

Casinos see revenue fall, but they blame smoking ban, not economy

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CHICAGO -- The struggling economy has dealt a bad hand to the nation's usually robust gambling business, a downturn made even worse in Illinois, where the state's nearly year-old smoking ban has proved unhealthy to casinos.

Among those paying the steepest prices are local governments, charities and their clients, who have come to rely on gambling tax receipts.

The big gambling states -- Nevada, New Jersey and Mississippi -- are off 5 percent to 7 percent in casino revenue. But the picture is worst in Illinois, where casino revenue is down 20.3 percent this year.

Gambling officials estimate that the state will get between \$150 million and \$160 million less in taxes, most of it earmarked for education. Statewide, the eight communities with casinos will see \$20 million to \$25 million less than they took in last year, officials estimate.

Tom Swoik, executive director of the Illinois Casino Gaming Association, had predicted a 19 percent drop in revenue when the state smoking ban was debated, based on what other states had seen. He's not happy to have been so close to the mark.

"There's a high correlation between smokers and gambling," Swoik said Wednesday. "Although the number of people coming to the casinos is about the same, the time they spend inside is down. They're outside smoking. And in this business, if you're not putting money in the machine or on the table -- time is money."

Municipalities pay the price

The municipalities with casinos, including Aurora, Elgin and Joliet, are among those paying the price.

Elgin, where the Grand Victoria Casino is moored, has lost about \$5 million this year. In 2007, it took in about \$24.3 million but is on pace to fall far short of that, collecting \$16.3 million through October, according to the Illinois Gaming Board.

"We've cut a variety of smaller projects, such as parks development," said Elgin budget director Sean Stegall.

The city hasn't been able to sock away as much money for its enhanced 911 system, bicycle paths have not been improved and old streetlights haven't been replaced, Stegall said.

The story is similar in Aurora, where Hollywood Casino operates.

"Last year we had \$15.5 million" in taxes, said finance director Brian Caputo. "This year we'll be lucky if we get \$13 million."

Of that amount, \$5.8 million is dedicated for neighborhood street work and \$2 million to social, educational and cultural programs.

Money once earmarked to pay for purchases of land, some computer software and vehicles has been trimmed, Caputo said.

Nationally, the extent of gaming revenue declines won't be known until early next year, said David Schwartz, director of the Center for Gaming Research at the University of Nevada-Las Vegas. It's hard to say whether the declines are more or less than the overall decline in consumer spending, he said.

"It may be just that there's less discretionary spending out there," said Schwartz, who attributed the tax plunge in Illinois to the smoking ban, which took effect in January.

Same story in other states

Other states that instituted smoking bans in casinos saw revenue fall in the years that followed. Delaware's revenue got back up to pre-ban levels within a few years, but it is hard to say whether tax levels might have grown more without the ban, he said.

While casinos in Illinois struggle, across the border in Indiana, revenues are down by only three-quarters of a percent, according to the American Gaming Association.

"They have basically the same economy, the same weather" as Illinois, Swoik said. "The only difference is the smoking ban."

The state's gambling industry will lobby for an exemption that would allow smokers to puff away at Illinois tables again, he said.

"It's been an extremely challenging year for the gaming industry," said Darren VanDover, senior vice president and general manager of Harrah's, which operates a Joliet casino.

A steady stream of customers strolled in and out of Harrah's on Wednesday, but regular patrons said the crowds are not nearly as deep as they used to be.

"I come up here three or four times a week, and I'll tell you what, when I first started coming up here 15 years ago, this place was packed all the time," said John Kolojay, 59, of Streator. "Right now, there's nobody here. Nobody."

Another regular, Christine Donchez, 60, of Wilmington, said the smoking ban has prompted her to go to Iowa, where she can smoke at her leisure as she plays the slots.

“You want to sit and relax and have a drink and smoke and play,” said Donchez, who has trimmed her visits from four to twice a month since the smoking ban.

It’s all made for some tough decisions in communities such as Joliet, where the city has received \$4.1 million less than it expected this year.

Representatives from the Spanish Community Center and the Daybreak Center, which offer programs and shelter for the homeless, recently pleaded with council members not to cut off their funding.

Daybreak officials said the \$240,000 they were relying on from the city had already been pledged as matching funds for state and federal grants totaling \$755,000.

“This is probably the most difficult budget I’ve voted on,” Councilman Mike Turk said.