

PUBLIC HEARING  
before  
ASSEMBLY STATE GOVERNMENT, FEDERAL AND INTERSTATE  
RELATIONS AND VETERANS AFFAIRS COMMITTEE  
on  
Assembly Bill 1081, Feb. 11, 1980

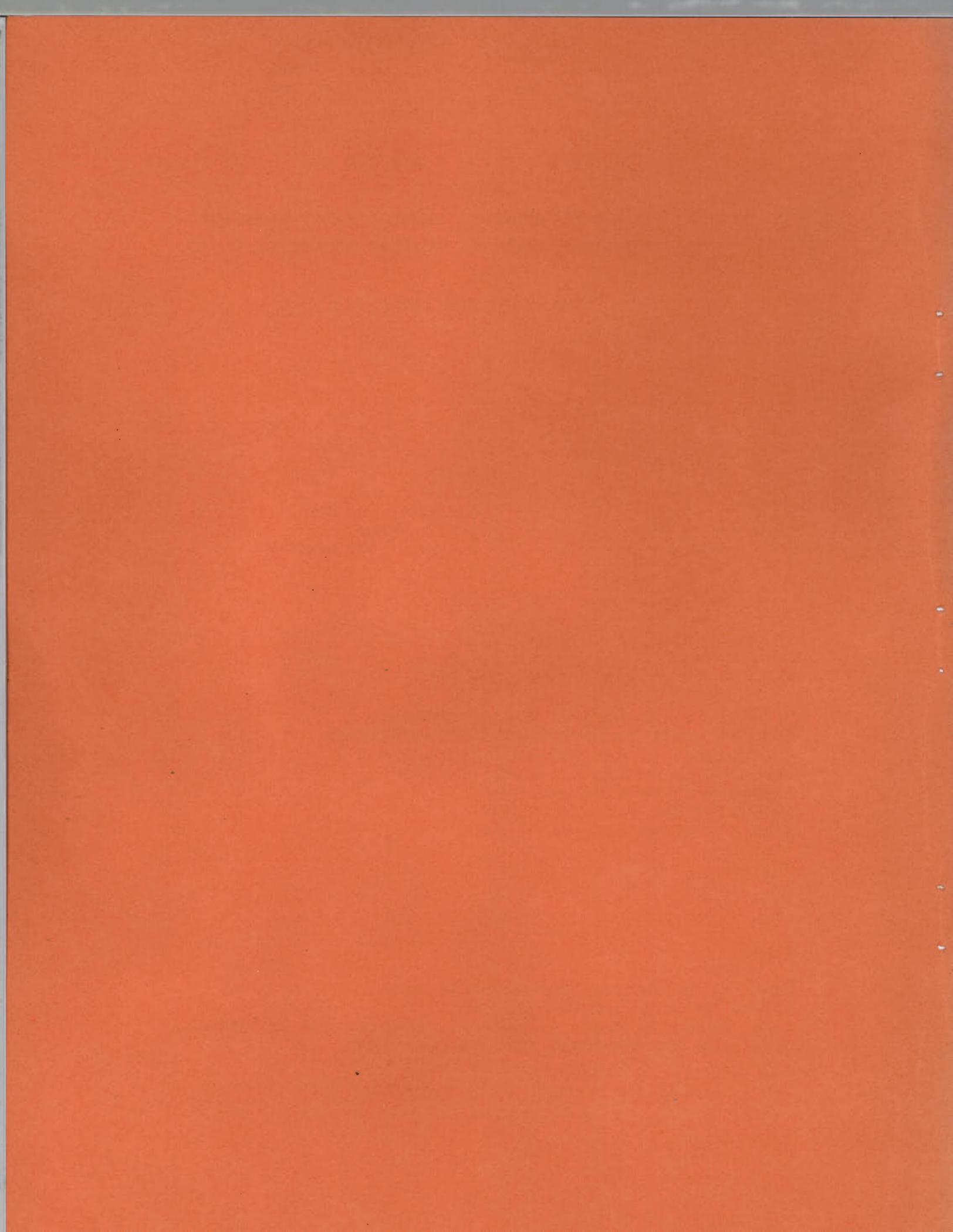
Held:  
March 3, 1980  
Assembly Chamber  
State House  
Trenton, New Jersey

MEMBERS OF COMMITTEE PRESENT:

Assemblyman Richard J. Codey, Chairman  
Assemblywoman Barbara Kalik, Vice-Chairman  
Assemblyman Ernest Schuck  
Assemblyman Dennis L. Riley  
Assemblyman Gerald Cardinale  
Assemblywoman Barbara Curran  
Assemblyman Anthony M. Villane

ALSO:

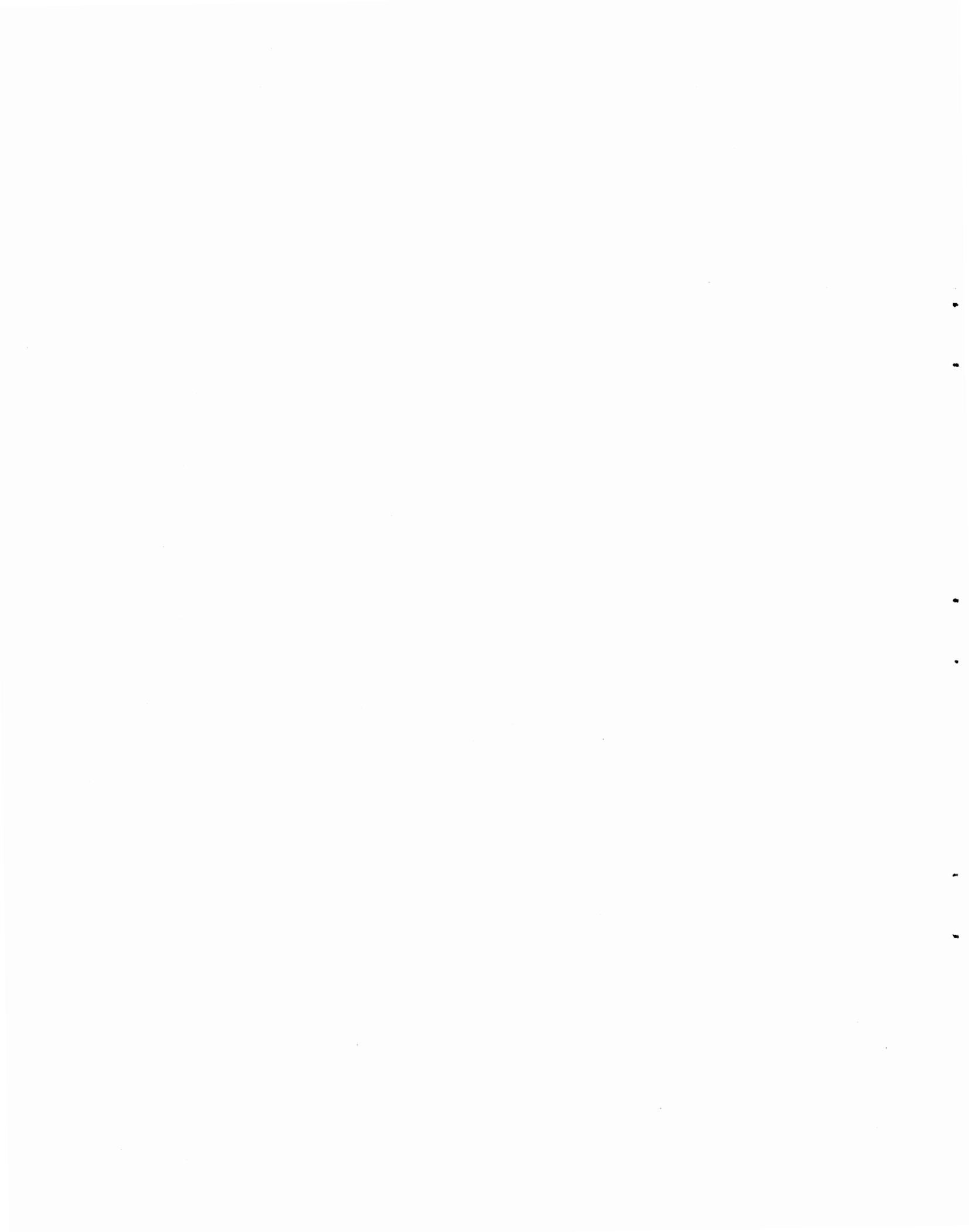
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Office of Legislative Services  
Aide, Assembly State Government, Federal and Interstate  
Relations and Veterans Affairs Committee



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**ASSEMBLY, No. 1081**

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**STATE OF NEW JERSEY**

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INTRODUCED FEBRUARY 11, 1980

By Assemblyman JACKMAN

Referred to Committee on State Government, Federal and  
Interstate Relations and Veterans Affairs

AN ACT to amend and supplement the "Casino Control Act,"  
approved June 2, 1977 (P. L. 1977, c. 110).

1 BE IT ENACTED *by the Senate and General Assembly of the State*  
2 *of New Jersey:*

1 1. Section 52 of P. L. 1977, c. 110 (C. 5:12-52) is amended to  
2 read as follows:

3 52. Appointment and Terms of Commission Members. a. Initial  
4 appointments to the commission *made pursuant to this amendatory*  
5 *and supplementary act* shall be for terms as follows:

6 (1) One member for 1 year;

7 (2) One member for 2 years;

8 (3) One member for 3 years;

9 (4) One member for 4 years; and

10 (5) One member for 5 years, who shall be designated chairman.

11 b. The term of each of the members first appointed *pursuant*  
12 *to this amendatory and supplementary act* shall be designated by  
13 the Governor.

14 c. After the initial appointments, all members shall be appointed  
15 for terms of 5 years; provided, however, that no member shall  
16 serve more than two terms of 5 years each.

17 d. Appointments to the commission shall be made by the Gov-  
18 ernor with the advice and consent of the Senate. Prior to nomina-  
19 tion, the Governor shall cause an inquiry to be conducted by the  
20 Attorney General into the nominee's background, with particular  
21 regard to the nominee's financial stability, integrity, and responsi-  
22 bility and his reputation for good character, honesty, and integrity.

23 e. Appointments to fill vacancies on the commission shall be for  
24 the unexpired term of the member to be replaced.

25 f. The member designated by the Governor to serve as chairman  
26 shall serve in such capacity throughout such member's entire term  
27 and until his successor shall have been duly appointed and quali-

**EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the above bill  
is not enacted and is intended to be omitted in the law.**

28 fied. No such member, however, shall serve in such capacity for  
 29 more than 10 years. The chairman shall be the chief executive  
 30 officer of the commission~~].~~ *All members shall devote full time to*  
 31 ~~the] their~~ duties of ~~his] office~~ and shall not pursue or engage in  
 32 any other business, occupation or other gainful employment.

33 g. A commissioner may be removed from office for misconduct  
 34 in office, willful neglect of duty, or other conduct evidencing un-  
 35 fitness for his office, or for incompetence. A proceeding for removal  
 36 may be instituted by the Attorney General in the Superior Court.  
 37 Notwithstanding any provision of this or any other act, any com-  
 38 missioner or employee of the commission shall automatically forfeit  
 39 his office or position upon conviction of any crime *or upon re-*  
 40 *fusal to testify in matters directly relating to the conduct of his*  
 41 *office, position or employment before any court, grand jury or the*  
 42 *State Commission of Investigation. Any commissioner or employee*  
 43 *of the commission failing or refusing to so appear and to so testify,*  
 44 *after having been informed of his duty to appear and testify under*  
 45 *this act by the prosecuting attorney, or a member of or attorney*  
 46 *for the State Commission of Investigation, as the case may be, shall*  
 47 *be subject to removal from his office, position or employment.*

48 h. Each member of the commission shall serve for the duration  
 49 of his term and until his successor shall be duly appointed and  
 50 qualified, subject to the limitations in subsections c. and f. of this  
 51 section.

1 2. Section 53 of P. L. 1977, c. 110 (C. 5:12-53) is amended to read  
 2 as follows:

3 53. Compensation of Members. Each member of the commission  
 4 other than the chairman shall receive compensation of ~~[\$18,000.00]~~  
 5 ~~\$60,000.00~~ per annum ~~[and shall also be entitled to reimbursement~~  
 6 ~~for his expenses actually and necessarily incurred in the perform-~~  
 7 ~~ance of his duties, including expenses of travel outside of the State].~~  
 8 The compensation of the chairman shall be ~~[\$60,000.00]~~ ~~\$65,000.00~~  
 9 per annum.

1 3. Section 59 of P. L. 1977, c. 110 (C. 5:12-59) is amended to  
 2 read as follows:

3 59. Employment Restrictions on Commissioners, Commission  
 4 Employees and Division Employees. a. The "New Jersey Conflicts  
 5 of Interest Law" (P. L. 1971, c. 182; C. 52:13D-12 et seq.) shall  
 6 apply to members of the commission and to all employees of the  
 7 commission and the division, except as herein specifically provided.

8 b. A Code of Ethics governing the specific needs of the com-  
 9 mission and the division shall be promulgated by each and shall  
 10 include, among other provisions, that:

11 (1) No commission member or employee or division employee or  
12 agent shall be permitted to gamble in any establishment licensed  
13 by the commission except in the course of his duties.

14 (2) No commission member or employee or division employee or  
15 agent shall solicit or accept employment from any person licensed  
16 by or registered with the commission or from any applicant for a  
17 period of 4 years after termination of service with the commission,  
18 or division, unless subject to section 60 of this act.

19 (3) *No commission member or employee or any division em-*  
20 *ployee or agent shall act in his official capacity in any matter*  
21 *wherein he or any member of his family has a direct or indirect*  
22 *personal financial interest that might reasonably be expected to*  
23 *impair his objectivity or independence of judgment.*

24 c. No commission member or employee or division employee or  
25 agent shall have any interest, direct or indirect, in any applicant or  
26 in any person licensed by or registered with the commission during  
27 his term of office or employment.

28 **[d.** No commission member shall be employed in any capacity by  
29 any person licensed by or registered with the commission.]

30 **[e.]** *d.* Each *commission member and* employee of the commis-  
31 sion, including legal counsel, and each employee and agent of the  
32 division shall devote his entire time and attention to his duties and  
33 shall not pursue any other business or occupation or other gainful  
34 employment; provided, however, that secretarial and clerical per-  
35 sonnel may engage in such other gainful employment as shall not  
36 interfere with their duties to the commission or division, unless  
37 otherwise directed; and further provided, that the commission may  
38 employ hearing examiners on a part-time basis.

39 **[f.]** *e.* No member of the commission, employee of the commis-  
40 sion, or employee or agent of the division shall:

41 (1) Use his official authority or influence for the purpose of  
42 interfering with or affecting the result of an election or a nomina-  
43 tion for office;

44 (2) Directly or indirectly coerce, attempt to coerce, command or  
45 advise any person to pay, lend or contribute anything of value to  
46 a party, committee, organization, agency or person for political  
47 purposes; or

48 (3) Take any active part in political campaigns or the manage-  
49 ment thereof; provided, however, that nothing herein shall pro-  
50 hibit a person from voting as he chooses or from expressing his  
51 personal opinions on political subjects and candidates.

52 **[g.]** *f.* For the purpose of applying the provisions of the "New  
53 Jersey Conflicts of Interest Law," any consultant or other person

54 under contract for services to the commission shall be deemed to  
 55 be a special State employee. Such person and any corporation,  
 56 firm or partnership in which he has an interest or by which he is  
 57 employed shall not represent any person or party other than the  
 58 commission before the commission.

1 4. Section 73 of P. L. 1977, c. 110 (C. 5:12-73) is amended to read  
 2 as follows:

3 73. Meetings and Quorum. a. Meetings of the commission will  
 4 be held at the discretion of the chairman at such times and places  
 5 as he may deem necessary and convenient, or at the call of three  
 6 members of the commission; *provided, however, that all hearings*  
 7 *on casino license applications shall be conducted in the City of*  
 8 *Trenton unless the commission finds good cause for conducting*  
 9 *part of such hearings elsewhere.*

10 b. The commission shall in all respects comply with the provi-  
 11 sions of the "Open Public Meetings Act" (P. L. 1975, c. 231;  
 12 C. 10:4-6 et seq.).

13 c. A majority of the full commission shall determine any action  
 14 of the commission, except that no casino license may be issued  
 15 without the approval of 4 members. [In the event that a vacancy  
 16 has existed on the commission for more than 60 days, a majority  
 17 of the full commission may act with respect to any matter, including  
 18 the issuance of a casino license.]

19 d. *In the event of the disqualification or incapacity of a commis-*  
 20 *sioner, the Governor may designate an interim commissioner who*  
 21 *shall serve in the place of a disqualified commissioner on the matter*  
 22 *giving rise to the disqualification, or in the place of an incapacitated*  
 23 *commissioner during the period of such incapacity. In no case,*  
 24 *however, shall an interim commissioner serve for a period exceed-*  
 25 *ing 6 months. Such interim commissioner shall be qualified pur-*  
 26 *suant to section 51 of this act, shall be selected from among those*  
 27 *judges of the Superior Court and those Justices of the Supreme*  
 28 *Court then retired and shall be paid at a per diem rate to be*  
 29 *established by rule of the commission.*

1 5. Section 90 of P. L. 1977, c. 110 (C. 5:12-90) is amended to  
 2 read as follows:

3 90. Licensing of Casino Employees. a. No person may commence  
 4 employment as a casino employee unless he is the holder of a valid  
 5 casino employee license. [The chairman may issue and renew said  
 6 license and shall endorse upon any license issued hereunder the  
 7 particular position which the licensee is qualified to hold, except in  
 8 those circumstances where the division objects to licensure of an  
 9 applicant or provides information which indicates that an applicant

10 may lack the qualifications for licensure. In such circumstances,  
11 the commission shall have the exclusive authority to issue or to  
12 renew such a license.】

13 b. Any applicant for a casino employee license must, prior to the  
14 issuance of any such license, produce sufficient information, docu-  
15 mentation and assurances to meet the qualification criteria, includ-  
16 ing New Jersey residency, contained in subsection b. of section 89  
17 of this act and any additional residency requirement imposed under  
18 subsection c. of this section; except that the standards for business  
19 ability and casino experience may be satisfied by a showing of ca-  
20 sino job experience and knowledge of the provisions of this act and  
21 regulations pertaining to the particular position involved, or by  
22 successful completion of a course of study at a licensed school in  
23 an approved curriculum.

24 c. The commission may, by regulation, require that all applicants  
25 for casino employee licenses be residents of this State for a period  
26 not to exceed 6 months immediately prior to the issuance of such  
27 license, but application may be made prior to the expiration of the  
28 required period of residency. The commission shall, by resolution,  
29 waive the required residency period for an applicant upon a show-  
30 ing that the residency period would cause undue hardship upon the  
31 casino licensee which intends to employ said applicant, or upon a  
32 showing of other good cause.

33 d. The commission【, except as provided in subsection a. of this  
34 section.】 shall endorse upon any license issued hereunder the par-  
35 ticular positions as defined by regulation which the licensee is  
36 qualified to hold.

37 e. The commission shall deny a casino employee license to any  
38 applicant who is disqualified on the basis of the criteria contained  
39 in section 86 of this act.

40 f. For the purposes of this section, casino security employees  
41 shall be considered casino employees and must, in addition to any  
42 requirements under other laws, be licensed in accordance with the  
43 provisions of this act.

44 g. A temporary license may be issued by the 【chairman】 *commis-*  
45 *sion* to casino employees for positions not directly related to gam-  
46 ing activity if, in 【his】 *its* judgment, the issuance of a plenary  
47 license will be restricted by necessary investigations and said  
48 temporary licensing of the applicant is necessary for the opera-  
49 tions of the casino. Unless otherwise terminated pursuant to this  
50 act, a temporary license issued pursuant to this subsection shall  
51 expire 6 months from the date of its issuance and be renewable, at  
52 the discretion of the 【chairman】 *commission*, for one additional 6

53 month period. Positions "directly related to gaming activity"  
 54 shall include, but not be limited to, boxmen, floormen, dealers or  
 55 croupiers, cage personnel, count room personnel, slot and slot  
 56 booth personnel, credit and collection personnel, casino surveillance  
 57 personnel, and casino security employees whose employment duties  
 58 require or authorize access to the casino. This subsection shall  
 59 expire 18 months subsequent to its enactment; provided, however,  
 60 that temporary licenses issued pursuant to this subsection may be  
 61 continued and renewed subsequent to the expiration of this sub-  
 62 section as if such expiration had not occurred.

63 h. Notwithstanding the provisions of subsection e. of this section,  
 64 no applicant shall be denied a casino employee license on the basis  
 65 of a conviction of any of the offenses enumerated in this act as  
 66 disqualification criteria provided that the applicant has affirma-  
 67 tively demonstrated his rehabilitation. In determining whether the  
 68 applicant has affirmatively demonstrated his rehabilitation the com-  
 69 mission shall consider the following factors:

- 70 (1) The nature and duties of the position applied for;
- 71 (2) The nature and seriousness of the offense;
- 72 (3) The circumstances under which the offense occurred;
- 73 (4) The date of the offense;
- 74 (5) The age of the applicant when the offense was committed;
- 75 (6) Whether the offense was an isolated or repeated incident;
- 76 (7) Any social conditions which may have contributed to the  
 77 offense;
- 78 (8) Any evidence of rehabilitation, including good conduct in  
 79 prison or in the community, counseling or psychiatric treatment  
 80 received, acquisition of additional academic or vocational schooling,  
 81 successful participation in correctional work-release programs, or  
 82 the recommendation of persons who have or have had the applicant  
 83 under their supervision.

1 6. Section 91 of P. L. 1977, c. 110 (C. 5:12-91) is amended to  
 2 read as follows:

3 91. Casino Hotel Employee Licenses. a. No person may com-  
 4 mence employment as a casino hotel employee unless he is the  
 5 holder of a valid casino hotel employee license issued by the *com-*  
 6 *mission* [chairman].

7 b. Any applicant for a casino hotel employee license must, prior  
 8 to the issuance of any such license, produce sufficient information,  
 9 documentation and assurances to meet the qualification criteria, in-  
 10 cluding New Jersey residency, contained in subsections b. (1), b. (2)  
 11 and b. (4) of section 89 of this act and any additional residency

12 requirement imposed under subsection c. of this section. No casino  
13 hotel employee license shall be issued to any person disqualified  
14 on the basis of the criteria contained in section 86 of this act.

15 c. The commission may, by regulation, require that all applicants  
16 for casino hotel employee licenses be residents of this State for a  
17 period not to exceed 3 months immediately prior to the issuance  
18 of such license, but application may be made prior to the expiration  
19 of the required period of residency. The **chairman** *commission*  
20 shall waive the required residency period for an applicant upon a  
21 showing that the residency period would cause undue hardship  
22 upon the casino licensee which intends to employ said applicant, or  
23 upon a showing of other good cause.

24 d. Notwithstanding the provisions of subsection b. of this section,  
25 no applicant shall be denied a casino hotel employee license on  
26 the basis of a conviction of any of the offenses enumerated in this  
27 act as disqualification criteria, provided that the applicant has  
28 affirmatively demonstrated his rehabilitation. In determining  
29 whether the applicant has affirmatively demonstrated his rehabilita-  
30 tion the commission shall consider the following factors:

- 31 (1) The nature and duties of the position applied for;
- 32 (2) The nature and seriousness of the offenses;
- 33 (3) The circumstances under which the offense occurred;
- 34 (4) The date of the offense;
- 35 (5) The age of the applicant when the offense was committed;
- 36 (6) Whether the offense was an isolated or repeated incident;
- 37-38 (7) Any social conditions which may have contributed to the  
39 offense;
- 40 (8) Any evidence of rehabilitation, including good conduct in  
41 prison or in the community, counseling or psychiatric treatment  
42 received, acquisition of additional academic or vocational school-  
43 ing, successful participation in correctional work-release programs,  
44 or the recommendation of persons who have or have had the appli-  
45 cant under their supervision.

46 e. The commission may waive any disqualification criterion for  
47 a casino hotel employee consistent with the public policy of this  
48 act and upon a finding that the interests of justice so require.

49 f. A temporary license may be issued by the *commission* **chair-**  
50 **man** if in **his** *its* judgment the issuance of a permanent license  
51 will be restricted by necessary investigations and said temporary  
52 licensing of the applicant is necessary for the operations of the  
53 hotel. Unless otherwise terminated pursuant to this act, a tem-  
54 porary license issued pursuant to this subsection shall expire 6  
55 months from the date of its issuance and be renewable, at the

56 discretion of the *commission* [chairman], for one additional  
57 6-month period.

1 7. Section 92 of P. L. 1977, c. 110 (C. 5:12-92) is amended to  
2 read as follows:

3 92. Licensing and Registration of Casino Service Industries.

4 a. All casino service industries offering goods or services on a reg-  
5 ular basis which directly relate to casino or gaming activity, in-  
6 cluding gaming equipment manufacturers, suppliers and repairers,  
7 schools teaching gaming and either playing or dealing techniques,  
8 and casino security services, shall be licensed in accordance with  
9 the provisions of this act prior to conducting any business whatso-  
10 ever with a casino licensee, its employees or agents, and in the case  
11 of a school, prior to enrollment of any students or offering of any  
12 courses to the public whether for compensation or not; provided  
13 however, that upon a showing of good cause by a casino licensee  
14 for each business transaction, the commission may permit an ap-  
15 plicant for a casino service industry license to conduct business  
16 transactions with such casino licensee prior to the licensure of that  
17 applicant under this subsection.

18 b. Each casino service industry in subsection a. of this section,  
19 as well as its owners, management and supervisory personnel and  
20 other principal employees must qualify under the standards, except  
21 residency, established for qualification of a casino key employee  
22 under this act. In addition, if the business or enterprise is a school  
23 teaching gaming and either playing or dealing techniques, each  
24 resident director, instructor, principal employee, and sales repre-  
25 sentative employed thereby shall be licensed under the standards  
26 established for qualification of a casino employee under this act;  
27 provided, however, that nothing in this subsection shall be deemed  
28 to require, in the case of a public school district or a public insti-  
29 tution of higher education, the licensure or qualification of any in-  
30 dividuals except those instructors and other principal employees  
31 responsible for the teaching of playing or dealing techniques. The  
32 [chairman] *commission*, in [his] *its* discretion, may issue a tem-  
33 porary license to an applicant for an instructor's license upon a  
34 finding that the applicant meets the educational and experiential  
35 requirements for such license, that the issuance of a permanent  
36 license will be restricted by necessary investigations, and that  
37 temporary licensing is necessary for the operation of the gaming  
38 school. Unless otherwise terminated pursuant to this act, a tem-  
39 porary license issued pursuant to this subsection shall expire 6  
40 months from the date of its issuance and be renewable, at the  
41 discretion of the [chairman] *commission*, for one additional

42 6-month period. The temporary licensing provisions of this sub-  
43 section shall expire 18 months subsequent to its enactment; pro-  
44 vided, however, that temporary licenses issued pursuant to this  
45 subsection may be continued and renewed subsequent to the expira-  
46 tion of the temporary licensing provisions of this subsection as if  
47 such expiration had not occurred.

48 c. All casino service industries not included in subsection a. of  
49 this section shall be licensed in accordance with rules of the com-  
50 mission prior to commencement or continuation of any business  
51 with a casino licensee or its agents. Such casino service industries,  
52 whether or not directly related to gaming operations, shall include  
53 suppliers of alcoholic beverages, food and nonalcoholic beverages;  
54 garbage handlers; vending machine providers; linen suppliers;  
55 maintenance companies; shopkeepers located within the approved  
56 hotel; and limousine services contracting with casino licensees. The  
57 commission may exempt any person or field of commerce from the  
58 licensing requirements of this subsection if the person or field  
59 of commerce demonstrates (1) that it is regulated by a public  
60 agency or that it will provide goods or services in insubstantial  
61 or insignificant amounts or quantities, and (2) that licensing is  
62 not deemed necessary in order to protect the public interest or to  
63 accomplish the policies established by this act. Upon granting an  
64 exemption or at any time thereafter, the commission may limit  
65 or place such restrictions thereupon as it may deem necessary in  
66 the public interest, and shall require the exempted person to co-  
67 operate with the commission and the division and, upon request, to  
68 provide information in the same manner as required of a casino  
69 service industry licensed pursuant to this subsection provided,  
70 however, that no exemption shall be granted unless the casino ser-  
71 vice industry complies with the requirements of sections 134 and  
72 135 of this act.

73 d. Licensure pursuant to subsection c. of this section of any ca-  
74 sino service industry may be denied to any applicant disqualified  
75 in accordance with the criteria contained in section 86 of this act.

1 8. Section 94 of P. L. 1977, c. 100 (C. 5:12-94) is amended to read  
2 as follows:

3 94. Approval and Denial of Registrations and Licenses Other  
4 Than Casino Licenses. a. Upon the filing of an application for any  
5 license or registration required by this act other than a casino  
6 license, and after submission of such supplemental information as  
7 the commission may require, the commission shall request the  
8 division to conduct such investigation into the qualification of  
9 the applicant, and the commission shall conduct such hearings

10 concerning the qualification of the applicant in accordance with  
11 its regulations as may be necessary to determine qualification for  
12 such license or registration.

13 b. After such investigation, the commission may either deny  
14 the application or grant a license to or accept the registration of  
15 an applicant whom it determines to be qualified to hold such  
16 license or registration. [Notwithstanding the above, the chairman  
17 may, where authorized, grant a casino employee license or a casino  
18 hotel employee license upon application therefor; if said applica-  
19 tion is denied, the applicant may appeal to the commission in the  
20 normal course.]

21 c. The commission shall have the authority to deny any applica-  
22 tion pursuant to the provisions of this act. When an application  
23 is denied, the commission shall prepare and file its order denying  
24 such application with the general reasons therefor, and if requested  
25 by the applicant, shall further prepare and file a statement of the  
26 reasons for the denial, including the specific findings of facts.

27 d. When the commission grants an application, the commission  
28 may limit or place such restrictions thereupon as it may deem  
29 necessary in the public interest. Licenses shall be granted and  
30 registrations approved for a term of 1 year; provided, however,  
31 that casino employee licenses for positions directly related to  
32 gaming activity and for gaming school resident director, instructor,  
33 principal employee and sales representative licenses shall be  
34 granted for a term of 2 years; and provided further that casino  
35 employee licenses for positions not directly related to gaming  
36 activity, casino hotel employee licenses, and casino service industry  
37 licenses issued pursuant to subsection c. of section 92 of P. L. 1977,  
38 c. 110 (C. 5:12-92 c.) shall be granted for a term of 3 years.

39 e. After an application is submitted to the commission, final  
40 action of the commission shall be taken within 90 days after com-  
41 pletion of all hearings and investigations and the receipt of all  
42 information required by the commission.

1 9. Section 99 of P. L. 1977, c. 119 (C. 5:12-99) is amended to  
2 read as follows:

3 99. Internal Controls. a. Each casino licensee shall submit to  
4 the commission a description of its system of internal procedures  
5 and administrative and accounting controls. Such submission shall  
6 be made at least 90 days before gaming operations are to commence  
7 or before changes in previously submitted control plans are to  
8 become effective, unless otherwise directed by the commission.  
9 Each such submission shall contain both narrative and diagram-  
10 matic representations of the internal control system to be utilized  
11 by the casino, including, but not limited to:

- 12 (1) Accounting controls, including the standardization of forms  
13 and definition of terms to be utilized in the gaming operations;
- 14 (2) Procedures, forms, and, where appropriate, formulas cov-  
15 ering the calculation of hold percentages, revenue drop, expense  
16 and overhead schedules, complimentary services, junkets, cash  
17 equivalent transactions, salary structure and personnel practices;
- 18 (3) Job descriptions and the system of personnel and chain-of-  
19 command, establishing a diversity of responsibility among em-  
20 ployees engaged in casino operations and identifying primary and  
21 secondary supervisory positions for areas of responsibility, which  
22 areas shall not be so extensive as to be impractical for an individual  
23 to monitor;
- 24 (4) Procedures within the cashier's cage for the receipt, storage  
25 and disbursal of chips, cash, and other cash equivalents used in  
26 gaming; the cashing of checks; the redemption of chips and other  
27 cash equivalents used in gaming; the pay-off of jackpots; and the  
28 recording of transactions pertaining to gaming operations;
- 29 (5) Procedures for the collection and security of moneys at the  
30 gaming tables;
- 31 (6) Procedures for the transfer and recordation of chips be-  
32 tween the gaming tables and the cashier's cage;
- 33 (7) Procedures for the transfer of moneys from the gaming  
34 tables to the counting process;
- 35 (8) Procedures and security for the counting and recordation  
36 of revenue;
- 37 (9) Procedures for the security, storage and recordation of  
38 chips and other cash equivalents utilized in the gaming operation;
- 39 (10) Procedures for the transfer of moneys or chips from and  
40 to the slot machines;
- 41 (11) Procedures and standards for the opening and security of  
42 slot machines;
- 43 (12) Procedures for the payment and recordation of slot ma-  
44 chine jackpots;
- 45 (13) Procedures for the cashing and recordation of checks ex-  
46 changed by casino patrons;
- 47 (14) Procedures governing the utilization of the private security  
48 force within the casino;
- 49 (15) Procedures and security standards for the handling and  
50 storage of gaming apparatus including cards, dice, machines,  
51 wheels and all other gaming equipment; **[and]**
- 52 (16) Procedures and rules governing the conduct of particular  
53 games and the responsibility of casino personnel in respect  
54 thereto**[.]; and**

55 (17) *Procedures for separately recording all complimentary*  
 56 *services, discounts and credit provided pursuant to this act to all*  
 57 *State officers and employees, members of the Judiciary, members*  
 58 *of the Legislature or officers of a municipality or county in which*  
 59 *casino gambling is authorized, and for the quarterly filing with the*  
 60 *Attorney General of a list reporting all such transactions.*

61 b. The commission shall review each submission required by  
 62 subsection a. hereof, and shall determine whether it conforms to  
 63 the requirements of this act and to the regulations promulgated  
 64 thereunder and whether the system submitted provides adequate  
 65 and effective controls for the operations of the particular casino  
 66 submitting it. If the commission finds any insufficiencies, it shall  
 67 specify same in writing to the casino licensee, who shall make  
 68 appropriate alterations. When the commission determines a sub-  
 69 mission to be adequate in all respects, it shall notify the casino  
 70 licensee of same. No casino licensee shall commence gaming opera-  
 71 tions, or alter in fact its internal controls, unless and until such  
 72 system of controls is approved by the commission.

1 10. Section 107 of P. L. 1977, c. 110 (C. 5:12-107) is amended to  
 2 read as follows:

3 107. Conduct of Hearings; Rules of Evidence; Punishment of  
 4 Contempts; Rehearing.

5 a. At all hearings of the commission in contested cases, as defined  
 6 in section 2 of P. L. 1968, c. 410 (C. 52:14B-2):

7 (1) Unless the commission hears the matter directly, the chair-  
 8 man shall refer the matter to the Office of Administrative Law in  
 9 accordance with P. L. 1978, c. 67, (C. 52:14F-1 et seq.); provided,  
 10 however, that the chairman may, in his discretion, designate a  
 11 member of the commission to serve as hearing examiner in a par-  
 12 ticular matter. *Notwithstanding any other law to the contrary, the*  
 13 *parties to any proceeding held before a member of the commission*  
 14 *may consent, prior to the issuance of his determination on the*  
 15 *matter by such a member of the commission, that that determina-*  
 16 *tion shall be the final decision of the commission, appeal from*  
 17 *which shall be to the Superior Court in accordance with the Rules*  
 18 *of Court;*

19 (2) The proceedings at the hearing shall be recorded or tran-  
 20 scribed;

21 (3) Oral evidence shall be taken only upon oath or affirmation;

22 (4) Each party to a hearing shall have the right to call and  
 23 examine witnesses; to introduce exhibits relevant to the issues of  
 24 the case, including the transcript of testimony at any investigative  
 25 hearing conducted by or on behalf of the commission; to cross-

26 examine opposing witnesses in any matters relevant to the issue  
27 of the case; to impeach any witness, regardless of which party  
28 called him to testify; and to offer rebuttal evidence;

29 (5) If an applicant, licensee, registrant or person who shall be  
30 qualified pursuant to this act is a party and if such party shall not  
31 testify in his own behalf, he may be called and examined as if under  
32 cross-examination;

33 (6) The hearing shall not be conducted according to rules relat-  
34 ing to the admissibility of evidence in courts of law. Any relevant  
35 evidence may be admitted and shall be sufficient in itself to support  
36 a finding if it is the sort of evidence upon which responsible persons  
37 are accustomed to rely in the conduct of serious affairs, regardless  
38 of the existence of any common law or statutory rule which might  
39 make improper the admission of such evidence over objection in  
40 a civil action; and

41 (7) The parties or their counsel may, by written stipulation,  
42 agree that certain specified evidence may be admitted, although  
43 such evidence may be otherwise subject to objection.

44 b. The commission may take official notice of any generally ac-  
45 cepted information or technical or scientific matter in the field of  
46 gaming and of any other fact which may be judicially noticed by  
47 the courts of this State. The parties shall be informed of any in-  
48 formation, matters or facts so noticed and shall be given a reason-  
49 able opportunity, on request, to refute such information, matters  
50 or facts by evidence or by written or oral presentation of authori-  
51 ties, the manner of such refutation to be determined by the com-  
52 mission. The commission may, in its discretion, before rendering  
53 its decision, permit the filing of amended or supplemental pleadings  
54 and shall notify all parties thereof and provide a reasonable op-  
55 portunity for objections thereto.

56 c. If any person in proceedings before the commission disobeys  
57 or resists any lawful order, refuses to respond to a subpoena, re-  
58 fuses to take the oath or affirmation as a witness or thereafter re-  
59 fuses to be examined, or is guilty of misconduct at the hearing or  
60 so near the place thereof as to obstruct the proceeding, the person  
61 may be punished for contempt in accordance with the Rules of  
62 Court if the commission certifies the facts underlying the contu-  
63 macious behavior to the Superior Court. Thereafter, the courts  
64 shall have jurisdiction in the matter, and the same proceeding shall  
65 be had, the same penalties may be imposed, and the person charged  
66 may purge himself of the contempt in the same way as in the case  
67 of a person who has committed contempt in the trial of a civil  
68 action before the Superior Court.

69 d. The commission may, upon motion therefor made within 10  
70 days after the service of the decision and order, order a rehearing  
71 before the commission upon such terms and conditions as it may  
72 deem just and proper. Such motion shall be granted only upon a  
73 showing that there is additional evidence which is material and  
74 necessary and which would be reasonably likely to change the de-  
75 cision of the commission, and that sufficient reason existed for  
76 failure to present such evidence at the hearing of the commission.  
77 The motion shall be supported by an affidavit of the moving party  
78 or his counsel showing with particularity the materiality and neces-  
79 sity of the additional evidence and the reason why it was not intro-  
80 duced at the hearing. Upon rehearing, rebuttal evidence to the  
81 additional evidence shall be admitted. After rehearing, the com-  
82 mission may modify its decision and order as the additional evi-  
83 dence may warrant.

1 11. (New section) a. The current Casino Control Commission is  
2 hereby dissolved and reconstituted as provided herein. All func-  
3 tions, powers and duties now vested in the commission shall be  
4 continued in the commission as reconstituted.

5 b. Notwithstanding the dissolution of the commission pursuant  
6 to this amendatory and supplementary act, in order to effect an  
7 orderly transition, all commissioners serving on the effective date  
8 of this act shall continue to serve as interim commissioners under  
9 the same conditions as previously provided until commissioners  
10 appointed by the Governor pursuant to this amendatory and supple-  
11 mentary act take office.

12 c. All matters pending before the commission on the effective  
13 date of this amendatory and supplementary act shall be continued  
14 before the commission as reconstituted herein.

15 d. This act shall not affect any actions taken by the commission  
16 before the effective date of this act.

1 12. This act shall take effect immediately.

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#### STATEMENT

These amendments will dissolve and reconstitute the Casino Control Commission. The new commission will consist of five members serving on a full-time basis. Their terms will initially be staggered in order to maintain continuity. The annual salary of the chairman will be \$65,000.00 and that of the four other commissioners \$60,000.00. Section 52 of the Casino Control Act is amended to provide additional grounds for the removal of commissioners and employees of the commission from their posts.

The amendments to section 59 would enact conflict of interest

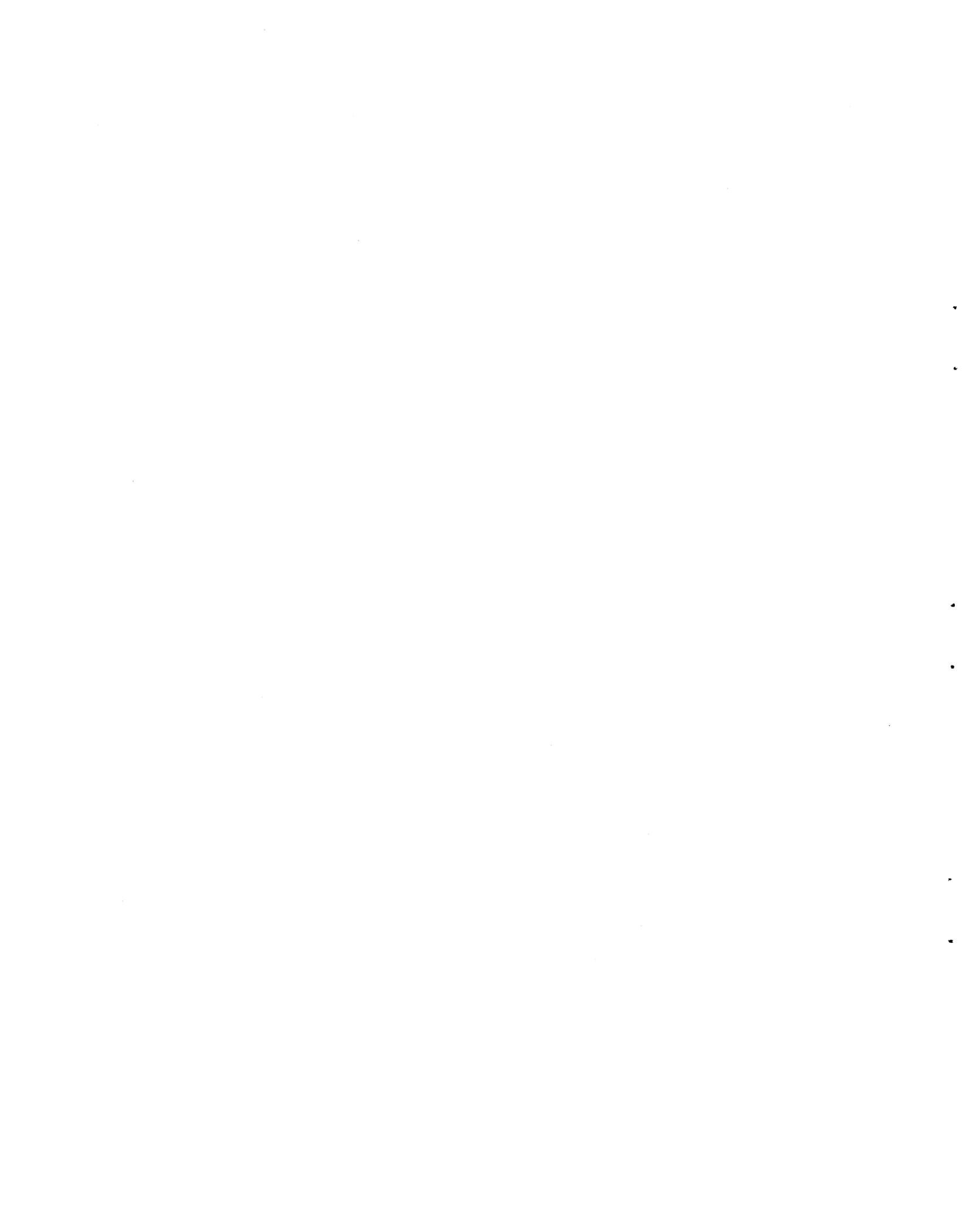
requirements mandating that a commission member or employee or any division employee or agent excuse himself from any matter in which he or any member of his family has a direct or indirect personal financial interest that might reasonably be expected to impair his objectivity or independence of judgment.

Amendments to section 73 provide a procedure for appointment of interim commissioners (in the persons of retired judges) in the event of incapacity or disqualification of the appointed commissioners. Further, the section provides for commission hearings on casino applications to be held in Trenton unless good cause is found to hold them elsewhere.

Amendments to sections 90, 91, 92, 94 and 107 confer authority regarding license issuance currently assigned to the chairman to the commission. This broadened authority appropriately coincides with the appointment of commissioners serving on a full time basis.

The amendment to section 99 requires that each casino gather specified information regarding complimentary services and credit provided to certain New Jersey public officials and employees. It also requires that a quarterly report containing such information be submitted to the Attorney General. This amendment will further aid in the prevention of conflicts of interest.

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ASSEMBLYMAN RICHARD J. CODEY (Chairman): I would like to get started. First, I would like to apologize for the long delay in getting started. Usually, I like to get started on time.

The subject of the hearing today is Assembly Bill 1081, the bill which restructures the Casino Control Commission.

Our first two witnesses will be Attorney General John Degnan and Daniel O'Hern, Counsel to the Governor. They will testify together.

DANIEL J. O'HERN: Good morning, Mr. Codey and members of the Committee.

Because my remarks will be somewhat more general than those of the Attorney General, I will describe briefly for you the position of the Governor and of the administration.

The background for the legislation is too familiar to bear repeating, but I believe it is significant to review the steps which have brought us to this time of decision. Casino gambling in New Jersey was first activated in 1973, or '74, when through a joint legislative action there was put on a statewide ballot a referendum which would have authorized casino gambling throughout the entire State of New Jersey. The voters of New Jersey, largely because they feared the impacts of allowing casino gambling to spring up throughout the State, rejected that constitutional amendment by nearly half a million votes.

Two years later, the Legislature again considered the issue; and on the 1976 ballot the voters were once again asked to approve casino gambling, but this time restricted to one city in the State, the historic resort capital of New Jersey, Atlantic City. This time, with the backing of the administration of Governor Byrne, the voters of New Jersey decided, although by a relatively narrow margin, to approve casino gambling in Atlantic City. Out of 2.7 million votes cast, the margin of victory was 300,000 votes.

As I said, I bring you a somewhat different perspective than the Attorney General, whose concerns are with the law enforcement aspects of the regulation of casino gambling in New Jersey.

From the viewpoint of this entire industry, resort and gaming, the Governor's Office and the administration see the redevelopment of Atlantic City as a component of our policy for and commitment to the revitalization of New Jersey. For much too long, New Jersey has been visualized as merely a corridor state, experienced by travelling from New York to Philadelphia or Washington. New Jersey lacked pride and self-esteem enjoyed by other states. And we had not, until lately, powerful symbols of identity. Our news came from New York or Philadelphia. To see a major sporting event, we had to travel out of state; and our news reports were constantly overshadowed by larger metropolitan events. But everything Governor Byrne has done in this administration has had the single goal of restoring New Jersey to its rightful place among the several states and regain for us the pride and self-confidence which our citizens deserve.

From the very beginning of the casino gambling question, one of the grave concerns of both State government and society was whether casino gambling could be conducted in this State without fear of corruption, either of the industry itself or of the surrounding structure of the Atlantic City or State community. Governor Byrne, because of his reputation as a law enforcement official and as a judge, together with the Legislature, pledged to the people of this State that there would never be a shadow of a doubt as to the integrity of the operation of casino gambling

in New Jersey. To this end, the original Casino Control Commission of five members was established following legislation enacted in the year of 1977. I will read to you the findings which accompanied that bill:

"An integral and essential element of the regulation and control of such casino facilities by the State rests in the public confidence and in the credibility and integrity of the regulatory process. To further such public confidence and trust, the regulatory provisions of this Act are designed to extend strict State regulation to all persons, locations, practices and associations related to the operation of licensed casino enterprises as herein provided."

The words which are important are "public confidence and trust" in the credibility and integrity of the regulatory process. And that was the legislative finding.

In that same year, Governor Byrne told the Legislature in his Annual Message: "The economic promise of casino gambling will start to become a reality this year. The social promise we must enforce is that the State will take every action needed to guarantee that casinos are clean and honest. We must also effectively sell the benefits of the new Atlantic City to investors across the nation. I intend to be a salesman for the new Atlantic City and will spread the message that New Jersey offers an honest, decent environment for the investor."

Throughout the debates in the Legislature with respect to casino gambling, it has been apparent that the fundamental concern of yourselves as well as the administration has been to provide the fullest guarantees of the integrity of the casino gambling process. Parallel with this was a concern for the social development of Atlantic City.

The 1976 referendum had two major objectives: the revitalization of Atlantic City to become the nation's premiere resort and convention center and to create thousands of jobs to bolster the economy of the area. In 1977, unemployment in Atlantic City was at a level of 12.3 percent. This has dropped to less than 9 percent since construction began in the city's redevelopment. Casino gambling has already contributed substantially to the overall employment picture of Atlantic City. Between October, 1977, and October, 1979, more than 15,000 jobs have been added to the labor market, which is an increase of 22 percent.

Because the Governor and the Legislature were concerned that the redevelopment of Atlantic City be allowed to commence, an experiment was made with respect to the temporary licensing of casinos. At the time this was done, again the Legislature expressed in your own findings of fact that the intention of all concerned was to preserve the highest level of standards for integrity and credibility.

You said again, "Continuity and stability in casing gaming operations cannot be achieved at the risk of permitting persons with unacceptable backgrounds and records of behavior to control casino gaming operations, contrary to the vital law enforcement interests of the State."

At this point in history, despite the temporary licensing procedures, only one permit casino license has been granted in Atlantic City and that one over the concerns of the Attorney General. I am sure that you are all aware of the economic benefits to be realized from a license to operate a casino in New Jersey. In January of this year alone, the combine handle for the three operating casinos, the gross volume that they took in, was more than \$251 million. Annualizing that would result in revenues for the three casinos alone of \$3 billion per year. If ten casinos on the board materialize by 1985, the handle could be \$10 billion.

These staggering figures far exceed the anticipations of the Legislature or the financial community at the time casino gaming was authorized. The pressures for development have been overwhelming.

It is against this background that the administration now urges you to take what we believe to be an essential action to further escalate the commitment of the State of New Jersey to maintain the very highest level of integrity and confidence in the regulation of the casino industry. The stakes here are simply so high that we believe none of us can afford to think in terms of business as usual. It is clearly time for a fresh start, based upon the experience which we have had to date.

We need not accept as true the supposition that legislative officials at either a state or federal level ever sought to influence the Commission. What we must recognize is that the opportunity to engage in such influence-peddling must be eliminated once and for all. In doing so, we do not reflect unfavorably upon those who have served as existing members of the Casino Control Commission; and we need not reflect on the conduct of this Commission to justify efforts to strengthen these regulations. None of us has the right to base this decision upon the interests of one particular individual.

Like most of you, I sought an analogy which would enable me to see this clearly. A familiar one is the experience of having an undiagnosed illness in your family. When the family doctor tells us the situation is serious and that it would be wise to seek the counsel of a second doctor or physician, it is not a reflection upon the ability of our first and trusted physician that we seek a second opinion.

In another vein, all of us have probably played Monopoly, the game so closely tied to Atlantic City. And when the chance of the dice lands us on a square that sends us back to "go," it is no discredit to all the places we have stopped all the way. It is just as this, simply a fresh start.

Governor Byrne has made the redevelopment of Atlantic City one of the keystones of his policy for the State of New Jersey. Together with the Pinelands, the Meadowlands, and the Liberty State Park, the rebirth of Atlantic City and the strong development of an attractive tourist industry for this part of the State have always been uppermost in his mind.

When the Governor ushered in the age of casino gambling in June, 1977, he served notice to those who would seek to take advantage of Atlantic City. He said on the Boardwalk there - and those of you who were there remember this - keep your filthy hands out of Atlantic City; keep the hell out of our State. No one questions his commitment with regard to those pithy comments and they are just as true today. However, it is with the deepest soul-searching that he has concluded that no issue is more important, not economic benefit, not tourism nor State development, if the price we have to pay is a loss of confidence of our citizens in the integrity of our institutions. As he puts it, either we do it right or we don't do it at all.

These are the stakes for which we contend. This is not a game or a wager such as takes place at the tables at Atlantic City. The issue here is the image and vision of the Legislature, Republican and Democrat alike, and of this Executive Branch. Without partisan concern, together we can put together a tough new package of laws regulating casino gambling unequalled in this nation or, indeed, anywhere in the world.

The eyes of the people of this State look to you for leadership. We cannot place ourselves in the position of being seen as trading principle for personalities.

Finally, some may say, well, what guarantee do we have that the individuals to be chosen under this new form of Commission will be any more above reproach than the existing Commissioners, even though the pay is greater. To be perfectly frank, we don't have any such guarantee. However, I can tell you personally as I sat in with the Governor and listened as he was on the telephone during the long and anxious hours at the beginning of this crisis, that his abilities to recruit the best talent in the State of New Jersey to serve on this Commission were affected by the requirements of part-time service in what has really become a full-time job. The kinds of sacrifices which are required for part-time employment made it for the most part impractical to expect that we could gain the top level Commission that we needed from this point forward.

A useful example may be the history of the Public Utilities Commission which has since its formalization as a full-time agency of State government administered industries with revenues in excess of \$5.6 billion per year. The high level of professional skill and the unquestioned integrity of those who served on the PUC offer an example of the direction in which we can and should go. Yet, in 1973, you would have heard the same arguments when it was proposed to make the Public Utilities Commission a full-time board. Arguments were made by the then Chairman of the PUC, who stated that a full-time Commissioner would simply have the lowest golf handicap of any State official. I think all of you know that Ed Hines has turned out to be one of the poorest golfers in the State of New Jersey. But the same issues were presented: a stiffening of laws to eliminate any possibility of conflict of interest among PUC members in the handling of utility rate cases; the ability of a full-time board to deal with increased responsibilities in the era of energy crises. Governor Cahill noted that the new law bars members from side business, professional and occupational interests, stating, "While the present members of the Commission have served with distinction, the day has come when the proper protection of the public's interest requires a board whose members will devote full time to their responsibilities." He further stated, "It is necessary that even the hint of possible conflict of interest be removed from PUC decisions."

Those opposed to the bill claimed it was wrong to replace the existing board when the same was doing a good job on a part-time basis. History has proved those naysayers wrong since the board has demonstrated a very high degree of professionalism under a very substantial workload.

In conclusion then, on behalf of the administration of Governor Byrne and, we believe, on behalf of the people of the State of New Jersey, we ask you to properly report out this legislation with a favorable recommendation to your fellow members in the Assembly so we may move on rapidly to the business of getting casino gambling back on the right track for all of the citizens of our State. Thank you very much.

ASSEMBLYMAN CODEY: Mr. Degnan, please.

J O H N J. D E G N A N: Mr. Chairman and members of the Committee, I join Counsel O'Hern in thanking you for the opportunity to address you this morning on this important bill.

As I understand it, the Committee this morning has limited testimony

to Assembly Bill 1081. As you well know, that bill is only one part of a package of Administration proposals which deals, along with other things, with post-employment restrictions, tougher ethical constraints and temporary permits. It is difficult to fully appreciate the scope of these proposals by focusing on a single measure, for the structural reform reflected in this bill must be seen in a much larger context.

It has been 2½ years since Governor Byrne first signed the Casino Control Act, and not quite that long since the regulatory agencies created by it have become functional. It has been 21 months since the first Atlantic City casino opened. During that time, all of us involved in the system, including the Governor, have carefully monitored the work of those agencies, consistent with this Administration's emphatic commitment that casino control and development be done the right way in New Jersey if it is to be done at all.

During that time, both the Casino Control Commission and the Division of Gaming Enforcement have had to grapple with nightmarish problems of administration in a start-up environment where estimates of the future change daily, where fundamental social values must be defined amid competing private interests in a process never so comprehensively undertaken in any other jurisdiction, where an industry traditionally immune to effective regulation must be brought to heel, and where the profitability of casinos and the rush to build them and to work in them have created great pressure to accommodate this industry. The Governor's on-going evaluation of these efforts has produced ample evidence of the strengths of the system and the accomplishments of the individuals who administer it. It would be tempting to use this forum as an occasion to recite a litany of accomplishments on the part of casino regulators in New Jersey, but I shall not -- for the critical question here is whether this bill, and its accompanying legislation, will enhance our ability to control casinos, will restore public confidence in the system, and will assist in ensuring against future abuse.

It is unfortunate that the many months of discussion within the Administration about these strengths and weaknesses are culminating at a time when doubt has been cast suddenly, and perhaps in some cases unfairly, on the integrity of the regulatory effort and the individuals involved in it. But these regrettable and troublesome circumstances must not make us shy of reform otherwise needed and it must not deter us from qualitative evaluations which at this stage of the Atlantic City experiment are clearly required.

Our evaluation of the Division of Gaming Enforcement has identified procedural weaknesses which have been, or are in the process of being, strengthened. Our evaluation of the Commission as an agency has identified weaknesses which, in some cases, can only be solved by structural alterations such as those which you have before you this morning.

These evaluations are not, and should not be characterized as, judgments about the key personnel involved with these agencies, about whom no final decisions have been made. When such decisions are made, they will be submitted to the Senate for proper scrutiny in accordance with the law. But if this process must at times produce critical judgments which, privately or publicly, are blunt and unyielding, then so be it. Universal acclaim is rarely the reaction to one who seeks to reform an existing structure in government. But that fact in this Administration has never produced inhibitions about strong reform measures wherever and whenever they are necessary.

In this context, I urge this Committee to recognize the systemic changes under discussion here for what they are, and to avoid any oversimplification which focuses on personalities rather than principles.

Assembly Bill 1081 calls for the restructuring of the Casino Control Commission as a five-member, full-time board. As such, it reflects a conclusion that a Commission overwhelmingly composed of part-time members, however high their caliber, cannot perform the tasks assigned to it as well as a full-time board. To understand why, one ought to look first at the policy underpinnings of the Casino Control Act.

First, that Act and its legislative history recognize that the Commission's decisions would have enormous social and economic consequences, and would be made amid pressures from which the Commission itself must be insulated.

Second, they recognize that most of the Commission's functions involve such a unique subject matter that more than one appointed individual with expertise must be available to ponder the complex problems and ramifications of those decisions.

Third, they recognize that the law enforcement consequences of Commission decisions are so sensitive that they require an elaborate system of checks and balances to be built into decision-making.

And, fourth, they candidly recognize the historical difficulties in this industry from a regulatory viewpoint, so that the Commission's powers should be unusually comprehensive and exercised according to detailed criteria formulated by it, pursuant to rule-making powers far beyond those normally expected from a regulatory agency.

Measured against those considerations reflected in the Act adopted by this Legislature, in the context of the extraordinary pace of casino development in New Jersey, our experience, I submit, now makes it clear that a part-time Commission is hopelessly overburdened and underequipped to meet the functional goals which are set for it by law.

I believe that a part-time office, by its very nature, does not provide its holder with the dignity of office, the luxury of time, the opportunity for expertise, or the accountability for details, which the fundamental policy considerations of the Casino Control Act require. Even in contexts less fraught with the dangers of the casino industry, similar considerations have led to full-time public utility commissioners, parole board members and deputy attorneys-general in the past.

Full-time commissioners would not need to otherwise pursue a livelihood, and would thus be better able, perhaps even more inclined, to establish in the minds of those subject to their jurisdiction the dignity and the sensitivity of their office.

Full-time commissioners would be able to devote the extensive time required by the issues before them, a luxury which several of the part-time commissioners on the present Commission have publicly complained they do not have. Full-time commitment would encourage the development of the requisite expertise and would better enable the commissioners, themselves, to more fully comprehend and assess the details of rule-making and the quasi-judicial decisions upon which they vote.

In addition, I believe that the press of Commission business, resulting from a more rapid casino development than originally anticipated, has resulted in a drift away from comprehensive rule-making toward the handling of problems on an ad hoc, case by case basis, clearly a less than desirable tendency. While

this is a feature of administrative agency practice suitable in a less sensitive area, the absence of pre-determined criteria can easily lead to suspicions about the arbitrariness or probity of administrative decision-making. Particularly in a sensitive industry such as casino gaming, both the potential for, and the appearance of, abuse in the decision-making process must be avoided. Examples here abound, including needed regulations implementing the Commission's statutory obligation to establish a "reasonable order," the statute's language, in handling individual license applications, regulations on the imputation of individual wrongdoing to a business entity, regulations on job experience, licensing criteria for non-gaming ancillaries, certain other licensing criteria, internal controls and hearing procedures. Only decisions based on objective, considered and publicly adopted criteria can avoid the potential I have described above.

Another indispensable benefit of full-time commissioners is their policy oversight of staff functions. As I have learned personally in the case of the Housing Finance Agency, part-time board members can too often become virtual captives of their staff. While in no way wishing to reflect negatively on staff, it is clear that the volume of matters pressed on the Casino Control Commission requires a continual oversight to avoid situations where policy matters are not identified as such and decided expeditiously, or worse, where staff become de facto policy-makers. After all, those individuals appointed by the Governor and subject to the Senate's confirmation were those who were meant to be accountable for their stewardship. To impose upon such individuals burdens incapable of being properly performed on a part-time basis frustrates the notion of accountability which the procedure seeks to achieve.

Finally, another consequence of a full-time requirement is the availability of commissioners to attend more frequent meetings and thus reverse the otherwise logical tendency, evident in recent legislation and corrected in A 1081, to concentrate decision-making authority in one full-time member .

The resulting diffusion of authority represents an attempt to avoid situations where one member can be reached or where people may fear that result.

All of these factors militate in favor of a full-time Commission. However, there are additional factors in our evaluation of the Commission's activities and the role in Atlantic City which may require further measures impacting on both the Commission, the Division, and the rest of government. The social and the economic consequences of New Jersey's casino experiment show early signs of becoming so phenomenal that the strains on the balance of the governmental infrastructure are telling. The Commission must be insulated from an otherwise understandable tendency to focus its attention and its energies on the problems of social and economic growth, to the detriment of its prime function of control. We have all proceeded with the hope that the existing government infrastructure, with a little coordination from the top, could handle the anticipated problems. But these problems clearly exceed prior estimates, and possibly the capacity of current agency structures. The Administration presently has certain proposals in this area under consideration which will be receiving the Governor's attention. Whatever is done must include some relief of the Commission's present burden of filling the vacuum of leadership and competence in these areas of economic and social consequence.

The Commission structure does not easily lend itself to these economic and social responsibilities. The Commission should be judicial in appearance and in fact. That is reflected very clearly in its control function: there, an outside

agency, the Division of Gaming Enforcement, investigates and prosecutes; the casino carries its burden of proof; and the Commission decides. All of that occurs in a public forum. But that is not the case in these other two areas where the decisions on questions of substantial consequence to the industry and to the State are made after consultation between the Commission - more often its staff - and the industry. No institutionalized watchdog provides a check and balance and a very limited number of people intrude on the decision-making process.

One further area deserves comment before I close. That is the question of ethics. I hope to have more to say in this area as the other proposed bills are debated. But this bill contains one of the several provisions for the tightening of ethical constraints on public officials that are contained in the Administration's package. This provision requires the reporting of complimentary services offered to certain public officials. Perhaps it is not broad enough in its scope or clear enough in its intention that the reports of such complimentaries be made public. But beyond these considerations looms the larger issue: will history say that New Jersey invited a notorious industry under promises of strict controls only to have its own public officials embarrass it by their insensitivity, and the cooperative insensitivity of this seductive industry, to ethical considerations? I believe you ought to review a Sunday Star Ledger front page story yesterday which illustrates graphically the incredible ethical insensitivity in Nevada, on the part of public officials and industry alike. Is that what we want here in New Jersey? I believe that the public would be justifiably outraged if it learned that regulated utilities gave free electric or telephone service to members of the PUC or to the Legislature for their private use, or engaged in a program of hiring the relatives of government officials, or bent the very rules of regulation to bring public officials, explicitly or implicitly, within their debt. It is up to this Legislature to draw that line for itself and for the rest of government. If it is to err, it had better be on the side of caution.

This is a hospitality industry. It gives free drinks and free rooms in a manner designed to break down the inhibitions which ordinarily govern human conduct. Casinos are not banks. They are an inherently dangerous industry which we have invited into this State because on balance we thought that the economic advantages of that industry outweigh the dangers to law enforcement. That is a balance which I still think strikes in favor of having casinos in New Jersey. But it becomes closer as law enforcement abuses become more frequent.

I believe, Mr. Chairman and members of this Committee, that the reforms this Administration has adopted and argued for in A 1081 and the other bills which will come before you will leave New Jersey in a stronger position than ever to say that it embarked on its casino experiment with its eyes opened, and that it did it the right way. Communications we have received from the financial world and other governments worldwide indicate that we must act expeditiously. That, ladies and gentlemen, is now your task. Thank you.

ASSEMBLYMAN CODEY: Thank you, Mr. Degnan. Are there any questions?  
Mr. Riley?

ASSEMBLYMAN RILEY: Thank you, Mr. Chairman.

Is there any order you want to take the questions?

MR. DEGNAN: Any way you want them.

ASSEMBLYMAN RILEY: First, initially, as you are well aware, I am a new legislator and I am not familiar with any of the past Commissioners. In fact, I have never met any members of the Commission. I wouldn't even know them if they

walked into the room. I have a couple of problems. I have a feeling we are being sort of pushed and, first, I want to clarify that. Then I also want to go through the bill with you in regard to several technical questions that I have.

First, Mr. Attorney General, if all the problems you have just outlined are so obvious and have been so obvious, will you tell me why this now has come up within the last two or three weeks if everything is so obvious?

MR. DEGNAN: As I indicated in my statement, there have been discussions in the Administration over the past several months about whether changes were needed in the structure of either the Division or the Commission. It is not something which internally has come up within the past few weeks, as you suggest.

Beyond that, I don't think that these problems, Assemblyman, were as apparent to us, at least to me personally, at the time this legislation was adopted, as they are now in the context of 15 pending applications for licensure, with the enormous profitability which is beyond all of our expectations of the first two or three casinos to open and the potential and the pressure that that has created for prompt development of what appears to be an enormous economic potential.

ASSEMBLYMAN RILEY: So then you are saying it is the number of applications that makes you think this should be an emergency type of an item, rather than any other thing?

MR. DEGNAN: No. I suggested those are the considerations which led to the discussions in the Administration that my statement makes reference to. There is now a particular need in terms of the public confidence, both of the public generally and of the business community, to address those questions. What is it ever in government that focuses our attention on one of the thousand things that you and I could choose to address which need reform? I think it is the climate of the time which now makes expeditious action necessary.

ASSEMBLYMAN RILEY: You mentioned at the end of your statement something that more or less made an innuendo reference to comparing New Jersey to Nevada. You don't really believe that we are anyplace close to being anything like Las Vegas or anything like Nevada, do you?

We are probably fairly well regulated, in fact, tremendously regulated compared to Nevada; isn't that correct?

MR. DEGNAN: I agree with that. I have said it publicly several times.

ASSEMBLYMAN RILEY: With regard to the bill, itself, there are several items I would like to ask you about. Has there been any study made by you or by anyone else you know of --- I am not saying that I agree with a full-time Commission or part-time Commission. But do you know of any study that has been made that would say that full time is better than part time in regards to professionalism?

MR. O'HERN: I think it is experience which tells us that. I think the General referred in his testimony to the Parole Board. The concept of professionalization of government is a prevailing concept. We saw that, as I said, with the PUC. We saw it with the Parole Board. You see the tendency even at the level of county tax boards, to professionalize the delivery of government services.

ASSEMBLYMAN RILEY: You are saying for a government. There has never been any bill in regard to the Legislature being full time, has there?

MR. O'HERN: It has been considered frequently.

ASSEMBLYMAN RILEY: The salary of \$18,000 kind of reminds me of some other branch. But there has not been any study or anything like that?

MR. DEGNAN: There is no statistical analysis or outside consultant study. We are basing our recommendation on the experience that we have with the Casino Control Commission and with other agencies of State government.

Also, I might point out, Assemblyman, - and I know that some of the Casino Control Commissioners are here - at least two of them during the Resorts hearing expressed chagrin at the amount of time, which was understandable. It was a very heavy burden of time, every week day for six or seven weeks. And I am sure they spent every weekend during that period being prepared for the next week's work. I would find it very difficult to make a living and give that amount of time to government.

ASSEMBLYMAN RILEY: Much like members of the Legislature have to do with bills, such as this one.

MR. DEGNAN: I think it is exactly the same. You make a great sacrifice.

ASSEMBLYMAN RILEY: Speaking of the bill, itself, at one point it mentions all of the meetings being in Trenton. Let's see if I can find the exact language. On page 4: "All hearings on casino license applications shall be conducted in the City of Trenton." I would like to know the rationale behind this. It seems to me if you have a hearing on a dump in Gloucester Township, you don't want to have the hearing in Newark. All the records, it would seem to me, would be in Atlantic City - everything would seem to be there. I would like to know what the rationale is behind that.

MR. O'HERN: I think that is one the Governor has expressed publicly. He wanted the public to focus on the fact that casino gambling was not an Atlantic City enterprise; it was of statewide concern. The best way to do that would be to conduct it in an area where it would be seen as a State issue. That is the reason for holding hearings in Trenton.

ASSEMBLYMAN RILEY: Don't you think it would make it kind of cumbersome as far as bringing the records back and forth? My understanding is that the Commission's offices are in Atlantic City; is that correct?

MR. DEGNAN: The Commission's offices are split. The Chairman has an office in both places. The licensing function of the Commission is in Atlantic City. However, the entire Division of Gaming Enforcement, with certain small exceptions, is in Hamilton Township at the moment. I think the convenience argument is dealt with by allowing the Commission on a finding of good cause to hold the hearings other than in Trenton. The Governor's intent was simply to have a public discussion of why it ought to be held in a place other than Trenton before a decision is made with respect to that.

I also might point out that the Commission and the Division have a problem in Atlantic City to the extent that most facilities in which one would stay during the course of these hearings are either potential applicants or actual applicants before the Commission. So physically, it might more accommodate the interest of the Commission members to have it in Trenton rather than Atlantic City.

ASSEMBLYMAN RILEY: Are you worried about people staying in the casino hotels?

MR. DEGNAN: Absolutely.

ASSEMBLYMAN RILEY: You said "all hearings." Do you think all hearings should be here? I am still worried about the cumbersomeness of this.

MR. DEGNAN: This provision only deals with hearings on casino license application, not individual ---

ASSEMBLYMAN RILEY: The word is "all" hearings on casino license applications.

MR. DEGNAN: But that is on the application for a casino license, not for an individual license.

ASSEMBLYMAN RILEY: That can be a fairly long process. Wouldn't that mean to a great extent the Commission bringing everything back and forth between Atlantic City and Trenton?

MR. DEGNAN: My understanding is that most of what goes in before the Commission are documents produced either by the casino or by the Division of Gaming Enforcement. It would be no inconvenience for us to put our case on in Trenton.

ASSEMBLYMAN RILEY: In regards to the proposal for the dollar amount, this is where, personally, I think I have more problems than with anything else. Where did you get the dollar amount - \$173,000 more per year. My understanding is that that would be more than a cabinet official. I know that it is more than a judge.

MR. O'HERN: It is not as much as the cook at the Meadowlands gets.

ASSEMBLYMAN RILEY: Maybe the Meadowlands is a separate problem then.

MR. O'HERN: That's the point. The way salaries have escalated, this is the kind of a salary that apparently is required to attract the highest level of people. The Transit Corporation is debating a salary in excess of cabinet level salaries at this time. The Executive Director of the Sports and Exposition Authority is paid at a level in excess of cabinet officials. Some people like to serve on the cabinet for the honor of the job.

ASSEMBLYMAN RILEY: When you say "the highest level people," who are you talking about? Do you have people in mind? I know an awful lot of people whom I consider extremely high level people that don't make \$60,000 and probably will never make \$60,000 in their lives. Whom are you talking about?

MR. O'HERN: If we were to think in personalities, then we would be doing what we are trying not to do.

ASSEMBLYMAN RILEY: I am not talking about XY as an individual. But whom are you talking about? Are you talking about groups?

MR. O'HERN: For example, you might want to get the president of a large state bank, someone in that type category, a statewide insurance figure, a very prominent law enforcement official.

ASSEMBLYMAN RILEY: Are you, therefore, eliminating by making it something such as this, by making it dollar conscious, people who I think should be on it, such as a Black or a woman? Is it your aim here to strictly make it a business-oriented type of thing, a professional type oriented thing, rather than a consumer-oriented type of thing?

MR. O'HERN: The best regulators who can be obtained for the State of New Jersey.

MR. DEGNAN: I might point out, Assemblyman, that the \$60,000 salary that was set for the full-time Commissioners is comparable to the salary which was set for the Chairman of the Commission and reflected a recognition on the part of the Legislature and the Administration that this is, the full-time chairmanship, one of the most important and most sensitive positions in all of State government. The salary was simply set that high in order to attract the very best people, whether they are Blacks, or women, or business or law enforcement people, or judges, or whatever.

I might further point out that the original intent was to have three full-time members, which would not have created as much of a problem as you seem to have with \$173,000.

ASSEMBLYMAN RILEY: I have a tremendous problem.

MR. DEGNAN: Contrary to what some members of this Committee have suggested, which is that this Administration is never open to compromise, the five-member, full-time panel reflects a deferral by the Governor to the insistence by the Republican minority in exchange for bi-partisan support, that it be five.

ASSEMBLYMAN RILEY: This isn't then an attempt to just make it strictly a group of lawyers, bankers and insurance executives?

MR. DEGNAN: Absolutely not.

ASSEMBLYMAN RILEY: Would you be against - very frankly, I think you can figure out quite easily that this is my bailiwick as far as a problem --- would you be against a lowering of that amount?

MR. DEGNAN: I think it ought to be kept where it is in order to allow us ---

ASSEMBLYMAN RILEY: That wasn't my question. Would you be against a lowering of this amount so that the aim becomes obvious that we want the normal people, the consumers, in New Jersey, not just the professional people in New Jersey?

MR. DEGNAN: I think it ought to stay where it is. If the consumer is doing this kind of job at this level of responsibility, he ought to be making that much money. The answer is: Yes, I would be opposed to it.

ASSEMBLYMAN RILEY: Yes, you would be opposed to it. I don't know whether you have the same copy we have. But on the bottom of the first page and the top of the second page, with regard to refusal to testify before any court, legislative committee and grand jury --- Well, maybe I am reading that too broadly or narrowly, or whatever the case may be. But I have a technical problem with this. Would you agree that there should be some clarification of the word "court." My thinking was - just to throw it out to you - something along the line of a change, that if the Attorney General, for instance, rules that it is in the best interest of the State and the Commission. Otherwise, I could foresee a bunch of people writing fraud complaints or something and filing them in the Squedunk Municipal Court and you could have the Commissioners going nuts. I think that the court portion should be clarified. I also want to know why didn't you put legislative committee in either one of these things? Shouldn't the legislative committee also be included?

MR. DEGNAN: I have no problem with including the legislative committee in that category of things. I think, Assemblyman, although I have no objection to an amendment, that the courts, themselves, will guard against an unwarranted intrusion on the time of the Commissioners by requiring them to appear. Municipal courts simply don't make these Commissioners appear.

ASSEMBLYMAN RILEY: But in the language as it is now, they could.

MR. DEGNAN: I have no problem with your comment.

ASSEMBLYMAN RILEY: You could change it to Superior Court or something like that.

MR. DEGNAN: I don't think it is necessary, but I have no problem with it.

MR. O'HERN: Well, it could be a federal court.

ASSEMBLYMAN RILEY: That's right.

3 (d) - this is the place you are talking about the ethics restrictions. I'm sorry. It is page 3, the new section (d); it is making the commissioners full time. Do you think that is being a little too restrictive? For instance, if you are arguing a restrictive covenant in an employment contract, sometimes the courts are hesitant in regard to wording. Say, for instance, you had a middle-level staff person. In today's economy, he may need a second job. Do you think you can maybe clarify it?

MR. O'HERN: Not if you go for the \$60,000.

ASSEMBLYMAN RILEY: No, no. I am not talking about the Commission. I am talking about the middle-level staff people.

MR. O'HERN: You exclude secretarial and clerical.

ASSEMBLYMAN RILEY: Wouldn't there be a pretty broad range between secretarial and clerical and the Commission members? What about the ones in between?

MR. O'HERN: No moon-lighting.

ASSEMBLYMAN RILEY: Again I am not that familiar with the actual personnel.

MR. DEGNAN: Except for clerical personnel who can take additional employment with the permission of the Chairman and the Commission, it simply requires full-time employment. I think that is a very healthy requirement and that we ought to compensate people to the extent that they don't need outside work.

ASSEMBLYMAN RILEY: I don't know. Are the middle-management people being compensated adequately?

MR. DEGNAN: I think so. We restrict Deputy Attorneys-General who are comparable to a lot of the mid-level staff.

If I could take a step back, Assemblyman, I would point out that the language with respect to testimony before a court or grand jury is identical language to the language which is used with respect to other public officials. So there might be a precedent there.

ASSEMBLYMAN RILEY: Now, my second area of problem is with regard to the interim appointments being judges of the Superior Court. I am not an attorney and I am not consulting the judges. But in trying to figure it out, it came to \$230.76 per day. That would obviously be without any trial preparation and they are also keeping their pensions. First, it seems like an awful lot to me, mainly I am talking about the \$60,000. But why did you say judges? Why are they better than the average person? Again, I have a problem. I want to see average people on this. And it seems to me you are eliminating the average people and saying, here are the judges, they are sacrosanct, and we are going to put them there. Here is a fellow who is retired, a retired judge. Therefore, he is already receiving a whopping pension under the court system. Now, on top of that, you are going to throw him into this. First, I think that is discriminatory. Secondly, I think there is no reason for it. Also, don't you think in there we should have some type of an age restriction in regards to when someone should be put in there? I want to see people with sharp minds on this thing. Under this, you could have an 85-year-old retired judge. You don't want to see a Las Vegas; that would be the way to have it. Can't we make this a little better?

MR. DEGNAN: There are two reasons. One was that every judge is subject to Senate confirmation. The Governor wanted to carve out a pool of people who had already been subject to legislative scrutiny and since the need to make an interim appointment might be immediate and we wouldn't put an "advice and consent"

provision into an interim appointment, he said limit it to a pool of people who have already been confirmed for an important State job by the State Senate. The second reason is that every judge has been the subject of a State Police background investigation in connection with either his original appointment or his reappointment. And that could be brought up to date on a very quick basis.

Thirdly, I would suggest, although I have no objection to an amendment which might impose an age limitation - I think we are getting away from those - you could rely on the discretion of a Governor not to appoint someone who is obviously incapable of performing this function. But if you wish to amend it ---

ASSEMBLYMAN RILEY: Can you give us any idea of who else you think would be capable besides judges of sitting on this? It is obviously an off-shoot of my other problem. But I think you are making it too much of a close-knit, little group that is going to be able to be appointed, whether it is initially or even on an interim basis.

MR. DEGNAN: The whole thrust of these proposals is to make the Commission more of a judicial type, decision-making body than we think it has been. Judges seemed the logical pool of people to choose from. I don't have any alternative suggestions at the moment.

ASSEMBLYMAN RILEY: But you would not oppose an expansion of that, as long as it is within the realm of people who have already had a background check?

MR. DEGNAN: I think the Governor would want to see from which pool you would ---

ASSEMBLYMAN RILEY: For instance, I believe cabinet officers have to have a background check. Isn't that true?

MR. DEGNAN: Yes, it is. Maybe former commissioners would be another.

ASSEMBLYMAN RILEY: On next to the last page, page 13, there appears really what is your ethics area in regard to the reporting of complimentary services and things like that.

First, I have a procedural problem in my mind. If I am a dealer or pit boss or something down there and the tax collector of Outer Jebit Township comes in here, how in God's name am I going to know who he is?

MR. DEGNAN: Before credit is extended to anybody in the casino, they have to fill out a form which gives information. One of the questions on that form could be easily whether you hold any state or local office. It only touches such local officials as are located in the county in which the casinos are. But I think we ought to put the obligation on the casinos to ask that question before he gets complimentary services or extensions of credit are granted.

ASSEMBLYMAN RILEY: Following that thought, as far as complimentary services - for instance, when I go down to the casino, I pay my \$8 to park and I pay for my lunch, etc. But if I am gambling, they will stamp my thing and validate it and say, "yes, it is free." Doesn't that make it so that if you are the tax collector of Outer Jebit Township, you are going to be sort of a second-class citizen? Everybody else in the world can get free parking, if they are gambling, because obviously they are a customer, and maybe a free lunch. But now the tax collector of Outer Jebit is going to be excluded.

MR. DEGNAN: It doesn't make you a second-class citizen; it makes you a public official sensitive to the appearance of conflict that flows from the giving of complimentaries.

Let me give you an example. Last week, a prosecutor in a Northern New

Jersey county told me that he called for a reservation at one of the hotels in Atlantic City which has a casino. He simply was taking his wife down and wanted to spend the weekend there. He arrived to find a \$170-suite reserved for him, with a complimentary stamp already on it. This is a prosecutor in a county in Northern New Jersey. One wonders why a casino would extend complimentary as a matter of form to someone like that. He declined to accept that complimentary and wound up paying \$170 for a room that night and will learn his lesson in the future. But we ought to stop that. This bill, by the way, doesn't reach that situation and maybe should be amended to do that.

ASSEMBLYMAN RILEY: Very frankly, if I am going down there to gamble and they want to buy me my lunch, I want them to buy me my lunch. This isn't going to stop it; it is just going to make it public.

MR. DEGNAN: Not to personalize it, but if people found out that I were accepting it, it would be substantial enough to stop it. If you want to stop it legislatively, that's fine.

ASSEMBLYMAN RILEY: If you are John Doe and you are going on a junket to Vegas, Vegas pays for everything, plane fare and everything else, versus our casinos that are paying for somebody to park. Isn't that just a cost of doing business?

MR. DEGNAN: The fact is we are only asking for these reports on public officials who are receiving these complimentary. We ought to live by a higher standard than the general public ought to live by in what is given to us in casinos. I think that is absolutely indispensable.

ASSEMBLYMAN RILEY: But just to report it is more or less your aim?

MR. DEGNAN: This bill only requires it be reported. It should be clear that under the Right to Know Law such a report would be made public. It is analogous to what is done to legislative lobbyists whereby they file a report with the Attorney General which lists contacts with legislators.

ASSEMBLYMAN RILEY: Just one final question. Obviously I have been reading all these things in the paper about the Governor threatening to close down the casinos one way or another if the Legislature --- First, I want to say that as far as I know, no member of this body has even been implicated in anything. So I think the wrath of God being thrown at us is really not fair and I resent it personally, especially since I have only been here six weeks. But in regard to the overall thing, did he really make these statements?

MR. DEGNAN: What the Governor said --- Let me take just a moment to say I was on a TV show with Dick Codey and Bill Maguire yesterday. Bill Maguire made a very perceptive statement. He said all of us are tainted by this. Every government official in New Jersey is tainted by the lack of public confidence that the scandal over the last few weeks has engendered in people's view as to how their governmental institutions function. The Governor never personally meant to single out any member of the Legislature or the Legislature as a separate branch of government in making this general observation. What he said about closing casinos was that unless a reform package of bills is passed, by passage of time, Boardwalk Regency's license will expire on June 26th - it is only a temporary license and cannot be renewed by the Casino Control Commission under the current law - and, if there is not a Commission in place at that point or sufficiently in advance of that point to allow them to have a hearing on a permanent license, that casino might close. The same might very well happen with respect to Bally's, but not

until December.

ASSEMBLYMAN RILEY: So that is what you meant by "don't worry about economic pressures and social pressures." Put them out of work if we have to. Put all those people out of work unless the Governor gets his way.

MR. DEGNAN: That is not exactly fair. What the Governor said is that unless a reform package of bills can pass to reinstate public confidence in the regulatory system over casinos and, if we are not going to do casinos right in New Jersey, then the risk to law enforcement, despite the economic advantage of casinos, is simply not worth it. That reflects a judgment in which I very strongly concur.

ASSEMBLYMAN RILEY: Fine. Let's do it right. But let's not make it so that everybody is under the gun to rush something through unless it is right.

MR. DEGNAN: The Governor has no objection to this public hearing or to the Legislature's dealing with these bills in a timely fashion. It is very much what we did when the initial legislation was passed. An Executive Task Force drafted that legislation and submitted it to the Legislature, at which point Mr. Codey and the members of the Committee spent a great deal of very helpful time in making that Act stronger. Do it right. Have the hearings. Consider it. Amend it if need be in a way that the Governor can live with. But let's seize the climate for reform that exists now and not protract it so long that we lose the initiative.

ASSEMBLYMAN RILEY: Thank you very much.

ASSEMBLYMAN CODEY: Assemblywoman Kalik?

ASSEMBLYWOMAN KALIK: I have just a few questions. I have been on this Committee now 26 months and I think this is probably the 26th casino bill we have had before us. So change has been occurring right along and I see no problem with change occurring. I think it will continue to occur as the industry grows and develops.

I would like to ask this question: In those changes that are recommended, can you define anything that could have changed or occurred, since I am not sure what occurred - maybe you know, so you could answer it better than I - or how these changes that you recommend expedite the process of casino licensing?

MR. O'HERN: With respect to the first question, there is no doubt that the bills by requiring full disclosure of all contacts with all persons interested in casino licensing would have from the very first disclosed one Commissioner's private consultation with a person interested in ---

ASSEMBLYWOMAN KALIK: Can you tell me where in the bill that is?

MR. O'HERN: It is the reporting requirement.

ASSEMBLYWOMAN KALIK: You mean of complimentaries?

MR. O'HERN: No. It is the requirement of the maintenance of a log.

MR. DEGNAN: It is in a separate bill.

ASSEMBLYWOMAN KALIK: Oh, it is not in this bill specifically.

MR. O'HERN: No, not in this bill.

ASSEMBLYWOMAN KALIK: I am referring to this specific package right now.

MR. O'HERN: S 1069.

ASSEMBLYWOMAN KALIK: But there is nothing in 1081?

MR. O'HERN: No. This bill is part of an entire package of reform bills designed to formalize the procedure for casino applications. That would have had the beneficial effect of laying that right out on the table from the beginning.

ASSEMBLYWOMAN KALIK: We will take that up when we consider that bill. But there is nothing in 1081 specifically that would either have changed what occurred, if you again know what occurred, or would expedite the processing of casino licenses?

MR. O'HERN: The General will answer better about the expediting of the process.

MR. DEGNAN: I am not sure I understand exactly what you mean, Assemblywoman, by what occurred. I believe, in line with the statements contained in my original presentation, that full-time Commissioners would have been more equipped and would have developed an expertise - and I am not criticizing any of the individuals; I think they did an admirable job on a part-time basis - so there would have been a greater attention to guidelines and standards being developed, by which decisions were made, so that any appearance of arbitrariness would be allayed.

It is very hard, as I said in the beginning, to discuss this bill out of the context of the other bills which make those kinds of improvements that you are concerned about.

ASSEMBLYWOMAN KALIK: You twice used the phrase "historically difficult and traditionally immune," that the casino industry is "historically difficult and traditionally immune to regulation." I would like to know what history you are referring to, since this is a fairly new industry for us. Nevada has no trouble; they just don't regulate it.

MR. DEGNAN: It is a new industry in New Jersey. It has not been in Nevada or in other jurisdictions. Great Britain, when it instituted casinos in the early '60's, had such a bad experience with the infiltration of organized crime and the manner in which the casinos were run that it absolutely terminated them at that point for a few years and passed a new scheme by which it dealt with them later.

One only has to read the history of Nevada, the presence of organized crime, the use of the Teamsters' Pension Fund as the sole source of finance for that, the enormous political clout that that industry exercises in that state, the insensitivity now of public officials. Somebody was quoted in the Star Ledger yesterday as saying the interests of the industry are synonymous with the people in the State of Nevada. I had thought that New Jersey was sufficiently sophisticated in terms of its financial structure that that level of influence would never be felt in this State. I think the improvements we are suggesting today are designed to insure that.

The history of the casino industry has been detailed in several books and I think supports that characterization of it.

ASSEMBLYWOMAN KALIK: You also say that you want the full-time Commissioners because there has been a drift away from rule-making to decision-making on a case-to-case basis. It is my understanding that the Commissioners were supposed to make those decisions and that the rule-making and legislative process was part of the Commission, itself. There is a law-making division or rule-making division, regulation, overseeing, policy-making branch; and the Commissioners were supposed to make decisions. That was their role, their job.

MR. DEGNAN: What I was suggesting was that the Commission's decisions, which indeed are part of its statutory responsibility, ought to the extent possible be based on guidelines which have been proposed in the way rules are proposed and open to public comment the way rules are open to public comment in an administrative

agency, and then promulgated in a way that would allow someone who is the person who is going to function under those rules to test them judicially, if necessary. And to the extent that they are based on those objective and publicly adopted criteria, there is less appearance of arbitrariness to a decision which might be based on personal esthetic consideration of a particular Casino Control Commissioner or member of the staff.

ASSEMBLYWOMAN KALIK: In spite of all the publicity and everything else, I just see the casino industry as any other industry in the State of New Jersey. I kind of feel that it should be run along the same lines as other industries. If the regulations are made on a procedural basis in the Department of Transportation, then certainly regulations and procedures ought to be developed in the same way for the casino industry.

MR. DEGNAN: That is a fundamental difference we have. Casinos are not banks. The legislation which this Legislature passed recognizes the fact that this an inherently dangerous industry in terms of its social impact. It is similar to the alcoholic beverage industry where extraordinary regulatory authority is given to those who control the industry. Casinos are a hospitality industry. They get you or me in a casino, they give us free drinks, they give us a free room, all of which are designed to break down the kind of inhibitions that usually control conduct on the part of individuals. If we don't recognize that and if we don't treat them separately and more stringently, then I think the day will come when casinos in New Jersey have the same impact on the body politic in this State that they now do in Nevada. At that point, I'll leave.

ASSEMBLYWOMAN KALIK: I certainly didn't indicate that they don't require some specific rules and regulations. I just think the formulation of those rules and regulations ought to be done in the same manner as in any other division.

MR. DEGNAN: With that I agree.

ASSEMBLYWOMAN KALIK: Thank you.

ASSEMBLYMAN CODEY: Dr. Villane?

ASSEMBLYMAN VILLANE: I have one problem with your report, Mr. Attorney General. On page 13, the fifth or sixth line down, you say, "The Commission must be insulated from an otherwise understandable tendency to focus its attention and energies on the problems of social and economic growth. . ." Then you say, "We have all proceeded with the hope that the existing government infrastructure, with a little coordination from the top, could handle the anticipated problems." I don't quite understand what problems we are getting into there and where has the Commission gotten into areas that we really didn't imagine it would get into in the first place?

MR. DEGNAN: I think the problems we are talking about are the failure so far of the casino revenues to impact favorably on the people who live in Atlantic city, the poor people, the inability to get low-income housing built, the failure to develop transportation infrastructure that supports casino development in the city, and all of the economic consequences that flow from those kinds of decisions. What I am suggesting is that whereas when you devised the legislation on the law enforcement side, you created a healthy dichotomy, the Commission decides that the division, another agency, investigates and prosecutes and the casino gets its day in court, and all that is done in public hearing. In the other areas, the economic and social consequences in Atlantic City, the land-use considerations, and that sort of thing, there is no independent, institutionalized watchdog that

participates in that decision-making process. It is not necessarily made publicly; it can be made in private meetings consulting with the industry. What we are suggesting is that perhaps a different structure ought to have the primary responsibility for those kinds of considerations.

ASSEMBLYMAN VILLANE: Did you envision the Commission had that responsibility in the first place?

MR. DEGNAN: The legislation clearly in terms of its policy declarations rests that responsibility in the Commission.

ASSEMBLYMAN VILLANE: The social and economic development of housing - that is the responsibility of the Casino Control Commission?

MR. DEGNAN: To the extent that the policy of the Act defines those developments as something the State in passing the legislation intends to achieve, I suppose the Commission has been asked by the legislation and by all of us to fill that vacuum. I am not criticizing them for doing it. What I am saying is that they are not institutionally designed to fill the gap in the way in which they have been forced to do it.

ASSEMBLYMAN VILLANE: You wouldn't imagine that a new Casino Control Commission or a modified present Commission should have that responsibility in the future?

MR. DEGNAN: I would not.

ASSEMBLYMAN VILLANE: You ought to eliminate that charge of that responsibility to the Commission?

MR. DEGNAN: I believe that to the extent that those kinds of considerations ought to be impacted or ought to be achieved through the casinos, that someone ought to present those proposals to the Commission and they ought to be decided in a hearing. But I don't believe that the Commission ought to have the primary responsibility for doing it.

ASSEMBLYMAN VILLANE: In your 17 pages of presentation this morning, I think you made two very good points. Number one, you make the point that you feel there ought to be a full-time Commission paid commensurate with its responsibility. Secondly, you make the point - and I don't know whether it belongs in this particular bill - that "comps" should be eliminated, about which I don't think there is any argument in the entire Legislature, outside of the concept brought out by my colleague.

I would like to ask you this: Do you think that there is organized crime in Atlantic City now?

MR. DEGNAN: I don't believe - at least, I don't have any facts in my possession which would lead me to believe that organized crime has infiltrated the operation of casinos. But is organized crime present in Atlantic City? Yes. Is it there in a greater force than it was before casino gambling was passed? Yes. Are they trying to buy real property? Yes. Are they trying to buy liquor licenses? Yes. Are they trying to get into ancillary industries? Yes. Is there an increase in prostitution? Yes. Is that related to organized crime? I am not sure. Street crime, yes. Loan sharking and bookmaking - and that probably is related to organized crime.

ASSEMBLYMAN VILLANE: I think that is a good answer. You have kind of accurately described what goes on when you increase the activity in a community that had just about nothing going on.

MR. DEGNAN: Exactly.

ASSEMBLYMAN VILLANE: The question that I pose to you is: Do you think that organized crime has infiltrated the casino business, the people we have licensed temporarily or permanently?

MR. DEGNAN: I don't believe that organized crime has an impact on the operation of the current licensees in Atlantic City.

ASSEMBLYMAN VILLANE: Good.

Do you think that the present operations and functions of the casinos are as we envisioned them after the careful consideration that the Governor and the staff and the Legislature in the very beginning gave them. Very strict rules and regulations were made. Do you think it is working the way we envisioned it should work in Atlantic City?

MR. DEGNAN: Well, I think it varies from casino to casino. And I don't want to make accusations about particular ones. I think the massive credit violations which were filed against Resorts reflect adversely on its manner of operation. I believe that the conditions that the Commission properly imposed on the renewal of its license reflects some problems that it has with the current operation of that particular endeavor. But I believe it is a learning process and even that casino is making attempts at the moment to live within the law.

ASSEMBLYMAN VILLANE: With some housekeeping regulations that need to be brought up to date even if it is through your focus on them, I think that they are pretty much falling in line.

Do you think anybody has gotten a license, either temporary or permanent, through fraudulent pulling the wool over the eyes of the Casino Control Commission? Do you think anybody has fooled us or cheated us down there?

MR. DEGNAN: I have no information which would lead me to conclude that fraud was involved in any issuance of a license.

ASSEMBLYMAN VILLANE: Would you conclude perhaps that the Casino Control Commission to this date has done a pretty good job?

MR. DEGNAN: I think basically the Casino Control Commission has performed under the circumstances which prevail there in a credible and good way.

ASSEMBLYMAN VILLANE: It looks to me as though this bill is not going to change very much at all. It is going to have a five-member Commission, four of which were formerly part time and now would be full time. I think we agree because of the workload that that is important. The other thing that it does is to remove from the Commissioner certain prerogatives about extending some temporary licensure to minor or middle-management people on a temporary basis until research and investigation can be accomplished. Incidentally, that was something that was endorsed by the Administration eight months ago, to clear up the backlog. It came before this Committee and we were told that it was needed down there because a lot of people were out of work who really do qualify, but the paperwork was holding them from their jobs.

MR. O'HERN: They made a mistake. That is only to restore that to the full Commission.

ASSEMBLYMAN VILLANE: The Administration had asked that it be the prerogative of the Chairman at that point.

MR. O'HERN: Only because he was the only one who was there all the time that enabled the expeditious treatment of them. With the five full-time Commissioners, they will work just as fast on the middle-management employee.

ASSEMBLYMAN VILLANE: So I think, in essence, Mr. Attorney General,

that we are asking to do something because of public opinion at this point. We talk about integrity. We talk about unwillingness to compromise. Yet we are compromising, I think, the reputation and integrity of a lot of people that served on that Commission very loyally and very judiciously and honorably. What we are doing here is saying we want five people to serve on that Commission; but in order to satisfy the public, we are going to wipe out the present Commission and replace them with some other people - we don't know who they are yet. I wonder in the rush to do something like this if we are denying these people their real due process, their reputations and their family's reputations. I don't know any single member on that Commission other than when they appeared before our Committee. I don't know any of them. But I do know that when people serve in government and sacrifice to the extent that many of these people have at what I consider an underpaid salary, to wipe them out at this point because of a public clamor is not justice. These people haven't done anything. If they are guilty, Attorney General, you should prosecute them. And if they are innocent, you shouldn't persecute them. I think this piece of legislation does nothing but persecute the present Commission.

The Governor has the option of eliminating the two people who are in a holdover status. And I think the holdover status is a very poor way to keep people on the Casino Control Commission. I feel he ought to take a look at his amendment to this bill. People should not be appointed temporarily. My colleague suggested that earlier today. It holds the hammer over somebody who serves at the will of the Governor who appoints him. He could be immediately dismissed. I think that is something that you should look at.

MR. O'HERN: That is an emotional statement, Doctor; but it is not a logical statement.

ASSEMBLYMAN VILLANE: Which statement is that?

MR. O'HERN: The statement that this reflects unfavorably upon the integrity of the members. We did this with the Parole Board. The people on the voluntary Parole Boards at the various State prisons were hurt when they did not continue in their positions.

ASSEMBLYMAN VILLANE: If anybody here can name me somebody on a parole board, I will buy him a new suit.

MR. O'HERN: Okay, but they felt the same way.

ASSEMBLYMAN VILLANE: But they know everybody on the Casino Control Commission.

MR. O'HERN: They felt the same way. It is no reflection on their integrity. It is not a logical argument.

MR. DEGNAN: I also think it is fundamentally unfair to accuse this Administration of persecuting people on the Casino Control Commission. We have been assiduous in terms of trying not to personalize this argument and consistently arguing that the proposal we make here ought to be judged by you and by the public on the principles of the matters being discussed, the systemic change it would put into the system, and not based on the personalities.

The fact is the decisions haven't been made on whether existing members of the Commission may be reappointed to a restructured Commission. It is other people in commenting on these proposals who are personalizing it, not this Administration.

ASSEMBLYMAN VILLANE: The end result will be a personal focus on the

people who are presently on that Commission. This entire piece of legislation could be done with a minor amendment to the present law. You don't need a whole new law.

MR. DEGNAN: I couldn't disagree with you more.

ASSEMBLYMAN VILLANE: The talk about the shadow of doubt and concern for integrity, those are all the things the Governor and you people have been talking about. I think you ought to consider those same criteria and the effect on the people who presently serve.

MR. DEGNAN: I think they have been considered and that has been reflected in the manner in which this legislation has been proposed and is being supported.

ASSEMBLYMAN VILLANE: Thank you.

ASSEMBLYMAN CODEY: Assemblywoman Curran?

ASSEMBLYWOMAN CURRAN: Just briefly, lest it look as though Tony's statement reflects the feelings of all of us, I personally feel very strongly that the bill before us today - although I would like to see the package of bills which has been submitted be considered by all of us - is very rightly here because in my opinion, as just one member of the Legislature, all the things that we have heard about in the last couple of weeks have reflected on all of us; whether fairly or unfairly, is, I think, a question we all have to face.

I, personally, have never been to one of the casinos. But I feel responsible to sit here as someone who has voted on legislation regarding those casinos to make sure that what we are talking about is not personalized, but that it is not ignored either. I think all of us are fooling ourselves if we think that the proposal to make those five members full time is simply a matter of workload. We know very well that that is not true. We are talking in any given instance in government or private industry where you have one person who has full-time power and authority and the other people, no matter how many they are, having part-time power and authority, of a situation in which you set up an unfair advantage. I think if we could get away from personalities a little right now, it might serve us all better because that is certainly something that is a very valid point in regard to the part-time versus the full-time members, be it three or five members.

I would like to ask the Attorney General one question if I may. I understand you don't have the wording in front of you. In principle, could you support in regard to the disclosure provisions of this bill, which simply require that anything free or gratis, or whatever, or discount, be reported to basically your office and be filed away in those books where everything else is filed away with regard to lobbying in the State --- would you, in principle, support an outright prohibition on behalf of any applicant or any licensee or any registrant against either offering or giving, whatever we want to call it, complimentary service or anything of that nature, to any State official, be it a legislator or a judge or someone who is involved more directly with casinos?

MR. DEGNAN: I think correctly that is a policy decision that the Governor would have to make. I would have no objection to such an amendment, personally. But I think he should have the right see the language before I speak on behalf of the Administration in a way which would commit him.

MR. O'HERN: I think Assemblyman Riley has a point. There may be things so innocuous that nobody is contemplating those. Validating a parking ticket, in my opinion, is not a complimentary.

ASSEMBLYMAN RILEY: It says it is when they give it to you.

MR. DEGNAN: I join in that statement. There are certain de minimis kinds of things which you might not want to proscribe because they are not worth it.

MR. O'HERN: Free matches when you check in.

ASSEMBLYWOMAN CURRAN: I think he made his point very well and spoke as Bob Littell usually does for the little guys throughout the State. But when we are talking about things of substance, which certainly would have to be worked out in a legislative forum, do you feel that there would be support for that kind of amendment to this bill?

MR. O'HERN: I don't think we would have any problem with that at all.

ASSEMBLYWOMAN CURRAN: Thank you.

ASSEMBLYMAN CODEY: Dr. Cardinale?

ASSEMBLYMAN CARDINALE: Mr. Degnan, do you feel there is a valid public purpose in having the Administration - the Governor or your office - have direct contact with the Casino Control Commission?

MR. DEGNAN: With the Casino Control Commission?

ASSEMBLYMAN CARDINALE: Yes - as you would see it reconstituted.

MR. DEGNAN: I would expect that there would be times during which such contact would be entirely appropriate.

ASSEMBLYMAN CARDINALE: Would you envision those contacts would be initiated by your office, or initiated by the Commission, or perhaps both?

MR. DEGNAN: I would envision both. That is the way it has been in the past.

ASSEMBLYMAN CARDINALE: It has been that way in the past. And what kinds of purposes do you feel would be served? Let me frame the question a little differently. You have drawn a bill which in many ways seeks to set up the Commission with a semi-judicial environment. Within the judicial canons of ethics, there are very strong prohibitions against other officials speaking with judges or telling them about what they should be doing. Yet you seem to feel that the Commissioners should still be somehow subject to the state government policies. Can you explain that?

MR. DEGNAN: I am not arguing that the administrative agency, which the Casino Control Commission is, ought to be solely analogous to the Judicial Branch of government. Administrative agencies have developed historically in government to provide elements of both executive and judicial decision-making; and in different areas different elements of those components prevail. The Governor of the State was elected to implement policies. Appointed officials are appointed by him to fully implement the policy which his platform espouses to those people. I don't think it inappropriate for the Governor to make known his views on major policy considerations. I would think it inappropriate of him or of me to approach the Commission with respect to influencing a particular decision on licensing which more properly lies in the judicial realm.

ASSEMBLYMAN CARDINALE: If I understand you correctly then, you feel that the Governor, or your office for him, should be able to set forth general State policies that the Commission would be expected to follow. But, as those relate to a specific applicant, you would feel that he should not be involved in that particular area.

MR. DEGNAN: Yes.

ASSEMBLYMAN CARDINALE: Now, it has been in the press - and I have no

idea whether it is correct or it is incorrect - that in relation to the Ritz and the Ambassador, their specific applications, there was a certain specific input from the Governor's Office in regard to those two as to remodeling or new construction for a hotel. Is that correct; and what policies were being addressed, if it was correct?

MR. O'HERN: I would say that is not true. The Governor's only statements with respect to remodeling were made in the most public forum imaginable on the boardwalk in Atlantic City. His concerns about that were always publicly stated as matters of general policy or principle, never involved in any specific case to my knowledge.

ASSEMBLYMAN CARDINALE: Would the Governor's Office then be amenable to some sort of regulation that would require that any contacts with the Commission would be always in a public forum by any branch of government?

MR. O'HERN: We will look at it.

ASSEMBLYMAN CARDINALE: To your knowledge, is it common for legislators or people in other branches of government to approach Commissioners from the point of view of speeding something up or getting something done a little more quickly?

MR. DEGNAN: I believe legislative contacts with the Commission are frequent. I know that they are with the Division. I don't necessarily think that that is inappropriate if a legislator is not specifically urging a decision which is other than on the merits of a particular case. But I think all of us deal with the Legislature in that way and should. You are elected to represent your constituents and I wouldn't want to unnecessarily fetter your right to do that.

ASSEMBLYMAN CARDINALE: In the original bill there was a provision to prevent former members of government, the Legislature and other branches, from serving. That was crossed out and was put into a separate piece of legislation. What was the purpose of wanting to handle that in a separate piece of legislation as opposed to keeping it in 108F?

MR. O'HERN: That probably was because of the simple rule, not more than one subject in one bill. That is a constitutional requirement. You cannot embrace more than one subject in one bill. It was decided that should be created as a separate subject: post-employment restrictions on elected and appointed officials.

ASSEMBLYMAN CARDINALE: Do you feel, in terms of public confidence, that a Commissioner should resign at the slightest hint of scandal or should there be a different standard than that?

MR. DEGNAN: With all due respect, I don't think that is a fair question. I would want to know what you mean by the hint of a public scandal. Are we talking about a particular decision in this case?

ASSEMBLYMAN CARDINALE: No. But we have seen what has been referred to as a problem of confidence in government here. And I see, as some of my colleagues have previously mentioned, this bill as an attempt to restore public confidence in a situation where it has been lost.

Now, do you feel that the kinds of things we have experienced over the last six weeks or so are the types of things that warrant Commissioners resigning, or do you feel that perhaps we should demand a little bit more before we ask for that kind of action on the part of the Commission?

MR. DEGNAN: That depends. I think where a member of a Commission as sensitive as this one concedes that he was present where a bribe was offered and concedes that he did not make any attempt to report that to law enforcement, that

resignation was an appropriate decision on his part because it cast on his ability to be a sensitive member of a sensitive commission. But I would limit my observation to that.

ASSEMBLYMAN CARDINALE: Just to that one case. Do you feel that there would be any point in terms of the ethical consideration here in having legislators and top State officials forced to disclose business dealings, stock ownership, in casinos, even perhaps retroactively, in so far as they have been involved heretofore?

MR. DEGNAN: We are changing the financial disclosure statement promulgated pursuant to the Governor's executive order so that all Executive Branch officials will disclose any financial interest, indirect or direct, in casinos, and members of the family or relatives working for casinos. So I, obviously, would think there is some substantial merit to that proposal.

ASSEMBLYMAN CARDINALE: Are you making it retroactive to go back?

MR. O'HERN: To have the individual report prior transactions?

ASSEMBLYMAN CARDINALE: Yes, up to, let's say, the date the referendum passed or something along that line.

MR. O'HERN: I can't see any reason why we couldn't consider that.

ASSEMBLYMAN CARDINALE: Suppose that some of those are no longer in State government, but are holding licenses. Would you be equally willing to recommend, as a condition of the continuance of a license, that such disclosures be made?

MR. O'HERN: A licensed casino employee?

ASSEMBLYMAN CARDINALE: Licensed casino employee, yes - management of the casino or something along that line. Certainly, if one has left government and has gone into selling eggs somewhere in Northern New Jersey, not to a casino ---

MR. O'HERN: If a person has left government fully and isn't a licensed casino employee, we would have no more jurisdiction over the individual.

ASSEMBLYMAN CARDINALE: I am talking about people over whom we still have some jurisdiction in terms of control as to licensing.

MR. O'HERN: We will look at it.

MR. DEGNAN: I might point out, Assemblyman, in connection with a license of a key employee in any casino, the Division in conducting its background information goes into financial transactions generally for a period of at least five years prior to the grant of that license. So I don't think there is any problem in concept with what you are suggesting. In many cases, we may be doing it already.

ASSEMBLYMAN CARDINALE: In terms of the holdovers, how would the Administration view a provision that would require all positions to be filled within a specified period of time, positions on the Commission, itself? It seems to me, if I can add a little more to that, that the knowledge is there on the part of the Administration when someone is appointed as to his length of term. I am not addressing the specific point you addressed where there is an unexpected loss of a Commissioner, but where the term has expired. The present status is one which gives the Governor a great deal of input perhaps, potentially, to a Commissioner who can be replaced and removes, conversely, a great deal of the independence of action that one might expect if one has five years to go on his term. Would the administration view favorably a provision that would allow for 30 days, perhaps, or 60 day, perhaps, after the expiration of the term, beyond which, were the individual not reappointed, perhaps the Senator or the legislative leadership or some

other mechanism could be found whereby someone would either be reappointed for a full term or be replaced?

MR. O'HERN: I wouldn't say this for this Administration. I would say as a principle of constitutional government it wouldn't be wise to have a setup like that whereby the power to execute the law passed to some other agency of government. The Governor did not and has never consciously held these appointments over for any reason other than careful evaluation of the candidates, themselves. I think that is best left to the wisdom of the Governor.

ASSEMBLYMAN CARDINALE: Thank you. But there is some sort of precedent for that in our local governments where a mayor, if he is unable to obtain confirmation of an appointment --- within 30 days the confirming authority would be the authority which would then make the appointment.

MR. DEGNAN: We would be glad to do that if the Senate would concur in not holding up appointments on the basis of senatorial courtesy. It is an interesting suggestion.

ASSEMBLYMAN CARDINALE: Thank you.

ASSEMBLYMAN CODEY: Assemblyman Schuck?

ASSEMBLYMAN SCHUCK: I forget whether it was Mr. O'Hern or Mr. Degnan stated that by 1985 with ten casinos, we could conceivably have a \$10 billion yearly handle.

MR. O'HERN: That was in my testimony.

ASSEMBLYMAN SCHUCK: That appears to be beyond all our expectations of the Act in 1977 when we were looking down the line as to what we could look for in Atlantic City in the future. From simple mathematics, it appears that \$10 billion yearly will be more than the total amount of State government, local government and county government total budgets, their total amount of spending. Maybe I would have considered a full-time Commission at the time. But don't you agree, whether or not we had Abscam and the recent events we have had in casino gambling as a whole, we would now be looking at this legislation considering a full-time Commission?

MR. O'HERN: I think that is a point we are making, that regardless of the recent news events - and I think the General has expressed this - we really saw a need for a much higher degree of professional administration. The Commissioners, themselves, we believe will tell you that, that the demands on their time to fully administer this Commission make it necessary that it be full time.

ASSEMBLYMAN SCHUCK: If we have this possibility of a \$10 billion yearly handle in 1985, what would be our cost of operating a Commission, based on doing it effectively? What would be the total number of employees and the total budget for a Commission, approximately?

MR. DEGNAN: It is a good question, but we don't have the answer.

ASSEMBLYMAN SCHUCK: Is it about \$20 million? What is it going to be this year?

MR. DEGNAN: I think the total this year is about fourteen for the Division in the proposed budget and I don't know how much for the Commission. But I think it is about twenty or twenty-three, someplace around there.

ASSEMBLYWOMAN SCHUCK: Maybe even that cost would double to operate ---

MR. DEGNAN: Of course, all of those charges are imposed upon the licensees.

ASSEMBLYMAN SCHUCK: In your opinion then, people responsible for that kind of a budget should be full time also.

MR. O'HERN: Yes.

MR. DEGNAN: Good point.

ASSEMBLYMAN CARDINALE: I left out one question. I got off the topic really of the basis of the bill. How do you envision the difference between the Chairman, as you have constituted the Commission, and the other Commissioners in terms of their day-to-day duties. What duties would the Chairman have that are different and what, more particularly, do you feel would be the day-to-day duties of the Commissioners that would make it necessary to have full-time people?

MR. DEGNAN: Well, we don't have a specific table of organization which would allocate particular responsibilities. But it is quite possible that the Commissioners would divide their responsibilities so that one oversees licensing, one oversees rule-making, or things of that nature, in the same way that the PUC does. They convene and achieve a common consensus on decisions that must be decided collectively. But each of them probably would develop a greater expertise in a particular area.

ASSEMBLYMAN CARDINALE: So you see them then almost as department heads of individual departments?

MR. O'HERN: I don't think it is contemplated there will be balkanization. That isn't the idea of the bill. The bill is for a full-time Commission that will be able to meet and deliberate concurrently on a daily basis, if needed.

ASSEMBLYMAN CODEY: Assemblyman Riley?

ASSEMBLYMAN RILEY: You just said that any charges or any costs would be borne by the licensees. Again, I am not really that familiar with the structure of the economics. But since these are earmarked funds for the senior citizens, wouldn't, in fact, this money be taken away from the senior citizens the more you spend?

MR. DEGNAN: No. The revenues are earmarked for senior citizens or the handicapped. But there are fees assessed on the licensees which cover the cost of the investigation and the administration of it. These fees are entirely apart from the revenues which are dedicated constitutionally and which we can't reach.

ASSEMBLYMAN RILEY: Thank you.

ASSEMBLYMAN CODEY: Mr. Degnan, you mentioned before in response to a question by Dr. Cardinale that you feel you should not try to influence the decision of the Commission. Is that correct?

MR. DEGNAN: I feel that I ought to influence the decision of the Commission in the context of a formal hearing, to the extent that that is the role of the Division of Gaming Enforcement in my office. But I don't think I ought to influence the Commission in a closed meeting.

ASSEMBLYMAN CODEY: In regard to the Resorts decision where a report was issued by the Division, you came out against the license before a hearing was held on the matter. It would seem to me that if the Casino Control Commission is to sit there and conduct a fair hearing, it would be kind of hard for a Commissioner to conduct a fair hearing on a matter where the top law enforcement official of the State of New Jersey has already told him that he should not be giving a license before the hearing.

MR. DEGNAN: No harder than it is for a judge to decide a case after I publicly announce an indictment which reflects a position taken by the highest law enforcement official of the State of New Jersey. And those indictments are

made public when they are released.

ASSEMBLYMAN CODEY: But would you feel it would be undue influence if I had made public statements? I, personally, agree with you on that point that Resorts maybe should not be granted a license. But I didn't say so publicly because I didn't feel it was my position to. It was up to the Commission to do that, not up to me or anyone else, as spelled out in the law.

MR. DEGNAN: My statements then, as they are in cases of criminal prosecutions, were limited to reciting the facts that were contained in a particular report. I have no problem now, nor did I then, with that.

ASSEMBLYMAN CODEY: Is it not an undue influence on a member to sit there and think, "If I vote on the facts as I see them, I am going against the top law enforcement official in the State of New Jersey"?

MR. O'HERN: Every agency does that.

ASSEMBLYMAN CODEY: Let the General finish.

MR. DEGNAN: I think that is the same answer I had. Every agency does that. I take positions on numerous issues which are then decided in a judicial type format. I obviously didn't exert any undue pressure on that Commission.

ASSEMBLYMAN CODEY: Did you want to comment, Mr. O'Hern?

MR. O'HERN: No, that's all I would say - anywhere. The Attorney General expresses an opinion to the Psychological Licensing Board.

ASSEMBLYMAN CODEY: So we are all using influence at times?

MR. O'HERN: No. That is within the statutory context of a fair hearing.

MR. DEGNAN: The legislation makes it obligatory for me to take a position before the Commission on licensing. That is a responsibility which was given to me by the Legislature and signed by the Governor, and one which I think ought to be performed consistent with the same vigorous and activist manner in which his office has always performed.

ASSEMBLYMAN CODEY: Gentlemen, you mentioned about personalizing the bill. Obviously, your comments have been aimed at me. You both used the catch phrase "principle over personality." Yet, when you submit a bill that restructures the Commission to have five full-time members, you reconstitute the Commission. You could have accomplished the same thing that you want to accomplish by simply upgrading the four part-time positions to full-time positions. It would give you absolutely the same effect that you want. The difference, of course, in doing it the way you want to do, is that you leave Commissioner Lordi in limbo and Commissioner Merck, as well, who has a couple of months left on his appointment. So I think that you have personalized the issue by doing that. If all you want to do is have five commissioners full time, that is all you had to do.

So the issue of principle over personality, I just don't understand and I don't buy. In talking about principle over personality, I think it is a principle of mine to speak about a personality and to speak about individuals who I think are unfairly tarnished by your presentation of the bill. If there is nothing wrong with the integrity of these gentlemen, I ask: Why do you put it in that form? Why didn't you put it in the other form where their integrity and their reputation is not brought into question? I think we would both agree that the most important thing that a man or woman has is his or her reputation. I think it is unduly brought into question when you put in a bill in the manner and form that you have done.

MR. DEGNAN: I think you are not reading closely what the Governor said

or listening to what he has been saying the last two weeks.

ASSEMBLYMAN CODEY: He accused me of not listening to him.

MR. DEGNAN: He said out front that he had no problem in terms of integrity, as I have said today and consistently for the last few weeks, of individuals, but that we need to start over. We need an entirely new Commission to reinstate public confidence. He will decide, when that Commission is passed by the Legislature, who ought to serve on it. He will submit those names to the Senate for confirmation. The public, through that confirmation process, can evaluate the quality of his appointments and can have confidence in the integrity of the Commission.

He was assiduous - and I can't make this point too strongly - not to cast aspersions on the personal reputations of any single or group of individuals in that process. And I suggest that it is others who have done that.

ASSEMBLYMAN CODEY: Mr. O'Hern?

MR. O'HERN: No.

ASSEMBLYMAN CODEY: You mention in your statement about the financial community being all upset. I have spoken to the financial community and they tell me they are upset, and the reason they are upset is not because of the Commission but rather the statements from the Governor's Office which lead to uncertainty. When you are talking about millions of dollars in investments and the Governor is making statements, such as, if I don't get the bills that I want in the manner that I want, we will close down the casinos, that is what rattles the financial community, and rightfully so. Nothing the Commission has done has rattled the financial community. They are not displeased with the Commission at all in their comments to me, but rather with the statements that the Governor has made which has led to uncertainty in the financial community.

MR. DEGNAN: Assemblyman, in the process of trying to get people who would serve on a temporary basis before the Governor decided that he would have to espouse the conversion of the Commission to full time, this Administration spoke to literally dozens of people, a substantial number of whom are prominent in the business community. And there was a great reluctance on their part to serve on the Commission on a part-time basis in the manner in which we had suggested. It is not fair to me to identify personally who they were. Some of them have been made public already in the press. Consistent with that is the policy of this Administration, which is that the way to attract legitimate investment into Atlantic City of people who have not prior hereto invested in casinos -- We don't want the Teamsters' Central Fund to invest in Atlantic City. We want major capital institutions in this state and in other states to do it. The only way they are going to do it - and they have said this consistently to me and I suggest to you - is that they must be convinced that the casinos into which they put their money will be operated without a shadow of impropriety, that that money is a safe investment for the kinds of people who have not prior hereto made those investments.

I suggest that they said to us privately: what you need is to start over, what you need is a restructured Commission which will put to rest the doubts that we, the business community, and other have in the system.

ASSEMBLYMAN CODEY: I have to disagree with you.

MR. DEGNAN: Maybe they said something different to you. That has happened in the past.

ASSEMBLYMAN CODEY: If there are no other questions, I thank both of you.

ASSEMBLYMAN CODEY: Our next witness will be Mr. Joseph Lordi, Chairman of the Casino Control Commission.

J O S E P H L O R D I: Chairman Codey and members of the Committee, thank you for inviting me here to testify concerning Assembly Bill Number 1081. This bill seeks to dissolve the Casino Control Commission, which presently consists of a full-time chairman and four part-time commissioners and allow the Governor to appoint a new Commission consisting of five full-time commissioners.

When it enacted the Casino Control Act 33 months ago, the Legislature found and declared as the public policy of this State that the purpose of casino gaming was to redevelop the tourist, convention and resort industry of New Jersey. The Legislature also recognized the importance of maintaining public confidence in the integrity of the casino industry and in the regulatory process. The Legislature created the Casino Control Commission as an independent governmental agency and vested it with exclusive jurisdiction to oversee that economic redevelopment. The Commission, with the assistance of the Division of Gaming Enforcement, was also charged with the responsibility of insuring the integrity of the casino industry. An elaborate system of checks and balances was designed to guarantee the integrity of the regulatory process itself.

At the outset, let me pose this question to you: Why are we here today? Why is this Committee considering a major piece of legislation amending the Casino Control Act, which would have been unheard of just four weeks ago? Let us examine that question as a framework for addressing Assembly Bill Number 1081. In so doing, I want to discuss three things with you.

1. The integrity of the Casino Control Commission;
2. The role and accomplishments of the Casino Control Commission;
3. The independence of the Casino Control Commission.

There has been extensive reporting in the news media these last four weeks concerning allegations of bribery and influence peddling. As with any major story involving charges of corruption of public officials, the reporting and commentary has run the gamut from factual and objective, to sensational, to near hysterical. This reporting has called into question the integrity of the Casino Control Commission. Let's take a good look at the integrity of this Commission by cutting through all the sensationalizing and all the hysteria and getting to the facts. I want to emphasize right now that no one has ever improperly influenced any decision made by the Casino Control Commission.

Consider this: You are being asked to adopt major legislation dissolving the Casino Control Commission and reconstituting it in the absence of any facts having been established to demonstrate a need for such drastic action. Not only have no such facts been established, there are not even any formal charges or allegations of fact. All that we have so far are reports from the press. The laws of this State should be grounded in firmer stuff than printer's ink.

I say, let the investigation of potential official misconduct continue as expeditiously as possible. Let the authorities swiftly bring to justice any and all who violated the law. But, in the meantime, let's not be too hasty in making systemic changes until we know all the facts.

According to press reports, Senator Harrison Williams boasted to FBI undercover agents, posing as Arab investors, that he had spoken to me, and as a result, had saved the proposed Ritz casino project millions of dollars. I have no recollection of any conversation with Senator Williams about any matter relating to the Casino Control Commission or casino gaming, nor have I seen him since long before I was

appointed as Chairman of this Commission. I have never had any relationship whatsoever with the man--professional, political or social. Neither he nor any other person has ever improperly influenced me regarding any decision made by the Casino Control Commission.

I cannot tell you how much I resent having my reputation for integrity called into question and on nothing more than press reports of this idle boast. That reputation, which is based on 25 years of public service is all I have. I am not a man of means. My wife, Mary, and I live in a modest home in Newark, New Jersey. My finances are a matter of public record. Much as it runs against my grain, I feel compelled to ask you to bear with me while I set forth my record in public life, so that all can judge for themselves whether Joe Lordi is a man of integrity.

I began my public career in 1954, when I was appointed Special Deputy Attorney General. My original assignment was to the Passaic County Prosecutor's Office. I also served as Special Deputy Attorney General in various other prosecutors' offices, as well as holding the position of the head of the Trial Bureau in the Attorney General's office and head of the Criminal Section of that office, which was the forerunner of the Division of Criminal Justice.

In 1958, I was assigned to be counsel to the Public Utilities Commission. In 1959, I was assigned as a Special Deputy Attorney General to Essex County and later became an assistant prosecutor in the Essex County Prosecutor's Office, where I remained for five years. During that time, I was appointed First Assistant County Prosecutor by Prosecutor Brendan Byrne.

In the Fall of 1960, a series of shootings occurred in Newark. It appeared that these shootings were motivated by organized criminal activities. Prosecutor Byrne assigned me to conduct an investigation into the shootings and into other organized criminal activities within Essex County, the results of which I ultimately presented to a Grand Jury empaneled in March of 1961. As a result of that investigation, numerous indictments were returned against major organized crime figures. Many organized crime figures were called and testified before the Grand Jury. While the indictments themselves were important, the most significant accomplishment of that investigation was the return of a ten page presentment which hit hard at the role organized crime plays in syndicated gambling and loan sharking. At the conclusion of the presentment, the Grand Jury made seven recommendations to deal with the problems of organized crime. It is interesting to note that six of those recommendations have since been enacted or adopted by the State of New Jersey, when New Jersey became as aware of the problem in the late 1960's as I was in the early 1960's. Those recommendations included the enactment of a wiretap statute, the enactment of an immunity statute, the use of special grand juries, increased custodial sentences and fines, increased activity by federal authorities, and the licensing of many lending institutions. These law enforcement tools have made New Jersey a leader in the fight against organized crime and official corruption.

As a result of the evidence gathered in the early 1960's, I dedicated my public life career to combating organized crime. In 1964, I was appointed Director of the State's Division of Alcoholic Beverage Control, a position I held for almost four years. Because of the close relationship I had observed between organized crime and illegal gambling, I was the first Director to include all indictable gambling offenses which precluded an individual from working or being directly or indirectly connected at a licensed premises or anyone in the alcoholic beverage industry.

In recognition of the job I did as Director of the Division of Alcoholic Beverage Control, I was selected by Governor Hughes to become Prosecutor of Essex County, and on January 10, 1968, I was sworn in to that position. At my swearing

in, I stated that I was dedicating my term in office to combating organized crime, by controlling and neutralizing its effect on society. I also referred to the 1961 presentment and called for the enactment of the recommendations mentioned therein.

In the summer immediately before I became Prosecutor, the City of Newark had exploded for several days of civil disturbances. When I became Prosecutor, I immediately initiated an extensive investigation into the City of Newark. This investigation was undertaken by a group of assistant prosecutors and investigators who devoted their full time to that investigation. As the investigation developed, the federal authorities then undertook a similar investigation, and in an unprecedented legal exchange, all evidence presented to the Essex County Grand Jury was turned over to a federal grand jury and indictments were returned against the mayor, several members of the city council and several organized crime figures. The United States Attorney, Frederick Lacey, attributed the success of the investigation to the work done by the Essex County Prosecutor's Office. One of the individuals indicted by the federal authorities was Anthony "Tony Boy" Boiardo--the son of Ruggerio Boiardo, an individual prominently identified as a major organized crime figure in New Jersey.

A short time later, I empaneled a special grand jury and personally conducted an investigation into certain organized loan sharking activities in Essex County. The results of this investigation was also turned over to federal authorities and Angelo "Gyp" DeCarlo and others were convicted in federal court of various charges. Angelo "Gyp" DeCarlo was prominently identified in various tapes released by the federal authorities as an organized crime figure.

Shortly after the creation of the federal Law Enforcement Assistance Administration (L.E.A.A.), I was approached by L.E.A.A. officials to establish a local strike force. As finally implemented, the unit consists of members of the Newark Police Department and the Essex County Prosecutor's Office being assigned to a separate unit called the City-County Organized Crime Strike Force. The tremendous success of that unit resulted in the federal government authorizing an additional grant for the creation of a Bureau of Narcotics within Essex County. Both of these special squads are still in operation today.

During the time I was Essex County Prosecutor, there were numerous major arrests and convictions of organized crime individuals. During my term as Prosecutor, 2959 arrests were made by the City-County Organized Crime Strike Force and its predecessor, the Confidential Squad. The figures do not include additional arrests made by other agencies based on information received from Essex County.

As Prosecutor, I also conducted several investigations dealing with corrupt public officials. Another Special Grand Jury, empaneled at my request, conducted an investigation of the Orange Police Department and resulted in the conviction of the Police Director, the Police Chief and several other members of the Police Department for specific acts of misconduct. Yet another Special Grand Jury investigated the activities of the Newark Board of Education and returned a series of indictments dealing with abuses in the Night Security Program and other programs under the control of the Board of Education. These indictments were returned against workers and officials of the Board of Education.

During my career as Prosecutor, I developed a reputation in the streets as a tough Prosecutor, who did a job. One well-known organized crime figure is alleged to have said that I was an S.O.B. who would prosecute my own mother. During numerous investigations, individuals were overheard, indicating that they were getting out of Essex County because of the vigorous law enforcement activities in my office.

I have never sought out or asked for any of the positions which I have held in Public life. On the contrary, I have always been sought out. My achievements

and my years of experience in law enforcement with the Attorney General's office and the Prosecutor's Office and with regulatory agencies such as the Public Utilities Commission and the Division of Alcoholic Beverage Control made me uniquely qualified for the Chairmanship of the Casino Control Commission. For the past 2½ years, I have worked hard at that job.

I tell you these things only to demonstrate that I have dedicated my entire career and my life to fighting organized criminal activity and official corruption. My record in this regard speaks for itself and I'll match it against that of anyone in this State. Thank you for bearing with me on that.

There also have been press reports to the effect that former Commissioner Kenneth MacDonald was present when an FBI undercover agent, posing as an Arab investor, allegedly offered some money to State Senator Angelo Erichetti. While he unequivocally denied any wrongdoing, Commissioner MacDonald resigned from the Commission. He said that he was resigning so that, until he could clear his name, no cloud of suspicion would hang over the Commission. Ken MacDonald came to the Commission with an impeccable reputation for honesty and integrity. During the 2½ years which he served on the Commission, through his actions, he earned my confidence, my respect, and my friendship. While I do not know all the facts surrounding this matter, I do know the man. That man has looked me straight in the eye and told me that he has done no wrong. I am a firm believer in the principles of the presumption of innocence and due process of law. Perhaps it is my legal training; perhaps it is an old fashioned sense of fundamental fairness. In the event that any charges are brought against him, Ken MacDonald will defend himself, I'm sure. I simply refuse to pre-judge him, as some have been so quick to do.

Don't lose sight of the fact that this matter involved no real applicant or potential applicant for a casino license. It did not relate to any matter pending before the Commission, nor did it relate to any of the companies that have invested in Atlantic City. The scheme involving Arab investors was created out of whole cloth by the FBI. In no way can it be said to taint any of the actual casino applicants and licensees in Atlantic City and since Commissioner MacDonald has resigned from the Commission, in no way can it be said to taint the ongoing work of this Commission.

In one sense, then, we are here today not because of any established facts, but because of vague innuendos and suspicions concerning the integrity of the Casino Control Commission. The best way to dispel any doubts in this regard is by examining just how the Commission is organized, how it operates, and the numerous procedural safeguards built into the law.

All the Commissioners are appointed for fixed terms by the Governor with the advice and consent of the Senate. By law, those terms are supposed to be staggered so that there is continuity on the Commission and so that there is no wholesale replacement of the Commission. A Commissioner may be removed from office only for cause. A proceeding for removal may be instituted only by the Attorney General in the Superior Court. Additionally, a Commissioner or employee of the Commission automatically forfeits his office or position upon conviction in a court of law for any crime. Prior to nomination, each Commissioner is subjected to a rigorous background investigation by the Attorney General, with particular regard to his good character, honesty and integrity and his financial stability, integrity and responsibility. As an aside, I would like to know if there is any person in this State who has ever undergone the background investigations that I have. I don't think there is such a person and if there was anything wrong with me, it would have shown up a long time ago. This screening process is designed to insure that only persons in whom trust and confidence can be reposed are appointed to the Commission.

The provisions of the New Jersey Conflict of Interest Law are applicable to Commissioners, as they are to all State employees. However, the Casino Control Act imposes several other restrictions on members of the Commission, over and above the restrictions on other State employees. No person may be appointed to the Commission if, during the three years prior his appointment, he has been employed by or had an interest in any company applying for a license or holding a license. Each Commissioner must annually file financial disclosure statements, listing all assets and liabilities business interests and sources of income for himself, his spouse, his parents, his brothers, his sisters, and his children. No Commissioner, during his term of office, may have any interest whatsoever in, nor be employed in any capacity by any applicant of licensee. No Commissioner or spouse of a Commissioner may game at any casino licensed by the Commission. No Commissioner may actively participate in any political campaign. No Commissioner may hold any interest in, or be employed by any applicant or any licensee for a period of four years after leaving the Commission, nor may he represent any party before or against the Commission for a period of two years, after leaving the Commission.

All of these extraordinary restrictions are additional safeguards designed to insulate the Commission from the industry which it regulates. No other regulatory agency in the State is subject to such stringent restrictions.

The staff of the Commission is subject to substantially the same employment restrictions as are the Commissioners. At your request, I have previously provided this Committee with material on the structure and organization of the staff and so I will not review that material in detail now. I do wish to say this, however: The staff of the Casino Control Commission is the finest staff of any agency in State government. They are dedicated, hardworking, competent professionals with whom I am proud to be associated and I know the other Commission members feel the same. Attorneys Joe Fusco, who heads the licensing division, and Ben Cohen, Director of the Legal Division, were two of my top aides in the Essex County Prosecutor's Office, each with seven years experience in law enforcement. Frank Fee, Director of the Financial Evaluation and Control Division, brought with him nearly 15 years experience with a Big 8 accounting firm as a CPA. Executive Secretary Bill Band, Director of the Administrative Division, has a background with the FBI and a long record of government service. I might point out that Dave Millane, who is head of our Inspection Unit, that is assigned to the casinos themselves, is also a former FBI man. These four division directors have recommended and the Commission has hired a professional staff of the highest calibre. The staff has been hired completely on merit and with partisan politics playing no factor whatsoever.

All matters presented to the Commission for decision are first reviewed and analyzed by the appropriate division or divisions of staff. This provides an additional internal safeguard against the possibility of a decision being made by the Commission other than on its merits.

The record of this Commission is an open book. By law, we were designed to be an agency under glass. All actions of the Commission are subject to the Open Public Meetings Act, commonly known as the Sunshine Law. Everything we do is documented. All decisions must be made at a public meeting and must be based on evidence presented on the public record. And, every final decision is subject to judicial review in a court of law. The individual vote of each Commissioner on each matter is publicly made and recorded. Moreover, official action of the Commission requires the affirmative vote of at least three Commissioners, and in the case of a casino license, four Commissioners. Action on a casino license application requires the affirmative vote of four Commissioners. So, the vote of a single commissioner will not insure any official action. This is an important procedural safeguard.

There is yet another system of checks and balances, designed to insure the integrity of the regulatory process. When the Legislature authorized casino gaming, it reposed the governmental authority over the casino industry in not one, but two separate agencies, the Casino Control Commission and the Division of Gaming Enforcement. The Commission was given the licensing function and the regulatory decision making function, while the Division of Gaming Enforcement was given the investigative function and the prosecutorial function. This separation of functions was done at the sacrifice of efficiency, but for the specific reason of creating a system of checks and balances. The Legislature recognized the need to centralize the regulation of this highly sensitive industry. However, it also recognized the need to guard against the possibility of official misconduct. The Commission and the Division act as a check and balance on each other. For example, if the Commission disagrees with a recommendation of the Division on a license application, it may disregard that recommendation. Conversely, if the Division disagrees with a final decision of the Commission, it may appeal that decision to the courts.

The integrity of the Commission is insured, then, in all of these ways. It is insured by the close scrutiny given to the character of each Commissioner appointed and each staff person hired. It is insured by the extensive pre-employment restrictions, employment restrictions and post-employment restrictions imposed on all Commission members and employees. It is insured by the internal system of checks and balances between the Commission and the staff. It is insured by the Sunshine Law and the provision for judicial review. Finally, it is insured by the legislative scheme of checks and balances with the Division of Gaming Enforcement.

This system has worked. Every decision of this Commission has been made fairly and on the merits of the case. There is no file, no case, no matter, anywhere in the Commission that could not withstand the closest scrutiny of any appropriate investigatory agency.

Let us now examine the role of the Commission as an independent agency of government. That role has been spelled out by the Legislature and the Casino Control Act.

The Commission derives its authority from that Act and it is from this law also that the Commission takes its charge: to oversee the rebirth of Atlantic City and to insure the integrity and vitality of the casino gaming industry. We cannot lose sight of the fact that casino gaming was authorized for a specific purpose. It was not authorized as an end unto itself, so a handful of companies could make money. It was authorized to create thousands of new jobs for the people of New Jersey and to rebuild and revitalize the resort industry of the Atlantic City region.

In enacting the Casino Control Act, the Legislature created the Casino Control Commission as an independent agency vested with the exclusive responsibility of implementing the purposes and policies of that Act.

In order to preserve the independence of the Commission and to insulate it from undue political influences, the law established a system of checks and balances among the three branches of government, as they relate to the Commission. The legislative branch enacts the laws vesting the Commission with its authority and enunciating the public policy of the State with respect to casino gaming. The Legislature also must confirm nominees to the position of Commissioner. And the Legislature must ultimately approve the budget for the operation of the agency. The judicial branch is the forum for review on appeal of any final decision of the Commission. The courts are also the forum for the institution of an action to remove a Commissioner for cause. In the Executive branch reposes the authority of the Governor to appoint the members of the Commission.

The law makes it crystal clear that the Commission is to maintain its independence, lest it be dominated or unduly influenced by any of the three branches of government. The Casino Control Act provides that no member of the Legislature nor any member of his family or firm may practice or appear before the Commission. No court may review a decision of the Commission until that decision is final. Nor is the Commission subject to the injunctive authority of the Superior Court until all administrative procedures have been exhausted.

The Act is particularly explicit in guaranteeing the independence of the Commission within the Executive Branch of government. The Casino Control Commission is created "in but not of the Department of the Treasury". The members are appointed for fixed terms of five years duration. Thus, they do not serve at the pleasure of the Governor. They cannot be removed, except for cause. Cause for removal is defined as either misconduct in office, willful neglect of duty, conduct evidencing unfitness for office, or incompetence. A proceeding for removal may be instituted by the Attorney General in the Superior Court. A Commissioner or Commission employee automatically forfeits his office or position upon conviction of a crime. It is important to note that both removal from office and forfeiture of office must be based on a final determination made by a court of law. The terms of the five Commissioners first appointed were staggered to provide for continuity on the Commission and to prevent the wholesale replacement of the Commissioners every five years. No more than three Commissioners may be of the same political party. Neither the Governor nor any member of his family may practice or appear before the Commission.

The Casino Control Act also provides that the Commission is to be independent of the Attorney General's office. Unlike other agencies within the Executive Branch of government, the law expressly authorizes the Commission to employ its own legal counsel to represent the Commission in any proceedings in which it is a party and to render legal advice to the Commission upon its request. So, the Attorney General is not the attorney for the Casino Control Commission. This feature is necessary to insure that the Commission can act as an appropriate check on the Attorney General's Division of Gaming Enforcement. Indeed, the Casino Control Act specifically empowers the Commission to review and rule upon complaints by casino licensees regarding investigative procedures in the Division of Gaming Enforcement which are unnecessarily disruptive of a casino's operations.

Has the Commission maintained its integrity? The answer is, yes. Every decision has been made fairly and on the merits. Our record is an open book, available for all to inspect.

Has the Commission accomplished what the Act mandates? Again, the answer is, yes. In establishing itself as an even-handed, impartial agency of government, the Commission has provided the stability necessary to attract the investment capital with which to commence the redevelopment of Atlantic City. Atlantic City has the best run, most tightly regulated casinos in the world. The industry has been kept clean.

But, beyond demanding the integrity of casino gaming, the Commission may rightfully claim a fair share of the credit for the successful beginning which has been made in Atlantic City. The details of the Commission's accomplishments during its 2½ year existence have been set forth in the documents which have been provided to you today. In the interest of time, I would take this opportunity to touch upon the most significant of those achievements.

Ten weeks after the enactment of the temporary casino permit law and only five months after the filing of its casino license application, the Commission issued a temporary casino permit authorizing Resorts International to open the first legal New Jersey casino in May of '78, thereby permitting more than 2500 jobs primarily for New Jersey residents to come into existence.

In October of '78, the statutory "durational residency" requirement as to employee licensure became effective. This amendment had been made by the Legislature six months earlier at the recommendation of the Commission and is the basis for preserving the casino industry jobs for New Jersey residents.

By May of 1979, the Commission resolved the question of whether "re-constructed" existing hotels in Atlantic City could qualify as facilities containing a casino by imposing the strictest standards of thorough reconstruction so as to guarantee that nothing other than first class five star quality resort hotel complexes would be permitted to operate as casino-hotels in Atlantic City. By these rulings, made when only one casino was as yet operating, the Commission encouraged the commitment of five casino developers which controlled well known historical boardwalk hotel sites.

In February, 1979, the Commission issued the first New Jersey plenary casino license to Resorts International, after a seven week hearing. That complex then represented 5,000 casino industry jobs. This decision was not appealed. In June of 1979, the Commission issued a temporary casino permit to Boardwalk Regency Corporation, which permitted an additional 3,000 casino industry jobs to come into existence. That permit will expire four months from today, on June 26. In December, 1979, the Commission issued its third temporary casino permit for Bally's Park Place, again, permitting 3,000 more casino industry jobs to come into existence and for the first time, permitting Atlantic City to see the beginnings of a full time, year round economy, rather than a seasonal economy. The Bally permit will expire in the latter months of 1980.

During the last two years, the Commission has accepted 29,000 employee license applications and has granted 15,000 employee license, in spite of the fact that these high volume applications were granted with absolutely no automatic data processing capacity whatsoever. The Commission has enforced affirmative action requirements pertaining to more than 13,000 persons currently employed in the New Jersey casino industry and has similarly enforced affirmative action requirements relating to the 12 casino hotel constructions that presently exist in Atlantic City.

The Commission presently regulates the operation today of the three largest casinos in the entire world.

In the last 27 months, the Commission has collected \$19.7 million in fees from the casino industry.

As of June 30, 1980, over the first two year period, the Commission will have collected \$81 million in gross revenue tax from the three operating casinos.

All these accomplishments were achieved despite the difficulties attendant with the starting up of an entirely independent new government agency and in the face of an extraordinary pressure to immediately get casino gaming going. The Commission is still without the benefit of permanent office space. Its present three temporary Trenton locations and the single renovated Atlantic City offices presently house its staff. The Commission is presently without the benefit of data processing capacities. As of today, its office staff numbers 98 employees. Half of these are professionals and the other half is clerical. By June 30, 1980, the end of its third fiscal year, the Commission anticipates having expended \$7.5 million of budgeted money. All expenditures have been paid directly by the regulated industry, rather than out of general state funds.

In addition to the three operating casinos, 14 separate casino license applications are presently on file with this agency. An additional 29 developers have contacted the agency to discuss their projects which are in various stages of seriousness, thus bringing the total of separate casino projects, many of which may never come to fruition, to 43.

The three operating casino hotels presently provide Atlantic City with 13,329 casino industry jobs, 1,740 first-class sleeping units, and 82,000 square feet of convention space.

Nine casino hotels are presently under construction in Atlantic City and each project projects a completion date prior to July 1, 1981, less than 16 months from today. If completed, the total of 12 casino hotel complexes will provide Atlantic City with 36,691 jobs, 6,335 first class sleeping units, and 319,000 square feet of convention space. These 12 hotel complexes will then represent \$840 million of direct construction costs invested in Atlantic City during the four years from July, '77 to June, '81.

An average casino hotel in Atlantic City represents an overall, non-land budget of \$110 million, \$70 million of which consists of direct construction costs. This average hotel will provide 3,000 casino industry jobs, 500 sleeping units and 25,000 square feet of convention space and, of course, will provide a major stimulus for population growth and service industry growth in the region.

Caution must prevent the taking of this booming redevelopment for granted. The necessary capital has not yet been fully committed to complete the nine projects currently being constructed or to enable the other developers to commence such construction.

This redevelopment is the product of strong planning leadership exercised by the Commission through its Chairman, directing a small but dedicated staff of employees. The redevelopment of Atlantic City has been given a sound foundation, but is far from complete and will take at least three more years of very hard work by this Commission.

Has the Commission maintained its independence? Again, and most emphatically, yes. Both institutionally and in operation, the Commission has remained free from improper influence by the industry which it regulates and from improper influence by the political process itself.

Much ado has been made over whether I am to remain as Chairman of this Commission. In advocating the adoption of Assembly Bill Number 1081, which would dissolve the present Commission and create a new Commission, the Attorney General has stated publicly that the Governor will not compromise the principles of this bill just to preserve my job, but I say the issue is not one of principle versus individual. The real issue is whether this Commission will remain independent.

I am not opposed to the portions of this bill which would make all Commissioners full time. As Chairman, of course, I already serve on a full-time basis. But, I must oppose those portions of this bill which would dilute the independence of the Commission by upsetting the system of checks and balances which the law has so carefully created. The power of the Chief Executive here is the power to appoint, and that is as it should be. But, that power has been circumscribed, lest it become the power to control. These appointments are for fixed, staggered terms which may be terminated only upon a showing of good cause. This is to insure that once the appointments have been made, the appointees are independent.

The power to restructure the Commission or to dissolve the Commission remains with the Legislature, and should be jealously guarded, so that the balance is not upset and the independence and effectiveness of the Commission is not eroded. What kind of dangerous precedent would be established here if in the absence of any factual determination having been made, this Commission is dissolved and there is wholesale replacement of the present Commissioners? Might not such a precedent be used again in the future to dissolve this agency merely to effectuate the replacement of the incumbents? Indeed the courts have ruled that the abolition of a public office must be for a bonafide reason and not merely to remove the incumbent office holder and replace him with someone else. While the present administration has

exhibited a sincere concern for the integrity and proper development of New Jersey's gaming industry, passage of the present legislation would condone a procedure which could well expose this Commission to the uncertain winds of political change.

This bill would grant to this and all future Chief Executives the authority to appoint interim commissioners, who would serve at his pleasure. These interim Commissioners would not serve fixed terms. They would not be subject to the vigorous background investigations by the Attorney General, nor would their appointment be subject to confirmation by the Legislature. The independence of such a Commission would be seriously eroded both in reality and in appearance.

No one man now has or should ever have the power to control the fate of this industry. That power properly belongs only to the people through their duly elected representatives in the Legislature.

I have reviewed A-1081 and have prepared and submitted to this Committee written comments on each of the specific amendments proposed. In sum, I am not opposed to the concept of a full-time Casino Control Commission, but that can be accomplished quite simply by making the part-time Commissioner positions full-time. I must oppose those portions of A-1081 which would dissolve the present Commission, which would deal with vacancies and which would create the new concept of an "interim commissioner". For the reasons I have stated at length, those portions of A-1081 would seriously erode the independence of the Commission and I thank you for your patience and the time to make this presentation.

ASSEMBLYMAN CODEY: Thank you Mr. Lordi. Dr. Cardinale?

ASSEMBLYMAN CARDINALE: Mr. Commissioner, how frequent has it been that you have or the Commission has received inquiries from legislators or other members of government, relative to small or large questions, as they relate to a specific license?

MR. LORDI: I would say very frequently, most times on behalf of their constituency. You may recall, for the last year and a half or so, there's been some criticism directed at both the Division and the Commission as to the time it takes to process these employee applications for licensure and we get many, many calls and I've never felt that there was anything wrong with a legislator calling on behalf of their constituencies. There are other calls about interpretation of statutes. There are many, many letters that we get too, in which they want to know something about a particular statute, how we interpret it, our regulations. A constituent might want to know about a new game and they would want to know whether that's feasible under the particular section of the Act. So, I would have to say that the contact with the Legislature is significant, if not substantial.

ASSEMBLYMAN CARDINALE: When calls like that come in, do they generally just come to you as the Chairman, or do they go to staff or does the whole Commission get an opportunity to review that?

MR. LORDI: Well, I think you have to look at the development of the Commission itself. We started back about 2½ years ago in the Holiday Inn in Trenton. At that time, we had, I think, it was myself, two men on my staff, Joe Fusco and Ben Cohen, and we borrowed a young lady from the Department of Treasury, and two other Commission members were part-time. That was the Commission staff. We had no public information officer and I dare say that anything that came on that phone, the three of us answered it or someone else. As time went on, as the staff increased, we were able now to ascertain and determine exactly what the Legislature was looking for and we would be able to refer him or direct him to a particular individual within the Casino Control Commission. Many, many calls come directly to me. Many letters come to me because I suppose I am the most visible member of the Commission. But, they are referred out to the appropriate division.

ASSEMBLYMAN CARDINALE: Do you think that such calls, in the case of small or large applications, really affect the judgement of the Commission? Do they grease the wheels, so to speak?

MR. LORDI: I cannot imagine any Commission member being influenced, wrongfully, shall we say, in a situation of that kind. I don't see anything wrong in making those calls. It seems to me, and Mr. Degnan so stated, that an assemblyman has an obligation to his constituents, to find out if there is a problem. I've never seen anything wrong in it, and of course, no one has ever asked me to do anything wrong, nor has anyone, to my knowledge, in the Commission ever done anything wrong.

ASSEMBLYMAN CODEY: Just let me clarify something. He is talking about employee applications. You're talking about someone who has filed for a license and they've been waiting six months or a year to get that license and the legislator--

MR. LORDI: That's exactly what I was talking about, but I also made reference to the fact that there are interpretations of statute that are looked for. There may be a question as to whether or not something falls within the four corners of that statute or regulation and they ask for copies of regulations. Whatever they ask for, they are not discussing what are the merits of any case before us, but why a particular matter has not been moved along within a reasonable period of time, or information concerning what this statute is all about, what our regulations are and what our interpretation of a particular statute might be.

ASSEMBLYMAN CODEY: So, most of those letters and phone calls should have been directed at the Division, rather than the Commission?

MR. LORDI: When we're talking in terms of time--this is not intended to be critical of the Division of Gaming Enforcement because Bob Martinez and I have a good working relationship--what it is, until we get the report of their background check from the Division of Gaming Enforcement, we cannot act on it. It is only until we receive a report on a specific application for an employee license that we can now set it down, either I, as the Chairman, under the statute I'm authorized to do it or set it down at a meeting of the Commission itself at some future date.

ASSEMBLYMAN CARDINALE: Would it be fair to say that the greater portion of the time involved in a small application, a dealer or somebody, not a casino, but the greater portion of the time is taken by the Division?

MR. LORDI: In processing? Oh, I would think it would take a lot longer to investigate a case on an applicant for an employee license than it would for us to process it, yes.

ASSEMBLYMAN CARDINALE: How long does it take for the Commission, once it has all of that licensing information and background check, to act on it?

MR. LORDI: I would say that in most instances, if we receive a report, say, the Friday before our next meeting, which is generally on a Wednesday, that we can process those applicants for licensure. Now, not every application that comes before us ends up before the Commission and licensure granted. The Division of Gaming Enforcement submits three types of reports to us with respect to employee applications. One is "no objection" letter. The other is what we call a "yes, but" letter; I think Bob Martinez may have coined that, in which they say they have no objection to it, but they want to bring certain matters to our attention; and the third one is an objection letter. Now, on the "yes, but" letters and the objection letters, we consider those in closed session because there are certain matters personal to the individual applicant and if we're satisfied on the basis of our reading, and these reports go out to the Commission members prior to the meeting, so they have an opportunity to read them, unless we feel contrary to the position taken by the Division, the "yes, but" letters would then be put on the agenda for that day

for consideration for licensure by the Commission. On the objection letters, and very, very seldom have we granted an application for an employee license over the objection of the Division of Gaming Enforcement, what happens in a situation of that kind is, if it is an objection letter, general counsel or staff then sends out a letter to the applicant advising him that there is a substantial basis for denying his license and if he wants a hearing, he can request one within ten or fifteen days. That comes to us under the procedure that we follow under the statute. Most of those matters are referred to the Administrative Law Judge's Office and a hearing is held thereon. They make a report and recommendation and it is forwarded to the Commission and we consider it at a Commission meeting.

ASSEMBLYMAN CARDINALE: So, would it be safe to say, then, that the Commission is not the bottleneck that we've been hearing about in terms of the license processing?

MR. LORDI: Well, it is difficult for me to characterize whether or not there is or is not a bottleneck. Do you mean does it take much more time to conduct a background check than it does to process the applications? The answer to that is, yes. In that respect, I don't think it is so much a bottleneck as much as it is the time period it takes each of us to do our own respective jobs.

ASSEMBLYMAN CARDINALE: In the applications for casino licenses, we've heard recently that lots of people who have previously been involved in the political life and government life are part of the companies or representing the companies that are applying to you. Would that in any way affect the ability of those companies to get a license?

MR. LORDI: I didn't quite follow the question.

ASSEMBLYMAN CARDINALE: We've heard that there are various people who have been involved in government life who openly become executives of companies which are now involved in the casino business or applying for licenses to become involved in the casino business.

MR. LORDI: You're talking in terms of former public officials or public officials who do not violate the conflict of interest statute, who may appear before us in a representative capacity and may, in fact, now be high officials within the company?

ASSEMBLYMAN CARDINALE: Right.

MR. LORDI: Well, as far as I'm concerned, it would not influence me. I don't think it has ever influenced any of the Commission members. In fact, I'm sure it has not. Whether or not that should be continued, I think, is a question for the Legislature. I think we would be more comfortable as Commission members if there was such legislation and individuals who were part of the Administration or part of public life, albeit not violative of any conflict of interest statute, did not hold high offices within those applicants. But, that has never influenced me, as evidenced by the fact that I've been a prosecutor, I've been a Director, as I pointed out before, and I've dealt with many friends who were lawyers and many lawyer who were friends of mine and I made my decision on the merits of the case.

ASSEMBLYMAN CARDINALE: Would it make you uncomfortable if someone who had voted for your confirmation, perhaps, were actually--

MR. LORDI: I don't think we have to carry it that far. I think that's carrying it too far. We have to be realistic about things. I don't think just because an individual has voted for my confirmation is in any way going to suggest that I'm going to show him any special favors on any matters that he might have. No, I would think that's a part of our political process and should not be tampered with at all.

ASSEMBLYMAN CARDINALE: In terms of overall public policies, as they relate to the Commission, such as whether buildings should be built from scratch or should remodeling be allowed, to what extent do you feel, after having a couple of years experience with it, it is proper for public authorities to give you their views on specific applications?

MR. LORDI: I think it depends on how they give it. I might say, under the statute, the statute provides for both reconstruction and new construction. Our regulations merely track that statute. I might also point out that to my knowledge there aren't any re hotels in Atlantic City that could apply for reconstruction and get approval from us. We've pretty much gone beyond it. I frankly think, for example, I recall when the Governor spoke out on the Boardwalk of Atlantic City and made reference to a paint and patch job, I think he had a perfect right, I think the Governor had a perfect right to make that statement and I think we had an obligation to listen because he envisioned Atlantic City in a certain way. It doesn't mean that we, as an independent body, wouldn't follow our own thoughts, our own direction, our own vision of what we see Atlantic City as, but I thought he had and I have no doubt that it had some impact on us. The fact remains that around that period of time we were in the process of drafting a set of regulations which set forth that the Commission policy is favoring new construction, but under certain conditions, certain strict conditions, we would permit reconstruction and Mr. Fusco is the one that drafted those regulations. But, I would think that there are instances when-- I can envision, for example, a legislator, who had something to do with the drafting and adoption of the statute stating out publicly that was never his intent, that we are not properly construing that statute. This is not intended to influence anyone on a particular case or decision before us, but addressing yourself to a particular statute that you have some, not personal interest in, but interest in as a legislator, since you knew exactly what you meant when you approved it and adopted it. But, in situations of that kind, there is no question in mind that we're tuned in to the Legislature. After all, you establish public policy for the State.

ASSEMBLYMAN CARDINALE: You state a very strong position for the independence of the Commission. You alluded to that term and the dissolving, as this actually does in reconstituting the Commission, and you alluded to several areas in there as potentials for overdomination, perhaps, by the Administration. How do you view the holdovers, in light of that situation?

MR. LORDI: Well, I have a kind of pro and con type of thing. You see, one might argue that in holding over members of the Commission for any length of time, they may very well or could very well become obligated to the Governor in hopes that they might be reappointed. But, then, you have to look at the specific individuals themselves and when you look at the individuals themselves, as I have with the Commission members, you know they're not going to be influenced by that fact. I merely point out that you can argue it back and forth. I, myself, if I were posed the question, would probably favor a cutoff date and say, why not make your appointments within 60 days or 90 days. I don't know. I spent very little time before the Legislature drafting the legislation, but if you ask me, it would seem to me that it would take, from the possible conjecture that might exist if the person were held over for too long a period of time, but as I said before, it is more a reflection of the man's integrity than anything else because I don't think that most people would be influenced by that.

ASSEMBLYMAN CARDINALE: I just have one more question, and it relates to a statement made by the Attorney General. I would like to get your view toward it. He indicated that while he believes the casino industry, of and by itself, has remained free of the influence of organized crime, that there is a marked presence of organized crime in Atlantic City. Do you agree with that statement?

MR. LORDI: Well, so long as we separate it from the casinos themselves. You must remember that we had seven weeks of hearings on the Resorts application for a casino license, during which we bared the corporate soul, and we made our decision on the basis of the evidence before us. We have also issued temporary permits and they've undergone, up to this point, a background check by the Attorney General and there was no objection to the issuance of a temporary permit, conditioned on certain things happening, which we are aware of and which were in the press. I, myself, would have to say that there certainly is no organized crime influence in the casinos, themselves, or in the operation or in the staffs, as I know it, as I understand it and as I have the facts. So, I'm perfectly satisfied to make the statement, no, there is no organized crime in the casinos. As to whether or not there is any organized crime activity in the City of Atlantic City, having been a prosecutor and in law enforcement for the better part of my life, I would say that organized crime activity exists in most municipalities, whether it be a city such as Atlantic City, whether it be a city such as Newark or any such place. It's there; it will be there and we have to be ever vigilant.

ASSEMBLYMAN CARDINALE: Thank you.

ASSEMBLYMAN CODEY: Ms. Curran?

ASSEMBLYWOMAN CURRAN: Mr. Lordi, if I can, I would like to go back to the basis for our meeting here today, which is, rightly or wrongly, whether all of us like it or not, we're here today because of something that we have all read about in the papers called Abscam. In light of that, you made very strong testimony on behalf of Mr. MacDonald, and I think all of us believe very strongly and like to feel that we stand up for the principle that a person is innocent until proven guilty. You say in your testimony, however, which is very carefully worded, that Mr. MacDonald looked you in the eye and said he did no wrong. Right and wrong are things that we all judge subjectively. Did Mr. MacDonald indicate to you whether or not he had been approached by members of what we are all calling Abscam?

MR. LORDI: First of all, when I spoke to Commissioner MacDonald, we spoke generally about the facts and did not get into any real specifics about them and frankly I don't know all the facts and I think it would be unfair to Ken MacDonald if I recited just piecemeal what he may have said. But, the fact remains that outside of a generalization, what he said to me was that he did no wrong, and I felt, as I said before, that in my opinion, knowing him as I did, and based on the fundamental principles of justice as we know it, that until such time as he's had an opportunity to defend himself against these charges, if he must, then is the time to judge, not now

ASSEMBLYWOMAN CURRAN: So, as the Chairman of the Commission, who is basically responsible for some of the problems that have been brought out, you can't sit here and tell us that--and any of us could legitimately feel that being approached by people and not reporting that approach is not something that is wrong. Very often, we're sometimes working with morality after a question, not before. But, you can't tell us that this approach and the failure to report the approach was not made, in your capacity?

MR. LORDI: I can't tell you what the factual situation was. I don't know all the facts and I don't intend to get into the facts or the merits of it. I

am merely addressing myself to the individual, who has the presumption of innocence that cloaks him until such time that he's had an opportunity, if he has to, to answer charges. You're asking me--if someone approached me and I saw a bribe, I would tell you that I would immediately report it. I might be able to identify it more specifically in a lay person, I don't know. I'm not saying that these are the facts. I just know that, based, as I say, on those principles that I enunciated, based on my 30 months of friendship with this individual, that I was prepared to accept what he said and I still do.

ASSEMBLYWOMAN CURRAN: So, that observation, then, is a personal observation, not as the Chairman of the Commission?

MR. LORDI: No. It's a personal observation. I wasn't speaking out as the Chairman. As Chairman, I can tell you that he did an outstanding job while he was there. He was a devoted, dedicated worker and I think every other Commission member would substantiate that fact. This happened. It will be resolved some day, but yes, I was speaking out personally on behalf of a man that I learned to love. As Chairman, I can only tell you that his record as a member of that Commission was outstanding.

ASSEMBLYWOMAN CURRAN: Again, as Chairman, if we could take this present legislation away from individuals, which we are trying very hard to do, could you tell me, in your opinion, what the effects of five full-time members would be?

MR. LORDI: What they would be doing?

ASSEMBLYWOMAN CURRAN: No, what the effect of five full-time members would be, rather than one full-time member and four part-time members, what the effect would be on the Commission operation, as you see it?

MR. LORDI: I haven't the slightest idea. As I said, I can live with a full-time Commission and I suppose we would find responsibilities for them to do. I don't think we ought to have a situation where we have something similar to the commission form of government, where you have five executives, each with a different department of government. I think that the Chairman should be the Chief Executive Officer and administer the office. As of this moment, we have four divisions each headed by the individuals I just told you about, who have acquired a substantial amount of experience as to the operation of this Commission and who have excellent credentials for those jobs. But, what we could assign them to is something that we would have to await the ultimate determination by this Committee. I assume that you could assign them out as hearing examiners.

ASSEMBLYWOMAN CURRAN: Assign the Commission members, who would be equal in rank to the Chairman, out as hearing officers?

MR. LORDI: As hearing examiners, and some of them do now, they would hear the facts and the law, and then make a report and recommendation to the Commission. For example, we have a large number of applications for employment licenses where an objection has been interposed by the Division of Gaming Enforcement and it is those instances where we'll send out a notice and, in effect, ask them whether or not they want a hearing. If they say they would like a hearing, we would then assign it to an administrative law judge, but if it is one of unusual circumstances, complicated questions of law, one which may establish some precedent for the Casino Control Commission, we'll assign it out to some Commission member who would serve as a hearing examiner and he would then hear the facts, under oath, and then prepare a report and recommendation to the Casino Control Commission. We would get a copy of that report and recommendation and review it and then, at a Commission meeting, make a decision thereon. We also have special matters. For example, we're holding investigative hearings as to the number of licenses, casino licenses that can operate

and operate profitably in Atlantic City without impacting adversely on each other and without impacting adversely on the essential services the City must provide. We've held two such hearings and we'll continue to hear such hearings. I've taken over that position, but certainly a full-time Commission member could get involved in those kinds of things. For example, you may recall we had the problem of card counters--we still have the problem--professional card counters. We assigned a Commission member to hear that. We've had problems with our gaming schools. There has been some suggestion and some criticism, perhaps, that we're pouring more graduates from our gaming schools that are licensed by us that the market demand will absorb. So, we've held hearings on it. I believe Commissioner Merck is the hearing examiner in that case. So, there is work to be done and, as I say, you can always find something to do.

ASSEMBLYWOMAN CURRAN: Finding something to do is not what we're talking about here. The very wording you use, "I could assign them out to do something", I think is exactly, perhaps, proponents of five equal members are trying to get to. Do you think the relationship of the staff members now is the same towards the full-time Chairman as it is in regard to the part-time Commissioners? Are all their reports the same? Is the day to day working relationship the same?

MR. LORDI: Well, now, of course, we still have a part-time Commission.

ASSEMBLYWOMAN CURRAN: Right, that's what I'm saying. Is it the same now toward you and toward the part-time Commissioners?

MR. LORDI: Absolutely. I don't know if I understand.

ASSEMBLYWOMAN CURRAN: What I'm saying is, if you have one person who is basically in charge of the day to day operations and you have four part-time members, who, for the most part, are very knowledgeable and very dedicated, but who simply are not there on a day to day basis, do the staff members who head those various departments you talked about react and relate and report in the same manner to you as they do to the part-time Commissioners?

MR. LORDI: No, they would not. They would report to me as the Chief Executive Officer, but there isn't a part-time Commissioner that cannot call anyone in the office and ask them to do something specially for him, that he wouldn't do it. There are no reports that eventually end up on our agenda that are not submitted to the part-time Commissioners. There is no one in my office, in a position of responsibility, that will not and recognizes that he must give the same consideration to the questions of the other Commissioners as he would to me. But, my responsibility as Chief Executive Officer is to administer that office and I also see the Chairman as attempting to exercise some leadership. It would seem to me, if you had a Chairman and you had four part-time Commissioners and if I didn't take a position and we had five individuals going in five separate ways, I would be criticized for not exercising any leadership. So, I have the benefit of staff. I have the benefit of establishing policies that I recommend to the Commission members. I have the benefit of the staff and sitting down with them on a particular case and I have the benefit of putting my views in that report and making those recommendations at a public meeting to Commission members.

ASSEMBLYWOMAN CURRAN: And realizing your ability to, as you say, have staff, to have more information, to have more access, do you feel that this would be affected by five full-time Commissioners adversely, as far as the State of New Jersey goes?

MR. LORDI: Only if you eroded the power of the Chairman. In other words, it would depend on what the statute that was eventually adopted would say.

ASSEMBLYWOMAN CURRAN: Well, could you comment, for instance, on this bill?

MR. LORDI: I don't think that this bill, in any way, dilutes the powers of the Chairman as the Chief Executive Officer.

ASSEMBLYWOMAN CURRAN: I would agree. So, in regard to this, if personalities were totally dismissed, you would object to the provisions in regard to the part-time, full-time provisions of this Bill?

MR. LORDI: I would object to the bill, but, no, I see nothing in the bill--well, we've submitted a memorandum because there are some technical and legal questions that we've raised, which I don't think ought to be brought up here, and my staff is prepared to sit down with yours, if you have a staff, and discuss it with them.

ASSEMBLYWOMAN CURRAN: So, under this bill, there would be no objection.

MR. LORDI: No, it does not dilute the power of the Chairman.

ASSEMBLYWOMAN CURRAN: Thank you.

ASSEMBLYMAN CODEY: Dr. Villane?

ASSEMBLYMAN VILLANE: Mr. Lordi, if, in fact, it was decided that the Commissioner should be paid more money and serve in a full-time capacity, could there be a smooth transition from a part-time to a full-time Commission?

MR. LORDI: I don't think there would be any problem.

ASSEMBLYMAN VILLANE: As a result of this Abscam thing and the mention of State legislators and federal legislators contacting you--did Senator Williams ever ask you to do him a favor in the casino industry?

MR. LORDI: He never asked me to do him a favor in the casino industry.

ASSEMBLYMAN VILLANE: Any State senators ever come to you and tell you they had Arab money to spend and they were offered bribes?

MR. LORDI: No, the first time I ever heard about Abscam was when it broke.

ASSEMBLYMAN VILLANE: Do you feel that the present move to create a new Commission has embarrassed you or the members of your Commission or your family in any way?

MR. LORDI: Well, I can't speak for the other Commission members. I'm sure that they will speak for themselves. But, it has more than embarrassed myself and the members of my family. It has caused us a great deal of anxiety. You see, I'm in a little different position than most people and I'm not trying to set myself aside. I have now dedicated 25 years of my life, I'm 60 years of age. I'm a professional. I'm an attorney at law and I'm prepared to go back into private practice, but I've given it 25 years and I expected a little more than this kind of anxiety and embarrassment.

ASSEMBLYMAN VILLANE: Did anyone ask you to resign, Commissioner Lordi?

MR. LORDI: No one has asked me to resign. I don't think I would talk to them if they did.

ASSEMBLYMAN VILLANE: In your closing statements, you mentioned something about the tenuousness of a Commission, if it be the prerogative of the chief elected official of the State, whether he be of one party or another party, whether it be this year or two years down the road, to decide to dissolve a Commission because of some reaction to something that has been in the newspaper, some accusation, that that is dangerous. Do you really envision that you could create a dangerous situation in that area with a Commission?

MR. LORDI: I envision a probability, more so than a possibility, having established a precedent whereby you can completely bypass the existing Commission by dissolving it and creating a new one, having established it, there's no reason that someone, at some later date, might not use it for some personal purposes, whatever his motivation might be. I don't say it will happen. I say it is something that is a dangerous precedent.

ASSEMBLYMAN VILLANE: If there is a force at work at this point, in getting Atlantic City off the ground, and I, for one, have seen it from the beginning and I'm amazed that we ever got as much done as we've gotten done in Atlantic City. I'm amazed that we've done all that so far. But, do you see, if there is a need for a full-time Commission, at this point, with the expenditure of some \$300,000 a year, do you see down the road, maybe three, five years from now, where, perhaps, a part-time Commission could handle the press of business?

MR. LORDI: It is difficult for me to really answer that question. I don't know. Five years from now we may have ten or twelve casinos. That means we're going to be supervising, not only considering other applicants, but actually supervising and regulating the operations of those various casino-hotels. As I said before, full-time or part-time, there's no question that there will be tremendous demands on part-time Commissioners. We saw that in the seven week hearing and it is conceivable that the workload may so expand that we can keep the four other full-time Commissioners busy. The question is, really, what are they going to do? What will their responsibilities be? If it is administrative, then it could create a problem in efficiency in the office. If we have five people going in five different directions, we can't even talk to each other under the Sunshine Law, we have problems. Like I said, so long as you don't dilute the powers of the Chairman as the Chief Executive Officer, the work will be there, and I'm not suggesting that we're just going to find it. I mean, there will be work that has to be done.

ASSEMBLYMAN VILLANE: Is there any advantage to having a fewer number of Commissioners or a greater number of Commissioners, say three or seven, as opposed to five?

MR. LORDI: I really don't know. I wish I could answer that question, Assemblyman, but I just can't do it. I have never, in all the years I've been in public service, worked on a commission. This is the first time I've worked on a commission. As a prosecutor, I'm an individual and I make my decisions within my office, and as Director of Alcoholic Beverage Control, it is pretty much the same way. I don't know whether or not it would be more effective with a three man Commission or a five man full-time Commission. I only know that the Commission is working now. I want to reemphasize the fact that this Commission has worked and has worked well. We've been carrying out the statutory mandate. All one has to do is look at Atlantic City and appreciate that this has been done.

ASSEMBLYMAN VILLANE: That brings me to another question. Do you think that the present Commission, as it is presently formulated, with the two men that are presently appointed in their proper terms, and the two holdover appointments, do you think that they could function in light of Mr. MacDonald's resignation, if he was replaced on that Board?

MR. LORDI: I have no doubt in my mind that they could function.

ASSEMBLYMAN VILLANE: They could function?

MR. LORDI: Absolutely.

ASSEMBLYMAN VILLANE: Mr. Lordi, have you ever taken a bribe?

MR. LORDI: I have never taken a bribe.

ASSEMBLYMAN VILLANE: I know you haven't. Thank you.

ASSEMBLYMAN CODEY: Ms. Kalik?

ASSEMBLYWOMAN KALIK: Good afternoon, Mr. Lordi. Could you tell me approximately how much time you spend a week being a Commissioner?

MR. LORDI: Well--

ASSEMBLYWOMAN KALIK: I know they ask me that question all the time as a legislator and I look just as you just looked.

MR. LORDI: I'm kind of confused because I spend a lot of time. I spend a lot of time on the road driving to Atlantic City, driving to Trenton, from Trenton to Atlantic City. I stay overnight at least two or three nights a week in Atlantic City. There are times when we work until six or seven or eight o'clock at night. You understand, I appreciate the fact that none of us are nine to four people and we recognize that. We have spent Saturdays and Sundays working. During the Commission hearings on Resorts International, we were in Atlantic City for about seven weeks. There were several weekends that we stayed there and it was interesting that while we held the hearings, business had to go on as usual and after the hearings were over, we would sit down as a group and then take care of our administrative responsibilities and other matters. So, if you're asking how many hours, I would have to say to you, quite a few hours. I could not number it, but it is quite a few hours, far beyond what the average person puts in.

ASSEMBLYWOMAN KALIK: And your part-time Commissioners?

MR. LORDI: They put in a lot of hours when there are hearings.

ASSEMBLYWOMAN KALIK: When there are not hearings, just in general, is it one meeting a week, two meetings a week?

MR. LORDI: No. We have meetings every two weeks or every three weeks, depending on the amount of business. Now, as far as the part-time Commissioners are concerned, first of all, you would send all of the material that you have, and our meetings usually go very late, and they are spending a lot of time at home reviewing this material. Then, they generally come, not all of them, but once in a while, they come the night before so they can discuss things with staff. So, in that respect, they put in their time. Secondly, they do get involved, all of the Commission members, they sit down with staff. I know that Commissioner Merck, Commissioner Corsey, Commissioner DeBona, and previously, Ken MacDonald, many times would call staff and sit down and discuss matters with them, matters on the agenda. They also have their own interests, whether it be the rules of the game, affirmative action or what have you. They may sit down with staff and have meetings with people that are concerned about Atlantic City. I would have to say, they probably put in a lot more time than the average part-time commissioner does.

ASSEMBLYWOMAN KALIK: You have said in your statement that you have no objection to full-time commissioners. Do you concur that there is a need for full-time commissioners?

MR. LORDI: I don't know. I can't answer the question for the simple reason that I don't know. I have never lived under a full-time Commission.

ASSEMBLYWOMAN KALIK: But, you must know the workload that you're working with.

MR. LORDI: Assemblywoman Kalik, I can only tell you that the part-time Commissioners who run the Commission at this time, were able to do the job. A year from now or two years from now, I don't know. All I know is that these people were prepared to put in the time it took to make the necessary decisions. They also went beyond that. They sat down with staff and did other things. To suggest otherwise is to suggest that we're not doing our job. I'm telling you we are doing the job.

ASSEMBLYWOMAN KALIK: That's not the suggestion. The suggestion is, when help is needed, you seek more help, if more time is needed, you seek more time. It's not a question of saying that they weren't doing the job because they didn't want to put in the time or give it the effort. Attorney General Degnan and Mr. O'Hern mentioned that the Commission is drifting away from its rulemaking, policy making decisions and instead, just going ahead and basing their decisions on a case to case basis.

MR. LORDI: That's not true. We have some 650 pages of rules and I dare say, before we get through, we'll have another 400 or 500 pages of rules and regulations. The fact is that we're administering a comparatively new, to New Jersey, and sensitive industry and we have drafted a large number of regulations. As far as I am concerned, there may be areas where we don't have regulations, but it's not because we've left it. It's because we're still drafting. Most of our decisions are based on regulations.

ASSEMBLYWOMAN KALIK: Are the Commissioners involved in that rulemaking process or is that staff?

MR. LORDI: Well, staff will initially research the question, draft the regulations and the Commission members get the drafts and these rules are considered by the Commission members at a public meeting. What we do is generally approve them for publication, in accordance with the statute, and the public is then given an opportunity, as is the industry, to address themselves to it and thereafter, after having received the public comments on it and comments from the industry itself, we then decide whether or not we want to adopt the regulation. The Commission must finally approve the regulation before it can become a part.

ASSEMBLYWOMAN KALIK: How do you feel about having all the hearings in Trenton?

MR. LORDI: One might argue, why not have them in Newark? I live in Newark. I would just roll out of bed and I would be there. I don't care. You know the interesting thing is, I still repeat, we don't have a permanent office in Trenton. Now, if we're going to hold hearings in Trenton, at least, find us a permanent office so we can have a meeting place where we can hold these hearings. But, it doesn't really make any difference to me.

ASSEMBLYWOMAN KALIK: I just want to know whether you approve it or disapprove it. Do you think it is important or not important?

MR. LORDI: I don't think it's important.

ASSEMBLYWOMAN KALIK: One final question. You don't feel that the full-time Commission as proposed in 1081 would, in any way, dilute the job of the Chairman of the Commission?

MR. LORDI: No. It does not, as I read it, dilute the present powers of the Chairman.

ASSEMBLYWOMAN KALIK: Thank you.

ASSEMBLYMAN CODEY: Mr. Schuck?

ASSEMBLYMAN SCHUCK: Mr. Lordi, it was pointed out by the Attorney General earlier that maybe by having an Executive Director and four part-time Commissioners, that rather than defining whether they would have enough responsibilities to warrant a full-time Commission, that maybe it's just you, as an Executive Director, who have the staff reporting directly to you, maybe they do not have that independency and that possibly, if they were full-time, they would have some sort of staff and maybe there would be more independency among five Commissioners rather than have one person have complete access. Do you agree as a Director, and I know, having served on a commission, it is rather difficult to ask all five to agree on one thing,

isn't it true that when one person or one member, in comparison to the other four, has access, that sometimes they don't really fulfill their duties as outlined in the legislation, under part-time?

MR. LORDI: Well, so long as you don't dilute the power of the Chairman-- the Chairman is, in my opinion, always going to have the same leadership role. I don't know that I would carry more weight with a part-time Commission as I would with a full-time Commission. I think it is the quality of the people that are appointed that really determines it. We have part-time Commissioners that pose many, many questions. In public meetings or private, we've had philosophical differences. Now, I do admit, as I said before, that as Chairman of the Commission with the benefit of staff that I am, perhaps, in a better position to research the question before us and review it and consider it. I just don't think that the Attorney General is correct on that.

ASSEMBLYMAN SCHUCK: If we were to ultimately try to make this the finest commission of its type in the country or the world, could anyone really maintain a degree of independence working part-time, knowing that we're looking for the person who is beyond reproach and at the same time we know that he's only going to be there once every two weeks or occasionally, and then, he just go back and raise a family by another means? Can we find some person who we could completely keep out to be, again, beyond reproach or live up to the expectations that we're trying to put into this legislation?

MR. LORDI: I think, when you talk in terms of the full-time Commission as opposed to the part-time Commission, you have just put your finger on it. It is perhaps the potential for conflict that might exist, where an individual is a part-time Commissioner who has some outside interests and those interests might, in some way, indirectly be affected by the industry that he regulates. So, the potential for conflict would be less for the full-time Commissioner as it would with a part-time Commissioner. I remember when I was Prosecutor of Essex County, when I first walked in, we were part-time assistants and it was about two or three years later that the office became full-time and I thought it was the right move to make. We were dealing then with attorneys, who had been part-time assistant prosecutors and there was always the question of whether or not they should give primary concern or first priority to their own clients as opposed to their interest in government. So, I thought it was a great idea. In this case, it seems to me that those are factors that come into play.

ASSEMBLYMAN SCHUCK: It is extremely unfortunate that we're here because we're probably here because certain things came out in the newspaper and I, for one, would like to say, at least in my opinion, from what I have seen as a legislator, having been here when the legislation was put together, that with what you were expected to do and the amount of pressures that were put upon the Commission, I think you've done an admirable job.

MR. LORDI: Thank you, sir.

ASSEMBLYMAN SCHUCK: Having lived in a county where Ken MacDonald was, I have to say there was not a better person in Camden County and I still believe that and I just think it is extremely unfortunate, but looking at the Legislature now, who has that responsibility to make sure that we will continue on our goal to try to rebuild Atlantic City and also make it the gaming capitol of the world, can we operate, can you, with a part-time Commission, meet those so-called guidelines that we have of getting on with making permanent licensing and looking at the other ten or fifteen applications, do you sense that because of the recent problems down there it has become difficult for you to operate down there, only under allegations, without any facts of any sort?

MR. LORDI: I have no reason to believe that we can't function and function effectively and efficiently.

ASSEMBLYMAN SCHUCK: Again, I'm asking your opinion. Do you think the public would be convinced that we, as a Legislature, are doing the right thing by making changes at this time, and I'm asking you this probably not so much as a Commissioner but as a person who has been in public life for 25 years?

MR. LORDI: Public perception and public opinion, of course, is important to all of us in public life, but it seems to me that performance, in the end, will out and we've indicated in the past that we've been able to perform and able to perform efficiently. Atlantic City is on the move and I dare say it won't be long before the public would realize that the Commission has done and is still doing a great job. I think that's the way the public, in the end, will judge us.

ASSEMBLYMAN SCHUCK: Thank you.

ASSEMBLYMAN CODEY: Mr. Riley?

ASSEMBLYMAN RILEY: Thank you, Mr. Chairman. Mr. Lordi, first I would like to join Assemblyman Schuck. As someone from South Jersey--my district is adjacent to Atlantic County--I would like to compliment you and the rest of the Commission. I think what I've seen in Atlantic City in the last two years is just absolutely amazing. My understanding of what your job was to do was to help with the rebirth of Atlantic City and there's not anybody that can question that. I think the second purpose was to employ people from the State of New Jersey and I know people from my district are being employed and think nobody can question whether you're keeping organized crime out. If I was a member of organized crime, I sure as heck wouldn't even think about going to somebody with your background.

MR. LORDI: Thank you, Mr. Riley.

ASSEMBLYMAN RILEY: Just briefly, two questions. One, would going to a full-time Commission, would that speed up hiring people? Would that speed up the job applications?

MR. LORDI: I don't think so.

ASSEMBLYMAN RILEY: Second, would going to a full-time Commission, as described by the Attorney General and the Counsel for the Governor, would that, especially in the way they put it, the insurance executives, the bankers, wouldn't we be creating a lily white male type of an operation, where we would be going for a thing of the business executives, rather than have the normal people from the State of New Jersey?

MR. LORDI: I don't think I followed your question, Mr. Riley.

ASSEMBLYMAN RILEY: The \$60,000. You're not more independent, because you're paid \$60,000, than one of the Commissioners, because they're paid \$18,000?

MR. LORDI: No, I'm not.

ASSEMBLYMAN RILEY: Would we, by creating a full-time, highly paid type of operation, wouldn't we, in effect, be creating an elitist type of body rather than something where the people of the State of New Jersey are really the ones that are examining the industry that is now benefiting our State?

MR. LORDI: In many ways, you would. In the past, we've taken a position, I saw many advantages to a part-time Commission, but I could live with a full-time Commission. The advantages to a part-time Commission such as we have at the present time is the ability to attract individuals from the professions, from the business world and a kind of mixture of experience and professionalism that you might be able to get with a full-time Commission.

ASSEMBLYMAN RILEY: Could you tell me, do all the members on the Commission have other jobs?

MR. LORDI: Well, I've had some discussions with Alice Corsey, but I think she's basically a housewife. Commissioner MacDonald had his own business. Commissioner DeBona is an attorney at law and Commissioner Merck, of course, is well known and I'm sure it wouldn't make any difference whether it was \$18,000 or \$60,000.

ASSEMBLYMAN RILEY: Thank you, Mr. Lordi.

ASSEMBLYMAN CODEY: Okay, thank you very much, Mr. Lordi. We will reconvene in 45 minutes.

(at which time a luncheon recess was taken)

ASSEMBLYMAN CODEY: I would like to start the public hearing once again, please. Our first witness this afternoon will be Alice Corsey, Casino Control Commissioner.

A L I C E C O R S E Y: I want to thank you at this time, Chairman Codey and the members of this committee, for affording me this opportunity to react to Assembly Bill #1081, an act to amend and supplement the "Casino Control Act," approved June 2, 1977 (P.L. 1977, c.110)

Assembly Bill 1081 proposes provisions for the appointment of five full-time commissioners to serve on the Casino Control Commission. I am not opposed to a commission so structured. But the question does arise as to what apparent needs or problems will be solved by having five full-time commissioners in place. Moreover, it is also necessary to consider the kinds of problems that may be generated, particularly during the transitional period and how this will impact on the efficiency of commission operations, and such questions as, will the commission require more staff? In what areas and in what numbers? Beyond the commissioners' salaries, what kinds and amounts of other costs will be involved? Where will these commissioners and staff be housed? Housing has been a continuing and vexing problem since this commission's inception. All of these problems can be solved. I merely point them out to note that in the interim these are the kinds of things that will impact on commission operations. Beyond that, I would like to recommend that should this committee move for the adoption of five full-time commission members, that those people be sought to serve on this commission who will constitute a representative population mix, thereby bringing to the commission a necessary broad view.

In the usual course of governmental events, amendments to law are offered with the objective of improving the law and facilitating its implementation. Moreover, there is usually some analysis of the body of experience under that law prior to amending and/or supplementing it. The new section 11 under Assembly bill 1081 obviously does not address itself to any of these minimal criteria. The question is raised, what problems does this amendment purport to solve? Granting that events of the past several weeks by some lights do not readily lend themselves to the usual governmental procedures; I strongly suggest otherwise. If ever there were a time and a matter requiring a judicious and well-thought-out solution, now is such a time.

To suggest the dissolution of the current commission is to suggest that something is inherently wrong that cannot be corrected, except by totally dismantling and restructuring it. It further suggests that this will suffice to "restore public confidence in the regulatory process."

I have listened carefully to what has been attested to here today in an attempt to comprehend the basis for such a thesis and to understand how the act of dissolution will restore confidence in this commission's integrity and credibility. Contrarily, I believe that the act of dissolving this current commission will impute to it a lack of credibility, honesty, and integrity. If there is a basis for this, if this commission has failed or in any way been derelict in its duties and obligations, I have not heard such charges. I warrant it is clearly because such charges cannot be substantiated.

To further emphasize the lack of a need to dissolve the current commission, I wish to point out to you that there are currently three open positions on this commission: one to fill an unexpired term, and two expired terms available for reappointment, or new appointments. Beyond that, a fourth position will be open for

reappointment, or new appointment, before the first of August. Wherein then lies a demonstrated need to which this amendment would address itself by requiring the dissolving of this commission?

Since its inception, this commission has been aware of the magnitude of its mandate, this commission has been aware of the highly sensitive position it holds, and it has been aware and sensitive to the latent distrust by the public of casino gaming operations. We have been aware of the absolute necessity incumbent upon us to function in an open, public manner on all matters, and we have done so. We have used the level of independence, powers and authorities vested in us for the sole purpose of carrying out the objectives and policies of the Casino Control Act.

We have been able to assemble a staff second to none in terms of ability, commitment, and dedication. There is no question that this commission and its staff have been functioning and will continue to function at the highest level, both in terms of integrity and work load. At the risk of pontificating, let me say that this commission and staff grasped the vision as drawn in the Casino Control Act and have never swerved from the goal of making that vision a reality both in the letter and spirit of the law.

In no respect has this commission used its powers, authorities, or role as an independent agency to impose on the role and function of any other agency. Indeed, this commission has worked and will continue to work cooperatively with any and all state and local agencies, both in law enforcement and social services.

This commission has maintained the highest level of ethics and professionalism in its dealings with casino-hotel applicants and licensees. And while it may not be popular to so espouse the fact that those operators who have been in contact with the commission accord it the highest respect, it is testimony to the level of ethics and professionalism inherent in commission operations.

Some weeks ago it became public knowledge that a member of this commission was allegedly involved in a bribery scheme purportedly having to do with helping a fictitious casino operator obtain a casino license. I do not here intend to imply that I can speak to the merits of the allegation, as I have nothing factual to offer. I note the event by way of introducing an issue that was spoken of earlier, but which appears to me to be the crux of the recommended amendment to dissolve this current commission.

Inherent in this amendment is a judgment, and I question the basis for that judgment. The law as it presently exists already provides for the removal of a commissioner or commissioners from office when deemed necessary or required for the public good. Further provisions are proposed in the amendment being addressed here today. If the judgment implicit in the proposal to dissolve this commission can in any way be construed to imply that this commission suffers some guilt through association, then I reject, and I urge this committee to reject, such a standard of justice as applied to me, my fellow commissioners or anyone.

I further assert that the application of such a standard will make it increasingly difficult to find individuals fitting and willing to serve in capacities such as the Casino Control Commission, inasmuch as such a standard need have no basis in fact and can be applied with a degree of capriciousness that is awful to contemplate. Thank you.

ASSEMBLYMAN CODEY: Thank you, Commissioner. Mr. Riley.

ASSEMBLYMAN RILEY: Thank you, Mr. Chairman. Is it Miss or Mrs. Corsey?

MRS. CORSEY: It is Mrs. Corsey.

ASSEMBLYMAN RILEY: I believe you are from my district?

MRS. CORSEY: Yes.

ASSEMBLYMAN RILEY: Mrs. Corsey, first, I believe you are a hold-over, is that correct?

MRS. CORSEY: Yes, I am.

ASSEMBLYMAN RILEY: So, therefore, you have come to testify today and your position is still dependent upon the whim of the Governor, is that correct?

MRS. CORSEY: I would say so.

ASSEMBLYMAN RILEY: What do you do? Do you have another job, besides the one as a commissioner?

MRS. CORSEY: Yes.

ASSEMBLYMAN RILEY: And what is that job?

MRS. CORSEY: I am a mother and a housewife - a most important kind of job, I might add.

ASSEMBLYMAN RILEY: I agree. Do you believe it would be beneficial to have a board consisting of nothing but lawyers, bankers, heads of insurance companies, and retired judges? Or, do you think it is beneficial to have people such as yourself on this board?

MRS. CORSEY: At the risk of sounding self-serving, certainly I think you should have a representative sampling of the population. I recommend this, if I may so recommend. In fact, I think that was part of what was originally promised, in hope of selling this bill. It was promised to the people of this state.

ASSEMBLYMAN RILEY: I believe you are correct. Do you find that you can add a lot to the Committee? I am sure you do personally, from what I understand in talking to other people. Do you believe that the membership should be restricted and maybe have a citizen membership, or something like that?

MRS. CORSEY: I don't think that membership should be restricted to any particular group. I just think that if you have to have a representative kind of cross-cut, you certainly get a broader view of what the people expect and want in casino gaming and its impact on them here in this state.

ASSEMBLYMAN RILEY: How many hours a week do you personally spend on the commission's work?

MRS. CORSEY: It is really difficult to assess because it sometimes represents a lot of work, and other times just a few hours. I would say, for example, if we are going to have a meeting on Friday we get a package delivered and it will take anywhere from Friday until Tuesday evening to complete work on that material which has to do with the agenda for that meeting. So, that would be about three or four days work. If I am acting as a hearing officer, it depends. One hearing that I had lasted for three days. Another lasted five days. In the interim, they send materials that was compiled by staff. This is sent home to us, so you spend some numbers of hours acquainting yourself with and becoming familiar with that material.

MRS. CORSEY: So, staff keeps you pretty well up-to-date with regard to what is happening?

MRS. CORSEY: Oh, yes.

ASSEMBLYMAN RILEY: So, generally, the hours you spend would depend upon whether there was a large application or something like that?

MRS. CORSEY: Well, yes, if there are going to be a lot of hours, such as when we had a hearing for a license, or for a temporary type of thing. But, more than that, I think all of us are kept up to date, certainly on a weekly basis if not on a day-to-day basis, about what is going on and what is taking place within

the commission operation and what to expect next -- that kind of thing.

ASSEMBLYMAN RILEY: Okay. Of course, you are more familiar with a lot of these things than I am. Sixty thousand dollars for your position seems an awful lot of money to me. Sixty thousand dollars, to me, seems like an awful lot of money for anything. Does that seem like an awful lot of money to be paid for the job you are doing right now?

MRS. CORSEY: Well, I don't know--

ASSEMBLYMAN RILEY: Let me rephrase that. You you think it would be better to try and figure out the hours that are spent and if the pay is commensurate with the hours?

MRS. CORSEY: Let me tell you what my thoughts are about that. When I looked at the recommended salary for that position, the same as when I looked at it for the chairman, I thought that what we have to keep in mind is that we are dealing with an industry that has a lot of money, at all levels. There is a lot of money being made and a lot of money, perhaps, to be made. I think perhaps some of the thought behind this kind of salary is that it is in keeping with what is not uncommon with any industry.

ASSEMBLYMAN RILEY: Forgetting the industry, if I said to you that someone working about, to generalize, fifteen or twenty hours a week was going to be paid sixty thousand dollars a year for doing that job, would that seem like an awful lot of money to you, forgetting about what industry we are talking about?

MRS. CORSEY: If they are going to work part time for sixty thousand dollars a year, that is an awful lot of money.

ASSEMBLYMAN RILEY: For the job you are doing right now, with the hours you are spending at it right now, would you say that was an awful lot of money if someone were going to get sixty thousand dollars for those hours?

MRS. CORSEY: Yes, I think so.

ASSEMBLYMAN RILEY: Do you believe the chairman is too powerful?

MRS. CORSEY: You know, I have heard that charge. I have also heard the chairman referred to as a czar.

ASSEMBLYMAN RILEY: I have heard the same charge. That is my next question.

MRS. CORSEY: I have heard that the chairman leads the rest of us by the nose, so to speak. Nothing could be further from the truth. I think that by statute, whoever chairs this commission will be a person who sits in a position of power, there is no question about that. But, that is by statute that he has certain powers and authorities, and so forth.

ASSEMBLYMAN RILEY: This proposed amendment wouldn't change that at all. The chairman will still run the meeting just as Mr. Codey runs this meeting, is that correct?

MRS. CORSEY: Yes.

ASSEMBLYMAN RILEY: Thank you.

ASSEMBLYMAN CODEY: Doctor Villane.

ASSEMBLYMAN VILLANE: Do you feel that the Casino Control Commission functions well as a part time agency at the present time?

MRS. CORSEY: I think so. I think we function very well. There is no question that there is a lot of work to be done and certainly I think most of that is because it is a start-up kind of operation. As I tried to say earlier in my statement, I think we have been fortunate that we have gotten the kind of staff and even part-time commissioners who, despite the fact that the job entails perhaps a lot more time than originally conceived, are willing to give of themselves and to give

that time. So, we have been able to move it along because of that.

ASSEMBLYMAN VILLANE: Do you think a part-time commission has held up any jobs, or has held up people who are awaiting licensure?

MRS. CORSEY: No.

ASSEMBLYMAN VILLANE: Do you feel that the commission, at the present time, is getting the job before them done?

MRS. CORSEY: Yes.

ASSEMBLYMAN VILLANE: Would you continue to serve as a part-time member and accept another term on the commission?

MRS. CORSEY: You know, if you had asked me this six weeks ago, I would have said yes, without question. In light of events over the last four weeks and the atmosphere that has been created about this commission, I am not at all certain. I will say this, if there are any changes made in the Casino Control Act that would have an affect on the way that I, and other part-time commissioners, would function, I would certainly want to study them very carefully before I would commit myself.

ASSEMBLYMAN VILLANE: If there were no changes in the Casino Control Act and it were to continue on as it is presently structured, would you consider staying on for another term?

MRS. CORSEY: Yes, I would consider it.

ASSEMBLYMAN VILLANE: Have you been asked to resign?

MRS. CORSEY: No, I have not.

ASSEMBLYMAN VILLANE: Do you feel, as some other people that were here today feel - Mr. Lordi in particular - that there is some degree of embarrassment with the presentation of this bill to wipe out the present commission and start over with a very similar commission?

MRS. CORSEY: Unquestionably, I think. I feel not only embarrassment but, I have to be honest, I feel resentment.

ASSEMBLYMAN CODEY: Doctor Cardinale, do you have any questions?

ASSEMBLYMAN CARDINALE: Yes. Do you feel that the Casino Control Commission should be subject to a canon of ethics very similar to the judicial canon of ethics?

MRS. CORSEY: I'm sorry, the judicial--?

ASSEMBLYMAN CARDINALE: Canon of ethics.

MRS. CORSEY: Canon of ethics? I am not really that familiar with the judicial canon of ethics, but I do know that we were required to establish and have established a code of ethics for the commission, the staff, and even for the families of the commission members.

ASSEMBLYMAN CARDINALE: Are you satisfied that that is functioning adequately?

MRS. CORSEY: Yes, I think so. I think perhaps in light of the past experience, we might, ourselves, make some adjustments to that code of ethics, only as a matter of protecting ourselves because we find ourselves to be in such a vulnerable position. Undoubtedly, we would have some kinds of changes to recommend for ourselves.

ASSEMBLYMAN CARDINALE: Do you feel it is proper for the Governor, or legislators - either past or present - to come before the commission with either an application for themselves or for a company they represent, or to recommend that a totally independent application should be, or should not be approved?

MRS. CORSEY: Let me say this: When I was familiarizing myself with the Casino Control Act and I came to the section that prohibited members of the Legislature, their partners, the Governor, his family, or anybody from his office, from coming before the commission to represent any license applicant, I was relieved. I was relieved to know that that was a pressure that I would not have to operate

or function under. I think it would not be conducive, perhaps, to making the best kinds of decisions.

ASSEMBLYMAN CARDINALE: Do you feel that perhaps the commission has in the past, or might have in the future, had its independence challenged by political people, either past or present, appearing before the commission? I ask this especially in light of the fact that there are three holdovers on the commission, who serve pretty much at the whim of the administration.

MRS. CORSEY: I think you should leave those controls, as they relate to legislators and members of the Governor's office who practice before this commission, as they are, in place in the statute. I don't think that should change.

I do think, however, that whether a person is serving as a hold-over member of the commission-- I don't know, it might influence some people, if they are a hold-over, to try to do what is expected of them because they want to remain there. Perhaps that ascribes some things to the job that do not, in fact, exist. I know there are people who look upon serving on this commission as holding a glamorous, prestigious kind of job, and so might be inclined to feel that if they perhaps voted or said what somebody wanted them to say, they could remain there. I don't have that kind of problem.

ASSEMBLYMAN CARDINALE: Thank you.

ASSEMBLYMAN CODEY: Assemblywoman Kalik.

ASSEMBLYWOMAN KALIK: I would just like to ask you one question relating to the part of the bill that speaks about the Governor designating a retired Superior Court judge or Supreme Court justice as an interim appointment. I would like to know what your feelings are about that.

MRS. CORSEY: Well, I don't particularly like the idea of an interim commissioner, a retired judge, a banker, a teacher, a housewife, or otherwise. I just feel that it is a position that carries with it the kinds of responsibilities which require that a person be named to serve in that position for some period of time. I don't even see what real import having an interim commissioner has. I don't know what question it answers.

ASSEMBLYWOMAN KALIK: Thank you.

ASSEMBLYMAN CODEY: Mrs. Corsey, how long have you been a hold-over commissioner?

MRS. CORSEY: Since the end of September - September of '79.

ASSEMBLYMAN CODEY: Has anyone from the Administration ever spoken to you about reappointment?

MRS. CORSEY: Nobody from the Administration has ever spoken to me.

ASSEMBLYMAN CODEY: Has anyone from the Administration ever spoken to you about this bill?

MRS. CORSEY: Mr. O'Hern spoke to me on Friday, to ask if I were going to be here today and if I were going to comment on the bill. I said, "yes."

ASSEMBLYMAN CODEY: So, the only contact you have had was from Mr. O'Hern, who asked you if you were going to speak on the bill?

MRS. CORSEY: Yes.

ASSEMBLYMAN CODEY: Are there any further questions? (no response) Thank you very much, Mrs. Corsey.

MRS. CORSEY: Thank you.

ASSEMBLYMAN CODEY: Our next witness will be Mr. Albert Merck, Casino Control Commissioner.

A L B E R T W. M E R C K: Mr. Chairman and members, I appreciate your invitation and I am particularly grateful that you have resisted pressures to rush this bill through. This isn't the time for short-cuts and it is a time for careful deliberation.

For almost three years, New Jersey has been a partner in the rapid development of casino gambling. All of us knew, and know now, that a strong law and rigorous regulation were vital to protect the public interest, but in spite of our best efforts recent events have shaken public confidence and loose accusations are abroad that have severely and unfairly damaged those affected.

Nevertheless, and without prejudging these matters, we are joined in an effort to strengthen the regulation of casino gambling and to demonstrate to the public that we share their concerns. I am optimistic that we can meet the challenge. I think we will come out with a better law, a better commission, and ultimately restore the respect of the public.

This bill will dissolve the present commission and reconstitute it with full-time members. However that is done - and you could just do it by changing the word "part" to "full" - if we want to eliminate conflicts, we can do that with an improved conflicts law and a better code of ethics. I believe all the commissioners should be part-time. This would serve to equalize the powers as between the chairman and the other commissioners. It would separate the commissioners too from the day-to-day details of administration. This is not a tax board. It is not a PUC commission. It is a casino control commission. It does not require, and should not have to attract, highly specialized people who can devote their full time to the intimate details of regulation, and rate setting. We have other jobs to do that the statute confers upon us; for instance to assist in the revitalization of one of our cities.

Part time would require commissioners to occupy their time with questions of a policy nature. I don't think we should think that changing from part to full-time just means we would be able to occupy ourselves. What it would do is, it would change the commission so that the job of a commissioner would increasingly become involved in administration. I think we should avoid that. We should stay with questions of a policy nature. We should be in a position to review contested cases, regulate the casino, or review the casino operation and the performance of the staff.

This bill should be amended not only to provide all part-time commissioners, including the chairman, but a full-time staff director, who is appointed by the commission and serves at their pleasure. That should be a \$65,000 job.

The basis for my recommendation is that I think we will get much better people to serve part-time, and by better I mean "bigger" people, people who are not only honest but who think in the big terms that are necessary to give full effect to the broad statutory requirements of controlling the industry, ensuring equal employment, and so forth.

Secondly, and most importantly, we would ensure that every commissioner is independent of the necessity for reappointment to the commission or to some other state job for his livelihood. The job should need him more than he needs the job.

Full-time commission positions can far too easily be used as holding tanks for deserving party loyalists, or as safe landing pads for those being put out of office. And, full-time would not mean a forty hour week in Atlantic City; it would mean that a commissioner couldn't be paid by anyone else aside from whatever he may get in unearned income. This would exclude many of our most substantial people and would mean that a commissioner would become dependent on his job for his livelihood. That is unhealthy.

Full-time jobs also have the disadvantage of eliminating many civic-

minded citizens who would consider their obligations include a sacrifice of some of their valuable time from their careers. We certainly want to attract them, but few would be either willing or able to interrupt their careers for five years. We ought to recognize too that while many fine people would serve as a part-time civic duty, not nearly so many would do so if it meant that they had to commit their whole attention and interest to the world of casino gambling. It is an industry which many of our high-minded citizens do not find morally uplifting.

One of the perils of any regulatory agency is that it falls under the sway of the industry that it regulates. A part-time commission can reduce that risk, which comes from the creation of sympathies that can develop very easily from an uninterrupted intimacy with the problems of an industry.

I do not minimize the burdens or the importance of these part-time jobs. Consequently, I think the salaries of the part-time commissioners should be \$30,000 a year and the chairman \$35,000 a year. Money does make a difference in attracting a wider selection of candidates, and I think the \$18,000 is too low.

The proposal to make all members full-time is an effort, partly, to equalize the powers of the chairman with other members, and it would help, but not nearly so much as separating his power to preside over the commission from his administrative functions. If he is to be chairman, he should not be chief operating officer also. I may point to the model of the Port Authority of New York and New Jersey, which operates billion dollar facilities.

The key to a commissioner's effectiveness is dependent, I believe, not so much on whether he is full or part time, as on whether he has his own staff help. This bill should also provide that each commissioner be given an allowance, perhaps of \$30,000, to appoint and direct a member of the staff, or to engage outside advice. If all the commissioners are full-time, the chairman would still control the staff under this bill. They are his employees. They respond to him and to his priorities, and they present their recommendations at meetings. I support the Chairman's praise of the staff. They are both capable and cooperative. But, some of us look at things differently and we have no staff to evaluate his proposals or to develop possible alternatives. Sometimes we commissioners participate in the development of commission business. Sometimes we will see a finished product a few days before a meeting. Sometimes we learn of matters after the fact.

The detailed memo, dated March 3rd, from the Chairman to your Chairman, re. Assembly Bill #1081, includes technical changes. I am confident that it is a competent job, but I think you should know that I saw it at five minutes past three this afternoon. This is not a criticism of the Chairman. The law has given him enormous powers. He has used them to the fullest, and he has a solid record of accomplishment to show for it. But, the truth is, he really didn't need many other commissioners and that is the major reason why some citizens of substance are unwilling to serve. They just don't think they are needed. I am criticizing a law which allows this, and that law should be changed.

I also oppose the idea that the Governor designate the chairman. Except for the first, initial year, the commissioners should elect their own chairman. This will avoid most of the perils of cronyism, but, more important, it will require the chairman's performance to be judged by his own peers and, yet, it will preserve majority party control, which is exactly as it should be.

Paragraph G requires commissioners and employees to testify before the Grand Jury and the SCI. That's good, but you should insist that it include legislative committees.

Lines 48 to 51 on page 2 would continue the holdover provisions. I don't think that's a good idea. It is presently subject to abuse as in the case of two commissioners who are now serving day-to-day at the pleasure of the Governor. This is not independence and is evasive of the statute. The division's director should also not be a holdover. Personally, I would not serve as a holdover, except for the most emergent circumstances.

I favor the suggested changes about employment restrictions, but I don't think they go far enough. I think you should insert a strict prohibition against any commissioner or commission employee or division employee from asking any casino licensee, or prospective licensee, to grant employment for someone, or any other favor to anyone, in any way, shape, or form. It should also be specific that no favors should be accepted. Now, I don't think that any of us can be influenced by a parking fee, but I think it is extremely important that we get the reputation that we won't even let a casino pay for a parking fee. That is the kind of people we are. This means no business outside the office: No socializing, no golf, no parties, no sports events, no use of the hotel, no discounts, no introduction to beautiful or influential people -- no nothing. Such a provision would eliminate, then, the need for the new language which is in the bill, requiring the reporting of complimentary services. There shouldn't be any complimentary services.

I support the repeal of the waiver of the extraordinary majority, and also the interim use of retired judges.

In Sections 5 and 8, certain powers are taken away from the chairman. This is by appearance, mostly. As a practical matter, if they are enacted, it will just slow up an already disturbingly slow process without any substantive change. Such ineffective alterations can only be seen as a distracting cosmetic, or something worse.

You will need full-time commissioners if you permit them to hear contested cases. There are literally dozens of them, and there will be hundreds to come. That will represent a large share of the full timers share of work. Commissioners should not be designated to hear contested cases. In the first place, most lay people, including myself, are not qualified. Someone with a legal background is needed - more lawyers. We have administrative law judges. They are developing expertise. They are qualified, and they avoid the unfairness of a regulatory body hearing a complaint about its own regulations in the first instance. Such a job assignment, I submit, would also serve to discourage substantial people from serving. Listening to the facts in the case for six hours to decide if a player has capped a bet is not what will attract our most substantial citizens. The commissioners will have enough to do as hearing officers in non-contested cases. These are the proper first steps for determining policy, and they can regard such things as casino dominance, gaming schools, and urban revitalization.

However, if you decide to let the commission hear contested cases, you should eliminate the position which allows some cases to avoid commission review. That is on page 12, lines 12 through 18. Both parties can assent, if they want to, but there should be no bypassing commission review.

I also think it is unwise to have the chairperson alone have the power to designate a particular commissioner for any hearing. The amendment removing the words, "in his discretion" - line 10, page 12 - is redundant. What is left in is, "may designate." In the real world, that means he will and that retains the power to influence the outcome of a hearing by selecting a particular commissioner. That should be changed to require that the commission designate the hearing officer.

In conclusion, I have concentrated on A-1081 and I won't go beyond that. First of all, I should close with general remarks. I don't think the sky is falling, but I would not want to make the mistake of believing that because there is no great public outcry that there is not a great deal of silent cynicism on the part of those who view us as incapable of controlling big time gambling. We can all applaud the creation of a new industry and all its benefits, but surely if those accomplishments have to be bought at the price of losing public confidence, we will have failed in our job.

I think we should take a hard look at the relationship between state government and the casinos. The public perception now is one of an easy familiarity and ready access between Trenton and Atlantic City. A number of former state officials have stepped out of public life and into lucrative jobs in the casinos, or the law firms representing them. Those now in office are being tempted and the numbers of willing seekers will increase substantially as an administration changes.

This view, however incorrect, threatens the reputation of all public life in this state and creates an anxiety and there is a tremendous potential for public corruption. I don't think any commission can or should be insulated from state policies, as set forth in the statutes. But, I do think you have to build a wall of integrity between Trenton and Atlantic City, so high that no one can get over, and so big that everyone will see it. That is what I think must be done and I am confident that your committee will be the key to success. Thank you and I hold myself ready for any questions.

ASSEMBLYMAN CODEY: Doctor Villane, do you have any questions?

ASSEMBLYMAN VILLANE: No questions.

ASSEMBLYMAN CODEY: Ms. Curran?

ASSEMBLYWOMAN CURRAN: Thank you. As usual, Commissioner, it is hard to know where you stand on these issues. You don't make yourself clear as to what you think. To reiterate some of the vague points you made in regard to the power of a full-time versus a part-time chairman and members, can you tell us, as a part-time member, about some of the specifics that are affected, other than the ones you mentioned in here, primarily staff? Can you tell us some of the specifics that are affected by, let's say, an unequal power among the five commissioners?

COMMISSIONER MERCK: As I mentioned, Assemblywoman, the staff are essentially employees of the chairman. They must respond to his requests and his priorities. I don't mean to infer in the slightest way that when I have asked for help I haven't gotten it. But, sometimes there is a very heavy workload that has to be given priority. We all understand that. The point I am trying to make is, regardless of the competence and the qualifications of the staff, very much - just in the same fashion that you, yourself, and the other legislators require this - is dependent on aides that you appoint and who depend on you for their employment. They may look at something differently. They may offer other alternatives. And, I think it is critical for part-time or full-time commissioners to have this service. It is a sad day when I receive a large number of complicated papers from the Commission on a Friday and, if I am unable to get to Atlantic City on a Monday, I have to engage private counsel to give me advice. That is not right.

ASSEMBLYWOMAN CURRAN: To your knowledge, do the other part-time members of the commission have to operate the same way, i.e. there is absolutely no staff response to them, to either give them further information on an issue, or perhaps to prepare information that may contradict what might be the majority viewpoint?

COMMISSIONER MERCK: I don't think I said there was no staff response. I have always gotten a response from the staff, and they have been cooperative and helpful.

ASSEMBLYWOMAN CURRAN: All right. I am not talking about the staff as individuals or personalities. Do you think there is adequate staff response to either prepare a minority viewpoint, or to further investigate a question that you, as a part-time member, may have?

COMMISSIONER MERCK: If I make a request to investigate something, yes. But, sometimes I don't see papers until three or four days before a meeting, and sometimes I may not be qualified, legally, to even ask the kinds of questions the staff itself may have, inadvertently, overlooked.

ASSEMBLYWOMAN CURRAN: So, within that short time period, then, there is really no staff recourse for you take in order to receive a response?

COMMISSIONER MERCK: No, I don't think that is true. I think I can pick up the phone and I think they will do what they can for me. But, I would say that very often there isn't much time to do something. I think the most difficult part is not that I can't get staff assistance on items which I am sure of, it is the items which perhaps no one has thought of, or alternatives which have not, for one good reason or another, been discussed. This puts a part-time commissioner, or a full-time commissioner who does not have his own staff, at a disadvantage. I repeat my reflection of the legislative comparison to a certain extent, although there you have party considerations.

ASSEMBLYWOMAN CURRAN: To ask another question regarding another area you brought up, there has been a great deal of discussion as to former members of the legislature and former members of the executive branch who now are employed in either a representative or an adjunct capacity within the casino industry. Do you have any problems, or can you point out some problems to us that might occur if we were to word an amendment that would indicate that no casino licensee could be removed or given a license, in the case of a new applicant, if they employed people who were members of either the legislative or the executive branch, within a given time period - let's say two years or four years?

COMMISSIONER MERCK: I hope you do it. It may have to go into another bill, or into a code of ethics, or whatever. But, my reaction to people reflects in no way on their integrity. My reaction to people who have held a high office and who appear on behalf of a license applicant creates, in the first instance, a public impression which is important, and the impression is, "Well, maybe they can't get it with just anybody, they have to use influence." This may be a totally incorrect perception, but it is the first thing that occurs to me.

The second thing that occurs to me, is, "Why do they have to go and find somebody like that; isn't the case presentable on its merits"? I would love to see some young, unknown lawyer come up with a casino application. I think I would overlook a great many shortcomings.

ASSEMBLYWOMAN CURRAN: Okay. One final question. If the powers of the commissioners were equalized, be they all part-time or all full-time, would you be willing to consider reappointment?

COMMISSIONER MERCK: I have 144 days to serve under the present law. You are assuming that I would be asked. Going on your assumption, which may not necessarily be mine, I would have to carefully examine the revised statute, particularly as to staff aid, and I would have to know who else was going to be on the commission.

ASSEMBLYWOMAN CURRAN: Thank you. Dr. Cardinale.

ASSEMBLYMAN CARDINALE: Commissioner, do you feel that it threatens the independence of the commission for the Governor, or the Attorney General, to present their views relative to specific applications, as opposed to general policies, before the commission?

COMMISSIONER MERCK: If it is presented as a view, say, of the Attorney General before the commission?

ASSEMBLYMAN CARDINALE: Yes.

COMMISSIONER MERCK: I think that is his job.

ASSEMBLYMAN CARDINALE: If it relates to a specific application?

COMMISSIONER MERCK: Yes, if he thinks a bad guy is in front of us, he should tell us. We have no investigative power. We rely one hundred percent, really, on his office and on his investigative arm to assess a licensee, whether it is an individual who perhaps has a shadey background or whether it is an applicant for a plenary license. Yes, I think he has to do that.

ASSEMBLYMAN CARDINALE: If it relates to whether there should be remodeling allowed, or if a new construction project should be undertaken under that particular application, do you still feel the same way?

COMMISSIONER MERCK: If an elected official makes a speech, or even addresses a public body of any kind, and is against a certain measure - we will say the remodeling of any hotel - I think he is entitled to do that. Now, how much attention we pay to it is something else again, particularly when the law permits both rehabilitated and remodeled structures. To me, state policy is what is embodied in the law and in such regulations as we may have issued in compliance with that law. It is not a recommendation which is made in some public forum, even though we will say subsequently that will become the law.

ASSEMBLYMAN CARDINALE: You addressed the holdover situation. Can you tell us, in your view, why it takes so long to get a license?

COMMISSIONER MERCK: As an individual licensee?

ASSEMBLYMAN CARDINALE: Yes, as an individual licensee.

COMMISSIONER MERCK: There are two main reasons. The first is, there are excess numbers of applicants. The applicants are far in excess of the number of jobs there may possibly be. And, a lot of people who are applying have no intention to apply for a job. The backlog of investigations required under the statute - which is a very strict investigation - is very large. If, for instance, an applicant lived in Illinois for some years prior to coming to New Jersey, as I understand it, the Division has to write to the Illinois authorities to check on certain things. How do you get them to answer? I think it is a very sticky problem. The more thorough you become, the slower it goes.

ASSEMBLYMAN CARDINALE: Thank you.

ASSEMBLYWOMAN KALIK: Mr. Schuck.

ASSEMBLYMAN SCHUCK: Mr. Merck, based on the legislation that you had to work under, and not having a lot of expertise or experience, do you feel that you have had a degree of success as far as the commission is concerned in Atlantic City?

COMMISSIONER MERCK: As far as the accomplishments are concerned, the ones that were cited by the Chairman, I think we have a solid record of accomplishment.

ASSEMBLYMAN SCHUCK: You feel as an individual who has been a part of this, that you are satisfied with what you had to work with, insofar as the

legislation that we gave you to work with is concerned, and that there has been a degree of success in Atlantic City?

COMMISSIONER MERCK: There is no question about it, Assemblyman. I just don't think you can take anything away from the Chairman or the staff on that one. I think my remarks were that, in truth, I would like to take a lot of credit for it, but I just don't deserve it.

ASSEMBLYMAN SCHUCK: Do you feel that since the recent allegations were published in the press, you can still be successful as a part-time commission, under the legislation as it is presently set up?

COMMISSIONER MERCK: If things could just go along as they are now, assuming would be staffed with commissioners with full time terms and in time, particularly, for the license hearings, yes, I think the progress would be the same. But, that does not take away from what I see as a the very difficult problem of attracting people into a rather risky job. I say risky because when I open the newspapers, I don't know if someone is going to say they handed me a suitcase full of money. I can tell you they haven't. I haven't seen a nickel. But, I think this job has to offer a lot of non-monetary compensations for the agonies and frustrations that are going to go with it. I think that what it has to offer is that each commissioner feels that he is really a contributing member and not someone who happens to be there and that things will go along pretty much the same without him.

ASSEMBLYMAN SCHUCK: Certain members may find themselves financially independent and may not necessarily need the \$18,000 as provided today, but can a person serve two masters, one being the commission and the other being an employer working for a living?

COMMISSIONER MERCK: Yes, I am confident that can be. Once again, I think we need to do a little shoring up of the code of ethics. I think the Conflict of Interest law is pretty tough now. That might even be toughened up a little bit. But, I point to such people who serve, for instance, on the Port of New York Authority. These are very substantial citizens. These are the kinds of people we should really try to attract. I don't mind mentioning possible names. I am not the appointing authority. I am thinking of such people as a Bob Meyner, a Gus Henningberg, an Art Lane, and an Ed Jesser. Now, these are the kinds of people who are going to say, "It is a headache, but I realize a democracy can't function if everybody says they are too busy," and who are going to be willing to take that at a sacrifice of their time and who will make some allowances concerning their businesses.

ASSEMBLYMAN SCHUCK: It appears, presently, that there aren't a lot of people, at least from what I understand, who are interested in serving as members of the commission on a part-time basis, for an \$18,000 salary, with the restrictions that they may have -- the so-called "wall" that you mentioned - insofar as giving up any social life they may have which pertains to Atlantic City and the commission. They would almost have to put themselves in a closet of some sort. It doesn't appear that under the present law, and in light of what has happened recently in Atlantic City, that we could ever, for \$18,000 a year, get the type of person that you are referring to, who would be willing to do it just for a cause by saying, "I will take it upon myself." Yet, you are advocating continuing part-time positions as opposed to full-time position.

COMMISSIONER MERCK: That's right, because I don't think that under the present structure the job is attractive enough. One of the suggestions I made was to increase the \$18,000, but that is not the essence of my recommendations.

The essence of my recommendations is, first of all, that the power be more equitably distributed as between commissioners and the chairman. He is now running the staff and he is running the commission. In other words, he reports to himself.

ASSEMBLYMAN SCHUCK: But, at the same time, you are asked a question about whether or not you would serve again if you were asked. You answered that by saying that you had to look at the statute, but you would also want to know who else would be serving with you. Were you implying that possibly you would like to have a say as to what commissioners were being appointed?

COMMISSIONER MERCK: No, sir. I think that is a proper prerogative of the executives and I wouldn't even presume to comment on that. But, I don't think anyone who is going to serve on an important board should neglect looking at the statute he is going to be working under and knowing who he is going to be working with. I think these are just the actions of a careful person.

ASSEMBLYMAN SCHUCK: Okay. Thank you.

ASSEMBLYWOMAN KALIK: Mr. Riley.

ASSEMBLYMAN RILEY: Thank you. First, Mr. Merck, if you think three or four days is a short time to do something, you ought to be up here for a couple of weeks.

COMMISSIONER MERCK: I have been.

ASSEMBLYMAN RILEY: Again, I am new and I have no idea of what you do on the outside. Apparently, from all the other comments, everybody knows what you do in the outside world. I don't.

COMMISSIONER MERCK: I am the director of a major corporation. I have interests in other businesses. I am a trustee of various trusts. I am a director of a civic association, which is primarily interested in urban revitalization.

ASSEMBLYMAN RILEY: Which one is your major employment? You said you are the director of a large corporation.

COMMISSIONER MERCK: I was teaching, part-time, at Drew as an adjunct professor of political science. I am not teaching this semester, partly because of this job.

ASSEMBLYMAN RILEY: But, your main job is as director of a large corporation?

COMMISSIONER MERCK: No, actually, right now, the main thing I am doing is working for the commission.

ASSEMBLYMAN RILEY: Okay. I was just wondering. You were commenting about hiring a young, unknown lawyer. You work at a large corporation and I don't think I have ever seen a corporation hiring a young unknown lawyer. Have you ever seen a large corporation hiring a young, unknown lawyer?

COMMISSIONER MERCK: No, I was using the illustration as an exaggerated example of something that I don't think will ever happen, but which I wish would happen.

ASSEMBLYMAN RILEY: I know of a lot of young, unknown lawyers who agree with you.

COMMISSIONER MERCK: Yes.

ASSEMBLYMAN RILEY: With regards to the staff, is the staff hired strictly by the chairman?

COMMISSIONER MERCK: The chairman hires the staff, with the approval of the commission at the top level. But, as is proper, the heads of the various divisions make recommendations for staffing their own departments to the chairman, and then he brings them to the whole commission.

ASSEMBLYMAN RILEY: So, you are involved in the hiring already, isn't that true?

COMMISSIONER MERCK: As an approving authority, yes.

ASSEMBLYMAN RILEY: Really, you have the same power as you just said the chairman has, and the same connection the chairman has.

COMMISSIONER MERCK: Not exactly, no.

ASSEMBLYMAN RILEY: Well, where is the difference?

COMMISSIONER MERCK: The chairman runs the staff.

ASSEMBLYMAN RILEY: Because he is there all the time.

COMMISSIONER MERCK: Of course, and somebody must be. It is proper under this law that he do that.

ASSEMBLYMAN RILEY: If each one of the part-time members had a specific aide, for instance, vis-a-vis sort of like we do - you keep referring to the legislative staff - do you think that would go a long way towards helping with the problem?

COMMISSIONER MERCK: Yes, I do.

ASSEMBLYMAN RILEY: So, you would have somebody there more or less keeping a watch out for your interests?

COMMISSIONER MERCK: Not just watching out for my interest.

ASSEMBLYMAN RILEY: Keeping you advised, is that I am saying.

COMMISSIONER MERCK: Keeping me advised, but also someone who perhaps comes from a different background, has a slightly different set of priorities in his or her life, and who will just normally look, possibly, at regulations or administrative business in a different way.

ASSEMBLYMAN RILEY: If we provided for something along that line - an aide to each commissioner to keep you appraised of what is going on - then the chairman and your proposed executive director would sort of be the same person; he could be the same person and it wouldn't make any difference.

COMMISSIONER MERCK: No.

ASSEMBLYMAN RILEY: Unless you are going to have the executive director to just be the total executive officer of the entire operation.

COMMISSIONER MERCK: That is my suggestion.

ASSEMBLYMAN RILEY: Oh, that is your suggestion?

COMMISSIONER MERCK: Yes, because I think someone there should be a career officer. He should depend upon the commission for his employment.

ASSEMBLYMAN RILEY: Would this be done by Civil Service?

COMMISSIONER MERCK: No, I would not recommend Civil Service. I think he ought to be exempt from Civil Service. I think he should serve at the pleasure of the commission and he would have to perform just the way a president of a corporation has to perform to justify his employment every year to his board of directors.

ASSEMBLYMAN RILEY: You keep referring to the "big people," "substantial people" -- that type of adjective to describe people--

COMMISSIONER MERCK: Yes.

ASSEMBLYMAN RILEY: It sounded to me a little bit like you were trying to create an elitist board, one that is not really a cross section of this state. I am curious. Is that what you think is needed, a board of lawyers, bankers, insurance executives, etc. - as I asked before - or do you think we need a cross section of people from the State of New Jersey?

COMMISSIONER MERCK: Ideally, we should have-- And, once again, I am using the word "big", and I am using it in the sense that it is the kind of personality who thinks in big terms, who is not, let's say, an expert in the fine points of the law, or whatever. That is something the staff should provide, and has been providing. What I am looking for here, ideally, are people who, first of all,

by their very presence on this commission, by their very reputation and their accomplishments, whatever they have been, will inspire the public to say when they look at them, "Gee, you know, that is really quite a bunch of people there. I can feel confidence in them. I trust them. They have demonstrated over their lives that they are the kind of people who are responsible, honest, and caring about the public interest."

ASSEMBLYMAN RILEY: Well, following that up and following along the lines of what you just said, wouldn't we be creating a situation where, and I know this is an old saying, "if you have something to do, give it to a busy man to do it"? Wouldn't that be exactly what you would be doing? Wouldn't you be giving it to people who are very busy and, consequently, this would be just sort of a side line to them? Secondly, if you give it to the busy man, wouldn't it wind up being nothing but corporate executives from New York City who would be brought down from New York to dictate to the State of New Jersey?

COMMISSIONER MERCK: It doesn't have to be, Assemblyman.

ASSEMBLYMAN RILEY: But wouldn't that be the end result?

COMMISSIONER MERCK: If the Governor ended up appointing those people, I think it would, yes. That would be unfortunate.

ASSEMBLYMAN RILEY: Thank you.

ASSEMBLYWOMAN KALIK: Mr. Merck, I just want to make one comment. If anyone was going to throw a curve ball, I knew it was going to be you.

COMMISSIONER MERCK: I thought this was fairly straight stuff.

ASSEMBLYWOMAN KALIK: I happen to think you were very definitive in how you feel about the proposed piece of legislation, and you also gave us another direction in which to think. I just have one question for you with regard to your support of the appointment of interim judges to serve in the event of incapacitation, disqualification, or vacancy. Do you think someone can just come to the commission without having been around for a while and make the kinds of decisions that you are called upon to make?

COMMISSIONER MERCK: It is not as good as it should be, Madam Chairman, but we do have deadlines in the statute which require us to issue a license before such and such a date -- or I should more correctly say require the applicant to be licensed before such and such a date.

I don't see anything wrong at all with an interim arrangement that brings in someone with a judicial background. Judges will hear cases on things about which they know nothing until the lawyers on both sides have educated them as to what is going on, whether it is a patent or whatever. So, I think an interim judge in a kind of emergency situation is really a good idea.

ASSEMBLYWOMAN KALIK: Except you have already indicated that the staff keeps you informed of the fine legal points. So, you are not necessarily looking for legal expertise in this matter. You are looking for a judgment.

COMMISSIONER MERCK: True, and I think you get both with an interim judge. But, even more importantly I think that the judiciary has retained, generally, the public confidence. I think if people saw - for instance, if a commissioner fell ill just before a hearing on a casino license - a former judge sitting on that particular hearing, from the conception of the public, I think that would be advantageous.

ASSEMBLYWOMAN KALIK: Thank you. There are no further questions.

COMMISSIONER MERCK: Thank you very much.

ASSEMBLYWOMAN KALIK: Mr. Van Buren, please.

Mr. Van Buren is the Chairman of the Midatlantic National Bank. Whenever you are ready, sir.

R O B E R T V A N B U R E N: Thank you, Madam Chairman. Ladies and gentlemen of the Committee, thank you for this opportunity to share my thoughts with you regarding A-1081 and perhaps the future of the casino industry in our state.

I appear before you today hopefully with a broad perspective, which our bank's position as a lender to the casino industry has provided me with. Soon after the citizens of New Jersey approved by referendum the establishment of casino hotels in Atlantic City, and when the control mechanism was put into place by the Legislature and the Governor, several New Jersey banks entered into a commitment of support for that new industry. In fact, they played an important role in the financing of the three existing casinos, and have committee support to others under construction, or being planned. We are anxious to continue that support.

In the case of Midatlantic specifically, we have been involved in the financing of several of the casino projects. In some instances, we have acted as the lead, or agent, bank, bringing together lenders from other parts of the country, as well as from abroad.

Generally, this has not been an easy task and potential lenders are not beating a path to our doors. This committee will recall that the principal institutional lenders here in New Jersey have thus far declined to participate in the financing of casinos, as have the New York banks, with rare exceptions. I can assure you that the recent events have not helped to improve what is already a very difficult problem.

To support this position, I would like to quote, in part, from a recent Wall Street Journal article. I quote: "High interest rates and the after effects of the recent Abscam probe by the Federal Bureau of Investigation, have reportedly dried up new sources of financing for casino gambling companies." Today it is not only the legislature and the administration, but the people of our state who are concerned for the future of this industry. I believe that the eyes of our country are upon us as we struggle for a resolution of the problems facing us. I believe too that the longer the struggle and the greater the dialogue, the more difficult the solution and the greater risk we take in being able to attract the private investors and the lenders who are obviously needed to make this industry a true reality in New Jersey.

The fact is, ladies and gentlemen, we must get the New Jersey Casino industry and its problems, which you seek to resolve, off the front pages of the nations press. In my opinion, it is absolutely essential for the legislature to move promptly and decisively in appointing a full commission, comprised of individuals who can provide the respect and competence necessary for the commission to retain its credibility and dignity.

It seems to me that it is imperative for all parties considering the proposed legislation to do so in a spirit of cooperation and with a genuine willingness to have it moved through the legislature as quickly as possible. While I speak today as a member of our State's banking community, my interest in your deliberations is not exclusively that alone. I believe the security of jobs, of investors, of our construction industry, of Atlantic City, and, indeed, our state and its reputation depends upon the speed and spirit with which you act. I urge again that all parties adopt a spirit of cooperation so that this matter is resolved promptly. The people of the State of New Jersey are entitled to no less.

Thank you for this opportunity to share my views with you.

ASSEMBLYWOMAN KALIK: Thank you, Mr. Van Buren. Mr. Riley.

ASSEMBLYMAN RILEY: I have just one question. You mentioned these mythical, pure-of-heart saviors of the State of New Jersey who would come down upon us and be pure of heart and rule from the commission. Who are these people? Again, do we have to appoint former judges to do this? Do we have to appoint bankers? Do we have to appoint lawyers? Do we have to appoint this type of person, or can it continue to be normal people from the State of New Jersey?

MR. VAN BUREN: Assemblyman Riley, I am not sure I understand fully what you mean when you say I suggest mythical, pure-of-heart people. I haven't suggested anything other than a full commission that can move on with the job at hand.

ASSEMBLYMAN RILEY: Comprised of members--

MR. VAN BUREN: I will read the quote to you: "Comprised of individuals who can provide the respect and confidence necessary for the commission to retain its credibility and dignity." I haven't designated anyone.

ASSEMBLYMAN RILEY: You have nobody in mind?

MR. VAN BUREN: No judges, no bankers -- I would suspect that in those groups of people that you refer to as "pure-of-heart", there probably are some pure-of-heart people who might be helpful to the commission.

ASSEMBLYMAN RILEY: Thank you.

ASSEMBLYWOMAN KALIK: I have one question, Mr. Van Buren. We have heard a great deal today in great numbers as to the handle of the casinos and why this industry is so important to the state. I think we are all aware of that. Can you give us an indication as to a ball park figure of the financing you have been talking about?

MR. VAN BUREN: I really can't, Assemblywoman Curran. I can only give you a ball park figure of the amounts that our bank has participated in. We have, obviously, not been involved in every project.

ASSEMBLYWOMAN KALIK: I mean the ones you have been talking about.

MR. VAN BUREN: It is many, many millions of dollars. Let me tell you that one particular project which I can speak about more openly than others, because it was reported in the Wall Street Journal and it is public knowledge and public information, was a loan in which our bank acted as an agent or, as I refer to it, a lead bank for the Holiday Inn/L & M Walter Corporation combination project in Atlantic City. That number was reported in the Wall Street Journal as a bank loan of seventy five million dollars for that particular project. There are others in which we are participating but they are not public information. I would prefer to keep that--

ASSEMBLYWOMAN KALIK: Would it be fair to say that it is at least double that?

MR. VAN BUREN: It is many more times than double. It is much more than that.

ASSEMBLYWOMAN KALIK: Thank you. Dr. Cardinale.

ASSEMBLYMAN CARDINALE: I have no questions.

ASSEMBLYWOMAN KALIK: I just have one question, sir. What do you mean by the full commission? Do you mean a part-time commission, a full-time commission, a brand new commission, or the same commission with the vacancy filled and the hold-overs reappointed?

MR. VAN BUREN: I really think, Madam Chairman, that that is a matter on which I am not really qualified to comment on. When I said a full commission, I mean there are presently four commissioners when the commission staff calls for

five. Two are hold-over commissioners. One has a term expiring, I think, in one hundred and forty four days - Mr. Merck. I am talking about getting a commission that is either full-time or part-time up to full staff so that they can proceed with the business at hand.

ASSEMBLYWOMAN KALIK: Thank you, sir. Mr. Downey. Mr. Downey is Executive Director of the Atlantic City Casino-Hotel Association.

W I L L I A M D O W N E Y: Thank you very much for the opportunity to appear before you and to discuss the position of the Atlantic City Casino-Hotel Association relative to Assembly Bill 1081.

In doing this, and by way of background, I would like to review with you the state of the industry as we perceive it today, operating under the existing legislation. I am happy to report to you that every one of the lofty objectives set forth in the Casino Control Act, have been realized in large measure within three years of its enactment. Our eighteen member organization has or is prepared to invest over two and one-half billion dollars in the construction or rehabilitation of major hotel complexes. When one considers that the total tax base of Atlantic City was \$314 million at the time of the passage of the Referendum, you can readily see the impact that these investments will have on the city's capability to restore its antiquated infra-structure in such areas as water, sewer, libraries, boardwalk, beach, school and convention facilities. Resorts, Caesar's and Bally presently employ over 13,000 people with an annualized employee remuneration of approximately \$200 million. Keep in mind that the previous employment at these three locations, namely the Chalfonte-Haddon Hall, Howard Johnson's and the Dennis Hotel, was in the order of 1,500 employees. Unemployment will be substantially reduced in the southern New Jersey market area. We anticipate a permanent work force of over 30,000 by 1982, making us one of the largest single employers in the state. Employment in the building trades has or will reach extraordinary proportions over the next decade. The revitalization of our city through natural economic forces is unparalleled in our nation's history. Over 2,200 housing units are under construction, or will be under construction, this calendar year.

The Convention Bureau reports sales of over \$2 billion for the 1980's, excluding casino revenue. The only constraint on new business in the convention area is the timely availability of hotel rooms. Visitation projections, established by Economic Research Associates, are now fixed at 18 million visitors per annum by 1985, and 24 million visitors annually by 1990.

The state has realized from the Gross Revenue Tax of the three operating casinos today over \$50 million for senior citizens and the handicapped. The figures become more staggering when you consider the revenues derived by the state from corporate income taxes and taxes derived from employee personal income.

One thing is clear, whatever economic barometer you employ, the system is working and the success and impact far exceed anyone's optimistic prognostications back in 1977. As I have stated publicly in the past, the success which the industry presently enjoys has to be attributed in large part to the present framework of operation. While we frequently disagree with many of the Commission's subjective judgments, in terms of our operations, the present Commission has regulated an embryonic industry and brought it to full term in a short period of time.

That flash-back brings us to the matter before you today. The position of our Association can be stated clearly and succinctly, it is the function of government to determine the nature and composition of the regulatory body or bodies that will oversee our industry. We make this statement with the knowledge and

presumption that the state will allow us to proceed with a full measure of stability and ordered progression in order that the successes, previously enunciated, may, over the next decade, come to full maturity. Our industry, as any industry, requires that whatever you do meets the test of reasonable constancy and regulatory predictability.

In closing, let me address the integrity of the industry. No body, public, corporate, or individual is more concerned about integrity than the members of our Association. Public confidence in our business, as any business, is an absolute sine qua non. We believe the industry is often unjustly impugned. If any question of impropriety were to arise, the system you have so wisely devised has the machinery to rectify the wrong and severely punish the wrong-doer. We welcome these preventive safeguards.

I appreciate the opportunity of appearing before you and close with full confidence that your deliberative process will recognize and respond to the needs of our industry and the citizenry at large. Thank you very much.

ASSEMBLYMAN CODEY: Are there any questions? Dr. Cardinale.

ASSEMBLYMAN CARDINALE: Mr. Downey, it is apparent that your industry has hired a large number of people who had formerly been government employed. We also heard several commissioners tell us here today that having those people on your payroll apparently does not cause any favored treatment or any kind of greasing of the wheels of your applications. Why do you do it?

MR. DOWNEY: Well, I think in large measure, Mr. Assemblyman, it would be based on the individual's knowledge of the government process and perhaps the experience and knowledge they gained from their previous employment with the state. I don't see anything sinister in those appointments. I think it is merely a matter of people coming in from outside the state, looking for the best advice they can get in terms of dealing with the various governmental bodies and the processes connected therewith.

ASSEMBLYMAN CARDINALE: You are essentially a hotel industry. It would seem to me that you would be - excluding gambling - if you came into any state, hiring people who have expertise in the hotel industry. I think that probably that is what you would find if you looked at hotels - large hotels - going elsewhere, where there is no gambling. But, you have hired, in fact, many, many, many people who have been involved in the drafting of casino legislation, some who have passed on the qualifications of the very commissioners who are going to, in essence, rule on your license applications. You don't see anything improper there at all?

MR. DOWNEY: Doctor, I would make this distinction, while we are in the hospitality industry and we are in the hotel industry I think that it would be less than realistic if we didn't realize that we are governed, in large measure, by the dictates of the state, relative to the gaming aspect of the hotels. I think it is that area that would require a knowledge of the legislative process, a knowledge of the workings of the state, and a knowledge of the people who are involved in that decision-making process. So, while I agree, in large measure, with your assessment of it, I think that element of gaming and the fact that the state has had tremendous control over the industry, would be a factor in our decision to employ people who would be knowledgeable in the governmental process.

ASSEMBLYMAN CARDINALE: Were we to preclude that kind of employment on our part, from the legislature or from government, would your industry perhaps consider that a negative or a positive aspect toward the future development of gambling in Atlantic City?

MR. DOWNEY: I think we would view it, if I may, as morally indifferent.

I think if you said you didn't want that anymore, I don't think there would be any weeping or gnashing of teeth. If you said it would be allowed to continue, so be it. I think we are indifferent to that.

ASSEMBLYMAN CARDINALE: Thank you very much.

ASSEMBLYMAN CODEY: Assemblyman Riley.

ASSEMBLYMAN RILEY: Just briefly, to cite an analogous situation, when Rockwell International hires somebody who used to work for the Defense Department, or when the dental organization hires someone who used to be in Governmental Affairs to be a lobbyist for them -- would this be an analogous type of thing? It is someone who is familiar with the regulations, therefore you use someone who is familiar with them?

MR. DOWNEY: Yes, sir, I think so. I think that - if I can draw upon your analogy - it is not unusual that Boeing or Lockheed would employ fellows who were connected with the Defense Department, the Army, Navy, or the Marine Corps.

ASSEMBLYMAN RILEY: So, if we were to do something like that, you think it would be fair to do it for all industries and not just your industry?

MR. DOWNEY: We do not make any - and this is an important point which I would like to underline - distinction between our industry and any other industry.

ASSEMBLYMAN RILEY: Thank you.

ASSEMBLYMAN CODEY: Thank you very much, Mr. Downey.

MR. DOWNEY: Thank you very much, Mr. Chairman.

ASSEMBLYMAN CODEY: Our next witness will be Mr. Kenneth Gewertz.

K E N N E T H G E W E R T Z: Mr. Chairman, members of the Committee, I thank you for the opportunity to be here. I represent the New Jersey Association of Casino Employees, which is a non-paying position, I might add. Our members do not pay dues, and it is a formulation of just plain people who are getting very much perturbed with what is going on.

In sitting here, I see that in the several months that I have absented myself, or been absented, as the case may be, not much has changed. We are still back to the same problem that seems to be inherent in government in the state, and that is the great seize for power. That is what this is all about. You can sit here and you can go through all of the dialogue for the benefit of a full-time commission, but in all honesty, paying somebody \$60,000 a year isn't going to make him any more or less honest -- really. If somebody is a crook, then if you pay him \$1 million a year he is still going to be a crook, and he will figure out ways to getting around whatever system you may implement. There is no evidence of any members of this Commission being guilty of any wrongdoing, and if there was under the existing statute there is a provision for the removal of any member of the Commission for wrongdoing, or for failing to perform their duty properly. But, there were no charges filed by the Attorney General, and if there is wrongdoing, he has an obligation to file those charges and seek the removal of an individual.

Now, if you are going to consider restructuring, then consideration maybe should be given to not having all of the appointments vested with the Governor. If it is a five-member commission, then three should be appointed by the Governor, one should be appointed by the President of the Senate, and one should be appointed by the Speaker of the Assembly, as is the structure of the SCI, so that you don't have that massive consolidation. You want to remember when this country was founded and they wrote the Constitution and the Bill of Rights, they were written by people who came from all around the world and who were sick of being pushed around by

kings or monarchs, or whoever else was in power. When they sat down and drafted the basic concept of our government, it was to divide the power as much as is humanly possible to do, and they did it. The federal government has its place, as does the state government, the county governments, and the local governments -- so that no one person could emass such power that they would become dictatorial. And, if there is any corruption in this state, it is because of a weak legislative process that gives away its rights under a three-tier system of government. People talk about bribery. What is bribery? Is it the exchange of a vote for something else of value? How many times have you been marched down the hall by the hand and told, "Vote for this and you will get this." Is that bribery? It is my feeling that it is.

Now, if there is to be a part-time status then maybe the chairman's appointment by the Governor is not all that bad. But, if you went to a full-time body and each has the same authority by virtue of the fact that they are all full-time, then obviously the chairman should be elected by the members of the commission, similar to the election of the President of the Senate and Speaker of the Assembly.

The accountability -- If there was ever a problem in this system, it does not necessarily stem from the commission, but from the Division of Gaming Enforcement, who is answerable, it would appear, to no one. Did you ever look at their budget? Do you know how much money they are asking for now? Did you ever get an accounting of how it is spent? Try it sometime. In fact, for all the time they spend - and they bill the applicant - there is no itemized breakdown of what they spent the money on. There is only a certification by the Attorney General that this is the right amount. You would think if you get a bill you would be entitled to know what the money was spent for. This runs into millions and millions of dollars. Now, to finance this we are going to raise all the fees again, including those of the employees, which we are most concerned about. Now there will be a two-year licensing, but you won't pay any more money because it is still the same two hundred dollars, one hundred and twenty five dollars for the application and seventy five dollars for the renewal. The only difference is, they don't do anything for the renewal because it is a two year license. So, they grab the seventy five dollars for doing nothing. What are they going to do with the money? Oh, my Lord, tell me about it. You are just lucky there are no applicants who have applied and who live on the moon because it would be at least a two year trip for a couple of investigators to go up there, personally, and find out what they have been doing on the moon. We go to Monte Carlo, we go to Switzerland -- we go all over the world.

ASSEMBLYMAN CODEY: Mr. Gewertz, if you would get to the bill, I would appreciate it.

MR. GEWERTZ: All right. Under Section 59, Line 48, where it pertains to the active participation in politics by members of the commission, I assume that it is the intent of this bill to address itself to political contributions. Can a member of the Commission, can a member of the Division of Gaming Enforcement or their family make political contributions? If they can, they shouldn't be allowed to.

Holding the hearings in Trenton, now isn't that the old government trick? They take the hearings as far away from the people who are affected as is humanly possible, in the hope they won't be able to attend. They coop up in a little, tiny room somewhere with a thousand people waiting to testify, who sit and wait

for hours and hours. How ridiculous, after you have rented a massive office down in Atlantic City, in the Arcade Building, for the purpose of holding hearings and giving the public access to them. You don't even have offices here for the commission, at least not a permanent office. Now, if you are spending all that money on renovation, you are not going to move all the hearings back to Trenton. It is the work of a total genius.

The deletion of the temporary authority of the chairman to issue temporary licenses -- we have all been through this mess. How long does it take to give someone a license and finally respond to them? The public is screaming. They are waiting eight months, ten months, twelve months for a license. Finally, thanks to the efforts of your committee, Mr. Codey, there was inserted in the law certain authority that the chairman didn't have to wait for a full meeting of the commission to issue a temporary license in some cases.

ASSEMBLYMAN VILLANE: That is for appointment

MR. GEWERTZ: Pardon me?

ASSEMBLYMAN VILLANE: That is for appointment.

MR. GEWERTZ: Yes, that is for appointment. Now we are going to do away with that. Now we come to the purification of those involved in the casino industry. I can recall standing on this floor-- If we are interested in people with the proper background being in positions of authority, that doesn't show in the Administration's amendment to the original act, which allows people with more serious criminal records not to be statutorily disqualified. We went all the way down from 68 to 10, and those 10, if they happened over ten years ago, are not statutorily disqualified. That includes arson, rape and murder. And, we are going to purify the industry. It is a joke. It really is. It is a joke.

So, if you are going to make an amendment, make it a little more difficult for those who commit a crime, not less difficult.

I think under Section 99, lines 55 to 60, where you speak about the municipality and county, insofar as people who have been elected or received an appointment for a position being required to make a disclosure, I think you need "and" county, not "or," in the area in which the casinos are located.

Now, if we want to make sure that the Governor and some of the other "biggies" are likewise included in all of these disclosures, we are going to have to define what are "comps" or what is a gratuity? The recording system which is filed with the Attorney General under this proposed amendment, obviously, should be a matter of public record, because if people in public office are availing themselves of various services, etc., how is the public ever to know if it is only recorded with the Attorney General? It doesn't appear that it is defined. It should, in fact, be a matter of public record.

Now, if the people on the existing commission are guilty of anything, they may be guilty of their own independence. You have to understand the scenario and who is doing what. It is my humble opinion that this Abscam business only came about as an excuse to purge the commission of those individuals who really were thinking for themselves and who didn't take the threats of the Attorney General or the Governor in that horrendous case of Resorts International, where the Attorney General demanded the denial of the license. The case was so lousy. The burden of proof was so bad that how could the commission act otherwise? But, now, Mr. Commissioners, "you were defiant and you didn't listen to me, so you are going to have to pay the price," and this makes it more palatable to the

public and to everybody else. Why, it is absurd, absolutely absurd. I will give you documentation as to the attorney's deposition in another matter pending in federal court, as it opposed his action with one of the other state boards. In fact, it doesn't matter what the law says; it doesn't matter what prerogative the board has; it only matters "that he follow my advice." Whether it is good or bad, it doesn't matter because we now have the tail wagging the dog. The Division of Gaming Enforcement uses seventy five percent of all the funding that goes through this dual operation, and they are only an investigative arm. They are not a policy-making body. But, there is a rivalry between the two as to who should be "king of the hill". Again, it is a perfect opportunity for the greatest purge in history and the giving away of more power by the Legislature.

Is it Commissioner Lordi who was at the fights? A certain individual at the Division of Gaming Enforcement said--

ASSEMBLYMAN CODEY: Mr. Gewertz, please speak to the bill.

MR. GEWERTZ: No, it is relative to the bill. It is relevant, Mr. Chairman. You have always been known as a democratic person. You may not like what I have to say, and I find no fault with that, but I have the right to say it.

ASSEMBLYMAN CODEY: Speak on the bill.

MR. GEWERTZ: You talk about the appointing authority, who himself is under question for his associations.

ASSEMBLYMAN CODEY: Mr. Gewertz, speak on the bill.

MR. GEWERTZ: That is the bill, Mr. Chairman.

ASSEMBLYMAN CODEY: No, it is not.

MR. GEWERTZ: What is the bill? Is it to instill public trust in the commission? Well, how about the public trust in the guy who appoints the commissioners? Isn't that relevant?

ASSEMBLYMAN CODEY: Mr. Gewertz, speak to the bill.

MR. GEWERTZ: Mr. Chairman, in closing, I have listened to a lot of the remarks and I have listened to a lot of your concerns. There is nothing in the existing legislation that precludes the commission from hiring an individual on behalf of each commissioner as an aide. There is nothing in the law. The commission can hire whoever they want, really. So, if that was the concern of Commissioner Merck, as well as some other people, they can do that. The whole bottom line is that the Legislature should decide on behalf of the people who passed the referendum what is right and what is wrong. They should not be stampeded by the administration into more bad acts of the Legislature. My God, if there is a concern as to how the Casino Control Commission acts, I have sat here when bills have been voted on and we didn't even have a copy of the bill. That doesn't lend itself to public trust. You, and only you, should make the determinations. Thank you.

ASSEMBLYMAN CODEY: Our next witness is Mr. Dudley Sarfaty.

MR. GEWERTZ: Are there no questions, or are you just trying to get rid of me? Wise move.

ASSEMBLYMAN CODEY: Mr. Sarfaty.

D U D L E Y S A R F A T Y: Mr. Chairman, members of the Committee, I am Dudley Sarfaty of the New Jersey Council of Churches, 176 West State Street, Trenton.

It is a pleasure to follow Mr. Gewertz because his view of original sin makes me as a Presbyterian look affable, relaxed, and cheerful. I don't have a position on Mr. Lordi's birthday party, one way or another.

ASSEMBLYMAN CODEY: Excuse me, I don't know what you are talking about.

MR. SARFATY: It does seem to me that Mr. Lordi has been discussed more than the merits of 1081 during the course of the day.

ASSEMBLYMAN CODEY: Speak to the bill, sir.

MR. SARFATY: I would like to. It seems to me that a far larger issue than what happens to Mr. Lordi, or what happens to me, or what happens to a member of the committee, or what happens to the Governor himself, is: What is going to happen in dealing with this bill and the effort to get the cloud off the State of New Jersey? The cloud is there, irrespective of the quality of the case that is implied in the Abscam revelations. Deep concern has been shown by the citizens of the state for some of the kinds of tight legislation that the Council of Churches has asked for all along.

It appalls me to sit here and hear responsible people suggest that there is no difference between the quality of the casino business and that of banking, road-building, agriculture, or insurance. Not only does the legislation which you all wrote and passed say there is a difference, and not only does the chief law enforcement officer in the state, the Attorney General, say there is a difference, but it is our perception that the high turnover of large sums of money and the large amounts of profits as compared with the economic/social good and actual economic production that can best be served by this profit, does make the casinos a different animal. The fact that you have had to spend so much time on it, and we have had to spend so much time on it, I think, puts it beyond dispute that we are dealing with something which is crucial for all the citizens of New Jersey. We wouldn't want to see cynacism increase beyond the point it is at now, which is far too much.

We would like to reiterate that even as things stand, we don't think if our laws are still the strongest in the world, they are strong enough for us, as far as perquisites are concerned. We think it is one thing to report them and perhaps that is a step forward, yet to forbid them seems the simplest thing in the world, even down to the parking. We think there ought to be a so-called fence that is so tall you can't get over it, so long that you can't get around it, and so obvious that nobody worries about whether some highly respected people, like two past chairs of the Senate Judiciary Committee, have gone down to take jobs in Atlantic City. I have a very high personal regard for both the men who are involved in that respect and they may run a better casino than anybody else, but I don't think that is the point. I think it is very important that there be no bridge running from Trenton to Atlantic City, so that everybody here is suspected and carelessly accused of making his decisions with a view to where he is going to go next in the Atlantic City employment picture.

We would like to see disclosure from all branches of government, at least as strong as has been suggested for the commissioners in the present law, and that same strength for members of the Executive Branch of government, for the Judicial Branch of government, and even for the gentlemen in your Assembly and Senate.

You may recall a long, long time ago, in terms of history, that we did enter a suit on the question of whether the new referendum was different from the last referendum. It was finally determined by Chief Justice Hughes, whom, I understand, is now working in the casino industry. This is a very unfortunate thing to have happen.

As far as the retired judge issue is concerned, I am not expert enough to state that or not. If it is only going to be a judge called in when someone is critically sick, I guess I can't object.

As far as holdovers are concerned, there does seem to be a real breakdown of governmental process when holdovers get held over that long. I have nothing personally against Mrs. Corsey or Mr. DeBona, or even against Mr. Merck, but I know when someone comes into my office and puts a pile of bills on the desk and then addresses me about the conducting of a marriage for their daughter, that is not allowed by the laws of my denomination. I am no longer free, and I made the woman take the money back. I may have been overly hard upon her. I guess perhaps I erred. Maybe I wasn't fair to her in that respect. But, once I become compromised, I am no longer my free agent. As long as I have in the back of my mind that I am going to go down to Atlantic City and get a job, I don't think I am free to act a commissioner, or as a state official, or as a member of the Division of Gaming Enforcement, or a member of the casino staff, or whatever it may be -- not to mention a member of the Legislature. So, I can't comment on the major theme that I heard during the dissertations going today, about whether what you are going to do is going to provide Mr. Lordi or Mr. Merck with a continued opportunity to serve on the commission. But, we do wish that with whatever deliberate speed you can muster, you can pass as strong a regulation as is possible on this and on future bills that will be coming to you. We think to do that, with a certain amount of deliberate speed, is going to take some of the cloud, whether deserved or not, off the state of New Jersey. We all live in New Jersey. We all care about New Jersey. One of our denominations is having its 300th anniversary and their bumper sticker is, "Thank God for New Jersey." We would like to feel that way too.

So, that is our request, that you move in that direction, even if we do not have specific requirements or requests on the details of the legislation, beyond what I have stated.

ASSEMBLYMAN CODEY: Are there any questions? Mr. Schuck.

ASSEMBLYMAN SCHUCK: Yes. You probably spoke more to the ethics portion of the issue than you did to this particular piece of legislation, as to whether or not we should have a full-time commission, or whatever. I assume that certainly you are aware of that and that you have been following this. I am sure you are following the fact that we do have many other pieces of legislation dealing directly with the ethics of the legislature. I can't speak for the Administration, although there is a bill here.

I happen to be sponsor of a bill that will strengthen this. Most of us aren't interested in Atlantic City and never contacted any of the legislators, nor any of the commissioners down there. I think you will find that your testimony here today reflects what is also a concern of ours. At our next scheduled hearing, we are going to address the legislature's code of ethics, which will say that we will not work down there; our families will not work down there. There may even be stronger amendments saying we won't even be able to own property, nor will our families be allowed to own property. But, I think you will be addressing that at another time.

I would like to have your comments on just whether or not you think there should be a full time commission or not, based on this piece of legislation.

MR. SARFATY: No. I meant to make myself clear and I probably did not. My perception is that this bill strengthens the industry in all the paragraphs, except that one which deals with what kind of commission you are going to have. I had thought that a full time commission would have considerable advantages and I would pay a black citizen or a housewife the same salary if she were doing the same job, as I would pay to a partially retired banker in that respect. I did

not know of Mr. Merck's suggestions and I hate to dismiss them out of hand without having a chance to think them over. I haven't had that chance. I certainly hope you will.

As I came into the room I was thinking - and I had thought, before leaving the office, of the conferences we have had on it - that this would be a way to strengthen the bill, by having a full-time commission. It has taken a tremendous amount of volunteer time on the part of people who probably can't be counted on to always have it to give.

ASSEMBLYMAN CODEY: Okay. Thank you very much. Our next witness will be Mr. William Eames, Executive Director of the Greater Atlantic City Chamber of Commerce. Mr. Eames.

W I L L I A M E A M E S: I would like, if I may, to summarize the document you have before you, which is the full text of our testimony. It will save some time.

We will begin with the chronology of the bill. In Section 73 it does specify that hearings on license applications - full casino licensing - be held in Trenton. Representing the balance of the business community in the Atlantic City area, we do have some difficulty with that provision. We feel that it is most important to have access to input from the Atlantic City area, since that is where the casinos will be. I don't know that the entirety of the hearings would have to be held in Atlantic City, but I would suggest that at some point during each hearing, sessions be held in Atlantic City so that we don't hinder access from those sections of the community which are directly affected. The technicalities, the background of the licensee, or potential licensee, etc., can be dealt with in any location, but those aspects of the license hearing which relate to the location of the city and the people affected by it, I think, are more appropriately held in the location where the casino will be located.

Moving on to Section 73 (d), which calls for the designation of "interim commissioners", we feel it is better than continuing vacancies on the Casino Commission to appoint interim commissioners, but I will address in a moment the question of stability for the Casino Control Commission. I think you have had some excellent testimony on the issue of interim commissioners today and we don't pretend to be especially qualified to talk on the question. I think it is a step in the right direction, but I do think that we must address the question of overall stability and the appearance of stability for the Casino Control Commission.

Moving on the Section 93 (c), it talks about the licensing of casino service industries. I would like to address that for a moment, if I may, because we have found difficulty with it as an organization, and I think we are representative in that sense. The present law, as it stands and as it has been amended up until this point, does require that organizations, such as ours - a non-profit, membership organization - in order to have casinos as members, must be licensed under the sections of this Act. We don't have any real problem with submitting materials for that. We have applied for exemption, however, and the present law does not allow exemption for the type of industry that we are. We are not regulated by any public body and under the clause of this Act, we will become the first Chamber of Commerce in the United States requiring licensure in order to have any industry as members, which we don't particularly like. I don't think it is called for, given the nature of our business and the meager amount of dollars that are discussed or which transfer hands as part of that membership. The recommended amendments deal with this to a degree, and do allow some discretion in giving the commission the power to exempt any person, or field of commerce, from licensing requirements if

the person or field of commerce demonstrates that they are regulated by a public agency - which Chambers of Commerce are not - or that they will provide goods and services in insubstantial and insignificant amounts or quantities -- which I think we probably would, in the judgment of the Division of Gaming Enforcement.

However, there is a second provision that talks about not allowing an exemption for licensing unless the casino service industry complies with sections 134 and 135 of the Act, which are equal employment opportunity provisions. We have no argument either with requirements for equal employment opportunity. However, in trying to develop an equal employment opportunity guideline, it becomes very difficult for an organization with only one executive and one secretary to go through the legal resources and background to prepare the kinds of guidelines that have been asked for up until this point. So, you might consider as part of that the question of keeping the importance of that in scale with the size of the industry discussed, so that the smallest perhaps one-owner-operated retailer doesn't have to prepare the kind of affirmative action guideline that an industry with twelve thousand employees might have to prepare. I think if you have any questions about that, I will be glad to talk on that later.

Finally, the new section of the Act which is proposed, which would dissolve the present commission, in our understanding, we do strongly oppose. We oppose it not in defense of any individuals who are presently serving on the Casino Control Commission, for we feel it would probably be inappropriate for us to interject our comments on behalf of specific appointees. But, rather, we oppose replacement of the incumbent commissioners because to do so entails needless delay and disruption of the activities of the commission. Worse, such a step, in our opinion, demonstrates, again, and strongly affirms, that the State of New Jersey is predisposed to overreact and to regularly change the rules of the game and in other ways upset any appearance of stability in the regulation of the casino industry.

This was done when Section 144, the Tax on Gross Revenues, was amended without advance warning and transition. It sent shivers throughout the investment community, and caused disruption and delay to projects then under development in Atlantic City.

The intent of this Act was to attract investment capital, but in order to successfully do that, we cannot merely demonstrate potential for profit, which does exist, but we must also demonstrate a reasonable assurance that the circumstances which today exist and appear to give reasonable grounds for investors to believe that they can make a profit, will be there tomorrow. Unnecessary change, unwarranted change of the game rules which makes stability impossible to project, causes incredible difficulty with investors who are considering lending money. Even worse, once the money is lent it just sends shivers through the community to try and look at that loan as being something that will get paid back with the expected profit, when suddenly the taxes are doubled, or suddenly a commission who had developed rather stable operational procedures is replaced.

Each time we change those rules without advance warning, without demonstrating a warranted need, as I said, we upset the predictability. Nothing could cause greater risk to continuing investment than that. Investors who might otherwise have been interested in placing their funds in our state, in Atlantic City, react to those sudden changes in the rules and become hesitant, or even back away. You need not take our word for it. Just this afternoon, you heard one investment banker discuss it. Respected investment counselors have said it again and again, and are

quoted almost daily today, especially talking about the comments made by the Administration about this industry.

Impulse reactions by the State of New Jersey, such as apparently adding this new section requiring dismissal of all incumbent commissioners, only affirms the uncertainty investors already feel about the way the state has handled casinos. There is no direct link to the Casino Control Commission as a body, yet New Jersey seems itchy to completely change the makeup of the commission. That would necessarily entail delay in transition time, and it would require time for analysts to establish and become comfortable with a new commission to see which way they were going to move.

If we, as a state, continue to do those types of things, we feel, as a Chamber of Commerce, that it could substantially fail to achieve even the presently-predicted growth, hindered as it is by a number of different serious regulations and a very, very serious moratorium. Mixed with inflation, escalating interest rates, excessive regulation in comparison to other investment opportunities and the mandatory prerequisite room requirements that we need to achieve our objective of becoming a convention industry area, as well as a casino industry area, we quickly approach the point where investment capital for Atlantic City is becoming very, very much risked and could dry up.

Investors may well decide the return on their investment is too small and too risky here and elect to await the legalization of casinos by nearby states in the relatively near future. It is because it appears to be an unwarranted over-reaction to the present Abscam situation that we oppose replacement of the incumbent commissioners, and urge instead that their positions simply be made full-time. If formal charges are levied, if there is any proof or evidence that there has been an impropriety, then, of course, there should be action taken, as the law presently stands. Or, at the very least, a leave of absence or some other type of action should be taken which is appropriate to the circumstances. But, vague hints, or vague allegations are not the appropriate measure.

In conclusion, with regard to both this bill and any other legislative, executive, or regulatory acts affecting this industry, we, representing the business community of Atlantic City and the surrounding area, most strongly urge all involved parties to exercise prudence, to carefully examine and thoughtfully consider the potential overall effects of different proposals and to give utmost priority to encouraging and developing the image of stable and well-planned game rules for the industry, so that it will achieve the results that were sought three years ago in the original implementation.

We do wish to thank you for carefully considering this bill and not reacting instantaneously or quickly. We feel it is most important that it be given thorough consideration. We thank you for the opportunity to testify.

ASSEMBLYWOMAN KALIK: Thank you. Are there any questions? (no response)

Our next witness will be Lucy Mackenzie from Common Cause.

LUCY MACKENZIE: Thank you, Madam Chairman. I am Lucy Mackenzie, from New Jersey Common Cause. I will direct my comments to a very small part of the bill. I started to say I would be the shortest speaker, but I guess that is a little bit too terse.

We are concerned with what you would call complimentaries. It is a rule of thumb with Common Cause, and I think with other people, that regulators do not receive favors from those they regulate. I am a little confused as to the Administration's attitude towards this particular part of the bill. The Attorney General

testified this morning and described casinos as businesses which seduce people down to Atlantic City and give free services and goods to break down the resistance of officials. He said that higher standards should be expected of officials. But, on the other hand, the bill seems to allow these free services and goods. It only requires that they be recorded and kept by him. We suggest that they should not be allowed. They should not be recorded. They should be prohibited. If I may, I would like to respectfully suggest that you have in your committee a very short bill, sponsored by Assemblywoman Hazel Gluck, which uses the exact same language as the bill, except instead of saying that this practice may be continued, but recorded, it simply says that the practice should be prohibited. Thank you.

ASSEMBLYWOMAN KALIK: Thank you. Are there any questions? (no response)

The hearing is now completed. The bill will be coming up at a regular committee meeting and publication of that will be made, as required by law.

(hearing concluded)



State of New Jersey

CASINO CONTROL COMMISSION

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March 3, 1980

MEMORANDUM TO: Honorable Richard J. Codey, Chairman  
Assembly State Government, Federal and  
Interstate Relations and Veterans  
Affairs Committee

FROM: Joseph P. Lordi, Chairman  
Casino Control Commission

RE: Assembly Bill No. 1081

Assembly Bill No. A-1081 would amend the Casino Control Act (N.J.S.A. 5:12-1 et seq.) in several respects. The ostensible purpose of the bill is to assure the continued independence and integrity of the Casino Control Commission (Commission). To that end, the bill would require that all five Commissioners serve on a full-time basis as opposed to the existing structure of a full-time Chairman and four part-time Commissioners. To further insulate the Commission from unwarranted influence, the bill would impose unparalleled ethical restrictions on Commissioners, Commission staff, Division of Gaming Enforcement employees or agents and their families. Additionally, the bill would: expand the grounds for

-

removal of a Commissioner or Commission employee; limit the ability of the Commission to act when vacancies exist; provide for "interim Commissioners" to be selected by the Governor and to serve at his pleasure when regular Commissioners are disqualified on a given matter or temporarily incapacitated; shift the largely routine licensing tasks of the Chairman to the full Commission; allow a single Commissioner to render a binding, final decision in a contested case if the parties agree to by-pass the full Commission; and require casinos to record and provide directly to the Attorney General the names of any Legislators or government employees receiving credit, discounts or complimentary items.

Any legislation which would safeguard the necessary independence of the Commission and enhance the likelihood of its continued integrity is welcome. However, an examination of the provisions of A-1081 reveal that some are fundamentally illsuited to achieve these goals while others are technically deficient or needlessly cumbersome. Each area of the bill is discussed below. For the convenience of the Committee, each discussion includes statutory language to effectuate any recommended changes in A-1081.

I.  
FULL-TIME COMMISSIONERS

The bill amends sections 52(a), 52(b), 52(f), 59(d) and 59(e) of the present Casino Control Act and adds an additional section to the Act for the purpose of transforming the Commission to a panel of five full-time members. Currently, the Commission is composed of one full-time and four part-time members. The Chairman now serves full-time and is the chief executive officer of the Commission. N.J.S.A. 5:12-52(f). He receives a salary fixed by the Act at \$60,000 per annum (N.J.S.A. 5:12-53) and is forbidden to pursue or engage in any other business, occupation or employment. N.J.S.A. 5:12-52(f). The Chairman is appointed to a five year term and must serve as Chairman throughout that term. N.J.S.A. 5:12-52(a) and (f). The other four Commissioners receive annual salaries of \$18,000 per annum but are not prohibited from pursuit of outside businesses or occupations. N.J.S.A. 5:12-52(f),-53. Initial appointments of the four part-time Commissioners are for terms of one, two, three and four years with the Governor designating the term for each. N.J.S.A. 5:12-52(a) and (b). The five members of the Commission may be removed from office prior to expiration of their respective terms only by an action brought in Superior Court by the Attorney General on the grounds specified in the Act or upon conviction of any crime. N.J.S.A. 5:12-52(g).

The avowed purpose of requiring all five members of the Commission to serve on a full-time basis is to allow each member to devote undivided attention and effort to Commission affairs. While the careful consideration and thorough understanding of important matters by each Commissioner are essential, it cannot be gainsaid that the part-time members have been selfless in their dedication and more than equal to the task. Nevertheless, elevation to full-time status would reduce the competing demands on each of the now part-time members. It should be noted, however, that the mere presence of five full-time Commissioners would not necessarily ease administrative and operational pressures. For example, the dictates of the Open Public Meetings Act, N.J.S.A. 10:4-6 et seq., generally forbid a meeting of three or more Commission members to discuss or act upon public business unless the meeting is conducted in public and after at least 48 hours notice.

Although the concept of a full-time Commission is acceptable, the means by which A-1081 would achieve that end are not. As noted, the bill revises sections 52 and 59 of the Act to make all Commissioners full-time. However, section 11 of the bill would create a new section of the Act whereby the present Commission would be "dissolved and reconstituted." All functions and duties of the "reconstituted" Commission would remain the same and all matters decided by the Commission or pending before the

Commission would continue. However, the present members of the Commission would become "interim commissioners" serving at the pleasure of the Governor until Commissioners are nominated by the Governor, confirmed by the Senate and installed in office. It is somewhat unclear whether the present part-time members would continue to serve on a part-time basis during the "interim." It appears that they would if the stated purpose of providing an "orderly transition" is to be accomplished.

No reasons appear why the present members must be discharged in order to establish a full-time panel. Moreover, retaining the present members on an interim basis without the protection afforded by removal only for cause would seriously undermine their independence and would strain the public's belief in the non-political nature of the Commission's decisions. This approach and its consequences are especially difficult to accept in light of the consensus that the independence and integrity of the Commission must be continued and strengthened.

There is no suggestion that the present members have been anything but upright, honest and conscientious. Nevertheless, it may be noted that there are currently two part-time members whose terms have expired and who are serving until a successor is appointed and qualified. A third such member, Commissioner Albert W. Merck, is completing a three year term which will expire within 6 months. The fourth part-time position is vacant. Thus,

each of the present part-time positions may be filled by full-time members immediately or in the near future without the need to "abolish" the Commission and render the incumbents into the uncertain status of "interim commissioners." With regard to the Chairman, two years remain on his term. Since the Chairman is already required to serve full-time and subject to the same restrictions which A-1081 would impose on all Commission members, there can be no need to "reconstitute" his position. There are several major matters now pending before the Commission. The prospect of "interim commissioners" or of a totally inexperienced panel of new members making those determinations is both unsatisfactory and unnecessary.

As an alternative to dissolution and reconstitution of the Commission, it is suggested that the bill provide simply for the transformation of part-time positions to full-time without cutting short the unexpired terms of present members. The proposed amendments to sections 53, 59(d) and 59(e) of the Act may remain as they are in A-1081. However, section 11 of A-1081 must be deleted in its entirety. In its place, the following revision of section 52(f) of the Act (N.J.S.A. 5:12-52(f)) is recommended:

The member designated by the Governor to serve as chairman shall serve in such capacity throughout such member's entire term and until his successor shall have been duly appointed and qualified. No such member, however, shall serve in such capacity for more than 10 years. The chairman shall be the chief executive officer

of the commission[,]. All members shall devote full time to [the] their duties of [his] office and shall not pursue or engage in any other business, occupation or other gainful employment; provided however, that any commissioner initially appointed to serve on a part-time basis shall continue to serve in such capacity at his initial rate of compensation for the duration of his term and thereafter until his successor shall have been duly appointed and qualified.

As noted, this recommendation is designed to accomplish the goal of a full-time Commission without damaging the independence of the agency or removing in one swoop the accumulated experience and expertise of the present members. Under the recommendation, the part-time Commissioners presently serving would remain as part-time members until their terms expire and their successors are appointed and qualified. As a practical matter, three of the four part-time positions can be filled with full-time members immediately, while the fourth part-time term ends within six months. Since the Chairman is already full-time, he would continue to serve under the same conditions applicable to any full-time Commissioner.

A related problem must be addressed. Given the present status of the four part-time positions, the staggering of terms, which was originally envisioned by section 52 of the Act (N.J.S.A. 5:12-52), has been destroyed. The terms of two members have expired but no successor was ever nominated by the Governor. The third part-time Commissioner's term expires in the Summer, 1980. The fourth part-time position, currently vacant, is for a term which expires

in the Summer, 1981. The Chairman's term expires in the Summer, 1982. Evidently, an amendment is necessary to reestablish staggered terms and to avoid the repeating trauma of multiple contemporaneous replacement of Commissioners.

Given the uncertainty surrounding the dates when successors will be appointed for the two hold-over members and given the fact that appointment to fill the vacant position is for the unexpired term (N.J.S.A. 5:12-52(e)), it is recommended that the statute be revised to specify the termination dates of the members replacing the hold-over Commissioners. The dates would be selected so that these terms end in the two-years following the Chairman's term. Specifically, these terms should end in Summer, 1983 and Summer, 1984. All other appointments would be for five years.

In order to assure that the system remains intact, a number of possible mechanisms may be considered. First, the term of a successor Commissioner should begin immediately upon expiration of the predecessor's term, regardless whether the successor has been appointed. In this way, a delay in the appointment process would not alter the expiration date of the appointee's term. Second, a time period during which the Governor must submit a name in nomination could be specified. It would appear that 60 days would be a reasonable time in which to require a nomination either to fill a vacancy or to serve a new term. Third,

to avoid any threat to the independence of a hold-over Commissioner, that Commissioner could be automatically granted a one year term if a successor is not timely appointed. The one year term would be deducted from the term of the successor appointee in order to maintain the stagger system.

Although many variations are possible, amendatory language is offered below as a starting point for discussion and, ultimately, resolution of the problem. Section 52(a) (N.J.S.A. 5:12-52(a)) could be amended thusly:

The [Initial] initial two appointments to the commission made subsequent to the effective date of this amendatory and supplementary act shall be for terms as follows:

- (1) One member for [1 year] a term to expire on September 1, 1983; and
- (2) One member for [2 years] a term to expire on September 1, 1984[;].
- [ (3) One member for 3 years;
- (4) One member for 4 years; and
- (5) One member for 5 years, who shall be designated chairman.]

Section 52(b) (N.J.S.A. 5:12-52(b)) could be amended thusly:

The term of each of the two members first appointed subsequent to the effective date of this amendatory and supplementary act shall be designated by the Governor.

Section 52(c) (N.J.S.A. 5:12-52(c)) would be amended thusly:

After the two initial appointments made subsequent to the effective date of this amendatory and supplementary act, all members shall be appointed

for terms of 5 years; provided, however, that no member shall serve more than two terms of 5 years each.

Section 52(e) (N.J.S.A. 5:12-52(e)) could be amended

thusly:

Appointments to fill vacancies on the commission shall be for the unexpired term of the member to be replaced. An appointment to fill such vacancy shall be made no later than 60 days from the occurrence of the vacancy.

Section 52(h) (N.J.S.A. 5:12-52(h)) could be amended

thusly:

Each member of the commission shall serve for the duration of his term and until his successor shall be duly appointed and qualified, subject to the limitations contained in subsections c. and f. of this section; provided that notwithstanding any provision of this section where a successor has not been duly appointed and qualified within 60 days of the expiration of the term of the incumbent commissioner, such incumbent commissioner shall serve for a period of one additional year from the expiration of his term; and provided further that the term of the successor shall in all cases be deemed to commence at the expiration of term of the incumbent commissioner.

## II.

### CODE OF ETHICS

The bill would amend section 59 of the Casino Control Act (N.J.S.A. 5:12-59) which establishes ethical standards and restrictions on the Commission and its staff and on the Division of Gaming Enforcement. Specifically, the bill would require that the Code of Ethics for the Commission and the Division include a prohibition against official action by a Commissioner, Commission employee, Division employee or Division agent in any matter wherein the official or any member of his family has a "direct or indirect personal financial interest" if that interest "might reasonably be expected to impair his [the official's] objectivity or independence of judgment." See proposed N.J.S.A. 5:12-59(b) (3). The Commission recognizes the need for the highest standard of ethical conduct by government officials. Any provision, no matter how severe, will be readily accepted if it is reasonably related to the goal of fair and impartial official conduct and if it is not so constricting as to unduly impair the ability of the official to perform his sworn duties.

With regard to the present proposal, two observations should be made. The first is that the scope of the provision should be clearly understood. As noted, the prohibition on official conduct might arise by virtue of

any "indirect personal financial interest" not only of the official but of any member of his family. The term "family" is defined by Section 20 of the Casino Control Act (N.J.S.A. 5:12-20) to include:

Spouses, parents, grandparents, children, grandchildren, siblings, uncles, aunts, nephews, nieces, fathers-in-law, mothers-in-law, daughters-in-law, sons-in-law, brothers-in-law and sisters-in-law, whether by the whole or halfblood, by marriage, adoption or natural relationship.

Thus, an indirect financial interest held by any member of the above-defined class would seemingly call into question the propriety of the official taking action on a given matter. Of course, there is no doubt that an official should refrain from acting where, for any reason, his objectivity or independence might reasonably be expected to be impaired. It is not so clear, though, whether indirect interests of remote relatives would raise such a problem. Further, the provision is silent on the issue whether the official must know of the interest of the relative. While it would logically seem that, absent knowledge, the official could not be influenced, the requirement of knowledge should be made explicit.

The second observation is that the proposal essentially restates and expands the "New Jersey Conflicts of Interest Law," N.J.S.A. 52:13D-12 et seq., which applies not only to the Commission and Division but to all state officials and employees. That law requires every state agency to promulgate a code of ethics containing certain required standards,

including the following:

No State officer or employee should act in his official capacity in any matter wherein he has a direct or indirect personal financial interest that might reasonably be expected to impair his objectivity or independence of judgment. [N.J.S.A. 52:13D-23(e) (4)].

The only difference between the above standard and the proposed provision in A-1081 is the inclusion of family members in the latter. If the absence of similar language in the general conflict of interest law is perceived as a weakness in that law's coverage, appropriate amendment of that law should be considered so as to extend any additional safeguards to all governmental agencies.

### III.

#### REMOVAL OF COMMISSIONERS AND EMPLOYEES

Section 52(g) of the Casino Control Act (N.J.S.A. 5:12-52(g)) provides that a Commissioner may be removed from office for misconduct in office, willful neglect of duty, other conduct evidencing unfitness, or incompetence. Removal is to be effected by an action instituted by the Attorney General in the Superior Court. In addition, the Act presently requires automatic forfeiture of office by a Commissioner or Commission employees upon conviction of any crime.

The present bill would expand the grounds for forfeiture by a Commissioner or Commission employee to include "refusal to testify in matters directly relating to the conduct of his office, position or employment before any court, grand jury or the State Commission of Investigation." Although this language would seemingly make forfeiture automatic in such circumstances, the amendatory provision goes on to state that, for failing or refusing to appear and testify, the official "shall be subject to removal." The confusion thus engendered makes it uncertain whether the official is entitled to a day in court to contest the forfeiture or not. This uncertainty must be resolved.

The Commission has no objection to the inclusion of refusal to testify on official matters as a ground for

removal from, or forfeiture of, office. However, the form of the amendment is defective. The Commission would suggest that the amendment be revised to incorporate by reference the provisions of N.J.S.A. 2A:81-17.2a 1 et seq., which requires public employees to appear and testify on matters related to the conduct of office and which provides a mechanism for removal of any official refusing to so appear and testify. In fact, the proposed language in A-1081 is directly taken from part of that law. Thus, it is recommended that section 52(g) of the Casino Control Act be amended as follows:

A commissioner may be removed from office for misconduct in office, willful neglect of duty, or other conduct evidencing unfitness for his office, or for incompetence. A proceeding for removal may be instituted by the Attorney General in the Superior Court. Notwithstanding any provision of this or any other act, any commissioner or employee of the commission shall automatically forfeit his office or position upon conviction of any crime. Any commissioner or employee of the commission shall be subject to the duty to appear and testify and to removal from his office position or employment in accordance with the provisions of N.J.S.A. 2A:81-17.2a 1 et seq.

Although the foregoing language would properly require Commission personnel to comply with the public employees testimony law, there is no parallel provision in A-1081 clearly imposing a similar requirement on the Division of Gaming Enforcement. Since the Division's functions are equally sensitive, this omission would appear to have been a mere oversight. It is recommended, therefore, that section 55 of the Act (N.J.S.A. 5:12-55) be amended as follows:

Division of Gaming Enforcement. There is hereby established in the Department of Law and Public Safety the Division of Gaming Enforcement. The division shall be under the immediate supervision of a director who shall also be sworn as an Assistant Attorney General and who shall administer the work of the division under the direction and supervision of the Attorney General. The director shall be appointed by the Governor, with the advice and consent of the Senate, and shall serve during the term of the office of the Governor, except that the first director shall be appointed for a term of 2 years. The director may be removed from office by the Attorney General for cause upon notice and opportunity to be heard. The director and any employee or agent of the division shall be subject to the duty to appear and testify and to removal from his office, position or employment in accordance with the provisions of N.J.S.A. 2A:81-17.2a 1 et seq. The Attorney General shall be responsible for the exercise of the duties and powers assigned to the division.

IV.

COMMISSION VACANCIES AND INCAPACITATED  
OR DISQUALIFIED COMMISSIONERS

Section 73(c) of the Casino Control Act (N.J.S.A. 5:12-73(c)) requires three Commissioners to determine any action except that four Commissioners must approve a casino license. As it now exists, this section would allow three Commissioners to act on a casino license if a vacancy has existed on the Commission for more than 60 days. The bill before the Committee (A-1081) would delete the vacancy provision. Thus, despite the existence of a long-standing vacancy, four votes would be necessary for casino licensure or any component thereof.

The bill also creates a new section (73(d)) which would authorize the Governor to appoint, without legislative approval, "interim commissioners" to serve in the place of any disqualified or incapacitated Commissioner. Such interim Commissioners must be selected from the class of retired Superior Court Judges and Supreme Court Justices. However, an interim commissioner would apparently serve at the Governor's pleasure and without having to undergo the rigorous background investigation required of regularly appointed Commissioners. It is also unclear whether an interim Commissioner would be subject to the same employment prohibitions and ethical strictures as a regular Commission member.

Upon review, it is apparent that this proposal is seriously flawed and must be rejected. One of the primary purposes of the Casino Control Act was to establish an independent body comprised of carefully selected and qualified individuals who were required to submit to stringent restrictions. It was this select group which was vested with the major policy and decision making authority over casino gaming. In its wisdom, the Act demanded that four of the five Commission members approve a casino license application. However, the Act made provision for the eventuality that a vacancy might occur and continue for a substantial period, to wit, 60 days. Simply stated, the Act chose to allow three of the remaining Commission members to pass on any matter, including casino licensure, rather than either paralyze the agency or permit third parties to participate in deciding delicate and complex matters. If anything, the correctness of that legislative choice has been demonstrated since enactment of the law in June, 1977. The deletion of the vacancy clause by A-1081 can only subject the Commission to increased outside pressures. In view of the widespread concern for the continued independence of the agency, such a proposal is curiously unseemly.

As to the proposed new section 73(d), similar concerns are raised. As noted above, an interim commissioner would not be subject to legislative approval and would serve at

the Governor's pleasure. In addition to avoiding the rigorous qualifications and restrictions placed on regular Commission members, an interim commissioner would be called upon to consider major matters which demand thorough knowledge and experience not only with the law but with the intricacies of the gaming industry and the carefully developed policies of the Commission. Thus, proposed use of interim commissioners will endanger the actual independence of the Commission and will certainly damage the public perception of that independence.

While it is recommended that proposed new section 73(d) be deleted from A-1081, some revision of the existing statute is appropriate to respond to the problems presented by disqualification or temporary incapacity of a Commissioner. Consistent with the observations stated herein, the recommendation would assure that any decisions be made by duly appointed and qualified Commissioners and that, in no event, may Commission action be taken by less than three Commissioners. It is therefore suggested that the following amendment to section 73(c) be enacted:

A majority of the full commission shall determine any action of the commission, except that no casino license may be issued without the approval of 4 members. In the event that a vacancy has existed on the commission for more than 60 days, or in the event that a commissioner is unable to vote due to illness, absence or disability for more than 60 days, or in the event of the disqualification of a commissioner, a majority of the full commission may act with respect to any matter, including the issuance of a casino license.

POWERS OF THE CHAIRMAN

As presently proposed, A-1081 does not substantially affect the authority of the Chairman. He remains the chief executive officer of the Commission. See Section 52(f). By virtue of proposed amendments to Sections 90, 91 and 94 of the Act certain basically routine functions with regard to the licensing of employees must be handled by the full Commission instead of the Chairman. These include the following:

(1) Issuance and renewal of licenses to casino employees in those cases where the Division of Gaming Enforcement has neither objected to licensure, nor provided the Commission with any information which indicates that an applicant may lack the qualifications for licensure. See Sections 90 (a), (d).

(2) Issuance of temporary licenses to casino employees for positions not directly related to gaming activity (eg. maintenance personnel, cocktail waitresses, bartenders). See Section 90(g).

(3) Issuance of hotel employee licenses. See Sections 91(a), (c), (f), 94(b).

(4) Issuance of temporary licenses to gaming school instructors. See Section 92(b).

All of the above functions are essentially ministerial and were delegated by law to the Chairman so as to relieve the Commission of routine administrative matters. While the proposed amendments will add to the administrative burden of the Commission and will cause some slight delay in the issuance of those employee licenses affected, no strong opposition to them is taken.

HEARINGS

The bill proposes an amendment to Section 107(a)(1) of the Act relating to Commission hearings. Under this proposal the parties to a hearing held before a single Commissioner (serving as hearing examiner) may consent that the single Commissioner's decision shall be the final decision, not subject to review by the full Commission.

This rather bizarre proposal would vest in the parties to certain contested cases the authority to by-pass the full Commission. There can be no benefit to this proposal. It would not effectuate any substantial saving of time. And the potential dangers are apparent. These dangers include forum shopping by the parties, vesting final decision making authority in a single person rather than in the full Commission, and the possibility of uneven development of Commission administrative law. The proposed amendment to Section 107(a)(1) should be deleted in its entirety.

## VII

### REPORTING OF SERVICES BY CASINOS

The bill seeks to add to the system of internal and accounting controls which each casino licensee is required to submit to the Commission, procedures for separately recording all complimentary services, discounts and credit provided to members of the Legislature, members of the Judiciary, all State officers and employees and all officers of Atlantic County and Atlantic City. A quarterly filing listing all such transactions would have to be filed with the Attorney General. See Section 99(a).

While there is no problem with the concept, there may be some difficulty in effectively implementing procedures to identify such persons (eg. any State employee). Additionally, it is recommended that the quarterly filing be made with the Commission and the Division of Gaming Enforcement, and not with the Attorney General.

February 29, 1980

Hon. Richard Cody & Members  
Assembly State Government Committee

Position on A:1081  
New Jersey Association  
of Casino Employees

It is the position of the New Jersey Association of Casino Employees  
that:

- a-The payment of larger salaries or the full time appointment of members to the Casino Control Commission, does not in any way guarantee the honesty of same.
- b-We find that there is no evidence that any of the existing members of the Commission are guilty of any wrong doing.
- c-That most of the problems involving licensing of Casino employees stems from the activities of the Division of Gaming Enforcement as opposed to the Casino Control Commission.
- d-Should there be a restructuring, we suggest that the Commission be appointed by a process of three appointments by the Governor and one appointment each by the Speaker of the Assembly and President of the Senate respectively. That being the structure utilized for the State Commission of Investigation to insure that too much power is not vested in too few hands.
- e-If the Commission is to retain part time status and the Chairman remains the only full time member than the present method of choosing the Chairman is acceptable. Should the Commission go on full time status, which once again we do not favor, since the bulk of Commission work is done by staff anyway and the added cost of high price Commissioners would seem to add little to the operation. Then in fact the Chairman should be elected within the membership of the Commission as opposed to being appointed by the Governor.

23X



f-Under sec.59, line 48, as it pertains to an active part in political campaigns or management thereof, we assume that no member of the Commission or its employees nor any member of the Division of Gaming Enforcement, nor any member of their immediate family shall be permitted to make any political campaign contributions. If that is not the intent, than that should be included.

g-Sec. 73, line 6

We object to hearings being moved to Trenton, which increases the inconvenience of those people concerned to attend hearings. Under sub. sec. 73 paragraph b, line 26. to 29, we again object on the basis of limiting interim appointments to only a very small group of people and any interim appointment should likewise be approved with the advice and consent of the Senate.

h-We object to the deletion of the issuance of temporary employee licenses by the Chairman, awaiting full Commission meetings, when there is no need to do so on behalf of the employee, only prolongs the time in which they could obtain gainful employment that is contained under sec. 90, paragraphs a & g. We further endorse the perogative of the Chairman to issue and renew licenses and make endorsements thereon, thereby simplifying the process as is presently contained in the law. We object to the easing of statutory disqualifications as presently contained in the act. As it would appear if the criminal element is to be kept out of the gaming industry, then it should be made more difficult for those who have committed serious crimes to get licenses and not easier.

i-Under sec. 94, we question the deletion of lines 16 to 20.

j-Under sec. 99, lines 55 to 60, line 58 evidently is a typographical error, and should read municipality and county. It should likewise define state officers and employees and it seems to have eliminated employees of the Legislature and should also include Deputy Attorneys ~~General~~ attached to the Attorney Generals office. We further assume that the Governor is included in that group and that any lists filed with the Attorney General will be a matter of public record. Page 114 the new section, this becomes most confusing, for the reasoning behind this is a result of Abscam, and we do not believe that it is. We feel that Abscam is only being used as an excuse to get rid of defiant members who will not be led around by the nose by the Governor and Attorney General. But forgetting all that, if people are under suspician then why would you let them remain in a position of authority during an interim period. They're either bad or they're good. We believe them to be decent independant people who have functioned fairly. If they have any guilt at all it's probably their independency. That is really what the initial act tried to provide for, not merely a group of cronies to do the administrations bidding, for oddly enough, it was not Commissioner Lordi nor any present member of the

commissioners, who was seen at the prize fights at Las Vegas in the company of a gentleman who was forced to step down because of the Division of gaming enforcement's allegations that he may be linked to figures in organized crime. Nor do they play tennis with same. Maybe the governor was not playing tennis but racketball!

Respectfully,

A handwritten signature in cursive script, appearing to read "Kenneth A. ...". The signature is written in black ink and is positioned to the right of the word "Respectfully,".

New Jersey Association  
Casino Employees

