

## **Illinois Gaming Expansion Actually Reduces Education Funding:** Statewide Expansion Undermines Graduated Gaming Taxes, Hurts State Finances

**Background:** While gaming expansion proponents renew calls to authorize five new casinos in the state, including a state-financed, mega-casino in Chicago, as well as also allow racetracks to open massive slot parlors (racinos); they ignore the financial evidence that more gaming will result in fewer tax collections. The more gaming locations allowed, the more spread out gaming dollars become, undermining the state's graduated tax rate imposed on casinos.

**COGFA Predicts Negative State Revenue:** The General Assembly's independent budget analysts, the Commission on Government Forecasting and Accountability, analyzed HB 3564 a statewide expansion bill that creates five new casinos and allows slots at tracks.

The bill requires the State to split revenue from gaming expansion into highway spending and new grants for the State Board of Education. Using the Commission's revenue estimates, statewide expansion with a state-funded, Chicago mega-casino actually costs the state money and significantly reduces money for the Education Assistance Fund.

According to IGB figures, there are now 4,965 locations licensed for video gaming; Illinois has gone from having just 10 locations with state-sanctioned gaming, to having double the number of licensed locations than Nevada in a little over two years.

### **Summary of COGFA Revenue Estimates (HB 3564 Analysis, Table on Page 8):**

- Using COGFA's revenue estimates and the text of the bill, statewide expansion including a Chicago-casino with \$457 million in revenue and a management fee\* of \$250 million, **the State would lose \$17.5 million, with revenue available for education declining \$90.5 million compared to current law.**
- Using COGFA's revenue estimates and the text of the bill, statewide expansion including a Chicago-casino with \$457 million in revenue and a management fee\* of \$350 million, **the State would lose \$67.5 million, with revenue available for education declining \$115.5 million compared to current law.**

### **Cannibalization and Regulatory Costs:**

- The Commission estimates that a statewide expansion will cannibalize existing casino revenue by \$406 million, resulting in reduced total tax revenues of \$185.9 million from existing properties. Excluding revenue at the Chicago casino (which is encumbered to debt, operating expenses and revenue share), **the total taxes generated by the new casinos and racinos is \$5.5 million less than current tax payments.** (HB 3564 Analysis, Page 8)
- The Commission has not yet estimated the increased regulatory costs to the Illinois Gaming Board, but in previous years these costs were estimated at a minimum of \$25 million for the Chicago casino alone and at least an additional \$25 million for other casinos. "With this increase in gaming, it is likely that the amount of administrative expenses will also increase significantly. Therefore, the amounts shown to be available for the Education Assistance Fund and Capital Projects Fund could be notably less if no additional funds for administration expenses are provided to the Gaming Board aside from the one-time revenues deposited into the Gaming Facilities Fee Revenue Fund." (HB 3564 Analysis, Page 7)

### **COGFA Methodology Highlights:**

- "The casino climate has dramatically changed over the last several years. Due to the increased competition from video gaming, performance figures from Illinois' current ten casinos have seen significant drops over the last year. The figures in this analysis account for this downward trend and, thus, are notably lower than past estimates." (HB 3564 Analysis, Page 5).
- "The more gaming facilities, the greater the impact (dilution) that these facilities would have on other riverboats/casinos. **This could negatively affect overall State revenue increases because anytime money is gambled at a smaller gaming facility (horsetrack), it would be taxed at a lower rate than if it were gambled at a larger revenue-producing riverboat/casino under Illinois' graduated tax structure.**" (HB 3564 Analysis, Page 6)

\* The total fee paid to the operator of Chicago casino also includes labor costs, vendor payments, and marketing expenses, in addition to operator's management fee.

<b>COGFA Estimates - Statewide Expansion HB 3564</b>	
Chicago Casino Managers Fee at \$350MM	
<b>Chicago Casino Impact</b>	
Revenue for City of Chicago	\$ 12,425,000
Revenue share for State of Illinois	\$ 3,575,000
Allocated to State Board of Education Grants	\$ 1,787,500
Allocated to State Construction Account	\$ 1,787,500
<b>New Casino Recurring Tax Revenue</b>	\$ 112,600,000
Allocated to Education Assistance Fund	\$ 55,400,000
Allocated to Capital Projects Fund	\$ 55,400,000
DHS Problem Gaming	\$ 1,800,000
<b>New Racino Recurring Tax Revenue</b>	\$ 27,700,000
Allocated to Education Assistance Fund	\$ 13,650,000
Allocated to Capital Projects Fund	\$ 13,650,000
DHS Problem Gaming	\$ 400,000
<b>Net New State Revenues</b>	\$ 143,875,000
<b>Cannibalization &amp; Regulatory Costs to State Finances</b>	\$ (211,350,000)
Education Assistance Fund Cannibalization	\$ (161,350,000)
Increased cost to Illinois Gaming Board	\$ (50,000,000)
<b>Net Impact of Gaming Expansion on State Finances</b>	\$ (67,475,000)

<b>COGFA Estimates - Statewide Expansion HB 3564</b>	
Chicago Casino Managers Fee at \$250MM	
<b>Chicago Casino Impact</b>	
Revenue for City of Chicago	\$ 62,425,000
Revenue share for State of Illinois	\$ 53,575,000
Allocated to State Board of Education Grants	\$ 26,787,500
Allocated to State Construction Account	\$ 26,787,500
<b>New Casino Recurring Tax Revenue</b>	\$ 112,600,000
Allocated to Education Assistance Fund	\$ 55,400,000
Allocated to Capital Projects Fund	\$ 55,400,000
DHS Problem Gaming	\$ 1,800,000
<b>New Racino Recurring Tax Revenue</b>	\$ 27,700,000
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Education Assistance Fund Cannibalization	\$ (161,350,000)
Increased cost to Illinois Gaming Board	\$ (50,000,000)
<b>Net Impact of Gaming Expansion on State Finances</b>	\$ (17,475,000)

<b>Net Impact of Expansion By Purpose</b>	
Grants for State Board of Education from Chi. Casino	\$ 1,787,500
Education Assistance Fund Net	\$ (92,300,000)
Half-Share of increased IGB Costs (From Gaming Fund)	\$ (25,000,000)
<b>Education Funding Net</b>	\$ (115,512,500)
State Construction Account from Chicago Casino	\$ 1,787,500
Capital Projects Fund	\$ 69,050,000
Half-Share of increased IGB Costs (From Gaming Fund)	\$ (25,000,000)
<b>Capital / Infrastructure Net</b>	\$ 45,837,500
<b>New DHS Grant for Problem Gaming</b>	\$ 2,200,000
<b>Net Impact of Gaming Expansion on State Finances</b>	\$ (67,475,000)

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<b>New DHS Grant for Problem Gaming</b>	\$ 2,200,000
<b>Net Impact of Gaming Expansion on State Finances</b>	\$ (17,475,000)

<b>Chicago Casino Financials Statewide, HB 3564</b>	
Managers Fee at \$350MM, AGR at \$457MM	
<b>Revenue</b>	
Chicago Casino AGR - COGFA Estimate Statewide	\$ 457,000,000
<b>Expenses</b>	
Debt Service - COGFA Estimate	\$ (77,000,000)
Managers Fee (COGFA High End Estimate)	\$ (350,000,000)
Net-Operating	\$ 30,000,000
<b>Statutory Distributions:</b>	
Chicago Local Share 5%	\$ 22,850,000
<b>Net-Profit for State/City Revenue Share</b>	\$ 7,150,000
<b>Chicago Revenue</b>	
Payment to Cook Co.	\$ (8,000,000)
Payment to South Suburbs	\$ (6,000,000)
5% Local Share	\$ 22,850,000
Half-Share of Chicago Casino Net-Profit	\$ 3,575,000
<b>Net New Chicago Revenue</b>	\$ 12,425,000
<b>Chicago Impact to State of Illinois Tax Funds</b>	
Share Split for State Construction Fund	\$ 1,787,500
Share Split for State Board of Education Grants	\$ 1,787,500
<b>New State of Illinois Funds from Chicago Casino*</b>	\$ 3,575,000

\*Does not include IGB Costs or EAF Cannibalization - taken out in total statewide

<b>Chicago Casino Financials Statewide, HB 3564</b>	
Managers Fee at \$250MM, AGR at \$457MM	
<b>Revenue</b>	
Chicago Casino AGR - COGFA Estimate Statewide	\$ 457,000,000
<b>Expenses</b>	
Debt Service - COGFA Estimate	\$ (77,000,000)
Managers Fee (COGFA Mid-Point Estimate)	\$ (250,000,000)
Net-Operating	\$ 130,000,000
<b>Statutory Distributions:</b>	
Chicago Local Share 5%	\$ 22,850,000
<b>Net-Profit for State/City Revenue Share</b>	\$ 107,150,000
<b>Chicago Revenue</b>	
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