

# Video Gaming is Coming to Illinois

After years of negotiation and waiting, video gaming will finally become available later this year. Statewide sales are expected to be over \$1 billion per year, and by law 35% of revenues must be paid to the site owner. This is an exciting and significant profit opportunity for those establishments. Strong regulatory oversight effectively eliminates the market for the illegal “gray game” activities. The example of other states, such as Louisiana, Oregon and West Virginia, shows that, when gaming is legal and above board, it attracts a much broader audience. Properly done, regulated gaming reduces crime while adding desperately needed state revenue, without increasing taxes. This will result in thousands of new jobs in this new industry and significantly support local businesses and communities.

## Establishment Responsibilities

Establishments can include truck stops, restaurants, bars, and veteran and fraternal organizations. The establishment provides floor space and a hospitable atmosphere for video gaming players 21 and over. Establishments must be approved by the gaming board and enter into an agreement with a licensed operator.

## Operator Responsibilities

The operator must be licensed by the Illinois Gaming Board. Operators provide and maintain the video gaming machines at no cost to the establishment. They also provide automatic dispensers for player winnings and manage all cash handling, including payments to the establishment and state.

## Revenue Sharing

The video gaming act mandates a specific revenue sharing allocation. The operator and establishment must share equally in the profit, which is calculated based on the locations Net Terminal Income (NTI = gaming revenue net of winnings) and is paid as follows:

- 35 % to the establishment
- 35% to the licensed operator
- 25% to the state
- 5% to the city or local municipality

The Profit allocation is fixed by law. The Illinois Gaming Board has a strong anti-inducement policy, prohibiting any payment of cash, goods or services by an operator to an establishment or any of its owners, outside the state-mandated profit allocation outlined above.

**If the State mandates profit allocations for establishments and operators, won't all establishments earn similar dollars?**



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No. There is a significant difference in NTI performance between the lower and upper third of establishments.

Single Store Average NTI Performance for Louisiana, Oregon and West Virginia:

- Lower Third NTI Average = \$94,000 @ 35% = \$32,900
- Middle Third NTI Average = \$217,000 @ 35% = \$75,950
- Upper Third NTI Average = \$545,000 @ 35% = \$190,750

As you can see, there is considerable difference in the establishments' revenue portion when comparing the upper third to the lower third - a difference of \$157,850 per year.

An experienced and knowledgeable operator understands what needs to be done to generate superior performance and can provide evidence of their success. Many companies have no experience in the legalized video gaming industry and are hoping to learn the video gaming business as they go, compromising your profit.

Video Gaming is new to Illinois but has successfully implemented in states like Louisiana, Oregon and West Virginia for many years.

Experience in amusement (coin-operated) routes does not necessarily translate to video gaming. With over 100 operator applicants you will have many choices, and a successful history in video gaming is critical.

Choosing the right operator will influence the size of your financial opportunity. Profit allocations are mandated by the state, but revenue figures are not. There are big dollars at stake and not everyone will earn the same amount.



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