

Riverboat revenue dips by \$121 million

Drop increases budget woes; fight brews over what's to blame

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Illinois' riverboat casinos are seeing a dramatic drop in revenue, adding to the state's money problems and possibly renewing efforts to change Illinois' smoking ban.

A [new report](#) from the legislature's Commission on Government Forecasting and Accountability shows Illinois took in more than \$1.2 billion in tax revenue from gambling sources in the budget year that ended June 30. That's down 6.5 percent from the year before.

The picture is even worse for casinos.

While state lottery revenue climbed a little, riverboat casino taxes slumped from \$685 million to \$564 million in one year — a drop of \$121 million, or nearly 18 percent. Lottery revenues topped riverboat money for the first time since 2002.

Both the commission and the lobbying group that represents casino owners expect the trend to get worse in the coming months, complicating an already messy budget situation.

Some lawmakers say these results should prompt a second look at the ban on smoking in casinos.

"It seems to me that we ought to take another look at how this industry has been impacted," said Rep. Lou Lang, D-Skokie. "If we told McDonald's they couldn't use a flame to make their burgers, they wouldn't be making too many burgers."

That isn't an easy argument to sell.

The American Lung Association of Illinois and some legislators say the nationwide economic

slowdown, along with higher costs for fuel and other goods, are the main culprits — not the smoking ban. They've already succeeded in quashing a couple of legislative efforts at exempting casinos from the ban.

"There's just so many other outside issues," said Kathy Drea, the lung association's public policy director.

Lawmakers approved the ban on smoking in virtually all indoor public places, such as bars, restaurants and casinos, last year starting Jan. 1. Almost immediately, casinos complained it was crippling their business.

The state numbers show that admissions dropped slightly statewide in fiscal 2008, which ended June 30, down about 2 percent from the year before. But people who are still going to the boats are spending significantly less when they're there, the figures indicate.

Tom Swoik, executive director of the Illinois Casino Gaming Association, said many gamblers enjoy smoking while playing slots or tables. Now they gamble for a couple of hours, but take breaks to smoke and sometimes don't return.

"Time away from the tables and slots is money," Swoik said.

Neighboring states' numbers reveal even more disparities — and disagreements.

In the Chicago area, the COGFA report found, four Illinois casinos saw their revenues drop more than 18 percent in the first half of 2008. Indiana boats in the same locale had revenues drop only 0.2 percent.

In St. Louis, Illinois boat revenues dropped nearly 14 percent during the period, while Missouri boat revenues rose 12.6 percent. And in the Quad Cities in northwestern Illinois, the Rock Island casino's revenue dropped by more than 12 percent while Iowa boat revenues were up 1.2 percent.

All those neighboring states allow smoking on their boats.

"The smoking ban is likely the main contributing factor for the difference between the performance of riverboats in Illinois and the neighboring states," the report says.

Swoik said that's a strong argument about the ban's impact.

"Those states have the same economy we have," he said.

Swoik says the situation will get worse the rest of the calendar year for state tax revenue. Riverboat taxes use a graduated system tied to the calendar year, where boats pay higher taxes as they make more money. Less money coming in the doors means a bigger disparity for the state, he said.

He hopes lawmakers will reconsider an exemption allowing smoking again at the boats.

"I certainly think that it helps our cause," Swoik said. "But whether or not it's going to work ... It's very hard to get an exemption to something once it's passed."

The lung association sees another side to the numbers.

Drea's group has tracked casino performance in other states and says revenue figures there are misleading because those states recently added new casinos — yet their money totals are still down a bit.

She added that casino workers are most vulnerable to smoking-related disease because of the enclosed space of casinos.

"Why would you exempt the group that has the highest risk of disease?" Drea said.

Sen. Terry Link, the Waukegan Democrat who pushed for the smoke-free law, said he doesn't see lawmakers taking up exemption talk for casinos until other states show much higher takes from the boats. He thinks surrounding states could make the argument moot by going smoke-free in casinos themselves.

"Let's not even tinker with it," Link said. "Let's give it some time and go from there."

Sen. Jeff Schoenberg, an Evanston Democrat who is COGFA's co-chairman, also isn't swayed by numbers suggesting that casino success is tied to smoking.

"As long as there are casino and tobacco lobbies continuing to try to throw their weight

around the state Capitol, I expect more attempts to relax the very successful smoking ban,”
Schoenberg said.

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