

Illinois Gaming Expansion Hinges On Budget Debate

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The debate over a new governor's budget and how to find additional revenue without raising taxes could provide an opening for gambling expansion this year in Illinois.

Republican Governor Bruce Rauner is proposing spending cuts of more than \$6bn for health care, local government and education in an austere budget proposal he unveiled in February to deal with shortfalls this year and in the future.

To meet his budget goals, Rauner may be more open to gambling expansion than the man he defeated in November, **former Democratic Governor Pat Quinn**.

"In a Democratic-controlled legislature, it's going to be hard to pass a budget that rests solely on cuts to core state programs, and there are limited options to bridge that gap," said Adam Braun, a gaming attorney in Chicago and former legislative counsel for Quinn.

"I don't think he [Rauner] would be supportive of an increase in the personal income tax. Gaming expansion could be a more palatable option for him," Braun said.

Perhaps as early as this week, Democratic state Senator Terry Link is expected to resurrect a version of what has become known in Illinois gaming circles as the "**kitchen sink bill**."

This year's version is expected to be about 500 pages long, including a provision calling for casinos in Chicago and at least four other communities in Illinois.

A new wrinkle in Link's bill would raise the limit of **video gaming machines** allowed at Illinois truck stops from five to ten.

On March 26, Republican state Senator Dave Syverson proposed the same increase, but Syverson's bill includes restrictions aimed at preventing businesses like flower shops from installing video gaming machines.

"Right now, my members are split," said Tom Swoik, executive director of the Illinois Casino Gaming Association, which has opposed the expansion of video gaming machines.

"Some can accept an increase in machines as long as there are restrictions on the businesses that can use them. Other members don't want any increase in machines at all."

The re-election of Chicago Mayor Rahm Emanuel on April 7 is expected to boost efforts to pass a bill allowing a mega casino in downtown Chicago.

In addition to the legislation anticipated from Link, Democratic state Representative **Bob Rita** already has re-introduced two bills he proposed last year which also would authorize casinos in Chicago and four other locations in Illinois.

"This year presents optimism because Chicago Mayor Rahm Emanuel has been much more vocal in his interest for a Chicago casino, and because the state clearly needs revenue at a time when the governor is proposing billions of dollars in budget cuts," said Ryan Keith, a spokesman for Rita.

Rauner and Emanuel have developed a solid working relationship going back to the early 2000s when the future mayor was an investment banker and brokered a deal with Rauner's private equity firm, according to the Chicago Tribune.

But the governor's budget proposal would reduce income tax revenue for Chicago by \$135m and could strain his relationship with the mayor.

"The budget issue should not impact the common desire to bring expanded gaming to Chicago. The prospects of economic development, job creation, tourism and tax revenue are goals shared by both the mayor and governor," said Cory Aronovitz, a Chicago gaming attorney.

"Much needs to be negotiated but I believe the climate is good for expanded gaming," Aronovitz said.

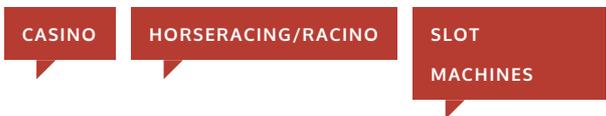
This year's gambling debate in Illinois takes place against a backdrop of wholesale change in the state's gaming regulatory regime.

Last month, Rauner appointed former IGT executive B.R. Lane to succeed Michael Jones as the director of the Illinois lottery. Since taking office in January, Rauner also has appointed new chairmen of the Illinois Gaming Board and Illinois Racing Board.

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