



MEMORANDUM

TO: All Village Committees

FROM: David A. Hulseberg, Village Manager

DATE: October 16, 2009

SUBJECT: Video Gaming

The prospect of video gaming in the State of Illinois has been a much publicized topic, which has been met with a great deal of attention. As part of the State of Illinois capital bill funding package, on July 13, 2009, the Governor signed into law the Video Gaming Act, which legalizes video gaming in certain liquor establishments, truck stops and fraternal/veterans clubs throughout the state.

The first comprehensive capital program in Illinois since "Illinois FIRST" in 1999, "Illinois Jobs Now" is a \$31 billion program funded through video gaming, Secretary of the State fee increases, sales tax increases, road fund contributions, and federal and local matching funds. Of the State's funding obligation, 32% is achieved through \$300 million in estimated annual revenues from video gaming. Under the Video Gaming Act, the state receives a tax of 25% on video gaming operating revenues, and municipalities receive a tax of 5% on gaming revenues within their corporate limits. In addition, the municipality can impose a fee on video gaming terminals, subject to no limit.

Current Restrictions

The following is a summary of restrictions that are currently in place relative to video gaming:

- The gaming machines are allowed in any bar, restaurant, fraternal organization or veteran's organization possessing a valid liquor license to serve alcohol for consumption on the premises.
- Authorized establishments cannot be located within 100 feet of a school or place of worship.
- No more than five video gaming machines are allowed per authorized establishment.
- Video gaming terminals must be located in an area restricted to persons over 21 years of age and in the view of an employee.

BACKGROUND:

Some municipalities have already prohibited video gaming in their jurisdictions, others plan to allow video gaming and other municipalities intend to wait until the rules have been promulgated. The Video Gaming Act mandates for the Illinois Gaming Board to develop and adopt emergency rulemaking within 60 days of July 13, 2009 for the purpose of implementing the provisions of the Acts. The emergency rules were supposed to be released on September 11, 2009; however, they have not yet been completed. Despite the rulemaking mandate, the Chairman of the Board has publicly indicated that it may take anywhere from 12-18 months, if not longer, to implement a rulemaking process. The Video Gaming Act does not indicate whether or not the municipality can impose stricter regulations on video gaming than what is set forth in the law. Once released, these rules may provide more discretion for municipalities to utilize in terms of regulating video poker. Such discretion could include municipal authority to limit the number of video gaming licenses to particular license classes.

The Illinois Gaming Board has not projected a start date for video gaming in Illinois; however, certain municipalities have already taken action on the issue. The Village of Buffalo Grove and the Village of Addison have both passed ordinances to prohibit video gaming until such time where the Illinois Gaming Board has publicized the official rules. DuPage County (unincorporated properties), City of Naperville, City of Wheaton and other local municipalities have outright banned video gaming in their communities. Similar to Buffalo Grove and Addison, staff believes that prohibiting video gaming, until such time that rules have been promulgated, will allow the Village time to examine potential benefits and/or consequences of video gaming.

This item was brought before the Board of Trustees for discussion during their October 15, 2009 meeting, with a staff recommendation that video gaming be banned until such time that the Illinois Gaming Board could establish their rulemaking process. The Board of Trustees tabled this item until their January 7, 2010 meeting in order to solicit the thoughts and recommendations of each of the Village committees. Understandably, this issue may not be relevant to the responsibilities of some of the various committees; however, a review of the issue and straw-vote is in order.

REQUEST:

Pursuant to Village Board direction, please have your board/commission/committee discuss the issue of video gaming and make a recommendation on this matter at their next meeting. Please forward the official vote and comments to me. Staff will be available to answer any questions and provide updates (as they are made available) related to the issue.