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The Establishment of Illinois Riverboat Gambling and its Impact on Alton, Peoria, and Joliet

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The Establishment of Illinois Riverboat Gambling

And

Its Impact on Alton, Peoria and Joliet

by

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Submitted in Fulfillment of Senior Research Honors Requirements

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In 1990 the Illinois Legislature passed the Riverboat Gambling Act which legalized most forms of gambling on Illinois rivers (230 ILCS 10). As described in the act, the legislative intent of the law was to "assist economic development and promote Illinois tourism" (230 ILCS 10/2). Although hundreds of millions of dollars are invested by nine riverboat companies in eight Illinois cities, few studies have examined how the riverboats were established and whether they have contributed to the cities in which they dock. To assist in this endeavor, such factors as the riverboats' employment figures, consumption of goods and generation of tax revenue are closely examined. But because several of the riverboats have been operating for less than a year, it was logical Alton, Peoria and Joliet be studied because they have been operating the longest.

Riverboat gambling is characteristic of the political economic theory which states development is managed by a growth machine, which is a small number of key actors and institutions in the community (Holupka and Schlay, 176). Those actors, such as politicians and businessmen, often benefit the most and are likely to encourage public funding in order to assure the business will locate in the city. (Holupka and Schlay, 180). Unlike most corporations, which would probably have thousands of investors, the riverboats have limited partnerships and are considered entrepreneurial endeavors in which the partners anticipate a high return on their investment. The riverboat casinos are also unique in that they are a limited monopoly for those few who were lucky enough to receive a license from the Illinois Gaming Board.

Under the law, numerous types of gambling are allowed including: baccarat, twenty-one, poker, craps, slot machine, roulette wheel and punch board, but it is limited to boats which navigate any stream in counties with less than 3,000,000 residents (230 ILCS 10/3) (230 ILCS 10/4) (See Glossary-p.45). The law specifically instructed the Illinois Gaming Board, which monitors and licenses riverboat gambling, as to how the ten licenses were to be issued (230 ILCS 10/5). Of the first five licenses, four were only available to riverboats on the Mississippi River and the other was open to a city on the Illinois River south of Marshall County (230 ILCS 10/7). This stipulation of the law was supposed to give cities outside of the Chicago area a head start. Peoria and Alton were two of the cities which took advantage of this section and were the only cities to have boats on Illinois waters by the end of 1991 (Illinois Gaming Board Monthly Statistical Report). Once the license on the Des Plaines River until after March 1, 1992. The city of Joliet reacted quickly however and was issued the Chicago area's first license on June 17, 1992 (Illinois Gaming Board Monthly Statistical Report). One of them was issued to the city of Joliet in May 1993 (Illinois Gaming Board Monthly Statistical Report).

Because the Illinois Legislature anticipated a flood of applications to the Illinois Gaming Board, they enacted a provision which gives preference to "economically depressed areas of the state and to applicants presenting plans which provide for significant economic development over a large geographic area" (230 ILCS 10/7). The docking municipality receives \$1 of the admission tax, with the state receiving the other half (230 ILCS 10/11). The remaining 75% of the wagering tax goes into the coffers of the State of Illinois (230 ILCS

10/11). With the guidelines and intent of the Riverboat Gambling Act established it is now easier to evaluate the law's effect on Alton, Peoria and Joliet.

Alton

Once riverboat gambling became law in February 1990 Alton area businessmen moved quickly in their attempt to start a riverboat gambling enterprise. The Alton City Council had anticipated such an event and in March of 1990 unanimously approved a resolution that required developers who sought a riverboat gaming license to present their proposal before the council ("City Wants"). Aldermen wanted to make informed decisions because they wanted to recommend a plan which would likely be supported by the Illinois Gaming Board. The Alton City Council eventually received proposals from three prospective licensees, but only two were in serious contention to operate a riverboat casino out of Alton (Zadeik, "Two Candidates"). Steamboat Development Corporation, a subsidiary of Alton Barge Line Inc., wanted to launch a custom-built riverboat with 600 slot machines that would hold 1,500 passengers (Zadeik, "Two Candidates"). As an inducement to the city, representatives from the company offered an additional 50 cents per passenger on any riverboat casino excursions by their corporation (Zadeik, "Two Candidates"). According to a Steamboat executive, that additional gift would translate into \$931,500 more for the city (Zadeik, "Two Candidates"). But the proposal the city eventually went with actually was less beneficial for Alton.

The main competitor and the corporation which eventually received the license was Metro Tourism and Entertainment Inc. Composed of area businessmen, the investors originally proposed "a new downtown hotel and a 2,400 passenger riverboat " (Gosnell, "Riverboat Gambling"). But as competition stiffened for the

endorsement by the Alton City Council, Metro Tourism took a different avenue of persuasion. The firm offered the city an additional 10 cents per head on any future passengers on their casino (Zadeik, "Two Candidates"). Based on Metro Tourism estimates at the time they expected the extra 10 cents, in combination with the expected new hotel and 2,400 passenger riverboat, would exceed anticipated benefits from the plan offered by Steamboat Development Corporation (Zadeik, "Two Candidates"). By this time Steamboat Development Corporation had also changed their minds in regards to the boat. No longer would they initially have a 2,400-passenger riverboat, but instead one which would only hold about a third of that number (Zadeik, "Two Candidates"). The \$8 million riverboat was expected to be a renovated dinner boat and would hold approximately 400 slot machines (Zadeik, "Two Candidates").

After receiving the endorsement from the Alton City Council, everything went smoothly before the Illinois Gaming Board and by February 1991 the Alton Riverboat Gambling Partnership Inc., formerly Metro Tourism & Entertainment Inc., bought a smaller than expected riverboat. It was evident the goal of the Alton investors was to be the first riverboat casino in Illinois and according to a managing partner at the time, they did not foresee "any difficulties in launching cruises by July 4" (McMurray, "Group Buys"). The 600-passenger boat was bought from a dinner cruise company in Florida (McMurray, "Group Buys"). It had three-decks and was expected to be renovated to reflect "the gaming theme" of its 300 slot machines and 14 table games (McMurray, "Group Buys").

In conjunction with the purchase of a riverboat, Alton Riverboat Gambling Partnership also procured a floating dock from a defunct dinner cruise corporation in Toledo, Ohio (McMurray, "Floating Dock"). The 150-by-60-foot steel barge underwent construction that added a third level to the structure (McMurray, "Floating Dock"). Aside from functioning as the floating dock, the third floor of the barge became a dance floor and entertainment area (McMurray, "Floating Dock"). Plans for the second floor at the time included a restaurant with either a buffet or table service (McMurray, "Floating Dock"). In addition to the major capital purchases, the company was making great strides in other preparations. By June of 1991 the construction of a 250 foot landing promenade for the Alton Belle Riverboat Casino had begun (Rouse, "Alderman Applaud"). The \$430,000 promenade had to be approved by a circuit court judge because the 6,000 square-foot site is held in trust by the city (Rouse, "Alderman Applaud"). To support future economic development in downtown Alton, the promenade was built to link the Alton Landing, an entertainment complex, with the Alton Belle Casino (Rouse, "Alderman Applaud").

Realizing the potential magnitude of the riverboat casino the management of the Alton Riverboat Gambling Partnership originally estimated they would hire between 200 to 250 employees (McMurray, "Casino Slots"). But upon realizing that that number was too low, the company eventually hired over 430 employees (Gosnell, "Riverboat Gambling"). Because Alton is in the St. Louis Metropolitan Area, help-wanted ads were issued not only in the Alton Telegraph, but also in the St. Louis Post-Dispatch (Gosnell, "Riverboat Gambling"). 90 percent of the jobs were full time positions with salaries that ranged from

minimum wage to executive pay (Gosnell, "Riverboat Gambling"). The average yearly salary was \$23,000 (Gosnell, "Riverboat Gambling"). Because "the firm's goal was to fill as many positions as possible" from Alton, the firm hired 80% of its employees from the area (Gosnell, "Riverboat Gambling"). Because many employees had no previous gambling experience, approximately 70 people sent to an Alton training academy to become dealers (Gosnell, "Riverboat Gambling").

Although the original opening date for the Alton Bell Riverboat Casino was July 4, 1991, the owners had to postpone start up several times because they were not ready for final inspection by the Illinois Gaming Board (Gosnell, "Riverboat Gambling"). By the time the boat was ready on September 10, 1991, the Alton Belle had undergone a remarkable transformation (Gosnell, "Riverboat Gambling"). The design of the three-deck Alton Belle was "art deco with geometric print carpeting and wall-to-wall mirrors with Las Vegas gambling scenes etched into them" (Gosnell, "Alton Belle"). The first deck had 300 slot machines, while the second deck had 20 blackjack and baccarat tables (Gosnell, "Alton Belle"). Starting at 9 a.m. cruises continued for three hour intervals until 12 a.m.; a 3 a.m. cruise was added on Friday and Saturday (Gosnell, "Riverboat Gambling"). Besides the alcoholic beverages, the riverboat also served sandwiches in a small luncheonette (Gosnell, "Riverboat Gambling"). Both lunch and dinner were served on a floating dock with the choice of buffet or menu dining (Gosnell, "Riverboat Gambling").

After years of economic stagnation, the launch of the Alton Belle seemed to revive the community. Once an inspection was completed by the Illinois Gaming Board, the Alton Belle was given a temporary

operating permit (Gosnell, "450 Board"). At this time, there was a 200,000 customer backlog for reservations on the 660 passenger boat (Gosnell, "450 Board"). With such numbers it is not surprising that Alton Mayor Ed Voumard was optimistic (Gosnell, "Riverboat Gambling"). The original 1990 projections of tax revenue generated by the Alton Belle were expected to be \$3 million a year (Gosnell, "Riverboat Gambling"). But after more than a year since the inception of the project, Voumard's expectation had deflated to \$1.5 million to \$2 million (Gosnell, "Riverboat Gambling"). On the other hand, the partnership predicted anywhere from \$2.7 million to \$6 million per year for Alton (Gosnell, "Riverboat Gambling"). Apart from the tax benefits, downtown Alton was bustling with renovations (Gosnell, "Riverboat Gambling"). Expecting customer spill-over, entrepreneurs speculated by opening new businesses in vacant buildings (Gosnell, "Riverboat Gambling"). Knowing that the downtown did not have adequate parking, the partnership was also building a new parking lot (Gosnell, "Riverboat Gambling"). In September of 1991 there was a feeling of euphoria, but determining whether the hopes and dreams of a community were realized would take years.

Within the first 12 days of operation the Alton Belle took in \$861,000 from the more than 18,000 people who lost an average of \$47 on the gambling vessel (Schnay). But the instantaneous prosperity of the riverboat did not carry into other areas of the Alton economy. According to former Alton alderman and entrepreneur in Alton Becky Wright, "I don't think there's a businessman on the street you could talk to who would say they've seen any increased business. I think everybody in general is disappointed," (Browning, "Belle Is Rolling").

Restaurateurs complained that they were only receiving 5 to 10 customers from the boat and that the Alton Belle had actually had an adverse effect on the downtown economy as a whole (Browning, "Belle Is Rolling"). Merchants complained that with the presence of the new multi-million dollar riverboat complex taxes in the area have skyrocketed since the new assessment (Browning, "Belle Is Rolling"). Not only were they faced with that difficulty, but they were also stifled by the lack of adequate parking (Browning, "Belle Is Rolling"). Many patrons did not park in the designated lots, and instead, parked in front of the shops (Browning, "Belle Is Rolling"). The vehicles were a double difficulty because their owners were not only not patronizing the stores, but they were taking the closest available parking spaces of customers who actually wanted to spend money in the businesses (Browning, "Belle Is Rolling"). Because people were faced with a greater inconvenience of finding available parking, business for the shops decreased (Browning, "Belle Is Rolling").

During the four months of operation in 1991 the Alton Belle generated \$742,793 for the city of Alton (Browning, "Belle Is Rolling"). The success of the Alton Belle continued into 1992. By the spring, the partnership added a new barge that acted as a storage facility and open-air party area (Gosnell, "Alton Belle Adds"). In response to lackluster community sales, they, along with merchants, launched a bus shuttle to take people into the historic downtown (Yakstis, "Belle Merchants"). The Belle averaged over 2,000 people a day: setting records twice, 69,135 people in March and 71,010 in June (Yakstis, "Belle Merchants"). In the month of June passengers lost an average \$60 per passenger, totaling \$4,256,444 in losses and generating

\$212,822 for Alton and \$638,467 for the state ("Alton Belle's Landing Dock"). (See Table A - p.42). And to further demonstrate the economic health of the Alton Belle the owners announced they were going to build a bigger boat (Carroll, "Alton Belle").

On the one year anniversary of Illinois riverboat gambling the riverboats had generated \$134.7 million with \$44.5 coming from the Alton Belle (Gosnell, "Investors Roll"). The effects of these millions of dollars on the Alton and state economies have been both better and worse than expected. Collectively, the state received \$22.9 million in taxes from the riverboats (Gosnell, "Investors Roll"). The city of Alton received \$3.2 million from the Alton Belle in revenue (Hegarty, "Boat Helped"). \$2.3 million of which came from passenger losses, while the other \$0.9 million was netted from the \$1.20 head tax on the 761,000 people who boarded the boat (Hegarty, "Boat Helped"). Running a \$1.7 million deficit the city had to borrow \$600,000 less than they anticipated because the mayor had only budgeted \$500,000 in gambling revenue for the 1991 fiscal year which ran from April 1 to March 31 (Hegarty, "Boat Helped"). Knowing the Alton Belle was a tax savior for the city the mayor allocated \$3.1 million in gambling revenue in the city's 1991 budget toward city expenses (Hegarty, "Boat Helped").

Having acknowledged the benefit to government coffers, the impact on Alton economic development at the one year anniversary was luke warm. In a conversation with David Gosnell, State Senator Denny Jacobs said, "Yes, all the boat owners are making money and making lots of money. This is not to say that salaries of \$22,600 (Yakstis, "At A Year") (Gosnell, "Investors Roll"); most of which, because

most employees live in the Alton area, is funneled back into the Alton economy (Yakstis, "At A Year"). Area vendors benefited from the added \$8 million sales of their food, beverages and supplies (Yakstis, "At A Year"). St. Louis area newspapers, television stations and billboard companies netted an additional \$2 million from advertising for the riverboat (Yakstis, "At A Year"). From the previous data it seems the riverboat gambling only brought advances to the city, but this was not true. Instead, customers were coming to gamble but were not staying to patronize any other businesses (Gosnell, "State's Take"). State Senator Denny Jacobs was disappointed with the riverboat's impact because it had failed to carry out their promises to the community (Gosnell, "Investor's Roll"). In remembrance of why the legislation was enacted in the first place, (it was supposed to promote economic development and tourism) it is questionable as to whether it succeeded.

The year of 1993 brought continued success and dramatic changes from the previous year. On December 18, 1992, the Alton Riverboat Gambling Partnership filed a request to "register and sell 4.6 million shares of stock as Argosy Gaming Company with the Securities Exchange Commission (SEC)," (Farmer, "Connors Resigns"). In February of 1993 both the SEC and the Illinois Gaming Board approved the plan that made multimillionaires out of all of the principal stock-holders when they sold some of their shares (McMurray, "Belle's Big-Buck"). According to company records, the partnership shared in \$7.5 million in cash from the riverboat's 1992 profits, but that is nothing to what they obtained from the sale of the stock (McMurray, "Belle's Big-Buck"). The \$71 million proceeds from the sale were used to settle the \$13.1

million Alton Belle debt, to build the \$15.7 million new cruiser, and to make \$4 million in renovations (McMurray, "Belle's Big-Buck). Because the operation was considering expanding into the St. Louis and New Orleans riverboat casino markets, they were planning to use the remaining \$42 million for their development (McMurray, "Belle's Big-Buck"). At \$18 per share, it left Thomas Long and William Celini, the largest shareholders, with stock worth close to \$58 million (McMurray, "Original Belle"). Tennis star Jimmy Connors and his brother, John, each hold stock worth \$45 million, attorney Thomas Lakin holds \$29 million, and businesswoman Stephanie Pratt holds over \$25 million (McMurray, "Original Belle"). Of the previously mentioned shareholders all reside in the St. Louis area except for William Celini, who is from Springfield, and Jimmy Connors who was born in East St. Louis (McMurray, "Original Belle").

In the spring of 1993 two things occurred that affected the business of the Alton Belle. Firstly, it rained and rained, flooding most of the Mississippi Valley. The impact which was a reduction of customers, was not seen until mid-summer when the Mississippi River was at dangerously high levels. From July through September the Alton Belle recorded its first loss of \$236,000 (Gosnell, "Additional"). Part of the loss can be attributed to the flood which cost them \$2.6 million in additional costs, including construction of a gangplank longer than a football field that was used to get patrons on the ship (Gosnell, "Additional"). Competition in East St. Louis from the Casino Queen riverboat, which opened in June of 1993, also explains the nose dive in the Alton Belle's popularity (Gosnell, "Additional"). Secondly, the 1,400 passenger boat which was built at Atlantic Marine in Jacksonville,

Florida arrived (Gosnell, "Investors to Build"). The \$20 million modern cruiser holds three times the gaming spots including 900 slot machines, 2 roulette wheels, and a top-deck which serves as an open bar (Yakstis, "New Belle") (Gosnell, "Alton Belle's Future"). With the expansion, the Alton Belle became the largest employer and tax generator by eventually hiring 190 new people, with its workforce totaling 777 people (Letter from IGB) (Gosnell, "Investors to Build"). To attract new customers who could not be accommodated by the small boat, prices for admission were lowered to below \$10 when they were once as much as \$18 (Gosnell, "Investors to Build"). Expectations for the new Alton Belle ran high: to a possible \$95 million in revenue and 1 million patrons per year (Farmer, "New Belle"). After the mid-year drop in revenue and admissions, the Alton Belle rebounded from 85,000 passengers in August to 170,000 in December (Gosnell, "Casino Queen") (See Table B-p. 42). Overall, 1993 was a profitable year for the Alton Belle, even though the East St. Louis Casino Queen and the flood diminished the popularity of the boat (Gosnell, "Alton Belle Owners").

As of last November the Alton Belle had funneled close to \$7 million into the bank accounts of Alton (Hillery, "Challengers"). Knowing the city was too dependent on what many consider to be an unstable tax base that has not fostered the economic development promised, city officials started to look for other routes to help their city (Hillery, "Challengers"). Mayor Bob Towse wanted to use more of the tax revenue for capital and infrastructure improvements in order to make the community more attractive to outside investments (Hillery, "Challengers"). In conjunction with the Alton Belle, city officials are

also considering proposals for a 300-slip marina and a river front theme park (Hillery, ..."So"). Another possibility that has been discussed is the formation of a tax increment financing district where an old manufacturing plant now stands (Hillery, ..."So").

East Peoria/Peoria

The original plan regarding riverboat gambling in the Peoria area was to expand the Jumer owned Boatworks facilities in Peoria (Sorensen, "Council"). Originally proposed in November of 1989, the Peoria City Council endorsed both the Jumer proposal and riverboat gambling when the proposal passed in January of 1990 (Sorensen, "Council"). Although several Councilmen had reservations, especially Camille Gibson, who believed the city would lose control of the operation of the riverboat, the majority believed the plan would be a catalyst in economic development on the North side of Peoria (Sorensen, "Council"). The project called for the construction of a 750-passenger paddle wheeler used exclusively for gambling (Sorensen, "Council"). Estimated at \$4 million, it planned to include a \$350,000 promenade which along with the riverboat would employ an estimated 250 people when it opened in March of 1991 (Sorensen, "Council"). Plans included a "casino on the main deck, a restaurant and bar on the second deck, and an observation area on the third deck," helping to beautify the Peoria river front recreational complex ("Jumer Seeks").

Before the city was awarded any riverboat gambling license there was much debate over whether a riverboat casino would be a valuable asset to the community. Predictions by Dorothy Sinclair, Peoria City Councilwoman-at-Large, included an expansion of the hospitality industry because "we will need more hotels, restaurants, recreational facilities, and retail opportunities" ("Will Riverboat"). Along with the Civic Center, new office buildings, and restored historic

offices, the riverboat would assist in the resurgence in downtown Peoria that would make the city a "primary destination tourist attraction" according to Sinclair ("Will Riverboat"). On the other hand, Reverend Jerry Tracek, who is the Director of the Peoria Rescue Mission, disputed this argument by saying the city would decay into a corrupt and destitute city ("Will Riverboat"). He expected the financial effect of gambling to be increased costs to police, welfare programs, and homeless shelters ("Will Riverboat"). There would also be a decline in morality through vices such as drugs and prostitution because of the influx of bad elements who would be preying upon the community's citizens ("Will Riverboat").

Although the debate was never settled, investors continued to move forward in their quest to bring gambling to Peoria. When the Illinois Gaming Board told D. James Jumer he could not apply for two gambling licenses he dropped his proposal in Peoria and ended up selling his Boatworks complex to the Greater Peoria Riverboat Corporation which now owns the Par-A-Dice riverboat (Colindres, "Par-A-Dice"). But when the Greater Peoria Riverboat Corporation was given an opportunity in August of 1991 to get a riverboat in the Illinois River sooner they bought a \$15 million vessel that was currently under construction (Colindres, "Par-A-Dice"). Built by the Atlantic Marine Shipyard in Jacksonville, Florida the 1,200 passenger boat features four decks, two casinos, and a restaurant (Witmer, "Floating"). The casino also would include 344 slot machines, 18 blackjack tables, four crap tables, two roulette games, and a big six wheel (Witmer, "Floating"). Originally expected in November 1991, the \$33 million business venture was financed by 24 Peoria area investors (Witmer, "Floating").

Plans included a payroll of \$16.5 million to its 700 employees and a new hotel at the docking area in East Peoria (Witmer, "Floating").

In an agreement made between East Peoria and Peoria, the former was given the nod to dock the riverboat casino while splitting any tax revenue with Peoria (Sorensen, "Peoria, East Peoria"). According to the guidelines, the city of Peoria would receive the first \$200,000 of revenues to reimburse their investment in the Peoria Boatworks (Sorensen, "Peoria, East Peoria"). The following \$800,000 would go to East Peoria for the infrastructure improvements, such as water and sewer lines, roads and traffic signals, at the docking site (Sorensen, "Peoria, East Peoria"). After the first million in tax revenue was distributed, both cities would receive 45 percent of the tax dollars, with the additional 10 percent going into a river front development fund (Sorensen, "Peoria, East Peoria"). At the time, tax revenue was conservatively estimated at \$500,000 per year (Sorensen, "Peoria, East Peoria").

It became obvious in the fall of 1991 that the Par-A-Dice Landing complex would not be completed in time for the arrival of the Par-A-Dice riverboat (Colindres, "Par-A-Dice"). To remedy the situation Peoria and East Peoria reached an agreement which allowed Peoria to moor the boat at the Boatworks facility (Colindres, "Par-A-Dice"). In return, Peoria would receive a \$4 parking fee for every car that would have to park in a lot by Eckwood Park (Colindres, "Par-A-Dice"). With preliminary preparations made, all that was needed was the boat to arrive from Florida.

Christened November 20, 1991, the Par-A-Dice riverboat casino became the second gambling vessel in Illinois (Colindres, "Riverboat").

Like the Alton Belle, the boat was a financial success and by December of the same year management announced plans to convert the Speakeasy dining room into a third-casino (Colindres, "Riverboat"). Upon conversion, the riverboat held 40 gaming tables and 500 slot machines (Colindres, "Par-A-Dice Operators"). In order to compensate for any missed dining business the Greater Peoria Riverboat Corporation converted their other boat, the Spirit of Peoria, into the Jackpot Cafe (Colindres, "Par-A-Dice Operators").

But with the prosperity came a setback when in December of 1991 the partnership ran out of money and had to cease construction of the Par-A-Dice Landing in East Peoria (Colindres, "Par-A-Dice"). In order to repair the situation East Peoria was forced to take action six months later by requesting and receiving a \$2 million loan for both East Peoria and the company from Community Bank (Colindres, "Par-A-Dice"). Under the conditions of the East Peoria loan if East Peoria did not repay the loan from its parking fees at the Par-A-Dice Landing the corporation must repay the loan (Colindres, "Par-A-Dice").

As would probably be expected, riverboat gambling was a huge draw for gamblers from across Illinois, Indiana, and Missouri. As the summer of 1992 approached the Par-A-Dice was attracting more and more people, averaging 80,000 plus a month (Colindres, "Par-A-Dice Attendance"). (See Table C-p. 43) After a record breaking attendance in May, the numbers slumped in June, probably because of the opening of the Joliet Empress, but rebounded in July and August (Colindres, "Par-A-Dice Attendance") (Colindres, "Par-A-Dice Attendance Shows"). As for tax revenue, Peoria and East Peoria shared at least \$300,000 each month from May through September (Colindres, "Par-A-Dice

Attendance”) (Colindres, “Par-A-Dice Attendance Shows”). For the same months, the state was receiving close to \$800,000 from only the Par-A-Dice (Colindres, “Par-A-Dice Attendance”) (Colindres, “Par-A-Dice Attendance Shows”). By this time, riverboats were also operating in Joliet, Rock Island and East Dubuque (Colindres, “Par-A-Dice Attendance”).

“We’re extremely happy. It’s better than we thought it was going to be,” was the quote by Greater Peoria Riverboat Corporation President, Dale Burkland, on the first year anniversary (Colindres, “Riverboat Marks”). During its first year of operation the boat earned more than \$52 million, with \$8.9 million and \$3.7 million going to the state and Peoria/East Peoria respectively (Colindres, “Riverboat Marks”). Attendance reached over a million and in celebration of their anniversary the corporation announced they were donating \$5,000 worth of toys to the city of East Peoria (Colindres, “Riverboat Marks”). Burkland also took advantage of this press filled day to challenge Illinois State Police accusations that drug traffickers were using the riverboats to launder money (Colindres, “Riverboat Marks”).

By the time there was an in depth economic analysis by the Peoria Journal Star in March of 1993, the Par-A-Dice had taken in \$61 million from the 1.2 million people who had bought tickets for its excursions (Witmer, “Gambling Boats”). Spending an average \$50, passengers helped to generate \$10.3 million for state coffers and \$2.1 million for both the Peoria and East Peoria bank accounts (Witmer, “Gambling Boats”). Most close observers of the industry, including “Roberta Parks, senior vice president of the Heartland Partnership, an umbrella group that includes the Peoria Chamber of Commerce” thinks

the boats are "self-contained," meaning people come for the gambling but contribute little to the economy in other ways (Witmer, "Gambling Boats"). But according to Convention and Visitors Bureau director Gary Jenkins, gambling has contributed to the local economy by generating a 1 1/2% increase in hotel occupancy (Witmer, "Gambling Boats"). Hotel Pere Marquette General Manager Bill Carter credits the Par-A-Dice with more business than that because the decrease in Caterpillar Corporation's business had in turn decreased hotel business (Witmer, "Gambling Boats"). Thus, the riverboat not only compensated for Caterpillar's decrease in business, but overall increased hotel occupancy (Witmer, "Gambling Boats"). It is critical the Peoria gaming industry continue to attract non-central Illinoisans if the hotel industry is going to maintain its prosperity because more than half of its patrons come from areas outside of central Illinois (Witmer, "Boat Boasts"). Of that number, about one-fourth of them stay in Peoria area hotels (Witmer, "Boat Boasts"). Parks also sees the riverboat as a valuable addition to the area with its more than 700 employees whose \$17.3 million annual payroll trickles down through the economy through the purchase of goods and services with their average annual salary of \$24,700 (Witmer, "Gambling Boats"). The other economic impact of significance created by the Par-A-Dice is its purchase of local goods and services. Among the \$1.5 million goods purchased per month are: beverages, food, cleaning services, novelty items and printing services (Witmer, "Gambling Boats"). Sales manager, Dave Findlay of Waugh Frozen Foods said his account with the Par-A-Dice is the equivalent to a hotel or convention center, "10 times what a restaurant would be," (Witmer, "Gambling Boats"). Kinko's, which prints, typesets and binds

pamphlets for the Par-A-Dice, says their business with the riverboat has assisted them in hiring ten more people (Witmer, "Gambling Boats").

After waiting 18 months for a permanent terminal, Par-A-Dice Landing finally opened in May of 1993 (Colindres, "Fanfare"). Originally, management had envisioned only a single restaurant, ticket counter and waiting area, but as time progressed plans changed (Colindres, "Par-A-Dice"). By the time the landing opened it included the Boulevard Grille, which is an upscale steakhouse, the Broadway Buffet, and a bar named Flappers, as well as the aforementioned ticket and waiting area (Colindres, "Par-A-Dice"). Dale Burkland used the opportunity to emphasize the company's long-term commitment to the area and said their next goal was to make the Par-A-Dice the premier gaming example in the Midwest (Colindres, "Fanfare").

Like the Alton Belle which outgrew its facilities, the Par-A-Dice soon found itself in the same situation. And just like the situation in Alton, the Peoria investors chose a modern cruiser to replace their 1890's-era sternwheeler (Colindres, "Casino Moving"). Compared to the then current 20,500 square feet of space the new riverboat would have 33,000 square feet of space and three times the gambling space (Colindres, "Casino Moving"). General Manager Mark Sterbens said customer demand wanted wider aisles, more gaming room, and better ventilation (Colindres, "Casino Moving"). With the new boat they will have the state maximum number of gambling positions at 1,200 (Colindres, "Casino Moving"). The corporation also foresees hiring employees although they were not sure how many (Colindres, "Casino Moving"). In order to complement the interior of the pavilion the

design of the new Par-A-Dice will also be changed to art deco (Colindres, "Casino Moving"). Work started in August of 1993 and was expected to take 10 months (Colindres, "Casino Moving").

As a demonstration of the wealth of the Greater Peoria Riverboat Corporation, the company was making plans to expand (Colindres, "Par-A-Dice Owners"). Their first step was changing their name to Par-A-Dice Gaming Corporation which was approved by the Illinois Gaming Board in October 1993 (Colindres, "Par-A-Dice Owners"). Possible locations for expansion include: Missouri, Indiana, Louisiana and Colorado (Colindres, "Par-A-Dice Owners"). In December they announced plans to conduct a feasibility study for constructing a 300- to 500 room convention center (Eckert, "Par-A-Dice"). Although the Hampton Inn is constructed on Par-A-Dice Landing officials believe a convention center would maximize the riverboat tourism potential (Eckert, "Par-A-Dice"). If the facility is built it would be constructed on 6.5 acres of ground already owned by the corporation (Eckert, "Par-A-Dice").

Joliet

Joliet Empress

The city of Joliet has a unique relationship with riverboat gambling because it has two riverboat corporations operating within its city limits. Even more economically depressed than Alton and Peoria, Joliet was faced with the deterioration of its economic base and the eventual 20% unemployment rate of the early 1980's (Hayner, "Joliet Symbolizes"). There was somewhat of an economic recovery, with the unemployment rate hovering around 15%, but both city officials and citizens were looking for something to stimulate their economy and return their city to what it once was (Kerr, "Few Gamble").

According to a provision of the Illinois law, which states that "one license will be issued to a city in Will County on the Des Plaines River," Joliet was virtually guaranteed a riverboat casino (230 ILCS 10/7). Local businessmen realized this likelihood and were quick to start planning a riverboat casino in the Joliet area. Once the preliminary planning and hearings were taken care of it was clear the Joliet Empress would be the first Illinois riverboat casino in the immediate Chicago market.

By the time the beautiful Joliet Empress started operating on June 17, 1992 the group of Illinois investors had invested \$32 million into their venture (Morris, "Troubled Waters"). Initially, the docking area for the riverboat was not a part of the city of Joliet, but was in fact, in the domain of Will County (Shnay, "Second Riverboat"). But

when the Joliet City Council realized riverboat gambling was highly lucrative the council voted in September of 1991 to annex the 55-acre parcel just south of the then current Joliet city limits (Shnay, "Second Riverboat"). Mayor Art Schultz said the "Des Plaines River Entertainment Corporation approached the city about annexing the land because the partnership wanted the facility to have city water and fire protection" (Shnay, "Second Riverboat"). What was Joliet's gain was Will County's loss because according to the law any docking site which is not within a city's limits would pay their taxes to the docking site's home county (230 ILCS 10/11).

On June 17, 1992 the Joliet Empress opened for business in the pomp and circumstance which has come to be expected with riverboat gambling. The Joliet Empress and its facilities include a pavilion, floating dock and parking facilities (Morris, "Troubled Waters"). The \$7 million modern double-deck cruiser and the connected complex originally hired 500 employees, including 10 blackjack dealers (Kerr, "Few Gamble"). The first Empress had 930 gambling positions and included such games as roulette, black jack, craps, and slot machines (Gibson, "Empress Plans"). Pay for casino operators started at \$4.50 an hour, but with tips dealers were expected to reach between \$14.50 and \$16.50 (Kerr, "Few Gamble"). That would mean an average salary with a minimum from \$25,000 to \$30,000 annually (Kerr, "Few Gamble"). Anyone hired as dealers were charged a \$500 training fee and had to pass dexterity, sixth-grade mathematics, and reading and drug testing (Kerr, "Few Gamble"). After the initial overwhelming financial success of the boat the owners soon hired more people and by March of 1993 their workforce totaled 1,100 ("Empress II").

Phenomenal. That is a description of the revenue results of the Joliet Empress for 1992. For the month of July, which was its first full month of operation, the boat admitted over 171,000 patrons, close to 80,000 more than its nearest competitor ("Empress Is"). (See Table E-p. 44) With the average loss per patron at an incredible \$67 it is not surprising that its gross receipts of \$11.4 million were more than double than any other Illinois riverboat ("Empress Is"). The following months were just as successful and several of them actually were more so, in that the adjusted gross receipts were higher and thus the share that went to the state and Joliet coffers was more ("Empress Proves") ("Empress Dealing"). It is apparent from the statistics that there were many in the Chicago area who were anticipating the opening of a Chicago area riverboat and were not prepared to drive the minimum two hour plus drive to go gambling in Peoria.

Besides the apparent profitability for the corporation, the city of Joliet and the state of Illinois also benefited. Starting in July, the ship earned at least \$1.8 million for the state and \$145,000 for the city of Joliet each month ("Empress Is"). By the end of October the Empress had generated \$8,293,734 for the general fund of the state and \$3,222,406 to Joliet ("Empress Proves"). Of the money paid to Joliet, sixty percent was returned to the Empress to pay back the \$2.5 million the corporation extended to the city for its sewer and water lines ("Empress Proves"). With the money from the Empress neighborhood improvement projects, such as paving and sidewalk and curb construction were funded at six times the normal rate (Irwin "Windfall"). In November of 1992 during discussions of the 1993 budget, city officials decided to allot \$1.7 million for each of the five

council districts (Irwin "Windfall"). According to City Manager, John Mezera, such expenditures would increase the rate of capital improvements five fold (Irwin "Windfall").

Now that it has been established that the owners and units of government are making money, there needs to be an analysis of the riverboat's effect on the Joliet economy. Each month the Empress and its pavilion spend \$6 million for goods and services ("Empress Pays Off"). Beverages, bakery goods, food, printing and cleaning services, and paper products are all purchased from Will County companies ("Empress Pays Off"). With its 914 employees in September of 1992, the annual payroll was \$22 million ("Empress Pays Off"). Ruth Fitzgerald, Will County Chamber of Commerce chief executive, said "the Empress is spurring growth in the local economy," and evidence suggested this to be true ("Empress Pays Off"). Area restaurants, such as Syl's, reported business had increased thirty percent since the opening of the Empress, and Sara Delucio, owner of Sara's Place, the closest restaurant to the pavilion, reported business increased 300% ("Empress Pays Off") ("Riverboat Casino"). Along with the many employees who live and spend their paychecks in Will County, the president of the Empress, William Sabo, said an additional 100 employees had moved into the area ("Empress Pays Off").

In an attempt to maximize the ship's revenue, owners of the Empress decided to launch another riverboat and expand its complex (Gibson, "Empress Plans"). According to company representatives, the new riverboat was being built in Jacksonville, Florida, where a healthy demand for new riverboats has helped to pump millions into the economy (Gibson, "Empress Plans"). Under the proposal, Empress II

would be triple decked and would be a modern cruiser (Gibson, "Empress Plans"). Because the Empress I already had 930 gaming positions, and since the law mandates a maximum of 1200 positions, 330 positions would be moved from the Empress I to the Empress II, numbering 600 positions on each boat (Gibson, "Empress Plans"). Plans for the \$40 million expansion included a nightclub, a larger gift shop, a food court which includes a banquet hall, a casual dining area and an upscale restaurant ("Empress II"). The complex would be converted into an Egyptian palace with 60 foot obelisks and would create 300 temporary construction jobs (Blerschenk, "Empress Plans"). When the corporation announced its plans in March of 1993 Empress operators said they were probably going to have to double their current work force of 1,100 ("Empress II").

The benefits Joliet saw in 1992 continued to be seen in 1993. Between January and June the boats adjusted gross receipts came close to \$14 million, more than any other riverboat ("Empress Again"). (See Table F-p. 44). When the fiscal year ended on June 30, the Empress had generated more than \$162 million in revenue, \$26 million for the state, and \$10 million for Joliet for the year ("Riverboats Hit"). Over those 12 months close to two million people visited the single riverboat in Joliet ("Riverboats Hit"). The Empress complex also paid over \$100,000 in real estate taxes in 1992 and 1993, although in 1991, due to an error, they only paid \$25,000 (Okon, "Property Taxes"). According to Will County documents, the Empress, with its 1400 employees, had the fifth greatest number of employees in Will County ("Will County"). At a minimum of \$18,000 per year, that translates into a payroll of \$25.2 million ("Employers Have").

Harrah's Northern Star

Although the Northern Star is one of the most popular riverboats in the state, it took a long time in coming. Faced with stiff competition from the Empress the Northern Star tried to make itself the jewel of the Des Plaines River.

Initially, John Q. Hammons, who is a Missouri-hotel developer and Bernard Goldstein proposed a multi-million dollar venture in downtown Joliet in early 1991 (La Russa, "Gaming"). But because Goldstein already owned an interest in the Peoria Par-A-Dice he was disqualified from pursuing this interest (La Russa, "Gaming"). To compensate for the loss, Hammons told the Illinois Gaming Board in July of 1991 he would put up all of the money needed for the investment (La Russa, "Gaming"). After testifying before the Illinois Gaming Board, Hammons reneged on his word by calling Phil Satre, president of Promus Co., which is the parent company of Harrah's Casino Hotels, and asking him if the company would like to become partners in the Joliet venture (La Russa, "Gaming"). The proposal ran into trouble when Hammon revised the application by stating there would be "an intention to replace Goldstein", but neglected to mention the replacement would be Harrah's Casino Hotels (La Russa, "Gaming").

Within three months John Q. Hammons and Harrah's Casino Hotels had come to an agreement to become partners in a riverboat casino in downtown Joliet on the Des Plaines River. The amended application also increased the number of gambling positions from the original 700 to 1,200 by stating that he intended to operate two riverboats (La

Russa, "Gaming"). The first proposal also intended to construct a hotel in conjunction with the riverboats, but it was scaled back because Hammons wanted to study whether a market could support it (La Russa, "Gaming"). But even if the study suggested a hotel would profit from the riverboat casino, the Joliet council's Public Service Committee insisted if a hotel is built it must be "high quality" (Reiher, "Parking"). The first boat would cost \$14 million and would hold 700 passengers (Reiher, "Parking"). The riverboat would be based at a 60,000 square-foot pavilion that would include a ticket office, restaurants, and shops (Reiher, "Parking").

Along with the construction of a \$1 million riverwalk, the project was expected to create 1,000 jobs and \$15 million in construction business (Reiher, "Parking") (Pletz, "City"). Also under the agreement, the city would fund a \$4 million basin in which the riverboats would dock (Reiher, "Parking"). Parking facilities for 750 vehicles would be built under the supervision of city officials who would be required to purchase the land with \$3.8 million of the partnership's money (Reiher, "Parking"). Hammons and Harrah's also had to fund a \$1.2 million relocation of Fire Station No. 1, whose facilities were on the land needed for the riverboat complex (Reiher, "Parking"). The Joliet City Council required the corporation to have a riverboat operating within eighteen months (Reiher, "Boats"). The company also said they would add a second riverboat at a cost of \$17 million within a year of the maiden voyage of the first boat (Pletz, "City"). Total cost of the project was expected to reach \$49 million (Pletz, "City"). Colin Reed, Promus' vice-president, expected the venture to be an absolute success because "Promus has been in the business for 50 years. And Mr. Hammons has

been in the hotel business for 38-40 years," (Reiher, "Parking"). But this was not the real test for Hammon and Satre; that would come in a few months before the Illinois Gaming Board.

The Illinois Gaming Board conducted an intensive three hour interview of John Hammons and Paul Satre because the board was apprehensive about the financing and facility changes on the amended application (La Russa, "Gaming"). Insinuations were also made by the board that Hammon may have wanted to receive the gambling license from the board only then to sell a partnership to Harrah's (La Russa, "Gaming"). But much to the relief of Joliet, the Illinois Gaming Board unanimously approved the proposal in October of 1992 (Pletz, "City").

Soon after Harrah's received this good news the partnership was dealt a small blow. Instead of the \$3.75 million set aside for land acquisition the company had to spend \$4.9 million (La Russa, "Harrah's"). The \$3.75 million figure was based upon a 1991 appraisal made by city officials and due to other recent economic activity in the area land values had risen (La Russa, "Harrah's"). Because the downtown had been stagnant for about twenty years the company believed it would be able to buy the land at relatively cheap prices, but in the end it paid more for each parcel of land than the estimates recommended (La Russa, "Harrah's").

By the time Hammons and Harrah's put their plan into action they had made subtle changes in their original proposal. In January of 1993 construction began on the upgraded \$58 million river front casino complex (Gibson, "Ground"). The pavilion was downgraded to 56,000 square-feet, while the parking lot was enlarged to 1,000 spaces (Gibson, "Ground"). This investment was the largest in downtown

history, expecting to bring 300 construction along with it (Gibson, "Ground"). According to Tom Wilcott, Harrah's general manager, the first boat would be a 210 foot cruiser with three floors and would hold "35 table games, 500 slot machines, three slot bars and an 80-seat cocktail lounge with an adjacent cafe (Gibson, "Ground"). Their second ship would be a 600-passenger 1890's-era paddle wheeler that was expected to be in Joliet by the fall (Gibson, "Ground"). Besides gambling, the paddle wheeler would also have a dining room and entertainment (Gibson, "Ground").

To accommodate Harrah's expected opening in May 1993 the company constructed a temporary pavilion because the complex would not be ready until July ("Temporary"). Cost of the building was expected to be more than \$1 million for the 14,000 square-feet of space ("Temporary"). Although not as fancy as permanent pavilions, it did include a ticket and check cashing center, medical station, restrooms, snack bar and lounge ("Temporary"). Joliet did not receive all of the economic benefits by its construction because Harrah's hired McManus Enterprises of Philadelphia to design and construct the building ("Temporary").

Only eight months from the time the Illinois Gaming Board approved the application, John Q. Hammons and Harrah's Casino Hotels launched the Northern Star riverboat. Tim Wilmott, Harrah's vice president and general manager of Harrah's Casinos Joliet, said the company was dependent on the Northern Star's success in its future expansion of riverboat gambling outside of Illinois (Gibson, "Northern"). Some 6,000 to 7,000 customers a day were expected by company officials (Gibson, "Northern"). Customers reaction to the ship was very

positive and most said they would come back (Feldman, "Passengers"). Because parking facilities were not complete cruises were limited during the weekdays, starting at 6 p.m. and continuing through 12 midnight (Feldman, "Passengers"). Weekend cruises started at 9 a.m. and continued a three hour intervals until 12 midnight (Feldman, "Passengers"). A full cruising schedule was supposed to start at the end of May when the parking lot was finished (Feldman, "Passengers").

Whereas the Joliet Empress was the first Chicago area riverboat, the Northern Star did not have that privilege, and thus, had to compete with its neighbor down the river. Although not as successful as the Joliet Empress, the Northern Star did generate some staggering numbers. Despite the limited schedule in May, Harrah's adjusted gross receipts for May and June were close to \$12 million ("Riverboat Hit"). The average hold per admission by the 177,552 patrons was an incredible \$67. (See Table G-p. 44). From August through October the boat generated anywhere from \$8.3 million to \$9.7 million ("Riverboats Hit") ("Joliet Casino") ("Illinois Gaming"). The Northern Star was also contributing its share of tax revenue to the state and Joliet. For its first two months the state received close to \$2 million and Joliet received more than \$768,000 ("Riverboats Hit"). As both governments continued to receive million of dollars from the Northern Star in August through October the city council made plans to use the projected \$17 million from both of the city's riverboats (Feldman, "City").

Now that it has been established that the city, the state and the investors have made money, the question, "What impact has the Northern Star had on the Joliet economy?" has to be answered. In June

the company employed 800 people, but only a little more than a month later the riverboat had hired 200 more employees (Feldman, "Harrah's") (Hayner, "Joliet Symbolizes"). The director of human resources said that translated into a payroll ranging from \$20 to \$25 million (Feldman, "Harrah's"). Entry-level workers earn between \$6 and \$9 per hour and are eligible for full benefits including: life, medical and dental insurance, vacation time, thrift plans, tuition reimbursement, credit unions and scholarships (Feldman, "Harrah's"). Like the other riverboats, the Northern Star has had mixed results on area businesses. The owner of the Chicago Street Bar and Grill, which is only three blocks away from the Northern Star, said she gets little business from the ship because people are just coming and going without patronizing other businesses (Lev, "Riverboats"). Although, business might be brisker if the restaurant was open on the weekends and evenings (Kibler). On the other hand, the owner of the Central Bar and Grill, which is less than a block from the ship, said his business has doubled since May (Lev, "Riverboats"). According to the manager, many of his patrons are workers on the ship who come for their lunch or dinner breaks (Panagiotopoulos). But the Northern Star is the most difficult case to analyze since it has been in business less than a year and it will take many more years before a conclusion can be made.

Discussion and Analysis

Riverboat gambling is a blossoming Illinois industry that has not been adequately studied. But because the riverboat legislation contends the riverboat casinos will likely bring economic development it needs to be studied. Local politicians were only too eager to allow riverboat gambling to operate within their city limits, but they may have been more concerned with public appearances than with actually economically benefiting their communities. Looking only at the numbers generated by the Alton Belle, Peoria Par-A-Dice, the Joliet Empress and the Joliet Northern Star it appears the riverboats were wildly successful in benefiting both investors and the community, but in order for there to be an accurate economic analysis more factors need to be considered.

To begin with, recall the initial promises by the investors when they wanted to receive the support of the community. In Alton, Metro Tourism promised a 2,400 passenger riverboat and new hotel, while in Joliet John Hammons pledged a hotel, an office complex, shopping center, a marina, restaurants, and riverboat (Gosnell, "Riverboat Gambling") (Reiher, "Parking"). But what has actually developed is only a fraction of what was promised. Although it is difficult to prove, it is very much possible the investors misled the city councils, the Illinois Gaming Board and especially, the communities in what they were going to do for them. There are no current plans to develop a hotel in Alton, much to the sadness to the Alton mayor who is grateful to, but also

feels betrayed by, the riverboat owners (Gosnell, "Casinos Know"). Even though the corporation did eventually build a 1,400 passenger ship, it is 1,000 people short of what was promised (Gosnell, "Investors Build"). The downtown pavilion in Joliet is nothing close to its initial plans, including no hotel, shopping center, office complex or marina. Credit should be given to the Joliet Empress which is expanding its facilities, but there are no plans to build the hotel which was originally planned. If this is the foundation of the community's relationship with the investors, it is easy to become skeptical of any economic benefits the investors may proclaim. Both Senator Denny Jacobs, who was one of the primary organizers of the legislation, and Illinois Gaming Board member, J. Thomas Johnson, believe the state has not fulfilled its duty in regulating the promises of the riverboat owners (Gosnell, "Investors Roll"). In order to further the community's interest they believe the state should be tougher when it comes time for the riverboats to renew their licenses after their three years of operation (Gosnell, "Investors Roll").

Since the riverboat casinos began operating there have been social costs. Most of them are hidden and not easily calculated. Although the industry does not exactly promote it, recent studies show that where "legal gambling is easily" accessible more people develop gambling addictions (Sloan, "Gambling's"). Henry Lesieur, a gambling expert at Illinois State University, has said that instances where people who spend all of their money and end up with nothing are becoming more common (Sloan, "Gambling's"). Attendance at Chicago area Gamblers Anonymous meetings have more than doubled from a dozen to between thirty to forty people (Sloan, "Gambling's"). One statistic

suggests that the four percent of people who become compulsive gamblers go into \$53,000 debt before society pays \$26,000 to cure them (Gibson, "Gambling").

What other hidden costs and concerns come with gambling? Henry Lesieur said the costs, such as legal fees, incarceration and health expenses, and lost job productivity are enormous (Sloan, "Gambling's"). John Kindt, economics professor at the University of Illinois, has said, "gambling is an economic black hole, it is a net loss to the state," (Gosnell, "State's"). Some evidence may suggest this to be true. During the first year of gaming, \$18.9 million in local and state taxes was generated, but \$13.9 million went toward local tax reimbursements, investigation of applicants, Illinois Gaming Board expenses and other administrative costs (Gosnell, "State's"). Kindt is quick to point out the \$13.9 million figure does not include indirect expenses such as increased spending on law enforcement and social welfare programs (Gosnell, "State's").

The Illinois horse racing industry employs 21,000 people, while the expected pinnacle of employment by the riverboat casinos is only 10,000 (Grimes, "Live"). Probably the main competitor of the gambling boats, evidence suggests that even though the casinos have created jobs, they may be only taking away those from another industry. In 1992 all seven Illinois racetracks reported declines from 1.5% at Sportsman's Park in Cicero to 67% at the Quad City Downs in East Moline ("Horse Tracks"). Blaming the decrease on riverboats, they point out they have higher expenses and taxes, making it difficult for them to compete ("Horse Tracks"). Farmount Park, which is in the vicinity of both the Alton Belle and the East St. Louis Casino Queen, has

seen attendance and revenue drop as many of the regular gamblers go to the riverboats ("Horse Tracks").

Faced with both the elimination of revenue sharing in 1987 and cutbacks in categorical grants many localities were forced to look elsewhere for the money needed to meet their expenses (Adrian & Fine). To help to alleviate both state and local money problems the riverboat legislation was designed to supplement the "normal" avenues of raising taxes. Of the three cities studied, Alton is the only one that did not have to spend a significant sum of money to get the project off and running. Millions have been generated for the city, but instead of becoming hooked on funds that could dry up tomorrow city officials have started looking for other avenues of economic development (Hillery, ..."So"). This is a reflection of the leadership in Alton that has yet to be seen in the other cities. East Peoria and Peoria are faced with obstacles not seen in Alton. Firstly, East Peoria and Peoria only split the local revenue, making it difficult for either community to undertake major capital and infrastructure improvements (Sorensen, "Peoria/East Peoria"). In addition, Peoria made a \$200,000 investment in Peoria Boatworks, while East Peoria undertook \$800,000 in infrastructure improvements and a \$2 million loan to finish construction on the boarding complex (Sorensen, "Peoria/East Peoria") (Colindres, "Par-A-Dice"). Such substantial debt would not have been necessary if the riverboat had not come to town. As for Joliet, the city was both worse and better off. They are making as much as five times as much money off the two ships than Alton and Peoria, but they did have to pay back \$2.5 million for infrastructure improvements to the Joliet Empress and is currently using some of its revenue to pay for

Harrah's \$4 million docking facility ("Empress Proves") (Reiher, "Parking"). So even though the cities are receiving sizable revenue much of that is paying off expenses from the riverboat's presence. Overall, the local governments are seeing additional revenue resulting in significant infrastructure improvements. But, like all revenue generators it should not be seen as a cure-all because it may not be there in the long run.

Many people in the riverboat gambling communities were hopeful, but none were more so than the local businesses who were hoping the influx of new visitors would make them very prosperous. Of the towns studied, Alton seems to be the worst off because most of the downtown merchants have not seen any increase in business since the opening of the Alton Belle (Browning, "Belle Is Rolling"). Added difficulties, such as higher taxes and inadequate parking have actually made it even more difficult for the stores to survive (Browning, "Belle Is Rolling"). The Peoria Par-A-Dice also has been accused of being contained and not bettering the businesses of the community. Spin-off business from the Par-A-Dice is much more difficult than the case of the Alton Belle because it is located in an area with few businesses in its immediate vicinity. But evidence has shown there is a steady flow of visitors who patronize the Peoria hotel industry (Witmer, "Gambling Boats"). In Joliet the situation appears to be at least a little better. Many of the restaurants that are the closest to the ships seem to be prospering, but those who are not in direct vicinity or pathway of the ships seem to have had little impact from the riverboat casinos. To put it mildly, riverboat casinos are unreliable in regards to their affect on local shops. It may be possible the restaurants and bars in the casino

complexes have limited the riverboats' impact on local restaurants and stores. Although there may not be any direct evidence to the theory, it does seem plausible that people who have already eaten and been entertained will be less likely to roam the area and patronize other businesses.

Most likely the riverboats' greatest economic contribution has to be their creation of jobs and their consumption of local goods and services. By November of 1993 the Alton Belle was employing 777 people (Letter from IGB) and was spending \$8 million per year on food, beverages and supplies (Yakstis, "At A Year"). At an annual salary of \$22,600 the payroll of the riverboat is \$17.56 million (Yakstis, "At A Year"). The Peoria Par-A-Dice employs over 700 and is paying \$17.3 million annually to its employees. (Winter, "Gambling Boats"). Each year the Par-A-Dice is buying \$10 million more local goods and services than the Alton Belle (Winter, "Gambling Boats"). Each month the Joliet Empress spends \$6 million for food, beverages and cleaning and advertising services, while doling out \$28.1 million annually to its 1169 employees (Letter from IGB). Current renovations are also creating 300 temporary construction jobs (Blerschenk, "Empress Plans"). Data was not available on the monthly purchases by the Northern Star but it did generate several hundred jobs for construction workers in Joliet (Gibson, "Ground"). Its more than 1,000 employees are paid between \$20 to \$25 million each year (Feldman, "Harrah's"). Combined, these expenditures pump close to \$200 million annually into the economy of Illinois. Because many of the employees live in the communities in which the riverboats dock much of their money is likely to be pumped directly back into the local economies through

their consumption of local goods and services. The money used to buy the riverboats' goods help to support area businesses, which in turn, generate more tax dollars and employ area workers.

Cumulatively, the Alton Belle has generated close to 800 jobs, \$20 million on local goods and services, over \$35 million in income. Assuming the marginal propensity to consume to be .93 the \$55 million increase in income from the Alton Belle creates a \$51.15 million increase in consumption ("Survey of Current Business"). For the city of Alton, assuming on average at least \$250,000 per month, the Alton Belle has produced over \$7 million. The Par-A-Dice's employment of over 700 has credited over \$35.6 million in income, consumed \$36 million in local goods and services, and assuming at least \$160,000 per month, \$4 million each for both Peoria and East Peoria. The \$71.6 million generated into the Peoria community in turn increases consumption in the area by \$66.59 million. In Joliet the two riverboats employ close to 2,200 employees and have generated approximately \$56 million in payroll, spent \$109 million on local goods, and produced close to \$160 million in tax revenue. As for the multiplier effect, the \$165 million in the Joliet area economy increases consumption by \$153.45 million. Although much of the increased income may be spent in these communities, much of the money will likely leave the community by going to those places where their purchases are manufactured.

The state of riverboat gambling in Illinois is constantly changing. Five riverboats are expected to open in Chicago, while Indiana is also planning to start riverboat gambling. Iowa already has riverboat gambling, while Missouri is in what seems to be a continuing battle to

make it legal. As more and more riverboats enter the water competition has become more fierce, forcing riverboats to fight over the limited number of people in Illinois and the surrounding states who want to gamble. What these riverboat gambling cities should do is diversify their economy because it is not healthy for a community to be dependent on one business in its city. To make themselves more attractive to the huge American tourism industry the cities should use the riverboat as a marketing tool, while at the same time introducing complementary tourism businesses that will be able to feed off of one another.

Alton Belle1992-Table A

	<u>Gross Take</u>	<u>Admissions</u>	<u>Average Loss</u> <u>per Passenger</u>	<u>Alton's</u> <u>Tax Revenue</u>
June	\$4.25 million	71,010	\$60	\$262,529
July	\$4.39 million	77,403	\$57	-----
August	\$4.42 million	77,853	\$57	-----
September	\$3.9 million	70,262	\$56	-----
November	\$4.06 million	60,685	\$67	\$236,961

1993-Table B

	<u>Gross Take</u>	<u>Admissions</u>	<u>Average Loss</u> <u>per Passenger</u>	<u>Alton's</u> <u>Tax Revenue</u>
May	\$5.18 million	79,047	\$66	\$314,422
August	\$4.5 million	85,000	\$53	-----
October	\$5.12 million	110,155	\$46	\$366,454
December	\$6.0 million	170,000	\$35	-----
January 1994	\$6.5 million	191,043	\$34	\$520,044

Peoria Par-A-Dice

1992-Table C

	<u>Gross Take</u>	<u>Admissions</u>	<u>Average Loss</u> <u>per Passenger</u>	<u>Peoria's</u> <u>Tax Revenue</u>
May	\$5.5 million	97,362	\$57	-----
June	\$4.69 million	88,168	\$53	-----
July	\$4.4 million	97,117	\$46	-----
August	\$4.57 million	101,504	\$45	-----
September	\$4.7 million	91,585	\$51	\$163,151
November	\$4.3 million	85,539	\$50	-----

1993-Table D

	<u>Gross Take</u>	<u>Admissions</u>	<u>Average Loss</u> <u>per Passenger</u>	<u>Peoria's</u> <u>Tax Revenue</u>
April	\$5.26 million	95,544	\$55	-----
May	\$5.04 million	101,867	\$49	\$176,968
June	\$4.98 million	102,929	\$48	\$175,970
July	\$6.38 million	130,894	\$49	\$224,927
October	\$5.95 million	116,521	\$51	\$207,131
November	\$5.38 million	109,884	\$48	\$189,472

Joliet

1992 Empress-Table E

	<u>Gross Take</u>	<u>Admissions</u>	<u>Average Loss</u> <u>per Passenger</u>	<u>Joliet's</u> <u>Tax Revenue</u>
July	\$11.46 million	171,730	\$67	\$745,016
August	\$12.88 million	178,695	\$72	\$822,714
October	\$13.31 million	170,956	\$78	\$836,460

1993 Empress-Table F

	<u>Gross Take</u>	<u>Admissions</u>	<u>Average Loss</u> <u>per Passenger</u>	<u>Joliet's</u> <u>Tax Revenue</u>
February	\$13.46 million	149,231	\$90	\$822,415
March	\$15.54 million	170,101	\$91	\$947,167
April	\$14.7 million	164,000	\$90	\$900,944
June	\$14.13 million	174,444	\$81	\$880,526
August	\$15.0 million	197,486	\$77	-----
September	\$13.79 million	187,476	\$74	-----
October	\$14.34 million	197,205	\$72	\$914,503

1993 Northern Star-Table G

	<u>Gross Take</u>	<u>Admissions</u>	<u>Average Loss</u> <u>per Passenger</u>	<u>Joliet's</u> <u>Tax Revenue</u>
June	\$6.72 million	105,000	\$64	\$440,864
August	\$8.39 million	126,186	\$65	-----
September	\$8.72 million	121,368	\$72	-----
October	\$9.7 million	135,494	\$71	-----

Glossary

- Baccarat*** - a card game in which any number of players may participate in betting against the dealer, in which the dealer gives two other players two cards and may draw one additional card, the winning hand being the one totaling closest to 9, 19, or 29, and in which aces count one each, face cards 10 each, and other cards their numerical value
- Blackjack*** - a card game the object of which is to be dealt cards having a higher count than those of the dealer up to but not exceeding 21
- Craps*** - a gambling game in which a player rolls 2 dice and wins his bet if the throw is 7 or 11, loses it if the throw is 2, 3, or 12, or gets a point if the throw is 4, 5, 6, 8, 9, or 10, in which case he continues to throw until he wins by throwing his point again or loses both bet and dice by throwing
- Hold per Admission - Average loss per person**
- Roulette*** - a gambling game in which players bet on which numbered red or black compartment of a revolving wheel a small ball spun in the opposite direction will come to rest in and in which the bets are placed on a table marked to correspond with the compartments of the wheel

Slot Machine* - coin operated gambling machine that pays off according to the matching symbols on wheel spun by a handle; machine can be to determine the percentage of wins by the house (management)

* Merriam-Webster Inc.; Webster's Third New International Dictionary.

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