	7.7	\$ 68,322	\$ 817	22	\$ 106	37	0.16%	39
WEST VIRGINIA	1.8	\$ 45,109	\$ 207	38	\$ 115	33	0.26%	30
WISCONSIN	5.9	\$ 55,487	\$ 725	23	\$ 123	30	0.22%	32
WYOMING	0.6	\$ 63,263	\$ 24	46	\$ 42	45	0.07%	45
TOTALS	331.4	\$ 59,729	\$ 82,805		\$ 250		0.42%	

All figures are for traditional lottery games and do not include video gaming or table games.

All data should be considered preliminary and unaudited.

SOURCES: U.S. CENSUS BUREAU, NORTH AMERICAN ASSOCIATION OF STATE AND PROVINCIAL LOTTERIES, BUREAU OF ECONOMIC ANALYSIS, CGFA

CHART 15: ILLINOIS LOTTERY SALES PER CAPITA

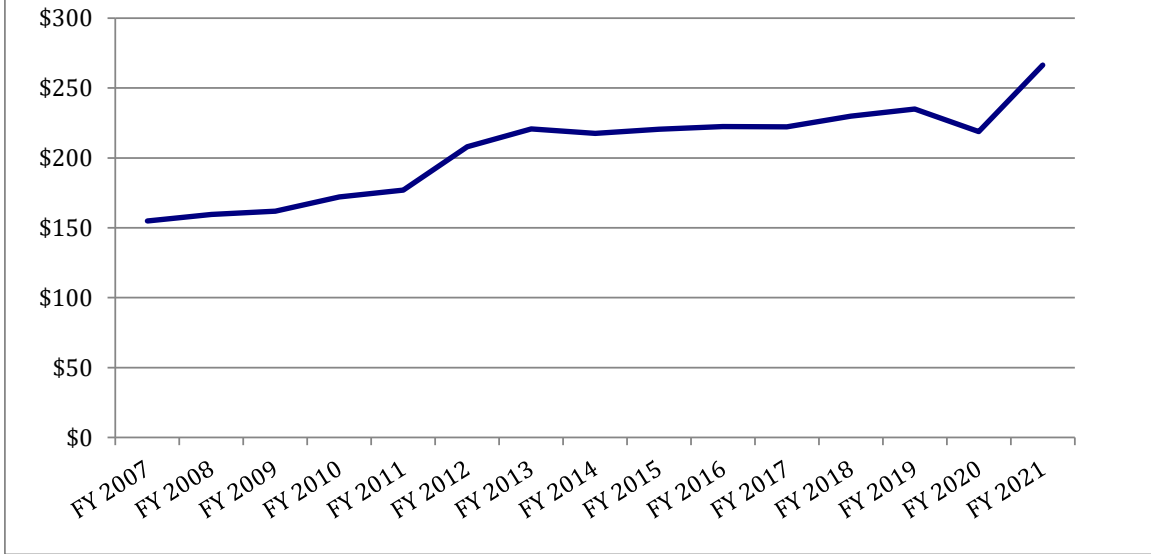
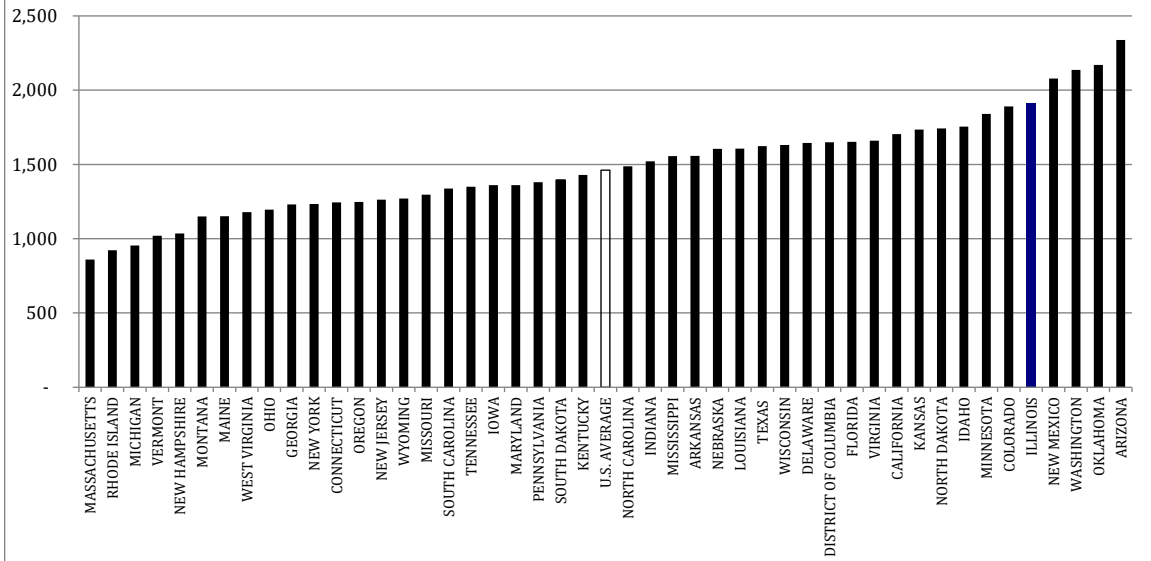


CHART 16: PEOPLE PER LOTTERY RETAILER

Illinois ranks 42nd with approximately one lottery retailer per 1,915 people



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

Private Manager

On September 15, 2010, the State selected the Northstar Lottery Group to manage the Illinois Lottery. As part of Public Act 96-0034, 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 had a rocky relationship from the beginning of the private management agreement. The two 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 contained 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 represented shortfall payments for not meeting net income goals. The remaining \$22.6 million was 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 concerned 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 was terminated by the replacement private manager on July 1, 2017, the amount payable would have been \$55 million. This amount was to be prorated in the event the supply agreement is terminated on a different date. [According to the FY 2018 audit of the Lottery, this amount totaled \$34.4 million when finalized.]

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 was September 28, 2016. The expectation was that the new private manager would take over the day-to-day management of the Lottery on January 1, 2017.

Only one firm, Camelot, submitted a bid under the RFP. Camelot is known for running the U.K. National Lottery and was the second place bidder during the original lottery management process. The State was able to come to agreement with Camelot in October of 2017. A new firm called Camelot Illinois took over day-to-day management of the Lottery on January 2, 2018.

The new private management agreement with Camelot Illinois had several new features. The agreement was reported to include higher base fees, incentive pay at lower levels of sales, and no penalties for underperformance. Based on the new private management agreement, Camelot Illinois' base management fees were set at 0.876% of the actual Operating Revenues for FY 2019 and a rate of 0.896% for the remaining fiscal years of the contract. The incentive pay is based on a schedule of minimum net income, middle net income, and upper net income targets. Camelot Illinois will receive 17% of any revenue above the minimum net income target, 22% of any net income above the middle target, and 27% of any net income above the upper target. For FY 2022, the minimum net income target will be \$771.5 million, the middle net income target is \$805.0 million, and the upper net income target is \$930.0 million. Incentive pay is capped at 5% of Net Income. The previous private management agreement had penalties for underperformance. This agreement does not appear to have these penalties, though Camelot Illinois is responsible for any cost overruns.

For more information on the private management agreement, see <https://www.illinoislottery.com/illinois-lottery/lottery-private-management>.

Accounting Issues

During the audit conducted for the FY 2018 results, the Lottery was found to be not in compliance. Two findings stood out as issues that needed to be mentioned. Finding 2018-001 showed excess transfers to the Common School Fund. Another issue was raised in Finding 2018-002 which stated that the Lottery was not compliant with the Illinois Lottery Law due to not performing all the required transfers to the Capital Projects Fund.

According to the report from the Auditor General, the Lottery transferred just over \$73 million more to the State Lottery Fund (Fund 711) than was appropriate in FY 2018. This occurred due to a mismatch in the actual amount of money available to send to the State Lottery Fund which isn't known until after final, audited financials are conducted (which aren't available until September of the following fiscal year) and the monthly transfers mandated into the Common School Fund (Fund 412) from the State Lottery Fund which are based on the monthly amount of transferred in FY 2009 adjusted for inflation. In the FY 2019 audit, this excess transfer had been reduced to \$64 million (Finding 2019-002) and remained at this level in the FY 2020 audit (Finding 2020-001).

Finding 2018-002 indicated that the Lottery had not performed all the necessary transfers into the Capital Projects Fund. The Capital Projects Fund was owed approximately \$89 million as of June 30, 2018. The unperformed transfers were from periods prior to FY 2018. A large portion of this amount was from a mis-characterization of an excess transfer of approximately \$69 million from the State Lottery Fund into the Common School Fund in FY 2009. The Lottery booked this amount as an accounts receivable from the Common School Fund to the State Lottery Fund. However, during the FY 2012 audit, this accounts receivable was deemed as inappropriate, and therefore, this created a cash deficit in the same amount that has not been made up. The remaining \$19 million in unperformed transfers was due to annual mismatches between what was estimated for transfer at the end of a fiscal year and what was determined after audited financials were available. This amount has remained at \$89 million in both the FY2019 audit (Finding 2019-003) and the FY 2020 audit (Finding 2020-001).

Any remediation efforts could affect future transfers but it is currently unclear how these issues will be resolved. Changes made in P. A. 100-0587, which allowed for the delayed transfer into the Capital Projects Fund, should alleviate one of these problems moving forward. For more information about these issues, please see the audit reports available at <https://www.auditor.illinois.gov/Audit-Reports/LOTTERY-DEPARTMENT.asp>.

Lottery Sports Wagering Pilot Program

As part of P. A. 101-0031, which was signed into law in June of 2019, the Lottery is directed to develop a sports wagering pilot program for players over 21-years of age. The Lottery shall issue a single license pursuant to an open and competitive bidding process. The winning bidder will pay \$20 million to the Lottery. Sports lottery terminals may be placed in no more than 2,500 Lottery retail locations in the State during the first year of operations. Sports lottery terminals may be placed in an additional 2,500 locations during the second year. Sports lottery terminals shall only accept parlay wagers and fixed odds parlay wagers. All proceeds from this program after payouts to players, licensed agents, and the central system provider are to be transferred to the Capital Projects Fund. The pilot program is to be repealed on January 1, 2024.

As of August 2021, the pilot program has not been initiated and there is no timeline available for when the program would be implemented. The Lottery is currently seeking legislative changes to the sports betting law to enable a more viable retail sports wagering pilot program. Desired changes to the law include decreased up-front licensing fees and an extended sunset date.

COVID-19 Vaccine Lottery

As part of the FY 2022 budget implementation bill (P.A. 102-0016), the Illinois Lottery was directed, in coordination with the Department of Public Health, to develop and offer a promotion and prizes for the purpose of encouraging Illinois residents to be vaccinated against COVID-19. In following out this directive, the Lottery created the \$10 million "All in for the Win" vaccine sweepstakes. The promotion automatically entered all Illinois residents who had received at least one dose of the COVID-19 vaccine in Illinois outside of a federal facility. The promotion consisted of a \$7 million cash prize pool for adults and a \$3 million educational scholarship prize pool for vaccinated residents between the ages of 12 to 17. The adult prize pool was distributed via three \$1 million drawings and the remainder was distributed via weekly \$100,000 drawings. The youth prizes were distributed in a series of \$150,000 scholarship drawings. The drawings began on July 8, 2021 and the final drawing occurred on August 26, 2021.

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 on-track and off-track wagering facilities. In calendar year 2020, Illinois horse racing wagering generated \$11.3 million in total revenues with the State receiving \$8.5 million and local governments receiving \$2.8 million. Table 27 examines the sources and allocation of CY 2020 horse racing revenues while Table 28 details State and local racing revenues over the past ten years.

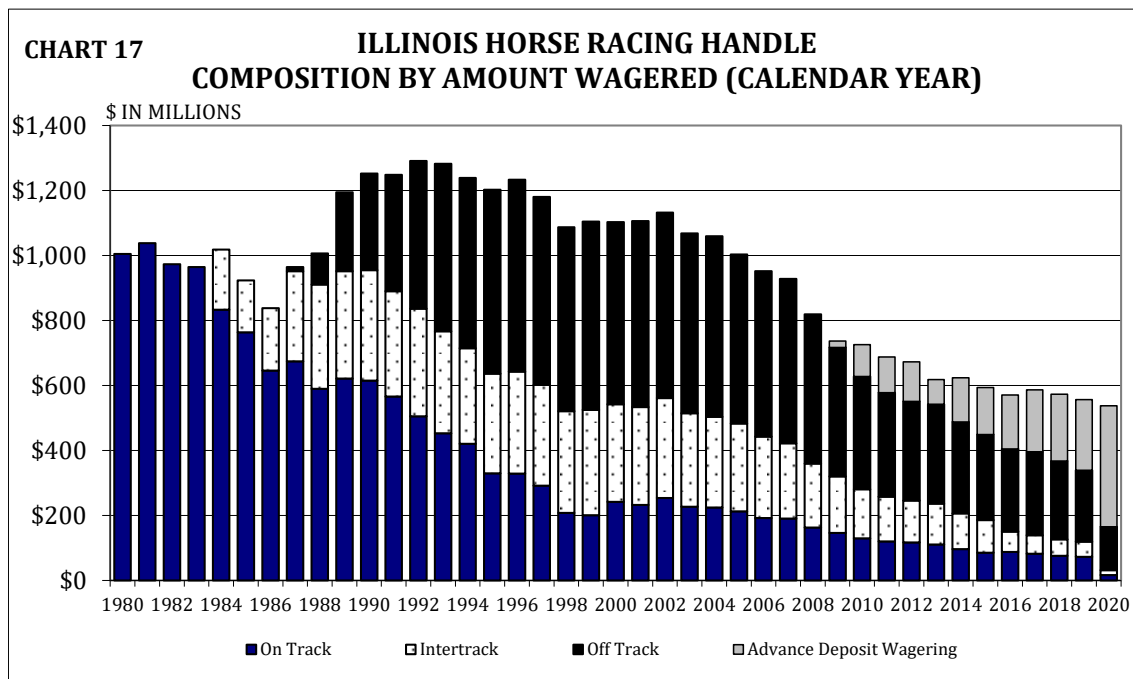
TABLE 27: SOURCES AND ALLOCATION OF HORSE RACING REVENUE FOR CALENDAR YEAR 2020	
SOURCE OF REVENUE:	
Application and License Fees of Racing Associations	\$55,965
Admission Taxes	\$3,026
Pari-mutuel Tax (Tracks and OTBs)	\$2,403,451
Pari-mutuel Tax Credit Used	(\$1,534,308)
Advanced Deposit Wagering (ADW) Pari-Mutuel Tax (1.75% of Handle)	\$6,514,529
.2% Surcharge for Racing Board (includes \$100,000 to Quarter Horse Purse Fund)	\$904,305
Licensing of Racing Personnel	\$113,625
Fingerprint Fees	\$11,242
Photo Fees	\$10
Horsemen's Fines	\$26,567
Miscellaneous Sources	(\$11,224)
TOTAL STATE REVENUES RECEIVED	\$8,487,188
2% of OTB Handle to City and County	\$2,670,106
OTB Admission Tax to City of Chicago	\$28,915
OTB Admission Tax to Cook County	\$57,528
On Track City Admission Tax	\$2,017
Intertrack Surcharge to County (20%)	\$33,126
TOTAL LOCAL REVENUES RECEIVED	\$2,791,693
TOTAL REVENUES RECEIVED	\$11,278,881
ALLOCATION OF REVENUE:	
Horse Racing Fund	\$7,416,466
Quarterhorse Breeders' Fund	\$28,859
Quarterhorse Purse Fund (from IRB .2% Surcharge)	\$100,000
Standardbred Purse Fund (.25% Tax of ADW Handle)	\$930,621
Fingerprinting (State Police and Vendor)	\$11,242
TOTAL STATE REVENUES ALLOCATED	\$8,487,188
To Cities	\$1,365,985
To Counties	\$1,425,708
TOTAL LOCAL	\$2,791,693
TOTAL REVENUES ALLOCATED	\$11,278,881
SOURCE: ILLINOIS RACING BOARD - 2020 ANNUAL REPORT	

TABLE 28: HORSE RACING REVENUES AND ASSOCIATED ALLOCATIONS BY CALENDAR YEAR (IN MILLIONS)											
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
TOTAL STATE REVENUE	\$7.4	\$7.8	\$7.5	\$6.4	\$7.5	\$6.8	\$6.8	\$7.1	\$7.0	\$7.0	\$8.5
TOTAL LOCAL REVENUE	\$7.8	\$7.2	\$6.8	\$6.7	\$6.2	\$5.8	\$5.5	\$5.5	\$5.1	\$4.7	\$2.8
* TOTAL REVENUES RECEIVED	\$15.3	\$15.0	\$14.2	\$13.1	\$13.7	\$12.7	\$12.3	\$12.6	\$12.2	\$11.7	\$11.3
TOTAL STATE ALLOCATIONS	\$7.4	\$7.8	\$7.5	\$6.4	\$7.5	\$6.8	\$6.8	\$7.1	\$7.0	\$7.0	\$8.5
TOTAL LOCAL ALLOCATIONS	\$7.8	\$7.2	\$6.8	\$6.7	\$6.2	\$5.8	\$5.5	\$5.5	\$5.1	\$4.7	\$2.8
TO CITIES	\$3.7	\$3.4	\$3.2	\$3.2	\$2.9	\$2.8	\$2.7	\$2.7	\$2.5	\$2.3	\$1.4
TO COUNTIES	\$4.1	\$3.8	\$3.6	\$3.6	\$3.3	\$3.1	\$2.8	\$2.8	\$2.6	\$2.4	\$1.4
*TOTAL REVENUES ALLOCATED	\$15.3	\$15.0	\$14.2	\$13.1	\$13.7	\$12.7	\$12.3	\$12.6	\$12.2	\$11.7	\$11.3

* On January 29, 2014, advance deposit wagering was re-authorized for three years and included an additional 0.2% surcharge on winning wagers to help fund the Racing Board.

SOURCE: ILLINOIS RACING BOARD ANNUAL REPORTS

In its 2020 Annual Report, the Racing Board noted that 232 live race dates were conducted during CY 2020. This is notably lower than the 266 that were conducted during CY 2019 and significantly lower than the 518 race programs that were conducted as recently as CY 2013. This falloff reflects the declining trend of the horse racing industry, but specific to 2020, also reflects the effect of COVID-19 restrictions that directly affected the number of race dates. In CY 2020, a total handle amount of \$538 million resulted. This was a 3.4% decrease from CY 2019 levels. The CY 2020 amount is the lowest total in recent history. These historical horse racing handle figures are displayed below.



The overall 3.4% decline in the racing handle would have been significantly worse if it were not for the 71.4% increase in advance deposit wagering (ADW). The online capabilities of ADW provided revenues for the industry that would have otherwise been devastated by the sharp declines in attendance during the pandemic. Although, the overall handle in Illinois declined \$19 million in CY 2020, the \$155 million

increase in the ADW handle nearly offset the \$174 million total falloff experienced by the other methods of horse racing wagering (on-track: down \$56M or -77.1%; intertrack: down-\$31M or -67.1%; off-track: down \$87M or -39.4%). The 2020 handle totals are down a combined 25.9% from ten years ago and down 51.2% over the past two decades.

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 2019 the percentage of the total handle generated from on-track wagering slowly fell from 49% to 13%. In 2020, again in large part due to the pandemic, this percentage dipped to 3%. The percentage of the total handle generated at off-track wagering facilities increased from 24% to as high as 56% (2008) before falling to 40% in 2019. The composition percentage fell sharply to 25% in 2020.

Inter-track wagering for years remained relatively stable, generally comprising around 25% of the total handle. This rate has now fallen to 3% as advance deposit wagering has quickly emerged as the trending source for new wagering. In 2020 ADW's composition grew to a whopping 69%, again, in part due to the COVID-19 restrictions limiting wagering at the other formats. Chart 18 illustrates the historic shift in the composition of the racing handle.

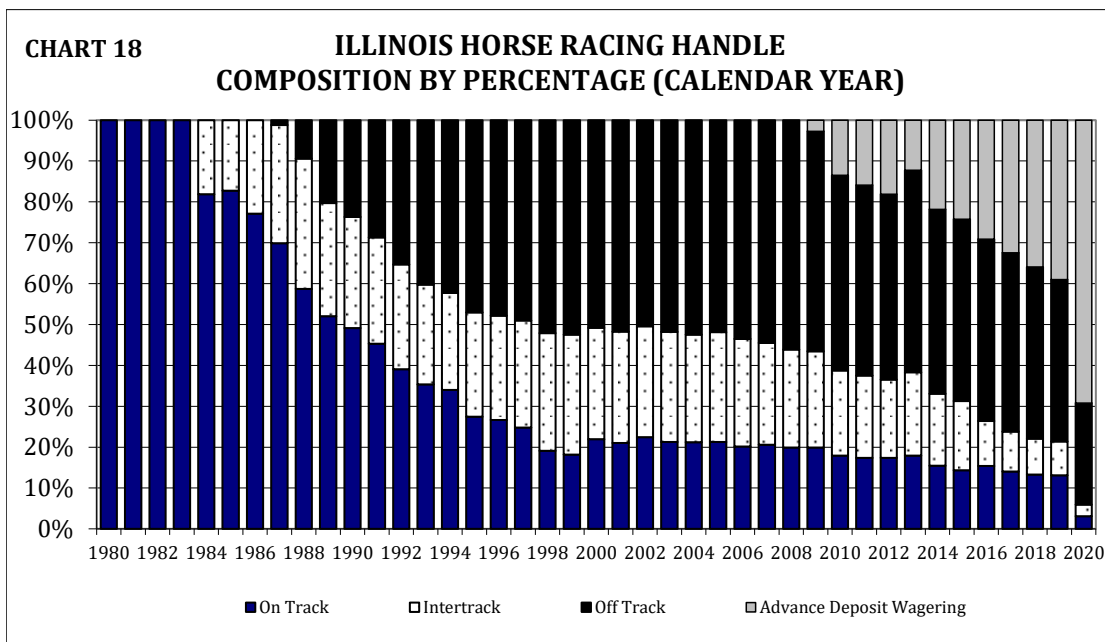


TABLE 29: Illinois Racing Statistics for 2020			
\$ in millions			
	2019 Handle	2020 Handle	% Change
Thoroughbred	\$268.1	\$129.3	-51.8%
Harness	\$71.4	\$36.1	-49.4%
ADW	\$217.1	\$372.3	71.4%
Total Illinois Handle	\$556.6	\$537.6	-3.4%
Of the \$537.6 million total handle in 2020....			
Source	Amount	Composition	
On Track	\$16.7	3.1%	
Intertrack	\$15.1	2.8%	
OTBs	\$133.5	24.8%	
ADW	\$372.3	69.2%	
Total	\$537.6	100%	
Location of Race	Amount	Composition	
Wagered on Illinois Races	\$21.8	4.1%	
Wagered on Out-of State Tracks	\$515.8	95.9%	
Total	\$537.6	100%	
The handle at Illinois tracks came from:			
Arlington	\$6.1		
Hawthorne	\$14.2		
Fairmount	\$1.6		
State/County Fairs	\$0.0		
Total	\$21.8		
Source: Illinois Racing Board Annual Report			

Off-Track Betting (OTB) Licenses

The Illinois Horse Racing Act, effective June 28, 2019, states that Fairmount Park may establish up to 9 intertrack wagering locations (OTB's), Hawthorne Race Course may establish up to 16 OTB's and Arlington Park may establish up to 18 OTB's.

According to the Racing Board's website, as of the last update on November 30, 2020, Arlington Park currently has 8 OTBs, Hawthorne Race Course has 10 OTBs, and Fairmount Park has 3 OTBs. Therefore, each racetrack has several licenses available for additional OTBs, if the market were to demand it. A list of the current OTBs are shown in the table below.

TABLE 30: ILLINOIS RACING TRACKS AND ASSOCIATED OTB'S		
TRACK	COUNTY	OTB LOCATIONS
ARLINGTON RACECOURSE	COOK	AURORA CHICAGO (Weed St.) GREEN OAKS HODGKINS HOFFMAN ESTATES MCHENRY ROCKFORD VILLA PARK
FAIRMOUNT PARK	MADISON	ALTON SAUGET SPRINGFIELD
HAWTHORNE RACE COURSE	COOK	CHICAGO (Corliss) CRESTWOOD JOLIET LANSING MOKENA NORMAL OAKBROOK TERRACE OTTAWA PEORIA PROSPECT HEIGHTS
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 (ADW) 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.

In the earlier stages of ADW, this wagering format had to be extended through legislation. However, Public Act 101-0031 removed the sunset date provisions altogether, thereby allowing advance deposit wagering to continue in Illinois into the foreseeable future.

The State generates tax 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 (to the Horse Racing Fund). In addition to this tax, a pari-mutuel tax at the rate of 0.25% is imposed on advance deposit wagering (to the Standardbred Purse Fund).

Since advance deposit wagering became operational in 2009, the tax revenues collected from this format and the taxable handle amount for that fiscal year is as follows:

Fiscal Year	ADW Handle (\$ in millions)	Tax Revenue (\$ in millions)
2010	\$74	\$1.3
2011	\$96	\$1.7
2012	\$114	\$2.0
2013	\$73	\$1.3
2014	\$133	\$2.3
2015	\$137	\$2.4
2016	\$156	\$2.7
2017	\$175	\$3.1
2018	\$200	\$3.5
2019	\$209	\$3.7
2020	\$265	\$4.6
2021	\$384	\$6.7

Much of the increases seen over the last two fiscal years is no doubt due to the availability of advance deposit wagering during the pandemic as compared to other wagering formats. The suspension of public attendance at race tracks and OTBs caused many would-be bettors to use advance deposit wagering as a replacement to in-person betting. Whether these strong ADW levels will continue as the pandemic fades remains to be seen.

The Future of Horse Racing and the Anticipated Impact of P.A. 101-0031

The horse racing industry in Illinois continues to struggle. Despite a small uptick in the racing handle in 2017, Illinois' long-term trend of decreasing horse racing revenues has continued. As stated previously, the 2020 handle totals are down a combined 25.9% from ten years ago and down 51.2% over the past two decades. To make matters worse, Arlington Park announced that the last live racing event at their racetrack will be in September 2021. Combine this with the 2015 closings of Maywood Park and Balmoral Park and there soon will only be two operating race tracks in Illinois.

The overarching feeling was, without significant changes to the industry, a dramatic turnaround was not likely. The horse racing community is hopeful that the racing related changes to P.A. 101-0031 will be the spark needed to turn things around.

With the authorization of casinos at racetracks (as discussed on page 28), Illinois joins a growing number of states to offer this gaming format. The hoped-for outcome is this: the addition of racinos allows race tracks the financial ability to offer higher purses, which leads to increased interest, both from horsemen and the fans of horse racing. Therefore, proponents have argued that having racinos would not only increase tax revenues for the State, but it would also increase the amount of money wagered on horse racing. However, this has not been the case for states across the country.

For example, over the past decade, Indiana has seen its 'in-state' handle decrease from near \$180 million in 2007 to less than \$70 million in 2019 despite the opening of two racinos in 2008. (*The 2020 numbers have not been released at the time of this report*). On the other hand, the casinos at these two locations annually combine to generate adjusted gross receipts totaling near \$500 million per year (the pandemic year of FY 2020 notwithstanding). 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, not from developing new interest by way of pari-mutuel handle increases.

A similar outcome has occurred in the State of Ohio. The first racino opened in Ohio in June 2012. Since then, six additional racinos have opened throughout this state with the latest opening in September 2016. Casino revenues from these seven locations have improved each year (again, the pandemic year of FY 2020 notwithstanding), reaching an AGR total of near \$1.2 billion in FY 2021. However, despite the impressive casino revenue totals, the racing handle from these Ohio racetracks have not improved. In fact, between 2011 (the last year without racinos) to 2019, the total handle has fallen -38.0% from \$234 million to \$145 million. The handle fell further to \$97 million in the virus-impacted year of 2020.

Even if pari-mutuel handles are not necessarily increasing in other states like Indiana and Ohio, their ability to offer higher purses with the help of another revenue source has had a direct detrimental impact on Illinois. With higher prize values in other

states, many in the horse racing industry have left Illinois for “greener pastures”. Without the ability to offer higher purses, a bad situation becomes even worse for Illinois tracks.

Illinois’ horse racing community is hopeful that P.A. 101-0031’s authorization of casinos at their tracks will act as a life preserver to this industry. Although data suggests that the horse racing handle will not necessarily increase as a result of operating these racinos at tracks, having this other source of revenue will give Illinois horse tracks a secondary source of income needed to offer competitive purses.

It should be noted that only two Illinois race-tracks (Fairmount and Hawthorne) have applied for a casino gaming license. In August 2019, representatives of Arlington Park released a statement that they would not apply to the Gaming Board for a slot machine and table game license. Therefore, it appears that there will only be two “racinos” in Illinois in the foreseeable future rather than the three that were originally anticipated.

By way of P.A. 101-0031, additional financial help to the horse racing industry has already begun with the allowance of sports betting at these facilities. As discussed in the following section, both Fairmount and Hawthorne have obtained a sports gaming license and generated revenues in FY 2021 (Fairmount AGR of \$68M; Hawthorne AGR of \$31M). The industry is hopeful that the added revenue and exposure that sports wagering will bring to these facilities will attract a new fan base for horse racing.

The ability to operate racinos and offer sports betting gives the Illinois horse racing industry a potential “shot in the arm” to help revitalize a struggling industry. Unfortunately for Illinois, these changes will merely help Illinois racetracks keep up with the competition rather than standing out from the crowd. The revenue from the racinos at Illinois’ racetracks will no doubt help the race tracks in the short-term, but the long-term viability of horse racing remains in question given the overall downward trend in horse racing and considering the abundance of competing gaming options.

SPORTS WAGERING

SPORTS WAGERING

As part of P.A. 101-0031, the Sports Wagering Act was created. The Sports Wagering Act provides that the Illinois Gaming Board shall have the authority to regulate the conduct of sports wagering. The Board shall levy and collect all fees, surcharges, civil penalties, and monthly taxes on adjusted gross sports wagering receipts imposed by this Act and deposit all moneys into the Sports Wagering Fund, except as otherwise provided under this Act.

A summary of the framework of the Sport Wagering Act is provided below. A synopsis of sports wagering's tax revenue statistics in its first year of operations follows.

Sports Wagering Related Licenses:

- **Supplier License.** A license to supply a master sports wagering licensee with sports wagering equipment or services necessary for the operation of sports wagering, which shall require a license fee of \$150,000 and a renewal fee of \$150,000 every 4 years;
- **Occupational License.** A license to be employed by a master sports wagering license when the employee works in a designated gaming area that has sports wagering or performs duties in furtherance of or associated with the operation of sports wagering by the master sports wagering licensee, which shall require an annual license fee of \$250;
- **Management Services Provider License.** A license to provide management services under a contract to a master sports wagering licensee, which shall require a nonrefundable license and application fee of \$1,000,000 and a renewal fee of \$500,000 every 4 years;
- **Tier 2 Official League Data Provider License.** A sports governing body or a sports league, organization, or association or a vendor authorized by such sports governing body or sports league, organization, or association to distribute tier 2 official league data may apply to the Board for a tier 2 official league data provider license. The initial license fee (and renewal fee) would range from \$30,000 to \$500,000 based on data sales. The license is valid for 3 years. The term "tier 2 sports wager" refers to a sports wager that is not a sports wager that is determined solely by the final score or final outcome of the sports event and is placed before the sports event has begun.

Master Sports Wagering Licenses. These licenses are authorized at the following locations and have the following requirements:

- **Sports Wagering at Horse Tracks**
 - The initial license fee for a master sports wagering license for an organization licensee (horse track) is 5% of its handle from the preceding calendar year or the lowest amount that is required to be paid as an initial

license fee by an owners licensee, whichever is greater. No initial license fee shall exceed \$10 million.

- An organization licensee licensed on the effective date of this Act shall pay the initial master sports wagering license fee by July 1, 2021 (was July 1, 2020 in the original agreement).
- For an organization licensee licensed after the effective date of this Act, the master sports wagering license fee shall be \$5 million, but the amount shall be adjusted 12 months after the organization licensee begins racing operations based on 5% of its handle from the first 12 months of racing operations.
- The organization licensee may renew the master sports wagering license for a period of 4 years by paying a \$1 million renewal fee to the Board.
- An organization licensee issued a master sports wagering license may conduct sports wagering:
 - At its facility at which inter-track wagering is conducted.
 - At 3 inter-track wagering locations.
 - Over the Internet or through a mobile application.

• **Sports Wagering at Casinos**

- The initial license fee for a master sports wagering license for an owners licensee is 5% of its adjusted gross receipts from the preceding calendar year. No initial license fee shall exceed \$10 million.
- An owners licensee licensed on the effective date of this Act shall pay the initial master sports wagering license fee by July 1, 2021 (was July 1, 2020 in the original agreement).
- For an owners licensee licensed after the effective date of this Act, the master sports wagering license fee shall be \$5 million, but the amount shall be adjusted 12 months after the owners licensee begins riverboat gambling operations based on 5% of its adjusted gross receipts from the first 12 months of riverboat gambling operations.
- The owners licensee may renew the master sports wagering license for a period of 4 years by paying a \$1 million renewal fee to the Board.
- An owners licensee issued a master sports wagering license may conduct sports wagering:
 - At its facility in this State.
 - Over the Internet or through a mobile application.

• **Sports Wagering at a Sports Facility**

- The Board may issue up to 7 master sports wagering licenses to sports facilities.
- The initial license fee is \$10 million.
- The license may be renewed for a period of 4 years by paying a \$1 million renewal fee to the Board.
- A sports facility may conduct sports wagering at or within a 5-block radius of the sports facility.
- A sports facility or its designee may conduct sports wagering over the Internet within the sports facility or within a 5-block radius of the sports facility.

- **Sports Wagering via Online Sports Wagering Operator**
 - The Board shall issue 3 master sports wagering licenses to online sports wagering operators for a nonrefundable license fee of \$20 million pursuant to an open and competitive selection process.
 - The license may be renewed for a period of 4 years by paying a \$1 million renewal fee to the Board.

- **Lottery Sports Wagering Pilot Program**
 - The Department of the Lottery shall issue one central system provider license pursuant to an open and competitive bidding process.
 - The winning bidder shall pay \$20 million to the Department upon being issued the license.
 - Sports lottery terminals may be placed in no more than 2,500 lottery retail locations in the State. Sports lottery terminals may be placed in an additional 2,500 Lottery retail locations during the second year after the effective date of this Act.
 - For the privilege of operating sports wagering, all proceeds minus net of proceeds returned to players shall be paid into the State Lottery Fund. After amounts owed to the central system provider and licensed agents, as determined by the Department of Lottery, are paid, the remainder shall be transferred on the 15th of each month to the Capital Projects Fund.
 - This Program is repealed on January 1, 2024.

Wagering Requirements and Prohibitions

- A person placing a wager shall be at least 21 years of age.
- A licensee may not accept a wager on a minor league sports event.
- No licensee may accept a wager for a sport involving an Illinois collegiate team.
- A licensee may only accept a wager from a person physically located in the State.
- Master sports wagering licensees may use any data source for determining the results of all tier 1 sports wagers.
- A sports governing body headquartered in the United States may notify the Board that it desires to supply official league data to master sports wagering licensees for determining the results of tier 2 sports wagers.

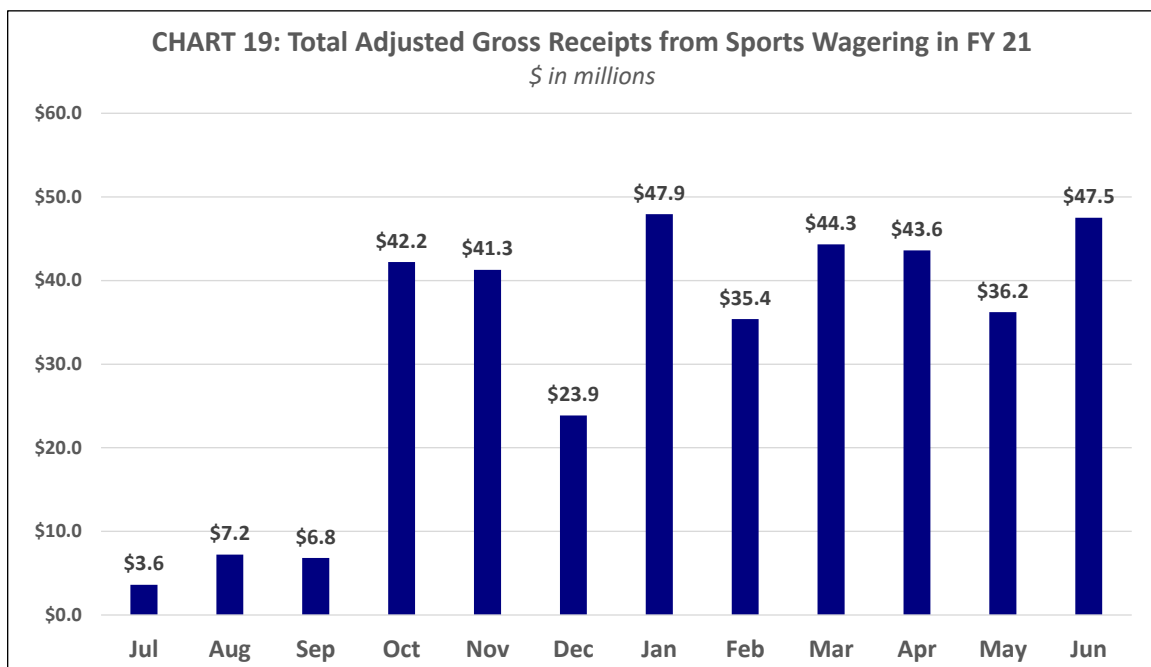
Sports Wagering Tax Revenues

- For the privilege of holding a license to operate sports wagering, this State shall impose and collect 15% of a master sports wagering licensee's adjusted gross sports wagering receipts from sports wagering.
- Revenues from this tax shall be deposited into the newly created Sports Wagering Fund and then transferred to the Capital Projects Fund.

Sports Wagering Statistics

When sports wagering became legal in Illinois, the initial expectation was that some form of betting on sports in the state would be ready in time for the Spring 2020 sports season, including the NCAA basketball tournament, the NBA playoffs, and the major league baseball season. But this goal became moot when these major events were postponed or canceled because of the COVID-19 pandemic. Due to the cancellation of most major sporting events, very little tax revenues (\$12,224 to be exact) were reported to be received from the sports wagering tax in FY 2020. Although, it should be noted that \$7 million in application fees were received during the fiscal year as part of the licensing process.

The return of the major sports during the latter half of 2020 allowed for sports wagering in Illinois to begin generating revenues. In FY 2021, the amount of adjusted gross receipts (AGR) generated from sports wagering in Illinois totaled just over \$380 million. As shown in the graph below, revenues were slow to come in at the beginning of the fiscal year due to both the implementation process of registering new sports bettors and the complications of sports returning to action amidst the pandemic.



Originally, State law required online sportsbook registrations to be completed in-person. However, in June 2020, Governor Pritzker temporarily suspended this requirement, thereby allowing registrations to occur online. In July 2020, the in-person requirement was reinstated, just as DraftKings was about to enter into Illinois' betting scene. Then, in August 2020, the in-person requirement was again waived. This decision allowed DraftKings (which has a working agreement with the Casino Queen Sportsbook) and BetRivers, the online sportsbook of the Rivers Casino, to proceed without an in-person requirement, for a temporary amount of time. This decision helped jumpstart the sports wagering industry, especially at a time when many of the major sports were returning to action.

- Adjusted Gross Receipts

As shown in the table below, the highest generating Sports Wagering License of the nine participating entities in FY 2021 was Casino Queen, Inc. with a total AGR of \$103.9 million. Rounding out the top three were Midwest Gaming & Entertainment, LLC (owner of BetRivers and the Rivers Casino in Des Plaines) at \$94.3 million and Fairmount Park, Inc. at \$68.1 million.

**TABLE 31: Total AGR from Sports Wagering in FY 2021
by Sports Wagering License
\$ in millions**

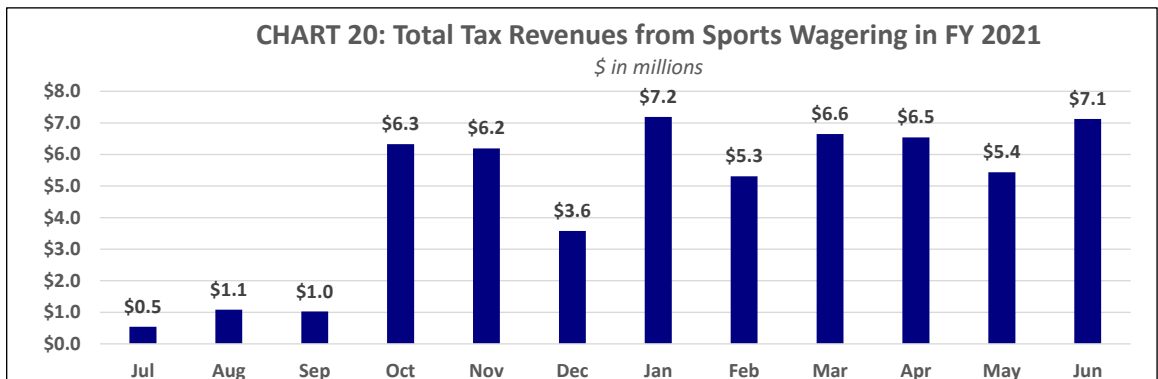
License	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	TOTAL
Alton Casino, LLC	\$0.0	\$0.2	\$0.2	\$0.4	\$0.2	\$0.0	\$0.1	\$0.4	\$0.4	\$0.2	\$0.3	\$0.3	\$2.8
Casino Queen, Inc.	\$0.0	\$0.7	\$0.2	\$11.5	\$12.5	\$7.0	\$15.6	\$10.9	\$12.7	\$12.2	\$7.1	\$13.6	\$103.9
Elgin Riverboat Resort	\$0.0	\$0.0	\$0.1	\$0.6	\$0.5	\$0.6	\$0.5	\$0.8	\$0.1	\$0.1	\$0.1	\$0.1	\$3.4
Fairmount Park, Inc.	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$12.7	\$15.8	\$19.3	\$20.3	\$68.1
Hawthorne Race Course, Inc.	\$0.0	\$0.0	\$0.2	\$5.1	\$2.1	\$2.4	\$4.2	\$4.0	\$4.5	\$2.9	\$2.4	\$3.4	\$31.2
HC Aurora, LLC	\$0.0	\$0.0	\$0.1	\$0.3	\$0.1	\$0.0	\$0.0	\$0.0	\$5.4	\$3.9	\$1.7	\$2.3	\$13.8
HC Joliet, LLC	\$0.0	\$0.0	\$0.1	\$0.2	\$0.1	\$0.0	\$0.1	\$0.2	\$0.1	\$0.1	\$0.2	\$0.1	\$1.2
Midwest Gaming & Entertainment, LLC	\$3.6	\$6.3	\$6.0	\$12.9	\$11.5	\$6.8	\$10.8	\$7.5	\$8.3	\$8.2	\$5.2	\$7.3	\$94.3
Par-A-Dice Gaming Corporation	\$0.0	\$0.0	\$0.0	\$11.1	\$14.4	\$7.1	\$16.8	\$11.7	\$0.2	\$0.1	\$0.0	\$0.0	\$61.4
TOTAL	\$3.6	\$7.2	\$6.8	\$42.2	\$41.3	\$23.9	\$47.9	\$35.4	\$44.3	\$43.6	\$36.2	\$47.5	\$380.1

- Tax Revenues

Tax revenues that are received are deposited into the newly created Sports Wagering Fund and then transferred to the Capital Projects Fund. The tax rate on sports wagering is a flat 15%. Therefore, the \$380 million in adjusted gross receipts resulted in a tax revenue total for FY 2021 of \$57 million. The table below shows the breakout of the tax revenue generated from sports wagering in Illinois by license and by month.

**TABLE 32: Total Tax Revenue Generated from Sports Wagering in FY 2021
by Sports Wagering License
\$ in millions**

License	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	TOTAL
Alton Casino, LLC	\$0.0	\$0.0	\$0.0	\$0.1	\$0.0	\$0.0	\$0.0	\$0.1	\$0.1	\$0.0	\$0.1	\$0.1	\$0.4
Casino Queen, Inc.	\$0.0	\$0.1	\$0.0	\$1.7	\$1.9	\$1.1	\$2.3	\$1.6	\$1.9	\$1.8	\$1.1	\$2.0	\$15.6
Elgin Riverboat Resort	\$0.0	\$0.0	\$0.0	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.5
Fairmount Park, Inc.	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$1.9	\$2.4	\$2.9	\$3.0	\$10.2
Hawthorne Race Course, Inc.	\$0.0	\$0.0	\$0.0	\$0.8	\$0.3	\$0.4	\$0.6	\$0.6	\$0.7	\$0.4	\$0.4	\$0.5	\$4.7
HC Aurora, LLC	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.8	\$0.6	\$0.3	\$0.3	\$2.1
HC Joliet, LLC	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.2
Midwest Gaming & Entertainment, LLC	\$0.5	\$0.9	\$0.9	\$1.9	\$1.7	\$1.0	\$1.6	\$1.1	\$1.2	\$1.2	\$0.8	\$1.1	\$14.1
Par-A-Dice Gaming Corporation	\$0.0	\$0.0	\$0.0	\$1.7	\$2.2	\$1.1	\$2.5	\$1.7	\$0.0	\$0.0	\$0.0	\$0.0	\$9.2
TOTAL	\$0.5	\$1.1	\$1.0	\$6.3	\$6.2	\$3.6	\$7.2	\$5.3	\$6.6	\$6.5	\$5.4	\$7.1	\$57.0



- **Sports Wagering Details**

The tables on the following two pages provide a detailed look of the numbers behind the sports wagering revenues of FY 2021. The figures identify the sport level (Table 33) and type of sport (Table 34) that bets were placed on, as well as the handle (the amount of money wagered by bettors) and the payout that gamblers ultimately received. The AGR, shown in Table 31, is essentially the handle minus the payout. The tables also categorize the figures as to whether the wagers were done in-person or online.

The table below shows that the vast majority of the wagering was done on professional sports (86.8% of wagers, 81.4% of the handle, and 81.1% of the payouts). College sports made up most of the remaining bets with motor races and other events making up less than 0.3% of all wagering activity in FY 2021.

TABLE 33: FY 2021 Detailed Summary of Sports Wagering in Illinois				
<i>by Sport Level and Wagering Format</i>				
<i>\$ in millions</i>				
	Wagers			
Sport Level	In-Person	Online	Total	% of Total
Professional	1,865,598	125,698,286	127,563,884	86.8%
College	251,444	18,590,818	18,842,262	12.8%
Motor Race	6,531	470,521	477,052	0.3%
Other Event	50	-	50	0.0%
TOTAL	2,123,623	144,759,625	146,883,248	100.0%
	Handle			
Sporting Event	In-Person	Online	Total	% of Total
Professional	\$174.2	\$3,983.9	\$4,158.1	81.4%
College	\$30.1	\$912.5	\$942.6	18.5%
Motor Race	\$0.2	\$5.3	\$5.5	0.1%
Other Event	\$0.0	\$0.0	\$0.0	0.0%
TOTAL	\$204.5	\$4,901.7	\$5,106.3	100.0%
	Payout			
Sporting Event	In-Person	Online	Total	% of Total
Professional	\$156.7	\$3,674.5	\$3,831.2	81.1%
College	\$27.2	\$863.7	\$890.9	18.8%
Motor Race	\$0.2	\$4.2	\$4.4	0.1%
Other Event	\$0.0	\$0.0	\$0.0	0.0%
TOTAL	\$184.1	\$4,542.4	\$4,726.5	100.0%

As shown in Table 34, in terms of the type of sport wagered on, the categories provided by the State Gaming Board’s database show that “parlays” had the highest percentage of wagers in FY 2021 at 39.2%. A “parlay” is when a bettor makes multiple wagers and ties them together into the same bet. Parlays can involve multiple bets in the same sport or across multiple sports (which is why it has its own category, though, parlays are often made on just one type of sport). Basketball had the 2nd most wagers (20.2%), followed by football (16.1%) and baseball (7.8%). In terms of handle and payouts, basketball had the most activity, which benefitted from both the NBA season and playoffs, as well as the popular NCAA tournament. As shown in both tables, the vast majority of wagering was done online (96.0%), with only 4% done in person.

**TABLE 34: FY 2021 Detailed Summary of Sports Wagering in Illinois
by Sporting Event and Wagering Format
\$ in millions**

Wagers				
Sporting Event	In-Person	Online	Total	% of Total
Baseball	333,714	11,096,213	11,429,927	7.8%
Basketball	538,094	29,106,122	29,644,216	20.2%
Boxing/MMA	159,071	2,124,092	2,283,163	1.6%
Football	399,990	23,181,427	23,581,417	16.1%
Golf	89,163	4,341,567	4,430,730	3.0%
Hockey	92,625	3,951,682	4,044,307	2.8%
Soccer	149,512	6,315,918	6,465,430	4.4%
Tennis	25,711	3,340,643	3,366,354	2.3%
Parlay	326,897	57,199,833	57,526,730	39.2%
Other Sport	2,265	3,631,607	3,633,872	2.5%
Motor Race Event	6,531	470,521	477,052	0.3%
Other Event	50	-	50	0.0%
TOTAL	2,123,623	144,759,625	146,883,248	100.0%
Handle				
Sporting Event	In-Person	Online	Total	% of Total
Baseball	\$41.0	\$529.6	\$570.5	11.2%
Basketball	\$75.2	\$1,517.7	\$1,592.9	31.2%
Boxing/MMA	\$3.9	\$67.9	\$71.8	1.4%
Football	\$36.7	\$898.8	\$935.5	18.3%
Golf	\$1.8	\$83.8	\$85.6	1.7%
Hockey	\$8.8	\$145.6	\$154.4	3.0%
Soccer	\$14.2	\$323.0	\$337.2	6.6%
Tennis	\$2.7	\$270.8	\$273.6	5.4%
Parlay	\$19.7	\$954.9	\$974.6	19.1%
Other Sport	\$0.3	\$104.4	\$104.7	2.0%
Motor Race Event	\$0.2	\$5.3	\$5.5	0.1%
Other Event	\$0.0	\$0.0	\$0.0	0.0%
TOTAL	\$204.5	\$4,901.7	\$5,106.3	100.0%
Payout				
Sporting Event	In-Person	Online	Total	% of Total
Baseball	\$37.8	\$503.9	\$541.7	11.5%
Basketball	\$67.8	\$1,448.6	\$1,516.4	32.1%
Boxing/MMA	\$3.5	\$60.7	\$64.2	1.4%
Football	\$33.3	\$848.2	\$881.5	18.7%
Golf	\$1.5	\$78.4	\$80.0	1.7%
Hockey	\$8.2	\$136.5	\$144.7	3.1%
Soccer	\$13.3	\$299.1	\$312.4	6.6%
Tennis	\$2.5	\$254.6	\$257.0	5.4%
Parlay	\$15.7	\$789.9	\$805.7	17.0%
Other Sport	\$0.3	\$118.2	\$118.5	2.5%
Motor Race Event	\$0.2	\$4.2	\$4.4	0.1%
Other Event	\$0.0	\$0.0	\$0.0	0.0%
TOTAL	\$184.1	\$4,542.4	\$4,726.5	100.0%

The Future of Sports Wagering in Illinois

In its first full fiscal year of operations, sports wagering in Illinois was able to generate \$380 million in adjusted gross receipts, resulting in \$57 million in tax revenues. Considering the fact that these figures took place during the implementation phase and also during a pandemic, the results appear to be solid and near what was expected. Prior to the enactment of sports wagering in Illinois, a study from Oxford Economics estimated that Illinois could potentially generate between \$384 million and \$680 million in adjusted gross wagering receipts per year (which equates to between \$58 million and \$102 million in tax revenues under the 15% tax). In its initial year, Illinois' figures are already near this lower range of values.

Illinois entered the sports wagering market a little later than some competing states, but Illinois' results compare very favorably. For example, Pennsylvania has a population very similar to Illinois and began sports wagering soon after it became legal in November 2018. Their sports wagering handle amount in FY 2021 was \$5.6 billion, just slightly above Illinois' handle amount of \$5.1 billion. Illinois' handle amount was also well above that of Indiana (\$2.9 billion) and Iowa (\$1.2 billion) in FY 2021. While Illinois having higher values than these states is not unexpected considering the population differences, it does show that Illinois performed quite well in its first fiscal year considering that Indiana and Iowa both implemented sports wagering months before Illinois in August/September of 2019.

A number of questions remain in regard to what sports wagering in Illinois will look like in the future, especially as it pertains to where bets can be placed. At the time of this report (according to the State Gaming Board's website) only 7 of the 10 existing casinos have been approved for a sports wagering license and have been participating in sports wagering. The casinos at Metropolis, Rock Island, and Joliet Harrah's have not been approved for this type of wagering so far. In addition, two organization licensees, Fairmount Park and Hawthorne Race Course, have been approved and are conducting sports wagering (Arlington Park has not). Once other casinos are opened throughout the state, more sports wagering licenses could be issued as well.

So far, no sports facility has been issued a sports wagering license, though, in June 2021, an ordinance was filed by the Chicago City Council to allow the city's professional sports arenas and ballparks to purchase sports wagering licenses. If approved by the various government entities, the sports wagering could be conducted at Wrigley Field, Guaranteed Rate Field, Soldier Field, United Center, and Wintrust Arena in the near future.

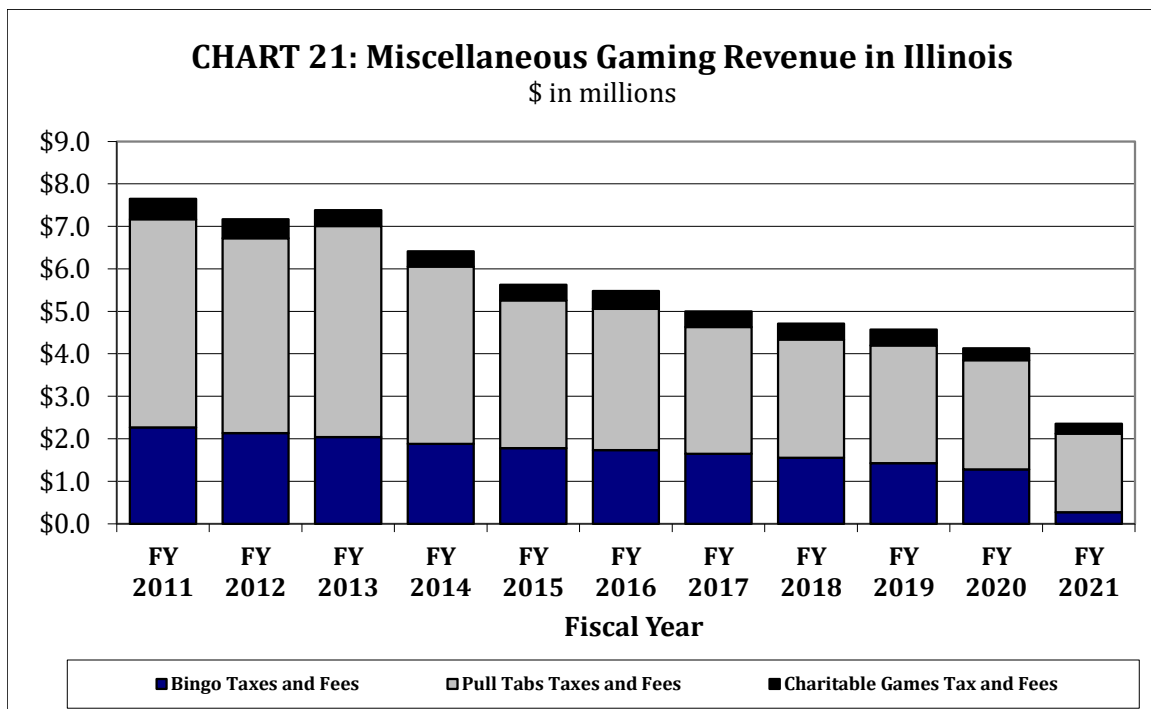
While the development of more sportsbooks throughout the State is likely, there are a number of uncertainties that persist that could limit Illinois from hitting the upper range of the earlier projections discussed above. This includes the lack or delayed participation levels of potential sports wagering establishments, the lasting effects of the COVID-19 virus, and the competitiveness of sports wagering in comparison to the abundance of gaming options that now and will exist in and around Illinois' borders. As a result, any expectation of the tax revenue potential of sports betting in Illinois should be met with restraint until the numbers prove otherwise.

MISCELLANEOUS STATE GAMING

Although the Commission traditionally focuses its examinations of Illinois gaming on casino gambling, video gaming, lottery, horse racing, and sports wagering, 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 2021, the State generated \$80,125 in bingo license fees and \$191,707 in bingo taxes. Total bingo receipts were down 78.8% from FY 2020 levels.
- Illinois receives two forms of revenue from charitable games: license fees and the charitable games receipts tax. In FY 2021, the State received \$53,250 in license fees and \$181,353 from the charitable games tax. Total charitable games receipts were down 16.0% from FY 2020 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 2021, the State received \$288,850 in license fees and \$1.6 million from the pull tabs and jar games tax. Total pull-tabs and jar games receipts were down 27.9% from FY 2020 levels.

In total, these miscellaneous gaming revenue sources generated approximately \$2.4 million in FY 2021. This figure is 42.9% below the FY 2020 total of \$4.1 million. While these revenues have collectively been on a downward trend over the last decade, disruptions related to the COVID-19 virus no doubt contributed to this significant falloff. The chart below illustrates a history of miscellaneous gaming revenue since FY 2011.



CONCLUSION

The enactment of P.A. 101-0031 and P.A. 101-0648 provides new opportunities to gamble in Illinois by way of additional casinos, racetrack casinos, video gaming expansion, and sports wagering. However, questions remain on what these gaming expansions will ultimately look like when fully implemented. Complicating the outcome are the continuing impacts of the pandemic on the gaming industry.

COVID-19 had a detrimental impact on gaming revenues in Illinois in FY 2020. Combined State related gaming revenues fell 13.4% in FY 2020 from \$1.4 billion to \$1.2 billion in large part due to the suspension of video gaming and casino operations between March 16th and June 30th. An additional virus-related suspension between November 19, 2020 and January 14, 2021 halted gaming revenues for a period of FY 2021. However, pent-up demand and increases in discretionary spending allowed these revenues to bounce back quite well as totals by the end of FY 2021 were 11.1% above prior year levels.

While wagering related revenues were up overall, disappointing results continued for some gaming formats in FY 2021. The -4.8% decline in adjusted gross receipts from Illinois' ten casinos in FY 2021 reflects a continuation of its recent downward trend. This decrease follows the 30.0% declines of FY 2020 caused primarily by the impacts of the pandemic. There were no transfers to the Education Assistance Fund coming from Illinois' casinos in FY 2021 due to the combination of low revenues, obligatory transfers to other funds, and a reduced tax structure. This tax structure became effective in FY 2021 as part of the recent enactment of P.A. 101-0031 and P.A. 101-0648.

The revenue declines from Illinois' casinos were not mimicked by neighboring casino states. In fact, Indiana, Iowa, and Missouri all experienced double digit increases in their adjusted gross income levels in FY 2021 with their totals nearing or even surpassing pre-pandemic levels. It appears that the main difference between Illinois and these other states is that Illinois has another gaming option often seen as a "safer" and more convenient alternative during the pandemic: video gaming.

Over 40,000 video gaming terminals were in operation at the end of FY 2021, which is the equivalent of adding over 33 full-size (1,200 position) casinos to the State. The emergence of video gaming has created more competition for the casino industry, thereby causing a diminishing trend in the casino's attendance and revenue figures. However, despite the decreases in casino numbers, it should be emphasized that, when combining Illinois' casino and video gaming numbers, the amount of dollars spent on these gaming formats have increased nearly every year since video gaming commenced in Illinois (the exception being the virus-impacted year of FY 2020), growing from \$1.641 billion in FY 2012 to its latest total of \$2.831 billion in FY 2021. This latest total is just below the pre-pandemic FY 2019 total of \$2.940 billion.

Despite the rapid increase of video gaming, the largest contributor of State gaming revenues continues to come from the Illinois Lottery. Lottery results shot up to all-time highs in FY 2021. Sales totaled over \$3.4 billion, while transfers to the Common

School Fund amounted to just under \$777 million. In addition to this, results of special cause games have been improving in recent years. Special cause funds received over \$9 million in FY 2021 which is almost three times as much as what was being brought in just a few years ago. While other aspects of the lottery rebounded in FY 2021, transfers to the Capital Projects Fund have been lagging in recent years and are not expected to improve much in the near-term. It remains to be seen if the new private manager can sustain the success seen in FY 2021 or if the strong results falter with the changing economic environment as the effects of the virus dissipate.

The horse racing industry is another wagering format in Illinois that continues to struggle. The amount wagered on horse racing in Illinois fell another -3.4% in CY 2020, despite a 71.4% increase in advance deposit wagering. The 2020 handle total was -25.9% below its levels of just a decade ago. The end of live racing at Arlington Park in September 2021 will leave only two racetracks in Illinois still offering live racing (Fairmount, and Hawthorne). Because of these struggles, the racing industry has lobbied for years that allowing racinos at their tracks would help alleviate their financial difficulties. The State will soon see if this is true due to the recent enactment of P.A. 101-0031.

After years of discussions of expanding gambling in Illinois, the enactment of P.A. 101-0031 paved the way for a plethora of new gaming opportunities throughout the State. A few changes to this Act were made in June 2020 by way of P.A. 101-0648. Because of these Acts, a couple years from now, Illinois could realistically have as many as six new casinos in operation including a 4,000 position Chicago Casino, as well as new racinos at operating race tracks. The enacted legislation has already brought about additional positions at existing casinos, additional video gaming terminals at establishments and truck stops, new tax structures for the video gaming and casino industries, and the most recent wagering format: sports wagering.

In its first fiscal year of operations, sports wagering generated \$380 million in adjusted gross receipts. With a tax rate of 15%, this resulted in \$57 million in new tax revenues that are ultimately transferred to the Capital Projects Fund. Currently, the sports wagering taking place in person and online are operated by the State's existing casinos and racetracks. However, it is expected that these sports wagering licenses will expand to sports arenas in the near future, in addition to any new casinos that are developed.

If all of the authorized options from the gaming expansion package are implemented as planned, millions of new tax revenues will be generated for State and local governments. The Commission continues to caution, however, that the revenue potential of such a package is likely limited.

Prior to the enactment of the gaming expansion legislation, over 32,000 video gaming machines were established across Illinois. The recent limit increases have already elevated this figure well past 40,000. Compare that to the roughly 10,400 gaming positions that existed prior to the implementation of video gaming (from existing casinos), and gaming opportunities have nearly quadrupled since FY 2013 — and this is prior to any new casinos entering into the fray. Combine this with the

opening/relocation of several casinos in neighboring states along the State's borders and the revenue value of this level of gambling expansion in Illinois has weakened considerably. Still, many believe that there are areas of Illinois that remain untapped for gaming dollars and this expansion will provide opportunities for new revenues.

While questions remain on the extent that gaming related revenues will increase, what cannot be dismissed is the fact that the new gaming facilities have the potential to provide a significant amount of one-time revenues (from fees and bidding of new licenses), create new jobs (construction related and from every day operations), and regain/gain gaming dollars from out-of-state state gamers.

As stated in previous reports, for this gaming expansion to be a meaningful revenue generator for the State, the various sectors of wagering will have to build up new gambling interest; be attractive to tourists that visit Illinois; and compete with the multitude of entertainment options available to the consumer. If this does not occur, the Commission continues to stress that even with gaming expansion, when accounting for possible market saturation, the cannibalization impact on other gambling options, and the corresponding lowering of the effective tax rates of the casinos, the State could have a large expansion of gambling, but have only modest levels of additional tax revenues to show for it.

COMMISSION OVERVIEW

The Commission on Government Forecasting & Accountability is a bipartisan legislative support service agency responsible for advising the Illinois General Assembly on economic and fiscal policy issues and for providing objective policy research for legislators and legislative staff. The Commission's board is comprised of twelve legislators—split evenly between the House and Senate and between Democrats and Republicans. Effective December 10, 2018, pursuant to P.A. 100-1148 the former Legislative Research Unit was merged into the Commission.

The Commission has three internal units—Revenue, Pensions, and Research, each of which has a staff of analysts and researchers who analyze policy proposals, legislation, state revenues & expenditures, and benefit programs, and who provide research services to members and staff of the General Assembly. The Commission's staff fulfills the statutory obligations set forth in the Commission on Government Forecasting and Accountability Act (25 ILCS 155/), the State Debt Impact Note Act (25 ILCS 65/), the Illinois Pension Code (40 ILCS 5/), the Pension Impact Note Act (25 ILCS 55/), the State Facilities Closure Act (30 ILCS 608/), the State Employees Group Insurance Act of 1971 (5 ILCS 375/), the Public Safety Employee Benefits Act (820 ILCS 320/), the Legislative Commission Reorganization Act of 1984 (25 ILCS 130/), and the Reports to the Commission on Government Forecasting and Accountability Act (25 ILCS 110/).

- The **Revenue Unit** issues an annual revenue estimate, reports monthly on the state's financial and economic condition, and prepares bill analyses and debt impact notes on proposed legislation having a financial impact on the State. The Unit publishes a number of statutorily mandated reports, as well as on-demand reports, including the *Monthly Briefing* newsletter and annually, the *Budget Summary*, *Capital Plan Analysis*, *Illinois Economic Forecast Report*, *Wagering in Illinois Update*, and *Liabilities of the State Employees' Group Insurance Program*, among others. The Unit's staff also fulfills the agency's obligations set forth in the State Facilities Closure Act.
- The **Pension Unit** prepares pension impact notes on proposed pension legislation and publishes several statutorily mandated reports including the *Financial Condition of the Illinois State Retirement Systems*, the *Financial Condition of Illinois Public Pension Systems* and the *Fiscal Analysis of the Downstate Police & Fire Pension Funds in Illinois*. The Unit's staff also fulfills the statutory responsibilities set forth in the Public Safety Employee Benefits Act.
- The **Research Unit** primarily performs research and provides information as may be requested by members of the General Assembly or legislative staffs. Additionally, the Unit maintains a research library and, per statute, collects information concerning state government and the general welfare of the state, examines the effects of constitutional provisions and previously enacted statutes, and considers public policy issues and questions of state-wide interest. Additionally, the Unit publishes *First Reading*, a quarterly newsletter which includes abstracts of annual reports or special studies from other state agencies, the *Illinois Tax Handbook for Legislators*, *Federal Funds to State Agencies*, various reports detailing appointments to State Boards and Commissions, the *1970 Illinois Constitution Annotated for Legislators*, the *Roster of Illinois Legislators*, and numerous special topic publications.

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