

## State seeks more money from gambling

By Jim Nowlan

The state of Illinois is into gambling in a big way and still wants to expand its reach into more Illinois pocketbooks. I think it's time to say "enough," as state-sponsored gambling is the only activity I know of where citizens have to lose overall for the state to generate revenue.

Gambling is big business for Illinois, which generated more than \$1 billion in revenue from seven forms of legal gambling in the state—the lottery, riverboat casinos, horseracing, video gaming (not yet open for business), bingo, pull-tabs and jar games, and charitable games. The last three generated only \$8 million in revenue for the state in 2009, so let's focus on the big ones.

The lottery was to solve the education funding problem, and all net revenues do go into the Common School Fund, about \$600 million a year, which is but a small fraction of the \$7-8 billion the state spends on public schools. The lottery generates about \$2 billion in annual sales, of which 55-58 percent goes for prizes and 30-33 percent is net profit to the state, which is good for the state and bad for the lottery players.

The average family of three persons in Illinois spends about \$500 a year in lottery tickets. Don't believe me? The math is simple: 4 million families of three persons each divided into \$2 billion.

But not enough of us are playing the lottery, thinks the state, so the state recently turned over operations to a private concern, which promises creative marketing to increase the number of players and also to take the lottery online.

The riverboat casinos have been the “success story” of Illinois gambling, with up to \$699 million (in 2005) returned to the state coffers, more than from the lottery that year. But with the statewide smoking ban a couple of years ago has come a dramatic fall-off in riverboat “gaming hold” (revenues minus winnings), from a high of almost \$2 billion in 2007 to only \$1.5 billion in 2009. State net revenue has also fallen, to \$430 million in 2009.

I have only been on a gambling boat once, in days before the smoking ban, and the air was a thick blue with smoke. Smokers can go to Indiana casinos to enjoy both vices simultaneously.

Horse racing used to be “the sport of kings,” and it may well still be in the Middle East, but no longer in Illinois. The casino boats and maybe the lottery have just about killed racing. Certainly horse racing is in a downward spiral. The total “handle” (amount bet) in 2009 was just \$819 million, the lowest total in 30 years. As wagering goes down, the purses for horsemen and women decline as well, reducing the quality of the horses and the number of racing days.

The economics are clear. Let’s say a slot machine on a casino boat and a racing horse both cost \$10,000. The machine does not need hay and oats, nor a barn in which to stay. The machine can be played incessantly, with instant gratification, while the horse runs only every week or so.

Video gaming is the latest legalized form of wagering. There are 15,000 establishments in Illinois that pour alcohol. If each location had five video machines, that would be 75,000 “stations.” If each machine generated \$100 a day in revenue, that would total more than \$2.7 billion, if I have my math right. But a number of cities and counties have voted to prohibit the devices, so it’s not clear how much would be generated. The state is hoping to net from \$288 million to \$534 million in annual revenues from the video machines, which will be able to play poker, blackjack and other games.

Video gaming won’t be available until some time next year, as rules have to be promulgated. The software and hardware also have to be set up to record play from the machines at a state government headquarters.

“Illinois has not reached the saturation point (for gambling),” said one recent report on Illinois gaming. Gaming will never solve the state’s financial mess, no matter how much more can be squeezed from gamblers. The \$1 billion in net revenue to the state from gambling represents only about 2 percent of total state spending. As an old civil libertarian who thinks people should be able to gamble if they wish, I think nevertheless we have indeed reached the saturation point for legal gambling in Illinois.