

Video Gaming Terminal Licensing

25-0750

According to a 2020 academic study on the Illinois market, **casino slot revenue declines by only 0.05%** for every 1% increase in VGT revenue, proving the impact is marginal and the substitution is incomplete.

Reports from the Illinois Commission on Government Forecasting and Accountability consistently show that the **overall tax revenue from gambling has increased** following VGT implementation, demonstrating market expansion.

https://www.researchgate.net/publication/345804199_The_Impact_of_Video_Gaming_Terminals_on_Casinos_and_State_and_Local_Tax_Revenue

<https://ugaminggroup.com/how-illinois-small-businesses-can-grow-revenue-with-video-gaming-terminals/#:~:text=Here%20are%20a%20few%20ways,introduce%20a%20consistent%20revenue%20stream.>

‘Bars and restaurants are ideal candidates for video gaming. In a competitive industry with notoriously thin margins, the added revenue from VGTs can be a game-changer. Not only can VGTs increase profits but those profits can be used to benefit all customers—gamers and non-gamers alike—and keep them coming back. Here are a few ways bars and restaurants can benefit from video slots:

Prevent high failure rates. It’s no secret that the bar and restaurant industry has a high failure rate. And, it’s hard work. By installing VGTs, bars and restaurants can immediately introduce a consistent revenue stream. In fact, the average VGT-equipped business earned \$9,300 in gross gaming revenue according to the IGB in April of 2024.

Use profits for upgrades. Just about every bar and restaurant owner wants to invest back into their business. The problem is, upgrades can be large expenditures. With added revenue from VGTs, bars and restaurants can upgrade kitchens, decor, infrastructure, entertainment equipment and more.’

1. Academic Study on Minimal Casino Impact

- **Source Title:** The Impact of Video Gaming Terminals on Casinos and State and Local Tax Revenue
- **Authors:** Phipps, Erin Hazel; Nichols, Mark W.; Guerrero, Federico
- **Publication:** *Public Finance Review*, Vol. 48, No. 5, pp. 650-675, September 2020.
- **Key Findings:**

- Casino slot revenues **decrease by about 0.05% for each 1% increase in VGT revenues**, showing a small and non-significant substitution effect.
- **Overall tax revenue from gambling (casino + VGT) has increased** for the state, confirming market expansion.
- **DOI / Link:** DOI: 10.1177/1091142120945684 (You can use this DOI to search for the full text or abstract on your institution's library or search engines like Google Scholar).

2. Government Data on Revenue and Market Scale

These sources provide official data on the size of the VGT market, the tax revenue generated, and its contribution to local governments.

- **Source Title:** Wagering in Illinois Report (Annual Publication)
- **Author/Publisher:** Illinois Commission on Government Forecasting and Accountability (CGFA), a nonpartisan legislative agency.
- **Key Findings:**
 - Confirms the **massive scale** of the VGT market (e.g., over 49,000 VGTs generating billions in Net Terminal Income).
 - Provides data on the **direct tax revenues transferred to local governments** (municipalities/counties), which is the basis for your local economic benefit argument.
 - Documents the overall **increase in statewide gaming revenue** since VGT introduction, supporting the market expansion theory.
- **General Link (for reports):** Search the CGFA website for their "Wagering in Illinois Report."
 - *Example Search Term:* "Illinois Commission on Government Forecasting and Accountability Wagering in Illinois Report"

3. Industry Analysis on Small Business Benefits

This source supports the argument that the VGT revenue is a vital, stabilizing force for local, small businesses and social clubs.

- **Source Type:** Economic Analysis / Industry Report (Multiple industry reports make similar points)
- **Key Findings:**
 - VGTs are proven to **increase dwell time and foot traffic** in bars, restaurants, and other licensed establishments, leading to increased non-gaming sales (food, drinks).
 - The revenue provides a **consistent stream of income** to businesses with traditionally thin profit margins, helping them invest in the venue, cover costs, and remain viable community hubs.
- **General Link (for industry analysis):** Various industry white papers often cite IGB data. For example, search for analyses by major VGT operators or gaming groups.
 - *Example Search Term:* "How Illinois Small Businesses Can Grow Revenue with Video Gaming Terminals" (This is often found in reports by terminal operators like UGG Gaming Group or others who compile IGB data.)

