

PUBLIC HEARING

before

ASSEMBLY STATE GOVERNMENT, FEDERAL AND INTERSTATE  
RELATIONS AND VETERANS AFFAIRS COMMITTEE

on

Casino Control Act

Held:  
September 27, 1978  
Commission Chambers  
City Hall  
Atlantic City, New Jersey

**New Jersey State Library**

COMMITTEE MEMBERS PRESENT:

Assemblyman Richard James Codey, Chairman  
Assemblyman Francis J. Mc Manimon, Vice Chairman  
Assemblyman Michael J. Matthews  
Assemblywoman Barbara Faith Kalik  
Assemblyman William L. Gormley  
Assemblyman Anthony M. Villane, Jr.

ALSO:

Wayne L. Bockelman, Research Associate  
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Relations and Veterans Affairs Committee

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ASSEMBLYMAN RICHARD J. CODEY (Chairman): Good morning. I would like to welcome everyone to our public hearing today. We are the Assembly Committee on State government. I'm the Chairman, Assemblyman Codey. On my right is my Vice Chairman, Assemblyman McManimon on my far right is Assemblywoman Barbara Kalik. On my far left from Atlantic City is Assemblyman Gormley. The next man on my left is Assemblyman Matthews. I'd just like to point out and thank Assembly Speaker Chris Jackman, who is here in the audience this morning and who has given us his support to have these hearings today in Atlantic City. We're very appreciative to him for that help and support.

I'd like to start this morning's hearing by having the Chairman of the Casino Control Commission, the Honorable Joseph Lordi.

C O M M ' R. L O R D I: Thank you Mr. Chairman. Members of the Committee, I have prepared a statement for this purpose. I hope it is not over-long, but there are some things I would like to bring to the attention of the members of the committee which I think are of paramount importance.

In November of 1976, the voters of this State decided to embark on a unique endeavor by approving casino gambling in Atlantic City. The challenge presented by this decision was one that had never been faced before by any State in the Union. Unlike Nevada, which formulated over the years, a regulatory structure to surround an already existing industry, we did not have this industry in our State nor did we have the luxury of time in which to develop the necessary regulatory structure and procedures. Yet, we met this challenge and developed a comprehensive regulatory scheme to assure that the goals sought to be achieved by the '76 referendum were actually realized.

The first step in implementing this decision came on June 2, 1977 when the Casino Control Act was enacted. It was not, however, until three months later that the Commission, created by that Act, became operational through the appointment of its members. Acting as expeditiously as possible, the Commission began to organize itself and held its first public meeting in October of 1977. Recognizing the need to implement the provisions of the act expeditiously, the Commission, from its outset, did not delay in formulating regulatory procedures until its organization and staff were in place. Instead, while it was looking for permanent office space, hiring staff, obtaining equipment and structuring its organization, it was also developing regulations and procedures to govern the casino industry. And even before the regulations were finally completed, it was hearing the first application for a temporary casino permit.

By following this approach, the Commission was able to accomplish an immense amount of work and get the first casino operating during its initial eight months of existence, and the Commission has been able to take substantial steps in implementing its responsibilities under the Casino Control Act.

Since its inception, the Commission has drafted and adopted regulations governing every aspect of casino gambling pursuant to its statutory obligations. These include regulations governing equal employment opportunity, gaming equipment, slot machines, entertainment, advertising, application procedures, rules of the game, gaming schools, casino internal and accounting controls and alcoholic beverage control to name just a few. During this time period, three casino applications from Caesars, Resorts and Bally have been filed and referred to the Division for

investigation. This is in addition to three partial casino applications received from Playboy, Penthouse and Great Bay Hotel Corporation being processed for declaratory rulings. Furthermore, the Commission has approved three gaming school licenses with six additional applications being investigated by the Division of Gaming Enforcement. In the area of casino service industries, 240 applications are being processed with 509 contract approval forms filed and 264 contracts approved. As of this date, the Commission has also licensed 1401 casino employees, 1403 hotel employees and 55 casino key employees with an additional 61 key employees, 751 casino employees and 1658 hotel employee applications being investigated by the Division.

Casino gambling in New Jersey became a reality on May 26, 1978 with the opening of Resorts International Hotel Casino. This corporation had applied for a license on December 22, 1977. On March 17, 1978, the Casino Control Act was amended to provide for a temporary casino permit allowing the operation of a casino pending completion of the investigation by the Division of Gaming Enforcement. Within two months after this amendment, the Commission was able to review and approve the casino hotel facility, the voting trust agreement submitted and items such as the casino layout, gaming equipment and slot machines necessary to make the casino operational. Within this time period, the Commission was also able to license sufficient staff for the casino hotel facility to commence its operation.

The opening of the Resorts International Casino has demonstrated clearly that casino gambling in New Jersey can be and is a tremendous success. As of August 30, 1978, Resorts International Casino has realized over 63 million dollars in gross revenue from its casino operation or approximately \$640,000 per day. These revenue figures far exceed any revenue statistics we have seen from Nevada casinos and place Resorts International in the position of being one of the most, if not the most, profitable casino in the world today. Contrary to popular opinion, the September revenue figures, although not public yet, appear to be continuing this trend with September revenue projected at near the gross revenue figures reported for July.

Of course, these revenue figures have a direct relationship to the tax revenues collected from casino gambling and deposited in the Casino Revenue Fund for the benefit of senior citizens and the disabled. As of September 26 of this year, \$6,222,500 has been deposited in this Fund. In addition, the Commission, as of September 25, has collected \$2,185,090 in fees which have been deposited in the Casino Control Fund.

In implementing the provisions of the Casino Control Act, the Commission has gained extensive and invaluable experience in regulating casino gambling. It is fully in accord with the philosophy of the act requiring strict regulation of casino gaming and the persons associated therewith. While the Commission believes that strict regulation is essential for the proper control of this industry in Atlantic City, it does recognize that certain modifications should be made to the Act's provisions. These modifications, which I will address, are suggested so that the goals of the Act may be more expeditiously achieved without unduly affecting this basic concept of strict control.

Under the present law, Sections 89 and 90 presently require that the Commission must issue licenses before casino key employees or casino employees may commence employment in a casino. Even though casino employees include persons such as cocktail servers and maintenance personnel whose duties do not relate to gaming activity, no temporary licenses may be issued to them.

Section 90 presently provides that the Chairman must issue licenses before casino hotel employees may commence employment in non-gaming related activities in a casino hotel. The Chairman has the further authority to issue temporary licenses to these employees in instances where background investigations will delay permanent licensure and where the employees are necessary for the continuing operation of the hotel.

My recommendation under Section 90 "Licensing of Casino Non-Gaming Employees" is as follows:

1. "Casino employee licenses for positions not directly related to gaming activity shall be issued by the Chairman rather than by the Commission."
2. "(g) A temporary license may be issued by the Chairman to casino employees for positions not directly related to gaming activity if in his judgment the issuance of a permanent license will be restricted by necessary investigations and said temporary licensing of the applicant is necessary for the continuing operation of the casino."

The first suggested amendment would permit the Chairman to issue licenses to casino employees whose positions do not directly relate to gaming such as cocktail servers and maintenance personnel. There would appear to be little need to distinguish such employees from their counterparts performing similar duties in non-casino portions of the hotel facility. Administratively, of course, it would be far more expeditious to have such licenses issued by the Chairman rather than presenting each to the Commission for its determination.

The second suggested amendment would authorize the Chairman to temporarily license employees whose duties do not directly relate to gaming but do authorize access to the casino. This suggestion, as indicated above, relates to employees such as cocktail servers and maintenance personnel and would not permit the temporary licensing of dealers or persons supervising gaming activity. It would also not permit temporary licensing of persons participating in count room, cashier or casino accounting functions. The standard is that contained in present Section 91f which authorizes the temporary licensing of casino hotel employees by the Chairman.

Amend Section 91f HOTEL EMPLOYEES as follows: Delete the words "of five days duration."

The temporary license which may be issued by the Chairman to casino hotel employees under the present Section 91f is qualified by the five-day durational limitation. This would appear to be impractical and unnecessary in light of the fact that the Chairman is always authorized to issue such temporary licenses in instances where same are necessary for the continuing operations of the casino hotel facility and only in instances where the issuance of a permanent license would be restricted by the time necessary to investigate the applicant's background.

The next amendment would be Section 92 concerning GAMING SCHOOL INSTRUCTORS. This should also be amended. A change in that section is necessary regarding the prelicensure of gaming school instructors. With new casinos opening, we can expect both a substantial demand for instructors and a significant turnover rate with respect to them. We anticipate, for example, some instructors leaving their positions with the gaming schools to become employed by the casinos. In order for the gaming schools to continue operating, they must have the ability to obtain new instructors expeditiously and without interruption to their established curriculum. To provide the means for accomplishing this, I recommend that Section 92 be modified to permit the Chairman to issue temporary licenses to instructors upon a finding that first, the applicant meets the educational and experiential requirements for such a license; second, that the issuance of a permanent license will be restricted by necessary investigations and third, that the temporary licensure is necessary for the continuing operations of the gaming school.

With respect to the REGULATION OF SERVICE INDUSTRIES, under the present law Section 92 requires licensure of all enterprises offering goods or services to casino hotels on a regular basis. Supplementing this is Section 104(b) which requires each casino licensee to submit to the Commission every agreement with any person doing business with its casino hotel facility. By means of these provisions, the Commission obtains direct control over and can assure the integrity of all businesses dealing with the casino hotel facility. Although this control is beneficial and should be continued, the procedure established in Section 92 for its exercise does not comport completely with economic realities.

If the operations of casino hotels are to commence and continue, it is essential that they have ready access to the goods and services provided by these enterprises. Such access, however, is unrealistically precluded by the prelicensing requirement of Section 92 which could result in the untenable situation of having casino hotels operating without the means of obtaining the goods needed to continue operating. Moreover, it has the effect of stifling competition, since it encourages casino hotels to deal with already licensed industries instead of encouraging other businesses to obtain licensure.

The recommendation is that in addressing this situation, it is necessary to recognize the economic realities of casino operations while, at the same time, maintaining control over the enterprises doing business with casino hotels.

This can be accomplished by providing the Commission with the authority to permit these enterprises to do business with casino hotels pending a decision on licensure. Under this scheme, necessary control is maintained since all agreements with the casino hotel facility must still be submitted to the Commission for approval under Section 104(b). In reviewing these agreements, that Section requires the Commission to evaluate both the terms of the agreement and the qualifications of the persons involved, and we have an amendment to that effect in some material that we will submit to the members of this Committee just as soon as it is photostated.

On LICENSE EXEMPTIONS, I recommend that the criteria for licensure exemption contained in Section 92(c) be modified somewhat by deleting the phrase "that such person or field of commerce is regulated by a public agency." This modification would enable the Commission to exempt from licensure those companies which, although doing business on a regular basis with casino hotels, do not have a

significant impact on the operation of these hotels. Control over these companies would still be exercised, however, through the contract approval procedures required by Section 104(b) which I referred to previously.

SECTION 140 - LICENSE FEE ON SLOT MACHINES

At present the \$200.00 annual license fee imposed on each slot machine takes advantage of the maximum Federal tax credit allowable under the Federal miscellaneous excise tax imposed on slot machines. This Federal tax is in the amount of \$250.00 per year on each machine. However, a Federal tax credit of up to 80% of that amount (or \$200.00) is allowed in the event of a state-imposed tax on the same machine. The net result is that the \$200.00 annual license fee paid on each slot machine under the Casino Control Act does not cost the casino licensee anything because the licensee obtains the benefit of the Federal tax credit in that amount.

The legislative judgment has been made that the costs of operating the Casino Control Commission and the Division of Gaming Enforcement are to form the basis for establishing the annual license and renewal fees assessed. Experience has shown that it is not economically feasible to treat every type of license application and renewal on a case-cost basis. For example, the actual cost of investigating many categories of employee licensures and many service industry licences is significantly greater than that which could rationally and fairly be charged by way of a license fee. Moreover, there are indirect costs of operating the two governmental agencies which are not directly attributable to any specific applicant or licensee. It is apparent that if the cost of governmental regulation of casino gaming operations is to be borne by the industry, it is the casino licensees who must bear most of this burden. This approach is both practical and equitable since it is the casino licensees who will derive the greatest direct economic benefit from casino gaming operations.

One type of gaming revenue which has proven to be greatly in excess of expectations has been the revenue generated by slot machines. According to figures available to the Commission, during the month of August in Atlantic City the average win per 5¢ slot machine was approximately \$107.00 per day or \$39,120.00 per year; the average win per 25¢ slot machine was approximately \$281.00 per day or \$102,485.00 per year; and the average win per \$1.00 slot machine was \$457.00 per day or \$166,821.00 per year. Even after factors such as seasonal variation, the dilutive effect of additional machines, and mechanical breakdowns are considered, it is evident that the average slot machine is generating in the neighborhood of \$100,000.00 per year in gross revenue for the casino licensee. In light of these considerations, a \$2,000.00 annual license fee for each slot machine is appropriate.

On the RIGHT TO KNOW law, much has been said about it, but an important area in need of clarification is the extent to which information held by the Commission is public or confidential. Although Section 74 of the Act attempts to address this subject, it does not provide a guide of sufficient clarity for determining what information is public and what is confidential. Some months ago a proposed amendment to this Section was drafted by the Governor's Office of Casino Policy. I am going to see that the Committee members get a copy of this proposal with my presentation this morning and I believe this proposal should be used as the starting point for amending Section 74.

We also have suggested an amendment for the CASINO HOTEL FACILITY, which as I say will be submitted to the members of the Committee.

We have a suggested amendment for ALCOHOLIC BEVERAGES ON CASINO HOTEL FACILITIES. For example, Section 103 of the Act vests in the Commission exclusive jurisdiction over the distribution and consumption of alcoholic beverages in casino hotel facilities. This concept is a proper one because of the uniqueness of casino operations, even though the cost of enforcement is significant.

Several months of experience in working with Section 103 and the seven classes of licenses created thereby suggest that legislative revision is desirable. Paragraphs (a) thru (e) require revision to clarify the legislative intent.

Furthermore, the seven classes of alcoholic beverage licenses are inflexible and difficult to administer. Indeed, the license classifications do not recognize that a specific room or hotel area may have different seasonal uses, different weekly and weekend uses, or even different day and evening uses. It is therefore recommended that the seven classes of licenses contained in Section 103(g) be consolidated into three classes: one class for the casino room; one class for the plenary distribution and consumption in other rooms or areas of the hotel under the control of the casino licensee; and one class for the plenary distribution and consumption in rooms or areas of the hotel under the control of tenants or lessees.

#### SECTION 86 - CASINO LICENSE - DISQUALIFICATION CRITERIA

At present, Section 86(c) of the Act categorizes as a per se disqualification conviction of any offense which would be under New Jersey law at the time of application a capital offense, a high misdemeanor, certain enumerated misdemeanors and certain enumerated disorderly persons offenses. The Commission is granted discretion as to conviction of any other offense which indicates that licensure of the applicant would be inimical to the policy of the act and to casino operations. Section 86(c) applies not only to applicants for casino licenses, but also to persons required to be qualified under the Act, casino key employees, casino employees, casino hotel employees, casino service industries, officers, agents or principal employees of labor organizations, and persons contracting with casino licensees.

It is both more rational and more defensible to authorize the Commission to examine each case in light of the policies set forth in the Act and the need to protect casino operations. Factors such as the nature of the specific position applied for, the nature, seriousness and date of the offense, the circumstances under which the offense was committed, including the convicted person's age at the time of the offense and the social conditions contributing to the crime, whether the offense was an isolated or repeated incident, and evidence of rehabilitation should all be considered in the context of the highly sensitive casino gaming industry.

Therefore, I am recommending that Section 86(c) be amended so as to authorize the Commission to decide in every case whether conviction of an offense would indicate that licensure, registration, qualification or contract approval would be inimical to the policies of the act or to casino operations.

In addition I have recommended several other amendments to the statute, including the following:

1. To help expedite the licensing process the Commission should be given discretion concerning the corporate filing requirements for casino applicants. Specifically the Commission must be granted discretion concerning the information required of holding companies, intermediary companies and subsidiary companies. I'm recommending that the definitions of "Holding Company" and "Subsidiary Companies" be amended to incorporate the notion of significant interest.
2. The definition of a "Junket" should be amended. At present a junket is essentially any complimentary in excess of \$200.00. The notion of a prior arrangement, the purpose of which is to induce a person to come to a casino to gamble should be incorporated. This is necessary to make the advance junket reporting requirements of Section 102(D) feasible.
3. Under the present act an applicant must waive liability as to the State and its agents for damages resulting from lawful or unintentional disclosure of information. I recommend that this waiver of liability be for all except willfully unlawful disclosure of information. This would protect the State and its agents from liability for all but malicious unlawful disclosure of confidential information.
4. A casino should not be allowed to require the patron to wager more than the stated minimum or less than the stated maximum permitted at any table game. However, any wager actually made by a patron and not rejected by a casino prior to the commencement of play should be treated as a valid wager.
5. The definition of "Gross Revenue" should be clarified so as to resolve the ambiguity concerning the deduction permitted for bad checks received from gaming operations. This can be accomplished by specifying that the amount of the allowable deduction is a reasonable provision for uncollectible receivables. Also, it should be made clear that the 4% limitation on the deduction which may be taken for bad checks relates to 4% of the gross win rather than to 4% of some notion of total wagers.
6. It is not necessary to require that a Commissioner sit at all violations hearings. A hearing examiner might be more appropriate in some instances. Therefore, we suggest an amendment that either a member of the Commission or a member of the Casino Control Commission be permitted to sit as a hearing examiner.
7. The full text of a recommended amendment to Section 82(b) and (c) and Section 104(a) has been drafted and is contained in the materials being submitted to this Committee. The concepts in these provisions are technical ones. The proposed language would clarify the present statutory definition as to what persons or entities are eligible to hold a casino license. Eligibility presently is limited to those persons who either own or lease casino hotels or who have a contract to manage a casino and it is recommended that these criteria be continued. The recommended amendment, however, would permit the Commission the limited flexibility to apply this eligibility criteria so that it may on a case by case basis separately evaluate each hotel lease and casino management arrangement presented to it. Because of the wide variety of potential lease and management agreements possible, it is of vital importance that the Commission be given the discretion necessary to determine the best way of evaluating and regulating each person who has any relationship whatever to a casino hotel proposal.

8. I also recommend that the language of Sections 104(a) be clarified and, in the materials being submitted, have provided the Committee with a proposed new draft of that provision. My proposal, essentially, would merely clarify and continue the concepts contained in the present Section 104(a). The language, of course, is quite technical. In simplified terms, however, that Section currently requires that any agreement with a casino licensee providing for any payment of a percentage of gaming revenues must be reviewed and approved by the Commission prior to the time that they might take effect. It expressly prohibits persons other than those holding a casino license, a casino service industry license or an employee license from participating as a party to such an agreement and requires that if such an agreement exists, it must also provide for profit sharing by casino employees or by casino key employees.

These are some of the amendments that we are going to recommend to the members of this Committee. As I said before, in our Atlantic City office we are in the process of duplicating what I have just submitted to you in part, in the hope that the Committee will have an opportunity to review them and perhaps discuss them further with myself and members of my staff and other interested parties.

I hope I haven't been too long, but I thought that this was too important a meeting not to present most of the recommendations that we have and thought should be brought to the attention of the Committee. By no means is this a complete and exhaustive review of the Casino Control Act. It seems to me that we will need more time and more experience before we can actually come before this Commission again, but I would like to say that I think the Act is a good one and all those who played any role in its drafting should be commended.

ASSEMBLYMAN CODEY: Thank you, Mr. Chairman. It seems that you did your homework and did it well and it seems that we have a lot of work ahead of us. Are there any questions, Doctor? Assemblyman Gormley?

ASSEMBLYMAN GORMLEY: A couple of questions, on 92(c) you mentioned exempting certain industries. I believe you referred to utilities for example that come under the PUC. I haven't seen the actual provision. Is that what you're considering?

COMM'R. LORDI: No. The statute itself presently permits the Casino Control Commission in its discretion to exempt from licensures these ancillary industries that are subject to regulatory controls by a public agency, which of course would include utilities such as you identify. What we are suggesting is that those words be deleted and that the Commission be given the authority to determine whether or not the impact of the business that the industry does with a casino hotel and the casino should in fact be licensed, since we do have control over contract approval. For example, we have a number of industries, large and small, that do a minimal amount of business with a hotel. They have no impact whatsoever on them, and we're suggesting that we ought to have some discretion to make that determination as to whether or not they should be licensed, recognizing that we still have control over contract approval.

ASSEMBLYMAN GORMLEY: In other words, going beyond the utility limitation into other areas and making it discretionary because you cannot write something to cover all the possibilities you come up with?

COMMISSIONER LORDI: That's exactly right.

ASSEMBLYMAN GORMLEY: On 86(c) with regard to the review of individuals who have a prior criminal record, what you're saying is eliminating the existing provision and making it discretionary upon your review.

COMMISSIONER LORDI: That's right, and taking into consideration various factors. I might point out that we've had instances, for example, where a person has been convicted of a high misdemeanor back about ten years ago, but under the statute he would be disqualified. We had an instance where a young girl at the age of 18 had been I think arrested for soliciting for purposes of prostitution. She was now 26 or 27, but unfortunately the statute was mandatory. Rigid standards make hard law and very difficult cases, and we're saying that you should have enough confidence in a Commission to allow them to judge each and every one of these applications on a case-to-case basis to ascertain whether or not the crime itself is so remote or has so little effect on the position he is applying for, or third he has been rehabilitated and that he is entitled to an opportunity to work even in a gambling casino.

ASSEMBLYMAN GORMLEY: Did the Commission consider the possibility of instead of a broad grant of discretion in that area, making use by reference of the expunction provisions that we have, and say if someone had qualified for expunction of a record based on that time frame that then the Commission could grant the license under those circumstances.

COMMISSIONER LORDI: Oh yes, the Commission does that now I think administratively and I think there is a legal opinion to that effect that we recognize the expunction would erase it so that we wouldn't have to consider it. But in some instances it takes ten years before you can expunge a record, so I'm talking in terms of that period of time.

ASSEMBLYMAN GORMLEY: Thank you.

ASSEMBLYMAN CODEY: Assemblyman Matthews?

ASSEMBLYMAN MATTHEWS: On this \$200.00 credit, would you explain to me again how they get a \$200.00 credit on the slot machine from the Federal government?

COMMISSIONER LORDI: Yes, as I understand it, they have to pay \$250.00 to the Federal government for each slot machine and they are entitled to a return of up to 80% of that \$250.00 if they pay any State licensing fee. Well, in this case they're paying \$200.00 to the State as a licensing fee for the slot machine, as a result of which they can now apply to the Federal government for a return of 80% of the \$250.00 that they have given, which runs around \$200.00.

ASSEMBLYMAN MATTHEWS: This is direct credit?

COMMISSIONER LORDI: Yes.

ASSEMBLYMAN MATTHEWS: Now, on this \$2,000.00, you're taking one casino that has been opened, and I'm thinking down the line when we have hopefully 15 or 20 and you're not going to have the same kind of play you have now, it seems that then the \$2,000.00 will be a little steep and you may deter people from putting in slot machines and the original purpose may be defeated in the long run.

COMMISSIONER LORDI: I don't know. Of course, it is difficult for any of us to predict what the market demand is for slot machines and what it will be in the future. We can only go on the basis of the figures we have now. We can only go

on the basis of studies that have been made with respect to the demand for casino gambling here on the East Coast. My own opinion is that it would not have that deterrent effect, but what we do today can be changed tomorrow. If we find that it does, of course, we can always reconsider what has been done. We suggested \$2,000.00; that's not a hard, inflexible figure. However, some serious consideration should be given to raising that licensing fee.

ASSEMBLYMAN MATTHEWS: By the way, any time you have amendments to the Casino Control Act you'll have to have a meeting like this to give them to us.

COMMISSIONER LORDI: I understand that. What it does is, it kind of prods us along to get things done and that's rather helpful.

ASSEMBLYMAN MATTHEWS: With procedures of course, we get the complaints as you get them. But there was an occasion that I intervened, didn't have to but I chose to intervene, between the investigative branch and your branch. There was one form that was not signed and the individual in question didn't realize that was why the license was being held up. It seemed as though for some reason that even though one branch wasn't talking to the other, this thing kind of cleared up because it was a real Catch 22, I thought, in this particular case. I don't know how many other cases were like that, but it seems like when Mr. Martinez's people were finished they didn't communicate to you and vice versa, so that's what happened in this one case. I don't know how many other cases; this may have been the only case.

COMMISSIONER LORDI: Well, first of all when you stop to consider that we're handling thousands of cases, a single case while it may be important and has an impact on the applicant, taken in the total context of the picture itself it is not that much, and when one realizes not only is casino gambling in its start-up stages but so are the Commission and the Division, you can appreciate the fact that there are some problems. For example, we're still in temporary offices. We're still having a study concerning a permanent filing system. I'm merely pointing these things out to show that problems are going to surface. Secondly, as far as the Commission and the Division are concerned, and I see Bob Martinez behind me, I can assure you that the relationship between the two agencies is an excellent one, not only as far as Mr. Martinez and myself are concerned, but at all levels of our respective staffs, and there is a constant flow of information.

As for the specific case itself, there are instances where an applicant fails to fully complete an application form. Procedures have been established to contact applicants so that we can get him or her to come in and sign the application. There may be, as I said before, some problems that arise. There may be some difficulty in receiving them. Sometimes, in many instances the permittee, Resorts International may have submitted the application and may have submitted them in bulk, and by the time we got around to it some period of time had elapsed. But by and large I would say that the licensing process is moving as expeditiously as possible. However, we recognize that when you're talking in terms of thousands of applicants, especially when a casino is about to open up such as the issuance of a permit or the issuance of a license, when there is a tremendous burden thrown on both the Division and the Commission, the recommendations for temporary licensure with respect to not only casino hotel employees, but to casino employees and non-related gambling positions would be helpful and would eliminate this kind of delay.

ASSEMBLYMAN MATTHEWS: Just one other thing, another in the same vein. People on vacation, what provisions, and this is not only in yours but in other various State governments, but when there are people on vacation and they take a week or two vacation and sometimes they have someone's application, it's almost unfair because two weeks to some people may not mean much but to people waiting for a license or something like that it does. I know I had occasion yesterday to go to the Division of Taxation and the person who was handling something for a licenseship, was on vacation for a week, and because of his being on vacation for a week they were assigned this particular case and in the meantime the result is that 11 people are still unemployed because one person was on vacation.

I wonder, how do we solve a problem like this?

COMMISSIONER LORDI: First of all, it presupposes that there is a problem. One, I'm not complaining, but I haven't had a vacation, but what I'm indicating as far as our office is concerned, we still have a limited administrative staff. We're still expanding and must of necessity have to do that. But I can't recall any situation in which, within the Commission itself, there wasn't someone who would respond to any inquiries made by applicants for employment or seeking some information concerning the Casino Control Act or the processing of an application. So the fact that someone may go on vacation doesn't indicate that we close shop; it just means that someone else, perhaps the head of a section or a division goes on vacation, his assistant would be on duty and would be able to respond to those questions. I point out though as I say with the issuance of the temporary permit, there was a tremendous amount of work placed on the shoulders of both the Division and the Commission which had to be processed within a short period of time. We are not always able to get the answer as quickly as possible. For example, we get hundreds of requests for legal opinions and interpretations of the Casino Control Act, some of them rather complex, and it is just impossible to respond as quickly as you would like. The same way with inquiries from people who haven't filed applications but are interested in filing. So, I'd have to say in answer to your question, Assemblyman Matthews, that I don't think at any time that we have not had someone at the phone to respond to the questions or to service someone who came into our office, whether it be during the summer months or prior to the summer months.

ASSEMBLYMAN CODEY: Assemblywoman Kalik?

ASSEMBLYWOMAN KALIK: Yes, I have several questions. The office in Atlantic City, is that for both the New Jersey Casino Control Commission and the Division of Gaming Enforcement; do you share the office?

COMMISSIONER LORDI: No, we are not sharing the office space that we are negotiating a lease for, that is strictly for the Casino Control Commission, although the Division does have I think one or two smaller offices where members of their Division are assigned and some photographic equipment is kept for the taking of photographs which enables us to work that much closer in processing applications here in the Atlantic City area.

ASSEMBLYWOMAN KALIK: Hearing examiners, the Commission appoints those hearing examiners. Are there certain qualifications that they must meet?

COMMISSIONER LORDI: Well, as of this moment we have not appointed any hearing examiners. You may recall that at the same time the Casino Control Act was amended to provide for a temporary permit, the Casino Control Commission also recommended an amendment providing for part-time hearing examiners. We have not as yet appointed any, but yes they would require certain qualifications, educational background, and experience. Quite obviously, a hearing officer would have to be an attorney, in my opinion, in order to understand the rules, evidence, and what have you. We do have a job description for that position. I do not have it with me now. At the present time, if a Commission member is not sitting as a hearing examiner, and under the statute I made reference to, in all disciplinary proceedings he must, one or more of the Commission members must, sit as a hearing examiner. However, if it does not address itself to a disciplinary proceeding the attorneys within the office have been serving in that capacity and they're eminently qualified to so serve.

ASSEMBLYWOMAN KALIK: Does an employee who transfers from one job to another in the casino, be it from non-gaming related activity to gaming activity, or from gaming to gaming or non-gaming to non-gaming, have to be relicensed and reinvestigated?

COMMISSIONER LORDI: Well, not necessarily. Let's assume for the sake of argument that an individual moves from a cocktail waitress to a bartender, which is not unusual in this day and age, many women would love to be bartenders and vice versa, but I would think that in a situation of that kind all that would be required would be a position change. If in fact it was two different positions but on the same level of employment calling for the same level of experience or no experience whatsoever, but let's say that someone in the count room as a casino employee wanted to be a dealer, quite obviously he would have to be licensed as a dealer, and you can only be licensed as a dealer when you have experience. I would doubt that he would have to undergo an in-depth investigation, and I think that Mr. Martinez could probably answer this question in greater depth; I don't think this would require another in-depth investigation as to his personal integrity on those jobs which may be on the same level, but certainly we'd have to review his experience, background, and qualifications to see whether or not he is qualified to serve in that capacity. But if he were moving, for example, from the casino to the hotel, unless he was moving to a position as principal employee for which we would require a casino key employee license, another investigation would not be required. Just a position change, is administratively done within both offices.

ASSEMBLYWOMAN KALIK: The same would be true from one casino to another one when the next casino opens? What I'm asking is, how much reinvestigation -- are you reinvestigating the people who are employed and obviously serving one casino who want to move to another?

COMMISSIONER LORDI: If you're talking in terms of a position where you have more than one casino in place, and a person has been licensed to act as a dealer and now works in let's say Number 1 casino and wants to work in Number 2 casino, we haven't had the experience. My answer would be to you, no he does not have to undergo a new investigation, but under the statute, first of all his license would probably identify the fact that he is now working for a different licensee, but

under the statute the casino licensee Number 2 would have to obtain a work permit from the Casino Control Commission before this dealer could go to work at their hotel. So, no he does not have to undergo another investigation. The license will permit him to work in either one of the casinos, except that the casino licensee for which he works must apply for a work permit.

ASSEMBLYWOMAN KALIK: One more question on the same order. How do you know that the circumstances or information received is updated from time to time?

COMMISSIONER LORDI: Updated, you mean on the fact---

ASSEMBLYWOMAN KALIK: On the employees. In other words, circumstances can change.

COMMISSIONER LORDI: You're talking about casino employees and casino hotel employees? Well, you say how do we know.

ASSEMBLYWOMAN KALIK: Is there any annual review requirement at this stage?

COMMISSIONER LORDI: Every year they've got to apply for a renewal of their license and this is not to suggest that every year at renewal time we're going to reinvestigate in depth every application for a license renewal, but I would think that during the period of that year information might come to the attention of the Division or the Commission, which would be referred to the Division, which might trigger another investigation. I think what you're going to do is basically look at his record for the preceding year and if there is nothing therein which would warrant (1) a further investigation or (2) anything of a disqualifying nature, we would probably renew his license.

ASSEMBLYWOMAN KALIK: Mr. Lordi, I have to recommend you on the job you've done. I think it's been tremendous considering what you've had to work with. The only complaints I have received are that it is taking too long to get these licenses through. I realize that some of your recommendations are specifically meant to alleviate that situation, but I wonder if you couldn't possibly come up with even more help in some other way in pushing these things through. As next year approaches us very rapidly, the possibility of two or three casinos opening within a six-month period is very real.

COMMISSIONER LORDI: Well, thank you very much. I think I can safely and comfortably and optimistically say that with the experience the Division has had and with the experience the Commission has had, and with the experience our staffs are gradually developing through the years, and as our filing systems become more sophisticated, we'll be in a better position, together with these amendments, to process these applications much more expeditiously.

ASSEMBLYMAN CODEY: Assemblyman McManimon?

ASSEMBLYMAN McMANIMON: Thank you, Mr. Chairman. I'm going to reserve any questions I may have today until I have had the opportunity to review the statement that the Chairman has made here this morning. It is quite evident that you have touched on many areas of concern, and I compliment you on going into these areas. It is also evident to me that with Bob Martinez here today, I'm anxious to hear some of his reports, along with one of your fellow commissioners, Mr. Merck, and I think the proper thing for me to do is wait until I review your statements and then we'll take it from there.

COMMISSIONER LORDI: Fine, thank you sir.

ASSEMBLYMAN CODEY: Mr. Chairman, when casino gambling first passed in the State of New Jersey, there was a great deal of talk in the media certainly about organized crime. Do you feel that the Casino Control Act which this Committee

drafted along with Mr. Martinez and others is sufficient to do the job, and do you think that we have effectively done the job of keeping organized crime out of casinos in Atlantic City?

COMMISSIONER LORDI: There's no question in my mind but that there are tools contained within the Casino Control Act to keep out organized crime or other career criminals as described therein, and there is no doubt that the Division and the Commission have dedicated themselves to make sure that the purposes of the Act are carried out. At this posture, I can safely say that I know of no instance in which organized crime has in any way filtered into casino gambling as we know it today. However, we recognize that it is in its infancy and that we are really processing applications, we have not issued a casino license. We have issued a temporary permit, but we haven't issued a casino license and of course the Division of Gaming Enforcement is conducting an investigation. I have complete confidence in Director Martinez and the members of his staff, and if any such information were so uncovered, in the report submitted to the Commission, it would disclose that fact to the point where the Commission could then take appropriate action. But I have no reason to believe that it has in any way filtered into the application processing and I am satisfied that the legislature has given us the tools to do the job.

ASSEMBLYMAN CODEY: Thank you, Mr. Lordi. The \$2,000.00 renewal fee, kind of reminded me, when you said it, of a tennis match, all the heads go at one time; and when you mentioned that all the casino heads went up like that, and I wondered. It appeared to me off the top of my head, a little out of line with the Act as it is now written, in that all those kind of fees are not distributed that way, on gaming equipment, and you mentioned slot machines. Would the next step be roulette tables, the big six?

COMMISSIONER LORDI: Oh, no, I don't think so. The legislature made the judgment back when the Casino Control Act was enacted to provide for a license fee for each slot machine. What we're suggesting is, it seems to me, that that license fee should be raised. As I've said, we've projected \$2,000.00. I think it's fair, I think it's reasonable. It may very well be that this Committee may think otherwise, but some consideration should be given to raising it, if in fact the Division and the Commission are going to operate on a self-sustaining basis by the end of the sixth year of our operation.

ASSEMBLYMAN CODEY: Mr. Chairman, in regard to staffing both the Commission and the Division, someone said that if we were to join the Division and the Commission staffs, and we put those people together and combined salaries, that we would equal the State of Nevada's Division, their enforcement and their regulation that they have for all their casinos. We match them with only one casino. In other words, the criticism is that we have too much staff, we're over-regulating. Do you think that's a fair assessment?

COMMISSIONER LORDI: No, it isn't a fair assessment. I can indicate at the present time that, if anything, we don't have enough staff. But we've got to recognize when we're talking in terms of one casino, and I speak on behalf of my own agency, and I'm sure that Director Martinez can speak on behalf of his own Division, that there are many, many other things being done at the present time other than regulating the Resorts International. I've spoken in terms of rules and regulations, administrative procedures, processing applications, that are unrelated to this one licensee. There are many things being done. I think I have some figures here just

to show you that when we talk in terms of staff, for example, our staff consists of 68 employees. This is the Commission staff, but 31 of them are inspectors, which includes the Chief Inspector and six Senior Inspectors. These people, with the exception of the Chief Inspector, are assigned directly to Resorts International. All of their work, whatever it is, relates directly to Resorts International and this is as it should be because under the statute we have to certify as to the gross revenue, we have to accept customers' complaints, we have to insure compliance with internal control regulations, and the like.

Now, of the 68, 16 are clerical and secretarial help, which leaves us with 28 attorneys, accountants, and higher level administrative employees. I can tell you right now that they are just not enough to do the job, to process the thousands of applications that are coming, what we project and anticipate. But the bulk of our employees are inspectors that are assigned directly to the Casino Control Commission. They're the eyes and ears of the Commission. They're the visible agents of the State. They are what the public can see, regulatory control in operation, and I say they are important. Many of them by the way are in the counting room where you never see them. They carry the keys of course to the slot buckets and the drop boxes and the like, to insure the kind of integrity and security that the Act calls for. So, no, I don't think the Commission is over-staffed one iota. The fact is that we're going to have to go back to the Division of Budgeting and require additional personnel. However, I might point out that under a projection that was made for us by Haskins & Sells, and which is being updated by our own Accounting Evaluation Section, that based on the projection of ten licenses in operation in 1984, we anticipate that both the Division and the Commission will have paid back whatever monies they borrowed from the State Treasury and will be operating on the budget surplus.

ASSEMBLYMAN CODEY: Mr. Chairman, I read recently of the staffing of inspectors at the one casino where we were charging Resorts International \$70.00 per hour per man, and I would like you to clarify that as to just what that is, that charge per hour.

COMMISSIONER LORDI: Well, the \$20.00 per hour---

ASSEMBLYMAN CODEY: Is it \$20.00 per hour?

COMMISSIONER LORDI: It's \$20.00 per hour. This is an assessment that has been made and we bill Resorts International each month for the inspectors who are actually assigned to Resorts International Casino. As I said before, the only work that they do is directly related to the casino itself. It also includes the Division agents who are assigned there to carry out their basic responsibilities and duties, and I might say that Resorts International has in fact begun payment of those amounts of monies and they will go into our Casino Control Account. But the \$20.00 is kind of an average between the hourly rate of the Division agents, most of whom if not all of whom are State Police, and of course higher than the \$20.00 per hour, and the rate for inspectors which runs around \$15.00. I think the rate for State Police runs about \$30.00 or so, and ours \$15.00, but included in that would be the overhead as it related to the Resorts International. In other words, that percentage of our administrative operation that went toward the regulation and control of Resorts International. I have a note on that. It says that the \$20.00 per hour was established by Haskins & Sells - they were the consultants of the Casino Control

Commission during their study - and represents the cost of the salaries of Commission inspectors and Division agents actually assigned to casinos over the next six years, divided by the number of hours spent in a casino at work for the next six years, including overhead costs. The costs are actually based on the number of inspectors and Division agents assigned to a casino and paid on a monthly basis by that casino.

Now, the \$20.00 per hour falls somewhere between the hourly rate of \$32.76 which is for State Police who are now within the Division of Gaming Enforcement, and the hourly rate for Commission inspectors of \$15.86, including overhead. So what that \$20.00 an hour does is really recapture the salaries of those individuals who are specifically assigned to the casino, plus a certain percentage of the administrative overhead which deals directly with that casino. Therefore, I would think it is a fair and reasonable rate and certainly there is no question that the number of inspectors we have there are absolutely needed if they are going to do their job.

ASSEMBLYMAN CODEY: With regard to the fines that were levied against Resorts International, when I read of the fines back in Essex County, on two occasions the fines were portrayed in the newspaper as violations for skimming. Would you characterize those violations as skimming yourself?

COMMISSIONER LORDI: No, I would characterize them as violations of internal control regulations and I think perhaps Bob Martinez who filed the complaints could be more specific. The fact remains, they dealt with the failure to fill out or prepare certain forms as required under our internal control regulations. I would not in any way raise them to the level of skimming.

ASSEMBLYMAN CODEY: Yes, I thought it was rather unfair that they had to be characterized in the press as such when, if you read the whole story, it didn't appear to be skimming at all but rather technical violations for which you assessed them. I have no further questions, Mr. Chairman, other than to thank you for the job you're doing. You make us proud and that's what counts.

COMMISSIONER LORDI: Well, thank you very much sir, and we'll have that package for you.

ASSEMBLYMAN CODEY: One other question, Dr. Villane?

ASSEMBLYMAN VILLANE: I'm sorry Mr. Lordi. Two things I wanted to mention. Did you consider the license fee of machines to be a graduated one, depending on what the machine takes, a nickle, a quarter, a half, or a dollar?

COMMISSIONER LORDI: Well, I suppose I'd give some thought to that. It may have some merit. We'll give some thought to it, the point being that whether it's \$2,000.00, whether it's done on a graduated basis, I do feel that this is a source of revenue that we should consider to help make the Division and the Commission a self-sustaining operation.

ASSEMBLYMAN VILLANE: The second question has to do with the modification of the liquor licensing from the seven categories to the three categories. It would be interesting to see what those recommendations are in detail. Is part of that recommendation a recommendation to allow for liquor dispensing machines in hotel rooms?

COMMISSIONER LORDI: Well, that was done on the basis of a decision of the Casino Control Commission. It was something, as we read the Act, there was nothing in the statute to preclude, but nevertheless it required Commission approval before it could be done and we gave that approval. That would fall within, for

example, if in fact the statute was amended to provide for three categories of licenses, that is a casino license, a casino alcoholic beverage license within the casino, a plenary consumption license such as we have on the outside, and a plenary distribution license which is basically a package store, that would fall within the consumption license within the hotel itself. Now, we wouldn't lose any fees as a result of this, merely because you have eight licenses or three licenses, the fees would be---

ASSEMBLYMAN VILLANE: I'm not concerned with the fees so much, but more with the control of the dispensing of alcohol.

COMMISSIONER LORDI: That's a little different, and we took that into consideration. I might say before the Commission made a decision with respect to it, we contacted the present Director of the Division of Alcoholic Beverage Control for the State of New Jersey. We had correspondence, not directly, but correspondence concerning this application, from one of the former Directors of the Division of Alcoholic Beverage Control, who approved it with respect to licensees outside the casinos throughout the State. It would appear from all the information that came to our attention that there were very few problems, if any, that flowed therefrom. On that basis we agreed to let it go. You have to recognize that whether they dispense it from a room under a system such as we've approved, and I might say Resorts International has not and I don't know whether or not they contemplate installing these units, but the licensee would be responsible for any violations such as serving minors or persons under the influence of alcohol. The same responsibility that follows from the actual sale from one person to another would follow through in those hotel rooms as well.

ASSEMBLYMAN VILLANE: It seems almost impossible.

COMMISSIONER LORDI: No, I don't think so. There is a central point, I understand, where these can be turned off or on, a central point within the hotel. They are only put on at the request of the guest himself.

ASSEMBLYMAN VILLANE: I envision parents taking their family down, the parents going down to the casino, and the children left up in the room. How can we control who consumes alcohol at that point?

COMMISSIONER LORDI: Well, as I said before, first of all we have had no situation come to our attention that would indicate that that would happen. Secondly, as I say, the management does have the control. They can cut off the flow of any beverage. Besides alcoholic beverages there are non-alcoholic beverages sold in these dispensing machines. They can cut it off and they can only put it on at the request of the guests themselves. I'm assuming that if we're talking in terms of youngsters, the possibility exists, but the probability as based on past experience would indicate that there have been no real problems.

ASSEMBLYMAN VILLANE: Thank you, Mr. Lordi.

ASSEMBLYMAN CODEY: Thank you again, Mr. Chairman. Our next witness is Mr. Robert Martinez, Director, Division of Gaming Enforcement. I would ask any members of the press who would like to interview Mr. Lordi to please do so outside of the chambers please.

R O B E R T M A R T I N E Z: Mr. Chairman, I don't have a prepared statement, but wish to associate myself generally with the comments made by Chairman Lordi with respect to operations under the Act since its passage. I believe in considering revisions or modifications at this point, the Chairman has struck what to me are going to be the touchstones of any proper review, namely that we must look for ways to improve the efficiency of administration under the Act without sacrificing any of the strict controls and the standards that the legislature initially judged ought to be set in connection with the various issues covered by the Act. Many of the specific amendments which we have heard described this morning do not, in my judgment, go to matters of control to any essential degree. Some do. I think that when our staff has the opportunity to review these as yours will want to do in all their technical glory, we would be happy to offer our opinion to the Committee concerning them. I think that I would emphasize this as a basis for this Committee's ongoing work over the coming months and that's this consideration, that while its been a year since the Act was signed into law and it has been a year and a month since the Division of Gaming Enforcement had its first employee, the book is open on a good number of the control features that the Act contains.

It is true that we have received applications. It is true that we have functioned for a period of time under the temporary licensing law. It is true that we have had initial opportunities to test the strength of the enforcement and compliance procedures and the administrative process associated with it. We have not, however, completed the initial major licensing of a casino hotel. We have not litigated fully, either before the Commission or for that matter in the courts, some issues which I am sure you are cognizant of which require some clarification. I think the Chairman's approach is to attempt to anticipate those problems and it is an approach which I share wholeheartedly.

There are a couple of other things which are on our minds which the Chairman did not cover, although I know that his staff is considering them along with mine. I don't know whether you would categorize them as technical or not, but for example the strictures criminally placed in the Act dealing with cheating offenses are fairly severe calling for misdemeanors with no lesser gradations of similar offenses, which makes plea bargaining in the best sense of that word very difficult to engage in. It also produces a very quick tendency to apply under local county pretrial intervention programs for consideration in that mode for first offenders rather than facing up to the music, which the legislature evidently intended they ought to fact up to. I think some considerations ought to be given to alterations in that, particularly in view of the policies of the legislature generally as now enunciated in the new penal code. We have also faced situations where it would have been helpful to have had some criminal sanctions dealing with the providing of false information or false oaths to these agencies, specifically the Division and the Commission, rather than having to rely on the general State false swearing statutes or other similarly related statutes.

But, these are relatively minor matters. I wouldn't even characterize them as loopholes or gaps in the law, so much as efforts to refine and further clarify. Likewise, from a criminal point of view the State of Nevada subsequent to our enactment has further refined some of its notions on the criminal side of gaming enforcement, and I think we ought to take a look at what they have done. Ours matched theirs before they changed theirs and I think we have to take a hard look at what they have more recently done and we will do so and present you with our views on that.

I would say that generally I am pleased with our experience under the Act during the past year and a month and given the need to constantly revise and refine I find no real major problem in considering each of the things that the Chairman and perhaps others today will raise before you. I think that with the same standards which this Committee applied to the process last year considering things in all their detail, we can achieve a proper result.

Mr. Chairman, I will remain available for your questions. If I may though at the outset, just to pick up on the last point with Mr. Lordi, there is a key associated with those machines in the rooms which dispense the alcoholic beverages, so parents have two controls over whether children have access and one is to ask management to turn it off, and the other is of course to lock it.

ASSEMBLYMAN CODEY: Assemblywoman Kalik?

ASSEMBLYWOMAN KALIK: No questions at this time.

ASSEMBLYMAN CODEY: Assemblyman McManimon?

ASSEMBLYMAN McMANIMON: No questions.

ASSEMBLYMAN CODEY: Assemblyman Villane?

ASSEMBLYMAN VILLANE: When we talked about temporary licensure some months ago, we talked about the great backlog and the difficulty in clearing all the people that had to be cleared and all the ramifications that entailed. How are you coming along now with the investigations of the one resort that is temporarily licensed?

MR. MARTINEZ: Well, there are actually three investigations in process because there are three applicants in the mill. The major one of course is one that we expect to finish to the point where we can begin proceedings before the Commission within a matter of, well say by the end of November or something along that line. I think that ideally, and it's very difficult to generalize, but ideally you have to allow for the thought of spending a good six months chasing down any major corporation and all the intricacies that precede it, with a fairly healthy staff, to have the assurance that while you never can turn over every stone, you've turned over every important stone. In this particular case, the application was received around the first of the year, but then we were diverted of course into efforts to become operational simultaneously with dealing with the background work.

ASSEMBLYMAN VILLANE: So you think the final licensure for Resorts International, to get them out of the temporary period, will be in November?

MR. MARTINEZ: Well, I'm saying that as far as my agency is concerned I think our work will be finished. The Commission will need its time to go through the process that the law calls for to deliberate and reach its decision. I think we're already beginning that, beginning the final stages of that, preparatory to going before the Commission.

ASSEMBLYMAN VILLANE: Thank you.

ASSEMBLYMAN CODEY: Assemblyman Gormley?

ASSEMBLYMAN GORMLEY: It would appear that if we're dealing with a November date on the main application at this time, that if one or two others, one that has applied or others that might apply, that because of the time involved we might be running into use of the temporary provisions again. Do you see that possibility arising within the next eight or nine months?

Making use of the temporary provisions of the Act, does it look like these will be used in the near future? It would appear that is the way the time schedule is going, and, if so, with your experience with the temporary provisions does it appear as though there should be amendments on the temporary provisions?

MR. MARTINEZ: Well, of course the possibility always exists that that law which is available to anybody in a position to apply will take advantage of it. I wouldn't want to predict one way or the other at this point. It would be premature to do so.

ASSEMBLYMAN GORMLEY: It just appears at this time, the way the time frames are working out, as though it will happen again. I mean it's a matter of business that if a structure is finished and is sitting there waiting for a permanent license, they will go for the temporary.

MR. MARTINEZ: Well, there are a lot of problems associated with it that have nothing really to do with the dynamics of the law and that's why I'm very hesitant to predict about it. For example, one of the major problems the Commission, the Division, and the industry faces in New Jersey is getting on line a pool of qualified personnel to run a casino. You know, casinos of the size we're talking about means that they have got to be contemplating staffs of at least 700, 800, 900, 1,000 people, and for each casino that's a lot of new licensees to come up with even if there is a ripple effect. In other words, the second one steals from the first one, which means the first one has got to replace, however it goes. These logistical problems cannot be understated. I'm inclined to think that in the rush on the part of the industry to make itself operational, it's a legitimate rush, it's got to be extremely careful to anticipate the full impact of the logistical problems it must face to be ready. Now, we've all had experiences with that this first time around. I think the Commission's and the Division's staffs have certainly learned what it means to be ready and what it means not to be ready in the case of a licensee, and would probably be in a position to dope that out in a lot more detail than we have in the past. So that's going to impact on opening dates and it's got nothing to do with temporary license or not temporary license.

From the Division's point of view, we've had to guard against overstaffing. You know, in the initial years, with a view that later on career paths would dissolve as things stabilize. I hope I live that long, but we're trying to gear ourselves to a point where we're able without a strain on resources to deal with two casino applications simultaneously within the course of a year or under. That's going to require the addition of more staff, which we have budgeted for this year and are in the process of recruiting. If I am comment on your point before, Mr. Codey, the question regarding the staff comparisons, I don't know the exact numbers

off the top of my head, but I do know that at the moment the Division of Gaming Enforcement has fewer staff, probably by about one-third, than our counterparts in Nevada. I think direct comparisons in that respect are somewhat misleading, however, because New Jersey attempts to do, and in fact does do, a lot more by way of building that protective moat around the casino than Nevada does and, you know, when you take on what everyone acknowledges are tasks far beyond what they do, licensing of ancillary, licensing of all the personnel in the casino hotel, and so forth, you're talking about more people so that when we do stabilize I wouldn't be surprised if the combined staffs do reflect a higher commitment of personnel than Nevada currently has.

ASSEMBLYMAN GORMLEY: No further questions.

ASSEMBLYMAN CODEY: Assemblyman Matthews?

ASSEMBLYMAN MATTHEWS: On the investigative thing, you touched upon it. What does concern me is that a lot of people who are applying for licenses are not the more affluent or lucrative type companies, so the cost of the investigative process to them is kind of high. Now, I've heard rates of \$35.00 per hour, I don't know. But, I guess my question is, are there things in the investigative process that you go through that may be superfluous or may be overlapping? What brings this up is a couple of stories I have heard. In one case, two people from your Division spent three days tracking down a \$5 bank account that was about seven or eight years old. Another case I heard was that someone said they had certain monies in a safe deposit box in various locales, one was the Bahamas, and they had to fly down there and see if the amount in the safe deposit box was what they stated. To me, if I told you that I had \$100.00 in a safe deposit box in the Bahamas, and I had \$150.00 in that safe deposit box, I'm going to make sure there's only \$100.00 in there. And the thing is, it seems that this adds to the cost of the people who are applying for the license and it adds to the increasing of staff, and it adds to the time delays. Now, what can be done in your Division and what can be done legislatively, can other agencies be engaged to work somehow to reduce costs and expedite on the licensing process?

MR. MARTINEZ: Well, I can't address the specific cases you raised because I'm unfamiliar with those particular allegations or comments, if you want to call them that. I would say this, that right now I have pared the standard investigative format in each category of licensure to its absolute bare bones minimum. When I'm talking about paring those standards, I'm saying that there are certain things we're going to do in each and every case while preserving the discretion to go beyond it where our noses or where information comes to our attention suggests we must go beyond it. I think it would be highly unlikely that we would be running to the Bahamas to check \$100.00 safe deposit box. You know in line with your point before about the flow of work and so forth, we don't send people out to duplicate locations where someone who is already there could handle a simple chore even though he is not assigned to that case. That simply wouldn't happen.

Now, we have had some problems along the way with persons misrepresenting themselves to a fairly substantial degree to us. We have experienced people on the staff and their noses sense that. In at least one case I can think of, an individual has been indicted for doing so, because it is a misdemeanor in New Jersey to lie under oath. I can safely say, and honestly say to you that I can't think of any other way in which we could reduce the tasks that are routinely

performed in each category of licensure. It's really at a bare bone minimum. Now, I think that the Committee should not become alarmed by the time that some things take at the outset, any more than the City of Atlantic City should be alarmed if this industry develops in an orderly fashion over ten years rather than helter skelter over two years. The reason I say that is that the problems which are associated with time and pressure now will ultimately disappear when there are pools of license people, New Jersey residents in Atlantic City and the surrounding area, to work at these jobs. I would hate to see standards of control or standards of suitability compromised now, when any problems of time that we have, start-up problems which we in the industry have, are only temporal in nature.

I think that the Chairman is attempting to strike a balance in his legislative proposals in saying let's not compromise any of those permanent standards, but see what we can do to recognize short-term problems and deal with them on a short-term basis. You know, my own experience would suggest that when the Commission comes and asks for a further grant of discretion under appropriate delegate of guidelines from the legislature that they certainly know what they are talking about and ought to be supported, because they have exhibited their ability to use that discretion properly.

I know it's a general answer to a rather specific question, Mr. Matthews, but you know the problems associated with time are not as severe as we really expected them to be. If the industry cooperates by recognizing the logistical difficulties associated with establishing a vast pool of non-existent people right now in this industry, things will level and will move smoothly and I think you'll see any backlogs gradually reduced.

In the area of ancillaries, you raise another good point. New Jersey has done something that no other jurisdiction has done. I will mention in a moment how we have had occasion to compare our efforts with others. That has been to attempt to create a commercial moat around the casino in regard to its commercial relationships. That's an expensive luxury, but it's not a luxury when you come right down to it, because I think that as predicted the problems that we have or will face in the future are turning up now from an intelligence point of view related to efforts to infiltrate ancillaries, not to infiltrate a casino situation directly. You know, that's where the action would appear to be, as I think we all sensed a year and a half ago. I'm not in a position to make any of that very specific at this point, but to the extent that we thought it was there, I think our experience to date is still indicating in that direction. Now, you know, that is expensive. Ancillaries are getting estimates, particularly the direct gaming related ancillaries are getting estimates that are expensive, depending on how you view the volume of sales with a firm or the like. I think that in most cases the actual fees they'll end up being charged will not recover all costs for that work, but it is very important work.

ASSEMBLYMAN MATTHEWS: There is one last question. With the experience you've had now, Mr. Lordi has come up with recommendations. Now, with the three months or four months that you've seen since the casino has been in operation, are there things that you have seen that would lead you to recommend changes in the legislation at some future date?

MR. MARTINEZ: At the outset I mentioned a couple of items which I know the Chairman has under consideration himself but didn't mention to you dealing with

some of the enforcement related aspects of the thing, and we will be offering comments to the Committee when you receive copies of the Commission's staff work on the amendments they have drafted. For there really is that concern with all of us, but I can't think of any major item, outside of what the Chairman has mentioned, which I would care to raise.

ASSEMBLYMAN VILLANE: I would like to compliment you on sticking to your guns on the strict enforcement and regulation of the people being handled in your investigations. I think you're doing a good job. The only question I have for you, are you in complete agreement with the recommendations for changes offered by Commissioner Lordi?

MR. MARTINEZ: I think the Chairman has set the appropriate standards for reviewing those specific changes and has identified all the areas that I would raise on my own where I think some consideration for change or streamlining or modification is in order. I have not seen his staff's specific proposals. You may recall that I would like to look at the details of the package. Therefore, I would like to refrain at this point from endorsing them, because we do want to take a look at the technical details.

ASSEMBLYMAN VILLANE: We would appreciate, I would personally and I'm sure the Committee would, appreciate your opinions of the recommended changes after you have had an opportunity to look at them.

MR. MARTINEZ: You shall have them.

ASSEMBLYMAN CODEY: Mr. Martinez, when we wrote the Act, there was quite a bit of discussion as to the section that bifurcated the regulation and the enforcement with a separation, the powers of the Division which you had and the Commission and Mr. Lordi had, do you now feel that that was the correct direction to take, as opposed to having enforced regulation within one agency?

MR. MARTINEZ: Mr. Chairman, I think that the headaches which Chairman Lordi and I have thus split up as a result of the statutory structure were, at least in my case, enough that I wouldn't have wanted any more. I don't know if that's the same in his case or not, but I think that the structure is working very well. Right from the beginning, not only between the Chairman and myself, but I know between the staffs, we have developed a very good working relationship. I think that the independence of thought and the different frame of reference that exists in each agency is very important to achieving a proper result. You know, the same thing that makes where a judge complements a, in essence, prosecutor during the whole process of administering criminal laws is evident in this particular case. It's hard to come up with examples of that because they are intangible, it's the kind of thing where in achieving a decision you recognize that it is better to have two heads than one and it simple boils down to that.

I would add that in terms of our relationship with other enforcement agencies, that bifurcation of responsibility is absolutely essential too. You know, let's not pull any punches about this. Throughout the world there are law enforcement agencies which are excellent and in part maintain that excellence by being very careful with whom they deal. A lot of the judgments that are made in that respect are made on the basis of appearance, not on the basis of fact, but there is a distinct suspicion of purely civil rule making or judicatory agencies among those whose specialty is the criminal prosecution of matters. And for no

good reason other than that somewhat phantom reason, I think the combining of the civil prosecutorial as well as the criminal prosecutorial power in one agency has given us a distinct advantage over most other jurisdictions, where they are uniformly separated, so that all in all I think it's had every advantage and I can think of no disadvantage.

ASSEMBLYMAN CODEY: In regard to the temporary permit bill, do you feel that the temporary permit bill has achieved the objective it set out to achieve?

MR. MARTINEZ: Yes, I believe it has. We felt that the need for economic stimulation in Atlantic City and to move ahead with the project generally, and future projects if it becomes necessary, when compared with our ability to control the situation that subsequently develops that has permitted us to operate was such that the balance came out in favor of going ahead with it and I don't regret that judgment at all at this point. I think that everyone has got to remember that the temporary licensing law does not require the Commission to give a license under it, so that if we're three, or four, or five months into an investigation of an applicant who then applies for a temporary permit and things are not going quite well with that investigation, we have the opportunity to say to the Commission we think you ought to hold off on this because we're anticipating problems. You know, the stock market is very jumpy these days and I don't think anyone should read any messages into anything I'm saying here, because I am talking as a matter of legislative theory here. The simple fact of the matter is that with that built-in discretion, I don't have any discomfort with the temporary licensing provision at all.

ASSEMBLYMAN CODEY: Mr. Martinez, you heard me mention, that is, ask Chairman Lordi about the press reports of Resorts International being found guilty of skimming. He felt that it was rather unfair and said that you would probably comment on it. Would you also characterize that as totally unfair and untrue?

MR. MARTINEZ: OK, just to clear things up, I think the article you are referring to, which was headlined skimming but in fact did not support that, was reporting upon a pending investigation which did not have anything to do with the fines that were levied on a series of other complaints. In other words, what I am trying to clarify is that there were complaints filed with respect to opening day violations. They were heard before a hearing examiner, they were adjudicated by the Commission, and fines were subsequently levied. The matter you're referring to is another investigation unrelated to the first issue, which is still pending, which we hope to clear up quickly. I will not characterize that one way or the other, other than perhaps to point out that the substance of the news article certainly did not appear to support the headline.

ASSEMBLYMAN CODEY: My recollection is that it happened two times. In one incident, the \$180,000.00, the headline was such, and on the day after the finding of facts by Mr. McDonald the headline also was skimming. One paper I'm referring to---

MR. MARTINEZ: Well, maybe we're not talking about the same article. In any event, with respect to those complaints that were filed and then adjudicated, I would not characterize any of them as skimming.

ASSEMBLYMAN CODEY: One last thing, would you also agree with the Chairman that the Act as it is presently written and the job the State has been doing in regard to law enforcement has up to this point kept organized crime out of Atlantic City?

MR. MARTINEZ: I think I would agree with the Chairman's remarks in response to your question, yes.

ASSEMBLYMAN CODEY: Thank you, Mr. Martinez. Thank you for the job you're doing and the help you gave this Committee in writing the Act, because it would not be as good as it is if it were not for you and Mr. Lucianni.

MR. MARTINEZ: Mr. Codey, may I make a final point, something this Committee should bear in mind. As you are aware, we have in at least two major gaming jurisdictions, existing bans on their licensees coming to the State of New Jersey without the prior approval of the gaming authorities there. I think this Committee should know that we have been engaging in internal discussions with representatives of the Gaming Board for Great Britain and the Nevada gaming control authorities. Unfortunately, New Jersey lies midway between them, so I get to be the host and never get to go anywhere.

Those discussions are preceding apace. I think that an area where we may need some legislative work, but I really can't predict how at this point, is the area of inter-agency control in mutual foreign gaming situations. Authorities in other jurisdictions have been grabbling with this problem but have not really come up with any intellectually honest solution to it at this point. Nevada has a statute which says that they will permit their licensees to venture elsewhere if they in Nevada are satisfied that that foreign jurisdiction's laws and controls are equivalent or better than their own.

I don't think that that produces any guarantees to the citizens of Nevada or any state with that kind of statute, for the simple reason that laws are one thing, but it is the people who administer them that really give rise to trust and confidence. You know we can have the greatest laws in the world, but if somebody else is in the job, you know the next day you may have a different view of how much confidence you have. I think the real heart of the matter is going to lie in tight either formal or informal contacts between sovereigns, that's what it boils down to, in which mutual problems of control, accountability, auditing, and so forth are spelled out and procedures established to deal with proper controls so that we're fully informed of what's happening elsewhere.

This is a very difficult problem though, because the interests that are coming to the fore in the development of Atlantic City, as well as the real active interests in other gaming jurisdictions, in Spain and in the Caribbean, and in Nevada which is still growing, and elsewhere, are international interests. There's absolutely no question about that, and probably one of the most difficult things to deal with is the ramifications of multi-national operations when you're a mere little state trying to get a handle on what's happening way over there. So, I bring this to your attention for two reasons: (1) to express the hope that legislatures here and elsewhere don't act irrationally or with blinders on in dealing with problems of foreign competition, in dealing with problems of cooperation or compatibility between agencies. I'm not suggesting this legislature would act in that fashion. (2) To suggest that the problems are difficult ones which may require some legislative assistance and in any event are totally unexplored in the field of gaming control, as probably in most other fields for that matter, and I'm not sure how long it will take us to pin a lot of this stuff down but it is a darn difficult task.

ASSEMBLYMAN CODEY: Thank you very much. Our next witness will be Mayor Joseph Lazarow, Mayor of Atlantic City.

M A Y O R L A Z A R O W: Gentlemen, we in Atlantic City appreciate very much your taking the time to come to Atlantic City and we appreciate all the time and effort that you have put into the casino legislation and we congratulate you on what is really a very fine piece of legislation.

I'm going to be very brief and to the point so that we have time for the many others who are here to speak. As Mayor of Atlantic City I feel very strongly that the State of New Jersey must revise the Casino Control Act to achieve the original intent and purpose of that legislation and to prevent the forced eviction of hundreds of Atlantic City senior citizens.

In 15 months of the operation of the Act, not one new hotel has been built. Instead, developers have been permitted under the Act to patch up old hotels and to threaten with instant eviction hundreds of senior citizens who have no housing facilities to move to.

Here is a City which now has an acute housing shortage and the State casino legislation permits the withdrawal of 527 decent apartments in the Ritz and President Towers from our housing stock. The State of New Jersey has the power to prevent construction on thousands of acres of wetlands to save the fish and fowl. The power to license or to deny a casino license is also within the State and it should be used to save people.

I previously stated that there are at least 18 sites for casinos in Atlantic City, none of which would require the eviction of a single person. I use the figure 18 because that is the figure that the economic adviser, the master plan, Gladstone Associates stated would be the number of casinos built in the next 12 years. But a further study of the map which I have here shows that there are actually 29 locations on that map and numbered and explained with names on them, none of which would require one single resident to move. There are probably a half dozen more such sites. I know particularly there is one right across the Brigatine Bridge, because Atlantic City owns some land across the Brigatine Bridge which is still within the City of Atlantic City and that would be a good site for a casino. So, there are probably 35 sites in which not one single person would have to move. Doesn't it make sense to put casinos in these sites first, before putting them in the Ritz and President Towers where people would have to be displaced?

The City is quite aware of its zoning power and we are going to use that zoning power to the fullest extent to prevent people from being evicted. Now, if you look at the map you'll see, and that is not a zoning map, this is where we think casinos can go and will properly be placed, but they're not all zoned at this time for casinos. In fact, there may not be a casino zone as such, but you can see the trend and the area or areas which in all probability would be casino zoned areas, or at least planned casino development areas.

Now, for the city in its zoning to eliminate two spots, the Ritz and the President Towers, as you know, might be considered casino zoning. We might not be able to do that. It might be considered spot zoning, that is. Our legislators have proposed a bill which would change the tenant notification period for eviction from six months to one year, with extension of five months to two years at the option of the landlord.

The Catholic Star Herald of this area, South Jersey, feels that this legislation presently proposed by Atlantic County's legislators as an amendment to the

Landlord Tenant Law only postpones the agony and that it would be far better to revise the casino legislation to prohibit casinos from taking over tenant occupied buildings. The New Jersey Casino Control Act as presently written does not adequately protect the residents of Atlantic City. People are concerned that there is nothing in the law to prevent a corporation from taking over a senior citizens' building, a nursing home, or even a hospital.

Gentlemen, I believe that the people of New Jersey who had so much compassion when they granted Atlantic City the right to have casinos to help solve some of the very difficult problems would now urge you to reshape and revamp the Casino Control Act to encourage new buildings in Atlantic City and to put a stop to some of the evils resulting from this legislation which have become evident in the past 15 months. Thank you.

ASSEMBLYMAN CODEY: Assemblyman Matthews, questions?

ASSEMBLYMAN MATTHEWS: I still fail to understand why the city with its zoning and the development of the master plan that I thought we were going to see in June doesn't take this into consideration. We in the State, when we're proposing legislation, we can't foresee all the problems you would have in the city, but these are problems that you have control over and you certainly above us can stop them. When we talk about wetlands, of course, we're discussing the entire State, but when it comes to Atlantic City and home rule, that's strictly within the city and why, it still boggles my mind, you call it spot zoning, I don't know what you think constitutes spot zoning, but why when you are developing the master plan you just don't simply say you're not going to have any casinos here, you're not going to have casinos there. Like you'll have heavy industrial certain places, you're going to have residential some places, you're going to have light industry some places. That's under your control. Why it keeps coming back and trying to put the onus on the State is beyond me, when you have all the power yourself to do that and I just can't understand why you think we should do it.

MAYOR LAZAROW: Assemblyman Matthews, let me answer that. That's a very important question because I think that is precisely the issue and I would not be here today to ask for this help if I thought the city had all the power. The city has nothing to do with granting of casino licenses. That's completely within the State. Just as the State can deny any construction on wetlands. Now, naturally, I wish that we had had all our ordinances and our master plan in by last June. It would have been very helpful, but unfortunately for reasons such as the Baiterfield question and so forth, it's not going to be in until October.

However, we have gone over many times with the planning officials, with the planning experts, the fact that we will do everything possible in the zoning ordinances to try to prevent casinos from going into places where there are tenant occupied buildings. But there is a risk that our trying to just pluck out two hotels in an area which obviously is going to be zoned for casinos is not going to be held up in court. Therefore, we're asking for your help to make it stronger. I think I pointed out after some study what the Catholic Star Herald said, that the proposed legislation is only a stop-gap measure as far as the Landlord Tenant Act, and that the State should keep and prevent casinos from going into buildings where there are people. There are so many other sites. Now, what's so difficult, after the State is denying casinos for many, many reasons, and the State is denying liquor licenses which the city actually has the power to grant, but the State took

that power away and was denying liquor licenses for many reasons. If a person's relative or great grandfather had some connection with crime, they are denying the liquor license. Well, isn't it more important to deny a casino license where you're going to throw a thousand people out in the street?

ASSEMBLYMAN GORMLEY: May I answer that question?

MAYOR LAZAROW: Yes.

ASSEMBLYMAN GORMLEY: You're talking about a State prerogative, Mayor, and you're talking about a situation where that prerogative still rests with the Casino Control Commission, to give a license or not give a license, and they have the right to take into consideration any environmental situation, so if they were to find a severe social impact in this, we had the Housing Commission that was in here earlier and Commissioner Lordi spoke, we had the situation where if there is a severe impact, they do not have to give a license. Just as when you have a liquor license you have the situation once they review the particulars of that circumstance as to the individuals who are applying, that license can be turned down. That prerogative still sits with the Casino Control Commission to look at the total impact of what's being done when a license is placed in a particular area.

So, that does exist right now.

MAYOR LAZAROW: Well, they may have the prerogative, but I think the people here deserve greater protection and the greatest protection we can have, and these people can have, is for the State to deny a license in a building that has three or four hundred people in it, or five hundred people.

ASSEMBLYMAN GORMLEY: What was the nature of the study done by the Star Herald? You said they did a study, what was the nature of the study?

MAYOR LAZAROW: After studying the situation is what I said.

ASSEMBLYMAN GORMLEY: Thank you.

ASSEMBLYMAN CODEY: Assemblyman Villane? Assemblywoman Kalik?

ASSEMBLYWOMAN KALIK: I just would like to ask the Mayor one thing. Is there a city tax on the slot machines or on any of the equipment in the casinos?

MAYOR LAZAROW: No, as far as I know there isn't.

ASSEMBLYWOMAN KALIK: Would you happen to know what the city tax is on jukeboxes or pinball machines per year?

MAYOR LAZAROW: Oh, something like \$25.00 or \$50.00, something like that.

ASSEMBLYWOMAN KALIK: I saw all the eyes go up when the \$2,000.00 per machine was mentioned. However, I would like the public to know that on most jukeboxes and pinball machines, which certainly don't have anywhere near the gross income of the slot machines, the annual fee for municipalities is as high as \$100.00 per year. So, \$2,000.00 is really not out of line

MAYOR LAZAROW: Especially if the city can manage somehow to get a part of it.

ASSEMBLYMAN CODEY: Assemblyman McManimon?

ASSEMBLYMAN McMANIMON: Yes, I have one statement to make to the Mayor, and that is this, that the initial intent of the Casino Control Act was a requirement of 500 units, and we were projecting then new construction to really liven up the area. Now, if we have to zero in on the Commission and tell them they really have to start reviewing that a little more, instead of flexing and letting them combine units, then maybe that is the route we may have to travel. But the

initial intent and the reason why we required the 500 units was to generate new construction and building down here.

MAYOR LAZAROW: I understand that.

ASSEMBLYMAN McMANIMON: And not to displace people.

MAYOR LAZAROW: Thank you.

ASSEMBLYMAN CODEY: Mayor, since casino gambling has come to Atlantic City there have been some charges that merchants and other people in Atlantic City have been gouging the public and taking advantage of the bulrush or boom, or whatever you want to call it. For example, someone told me that for a bus to enter Atlantic City you charge \$50.00. I've never heard of such a thing. I know where I come from in Essex County it's unheard of. I've also heard that some merchants have been gouging the public. I'd like to know whether that's true and if it is, what has the city government done to prevent it?

MAYOR LAZAROW: Mr. Chairman, we have found that as soon as the casino opened, some people took advantage of the situation. We may have several hundred parking lots, private parking lots. Only two or three of them raised their rates to a point where it would appear to be gouging. But as a matter of fact, the county did a very fine study of the rates during the summer of the parking lots, and I kept a very close watch on it. As a matter of fact, you could park your car within a few hundred feet of Resorts for \$3.00 or \$4.00 on a Saturday, and certainly that is a fair fee. And yet a few feet away you'd have a parking lot that had rates that would amount to \$26.00 over a 24 hour period. Yet you'd find more cars on the latter lot than you would on the former, and that's going on right this very minute. The parking lots that are charging the higher fees seem to be doing the most business. I don't really understand that, but I think that with more information now people should be able to choose a less expensive lot even in the same area. So, it's a matter of communicating to the people, it's a matter of constant watching on the part of the city, and we will on some of these ordinances that we're waiting for under the master plan, we'll fight the attempt of some people to gouge.

ASSEMBLYMAN CODEY: Why do we have to wait? Why can't you go in there now and stop the gouging that's going on?

MAYOR LAZAROW: We've drawn up several ordinances to try to prevent this, particularly sign ordinances. It's almost impossible to actually set a parking rate under our present laws, but within a few months it may be possible. A Garagemen's Committee is being formed and, if they won't settle this problem among themselves, we're going to have to solve it for them by making some very harsh and stringent laws.

ASSEMBLYMAN CODEY: I hope you do it soon, Mayor. Assemblyman Villane?

ASSEMBLYMAN VILLANE: Coming to Atlantic City and having no place to park, I want to know if there is an ordinance that requires the fees for a parking lot to be posted on the parking lot?

MAYOR LAZAROW: Oh, absolutely. It states the size of the letters and we have inspectors constantly around checking to see whether those signs are there. There's no question about it, every parking lot.

ASSEMBLYMAN VILLANE: It would be a big help to the tourists that come here to have a sign posted that would indicate what the fees are, for how many hours, and so forth.

MAYOR LAZAROW: There's no question. If you ride around and take a good look you'll see a big \$3.00 and other signs.

ASSEMBLYMAN VILLANE: There isn't any at Resorts International.

MAYOR LAZAROW: Yes, there are signs as you go up the street there.

ASSEMBLYMAN CODEY: For the valet parking?

MAYOR LAZAROW: They have to have signs.

ASSEMBLYMAN VILLANE: I didn't see any.

ASSEMBLYMAN CODEY: Assemblyman Matthews?

ASSEMBLYMAN MATTHEWS: Going back to the legislation we are proposing, you asked about apartment houses, specifically two, the Ritz and the President, what happens with other apartment houses they are going to tear down to build parking lots, or something other than a casino, where is the protection for this, and where is the concern for something like this.

MAYOR LAZAROW: Well, I think you have shown concern, you and your fellow legislators, in this Act that you have prepared. I don't know whether you have introduced it or not, but certainly that does show concern for the other uses. But, I am saying that none of this would be going on were it not for the casino legislation. Of course, we're happy for the legislation, but we're trying to remedy the evils and shape the legislation to take advantage of what we've learned in the past 15 months, but you've shown very strong regard and compassion yourself for the various types of buildings that will be involved here.

ASSEMBLYMAN MATTHEWS: That is for all types. You're concerned about spot zoning and we're concerned about unconstitutional legislation at the same time, and I'm just trying to find out what the city is going to do with things other than casino related things, because I know other people are being displaced for other reasons, because there is going to be more than just casinos. There's going to be casino related things that people are going to want property for too, and they're going to be buying up property for many different things other than casinos. I'm just trying to find out, when I talk about zoning and when I talk about the master plan and I talk about these being the city's problems, there is a limit as to what we can legislate for the city. I'm trying to think how; that's why I keep coming back to this. I think these are the city's problems, to look into all of these areas.

MAYOR LAZAROW: We certainly are looking into them. We're going to take every step that the municipality has the power to take to help in this situation, but you do have a Landlord and Tenant Act in the State that governs the law between landlord and tenant which you are presently amending for that purpose, and of course you have the casino law and its within the sole right of the State to grant or deny a casino license.

We want to work together with the State and with cooperation. I'm just saying we need the added strength of the State to protect these people. That's what I'm here to say.

ASSEMBLYMAN MATTHEWS: Just one thing, with the cooperative element in mind. I would suggest that maybe the planner sit down with the legislative team and find out why in their opinion something would be spot zoning and why they would need legislation. I think if we all work together on that we can probably work out a solution to the problem. I think what's happening now is that you'll be saying one thing and we'll be saying something else and I think the more we keep on saying

the respective things the wider the gap is going to be, and I think the time is now that we should be sitting down to work these problems out.

MAYOR LAZAROW: You're absolutely right and I'm going to recommend that that be done.

ASSEMBLYMAN CODEY: Thank you, Mayor. Our next witness will be Commissioner Albert W. Merck, a member of the New Jersey Casino Control Commission. Commissioner?

COMMISSIONER MERCCK: Thank you, Mr. Chairman. Members of the Commission, I'm very glad to see that the Committee is devoting its attention to its oversight function, especially concerning such complex and important legislation. Many good laws have suffered from neglect. This one is being attended to. I want to express personal opinions, first of all, that I supported the Chairman's statement even though I had not read the finished text until after he had spoken. We had conferred on it. However, the opinions that I express to you here may not be those of other commissioners nor are they of course official or of the whole Commission.

I want to say that after a year and a little more, the Act as amended appears to be a very good one. After visiting Nevada I'm more appreciative of the fact of this control act which does not permit the sucker games like Keno, Chuck-a-Luck, Faro, and so forth, and I'm particularly happy we don't permit the kinds of signs you see in the Tahoe area which say over the poker tables that shills are legal in this state. I hope you keep this kind of thing out of New Jersey. It will make our lives easier and I think it will serve the public purpose.

Personally, I'm beginning to have some doubts as to whether we need credit. It is permitted now under some controls, but the controls are difficult to administer. Principally though, I view credit as undesirable in that while an unwise player can be hurt financially when he suffers gambling losses in cash, it is possible for him to be ruined if he loses on credit.

May I also suggest that you consider revising some of the space allocations so that there will be more table games in relation to slot machines. We do now, of course, regulate space as to the percentage allocated to slot machines, but the result has been a packing in of these machines with narrow aisles and no cross aisles, 40 machines in one row. I think a requirement would be more desirable if it resulted in establishing a ratio of playing spaces on table games to playing spaces on slot machines. The Resorts casino will have about 1,350 slots vs. about 870 places at the table, and I think that should be considered to be reversed.

I would like to recommend too that your Committee consider requiring an applicant to obtain a temporary permit. The temporary permit is turning out to be a very valuable thing, because what it means is that we actually have an operator here in the State, in front of our eyes, and while the enforcement division is examining background records from other states, and so forth, we here can judge his qualifications for a permanent license somewhere down the road on what actually has been accomplished in the view of our inspectors and in the view of ourselves.

But my main reason for appearing here is to call your attention to a serious problem that the Commission is wrestling with now and that has confronted

us since opening day. It is the problem resulting from our having made the decision to permit the existing casino to have over half its tables with a minimum bet of \$25.00 and above. Specifically, I believe this is in conflict with Section 100(e) which requires the Commission to have set minimums "...to assure the vitality of casino operations and fair odds to and maximum participation by casino patrons."

Let me emphasize that I have no thought of shutting out big bettors and also that I am highly prejudiced in favor of profitable businesses, particularly in New Jersey, particularly in the tourist industry. What I am concerned with is that the economics of casino operation depend on the operators obtaining the greatest number of high bets in the shortest possible time and that this pursuit of profit maximization if carried too far conflicts with the public policy as stated in the Act since it will automatically discourage the average bettor or the social bettor or the bettor who bets with his head and not over it. And these groups make up the largest number of tourists who we hope will come and contribute to the general economy of the State and of the city especially.

No casinos anywhere to my knowledge have so many high minimum tables. No casinos are winning at the averages that the casino here is winning at. High quality Nevada establishments included. And no casino anywhere is going to net what I calculate to be more than one-third above the most profitable casinos in Nevada, on the before Federal taxes line. By seeking to maximize these profits, the casino is systematically excluding large numbers of the very patrons that the legislation was designed to attract. From a short-term point of view, this is very attractive to the casinos, to the investors, and to others who want to come in and build or rehabilitate buildings and build new casinos and to take advantage of a business opportunity. However, in the long-run, the patron will translate what he regards as unconscionable profits into how much he has lost and New Jersey will acquire the reputation of being the place to gamble only if you've got lots of money. This is a reputation that will not be easy to overcome, because there will be numbers of casinos nearby, in nearby states, who will be only too glad to make the same kind of profits that are being made in Nevada with the average tourist crowd, and to build their trade on what is the biggest market.

I alert you to this, Gentlemen, because I believe it's a situation which if allowed to continue can cause this State to lose the one essential component that we need to make us successful over the long term, and that is the customer. Thank you.

ASSEMBLYMAN CODEY: Commissioner, before I ask any questions, I apologize for the fact that we were unable to connect in the last couple of days. I have been an admirer of yours on many occasions for some of the things you have proposed and agreed on them, and on other things I don't agree, but I saw this morning something in a magazine which disturbed me greatly, and I'm sorry that I was not able to speak to you beforehand about it. In the article in Esquire Magazine dated October 10, 1978, I don't know whether you've seen it or not---

COMMISSIONER MERCK: I have not.

ASSEMBLYMAN CODEY: Well, let me quote to you from the article. It says "Albert Merck, Merck & Company, told me the other week 'There is no longer any assurance now that I will vote for a license for Resorts because they are gouging the public.'" And then it says here further, its assuming that you're saying it

because that's the way they're doing it, in rather large headlines, "It burns my ass," says a gaming regulator, "Resorts has crossed over from profiting to profiteering." Now this of course is prejudging in the worst sense. Before Resorts' license application for a permanent license comes before the Commission, before you receive the information from Mr. Martinez, it will be assumed from reading this article that you have prejudged a company before the fact.

COMMISSIONER MERCK: May I answer that?

ASSEMBLYMAN CODEY: Sure Commissioner.

COMMISSIONER MERCK: I think it's a reasonable judgment from the article. What I said to the reporter who called was I could not prejudge on the basis of anything else than what was in the statute. I believe the three major qualifications which any applicant must make have to do first with management competence, second with personal reputation and integrity, and third financial stability or ability. None of those three, I believe, are effected by whether a casino is charging too much or too little as a temporary permittee. I would judge, and I think the other Commissioners are not going to prejudge, even as I will not prejudge any applicant whether he is operating in a fashion, let us say, that personally I may not like or not. I believe the only standards we can judge applicants by are those in the statute and I expect to do that.

ASSEMBLYMAN CODEY: OK, but this article has you saying that you might not vote for a permanent license for Resorts because of the minimums and maximums, because you feel they are gouging the public and, of course, there is no correlation between their permanent license application and the minimum/maximums.

COMMISSIONER MERCK: There is none. No, I do not make that association, Mr. Chairman, and I'm glad you brought it to my attention. That was the result of a telephone interview, that's the way it came out. I do not talk off the record.

ASSEMBLYMAN CODEY: As a former assemblyman, you know the problems sometimes with dealing with the press. OK, but I wanted to get that out.

COMMISSIONER MERCK: I have been, if I may just expand for a moment, numbers of people have asked me, both from the media and from public life, whether I would or would not judge any applicant yes or no, particularly Resorts, and I have a standard answer and that is, if Resorts or any applicant complies, they'll get a license. If they do not comply, they will not get it. And I think that's the only answer I can give.

ASSEMBLYMAN CODEY: Thank you, Commissioner. Assemblyman Villane?

ASSEMBLYMAN VILLANE: Mr. Merck, I've always admired your recommendations, and I think the three major ones you've made today concerning credit slots, spaces around the slot machines, and the cheaper tables are recommendations well taken. I would like to have in some written form your recommendations to this Committee, so that we might take a look at those with some background fortification justifying your recommendations, so we could take those under consideration.

COMMISSIONER MERCK: I would be glad to supply that, Assemblyman, and fortunately the staff is engaged now, and it is an open subject, as to how we are going to move on this question and we have developed a considerable bit of data. I'll see that you get at least a summary of that.

ASSEMBLYMAN VILLANE: From personal experience in walking through those aisles and getting hit in the back with an elbow, it seems as though there is not adequate space between the aisles of the slot machines and that there is two to three times

the waiting time around the Blackjack table with a \$5.00 minimum, as opposed to the \$25.00 or higher limits, and I think that your recommendations are well taken.

COMMISSIONER MERCK: Thank you. I should make clear to the Committee that I don't think that as long as there is only one or perhaps two or three casinos in operation that the crowding problem is going to be solved. I really don't think that, but I am upset when I go through the casino and see empty seats at the \$125.00 table and people waiting at the \$5.00 and \$2.00 tables.

ASSEMBLYMAN VILLANE: As a businessman, it might be interesting to consider that the high profits that are made at the present time by Resorts may be the reason why we have so many other applicants waiting to come to Atlantic City, and that if we modify in some way those profits, or make the high volume at the high number tables, if we modify that at this time would we perhaps indeed discourage some investors coming into New Jersey?

COMMISSIONER MERCK: I would doubt it, Assemblyman, because I think as long as they see that they can make the kind of profits that are being made by the premium first-class operations in Nevada, with the necessary adjustments for local conditions, I think they will be attracted here. Nevada as you know now both in Reno and in Las Vegas is in the process of a very large building boom. The industry is definitely a growth industry. But I don't think they need the kind of profits we see now to attract them.

ASSEMBLYMAN VILLANE: Thank you, Mr. Merck.

ASSEMBLYMAN CODEY: Assemblyman Gormley?

ASSEMBLYMAN GORMLEY: With regard to 100(e), before I start I do disagree with you on the interpretation of maximum participation, because that is taken in the context with also the phrase "vitality of industry." In other words, we have to read them all in conjunction, it's the number of people in relation to the vitality of the industry. Well, don't you think that these men are in business and obviously if there are one, two, three, or four more casinos open, it will go by demand. There will be \$2.00 or \$5.00 tables, they'll want to open them up if in fact the others are just sitting idly by and there is no profit in them, the market will eventually demand them as you open more and more casinos, don't you think that will happen?

COMMISSIONER MERCK: I think in the first instance it won't happen for a number of months, simply because we don't have any more going entities. During this period the reputation of the State is building, either up or down. Next, after other casinos are open, they are, if they're going to follow the kind of minimums we have now, going to seek to attract exactly the same market which is the upper level market, for the reasons that I have mentioned, which are that the economics of casino gambling are that a table which is occupied by say 15 people is most profitable if the highest per capita bet is made by each person as rapidly as possible, and this is the market which the consultants in the casino field are directing their clients to.

ASSEMBLYMAN GORMLEY: But, if I may just to give my opinion on it, I wouldn't care if there were 18 or 20 opened up and they were all just \$25.00 tables, from my point of view it's a matter of the construction, it's a matter of the people. As far as the importance of what is being done, we also have to look to the amount of tax that is created for the senior citizens and the handicapped. Don't you think that those are the primary concerns? If in fact we do get the upper middle-class or whatever better, that is the person who can more afford it. My point is, it's nice if someone can bet a \$2.00 or \$5.00 table, but there are a lot more important

considerations before you would even get to that.

COMMISSIONER MERCK: I think the reputation of the State in the future as the place to go to have casino gambling is an extremely important point.

ASSEMBLYMAN GORMLEY: I agree with that.

COMMISSIONER MERCK: Secondly, I agree with you too that the attraction of investment capital, the running of a successful business, and the building and revitalization of tourism are essential. What I'm trying to say is, that the tourists who compose the great body of people who will come to Atlantic City or other New Jersey resorts do not extend, in large numbers, into those who will bet \$25.00 or more. The tourist business depends, as is illustrated in Reno, on people who bet an average of \$36.00 per day, and this is a quality tourist crowd. So that what I'm saying is we are not really not meeting the objects of the Act if we turn those kind of people off.

ASSEMBLYMAN GORMLEY: As I said, I think that is one aspect, but I think the vitality of the industry comes first before the broad base numbers of participation and I think the market will eventually have tables of that nature just by shall we say an open economy, by which I prefer to have the casinos going.

ASSEMBLYMAN CODEY: Assemblyman Matthews?

ASSEMBLYMAN MATTHEWS: Mr. Merck, I wanted to address these specifically at the Casino Control Commission hearings, but due to the law, I was unable to do that, so I asked Mr. Bockelman to draft legislation that would permit us to testify before the Casino Control Commission. I did draft a letter to all the Commissioners, and some of the points that I made were brought out by Assemblyman Gormley and Assemblyman Villane.

You indicate at one point, if I interpret you correctly, that the people that wanted to gamble, to help pass gambling, are unable to play because of the high tables. I really don't think that that's why they passed gambling. I think they passed gambling because of the economic stability of the State, the assistance of the senior citizens, and to help the economy of Atlantic City, and I know that there is more to Atlantic City than just the casinos. We're trying to attract people here, to assist tourists to come down here with the water and the sand, and other things besides casinos. As Assemblyman Gormley brought out, the question of supply and demand, I think that as more casinos open up the minimums are going to go down and I think that if the \$25.00 tables and \$100.00 tables are left empty, then they're going to say "hey, we're going to be losing money," so they are going to quickly go down to \$5.00 and \$2.00 tables. I think that if we go down and we make too many \$5.00 and \$2.00 tables on the people, we're going to lose investors. Why should they come in and invest fifty million dollars or sixty million dollars per casino when they don't know whether they are going to make their money back and it may be bad to try to get people to invest money or to get banks to lend them money. The taxation standpoint is something I don't think we can ignore. The Federal tax cut in some instances will be 48% over \$50,000. The State income tax for its corporate tax is 7-1/2%. You have the senior citizens and the handicapped, that's another 8%. Then I think the casinos themselves, if they have to go down, they are going to lose quality and possibly lay people off because they are not going to be able to afford some of the services. Then we put more people on the unemployment rolls. Right now with the higher employment, you have higher contributions to unemployment compensation, you have a higher amount coming into the State income tax as individuals, and I think that the tax picture is something we can not ignore and, even though we have one, and granted it is right now a monopoly, an uncontrolled

monopoly, but that is because they had the foresight or because they made the gamble. They played their \$100.00 table, and they won, and they made their investment prior to the inception of gambling and it paid off for them. Someone has to be first, but I think that to come in at this point in time--- You said you agreed with Commissioner Lordi's statements, and yet he wants to put \$2,000.00 on the slot machines. To me that sort of contradicts, you know, now they want to tax the slot machines more. There are some inconsistencies here and I understand your concern, but then once again you're talking about the tourist trade but what concerns me is that the highest users of the State Lottery are people of the poor natures and I think that to encourage people who really cannot afford to go in and try to make some money at \$2.00 tables is doing them an injustice.

You talked about credit, you don't want to extend credit because you don't want people to go overboard, yet if someone gets an unemployment check and they try to double it because they can't afford to live, that's the same kind of thing. And I think you're contradicting yourself and the thing is I'm certainly against the low tables.

COMMISSIONER MERCK: If I may comment on your points, Assemblyman, one of the reasons I am here is because of your situation with the present law not being able to testify. As to the argument that we should not have \$2.00 tables because people who cannot afford to gamble will lose their money, to complete that argument to make it logical, we would have to eliminate the \$.25, the \$.05, and the \$1.00 slot machines, where the rate of loss is much higher per bet than at any table game. You play a \$1.00 slot machine multiple at the average rate in the MGM Grand in Reno, and you can lose, including paid-backs, \$100.00 in between 14 and 17 minutes.

I don't think that the argument that people who cannot afford to play the \$2.00 tables do play them holds water. At the \$2.00 tables, the house has an advantage on the pass line at the craps table of 1.41%. At the slot machine it's 17 against him. At the Big Six it's 18 against him. At Blackjack, depending upon the skill of the player and the rules, the house's average advantage against him is about 5%. At roulette, with a double zero game, it's five point something percent, so that what we're doing by restricting the number of small bet tables, Mr. Matthews, is not preventing a small bettor from betting when he shouldn't. We are sending them to the slot machines and the Big Six wheels where the averages are much higher against him and where he has to lose his money much faster.

With reference to your remarks about employment and taxes and the general economic benefits, I opened my remarks by saying that I am highly in favor of them. I think particularly the initial people who ventured into this business and its uncertainties, are due for a reward. I think venture should be rewarded. My argument is not against rewards or profits. I can't do that. What I am saying is that if too much squeezing of the patron goes on in the initial stages, you simply kill the goose that's laying the golden egg. And I see it as a future problem that will get worse rather than better and that in the industry's own interest it would pay for us to take a longer range view.

ASSEMBLYMAN CODEY: Assemblywoman Kalik?

ASSEMBLYWOMAN KALIK: Mr. Merck, I'm entirely in agreement with you. I am a travel agent by vocation. I have been to Vegas, Tahoe, the Bahamas, Puerto Rico, and this summer spent some time in Monaco. There is not a table in Monaco for under \$25.00 or 100 francs I think it was. I am not a gambler, I did not play in Monaco because I would not put my \$25.00 down. As a travel agent when a client comes into

my office, the first thing I determine is what they can afford. I would not recommend Monaco as a tourist attraction to anyone but my first-class, deluxe clients. If that happens to Atlantic City, we are going to lose more money than we could ever lose at the casinos. There are sub shops and pizza shops, small motels, amusement parks; Atlantic City is a tourist attraction, not for the wealthy, but for families, conventions, people who come here for one day. I really think we ought to offer the kind of entertainment, and gambling is not a money-making venture but an entertainment venture, to those people who can afford to lose a couple of bucks and have a good day doing it.

ASSEMBLYMAN CODEY: Assemblyman McManimon?

ASSEMBLYMAN McMANIMON: Thank you very much, Mr. Chairman. I too am in accord with Mr. Merck. You know, in your final statement you used the term people. If we ever lose sight of people we're in serious trouble. People, particularly in this State, approve casino gambling. It was not only approved here in Atlantic County, it was approved throughout the State. When we become that callous that we lose sight of the average individual who has the opportunity to go out and participate if he wants to gamble, then I think we're going to get the short end of the stick.

I'd like to remind those present here today that the initial declaration of policy for casino gambling was the rehabilitation and the redevelopment of Atlantic City and its tourist, resort, and convention industry, and that casino gambling was a way that would help us to that. So don't lose sight of people who want to encourage people, and who want to encourage whole walks of life.

ASSEMBLYMAN CODEY: Mr. Merck, I think really that some of the concerns of my two colleagues on my right oppose some on my left, but we won't take a vote. Probably along the lines of what I've been saying, I didn't know whether you were pro or con, one of the concerns I have as a result of being a legislator and I try to think it is visible to people who complain to me and I know they have complained to some of our colleagues, is on the very problem that you brought out. I don't know what the answer is, and quite frankly at this point I don't know where I lie until I see a proposal in front of me. However, you mentioned credit, and you mentioned that you would be against any form of credit. You mentioned that someone could come down and lose his house and his home. Is there any proof at all that the credit we have in New Jersey, which is very stringent and very strict, and from my understanding has not been used to any high degree at all, do you have any proof that it has been mishandled in any way, shape, or form?

COMMISSIONER MERCK: Mr. Chairman, I did not mean to imply that there was something deficient in what our experience had been. I wished to make a personal observation because the credit situation is always controversial. First, it looks to me that casinos can do very well without it. If they all are prohibited from having it in the jurisdiction, that takes away the competitive argument except as far as going by Jet out of state. Secondly, the controls that we have had to put in are rather cumbersome and there has already been, as you know, a hearing as to what appears to be a serious violation, although no decision has been made by the hearing officer. Lastly, you are right, very little credit has been used, not because it was unusable or because the law wasn't adequate, but because the excessive demand for table space and gaming space has not been enough to require what at least the management of Resorts has felt has been large extensions of credit along the lines of the premium Nevada hotels.

My remarks were directed toward our preventing getting into that kind of a situation before it became a problem.

ASSEMBLYMAN CODEY: But our experience now is probably that it hasn't happened.

COMMISSIONER MERCK: Not here.

ASSEMBLYMAN CODEY: Let me for a moment play the devil's advocate and say in regard to maximum participation and what we meant by those words. Someone could say that if you were to walk into Resorts casino now, that of all those people on the floor engaging in gaming, 75% of them are playing for \$2.00 or less.

COMMISSIONER MERCK: 75%?

ASSEMBLYMAN CODEY: Right. In other words, either through the slots, Big Six, or the \$2.00 tables.

COMMISSIONER MERCK: Right.

ASSEMBLYMAN CODEY: I don't know whether that would be considered maximum participation or not.

COMMISSIONER MERCK: Well, those are the odds, Mr. Chairman, which I believe I pointed out were the least advantageous to the player.

ASSEMBLYMAN CODEY: I know the odds well.

COMMISSIONER MERCK: And I think participation means participation at all games, without what appears to me to be an invidious discrimination by basis of income or inclination to spend money.

ASSEMBLYMAN CODEY: OK. In regard to the idea you put forth about the temporary permit, everyone having to go through that. It's an interesting idea. I don't know how I feel about it, but it's certainly something I'd like us as a Committee to consider and if you could give us something to back up your logic on that, I certainly would appreciate it because I find it a fascinating idea and one that I had never thought of myself, nor have I heard it from anyone before.

No further questions. I thank you very much, Commissioner.

COMMISSIONER MERCK: Thank you, Mr. Chairman, and members of the Committee.

ASSEMBLYMAN CODEY: Is Mr. Marvin Wallen here?

AUGUSTENE REPETTO: I'm here to replace Mr. Wallen. My name is Augustene Repetto, Jr., and I'm an attorney here.

ASSEMBLYMAN CODEY: We'll just take him and then we'll break for lunch. Would you please identify yourself, sir?

AUGUSTENE REPETTO: Augustene Repetto, Jr., Esq., an attorney here in Atlantic City. As I understand it, and I wasn't here at the time, but Mr. Wallen whom I'm appearing for listened to Commissioner Lordi's presentation and in his presentation he alluded to the advisability of revising a portion of the Casino Control Act dealing with full disclosure of investors in corporate holding companies. I would like to take that one step further and request that this Committee consider the advisability of extending the waiver provisions within the Act to limited partnerships.

As I understand it, Section 85(e) indicates or states that there is a waiver for investors who have limited control in corporate holding companies and I'm saying a waiver of full qualification. This does not apply to other forms of investment, such as in limited partnerships, and I would like to call the Committee's attention to the fact that in a limited partnership the limited partner, and I'm not

referring now to a general partner, but the limited partner has little or no control over the affairs and management of the partnership and I would like to refer to certain statutes. Number 1, he cannot participate in the control of the partnership and I've already indicated that. Number 2, he may not contribute his services to the partnership. Number 3, his name may not be used in the partnership heading. Number 4, a section provides, and I'm now referring to New Jersey Statute 42:2-11, that if he in any way takes over control in the limited partnership, he then becomes a general partner and subject to all the liabilities and responsibilities that that partnership carries on.

In effect, what I'm saying is that if you are an investor in a corporate holding company, i.e., as is defined in the statute an intermediary company that controls another company that has a casino act, if you are a security investor in that company, and you do not exercise control over the company and your security interest does not entitle you to vote, then you do not have to make the full disclosure that you would ordinarily have to make if you were a member of say a partnership which was an intermediary partnership that controlled a casino industry. I would request that the Committee consider using or implementing a waiver provision in the case of a limited partnership. In the case of partners who are in that partnership just purely for investment only and have no control whatsoever over the partnership itself or the business that the partnership owns.

ASSEMBLYMAN CODEY: Thank you. Are there any questions?

ASSEMBLYMAN GORMLEY: Have you talked to--- I know Mr. Martinez would be most interested in a provision like this and I would seek his advice on something like this. Have you talked to him about this at all?

MR. REPETTO: No, I have not, but I can make it a point to do so.

ASSEMBLYMAN GORMLEY: I would submit the proposal that you're talking about to him, because he is the person who would be interested, even more so than we are because he is dealing with it on a daily basis. Give reasons why such scrutiny would be necessary in such a partnership.

MR. REPETTO: Well, one of the reasons I'm suggesting this is that some investors do not want to disclose everything they own and if they have no control over the operation of the business at all, then why make them disclose it. A second reason would be once again if they have no control, wouldn't it be an undue hardship upon the Committee to investigate everybody who might touch on the casino?

ASSEMBLYMAN CODEY: I would suggest that you keep in contact with both Assemblyman Gormley and Assemblyman Matthews so that the question you raise now will be brought up at our Committee work sessions.

MR. REPETTO: Thank you.

ASSEMBLYMAN CODEY: Thank you very much. We'll now recess for one hour.

(Recess for Lunch)



AFTERNOON SESSION:

ASSEMBLYMAN CODEY: Can we get started please. The first witness for this afternoon will be the distinguished assemblyman from the 4th District, Assemblyman Kenneth Gewertz. Assemblyman.

A S S E M B L Y M A N G E W E R T Z: Thank you, Mr. Chairman. Members of the Committee, Mr. Speaker, Honored Guests, Ladies and Gentlemen: I think that first of all I would like to commend the Committee on taking the time to do something that probably should have been done some time ago, as far as reevaluating the effect of the Casino Control Act on the gaming industry and the people of Atlantic City. I have a number of items that I would like to bring to your attention that came about as a result of a concern by Speaker Jackman, who had asked the Legislative Oversight Committee to look into several aspects of the operation of the Commission and the Gaming Enforcement agency.

I have to start out by saying that initially there is a small problem in the forms being utilized and if the Committee does not have copies I'll be glad to furnish you with them because some of them reach the point of absolute absurdity and there should be a difference in the type of form and classification utilized for casino employees, such as bartenders, cocktail waitresses that work on the casino floor, as opposed to the same type of form utilized for dealers, people who work in the money rooms, etc., because obviously those that are serving the drinks and making drinks obviously are not handling money and it would appear that there is a definite need for a reclassification of the various types of jobs.

The form itself, though great emphasis is placed on the investigative aspect, contains a paragraph that when the individual signs it should any of the information be willfully wrong, it's the same as perjury, and I doubt very seriously whether people of good intention are going to sign a form making them subject to a charge of perjury and then submit improper information. The situation that has occurred here, as far as employees are concerned, again almost reaches the point of absurdity with people who are awaiting licenses, going through a two, three or four-month wait. Two of the mistakes which I can give you by name are two identical twins, one Eileen Ward and one Ellen Ward, both living at home, both forms containing identically the same information and, since they are identical twins, both pictures being the same. One was licensed and the other had to wait three additional months because the Gaming Enforcement agency looked at the two forms and interpreted them to be one individual instead of two identical twins.

There are people who are presently still unemployed for a multiplicity of reasons, one young lady because of a bad credit rating, which showed up in a credit check only because the Commission pulled her off the floor and she hasn't been gainfully employed for a number of weeks and obviously is not able to pay her bills. The situation that emanated with many of the bartenders, and I'm sure that their union representatives can speak more directly to that subject, was not certainly the intention of the legislation or the legislature. The object was to create jobs for people, not to put them out of work.

The need for a temporary license for casino employees must assuredly be considered by the Committee. When the temporary licensing for casinos was enacted, most of the members of the legislature, including myself, were of the opinion that employees were likewise covered. After the passage and subsequent enactment we

found out that the only employees that were covered, that were permitted to be licensed under the statute, were casino hotel employees. I have subsequently within the past week introduced legislation that would in fact permit the Commission to issue temporary licenses for casino employees on the same basis as casino hotel employees. It may be necessary that the Committee in its wisdom take a look at that and maybe the whole temporary licensing procedure should be extended past a five-day period each time for a temporary license.

The fee schedule, and it has been subsequently revised, has been grossly inadequate to cover the expenses, because besides the employees that are attached to the Casino Commission and those that are carried on the regular payrolls of Gaming Enforcement, there are a large number of State Police ranging in rank from a captain down to a trooper, I think some 58 in total, that are being paid out of the State Police budget on a reimbursement type of situation from the revolving fund of the Casino Control Commission funds. However, when you analyze that the Commission establishes its hourly rate at \$30.00 per hour and you charge for a casino employee's license \$75.00 which is billed to the employer, any investigation over 2-1/2 hours now becomes a loser at the rate of \$30.00 per hour. And according to Gaming Enforcement it takes months of intensive investigation to process an application.

Now, there seems to be a built-in inequity whereby there is also a charge-back system to the employer and at this time the only employer is Resorts. You unfortunately have a situation where individuals can come in off the street, file for an application, pay that fee, and be processed. There is no way in God's world, without someone to bill the excess back to that the State is not losing money in the processing of those applications. There also seems to be a further inequity, not that there is any objection to people coming in off the street to be licensed, but there should be a priority in the processing of applications for those who have a job to go to, where the applications are, in fact, coming from an employer as opposed to those that are merely just wanting to obtain the license as something to have at a future date, because if the intention of the legislature is to put people back to work, then obviously those who have a promise of employment should be processed first and as expeditiously as possible.

I found out through our scrutiny of the process that there are a number of inherent problems: (a) when an application is filed with the employer, the employer then takes that application to his attorneys, which is understandable, who carefully goes over the application to make sure that there are no mistakes. It is then sent to a printer to have the necessary copies made. It then goes to the Casino Commission, which in turn files it with the Gaming Enforcement Division. Gaming Enforcement then does the investigation, the field investigation. It then comes back to the legal department in Gaming Enforcement to be checked and forwarded back to the Casino Commission, which then notifies the employer and subsequently takes the necessary action. Now, the problem you have is that when someone files with the Casino Commission they are given a file number. That file number is not the same file number that the Gaming Enforcement uses. They use an entirely different filing system, so that there is really not an accurate cross-reference of people's applications and if you ever have the misfortune to go in there to try to find out what application is in what process, you'll find that you'll spend hours and hours, because none of the records are computerized. Everything is on

index cards in a system that must date back to the early 1800's. The end result is a lot of confusion, a lot of applications lost, a lot of applications that one agency shows it has, the other agency shows it does not have, and vice versa, and it's totally, utterly chaotic and should be immediately corrected.

There should be a system by legislation that requires, within a reasonable length of time, whatever the Committee would decide to be reasonable after reviewing the present processes, that either a license is issued or people are notified as to why they are not being licensed, because these things cannot go on for months and months and months and months with people being given the answer that it's in process. In process means nothing, you can't pay your bills with that. There is an obligation by State agencies to perform their functions as expeditiously as is possible.

One of the problems I believe existing in Gaming Enforcement is an inadequate amount of investigators. I think that at the last check the actual number of field investigators numbered somewhere around 20 to process all of these 100's and 100's and 100's of applications. It would appear also that there is an inequity in the fact that you have people that are licensed in a higher category and, when they apply for a lower category license, they have to go through this whole process again. It doesn't make any sense. If you are licensed in a more strenuous field, then it should only become a matter of endorsement for a lower service, but to go through the whole process again just doesn't make any sense.

I honestly believe that there should be only one agency. I believe that the Gaming Enforcement should actually come under the Casino Commission, because there seems to be a rivalry that is being built up as to who shall be the king of the mountain and control casino gambling in New Jersey, and that was neither the intention of the legislature nor is it to the best advantage of the public to have all these little fun and games, you know, going back and forth as to who shall be boss.

There also seems to be areas that the Commission and Gaming Enforcement indulge in that should really be left to the business community. People who make an investment are entitled to a fair return on their money. They are the experts. The overseeing agencies, in all probability, do not possess as much expertise as the people involved in the business. When you start to tell people how many people should be at each table, what minimums, etc., it's just not the function of government. We should not tell them how they should make business decisions. The regulations, certainly, but I think we are starting to go far afield in making it an industry, and really an industry is what it is.

One of the problems that you obviously have in the City of Atlantic City is housing. You have a situation where a lot of the hotels that were condominiums are now being sold for other purposes. You have a problem in that the people who are presently residing there have no place to go. One of the problems I see is the fact that since the casino gambling has become a reality, everybody who owns property in Atlantic City feels that there must be an oilwell, or something of some phenomenal value under it, and subsequently the land prices have soared so high that the city in many instances is a little reluctant to enter into agreements to provide land for public housing by non-profit corporations because they feel that they would be giving away something of value. Subsequently you can get all the Federal and State grants you want for construction, but if the people who are living in substandard dwellings feel that their property is worth more than it actually is, and you have no place to send them at an affordable price, then housing in this city

is going to go nowhere, absolutely nowhere. You must have the ground and the ground has to be made available by some method. You can look at Baiter Field and you can say, well, there is a need to maintain some type of airfield maybe, but when you look at the fact that you can't get anything larger than a twin engine turboprop at best in and out of Baiter Field, it becomes a question as to whether or not the ground really couldn't be better utilized to look after the needs of some of the people who are having serious problems here.

You find that you have a lot of great money transactions on paper, but not a whole lot of construction at this moment because it appears that it is not that easy to get this type of facilities financed. There is still a considerable amount of doubt, at least in some of the financial institution's minds, as to whether or not the investment is really worth tying their money up in and subsequently there is not a whole lot happening. The initial thought of building all new hotels you know was fine and undoubtedly in time will take place, but there has to be a consideration as to how quickly you can put people back to work, how quickly you can take some of the existing structures, and some of them are not that old and utilize those until more dollars for financing become available. If you were just saying, well, we're going to build a casino, the actual investment to build a casino is not that great considering the return, but when you couple on 550 rooms or 500 rooms now, it becomes a big nut to overcome. I certainly hope that somewhere in the Committee's wisdom you will be able to define the language to the point that people will understand that, if there are good buildings existing in the city, that it was not the intention of the legislature to force them to be torn down in some folly which may result in nothing being built there for quite a number of years.

The other thing that I would like to briefly touch on, and this may raise a few hairs and I'll apologize if anyone gets offended prior to my comment, is what is conceivably a consistent, or at least an inconsistent method by the legislature of looking into conflicts. Now I have to say this quite honestly. There is obviously not anything in the statute that precludes members of the legislature from buying stock in casinos because a lot of people have done that. But sometimes I wonder, you know, how someone can sit and independently vote on something that will help an industry that they are sitting with 2,000 shares of that's going up 50 and 75 points a week. There comes a question as to the representation by attorneys that are members of the legislature with people that have casino interests, that are selling sites to casinos, that are doing business with casinos, even though, of course, some have argued it is okay, as long as I don't represent them in their actual casino interests, but who is to define what is a casino interest? If you have a client and you represent him in everything else other than his casino interests, the question is raised--and it's not the conflict; it's the appearance of conflict--as to how that individual's vote is motivated on behalf of his client. I am equally concerned that incorporated into the Casino Control Act, and not a matter of codes of ethics which can change depending on who the Ethics Committee is, that it be written into the law that if you are going to be a member of the legislature, then you should not affiliate yourself in any manner, shape, or form with any casino or casino related industry and that, in fact, should be even carried down into other levels of government.

I'm certainly not advocating, and I can only speak for my own bitter experience in the whole situation --- I think . if we are going to do the thing

right that it becomes the obligation of the legislature to set forth the rules and to see that they are strictly enforced amongst ourselves and thereby create an image that the public will not feel that everybody sits in the legislature only for the benefits they can gain by, you know, wheeling and dealing in different areas. I certainly do not begrudge anybody the right to earn a living. This is a very important point. Often times people in public office feel they are treated as second-class citizens. In all probability they are, but that is one of the risks of being in public office and you have a choice. You can either be there, or you can say "see you later, I have bigger and better things to do."

If there are any questions, Mr. Chairman, I'll be more than happy to answer them.

ASSEMBLYMAN CODEY: Assemblyman Villane, any questions?

ASSEMBLYMAN VILLANE: No questions.

ASSEMBLYMAN CODEY: Assemblyman Gormley?

ASSEMBLYMAN GORMLEY: No questions.

ASSEMBLYMAN CODEY: Assemblyman Matthews? Assemblywoman? Assemblyman McManimon? Assemblyman Gewertz, some of the points you raised were raised earlier this morning by Chairman Lordi concerning the work permits, concerning placing in different categories casino waitresses and bartenders. I just want you to know that we can get you a copy of his proposed amendments concerning that.

ASSEMBLYMAN GEWERTZ: Chairman, I'll gladly leave you some photocopies of some of the correspondence to the Speaker. I'll also leave you a set of the forms and the explanation, and I'll leave you the cover letter which hopefully your staff person can photocopy and give me back the original. Thank you very much.

ASSEMBLYMAN CODEY: Thank you, Assemblyman. Our next witness will be Mr. David Satz of the Casino Association.

D A V I D S A T Z: Mr. Chairman, Members of the Committee, my name is David M. Satz, Jr. I am counsel to the Casino Hotel Association whose membership consists at the present time of 11 companies, one of which, Resorts International, is operating under a permit. The others are either applicants already in the process of applying or about to apply for casino licenses.

The Association has carefully considered the Casino Control Act and the amendments thereto and I know that a lot has been said so far today, much of which we agree with. I did want to state though with respect to the Casino Hotel Association that the suggested amendments that are being made here by me on behalf of the Association, some of them are specific, others are conceptual, inasmuch as we believe that the specific changes if any should be made in conjunction with the Commission, the Division, and the Committee, and in the future we'll be glad to give whatever help and assistance we can. As you know, a lot of the members' personnel that are involved in the Association through their various companies have had experience in this area and I think are helping the Commission and the Division in some respects and would like to be of help here.

We want to make one thing very clear, and that is that the suggested changes are in keeping with the prime purpose of the Act to protect the public interest, keep that public trust, while at the same time improve the quality of operational procedures at the casino hotels. We believe that such recommendations will not, and should not, erode any of the present power contained in the Commission or the

Division. What we're interested in is simply giving possibly more power to the Commission and Division by way of giving them more flexibility to operate within the licensing procedures and their responsibilities, and to that extent as you heard the Chairman of the Commission this morning and Mr. Martinez say, some of the provisions that they have advanced for temporary licensing of employees, particularly casino employees of one particular variety, the ones who do not work with the games, that they be classified in the same category as casino hotel employees and be subject to the jurisdiction of the Chairman so to speak and to alleviate the log jam that is presently there and is expected with respect to the licensing investigations and the general process.

We go one step further with respect to making a suggestion on the licensing and being able to grant temporary licenses without, as I say, at all diminishing the power of the Commission. We are making a suggestion to this Committee and I told Chairman Lordi about this, that perhaps they could also license dealers and people who are connected with games provided that they satisfy the Commission during the course of an investigation. If they are free of crime and can show character, integrity, through such things as a three-way State Police check and can demonstrate experience through schooling and on-the-job training, and to that extent we go one step beyond just eliminating or categorizing the waitresses, waiters, and bartenders. Again, we're not trying to diminish the power of the Commission over these people. It would be a temporary license and they can be delicensed, so to speak, from their temporary position if something comes up in their record. But basically when the investigation is being processed and you come up with certain information, that should carry throughout subject to finding certain loose ends that may go the other way. But that's the only area where we differ with the Commission and the Division and go one step further.

A second area with respect to temporary licensing that we're advancing is more of an emergency licensing procedure for a particular problem that might occur on a floor that is in operation and to that extent there is nothing in the Act that would permit on a very temporary basis, such as the lasting of a shift, being able to, I call it barrel through the Commission, to a let's say a casino employee who might have to occupy because of illness on the part of a key employee or because of security purposes if something is wrong with a particular pit that they want to remove all of the personnel there, that they can be put into a position on a purely temporary basis and what we were going to suggest in the legislation with an amendment is that that be temporary and also be reportable immediately on the floor to a Commission representative so that they will know of the incident and what's going on. It's a purely technical thing and it is a problem that might come up where you have this kind of a disability or emergency occurring. I don't know of any opposition on that, but it is a suggestion.

We're pleased that the Commission and the Division have seen some of the problems that have arisen with respect to the licensing and registration of casino service industries and do feel that something ought to be done and hopefully will be done to give them temporary licenses. I dare say that what has been a problem, at least in one instance, with the operational licensee, Resorts, and expected with respect to the other companies, that the larger companies that want to supply the industry generally, either under Category A or Category C, the casino operations themselves or the food and beverage, and so on, are under the present

regulations deterred somewhat because of the investigative process that they have to undergo and the expense involved. I think that the Chairman and the Division Director have seen this problem and perhaps what they have suggested may alleviate the problem, but it certainly is something where in keeping with the general activity that goes on in Atlantic City there ought to be some discretion in the Commission to determine, and they do still have their power to look at agreements, as to what impact a particular company might have and to be able even after the contract is entered into to be able to have that power to make them divest themselves of the contractual arrangement. That in our mind is sufficient power given to the Commission to obtain the objectives of the Act and I do hope that the Committee will look favorably on those recommended changes, because you take companies that are regulated by SEC or the American Stock Exchange or the Big Board, that are conglomerates and so on, and you get into having to fill out forms and pay investigative costs which does act as a deterrent in this respect, and I do feel that some elasticity or flexibility ought to be given in that regard.

The other area that we are concerned with, meaning on behalf of the Association, is the question of fees and the Commission Chairman alluded to that this morning with respect to a proposal on the slot machine tax, which we were not aware of and have no comment on at this point, except to say that generally speaking they are very much concerned about the question of fees and the standards that are presently contained in Section 139 of the Act. At the same time they recognize that utter trust and confidence must be maintained and should be maintained in having to conduct the right kind of investigation. The present legislative standard is that the fee shall be based upon the cost of investigation and consideration of the license investigation. The renewal fee shall be based upon the cost of maintaining control and regulation activities contemplated by this Act. Additionally, the Attorney General must certify to the Commission actual and prospective costs of the investigative enforcement functions of the Division, which costs should be the basis, together with the operating expenses of the Commission, for the establishment of annual license issuance and renewal fees.

Now, the Association again recognizing the interest of this Committee, the Commission, and the Division, and the State of New Jersey generally, looked to the problem of some type of standards that may not be in the Act at this time and ask that this Committee study this problem. We don't have specific recommendations and for us a lot of this is still in an experimental stage. However, they are concerned about their own need with respect to attracting investments and getting prospectuses out, and so on to project the costs of such fees that will be charged. To that extent and keeping in mind Section 1, Subsection 13 where true public trust and confidence must be maintained in the regulation of the license enterprises, to provide an effective method of rebuilding and developing existing facilities and encouraging new capital investment in Atlantic City and to provide a meaningful and permanent contribution to the economic viability of the resort, convention and industry of New Jersey as well, that there is an area with an open-ended charge that might be given by the Commission with each particular company, that they feel that there ought to be some type of accountability that might be built into standards that would not erode their power but would at least give people some kind of a mark. Presently, it is just according to Commission regulations and the industry has no say in that, and they do feel that without trying to cut down on the quality of the investigation that some type of standards

be built in so that to that extent they are aware of the problem and are concerned and wanted to state this to the Commission as to possibly working on something that might be a standard, again without eroding the power.

The final thing I really was not going to discuss at all on behalf of the Association, and Commissioner Merck went into the subject matter this morning. The subject matter, as he indicated to you, is going to be fully discussed with respect to a proposed regulation on Tuesday and Wednesday by the Commission, and that deals with maximums and minimums. The Association is very concerned about the content of some of the remarks as it might effect the Association. You will hear from Resorts in a few moments. The Association is concerned, as it would be about Resorts too, because that is the one that is in being. But the problem that we address to this Committee with respect to Section 100(e), as we will be doing with the Commission come Tuesday, is that the autonomy of business management should be maintained. It's in the Act now and we feel it should be continued. You yourselves brought up individually in questioning some of the functions of the Act, even though you may have had different feelings about the regulations and what's been going on. But the fact of the matter is, and I think the Commission Chairman made that statement when the rule that's up for discussion on Tuesday was first proposed, that these organizations that will be licensed are not public utilities. They are based on private capital and the function will be in the business area of competing with others, while at the same time being effective with the public interest carrying out the responsibilities that they have been told by law to do, which they are right now, or which one is right now, and when you get into trying to regulate this type of area, especially at a very critical time and Assemblyman Matthews you asked Mr. Merck the question about investment, where investment is about to come into Atlantic City and many casinos will be built, there are many commitments that are not formulated yet, they're in being, that for this Committee or the Commission to try to regulate maximums and minimums at this time is going to scare away a lot of investors. Whatever might be said by way of characterizing what is going on, I still go back to that Subsection I just read that the investment on the part of a casino hotel operator who will hold or may hold a license is not only just to that casino and what he takes from that casino. He has many other commitments in Atlantic City and to the State of New Jersey which also must be fulfilled and I think in that sense Resorts and other companies that are in the process of building right now are fulfilling those commitments, so that it isn't just profit taking and gouging and so on, it's the running of a business and as everybody has recognized the problem may disappear shortly with the advent of other casinos and different types of casinos.

I wanted to bring that to your attention and make those comments on behalf of the Association. Again, I'll be glad to be, on behalf of the Association or the members of it, whatever help we can be to the Committee and I appreciate this opportunity to speak before you. Thank you.

ASSEMBLYMAN CODEY: I would appreciate it if you would put all the Association's suggested amendments in amendatory form so that we can have them in front of us sometime in the future when we do sit down at a work session.

MR. SATZ: I would be glad to.

ASSEMBLYMAN CODEY: It would be helpful to us.

MR. SATZ: I'd be happy to do it.

ASSEMBLYMAN CODEY: Our next witness will be Mr. David Koll of the President Towers.

D A V I D K O L L: Mr. Chairman and Members of your Committee. My wife and I are tenants at the President Tower Apartments. During our middle age, we had a dream together that when our time of retirement would come, we shall establish a permanent home here in Atlantic City, for we had some roots here. My parents lived here fifty-some years ago. And we are here now in Atlantic City for 11 years and they certainly were very happy 11 years. And when the proposition came to us that we vote for casino gambling here in Atlantic City we listened to some of our leaders, including our mayor, whom we had a great deal of trust in.

We were told and it was explained to us that when casinos come in that the benefits that the city and State would derive from the monies taken in from the profits would help in some way to keep the real estate tax down so that every year when we live in an apartment the rent would not be raised. And we accepted that dream because we all live under a very, very tight budget on Social Security.

We had a good life for the past six years at the President Towers. We had a beautiful social club in which we had parties. I have seen times when there were women with canes came down and we had for that evening some entertainment and they put the canes down on a table and when the music struck up they got up on the floor and danced somehow. It made me feel very, very happy because I had the pleasure and privilege to be president of that social club for three years, and I felt that I had made these people very, very happy at the time that we had all these gatherings.

Now, my friends, my heart is bleeding not only for myself, but for all the widows and widowers and the couples that are still living in the President Towers that we do not know where or what to do, where to go. It is really a crime that at this time and age there isn't one in our building that is younger than 75 years of age. They run up in age to 97. There is one woman that is 97 years old and she is going to move, she has to move. I say to you, members of the assembly, if there is anything that you can do to try to implement Mayor Lazarow's words, to try to save the President Towers Apartments for us, and also the Ritz people, they are all the same. We are all heartbroken. We don't know where to go; we don't know where to turn.

When the Del Webb Corporation had an announcement in the paper one morning, in the press that they had bought the President Towers, the very same evening there was a gentleman that said that he was, I don't know what he said, but he handed out these here eviction notices. That only happened two weeks ago, and the notice is to get out by the first of November. Now, where can we go and where should we go? I am sorry that I am not a Moses who had a cane and split the ocean or something, that we could walk away from here, but we cannot. We are too old. We have no other roots but Atlantic City, so please go back and see what you can do to save the President Towers Apartments and also the Ritz, and so on down the line. We need those places to live, we have nowhere to go. Thank you very much.

ASSEMBLYMAN CODEY: Thank you, Mr. Koll. That was probably the most elegant speech we've heard so far today. Assemblyman Matthews, any questions?

ASSEMBLYMAN MATTHEWS: Mr. Koll, I would just say to you, and I am sure that my two colleagues from Atlantic County would agree with my statement, that you should keep in touch with the two of them, as well as Senator Perskie and the mayor in regard to your situation. I don't know what we can do at this moment, but certainly I have faith in my two colleagues here on this Committee and Senator Perskie to do as much as possibly can be done for yourself and for those same people who are in the same situation as you and your wife are. Thank you for coming.

ASSEMBLYMAN CODEY: Our next witness will be Mr. Edwin W. Tucker of the New Jersey Press Association and Mr. Gary Deckelnick of the Asbury Park Press.

EDWIN W. TUCKER: Mr. Chairman, Members of the Committee, I'm Edwin W. Tucker, General Manager of the New Jersey Press Association, which represents New Jersey's approximately 150 paid circulation daily and weekly newspapers. I have no eloquence, just brevity I hope.

The New Jersey Press Association obviously feels that the more information provided the public the better. We also realize that there can be certain circumstances where disclosure of some information possibly could be detrimental to the public interest. In an effort to improve the present law by making as much information as possible available to the press and ultimately to the public, the New Jersey Press Association has had several meetings with legislators, the administration, and the Governor's Office of Casino Policy. These meetings have resulted in what we believe is an acceptable compromise. In concert with Mike Santaniello, a laundry list approach to these items, which should be open and those which should not be open, was developed and agreed to by both sides. This was to have been an administration-sponsored amendment to the Casino Control Act, but time ran out with the change of legislature and with the pending implementation of the law, which we didn't want to stop.

Former Senator Alex Menza sponsored a bill which essentially would make information submitted by an applicant on his application open to the public and certain other information open at the discretion of the Casino Control Commission. This bill was held in abeyance on the belief that the administration-supported version would be introduced and adopted. Unfortunately, this did not come to pass. Now we're back again with a new legislature and the opportunity provided by today's hearings to improve and refine the Casino Control Act. Senator Russo has introduced a bill, Senate Bill S-1342, which contains virtually the same language as Senator Menza's bill. The New Jersey Press Association approves of this bill and will support legislation.

There is also another bill pending, I believe it is pending anyhow, which contains essentially the same language as the Santaniello/New Jersey Press Association draft that was stalled because of time. We also believe this possible legislation is in the public interest and we can support it as well. Barring complete disclosure, we can support either both or a combination of these versions. I have nothing further except to answer questions, and Gary Deckelnick, who is also a member of our ad hoc committee which met with some members of the administration and members of the Governor's Office of Casino Policy and others, is also here and he may have some additional comments. Thank you.

G A R Y D E C K E L N I C K: My name is Gary Deckelnick. I'm the State News Editor of the Asbury Park Press and a member of the New Jersey Press Association Committee. What essentially we're asking for, we think, is more protection for the public interest and we think it would come best by combining the two bills which are now pending, one is Senator Russo's bill which has been introduced, and the other is the bill which I understand is to be sponsored by Assemblyman Dowd and which is now in the offices of Legislative Services.

The problem as we see it now is the existing law says information must be kept confidential, everything about an applicant. The bill which Chairman Lordi referred to and which you shall be receiving later from Deputy Attorney General Santaniello would make certain items on the application itself public, but only on the application. In other words, what it would make public is that which the applicant responds to or writes, and you all heard Director Martinez say that there have been some cases of misstatement already, including one which led to an indictment. There is nothing in the existing bill which would mandate the Commission to tell us if they find anything which is conflicting with that which is contained on the application. Such a provision is contained in the Russo bill, but the Russo bill pertains only to the applicant itself, and not to any parent corporation or subsidiary corporation which may also be involved.

Ideally, what we would like to see is for this Committee to combine both versions and put out as much as it can in the public interest. We also would like to see the Committee approve an act on either one expeditiously, rather than waiting until the entire amendments are drafted, because there are as we understand within the next few months going to be more applications made and as it stands now with the current law, everything is secret and we would accept either version as an instantaneous compromise or help.

ASSEMBLYMAN CODEY: Any questions?

ASSEMBLYMAN VILLANE: At what point in the application procedure would the press want to have access to that information, on approval of the application or denial of the application, or during the investigatory portions of the application?

MR. DECKELNICK: We would like to have that which the application says on the filing of the application, and that which the Commission or the Division develops as they develop and as they deem it possible to make public. We understand some things can never be made public, either because of a Federal law which would forbid it, if that's where they're getting it from, or because it would be inimical to the public interest to disclose. But basically, as soon as the information is available we would like to have it.

ASSEMBLYMAN VILLANE: Do you want the notes that they take too?

MR. DECKELNICK: I don't think we're going to get them, but the answer is yes.

ASSEMBLYMAN CODEY: Assemblyman Gormley?

ASSEMBLYMAN GORMLEY: First, about the New Jersey Press Association, I don't know its configuration. Was this a vote of the Board of Directors of the New Jersey Press Association on this policy, or was a poll taken at a meeting in New Jersey? I'm just curious as to how a decision was made to endorse such a policy.

MR. TUCKER: The policy is obvious. Those things which should be open are in the public interest and those are long-standing policies.

ASSEMBLYMAN GORMLEY: What I'm saying, did you have a convention of the media and vote for this?

MR. TUCKER: We have a Legislative Committee.

ASSEMBLYMAN GORMLEY: How many people on the Legislative Committee?

MR. TUCKER: About a dozen.

ASSEMBLYMAN GORMLEY: So this Legislative Committee of a dozen made this decision to endorse this concept relating to disclosure of these applications?

MR. TUCKER: The specific language yes. The concept is one that has been long endorsed by the Association in general.

ASSEMBLYMAN GORMLEY: Disclosure of all applications for jobs?

MR. TUCKER: No, of openness.

ASSEMBLYMAN GORMLEY: Well, that's like open range. My problem is, to be quite frank on what you're talking about, once an application is filled out and that information is provided the Commission and they have their obligation to do their job, I feel that they would. I have not reviewed this particular matter, to have open game on applications; I just can't see it. And I'm not talking about trying to keep anything from the media with regard to any offenses or anything, but the Commission is going to review the applications. If there are prosecutions to be made, then the prosecutions will be public. However, you have to look to the other side of the coin, the fact that an application is already being reviewed and to the effect it has on reviewing any kind of personal information.

That's my initial reaction to it. Obviously, if anything is wrong I would like the media to know about it because they are a source of investigation also. But you do have to look to the other side of the coin. I've just been hit with this to tell you the truth. The legal ramifications I haven't even looked into yet, but I have a real problem.

MR. TUCKER: This is nothing new. We've been in this process for a year and a half and throughout the first hearings of Assemblyman Codey's Committee we testified on numerous occasions and as a result of that we did sit down with the Governor's Office of Casino Policy and negotiated and came up with a compromise measure. If Mike is still here, I don't know, he has the draft of that. There are many of the exceptions that concern you to which we have said "OK fine, we understand that point of view." There are other areas which we feel should be open are open under the proposed legislation that you put in, but we understand your position. Yes, obviously everything cannot be open.

ASSEMBLYMAN GORMLEY: In other words, and I don't mean to demean your position, but it's very easy to say openness. Of course, we're all for openness and for apple pie and for motherhood, but the point is you have to look to the effect of that openness.

MR. TUCKER: We stand on the ideal.

MR. DECKELNICK: The way it stands right now, Assemblyman, even the name of the applicant is secret.

ASSEMBLYMAN GORMLEY: The point is, it is not secret as it relates to the Commission. Now, I'm just talking about anybody applying for any job. OK? I'm not trying to make this overly simplistic. I understand what you're looking for, but I have to look at the other side of the coin and still it's an application. It's not as though it's not going to be reviewed. The Commission is going to look at it; this person is going to be checked out.

MR. DECKELNICK: I'm sorry, but perhaps we didn't make ourselves clear, Assemblyman. What we're interested in is not so much the application for a work

permit, but the application for a license to operate a casino.

ASSEMBLYMAN GORMLEY: Just on the casino permit itself?

MR. DECKELNICK: Yes.

ASSEMBLYMAN GORMLEY: I just have a problem with the confidential form. It's just a personal feeling.

ASSEMBLYMAN CODEY: Any other questions?

ASSEMBLYMAN McMANIMON: This morning Bob Martinez pretty much pointed out the same issue; an indictment was practically handed down due to the fact that someone had not told the truth on an initial application. But what concerns me sometimes is this, that although we advocate the concept of government under glass, there was a point brought out here today that disturbed me and I'm glad our Chairman brought it up, and that is the caption here in this book. There also has to be truth, truth in its entirety. Not somebody ending something because they personally see it that way. I think that if we got back to that we wouldn't have any problems about it, have openness in its entirety. People are skeptical sometimes with respect to the press and the way they use the press, and that's why some people have reservations.

We're going into an investigative process. If we open up before they even have a chance to start their preliminaries and somebody is already playing football with it, you wonder if the truth ever really gets out. So I have some reservations, only insofar as I would like to see the preliminaries done first, then open it in its entirety. Then have your picnic with it.

ASSEMBLYMAN CODEY: I thought, Mr. Tucker, and I know Harvey Fisher was all over my case about this, but---

MR. TUCKER: Harvey's retired.

ASSEMBLYMAN CODEY: I had thought a compromise had been reached, but it never really moved.

MR. TUCKER: That's essentially it, yes. The legislature expired.

ASSEMBLYMAN CODEY: We didn't die--- Thank you very much, Mr. Tucker. Our next witness will be Mr. Joel Sterns representing Resorts International. Mr. Sterns, I just want to interspace someone, I'm sorry for holding you and Mr. Davis up.

J O E L S T E R N S: Mr. Chairman and Members of the Committee, I thank you for the opportunity to appear before this Committee on a number of issues which are obviously very vital to us. I have with me Mr. Davis, the President of the company, who will be more than happy, as will I, to respond to any questions that you may have.

A lot of territory has been covered today and I don't propose in this brief statement to cover those things that you've already heard. What I would like to do is to focus on some of those elements though that I think do need amplification or on which you have heard perhaps a position that we feel needs clarification or from our point of view a position that is incorrect. I don't believe that anybody could quarrel with the fact that the New Jersey Act is the most comprehensive, the most stringent act regulating any industry anywhere in this country, and probably the world, and yet by and large it has been a very successful experiment, not without aggravation to all of those concerned, both the permit holder who sits before you and the Division and the Commission. However, it has been by and large successful in showing that very stringent regulations can still provide the basis for the rebirth of Atlantic City and for the promotion of a highly

successful and profitable industry.

Now of course there are a number of problems, and some of them you have heard. I don't propose to dwell on those that you've heard about, for example, the whole question of licensing I think has been very properly covered and we would want to associate ourselves with the comments that were made by Chairman Lordi, Mr. Martinez, and by Mr. Satz in particular, and others of the speakers. I think that you have well before you on your agenda some of the very practical problems that go with licensing. May I say at the outset that speaking certainly for us, and I would assume for all potential casino industry, there is no objection to the most stringent type of enforcement of this law and the most stringent look at the prospective operators and their licensed employees, because we as much as anybody else in this State want to enjoy a public reputation that is beyond reproach.

So the questions that were raised about licensing that occurred during the opening phases are questions of practicality and are questions that will be magnified when you consider that you're dealing with approximately a range of three thousand some employees with Resorts International, and when you just take that and magnify it just based on what seems to be a reasonable anticipation of the future, the Commission and the Division are going to be dealing with 30,000 licensed employees or prospective employees, and that's why it is necessary to cure some of these practical problems.

The same thing is true with service industries and their licensing. There are numerous problems. I think they have been alluded to. I think this Committee is well aware of them. We certainly associate ourselves with the view that there should be changes in this area and we will be happy to answer any specific questions. However, I don't propose to dwell on it because it has been so well covered already today, the need for these things.

So I guess the first major thing that I want to comment on is the question of fees. Here again comments have been made. Mr. Satz spoke on behalf of the Casino Association. We want to agree with him. We want to amplify what he said. Let me state at the outset some things that are clearly obvious. The Resorts International casino is the most successful casino in the world. In the three months of operation for which we have results, it is the most profitable casino and we're pleased obviously at that. Another fact that should be obvious to you is that we expect and anticipate that we will pay our fair share at all times to the State of New Jersey, both with regard to taxes, which as you know are higher than in any other jurisdiction, or in the other jurisdiction at the moment, and with regard to licensing fees. We do not expect an artificially low license fee to be set. Nevertheless, I think it is incumbent upon this Committee to look at the path of license fees for a couple of reasons. First of all, based on what we know to be the case in our situation now, the cost of a renewal fee, and this is based on the monthly fee to Resorts International and presumably to other casinos of the same size, would be two and a half million dollars. Now on top of that a suggestion has been made this morning for approximately an additional two and a half million dollars in fees on slot machines. That would approximate a five million dollar license renewal fee, now this is on top of the taxes we've talked about. This is on top of numerous other fees, work permit, licenses for key individuals, which in some cases have to be paid, service industry fees, and you can anticipate that many service industries who are hit with fees are going to

pass that on to ultimately the casino consumer. Now, is five million dollars a reasonable amount to charge for renewal? I would say to you that I don't think any of the people who drafted this legislation on this Committee would have conceived that that would have been a reasonable number two years ago, but I don't think that is the ultimate judgment. I think the ultimate judgment is the question of what will reasonably encourage first-class casino development in New Jersey. I don't think you can jump to the conclusion that because Resorts International in three months has been this successful, that that is a reasonable fee for Resorts or for anyone else.

Let me say a few things about that success. We hope and pray that it continues. We hope and pray that everyone who comes to Atlantic City will have that kind of success, but there are certain inevitable things that we know about and certain inevitable things that we don't know about, or don't know the effects of. One of the things is none of us know what the full 12 months will bring. We've been through a peak season and there's no question about the success of it. September, although somewhat less, has not significantly fallen off, I think, I didn't really prejudge the figures which will be available to you in a week.

What will December, January, and February bring? What will the advent of potential competition bring into other areas? We don't know, and you don't know the answers to those questions, but we do know, and I was just glancing at a publication today that tried to make those projections, but I don't happen to agree with this particular publication at all, but certainly it projects that after casino gambling comes to other jurisdictions that a reasonable profit for a casino in New Jersey will be in the neighborhood of five million dollars or six million dollars. They may be very wrong. I think that in taking a look at fees and recognizing that we want to pay a fair share, we want to recognize our success and share it with the State, but you still have to look at some kind of yardstick and I think the only available yardstick as to that kind of a situation now is Nevada. Other states may come along.

I want to say one other thing with regard to the profits of Resorts International for the first three months and I think it is a very important point. I think the people of New Jersey and this Committee should be aware that this company has reinvested a sum larger than those profits in Atlantic City in the three-month period and it has done it in such a way that no family has been dislocated, not one. It has done it in such a way so that it will require and it anticipates continued investment in Atlantic City. This is what the Act requires. Now when talk is heard, even inadvertently, and believe me although I'm delighted that Commissioner Merck denied the statements that were in the article today, he did say that he had not prejudged the licensing or his vote on it, and I'm happy about that, but he did however leave the implication of gouging. I want to address that in a minute, but when we talk about gouging I think it is relevant to say "well what happens to these profits, do they go into the pockets of the stockholders, do they go into the pockets of anybody?" They went back into this city and not only as I say into actual acquisition, but acquisition that will require further development and further investment in this city, and that's what this Act is looking for.

Finally, with regard to that prospective I would like to say that this company has been mindful, as I'm sure every other will be, of its obligations to the citizens of this city and to the State and in that connection it has not sat back

and said that although we have not dislocated anybody we will take no responsibility for housing. In the very near future you will hear an announcement of a plan by principal officers of this company which will bring new sorely needed housing to Atlantic City and these obligations are being met, so I take great exception to the use of the word gouging and I will refer to it again in another minute.

What I'm saying here therefore is I don't propose to say to you "what is a reasonable amount?" It seems to me that five million dollars is a greatly unreasonable amount and it seems that this Committee has got to look at what is the essence of the licensing procedure, what is the essence and structure of the Commission and the Division, and come to its conclusions as to what is reasonable and what will encourage investment, in addition to the taxes that go into the Treasury of the State of New Jersey. It's not for us, and I'm very mindful of this, to say what that fee should be, but it has got to be decided and it's got to be decided also on the basis of who is to say what are the ultimate bounds of what has to be done by the Division and the Commission and if that is objectively reached, not by us but by this Committee in concert with the legislature and with government agents and with the executive, we are going to reasonably and happily pay our share. But I think the public should be aware of how that is determined and what is the basis for it.

Going on to another item I would like to raise, I had not originally intended to raise this because it is before the Commission during this coming week, but since it has been raised and since the Committee has heard one side of the issue I think it really puts us under an obligation to give you our point of view with regard to this question of management prerogatives and business judgment. I don't think there is any need to emphasize the sensitivity of this industry and the need for thorough and comprehensive regulation, and I've already said to you that we believe that we want to be put under the most thorough scrutiny possible, because when we are, if we are, given a license in the State of New Jersey we want it to be meaningful to the world at large. Therefore, I don't believe in the original drafting of this legislation or today have we ever taken a position with regard to the broad scope of law enforcement or investigatory activity that the Division and the Commission wish to undertake. We believe sincerely that in some cases we have waived rights, constitutional rights in the process. I'm sure the Division and the Commission believe equally sincerely that we have not. Whether we have or not, we have not chosen to litigate or to look at that issue because the ultimate issue of the absolute surveillance of our operation or any licensee's operation is too important, but I do believe that there is room and necessary room for the discretion of management when it comes to certain areas of operation of the casino. Of course, now I am referring to the one that is most importantly before the Commission and which has been raised here and that is the question of minimums and maximums, and I would like very briefly to try to put some of the points of view in response to what Mr. Merck said this morning before you.

First of all, I think it is important to draw a parallel between Nevada and New Jersey. In the first place, in the State of Nevada there is of course no regulation of minimums and maximums. Secondly, there is no requirement on any license holder for any particular kind of structure. A person may build or a company may build a casino in a converted grocery store, in a converted movie

theatre, in any kind of building or structure he wants. There is no requirement for 500 rooms, there is no requirement for all the things that this Committee knows so well are in the New Jersey legislation. Having built that structure and having been licensed, the operator may put whatever number of games he wants into that area that in his judgment the space will allow. He can have a mile long situation. He can have as many slot machines, he can have as many table games, he can have whatever he wants. The State does not regulate that area.

In New Jersey you well know the investment that is necessary and you well know that this legislation requires that the operator can only have so many games for so many square feet of eligible casino space that is justified on the basis of rooms, entertainment space, dining space, sports, and all of the other facilities. Why? Obviously why, because this industry is in New Jersey to rebuild Atlantic City and if it doesn't rebuild Atlantic City it isn't achieving its prime purpose and if it doesn't give major employment to Atlantic City it isn't achieving its prime purpose. So the situation is vastly different. Nevertheless, Resorts International from the day that it opened until this day has continually offered as many opportunities for minimum betting of \$2.00 and \$5.00 as are offered by the leading casinos of Las Vegas strip, and I refer to those such as Caesar's, MGM Grand, and the Hilton Hotel, to which I think the legislation attempts to compare us, or to compare the investment that is expected here. We have consistently done that. Beyond that I would like to point out to this Committee because I think you may have been left with a misimpression this morning, this applicant or this permit holder has consistently met the regulations of the Casino Control Commission, voted on and adopted four to one with regard to those minimums, and in certain periods, including right now, has exceeded them. We think that business judgment too dictates that whenever possible more minimum tables should be permitted. We think that business judgment should dictate this entire area.

Now, with regard to the question of gouging, and that word was used today. What is a gouge? I suppose that a gouge is artificially raising the price on something, that's the way it was used. I suppose the analogy that is attempted to be made is that by having \$25.00 tables, which are just as crowded as the \$2.00 and \$5.00 tables, by having \$25.00 tables we are somehow taking more. Well, obviously this is not an accurate statement, because the rules of the game are the same. The odds are the same. If you are at a \$25.00 table or a \$2.00 table, it still if it's 1.4 odds for the house, or 5.1 odds for the house, or whatever were dictated, those odds remain exactly the same. There is no greater percentage for the house except in volume. May I point out in that connection to the members of this Committee that with regard to all of the odds and all of the games that are offered in our casino, or in any casino, none of them exceed the odds against the bettor in any other public game legalized by the State of New Jersey. I refer to racing or the lottery. None of them exceed those odds.

But the moral of this story is people, I guess fortunately for casino operators or for their entertainment, do not learn that you can't win. However, don't say that the casino is somehow gouging the public, any more than the State Lottery which takes 50%, or racing revenue which is 17 to 25%. We have games where there is a 1.4%, by Commissioner Merck's own statement, a 1.4% house advantage. So I think that word is completely inappropriate in that context.

Now, in regard to the issue of minimums, I would only want to point out a couple of arguments more. The question of the rate of the table minimum is one

that is troublesome right now because, as has been pointed out, there is at all times during the summer and certainly at peak times now during the Fall, a casino which cannot adequately meet the needs or meet the desires of the public who wants to be there, and that was accurately stated. There are no more at peak, right at this moment, than approximately 1,700 places at which people can be gambling in the casino, and obviously there are far more than 1,700 people at any one time even on any turnover basis who want to take advantage of that casino.

I think it is relevant though for the reasons I have mentioned with regard to the relative house percentage, it is relevant to point out, as was pointed out, that 75% of those people who are gambling at any one time in the casino are gambling \$2.00 and less. Now, the question that one has to ask is where is the major profit of the casino supposed to come from in the face of those statistics to support the reinvestment, to support the entertainment, and it's no secret that the major entertainment that we brought to Atlantic City has not paid for itself, even in the peak of the summer, and will certainly not pay for itself during the course of this Winter, but it is a necessity that we do and we want to do it because we do want Atlantic City to be recognized as a first-class place for all time. So, because the Winter crowds are down, the names of the entertainers will probably go up and the deficit probably will go up as well.

Where is this to come from if it doesn't come from the remaining 25%? Let me say that this operator has voluntarily at all times lowered minimums beyond that required by the Commission to the lowest possible to meet business needs and business judgment. So you if you went this afternoon would find not the minimum requirements of the Casino Commission, but far more tables than that. In addition, the Committee should be aware that we are entitled by virtue of the space we have to an additional number of tables which would be I'd say at least 20% more than we have now. I don't want to fix a number on it precisely. As soon as licensed personnel are approved by the Commission and the Division and as soon as those tables can open, a great percentage of those will also be \$2.00 and \$5.00 tables. As Commissioner Merck said this morning, and as I'm sure the Committee is aware, that will not alleviate the situation. Only the addition of new casinos to Atlantic City will begin to alleviate this situation.

The fact is that these are reasonable business judgments. The management of this casino or no casino wants to see people waiting for a table while there are empty seats at another table, and it does not happen that often. When it does happen any prudent management will make changes immediately and I think we can demonstrate by our management and I hope we will demonstrate that to the Commission next week, that its present regulations are reasonable and that this management, as well as any casino management, will make the adjustments necessary to assure that no table space is going wanting when there are people waiting to play.

These are matters that will all be before the Commission next week, but I thought it was essential to bring them to your attention today because I do not want you to get only one point of view. Again, with regard to the question of gouging, the last word that I have to say on it, I do want you to be aware that in the face of the objection of Commissioner Merck the Commission four to one did adopt a regulation and that regulation has been complied with and exceeded by this operator. I can't quarrel with the question of his forming a personal judgment, and that is exactly what he represented today, but I don't want the impression left

that we are doing anything that is not exactly in compliance with Commission regulations as they are now.

Mr. Chairman and Members of the Committee, there are a number of other issues of lesser significance, really technical or interpretational in nature, which I would request the opportunity to submit to you through your staff for your consideration, but for which I need not take your time now. Thank you very much for this opportunity

ASSEMBLYMAN CODEY: Thank you, Mr. Sterns. Mr. Davis, you and Mr. Sterns each will answer any questions.

In regard to the question I asked Chairman Lordi and Director Martinez on the appearance of the skimming, would it also be your strong feeling that it was not skimming at all?

MR. STERNS: Yes, Mr. Chairman, I'd like to answer that as clearly as possible and take just a minute on it. As a result of the opening few days of the casino's operations, a series of charges, I think it is approximately 21 complaints in all with 39 different counts, were brought against the management, or against Resorts International for various derelictions or failure to follow certain internal control procedures. I would categorize these, Mr. Chairman, as technical violations. I do not mean by that that they were not violations that should be countenanced. They should not be. But they did not go in any way to the question of the integrity of the coins or the dollars or the counting or the money. What they were were certain questions like this, and let me illustrate them.

Internal control regulations require that authorized personnel, which would include the President of the company, Mr. Davis, can only enter the count room during breaks or in an emergency. Mr. Davis in the first day or two of operation entered the coin count room. Well, it's a violation. Now, there are reasons, I'm not trying to belittle the regulation believe me. There are reasons why there should not be free access to the coin count room. However, in a new operation under a new and stringent law it is reasonable to assume, or at least the President of the company assumed that he could go into the coin count room. Well, he can't and he is not going to any more, at least until they change the regulation.

In another instance, as you know, for very valid reasons, and believe me I am not trying to make light of these reasons, the dealer is supposed to spread out the money. If you say "I want a hundred dollars worth of chips," the dealer is supposed to spread out the money, count it so that the T.V. cameras can make a note of it if they're watching, and then deposit it. In a particular instance, the dealer counted the money in her hand rather than putting it down on the table. Now, the rule is a correct rule, it should be spread on the table. It's a security rule, but again it's a technical violation in the opening days. I think the Commission saw that and, although they assessed very high fines in our opinion of \$5,000 for each of these items, they reduced them because of opening days to \$1,000. None of them involved skimming or anything remotely like it.

As Director Martinez said, because of a variety of reasons there is an ongoing investigation both by ourselves and by the Division of the State into the fact that there were shortages in the coin change booth of certain amounts of monies daily in the first 30 or more days of operations. There are no allegations of skimming and obviously it could not be skimming because this was money that was

already counted. The tax was paid to the State, it was accounted for. It was money that somehow went out of either of the coin booths in one way or another. This is an investigation that we are both interested in putting to rest, and putting in the tightest controls possible. But there was no allegation to my knowledge of skimming, nor could there be since the money was accounted for and taxes paid on it already.

ASSEMBLYMAN CODEY: Mr. Davis, what is your response to the State when the State says "well, someone goes to Resorts and wants to play \$2.00 Blackjack and he has to stand maybe for four hours, but if he were to go to the \$25.00 table he could sit down immediately?"

MR. DAVIS: Well I'd like to point out that there are many persons who wish to play at the \$25.00 tables who during the course of the Summer had long waits and couldn't play and didn't even come to Atlantic City because they heard of the waits that were involved. We have done studies in the interest of satisfying the interpretation of or what might be considered the interpretation of maximum participation and these studies show that there are two to three times as many people playing at the higher stakes games as at the lower stakes games, so in terms of participation actually more people are serviced at the higher stakes games. I think that the answer to your question involves a number of other points too. As Mr. Sterns said, we have endeavored right from the beginning because it was our interpretation of what you and your colleagues set down in the law that you wanted Atlantic City rebuilt and redeveloped but you wanted it done in a way that the State could be proud of and the people could be proud of, so we could say this is truly first-class by world standards, and we have sought to achieve those standards. As I have said many times, we could have achieved the minimum requirements for five million dollars but we have spent over forty million dollars in the renovation of the property that houses the present casino. In order to achieve those standards certain profit goals have to be reached and there is an argument that can certainly be made that the tax revenues to the State and the monies to achieve those investments and so forth can better be afforded by the affluent gambler who would go to the higher stakes games and who incidentally can go anywhere in the world to play at any casino in the world and will not come to a casino that has limited or no high stakes games and we feel that there is an argument that can be very well made that to achieve the purposes of the law as we have interpreted it at least, the affluent player should be carrying a good part of the bill

There are many other points that can be made too, as far as attracting the affluent traveler and one of these is that they prefer to play, a big player prefers to play at a table with big stakes. You won't find a person at the \$2.00 table who is betting \$100.00 ever, if you go down and look at the tables. He'll be betting \$2.00, \$5.00, maybe \$10.00, but he will not be betting the higher numbers. To conclude, I think the substance of our answer to that would be that over 75% of the available gaming spots in the casino can accommodate a bet of \$2.00 or less and I think the argument that the odds are worse on certain things than others is not a countermanding argument to that fact.

ASSEMBLYMAN CODEY: Mr. Davis, what about the fact that it seems that your hotel has not attracted tourists in any great numbers. When I say tourists I mean people who are coming down to spend a couple of nights. It appears that so far we are only attracting day-trip people and that the sheer numbers of your

success are based on day-trippers as opposed to people wanting to come down to spend a couple of days at your hotel.

MR. DAVIS: Well, I think a lot of the reason for that can be laid on our shoulders and we would in turn lay off a lot of the reasons on the circumstances under which we came into business. If we all put ourselves back 100 days into the Spring, it was very indeterminate as to exactly when we would open. We were also quite unsure what the reaction of the near market and the far market would be, so as far back as early this year we actually cut off any reservations for groups and conventions and discouraged reservations for the Summer period because we wanted to be free to meet whatever the market demands were. On top of that we didn't know when we would open. We found actually we could open the eve of the day we did open. We had no reservations for the ensuing few months and, as a matter of fact, the interpretation of our policy of holding off on reservations was advertised as if we were booked up and there was that misimpression to correct.

I think that we have now seen how the market demand is developing. We have taken aggressive steps to attract conventions and groups, but as everyone in the travel industry particularly knows, those groups book a long time ahead, so you can't just start it up the same week. But we have no doubt in our minds that the efforts that we're now expending to bring groups and the conventions and out-of-town tourists to Atlantic City will be producing results in the near future. So I'd say that the reason there has not been higher hotel occupancy is our fault.

ASSEMBLYMAN CODEY: Mr. Davis, just one other thing. I have said publicly, I don't know whether you read it or not, that I would like to see in the future casino hotels maybe break down the requirements in the Act as far as space requirements on indoor sports, entertainment, and restaurants, because the way we have the Act now structured you could theoretically put the space requirement into just entertainment or just restaurants. I think that if Atlantic City is to succeed over the long-run, it will have to attract customers 12 months of the year and I've said consider breaking those requirements down to require each casino hotel to have a certain amount of indoor sports, a certain amount of restaurants, and a certain amount of entertainment. Do you feel that that would help Atlantic City over the long-run?

MR. DAVIS: I think it would not only help Atlantic City, I think it is an excellent idea in many respects and I might take this opportunity to say that the formulas which were developed for the requirements were standards and sizes and quantities of space and rooms and so forth and were nothing short of ingenious in terms of accomplishing the desired effect. I think that's an excellent idea and we would certainly strive to achieve that objective on our own, because we think that it's more important for us to offer a balanced set of attractions for all-year-round. In the Summer we have the beach and the natural attractions that people come for, but we would very much support that.

ASSEMBLYMAN CODEY: Thank you for the flattery. It will get you nowhere.

MR. DAVIS: I didn't know I was flattering you.

ASSEMBLYMAN CODEY: You better. Are there any questions? Assemblyman McManimon.

ASSEMBLYMAN McMANIMON: Part of the legislation was that you had to close so many hours a day. What is your opinion now that you have been open for three months if you ran arguments pro and con for being open 24 hours per day as opposed to the way you are operating right now?

MR. DAVIS: Well, we feel that we could certainly accommodate a 24-hour basis and it would also alleviate a number of operating problems that exist. For example, we have a little more than two shifts right now with 18 and 20 hours. It requires dealers to work ten hours on a shift and that's a little bit long. With 24 hours we could have three full shifts. We could alleviate the movement of large groups of people out of the hotel at closing time, which I understand the Police Department does not feel is a particularly good thing, but they should speak for themselves, and we think it would smooth out things in general to have a 24-hour operation. We understand the reasons why the original bill did not have 24 hours, but we hope that with maturity and with the demonstration of what we have been doing that we will be granted that right in the near future.

ASSEMBLYMAN CODEY: Thank you very much, Mr. Sterns and Mr. Davis. We appreciate it. Will there be a representative of your company staying?

MR. STERNS: Yes.

ASSEMBLYMAN CODEY: Our next witness will be Mr. Jack Brown, Local #54, AFL-CIO.

JACK BROWN: Mr. Chairman, Assemblypersons, I better say persons, we have a lady present, my name is Jack Brown. I'm President of Local #54 of the Hotel and Restaurant Workers and Bartenders International Union in Atlantic City. I am here today to urge the legislature to change the unworkable law in the casino legislation on licensing of casino employees and hotel employees. Let me give you some reasons why it is unworkable. On July 12 of this year the State inspectors removed all casino employees without a license from the floor of Resorts International Casino who did not have a license. Out of 120 cocktail waitresses, 20 had a license, no bartenders had a license. All employees had been working since May 26 without one. The casino cleaners were also removed from the casino floor. There was no one to clean the casino. Resorts found a loophole in the law. They contracted Service Master, Inc., an outside firm that had a license, which in turn rehired the same employees who were laid off. They don't require a license if they work for an outside contractor. This does not make much sense to me. If the Chairman of the Casino Commission did not have the power to issue a temporary license to hotel employees, they would have had to close the hotel. The shame of it all is that many bartenders, waitresses, bar porters, and dealers didn't work for the entire Summer because of the bureaucratic process in Trenton. If the State going to reimburse all these workers for lost wages?

We have people who had their applications in since March, who are still waiting and some have just received their licenses. Some have filed four or five times. In many cases the State said they had no record of their applications. We have found people who applied for hotel porters' licenses, who received casino bartenders' licenses. They do not know the difference between a manhattan or a martini, and we can't get our own bartenders licensed. The only way we kept the casino open with the people who did have a license was to let the cocktail waitresses who received a bartender's license by mistake, tend

bar until we could get some of the regular bartenders licensed. I know people who received tellers' licenses who work in other parts of the hotel. There are many people who are walking around the streets with all kinds of casino licenses who do not work at Resorts.

Why didn't the State license the people working in the casino first? If the truth was known, there are probably people walking around with a dealer's license who never went to dealers school and there are many dealers who are waiting to go to work and can't get a license. It is a complete foul-up, and if you don't change the law, it will get worse. If two or three casinos opened at the same time it would have been complete chaos. We know of a person who has been in this country for four months, who cannot speak English, who received a casino cocktail waitress license. Others have missed weeks of work and are still waiting - it is ridiculous.

Nobody knows what they are doing. Why do we have to be any different than Las Vegas. Their system works fine. A worker goes to an office, receives a work permit for the cost of \$5.00, goes to work while they are being investigated. If they don't check out, they're out. It is as simple as that. All you need is a name and a social security number and they can do a check in minutes. They don't ask questions like, "Have you ever had any children out of wedlock?", "Was anybody in your family ever arrested?", and many other ridiculous questions. They don't ask you to sign away your constitutional rights. They put people to work.

I would not think a young cocktail waitress or dealer or anybody would apply for a license if they had a bad record, knowing that it could be easily checked out. The State is treating every citizen of New Jersey as if they are a member of organized crime. I think Trenton got carried away when they drew up and signed some of these laws. When other casinos open it will be the same chaos. You will have to change the gambling legislation to operate the same as Las Vegas. There is no other way it can possibly be done. People have missed weeks of work which hurt them and their families. Don't let it happen again when other casinos open. Admit there was a mistake made and change it.

The people of New Jersey are no different than the people of Nevada. Look into the Nevada system. I urge you to do it now before another casino opens. Change the law. The main purpose of casino gambling was to put people to work. People have been hurt and hurt badly by this ridiculous law and we want it to end and end now. I am urging you to use your power and your common sense and change the law to be the same and operate the same as Nevada before it gets out of hand again with other casino openings. Only you can do it and believe me it is the only way it will ever work. There is no other way.

I don't like to knock people, but in this case I am going to have to. Whoever is doing the investigations have to be the most incompetent people I have ever encountered. The investigations are such a mess, it would make you believe they are doing it on purpose. You would have to look into it yourself to believe it. It is unbelievable.

I could go on for an hour on this subject. I am just asking you to look and see for yourself. I have had people come to my office crying, who quit their jobs to work in the casino and had not worked for weeks because of no license. They had no money, no food, no nothing, and all the Casino Commission

told me was "We are doing the best we can." Their best didn't feed these people and I'm talking about a lot of people. I know when the legislature passed the gambling bill, their intention was not for anything like this to happen, but it is happening. Change it, and I urge you to change it now. I think the State of New Jersey should pay the workers who lost weeks of work, their wages lost, because it is the State's fault they lost it, nobody else's.

ASSEMBLYMAN CODEY: I think, Mr. Brown, the concerns you have hopefully will be alleviated somewhat by what Mr. Lordi said this morning in regard to what will be within the next couple of months a new policy on those licensees which I think will really alleviate 90% of your problem.

MR. BROWN: I don't know how you can alleviate 100% because as I said earlier the only way is Las Vegas style.

ASSEMBLYMAN CODEY: I didn't say 100%, I said 90.

MR. BROWN: If it was Las Vegas style it would be 100%.

ASSEMBLYMAN CODEY: We don't want to copy Las Vegas.

MR. BROWN: I'm not asking you to copy anybody, I'm just saying that if that works for them, why wouldn't it work for us?

ASSEMBLYMAN CODEY: Our law is a lot tougher and a lot different than Nevada and that's the whole purpose in the Act, ~~that~~ we didn't want to follow, and I don't mean to criticize Nevada, but our law is entirely different and that was the way it was intended to be, and we don't want to follow them in a lot of instances.

MR. BROWN: I'll reiterate, it will never work any other way.

ASSEMBLYMAN CODEY: Thank you, Mr. Brown. Our stenographers have asked for a five-minute recess, so we will take a five-minute break and then be right back.

-BREAK-

ASSEMBLYMAN CODEY: Our next witness will be Mr. John Rich of the Atlantic County Building Trades Council.

J O H N R I C H: Thank you, Mr. Chairman. I'm John Rich from the Atlantic County Building Trades; I'm the President of Atlantic County Building Trades. I'm also the business agent for the Bricklayers Union Local #33, Atlantic City. I happen to also be a charter member of the Crack Committee, which was the committee responsible for bringing gambling into Atlantic City.

I have a prepared statement which I would like to read, but first of all I have a few comments I would like to make. You know, I get pretty darn tired of hearing people take raps at Resorts International for making all the money they're making and to me it seems like a ridiculous thing. Most of us wouldn't be sitting in this room today if it weren't for Resorts International and their participation prior to the election for gambling. Without their support, their faith, there wouldn't be any gambling here now. I think a lot of people should take that into consideration before they start rapping.

As far as the regulation of table games is concerned, I talked to quite a few casino operators and potential operators who are going to come into this area, and the one thing that will discourage investors more than anything else is regulation of the tables. They have to be adjusted according to the business at the present time, and I am sure that this Committee in its wisdom will see that.

If you talk to some of the operators from other places where they've had successful gaming houses you'll find that that is the quickest way to discourage investors.

Also, the other thing that I would like to point out, we have a lot of senior citizens here today, and I think in some ways they are being shabbily handled. Governor Byrne in his wisdom has just come out recently and said that he wants to see no renovations, he'd rather see new buildings. If Governor Byrne had come out a year ago with this same statement, it might be a different situation. Maybe if he looked into what the problem was with building a large new casino complex, he would find a solution. The problem, and the biggest problem, is called CAFRA. In order to get a CAFRA permit for that type of building, it takes such a tremendous amount of time and such an exorbitant cost that it has discouraged many people from going into that kind of an operation. It was quite a bit easier to go into renovations, so consequently they looked at places where the elderly are housed now and figured "Gee, that would make a great casino. We'll throw them the hell out and we'll go in there and make a casino out of it." Definitely, the Building Trades is for new construction. We don't want to see people displaced, we want to build new places for people so that they'll have decent homes to live in.

I have a feeling that this Capra thing, the senior citizens here should know that Capra is holding up housing. Capra is holding up new development. The only thing that it allows really is redevelopment, and the senior citizens have to know that Capra is probably one of their biggest enemies. Also, there is not enough land in Atlantic City to spread out the way we would like to and Capra has restricted so much of Atlantic City, 65% of which is considered wetlands, that people are going to take over these hotels and they are going to force the senior citizens out. I think they ought to take their case to Capra.

Now, there are two major, well there is one major area because I have already talked of one, of the Act which demonstrates what we believe to be a combination of unworkable mechanisms, coupled to a direct violation of basic principles of Federal law. First and most obvious are regulations prohibiting, prohibitions which appear in Section 93 regarding disclosure requirements. Obstacles to office holding and removal of representation qualifications of all relating to labor unions. The Act undertakes to impose certain controls on what a union must do, on who its officials may be, and on what background such officials may not have. It covers a wide array of intimate information, divulging extensive controls.

To those of us in the trade union movement, the trust of the Act is an invasion of our basic civil liberties and is just plain offensive. We will not belabor it; suffice to say that our legal staff has concluded that these provisions are invalid and violate the constitutional prohibitions upon State action intruding into areas which have been preempted by the U.S. Congress. There is a Management Labor Relations Act of 1947 as amended known as the Taft-Hartley Act. There is a Labor Management Reporting and Disclosure Act of 1959 known as the Landon-Griffith Act. These two pieces of legislation totally preempt the field of requiring certain conditions of unions and their officers in order to allow them to represent the employees in the private sector.

Gambling casinos and the attached hotels are subject to these pieces of legislation, as are the unions which represent or seek to represent these employees. The Control Act intrudes upon the areas of the regulations of the Taft-Hartley and Landon-Griffith Acts and as such the portion of the legislation is invalid. The Supreme Court has early settled this decades ago in the case of the Amalgamated Transit Workers Union vs. Wisconsin Employment Relations Board, principles which were later recognized in our own Public Utilities cases.

We have contemplated the institution of litigation to right this wrong. We hope that the legislative committees are guided by lawyers with sufficient expertise to avoid this problem by promptly amending the Act. We certainly do not want to get into a lawsuit. Our lawyers have forwarded many letters to the Casino Commission. I have copies of some of these letters which I would like to leave with you, and I'll be open for any questions you may want to ask.

ASSEMBLYMAN CODEY: Thank you. Are there any questions? Mr. Rich, I would appreciate it if we could get together during our work sessions. I think, I'm almost positive, you have been up to Trenton on a couple of occasions with us. So if you would make it a point in a couple of months to venture up once again and sit with us, and bring up this point at that time, we'll make sure that some determination is made on the points that you raised.

MR. RICH: Thank you very much. Will you let me know when the work sessions are?

ASSEMBLYMAN CODEY: Just contact Wayne.

MR. RICH: OK. Thank you.

ASSEMBLYMAN CODEY: Our next witness will be Mr. Philip Pollock of the Ritz Apartments.

P H I L I P P O L L O C K: Madam, Gentlemen, it's been a long day. I have waited a long time for an opportunity to speak. I heard quite a bit today.

ASSEMBLYMAN CODEY: Just let me ask you a question. In my information it just says Ritz Apartments. Are you a tenant or a landlord?

MR. POLLOCK: A tenant. I would like to speak actually on behalf of all the people in Atlantic City who are being displaced by gambling. It just so happens that over the last couple of months it seems that the Ritz Apartments and the President Towers have become stereotyped as being the people who are being displaced. There are people being displaced all over Atlantic City, but as I say, the stereotype has taken its place in the situation.

I admired the elderly gentleman who spoke from the President Towers. I wish I could talk as well. The other people, Mr. Sterns, Mr. Davis from Resorts. Frankly, if my mission weren't so important, I would have enjoyed listening to them into the night. However, I think the problem needs to be attacked in two areas, the humane portion and the objective. It seems that today the one thing that all the situations had in common was the question of what errors of commission have been made and what errors of omission have been made, and I believe it is recognized now that there were errors of omission when they permitted the gambling to come into Atlantic City without protection for the people who were voting it in. They were told how good it would be for them. That was not just a broken promise. It wasn't an ordinary political speech for a candidate to get votes. These commitments were made by officials who already are in office,

people who had the power to do just what they said they would do. So it is not a question of a broken promise, I personally think it was a betrayal, because they told them that the senior citizens would benefit and instead they want to put the senior citizens out of the ballgame altogether. That to me is betrayal.

However, there is still time, fortunately, to negate that betrayal if the officials choose to do so. Now, the patient is on the operating table. It's no time for the doctors to decide who is going to do the job to save the patient. The gentlemen from the Assembly said that the mayor should do it. The mayor says the gentlemen in the Assembly should do it. The patient is dying on the operating table. As a comparison, if you have a fire, I've never seen it any different, first they put out the fire and then they check for the cause. You don't start looking for the cause while the fire is going.

I think we have a similar situation here, and I think it should be approached so. Objectively, which of course is the most practical approach, the humane aspect of it gives us reasons why we should go into it objectively. I've heard several times today the purpose of the gambling was to rejuvenate a city. The city was going down the drain and they wanted to rejuvenate the economy, etc., etc., etc. Nowhere was it said that they were going to hurt the very people who were going to bring it here. And I think that can be negated. I think that the Assembly, from what I can understand they are the legislators, by putting an amendment into the gambling law. Today we heard a discussion on many, many changes to amend the law, so it isn't as if we are going to be doing it for any one thing. They talked about doing it for a number of things, and one of those things should be to protect the people who are in these apartments.

I cannot conceive myself, and I've been in business all my life, I cannot conceive that any planner, any organizer, any administrator who, with his sanity still intact, who is faced with a shortage of dwelling units such as Atlantic City is when they say they need 2,000 units today, would take seven or eight hundred units off the rental market. I never heard of such a thing. I challenge any of you gentlemen to tell me what it will do for the overall effort, for the intent, in keeping with the projections, or anything else, to tell me what good it will do in this situation to dislocate these people, take these dwelling units off the rental market, at this time. I would appreciate it very much if you could tell me what it would do, because I haven't been able to find an answer to that question.

On the other hand, at the rate it is going, maybe there will be 2, 3, 4 casinos in three or four years. It takes that long I've heard several times today. What would be so terrible if they kept the commitments and protected these people for that length of time until it is necessary to use these buildings for casinos and/or replacement housing is available. There is no replacement housing, nowhere in Atlantic City, at any price. It doesn't make any sense to me. I can understand about dollars and all of that. I know about profit and making money and all of that, but I'm saying that at this particular time, in the given situation, with the circumstances, with the type of progress that's going on, it is absolutely useless to ruin these lives, to disrupt these lives, and even to endanger these lives with potential heart attacks and strokes due to high blood pressure.

I attended a slide seminar last week that was put on by a group from Rutgers University and they made a number of projections, all kinds of projections, with charts and figures and so on, you're more familiar with it than I am. They talked about many things, transportation, cars, and all such things, but the housing thing is the thing we're interested in. They need something like 79,000 dwelling units in Atlantic County if 12 casinos open. Now, that's a statistic they came to, scientifically I suppose. Seventy-nine thousand units, that's a lot of units, and no matter how they broke it down, owner occupied, rentals, single-family units, multi-family units, the end result came out the same. They need 78,903 units for 12 casinos. The employment would double in Atlantic County. The households would more than double in Atlantic County.

Where are all these people going to live? They talk of putting up casinos like there's nothing to it. They are not only displacing these people, they are taking existing dwelling units and taking them off the rental market, a rental market that is so severe, like I don't know of anywhere else. It doesn't make any sense to me, and I would appreciate it if any of you could tell me why it makes sense. And the buck-passing is a terrible, terrible thing, it's almost as bad I think as the letters that were sent to the President Towers tenants that told them to be out in six weeks, when the law of New Jersey has something like a six-month eviction notice, plus a court order, and those so-in-so's could send out a letter that scared the hell out of those people, that could give them heart attacks, with six weeks notice. That is inhumane, that's not only illegal, that was inhumane. Toward these people you want to protect. Instead of protecting the people who have been here, who voted it in, who maintain nice homes here, it doesn't make any sense to me and I would appreciate any comments from you on this subject. Thank you very much.

ASSEMBLYMAN MATTHEWS: I liked the zinger when you said "buck-passing." I'd like to know what you mean. Why do you think we are buck-passing? I'm trying to find out what kind of legislation you think we should provide. Say there are people living in an apartment, the owner should not be allowed to sell that apartment? I don't know what kind of legislation people think we should do. I know we're talking about specific cases, about the President Towers and the Ritz. I recall a situation this morning when I said how about other places that were torn down, and no one cared about the three or four-people apartments that they made parking lots out of. I didn't hear an outcry then. Is it just when they want to displace for casinos? I understand your problem very well. We're trying to put some legislation in that will be a stop-gap measure so apartments can be built to take care of these things and to try to make a transition to where people will be moved to apartments comparable. But the thing is the buck-passing. I don't think we are buck-passing. If we are buck-passing, I'm certainly not trying to buck-pass. I think the best solution, as I said before, is in the city fathers' hands. They are the ones responsible for the zoning of this particular town and that is what I said to the mayor this morning.

I don't like, myself personally, to be accused of something which the mayor has done. I take exception to it. I have offered him, I offered him again this morning publicly, that we will sit down with him and his Planning Board. I think he should come up with a solution and see what part of the

solution we play. As you say, it does sound like buck-passing. He says one thing, we're saying something else, and we're not getting together. I asked him right here specifically and he agreed, and so I think it is a case where we have to work together but the thing is we can't come in and dictate to a city "this is how you are going to run your city." That's against home rule concept.

MR. POLLOCK: Mr. Matthews, I'm not thoroughly informed, so if I say something inaccurate excuse me. I am given to understand that there is, for example, in the case of a condominium, if an owner of a building wants to go condominium, the State tells him he has to give those tenants three years' notice before he can convert. Is that not true? So the State is telling the owner of the building what he can do and what he can't do. Is that not true? Isn't that the Landlord-Tenant Act?

ASSEMBLYMAN MATTHEWS: I'm not that familiar with it.

ASSEMBLYMAN CODEY: There was a situation up North where I'm from in regard to a landlord who wanted to convert all of his apartments into condominiums. It was a certain length of time, but I'm almost positive it was not three years.

MR. POLLOCK: Three years. I believe it is three years. I don't have a copy with me, but it has been discussed and I'm quite certain that's it.

The question is, what's on the other side of the coin? What harm would it do? In what way would it effect adversely the entire project, the incentive, and the progress and projections, what would it do to hurt? These people who stand to benefit who would take these buildings, they didn't have five cents worth of faith in Atlantic City. For the 18 months after the referendum was passed, they wouldn't invest five cents in Atlantic City. It wasn't until the "phenomenal success" of Resorts International that everybody wants to go into business yesterday. Why should they be given such priority and the people who have been living here for years be displaced?

I mean I honestly see no logic, and I'm talking objectively, I'm not talking sentimentally because they're old and so forth. That adds to the problem. But the basic problem is that you're giving priority to someone who does not deserve it in my opinion, and you're hurting the devil out of people who do deserve it. I heard something about reward today. Somebody said that Resorts deserved a reward because they were the ones that took the chances. These are the people who brought it. Don't they deserve a reward? Not the one you're giving them.

ASSEMBLYMAN CODEY: Mr. Pollock, your problem which has been articulated before is not an easy one to solve. I won't begin to tell you that it is. But the only way we can ever reach any kind of a solution is between your mayor, Mr. Matthews, Mr. Gormley, and Mr. Perskie. You're going to have to sit down with the four of them and come up with some kind of a solution to this problem. That eviction was illegal and you're not going to be moved November 1, December 1, or January 1. If they are still intent on doing it, it is some months down the road. You have time to work with your local officials on the problem. That's where it lies, in sitting down with them, the people from the Ritz and the President, and finding a solution. Thank you very much.

ASSEMBLYWOMAN KALIK: Mr. Pollock, I would just like to reiterate for you and the others with you that this is a legislative committee with an oversight function and that, although I'm new in the legislature, you know as well as I

do that the government works very slowly and even if we could promise you, which we can't, that we would do something, I'm afraid that by the time government would get around to doing it it might be too late. So I would certainly urge you to take Mr. Codey's suggestion to work with your local leaders.

MR. POLLOCK: Thank you very much.

ASSEMBLYMAN McMANIMON: Mr. Pollock, not being familiar with the Ritz Apartments, my major concern here is just how many rooms are involved in the Ritz Apartments, do you have any idea?

MR. POLLOCK: 314 apartments.

ASSEMBLYMAN McMANIMON: 314 apartments, and under the rules and regulations put forth by the Casino Act, doesn't it require 500 for a casino?

MR. POLLOCK: Well, they talk about additional building and so on.

ASSEMBLYMAN McMANIMON: I'm very much concerned about this because I feel we're losing the initial concept which is to go in and restructure or construct new and as of this date we have no new buildings constructed in Atlantic City. There was one area specifically where they were going to construct a whole new block, but a stop-gap measure was put through by the Historical Society who are environmentalists. I think basically there are three or four groups who have to collectively get their heads together.

We have a humane problem here and we are concerned with it. The biggest problem the cities ever had in this State was when they started tearing down they had no place to put the people. And this is a duplication case right here in Atlantic City. I believe that the city fathers have a direct responsibility to establish proper planning, and if they are going to cut the mustard they are going to have to revise their planning and zoning codes.

MR. POLLOCK: Thank you very much.

ASSEMBLYMAN CODEY: Thank you, Mr. Pollock. Is Mr. Weisberg here? Sorry to keep you waiting.

NATHAN WEISBERG: My name is Weisberg and I'm President of the AARP, Chapter 480 Atlantic City. I'm not going to take up a lot of your time, Mr. Chairman and Legislative Committee. This matter has been rehashed and rehashed. I've been here since ten o'clock this morning. I'm tired of sitting here. I want to go home and eat. I heard Mayor Lazarow's conversation here this morning. I heard him last Sunday with Perskie. The whole blame lays at the city fathers' doorsteps. They are at fault for this whole situation. Their master planning and their zoning, they committed the entire boardwalk for casinos down to Albany Avenue, which contains the high-rise apartment houses for senior citizens. The President and the Ritz, which they did not take into consideration, are the residences of all senior citizens. These are former hotels which were reconverted to apartment houses, a reconversion job. This was about eight or nine, or maybe ten years ago.

Therefore, I beg of you Assemblymen, not for humanity's sake, but for these old, retired senior citizens which we are upset about. They have no place to go. Due to the fact that these old residences were reconverted, you are granting hotel licenses for casinos and there should be restrictions like Mr. Lordi has been suggesting, plenty of amendments to the new rules and regulations. My suggestion to you folks is this, a new amendment to the effect that any

high-rise apartment houses that have been converted to residences for senior citizens cannot get, under no circumstances, a license for a casino operation. Don't accommodate these greedy money-mongers. Just because the Ritz has a lot next door to it that could contain a nice apartment house. And the President Towers. Do they have enough rooms. With a few additions they'll have 500 rooms, but why are you going to displace these senior citizens? Where are they going to go?

Therefore, if you would pass a new amendment to your Act prohibiting the issuance of a license to any high-rise apartment that has been converted to residences for senior citizens, that would solve your whole problem. Your senior citizens would remain where they are under no harassment. I know people who have just gone down to Florida and bought condominiums out of the President Towers. You talk about people leaving Atlantic City.

ASSEMBLYMAN CODEY: I just hope the same thing doesn't happen to them down there.

Mr. Weisberg: No, because they have bought since they don't want to live in the Presidential under duress conditions and be hassled around, getting eviction notices that they have to get out. When you get to the age of 75 and up and you've made up your mind to live down in Atlantic City and make it your permanent home, you're down here for retirement, you want the boardwalk, you want the fresh ocean air breeze, you come down here and these people living in these apartments are not people who live in a project or low-income development, these are people of means, medium income people. Just imagine people paying \$300 and up for an apartment who are not capable of obtaining new living quarters. How would you like to get a place like that if you were in that predicament? You wouldn't like it, so my only suggestion is, I'm not going to take up your valuable time, I'm hungry and I want to go home to eat, an amendment to the Act that any conversion job on a high-rise apartment house that has been converted to apartments for senior citizens that have been living there cannot get, under no circumstances, a license for a casino, regardless of whether you have a lot next door to you which would accommodate 1,000 cars. Don't give it to them. Thank you, gentlemen.

ASSEMBLYMAN CODEY: Thank you, Mr. Weisberg. Reverend Dudley Sarfaty of the New Jersey Council of Churches.

R E V. D U D L E Y S A R F A T Y: Mr. Chairman, Members of the State Government Committee, the New Jersey Council of Churches' official position is that since the voters of the State have voted for the casino referendum, we should have the best law and the best administration of justice that is humanly possible and it would seem to be our concern is with impact.

I would urge you not to drain the moat, or the moats which Mr. Martinez referred to, and certainly one moat is the people who have already been displaced. One of the speakers referred not only to the elderly citizens living along the boardwalk who were promised in the Atlantic City Press and by a personal colleague of mine who was present that they would never be displaced, but to the poor people who live inland and who are now moving inland and who I heard last night several citizens of Atlantic City say are living much better inland now that they have been forced away from their homes living on public

assistance in nicer quarters in Pleasantville, Absecon and so forth, which is certainly not what we were hoping was going to come out of this. In fact, there has been a corporation that the Commissioner of Community Affairs and the mayor of the city have been the incorporators for for close to a year and a half, if I'm accurate, a long time at least and I'm not sure that's moved a step closer to housing. I think that the Council of Churches has to be concerned about what is going to happen to these people.

We're not only concerned that there be a wall or a moat as it were around the casinos and around the ancillary industries as has been discussed earlier, but also as we have indicated before your Committee and the correlative Senate Committee, the proper kind of wall between the casino industry and the legislature. It seems to me very embarrassing that Assemblyman Matthews has to apologize for expressing his personal views to the Casino Control Commission and two members of the Casino Control Commission can come here and express their views to you. I think I'll go with what we suggested before, that there be strong conflict of interest legislation and then everybody would be free to speak to everybody else. If you have a chance and you're not too tired out when this is finished, read what they adopted in Pennsylvania yesterday. It's much stronger than we have in New Jersey and it might contribute to this.

At the moment, the citizens of New Jersey think that the legislature has its fingers in the casino industry. There have been accusations like that today, even against the person that made the accusations. It's hurting the public image of the State of New Jersey, as you know as well as I. One of the major concerns of the Council of Churches has been the equal opportunity promises which were also made in the passage of the Act. I'm afraid that they are not being met. At this table at the last meeting of the Casino Control Commission where I was present, the affirmative action person for Resorts International said he hadn't visited the building site that he was presumably responsible for checking on minority employment in and we've been trying to get figures on the minority employment ever since the program began. First the Commission said that they didn't have the figures. Now apparently Resorts has them, but the Commission is too busy and they say someone is going to be getting them. By the time these are gotten, it will be about the day the senior citizens find happy housing and the whole thing is going to be over.

We would urge that you who have the responsibility for the behavior both of the Commission, the law enforcement division, and the industry itself by the legislation that you pass would do something to see that this is not a lip service operation. My reading of the law as a non-lawyer is that until you apply for a license you can start observing the affirmative action provisions of what I think is a very good paragraph in the legislation and I think that you can tighten that down very effectively if you'll take that under consideration when you're doing all the other things that you have been asked today to do.

It may well be that the Gaming Enforcement Division and the Casino Control Commission do not have enough staff. I suspect in a sense they haven't, and if you have to tax the machines instead of raising the license fees it seems to me you ought to do it. We promised the citizens of New Jersey that they would not be taxed for providing adequate supervision and administration of this Act. If it is turning out to be more expensive then I think you have to find an equitable

way to do it. I'm not a technician in that field so I wouldn't presume to tell you how, but I do sense that there is an inadequate amount of staffing in both those divisions and as far as what I know of the affirmative action element in that, they haven't had the staff to do what needs to be done. We've had volunteers to go give us more up-to-date information than anyone in State government or in the administration of Resorts International knew about and if our amateurs can do better than they, something is wrong.

We had originally opposed credit in our old testimony and if you would like to read our old testimony I'm sure your staff will recover it and save a lot of time.

ASSEMBLYMAN CODEY: We have it memorized.

REVEREND SARFATY: Memorized, Mr. Chairman, I'm honored. We hope the building program will have some integrity. Now, my fear is that I respect what Assemblyman Gormley has said about home rule, and they have home rule in Northern New Jersey too, but I think when a community goes bankrupt on the responsibilities of exercising its home rule, then there is a State police power function that the Federal government expects the State to carry out and it would seem to me that this is one of the things.

In terms of the temporary license, I wouldn't give that authority to any one person, my boss, myself, the Chairman of your Committee, or even the Chairman of the Casino Control Commission. I think we've got to leave some checks in the hands of the whole elected Committee and with that I'll be happy to answer any questions that you might have and hope because I spoke quickly to save your time that you will still pay some heed to the kernels of the idea I was trying to suggest.

ASSEMBLYMAN CODEY: Any questions? Reverend, as I know you will be in Trenton with us---

REVEREND SARFATY: I'm not sure, sir. I'm not payed to work on casino business. I have responsibilities to migrant farm workers in this State.

ASSEMBLYMAN CODEY: You were always willing before.

REVEREND SARFATY: Well, I have been trying as hard as I can to be in two places at once, but it is beginning to wear me down.

ASSEMBLYMAN VILLANE: We're having the meeting after the harvest.

REVEREND SARFATY: Thank you, doctor.

ASSEMBLYMAN McMANIMON: Reverend, I guess you're familiar with the fact that Resorts has recently acquired the services of a young man whose primary function would be affirmative action.

REVEREND SARFATY: Well, they can hire Jesus as far as I am concerned but until it produces it doesn't impress me.

ASSEMBLYMAN McMANIMON: Well, I think the individual they hired will be very productive.

ASSEMBLYMAN CODEY: I didn't know He was out of work. The Reverend should know.

REVEREND SARFATY: Well, I think we see Him being put out of work in a lot of places in Jersey, but you've got to come Sunday voluntarily. I'm not going to take off now on that.

ASSEMBLYMAN VILLANE: I know how you opposed gambling but now that it has been passed by the people, are you now seeing some good things coming out of gambling in Atlantic City?

REVEREND SARFATY: And I've also stopped beating my wife. Yes sir, I see some good things coming out of gambling. The citizens have voted for it and we believe in constitutional government in the State Council of Churches. When I see the inability of the Casino Control Commission, the first corporation, the group that grants licenses, our friends under Mr. Martinez, and the size of the task on top of you, I still wonder whether we haven't bitten off more than we can chew, but that's a private worry, and who the dickens is going to take care of Asbury Park and JaiAlai and every county that wants lower real estate taxes, I'm not even going to get into.

ASSEMBLYMAN CODEY: That's going to be our problem.

REVEREND SARFATY: Well, now you know how to vote. But I don't think sir that in my judgment the State has been able to muster enough resources to focus with legitimate deliberate speed on the problems that are involved. The housing situation that is happening now is one that we forecast when we opposed the referendum. In spite of the fact that the referendum was passed, those people need to be cared for and we have to have a concern for them. The law enforcement process that is confusing identical twins and doing all of the things, or even half the things that were alleged here today, implies to me either incompetence or understaffing and, since the industry is supposed to pay for adequate staffing and for competence, I think we've got to get on the stick.

I have seen the Commissioners present in the Casino Control Commission at all the meetings I have attended and they all had to be there and work as late or later than you're working tonight and go over into the next day time after time for one casino. I don't know what is going to happen to the burden on the Casino Control Commission when we have three or four pending and even more coming up. So I really think that in some sense we've been trying to get, my wife was in summer school and she rented a car that had a four cylinder engine and with me in it it wouldn't go up hills, and I think we have that problem. We haven't got enough horsepower in our administration and enforcement. I say this because you are neither the administrators nor the enforcers. I understand you to be the writers of the legislation that will enable the administration and the enforcement. It is not to chide your Committee.

ASSEMBLYMAN McMANIMON: You know, Reverend, I'm sitting here and I'm listening really good to what you just said because this is not a unique problem here of people being displaced. You saw what happened in some of the urban cities throughout this State. They went in and they stripped. They had no place for the people to go. You'd think we would capitalize on those mistakes. That's where we come right back to the home rule concept. They better become very effective with their planning and zoning down here, because they are the only ones who can do it.

REVEREND SARFATY: Well sir, I'm not sure that I wouldn't respectfully disagree with you when there is a breakdown in local government that the responsibility doesn't fall back to the State and the fact that the State has formed a housing corporation together with the local municipality does imply that the State does have some sense of obligation. I think that obligation is remaining on paper, and is not being put into bricks and mortar.

ASSEMBLYMAN McMANIMON: I didn't say that we also don't have an obligation but I'm also saying on the part of local government that they have to set the

zoning and planning of this community.

REVEREND SARFATY: Well, I would presume, Mr. McManimon, and this is total presumption on my part that the local government would be hard pressed to create any obstacles for casino development locally and that politically it would be very difficult for them to function in that respect and maybe they need the help of a stronger, older brother.

ASSEMBLYMAN CODEY: Thank you very much, Reverend. I'm going to ask one of our good friends from the American Civil Liberties Union, and then I have Mr. Edwards. Arlene Gilbert Groch of the ACLU.

A R L E N E G I L B E R T G R O C H: Thank you Chairman Codey. Members of the Commission, Gentlemen, Miss Kalik. My name is Arlene Gilbert Groch. I'm general counsel for the American Civil Liberties Union for Atlantic and Cape May Counties.

I am going to speak very briefly, I'm sure you will be glad to hear. I'd like to comment first that what we have been hearing all day are suggestions and criticisms with regard to the technical nuts and bolts problems of licensing of large numbers of people, of investigating large numbers of people, of whether there should be more or fewer \$2.00 tables, whether more dollars or fewer dollars will be invested in the city or come through in taxes if various measures are adopted in amending the legislation. We have only in the last short while been hearing of concerns of affirmative action, only very recently been hearing of concerns of constitutional waivers being required to be employed in the industry in Atlantic County. That is the issue that I would like to address and that is the issue that the American Civil Liberties Union has been addressing for the past year and a half.

Basically the question is, in order to be employed in the gambling industry one must, according to the present Act, waive one's right to be free from forced disclosural privacy. One must waive one's right to be free to retain one's right to be free from unreasonable search and seizure. One must waive one's right to be free from the obligation by the State that one testify against one's self. There have been a number of comments about how we should shift things around and redefine who is a casino employee and who is a casino hotel employee, as if that is really going to reach the issue. It is not. Whether there is a Form 4 with a four-page requirement of disclosure or whether you are required to fill out a 40-page Form 2, which simply asks such obviously necessary questions as whether or not you've ever had illegitimate children and the names and addresses and date of birth of any children you've adopted or given birth to and given up for adoption, whether or not you've ever used illegal drugs, including marijuana, who with, when. Important questions I am sure to the security of our State.

Excuse my sarcasm. Perhaps it is inappropriate and I do apologize for that, but these are questions we have been addressing for a long time and they have been ignored for a long time. So I bring them to you today in hopes that when the Act is rewritten they will be addressed. The point is that Section 89 of the Act which sets forth the requirements for licensure does apply to the person who cleans toilets in the Resorts Hotel, as well as to Mr. Davis, and that is one of the major problems with the way the Act is written today. What has happened is that Section 89 requires that an applicant establish by clear

and convincing evidence his financial stability, integrity and responsibility including bank references, business and personal income and disbursement schedules, tax returns, etc. and provide without limitation data pertaining to family, habits, character, criminal and arrest records, business activities, financial affairs, private associates, etc., etc. for ten years. By virtue of Sections 90, 91, and 92, those same criteria apply to hotel employees, so that if in the revision of the Act you do not make sure that the Act clearly distinguishes as to what the State has a right to have access to and to demand between those people who are in a position to make decisions in the casino industry and those people who are simply employed, you will never be able to reach and solve the problem of those people such as the 64 year old man who very recently was forced to waive his rights in order to continue working. This individual was a Polish refugee. He worked for Resorts, formerly for Haddon Hall for 20 years. At the age of 64 he was told that unless he signed a Form 2, even though he was an elevator mechanic, didn't work in the casino, just in case some day he had to go into the casino, Resorts reasonably wanted him to be able to work in the casino and by law was required therefore to have him fill out a Form 2 application. This man was told that if he didn't waive his rights to search and seizure, 5th amendment, privacy, etc., etc., he was going to be fired. He said "I don't want to waive my constitutional rights," and they said "well we lay you off." He thought about it for a couple of weeks and realized he had one more year to go before Social Security and at the age of 64 his opportunity for employment was rather limited and he signed.

We have another individual who is a single parent with four children who was in the first class of dealers who refused to waive her constitutional rights and held out for about four months. About three months ago her economic situation was such she could no longer hold out and so she signed. She waived all her rights and she disclosed all of her private information, even though this individual had been completely cleared by the Naturalization and Immigration Service many years ago and is now a naturalized citizen. It has now been three months since she waived all of her rights and she still is not employed. And this is someone who was in the first class of dealers at Resorts.

This is the effect of those constitutional voluntary waiver requirements. A waiver of a constitutional right is not valid unless it is voluntary and I submit to you that these two examples, which are examples from many, and I'm sure Mr. Brown has many more and so has the ACLU, show you that when you are in a situation of having to make a choice between your economic viability, your employability in the community in which you live, and the waiver of your constitutional rights, your waiver if given is involuntary and people today and every day since the casino has opened and since the law has been passed have been forced to waive their constitutional rights. I suggest that the only constitutional waiver that could be written into the new act would be a waiver which states that in the event that a waiver is asked, the request specifically state "This waiver of your constitutional rights is being asked of you. You may decide to give it or not to give it. If you decide not to waive your constitutional rights, your license will not be withheld on that basis." The situation is not that way the way the Act is written today.

I ask you, how many of you would like to fill out the 40-page Form 2? How many of you would be willing to waive your constitutional rights in order to work in the casino industry? Fortunately, as Assemblypersons you are not asked to waive the rights that you would be asked to waive if you wanted to operate an elevator at Resorts.

ASSEMBLYMAN CODEY: I want to tell you that when we ran for public office, we waived everything.

MS. GROCH: Not as much. If there are any questions, I would be glad to take them. Thank you.

ASSEMBLYMAN CODEY: Thank you. Mr. Edwards of the New Jersey Citizens Casino Surveillance Coalition.

W I L B U R E D W A R D S: Good evening. I want to thank you for making it possible for me to be here this evening. My name is Wilbur Edwards. I live in Ridgewood, New Jersey and, as you have been told, I am associated with the New Jersey Citizens Casino Surveillance Coalition. I am the Chairman of the Fact Finding Committee.

You have heard today that we have the toughest casino control law anywhere possibly in the world. This is a figment of some press agent's imagination. It is not at all a tough casino control law, but even if it were it would have very little effect upon the people we are dealing with if the people in charge took no positive action. I think the least we could charge the current Casino Control Commission with is nonfeasance. We have seen and read about a number of violations of the law. They have been referred to by some as technical violations. Regardless of what they were, they were violations. The penalty to date has been a \$39,000.00 fine. Now, this was protested with great theatricality. That \$39,000.00 fine to Resorts would be like a nickel tip is to me, so it has very little meaning in any way.

As far as the law itself is concerned, there are several things that I would like to deal with. First of all, it is known to me and I am sure to many others that at the present time a Federal Grand Jury has been convened in Camden and has been in operation for many months. They are investigating the Committee to Rebuild Atlantic City, as I have been told. I think that it would be to our advantage not to issue any further licenses for casino operations of any kind until this has been resolved. Perhaps they are trying to find out, as I have been for many months, what for example Kenneth Clark did on that election day in 1976 that earned him \$25,000.00. Or what Hector Rodriguez did, or Danny Arnese. All of these people who earned---

ASSEMBLYMAN CODEY: That's Essex County now.

MR. EDWARDS: Oh no, they're part of the Committee to Rebuild Atlantic City and they received money from that Committee. That is what I am pointing out to you, sir. They were paid. Throughout the State people received money from this Committee and it has never been told to us exactly what they did to earn that money. Some day I hope we will find out.

ASSEMBLYMAN CODEY: That's very simple. Mr. Clark is the Treasurer of the Essex County Democratic Party. Whatever that Committee was, the \$25,000.00 went to the Essex County Democratic Party.

MR. EDWARDS: What would that be considered, a political contribution?

ASSEMBLYMAN CODEY: It is considered in political verbage as "street money."

MR. EDWARDS: I see.

ASSEMBLYMAN CODEY: Very simply, to put workers on on behalf of the casinos. The man was not paid \$25,000.00.

MR. EDWARDS: It doesn't say that. If you would look into it, I would appreciate it very much.

In addition to that, the law states quite explicitly a limited number of casino rooms. I think you have a very direct obligation, and I would hope you would recommend it to the rest of the Assembly and the rest of the legislature, that the number of casinos allowed to operate in Atlantic City be specified and limited, the same way that many communities limit the number of ginmills that are allowed to operate vs. population. I would suggest personally that something like one casino for every million and a half people.

ASSEMBLYMAN CODEY: As the Act reads, we do not limit the number, but the Act reads that a license can be denied based on economic circumstances, which would mean that if it reached a point where the Commission felt there were too many casinos and it would not be economically profitable for another one, or good for the city, on that basis they could turn down that casino.

MR. EDWARDS: I think that is a heavy burden to put on the Committee, but I think it is a lot easier to know in advance, when you know pretty much what the population of the State is, and I would suggest that be done. It is also stated in the law that the casino operation be secondary to the hotel facilities. That certainly is not the case with the only casino in operation now. The only thing we hear about at any time is the casino. The hotel facilities are rarely used to capacity and in fact many times have been used at much less than capacity.

In addition to that, on Page 8, Section 7, it states quite explicitly that applicants for casino licenses must be free from criminal associations and must have business probity. For this reason I would suggest that before any license, temporary or otherwise, is issued that the principals involved be required to testify under oath as to their criminal associations or former criminal associations and to their business probity. I have it as a matter of written record, and it is certainly not unknown, it's been in a number of respectable newspapers and magazines written by highly regarded authors, and they have come up with a history as far as Resorts International is concerned. For example, that their associations in the past number among them one of the most sordid collections of crooks, convicted swindlers, dope traders, thugs, etc., etc., yet they have never been required to account for this. I think it is about time something is done to find out why no such questions were asked. When the temporary license was granted, the only thing that was required was that an adequate physical plant be available, and even that was not available at the time because during the inspection I assume the kitchens were inspected and after that it was found that the kitchens were most inadequate.

We have another very important matter. As far as any official of any corporation applying here, I think it is most important that before a license be granted that any official who has at any time taken the fifth amendment as part of an interrogation by any Federal, State, local, or county organization be barred permanently from doing business in Atlantic City. I think this is one way that we can certainly make sure that people who are not of the utmost business probity are denied licensing here.

Another thing that I think should be made available is a corporate application. There is no reason in the world why anything on a corporate application should remain secret. I think that it should be open for public inspection and I would certainly urge that this be done.

I think that will cover most of it, I just might have one or two more points for you. Here on Page 40, Section 84, Line 15, "Each applicant shall produce such information, documentation, and assurances as may be necessary to establish by clear and convincing evidence the integrity and reputation of all financial backers, investors, mortgagees, bond holders, and holders of indentures, notes, or other evidences of indebtedness," and so on down the line. We have read, and I'm sure you have, that some of the applicants intend to, and have tried already, to get money from Persia, Iran, some from West German bankers, and where else, wherever they can get the money, and I would like to ask you how in the world we can possibly investigate people in those far corners of the world. For example, in addition to that how can we investigate the business activities of corporations such as Penthouse and Playboy and their activities in London and Yugoslavia? How are we going to be able to do that and then give them a clean bill of health? I think it should be reiterated that the people who are supplying funds for casino operations must be available for questioning, we must be allowed to know where that money is coming from. I don't think it is in the best interest of this State or the United States government to allow such money to go back overseas. If their investment here is successful that can happen.

I find it very difficult also to accept Mr. Sterns' comments concerning licensing fees. We have sent a letter to the Casino Control Commission suggesting a sliding scale of licensing fees. We have never had a response to that letter. It is utterly ridiculous to think that a \$200,000.00 annual license fee, and it doesn't even have to be that, it can go down to \$100,000.00, is adequate. This would amount, if they do a \$200,000,000.00 gross, to something like 1/10 of 1% of the gross. This is ridiculous. A \$200.00 fee on slot machines. If they have 1,000 slot machines, the State gets \$200,000.00. According to their own figures, if they do \$200,000,000.00 gross, their return on the slot machines alone would be something like \$86,000,000.00.

In addition to that, they have neglected to mention the fact that the operation of this casino is incidental to their corporate plans. They talk about the money they reinvested in Atlantic City. I would say that investigation would show that probably most of that money was their own stock that they use for buying other properties. But let us examine what they really got out of Atlantic City. Let's examine the true value of what that temporary license has done to them. During the calendar year 1975 the gross value of that stock on average throughout the year in toto was about \$10,000,000.00. Today that same paper is worth better than three-quarters of a billion dollars and these people have the gall to come in here and complain about fees. They signed in January of this year a license agreement down in the Bahamas to pay an annual fee of \$2,000,000.00 for a license. Now, I would suggest to you that the casino in the Bahamas is not the second best casino in the world, or maybe not even the 100th best, and yet they were not at all reluctant to pay a \$2,000,000.00 license fee there. So we have definitely got to readjust the rate structure that we are charging these people in other casinos. I would strongly urge that you and other members of the legislature support the legislation that will be introduced by Senator Hagedorn

and Assemblyman Cary Edwards raising the percentage from 8% to 14½%. The reason for this is that the law mandates that money developed from casino operations be used for the benefit of senior citizens and disabled persons. To date, no legislation has been drafted that even identifies these people. I might qualify on at least one count. Some of my friends tell me maybe on both, if I don't watch what I'm doing. Still in all I think this has to be done and it hasn't been done yet. This pittance that we will get out of this casino to date will do very little for senior citizens and disabled people. Something more must be done if the law is to mean anything. I would suggest that you carefully consider new legislation changing rates, particularly license fees, etc. Certainly I would highly recommend that no license be issued to any one at any time, to any corporation or any of its officials, until those officials have testified under oath as to their business associations, because it says right here in the law "criminal associations to be prohibited, directly or indirectly." And I think the evidence is there, certainly the information that I have is no secret, and is available to the Gaming Enforcement Division. They have investigators. I know the investigators that they've had out in the field; I know the people that they have spoken to. I cannot believe that nothing has been done yet about what they have heard. For example, they went to interview Huntington Hartford, the original owner of Paradise Island. Mr. Hartford told me, and I'm sure he told the investigators the same thing, that in his opinion these people swindled him out of \$30,000,000.00 and he is going to try to recover some of it. Good luck to him.

This is the type of thing that I think has to be investigated before we start giving licenses out indiscriminately, because we do have some beauties waiting in the wings and we are developing information on those also. Many thanks.

ASSEMBLYMAN McMANIMON: Mr. Edwards, you can be sure that some of them will be waiting a hell of a long time.

MR. EDWARDS: Well, I'm glad to hear that. Incidentally, I'm not a book peddler, but I would suggest to you that there is a great deal of information available in print about a lot of these people who are applying for licenses. I would suggest that sometime you investigate this book and check into it. This is something that has never been challenged in print. There are a lot of others like this. I think you will find it most revealing and helpful to you in making your decisions.

ASSEMBLYMAN CODEY: Thank you very much sir. Our next speaker will be the Fire Chief of Atlantic City.

A N T H O N Y P. I N G E N I T O: Mr. Chairman, the Chief is tied up, he asked me to come in his place. I'm Deputy Chief Anthony Ingenito. I am in charge of Fire Prevention for the City of Atlantic City. I have a prepared statement, gentlemen, but basically what we're looking at is the problem in the existing hotels.

With the advent of casino gambling in Atlantic City, its local Fire Department faces new and difficult fire problems. Among these several problems is the fire protection of our casino hotels and the life safety of the large numbers of tourists who will be guests at these hotels.

We expect our fire problems to be compounded by a drastic increase in automobile traffic, increases in tourist trade, both seasonal increases, and the casino tourist. Beachfront property should become highly developed and this

property lies at the most remote section of a dead-end street. It is foreseeable to the Fire Department to have casino hotels at the boardwalk end of a beach block completely isolated from emergency equipment by traffic situations.

One solution to the problem would be to have the approved hotel build in fire protection systems needed to start the suppression of any unfriendly fire. Modern technology has made such detection and suppression systems available to the developer who has a concern for the fire problem that is manifested with today's modern materials.

When dealing with new construction, these problems are not as deep-seated as they become when we look at the existing hotels which have hopes of becoming casino hotels. These buildings do not have the built-in suppression systems in them now, and fire suppression systems are not required by the Casino Control Act, so therefore no great interest is expressed in thinking about fire safety for the casino hotel. To emphasize the depth of the existing hotel problem consider this - the city planner revealed his skeleton plan on November 2, 1977 in which he proposed 18 possible hotel sites, 11 of which were existing buildings.

The Fire Department feels that the developer of a casino hotel complex should design a building that offers its guests the safeguarding of their lives by building in fire suppression and detection systems.

The city cannot impose individual restrictions on construction to meet its local problems. Therefore, the Fire Department appeals to the members of the legislature to assist us in our task. Help the Atlantic City Fire Department safeguard the casino tourist by requiring built-in fire suppression systems in "Approved Casino Hotels." The eye of the nation is upon Atlantic City. When it becomes the Fire Department's turn to do it right, we want it done right.

Basically what we're asking is that the definition, and I'm not a lawyer, you gentlemen will have to figure out how to do it---

ASSEMBLYMAN CODEY: Don't think a lawyer is anything better than anybody else.

MR. INGENITO: The Casino Control Act holds a definition for an "Approved Hotel" and it lays out certain perimeters which govern the size of the hotel room and everything else. Within this definition we would hope that some addressing of the problem of fire suppression system or sprinkler system installation in the hotels would be incorporated. Atlantic City is just so big. Our hotels are going to reach into the sky, we know that. We would like the fire suppression problem attacked as soon as the fire starts. The Nation has said that the answer to fire problems is to build in suppression systems. We recognize that. It's just that when you are developing a hotel and especially if you are retrofitting an existing building, the cost is prohibitive.

We address all of the problems. We make these buildings accessible to the handicapped. We know right up front that has to be done. We know how many feet of public space we need in order to get us through the act, but as far as the fire problem goes we just say "well, the building exists, you're handling it now. Take care of it."

ASSEMBLYMAN VILLANE: Is this a paid Fire Department in Atlantic City or is it volunteer?

MR. INGENITO: It's a paid Fire Department, sir.

ASSEMBLYMAN VILLANE: Do you have these recommendations for all hotels or just gambling hotels?

MR. INGENITO: The construction of new buildings within the City of Atlantic City is governed by the Uniform Construction Code, State of New Jersey.

ASSEMBLYMAN VILLANE: I'm aware of that. Your recommendations are that we write something into the legislation as it effects casinos.

MR. INGENITO: Casino hotels.

ASSEMBLYMAN VILLANE: Why don't you do it locally and effect all hotels? What's the difference if somebody comes here to gamble or somebody comes here on vacation?

MR. INGENITO: We can't do that sir.

ASSEMBLYMAN VILLANE: Why not? Certainly the legislature can.

MR. INGENITO: The Uniform Construction Code restricts us from doing that.

ASSEMBLYMAN VILLANE: Locally?

MR. INGENITO: Locally, yes sir.

ASSEMBLYMAN VILLANE: You could modify your code enforcement to include certain fire prevention devices in high-rise buildings, and you're asking the legislature to discriminately pick on one industry and say that that industry must have fire suppression devices on all floors. Why don't you say that all of the hotels should have them?

MR. INGENITO: Because the perimeters of the Uniform Construction Code prevent me from doing that.

ASSEMBLYMAN McMANIMON: Is it a State law?

MR. INGENITO: It is a State law sir.

ASSEMBLYMAN VILLANE: Then how can you pick on one industry and ask them to do something nobody else is required to do?

MR. INGENITO: Well, no other city in the State has a casino hotel sir.

ASSEMBLYMAN VILLANE: That doesn't answer the question. Why don't we pick on all health spas and require them to do it?

MR. INGENITO: I imagine there are State restrictions on health spas. If I thought there was a local way of doing it sir, I would try. We have gone to the Casino Control Commission. There is no local way to do it. If you want, I'll approach it the way the code adapts an existing hotel.

ASSEMBLYMAN VILLANE: Your recommendation is to modify the entire code, not the code as it effects one industry?

MR. INGENITO: No, I'm just asking for the casino hotel industry.

ASSEMBLYMAN VILLANE: That's discriminatory.

MR. INGENITO: Well, in the Construction Code it doesn't say a room has to be so many square feet, a hotel room, but it does say it here. Is that discriminatory?

ASSEMBLYWOMAN KALIK: Sir, if I may, if you could point out to us, not right this minute, but if you could write to us the exact language that you say prohibits the municipality from adopting a local ordinance to cover sprinkling systems and fire suppression and detection mechanisms, I would appreciate it and maybe it could be done other than through the Casino Regulation Act.

MR. INGENITO: I am of the impression that the Uniform Construction Code governs all construction within the State of New Jersey. No local municipality may develop a stricter code in this.

ASSEMBLYWOMAN KALIK: That is not my understanding. If you'll get that to us maybe we can do something with it.

MR. INGENITO: Whom would I send that to?

ASSEMBLYWOMAN KALIK: To the Commission.

ASSEMBLYMAN CODEY: Wayne will take care of it. In fact, if you will give him a copy of your remarks I would appreciate it. Thank you very much. Mr. Jack Barense, American Civil Liberties Union. Sorry to keep you waiting.

JACK BARENSE: I would like to get on the record that I'm not very pleased with the eagerness of the Committee to avail itself of the really vast amount of information which the ACLU has accumulated on this regulatory process since I last testified before this Committee, I think in April of last year.

ASSEMBLYMAN CODEY: Before you continue, you have to realize that since we wrote the Act and it was passed and signed into law basically your ideas and your thoughts should have been directed to the Commission.

MR. BARENSE: We have been very active. I'm also disappointed that the arrangements I made with Mr. Brockelman for the organization of our presentation haven't been perfectly communicated to you or you ignored them.

As I said, we have processed hundreds of complaints pertaining to the Casino Control Act since it was enacted. We have litigated on the part of some individuals; we've counseled many individuals; we've taken ombudsman action for some; we've intervened with Resorts and done some informal grievance work with them. I think we have performed an enormous function in our community and in the meantime we have learned a good deal about the whole process. We've also built up a reputation I think in this community for integrity. We have no profit interest in the matter and we have no political interest in the matter. As a result, although this isn't our function, we have been given information about the integrity and competence of the regulatory process which apparently even law enforcement agencies are not being given.

It was us who gave the testimony before the Casino Control Commission which did eventually reveal that there were some 1,400 unlicensed persons in Resorts some six weeks after they opened for business. It was us who raised the question as to why the Division of Gaming Enforcement is spending all of their time chasing after determining who has illegitimate children, what drugs they took, when and where, and they don't take the most elementary measures needed to make sure that only licensed people work in the casino. We have recently opened what I believe will be a second big Pandora's Box pertaining to the regulatory process, namely information pertaining to political payoff by the Resorts industry to high legislative and executive officials. This information was turned over to Federal and State law enforcement agencies by our State office last week.

ASSEMBLYMAN CODEY: I wish you would name them sir, so everybody knows it's not us.

MR. BARENSE: We have been put in the, for us, not very comfortable position of being whistle blowers and this has brought to my attention a recommendation for an amendment to the Act. I don't know how you could directly apply the projection to ourselves, but you could apply it to many of the people who come to us with information and who are extremely afraid to give us this information. They give it to us because we are the only ones they trust and they don't even quite trust us. But we need whistle blowing provisions in the Act. We need protection

for employees of casino operators. We need protections for State employees who see that there is wrongdoing in the regulatory process. We need to give them job protection. We need to make sure that they are not discriminated against the next time around for a raise or for a promotion.

The people who are involved in the casinos are a vast reservoir of law enforcement information. They are not going to give this information out unless they have some kind of protection. It will not be an easy matter to write a suitable type of whistle blowing protection provision, but it can be written. You'll find such provisions in other laws. I think the New Jersey Landlord-Tenant Law has one and I think the Equal Employment Opportunity Federal Act has such provisions which might be modeled.

We are also concerned about the matter that was raised in the last issue of "Rouge et Noir" by Walter Diminsky its editor. He recommends in the last issue that no casino operator who owns or controls an investigative agency which has its own small army of police, a private army of police, should ever be licensed by the Commission. I think that if you combine a situation where you have a casino operator netting in casino revenues something like a quarter of a billion dollars per year and they also have at their command an investigative agency of former police officers skilled in surveillance, officers who probably cannot be expected certainly to have any more control than people in the FBI and the CIA have had, and since Watergate we know what those controls amount to, such power should never, I believe, in New Jersey be placed in the hands of an individual company. In particular, we recommend that the Act be amended so as to, and quickly I might add, prevent the licensure of Resorts unless they divest themselves of Intertel.

I can say a little bit more about that. Intertel is a private investigative agency. It contracts with other companies. They have files of information on government officials, on other companies. This information can be used to give Resorts competitive advantages. It can be used for political blackmail. These agents can be used for other purposes, not that I know they ever have been or that there are any plans to do so, but it certainly is a reasonable fear knowing that the FBI and the CIA have been up to. They could be used for other purposes as well.

I also recommend that no casino operator should be allowed to hire, to have on their payroll, police officers who have police powers. Resorts International at the present time does hire Atlantic City municipal officers on a part-time moonlighting basis. These officers have been used to enforce Resorts' dress code in a sexist way. They'll say to a husband and wife, he with a tee shirt, she with a tee shirt, that she can go in but he can't go in. This is not the proper use of police powers. We had a case that was tried just Monday in Atlantic City Municipal Court involving a police sergeant of Atlantic City who is on Resorts' payroll who arrested a free-lance photographer who is down here from New York City to take character studies of people exiting from Resorts onto the boardwalk. He took about 100 such shots and then was arrested by this sergeant, on the payroll as I say of Resorts, for loitering. Can you imagine. The photographer spent a day in jail. He finally did make bail. He appeared for trial. We were defending him, but the officer did not show up. This is typical of Resorts' police arrests. They don't show up, all they want to do is get the people out of there and then they don't show up for the trials. It's

simply harassment. We did not want the case simply dismissed. We wanted to know what that officer had been told. We subpoenaed the officer. The trial was reset for last Monday and he again didn't show up, ignoring the subpoena. We considered this sufficient evidence of harassment and we did not accept the dismissal of the case. It will go forward now I believe as a civil action.

ASSEMBLYMAN CODEY: Sir, I would think, and I don't know the case only what you told me, but maybe they were trying to protect their customers' own privacy when someone is taking someone's picture coming out of the casino, because I know, and rightfully so, that they do not allow pictures to be taken of people playing in the casino.

MR. BARENSE: That's private property. We're now talking about somebody on the boardwalk.

ASSEMBLYMAN CODEY: I know. I'm just saying the same kind of thinking may apply in that case.

MR. BARENSE: Well, whatever their motivation, it was not vagrancy. It was misuse of the statute. There is no statute forbidding the taking of photographs in public places. There simply is no such statute and it was a misuse of police power to use that statute to stop that activity.

I would also like to say something about temporary licenses. A lot of people have talked for temporary licenses. We are certainly for them in all job categories. I would like to bring something else to mind which has not already been brought to mind besides the unworkability of the present regulations and statute provisions pertaining to licensure. There is an equity argument that hasn't been made. I didn't hear it being made here today. All the top people at Resorts are unlicensed. The amendment you passed for temporary permission for Resorts to operate had no provision requiring the licensure of Resorts' officials. In fact, they were exempted from licensure during the period of the temporary permit. So we have a situation where everybody over there who is making key discretionary decisions is working, is unlicensed, has a nice salary, is sending their kids to school and feeding their families very well indeed, while people who want jobs sweeping the floors in the casino cannot get licenses. Here is a clear, simple equity argument that nobody has brought up today and I think you ought to be aware of it.

The casino service industry license situation is just one of the most ridiculous written sections of the Act. Less so I believe because of my testimony before your Committee or the Senate Judiciary Committee. As it had been originally written, even Bell Telephone Company would have had to have been licensed. I believe that was quite unworkable. The situation though has not been sufficiently rectified. The casino service industry includes a large number of small suppliers. They do a hundred, two hundred, three hundred dollars worth of business with Resorts. One outfit sells some clams in the summertime and makes a few hundred dollars doing so. It's not worth that company's trouble to submit to the licensure procedures or to pay the fee for it. I submit also that it will not be worth IBM's trouble to do that and Resorts will not have anybody to service their computers, or their typewriters for that matter. They will not be able to buy Coca-Cola products or Canada Dry products which are sold directly by Coca-Cola and Canada Dry. Coca-Cola and Canada Dry are not going to waive their fourth amendment rights in order to sell a few thousand or tens of thousands

of dollars worth of soda to the casino. That's a drop in the bucket for them.

It is an unworkable provision, and I suggest you consider entirely reworking that provision along the lines similar to what is in fact the practice of the Commission. The Commission ignores your statute on that and does not require licensure. There are no casino service industries licensed I believe right now except some gaming schools, and that is really questionable whether gaming schools are even casino service industries. They don't do regular and continuous business with Resorts. The Casino Commission only requires a survey of the contracts which Resorts has with their suppliers. They also ask the suppliers to submit applications for casino service industries. The last I heard the return rate on that has been very low and mostly low with respect to big suppliers who say it isn't going to be worth our while.

If the Casino Commission enforced the letter of the law right now, Resorts would close tomorrow. It just simply would not be able to get the services. You have to recognize that fact. The businesses in this community and in this State are not going to put up with what they have to put up with, most of them, in order to be licensed as casino service industries and I suggest you make instead a simple requirement that all contracts and transactions be subject to the survey, a regular and mandatory survey, of the Division of Gaming Enforcement and that the Division of Gaming Enforcement upon the showing of good cause to the Commission can require disclosures when needed, when they believe there is some hanky-panky going on, disclosures as needed from the casino service industries. The penalty for not getting the disclosure would not be anything against the service industry, but would be an order to Resorts or to the casino operator to stop doing business with that casino service industry.

The casino service industry section again with respect to gaming schools is utterly confused. Under no sense of the definition of casino service industries are gaming schools, which do not have a regular business relationship with the casino operator or the casino service industries, and yet the Commission is demanding their licensure as casino service industries. There is some wording in that section which suggests that somehow you did have in mind gaming schools as needing licensure. I suggest that you rewrite that provision as a separate provision pertaining to gaming schools and let people know exactly what the legislature intends and I would respectfully suggest that you don't demand licensure of gaming schools, that you instead substitute a requirement of accreditation. The problem with licensure, one of the big problems with licensure, it only reaches the State institutions. You can't license schools in Nevada, Southern California, or in New York, or if somebody wants to set up a business across the border in Philadelphia, you cannot reach that far. With licensure you cannot reach that far but you can reach that far with accreditation, in that the Commission would not recognize for credit courses taken at gaming schools which did not meet their requirements, as far as the competence of the instructors, the curriculum requirements, and so forth. That seems like a workable procedure. It is a procedure which as I say would extend throughout the country. It would not discriminate against gaming schools who want to set up in New Jersey.

Again, a simple recommendation for the casino employee and casino hotel employee distinction, it's not simply a matter of making special provisions now for cleaning personnel in the casino or for cocktail waitresses and bartenders

who work in the casinos, because it goes much further than that. There certainly are secretaries who regularly go from the administrative offices to the casino from time to time. Under the provisions of the definition of casino employee, if their work requires access to the casino they have to be licensed as casino employees. The same for bellboys; the same for any maintenance people; the same for seasonal painters. The place is going to be painted once in a while I suppose. Perhaps by Resorts' own painters. They are going to have to be licensed as casino employees in order to have access to the place to paint or even to change lightbulbs.

I suggest that the category of casino employee be redefined as including certain specified job categories. That would be the easiest way. You'll have dealers, floormen, counters, cashiers, slot machine mechanics, and things like that. This would be the easiest way to go about it and I'm sure the Casino Control Commission could supply you easily with the right categories, which they do already use.

Two more things here to clean up before I would like to turn it over to my colleagues who have spent a good amount of time preparing quite different topics to address you on. The requirement in Section 89(b) requiring all applicants for licensure to supply letters of reference from the law enforcement agencies having jurisdictions in their homes or businesses has never been enforced by the Casino Control Commission. No doubt they have not enforced it because of course it is totally unworkable. The number of law enforcement agencies which have jurisdiction over this particular spot is probably ten. You can start with the Atlantic City Police, you go to the Sheriff's Department, then you go to the State Police; the SCI surely has jurisdiction, possibly the Division of Gaming Enforcement has jurisdiction. Then you can start going on to Federal law enforcement agencies. You will find it is an unworkable provision and I suspect that is why they have ignored it. Take it out of the law. Don't make it look like it's some protection that the citizens have which they don't have. It can't be applied.

I would say the same thing for the requirement of financial stability. Again the Commission, and I applaud them for it, have not applied this with respect to casino hotel employees. They have not made credit checks of these people, or at least they don't disqualify them for credit checks. Some 1,000 or 1,200 persons who worked at Haddon Hall before it became Resorts, many of them worked at minimum wages on a seasonal basis. They didn't have financial stability. They would have been dumped out on the street if that provision had been literally applied to them and the Commission just ignored it. Please take it out of the Act.

What's important here is honesty, and I don't think honesty is shown by one's credit rating. Credit ratings can be perfectly legitimate tools for investigations, it can tip one off to a lot of other things, but having a good credit rating certainly should not be a necessary condition to getting any kind of job. There are some good managers, some good candidates for key employee positions, who certainly through hard luck, through illness, through whatever, have had financial difficulties in their time and they cannot prove financial stability, perhaps even for the recent past. It just doesn't make sense. Thank you.

ASSEMBLYMAN CODEY: Mr. James Dulfer of the American Civil Liberties Union.

J A M E S D U L F E R: I am hardly going to speak at this point. What I do have is some sort of prepared statement which I will hand out to you. You might find it interesting in your review of the constitutionality of the Act here. One for each of you, and two more for the missing Assemblypeople. I'll review them in a minute.

The Durational Residency Requirement, that goes to Section 89b, 90c and 91c. Basically, it requires everyone who wants to be a licensee for a casino operation to be a resident of the State of New Jersey. It is our belief that that would just not work. It's a totally unconstitutional restriction. The only kind of residency restrictions that have been upheld by the court are those relating to municipal employees and so forth. I'm sure you are aware of them. There has been a case recently decided only in the last three months by the United States Supreme Court. I refer to it here and it is right on point here. It was an attempt by Alaska to regulate quasi-private employment, something like Resorts. In that case it was the oil and gas pipeline industry. They said only Alaskan residents could be hired. The Court struck it down and said that it was utterly ridiculous. So, I point this out here. I hope you will look through it, realize that it is unworkable, and is a subject of constitutional challenge. Please consider this at your next session.

The next point is the Disqualification Criteria. That's Section 86 under the Act. Now, that says that if you have been convicted of any one of some 40 enumerated offenses, you're absolutely disqualified from licensure. Mr. Lordi already suggested that that be amended to make it more discretionary. No doubt about that. What I would like to say is that it does violate besides due process, the Rehabilitative Offenders Act. Now, that Act requires you to consider certain things as a basis. I don't want just a discretionary decision-making power. I want the Commission to consider on the basis of the Rehabilitative Offenders Act. How long has it been since the offense? Has the person gotten expungement? Things of that type. They are all outlined in here. You will also find out why that section would violate due process, because it does create what the courts have recently decided is a irrebuttable presumption. It just states irrebuttably, without any hearing at all, that you are disqualified from a job. I think it would violate due process for that reason.

The last one, Exclusion of Persons, doesn't relate to employees at all. That just says certain people can be excluded from ever entering a casino or hotel. It doesn't say that they have to have a known criminal background. In fact, it only says one thing, that their presence in a licensed casino would be inimical to the interest of the State of New Jersey or to licensed gambling therein. That's the basis for disqualification. I find that language very vague. It's over-broad. The vice of vagueness is that it just gives so much discretion to the person making that decision. There are no standards regarding that.

They define "inimical to the interest of the State of New Jersey or licensed gaming" as adverse to the public confidence and trust in the credibility of casino gaming and in the strict regulatory process of that gaming. That definition merely begs the question, as far as I am concerned. What does it mean to be adverse to the public confidence in casino gambling? A lot of people have talked here, religious leaders, people who are adverse to the regulatory process. The ACLU at times has been adverse to the strict regulatory process of the Act.

Literally, we would be excluded from casino entrance.

ASSEMBLYMAN McMANIMON: Is that the same process they use when they remove someone from the track who is classified as undesirable?

MR. DULFER: Frankly, I haven't seen the language that they use there. Inimical to the policies of casino gaming is about as broad a language as I've ever seen. I think that if you take these three sections into consideration, there are constitutional challenges that can be made to all of them, viable ones, and I think they are much more important than some of the social, equity, and unworkable considerations that we have made today. Constitutional questions are paramount and I think at least one of you Assemblymen today have made reference to that, that constitutional questions are important.

ASSEMBLYMAN CODEY: Just briefly, the first point you raised on residency, I would have to disagree with you, both on the constitutionality and on the very important fact that the people of the State of New Jersey overwhelmingly want that requirement. Believe me when I say that.

MR. DULFER: What I would suggest in this thing is that there be an option, a very good option, and that is for the legislature to write into Section 135 of the Act, that's the affirmative action section, that casino licensees have the affirmative duty to hire New Jersey residents, as they do to hire Blacks or Hispanics, that they have the affirmative duty to hire New Jersey residents, to give preference to them. The minute you exclude everyone else who is not a New Jersey resident, I do not think it would withstand constitutional muster. I also think it is particularly difficult for people to come from other states, wait six months of unemployment, and maybe even more because if they get their license they might have to wait another six months before they get a job.

ASSEMBLYMAN CODEY: What's going to happen is one hotel is going to rob another.

MR. DULFER: The fact is I think exclusivity will be stricken down by any court. The best way is to go to an affirmative action requirement. Give them the affirmative obligation to hire New Jersey residents. Give them a preference, as they have so far regarding hotel employees. They'll hire the Blacks and so forth in certain numbers. Make it a preference system rather than an exclusivity system and I think you'll find it more workable and constitutional.

ASSEMBLYMAN CODEY: Thank you sir. Mr. Jack Granzow.

JACK GRANZOW: Thank you, Mr. Chairman. I'm going to try my best to summarize my prepared statement. Copies of the complete statement will be forwarded to you at a later time.

The first subject I would like to talk about is Section 110 of the Casino Control Act, specifically Section 110d. This section sets forth a limit on the equitable powers of the courts of New Jersey to fashion interim restraints against Commission actions under Section 64, Denial or Limitation of Licenses, etc. and sanctions against holders of such, Section 69d, Emergency Authority to Adopt, Amend, or Repeal Regulations, and Section 71, Exclusion of Persons. Specifically, Subsection d prohibits the Superior Court from granting preliminary injunctive relief in cases involving the above sections of the Act until the challenger has exhausted all Commission administrative procedures for hearing an appeal, unless the challenger shows by clear and convincing evidence that a manifest in justice would result from refusal to enjoin the Commission action.

Now, this is significantly more stringent than the normal standard for injunctions against administrative agency action. The American Civil Liberties Union feels that this provision is both unnecessary and improper. Unnecessary because injunctive relief against administrative actions pendente lite is very rarely granted. Indeed our experience in trying to secure temporary or preliminary rulings from both casino related and non-casino litigation has shown that the Superior Court is most reluctant to grant such relief. To assume that the judges appointed to the Superior Court would not be mindful of possible dangers inherent in interfering before a trial on the merits in the Commission decision is to assume that these judges are simply not qualified in the Superior Court. We think that's ludicrous.

Furthermore, these particular sections bear very heavily on important constitutional rights. Section 64, for instance, gives the Commission the power to deny any application, limit, restrict, suspend, or revoke any license, permit, certificate, or approval, pose any penalty on any person licensed or previously approved, for any cause they deem reasonable. The obvious difficulty and the obvious due process questions would seem to militate against this sweeping power. An injured party who was initially penalized under Section 109, which allows imposition of sanctions even before a complaint is sent out, much less before a hearing, coupled with the necessary time it takes to set up the hearing, to go through a hearing, for the Commission to reach a decision through all of its internal processes, guarantees that an individual aggrieved by the imposition of such sanctions will suffer a minimum of 60 to 180 days of damage before he gets a chance to ask for court relief.

Section 69d allows the Commission to summarily adopt or amend or repeal regulations in emergent circumstances. While the ACLU recognizes the need for such authority, we also note that emergent procedures by their very nature suspend many of the safeguards against administrative agency excesses. When coupled with the limitation on the court's injunction power under Section 110, this sort of insures that the injuries suffered by an individual, no matter how severe, will continue to be suffered for a minimum of 60 to 180 days, no matter how illegal, how ultra vires, how otherwise improper that regulation may be.

Finally, under Section 71, the Commission can exclude certain persons as Mr. Dulfer talked about. Of course, the central authority to do so allows the Commission to exclude persons whose presence in a licensed casino would, in the opinion of the Commission, be inimical to the interest of the State of New Jersey or licensed gaming therein. I should point out that the citizen is placed on this list before that citizen has a right to a hearing. Obviously, while there is indication from the September 1978 issue of "Rouge et Noir," an independent newsletter of worldwide casino gambling, that the industry will seek and perhaps be successful in getting the Commission to bar system gamblers---

ASSEMBLYMAN CODEY: I've never read that magazine, but I know Resorts doesn't like it.

MR. GRANZOW: There's good reason for Resorts not liking it.

ASSEMBLYMAN CODEY: But they told me they made Jack Davis Man-of-the Year some time ago, that magazine.

MR. GRANZOW: Well, they may do it again for different reasons.

ASSEMBLYMAN CODEY: I doubt it.

MR. GRANZOW: But, in any case, as a matter of fact on Page 7 of the September 1978 issue the editor and a confidential informant suggest that the industry will be successful in urging the Commission to bar card counters from casinos under this provision inimical to the interest of casino gaming.

ASSEMBLYMAN CODEY: It can't be done. It was brought up.

MR. GRANZOW: Well, there seems to be some indication that they are at least going to try. The casino industry is already trying in Nevada.

ASSEMBLYMAN CODEY: That's Nevada. It was brought up when we wrote the Act, sir. It was explicitly implied that it could not be done.

MR. GRANZOW: Well, in any case the Commission has seen fit in other areas to ignore the Act and I see no particular reason why they should obey it in this particular instance. Of course, the card counting benefits only the individual and hurts only the house by offsetting the dealer's natural advantages inherent in the rules of the game. Any system player, card counter or others, that comes to the State for recreational gaming, a couple of weeks or three weeks vacation, and is excluded from the casino by this list will suffer damages to his reputation, will certainly have hurt feelings, yet this individual on two or three weeks vacation is not going to stick around for a hearing to litigate his place on that list.

I leave it to this Committee to assess the effect this would have on New Jersey's image in general and Atlantic City's image in particular. The effects of Section 110's repeal would not be to deny the Commission the decisional powers necessary to carry out its duties under the Act, rather the repeal would merely subject the Commission's decisions under Sections 64, 69d, and 71 of the Act to the same emergent safeguards against irreparable injury applicable to unusually clear-cut cases in every other area of administrative law. Injured parties would still have to satisfy stringent standards to justify temporary relief, but they would have the chance to meet those standards before responsible and impartial judiciary, not an agency torn between its power to regulate and its duty to promote.

The next section concerns Withdrawal of Applications. This is not covered in the statute; it is covered in the Casino Control Commission's regulation and what I am suggesting is an addition to Section 87 of the Act to specifically authorize the withdrawal of applications by the applicant at any time, without Commission approval. From the ACLU's standpoint the Casino Control Commission's regulation New Jersey Administrative Code 19:41-8.6 imposes no standards on the Commission's discretion to deny withdrawal and indeed requires the applicant to affirmatively demonstrate that withdrawal would be consistent with public interest and the policies of the Act. It is uncertain whether this would require or encourage an applicant to prove his or her disqualification or to provide other reasons why licensure may be inadvisable in order to show that withdrawal would be in the public interest. More important from the American Civil Liberties Union viewpoint, however, is that this provision removes yet another check on the depth of intrusiveness the Commission can exercise through the licensing process.

ASSEMBLYMAN VILLANE: Do you agree with the newspaper people that spoke today about making the applications public?

MR. GRANZOW: As I understand the newspaper position, they are speaking only of casino operator licenses. They are not speaking of employee licenses. As for casino operator licenses, my gut opinion is that I agree with them.

ASSEMBLYMAN VILLANE: They're people too, and they have rights.

MR. GRANZOW: That's why I limit it to a gut opinion. I'm not prepared to say---

ASSEMBLYMAN VILLANE: I would like to know what your position on that would be.

MR. GRANZOW: On casino operators?

ASSEMBLYMAN VILLANE: Applications by casino operators for a license. Should that application be made public to the press?

MR. GRANZOW: As far as corporate information, yes. As far as individual information, no.

ASSEMBLYMAN VILLANE: On required personal information?

MR. GRANZOW: As far as personal information, no. You're not going to get full personal disclosure of sensitive information and at this stage, much as we oppose it, they are requiring very sensitive information.

ASSEMBLYMAN VILLANE: Do you think we're too strict trying to keep organized crime out of gambling casinos?

MR. GRANZOW: I think it's wrong-headed. I think you try to keep out employees that might possibly, through some stretch of the imagination, have access to an individual that may perhaps be connected with organized crime, while you allow the owners and the top management to run a casino, a record-breaking casino, without any licensing at all. I mean I think that you are going about it the wrong way. I think certainly casino investors, casino top management, casino key employees must be strongly scrutinized to make sure that they don't have any organized crime connections, because they are the ones who can really pull something off.

ASSEMBLYMAN VILLANE: How about the auxiliary type of services? You know all the checks that we put in and all the requirements are in the hopes of keeping the organization people from organizing the peripheral parts of the gambling industry, and that's where the problem is.

MR. GRANZOW: I'm not so sure, it seems in Las Vegas that the problem is right in management.

ASSEMBLYMAN VILLANE: It's the suppliers and it's the laundries, and it's the people who supply the liquor. Those are the people who usually end up in control.

MR. GRANZOW: Again you're talking about owners and key employees. You're not talking about the ordinary Joe who brings the cases of Coca-Cola. You're talking about the person who owns the distributorship that is muscling in and intimidating his competitors, intimidating the buyers within the Resorts.

ASSEMBLYMAN VILLANE: Are we too strict on them, or too easy on them, or what?

MR. GRANZOW: I think time will tell. I don't think we know yet. What we're speaking about here is the little guy, the sweeper, the waitress, the bartender, even the dealer. Dealers, of course, are in a more sensitive position than cocktail waitresses and bartenders, but they are in a far less sensitive position than is Mr. Davis or even Mr. Sterns, who as far as I know doesn't have to be licensed.

MR. BARENSE: May I say something in answer to the last question? You're not strict on them at all. There is no licensure required at all now for any of the casino service industries. The Commission is simply not applying that provision because they don't know how to apply it because these companies are not

applying for casino service industry licenses.

ASSEMBLYMAN VILLANE: Are you recommending that we apply the law?

MR. BARENSE: I'm not recommending it because you would close down the casino if you did apply the law.

ASSEMBLYMAN VILLANE: Do you want the casinos open?

MR. BARENSE: Well, that was the decision by the legislature, to have them, and if you're going to have them you're going to have to make the provisions which allow them to operate, whatever those provisions are, but you're not going to get IBM or Coca-Cola or some of the big distributors of essential supplies for a casino to go through what you put casino service industries through. If you had a simple registration requirement perhaps with some financial disclosures and you didn't get into the family lives of the principals, they might be much more agreeable. If you didn't make them waive their fourth amendment rights so that people from the Division of Gaming Enforcement could knock on their door with an administrative warrant saying "we want to search your place," as would be allowed right now in the Act. If you took those provisions out, they would be much more willing to submit to licensure.

Again, we previously pointed out the extensiveness of the Commission's and the Division's invasion into personal privacy in their performances under the Act. The Act seems to require that. The American Civil Liberties Union believes that these are shocking invasions of privacy and should be curtailed. Any time they exist, one possible safeguard against this intrusiveness would be the ability of the individual to say "I've had enough. They've gone too far into my private life, it's not worth it, I'm pulling out." At this time he can only do that with Commission approval. We're saying there is no possible reason on earth why an individual applying for an employee license, or even a service industry license, can't say "enough, I'm pulling out." Once he does that, he completely cuts off his opportunity to have anything to do with the gaming industry and, while this may not necessarily be true of the investor or the key employee, it certainly is true of the ordinary janitor, the ordinary waitress, the ordinary bartender, even the ordinary dealer.

The ACLU urges the legislature to amend Section 87 of the Act by adding Subsection h providing that applications for employee and service industry license, permit, or approval shall be withdrawn at any time upon the request of the applicant. The ACLU's Atlantic City legal staff is available for assistance in drafting the subsection.

Casino Control Act Sections 70p and q grant the Casino Control Commission the authority to regulate entertainment in the casino licensee's premises. Section p, for instance, requires regulations governing entertainment presented by casino licensees in accordance with prevailing community standards as determined by the Commission. This evinces by the clear legislative intent that standards applied by the Alcoholic Beverage Control Commission shall not be applied in the casinos. Unfortunately, the Commission seems to apply similar standards. Specifically, they prohibit entertainment activities not only motion pictures which violate State obscenity statutes and entertainment within the casino room, it also prohibits live entertainment which includes the performance of simulated sexual intercourse, etc., etc. The actual simulated touching, caressing, or fondling of breasts, buttocks, anus, or genitals and the actual simulated display of pubic hair, male or female genitals, female nipple and female aureola, that's New Jersey Administrative Code 19:52-4. This Act allows the Commission

to institute censorship of casino entertainment. The ACLU is and always has been opposed to censorship of entertainment, in part because we consider it a greater danger than the conduct it attempts to prevent.

It is the vagueness and ambiguity, as much as the outright prohibitions, that make censorship of entertainment so dangerous. For instance, by authority of Section 70q the Commission has absorbed the provisions of the liquor regulations, couched in terms like lewd, indecent, lascivious, or disgusting. These are words that "nice people" historically refuse to define. It seems even dirty to define such words. So it is susceptible to many interpretations and indeed can be expected to be variously applied, as the makeup of the Commission varies. There will always exist the temptation to apply these regulations against an entertainer who officials consider politically troublesome or ideologically objectionable, a muckraker, a social radical, a Commission critic, an advocate of unpopular causes, or others. The ability to yield to that temptation must be forestalled. Indeed the rationale behind these rules in bars and taverns does not apply to casinos. The mere presence of so-called lewd entertainment is not going to be a significant inducement to stay and drink, when dice, cards, wheels, and slots, along with free drinks by the way, are a short walk away.

ASSEMBLYMAN CODEY: Depends on your taste. I haven't spent a dime yet, on either.

MR. BARENSE: I would suggest then that the adult book houses could run the casinos out of business, and I doubt very much if that will happen. The abundance of State and private security forces on the casino premises makes control of imbibers much easier than in a tavern or club with one or two bouncers. Beyond the question of need, these regulations encourage such silliness as we witnessed at the Latin Casino in Cherry Hill. I don't know if the Committee people remember a few years ago the Latin Casino wanted to have Las Vegas type reviews. Unfortunately, the Las Vegas type reviews show a little more skin than the ABC felt was proper. The Latin Casino people managed to secure a municipal ordinance which said that the casino was in fact two premises, one serving liquor and the other having live entertainment. Patrons were then able to sip alcoholic beverages on one premise and watch Las Vegas showgirls on the other side of an imaginary wall. Of course, a casino hotel could not succeed with such a transparent subterfuge, but where high stakes and high powered lawyers are mixed, anything is possible.

ASSEMBLYMAN CODEY: Alright sir, can you---

MR. BARENSE: Regulations expressly pertaining to entertainment specifically prohibit behavior such as actual or simulated touching, sex acts, etc., etc. Moreover, entertainment is defined to include not only night club acts and the performing arts, but also sporting events. Therefore, by its term, the Commission's regulations would forbid wrestling and ballet, or hand to buttocks or hand to breast contact, as normal and such plays as "Westside Story," which contains a scene depicting rape. One could argue that the Commission would not enforce the regulations in these instances, but that is one of the problems with these prohibitions. One must guess at when they will be applied and when they will be ignored. If they are to be applied ad hoc, are they really standards or empty verbiage.

Again, these regulations seem to track ABC regulations contrary to the express legislative intent in the Act as amended. The whole problem of rigid standards is in violation of clear legislative intent. It is Section 70p's delegation of power to set community standards to an official Commission. This

is compounded by the Commission's unwillingness to hold routine hearings on entertainment and other regulations. The Commission apparently took no public testimony on community standards, and so the resulting regulations reflected the standards of the commissioners, not of the Atlantic City area community. I would like to point out that Chairman Lordi used to be Chairman of the ABC as well. The obvious solution is to deny the Commission the power to regulate entertainment. Those who believe this would result in widespread scandalous or obscene entertainment spectacles not only neglect statutes already enforced throughout the State, but further exhibit incredible economic naivete.

Casino hotel complexes are large physical plants costing up to \$100,000,000.00 to build and millions more to staff and operate. Each has a minimum of 500 rooms to fill. They are in short mass entertainment facilities. In order to attract a number of well-heeled customers to keep operations profitable, a casino must appeal to the mainstream middle class and, as others have indicated, perhaps to the upper class. It can ill afford any course of action which would alienate specific segments of that clientele. Salacious and sexually explicit entertainment is a subject of continuing controversy in the Atlantic City area as much as in our society as a whole, and the entertainment facilities that appeal to the mainstream middle class are sensitive to the effects of this controversy on their businesses.

Obviously then the casinos will be self-regulating in the entertainment area and will go beyond reasonable grounds of propriety only if vigorous to their profits. If there is one fact that shines through the Resorts International performance of this Summer, it is that casinos can be expected to vigorously protect their profits. That is why the ACLU recommends that Section 70p be amended to deny the Commission the power to regulate entertainment beyond health, safety, and perhaps the employment of minors. Further, we recommend that Section 70q be amended to specifically exempt entertainment in casino areas serving liquor from the purview of Title 33, the Alcoholic Beverage law, and implementing regulations.

I have one further note to add. Section 79 of the Act defines probable cause in the issuance of administrative warrants. That definition requires merely that the Division of Gaming Enforcement personnel simply show a public interest in enforcing the Act. It would be served by the issuance of a warrant. Now, this is perhaps proper in the case of routine administrative inspections of licensed areas as you would see in housing code enforcement and as was specifically upheld by the Supreme Court in San Francisco vs. Camara. However, this is totally inappropriate to searches of private licensees, employee licensees' homes, as seems to be authorized by the Act and nevertheless would be totally inappropriate in the case of an ongoing specific criminal investigation. In that case, the standard would have to be that enunciated by the Supreme Court in criminal cases, that the prosecuting or investigating authorities show that there is probable cause to believe a crime has been committed and that the individual to be arrested or the premises to be searched bear some strong relationship to the commission of that crime.

I would recommend to this Committee and to the legislature as a whole that Section 79 be amended to specifically authorize administrative warrants only of licensed premises and only in the case of routine administrative inspections of compliance with the Act's provisions. Thank you.

ASSEMBLYMAN CODEY: Thank you, sir. I would ask that you have all that in amendatory language when we have our work session.

MR. BARENSE: We certainly will.

ASSEMBLYMAN CODEY: You suggest each amendment and we'll yes it or no it.

MR. BARENSE: Very good. Will your work session be permanently announced in the press?

ASSEMBLYMAN CODEY: Just call Wayne in the State House. Mr. Ronald Petlev? No. Alright, Doris Sewell. She's gone. Michael Scott, not here. Kaleem Shabazz, not here. Omar Salahuddin? Rhonda Cohen? Viola Craig?

V I O L A C R A I G: My name is Viola Craig and I'm owner and operator of the East Coast Gaming School. Number one, I had to leave this session for a little while this afternoon and go out to the community college and talk to a class about gaming, then I came back. I think people I have attended every Commission meeting there has been on the Casino Control Commission. I'm amazed that you gentlemen have been able to fill this room as you have, because when the Commission comes to Atlantic City these people do not come forward. They do not come forward when asked if there is anything from the public. I hear them talking about the licensing of the top men at Resorts International. If they had only been at these meetings, they would have learned that Resorts International has three men in trusteeship over there and they are being investigated and that is what goes toward the permanent licensing, if I understand this correctly. They are being investigated at this time. If there is anything wrong with any of the men on the top of this, these three trustees, three people who were appointed by the Commission, will take over the casino.

That seems to be the way it is under the rules and there's been a lot of rhetoric about the things that people who don't go to these meetings do not find out. Number two, Mr. Barense made a remark on gaming schools. I would like to explain something to you. I was frustrated, and Mr. Matthews knows very well that I can get frustrated. I was annoyed; I was upset. I almost went broke and I mortgaged everything I had to put this gaming school together and I sat home on the property. I was held by the throat for about six months before I got a license. I held on for another month, I got an operating permit. I suggest to you gentlemen that you keep every gaming school that comes out within the city confines of Atlantic City where the gambling was passed. You get in towns like say Haddonfield, Merchantville, they don't want that gambling paraphernalia in their towns. When it leaves where the law passed for gambling in the State of New Jersey, when it leaves that area, it is not gaming equipment anymore it is gambling paraphernalia.

I also hope that every gaming school stays under the control of gentlemen like you and of the Commission. I say this because I am highly regulated. There are times when detectives walk off the elevator and go into my rooms. They count noses. I have a 20 to 1 ratio on blackjack, that's 20 students to 1 teacher. I have an 8 to 1 ratio on roulette. I have a 16 to 1 ratio on craps. Mr. Geller has been to my school. Mr. O'Brien, Mr. Rooney. They tell me that if I went out and I started the school in Las Vegas I would drive 14 schools out of business.

The schools in Las Vegas have a teacher, I've had teachers who come to me who teach all at the same time, roulette, blackjack, craps, all in the same hour's period, just walking back and forth. That's not allowed under the Casino Control Commission. My teachers are licensed for the game that they teach. They are investigated to see if they are proficient in their jobs. These men that I have with me, I'll probably lose a couple of them if Penthouse gets here because they'll be the floormen and maybe they'll give me four hours out of their time, I don't know, but I would like at any time, and my door is open and I am there

each day, except today I've been here, from 8:30 in the morning until 11:00 at night. I have four-hour classes. They run 8:30 to 12:30, 1:00 to 5:00, and 7:00 to 11:00, and I'm usually aboard in the school during that time unless I have a meeting or something to go to.

Mr. Barens is very wrong when he says that the gaming school is not an intricate part of the casino business. It is. In the gaming school if I wish to, which I do not, I can control every dealer who goes out into that casino. As long as I am under the Casino Control Commission and I follow the rules and the regulations. As I say I found them, and I was really screaming about it. I thought Lord I must have been born in this office or something, because I was always there. I find that if they stay in control of it, we won't have this getting out of hand. If you're going to turn out the best, turn out the best. I'm in great favor, I've lived in the State of New Jersey all my life and I love it. The investigation that was done on me was done by the Gaming Division. I sat in my house and watched them knock on doors. They asked people "Does she drink," "does she go home from work early on Friday and come in with a hangover on Monday." If you have nothing to hide, and I know you gentlemen even when you go into office you have to sign a lot of waivers and things, if you have nothing to hide, you're the only one who knows your own background. On the licenses that were held up, we haven't been with these people from the day they were born, so we don't know exactly what is holding them up.

I have some teachers that I had report to me from Vegas. The papers have been in since January 19. It is an ongoing investigation. But I don't know what they did; I wasn't with them from the day they were born. They could tell me anything they want, but it comes out that sometimes the investigation is held up for this reason. I don't think, and I have to say this, you could find a finer or more receptive and of course I'm not talking big money. I mortgaged my home I'll tell you right now for \$90,000.00. My partner and I mortgaged his home and mine and this is where the money came from. There was a bond on the school of \$150,000.00. I went back and I talked with the auditors for the Casino Control Commission and I asked them "Isn't there another way." I couldn't get it for \$150,000.00 because I didn't have \$75,000.00 in liquid assets; \$100,000.000 bond possibly I could get, \$75,000.00, but this is for the surety bond for the students. I have taken every cent that I have made and it is in the Casino Control Escrow Account. I will not draw the money down to do my operation on until the student is graduated. Now I think if we can do this with all schools, we will not have them taking money under false pretenses and not teaching these people.

I don't mind when I come to the end of my week I might only have on my operating expenses \$55.00 left in my account, but when I draw down when 20 students are graduated, then I can go on and operate. I think I have been able to work this out with the Commission. After all, I don't have millions of dollars, but I will say this. The Commission has bent over backwards in every way. Whether it's because I'm a pain in the neck, I don't know. But I'm either on the phone. My first student has been licensed and is working at Resorts International. After Resorts International sent Mr. Rooney, Mr. O'Brien, Mr. Walter Rogers, not Irving Rogers, the pit boss from the roulette pit, over I had seven students on scholarship from Resorts International. But I think the schools, when you go and look into these things, I think they should be kept under control and in an area where you can control them. In Las Vegas they turn them out in mills and most of them don't get jobs. I have just been approved for CETA. The Veterans Administration

has been in to see me. I haven't done any advertisement since January and I have 188 students a day. I must be doing something right, and I'm trying.

ASSEMBLYMAN VILLANE: How much do you charge?

MS. CRAIG: I charge \$720.00 for blackjack, \$960.00 for craps, and \$840.00 for roulette. That is an equivalency of \$4.00 an hour. I have longer hours than you have on your bill. I have 180 hours for blackjack, 240 for craps, and 210 for roulette, and the reason for this is we teach our students to deal anywhere in the world. Then we teach them the New Jersey modifications.

I thank you for taking the time, gentlemen, and I hope you keep it in your mind that when it comes to schools you keep them under control. Thank you.

ASSEMBLYMAN CODEY: Thank you. There being no further witnesses, this hearing will be adjourned.

(HEARING CONCLUDED)



# Department of Police

OFFICE OF THE  
CHIEF OF POLICE

Atlantic City, N. J.

September 26, 1978

Assembly State Government Committee

Sirs:

As chief executive of the Atlantic City Police Department, I feel it is my duty to once again, as in the past, bring the following items to your attention.

In the past 4 months, Casino operations in Atlantic City, particularly concerning the hours of operation of eighteen hours normally and twenty hours on weekends and holidays, the following trends have developed:

1. It is becoming increasingly more difficult to properly allocate equipment and man power on an irregular basis for calls for police service. The traumatic changes in the past four months, especially show up in the hours of 3 AM to 5 AM on weekdays and 5 AM to 7 AM on weekends and holidays and in particular in the police district surrounding the Casino. On the 1 AM to 9 AM shift, there has been a 33 1/3% increase in calls for service, the largest single increase in the 2 1/2 years as Chief of Police of this City.
2. Fifty eight percent of the above mentioned calls can be attributed to the closing of the Casino and displacing large numbers of people in the street. These early morning hours overlap the shifts and as a result necessitates the paying of overtime. All the members are under union contract therefore the drain on the city's expenditures.

In addition, our traffic situation has shown an increase in the following:

Motor vehicle accidents in the sixty minute period following Casino closing and complaints from residents of the area, in regard to traffic noises and pollution. Also in the sixty minute period after closing the Casino, has created a group of persons, waiting



## Department of Police

OFFICE OF THE  
CHIEF OF POLICE

Atlantic City, N. J.

page 2, continued

for the reopening of the casino, to hang around, causing many disturbances to the residents in the area.

It has always been my personal opinion a twenty four hour operation by the Casino will eliminate the aforementioned.

1. It would do away with persons hanging around those area.
2. By not displacing large numbers of persons at these unusual hours, the proper allocation of men and equipment will be more easily effected.
3. Cost factor will be substantially reduced by the decline of overtime.
4. The extended hours would allow people to leave the Casino at leisure and reduce the complaints of the early morning hours.
5. The municipal departments provide the local industry and its residents to bring the Casino operations into coordination with the bar and restaurant industry which is open twenty four hours. Such cooperation will better serve the residents of our city.

In summation, I would like to stress that the success or failure of a private casino, should not be covered by this Department but with the operating hours which affect the businesses of our residents; that is the largest concern of this municipal Police Department. As the Commander of a municipal department, I am dedicated to the social and economic problems that reflect on crimes and calls for service. Twenty four hour operation of casino complexes will create the jobs sorely needed by our residents. It is for this reason that I respectfully request amending the existing statute to allow twenty four hour casino gambling in Atlantic City. I further wish to stress the magnitude of the above stated problems when additional casinos will be facilitated.

Your consideration of this matter will be truly appreciated.

  
William H. tenBrink  
Chief of Police

**AVERAGE OF DISTRICTS**

**AND SHIFTS**

Mr. Donald Payne-Consultant  
Atlantic City Police Dept.

DISTRICT	APRIL	MAY	JUNE	%
1	.30	.33	.46	+28
2	.24	.25	.31	+19
<del>3</del>	.48	.33	.39	+15
<del>4</del>	.28	.30	.48	+38
5	.22	.39	.30	-30
6	.41	.25	.43	+42
7	.31	.12	.13	+.07
8	.11	.18	.25	+28
<b>5-1 SHIFT 28.3% Av. Inc.</b>				
1	.27	.21	.30	+30
2	.31	.32	.23	-39
3	.30	.22	.31	+29
<del>4</del>	.27	.21	.20	-05
<del>5</del>	.18	.18	.32	+44
6	.14	.20	.27	+30
<b>1-9 SHIFT 33.3% Av. INCR</b>				
1	.21	.26	.32	+19
2	.15	.23	.22	-05
<del>3</del>	.11	.31	.35	+11
<del>4</del>	.43	.24	.33	+27
5	.13	.26	.24	-08
6		.20	.17	-18
7		.22	.34	+35
<b>9-5 SHIFT 23% Av. INCR.</b>				

TYPES OF CALLS	MAY-TOTAL	JUNE TOTAL	% CHANGE
Part I Offenses	492	540	+9
Part II Offenses	120	164	+26
Disorderly	164	232	+29
Drunk	92	144	+36
Domestic	220	280	+21
Disturbance	288	396	+27
Juvenile	276	284	+03
Check	92	172	+47
Suspicious	168	244	+31
Complaint	148	320	+54
Traffic	68	140	+51
Traffic Accidents	236	200	-18
Fight	152	328	+54
Public Service	68	184	+63
Sick	56	132	+58
Injured	48	60	+20
Notify	40	44	+09
Prowler	28	16	-75
Trouble	216	220	+02
Assist	200	272	+26
Animals	40	72	+44
Escort	12	20	+40
Fire	164	92	-78
Assignment	120	140	+14
Arrests	116	220	+47

\* NOT INCLUDED IN PART II OFFENSES

\* DOES NOT INCLUDE ALARMS AND TRANSPORTS

5:00P.M. TO 7:00 P.M.

JUNE 1978

TYPES OF CALLS	10:00-1:00	5:00-7:00
	<u>No. of Calls</u>	<u>No. of Calls</u>
Part I Offenses	116	56
Part II Offenses	20	28
Disturbance	64	60
Disorderly	24	24
Drunk	32	20
Domestic	84	20
Fight	80	20
Trouble	40	16
Juvenile	56	52
Complaint	84	28
Suspicious	36	48
Traffic	32	8
Accidents(Traffc)	40	16
Sick	12	12
Injured	8	8
Prowler	12	-
Public Service	12	16
Notify	4	8
	8	12
Fire	4	-
Assist	68	16
Escort	4	4
Assignment	16	12
Arrests	108	-
Check	28	12
Alarms	104	40

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DISTRICT1-9 SHIFT

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Aver. Time

1	15.4
2	14.6
3	16.3
4	11.6
5	16.6
6	9.6

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DISTRICT9-5 SHIFT

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Aver. Time

1	36.1
2	11.2
3	20.5
4	17.7
5	12.9
6	17.3
7	13.7
8	-

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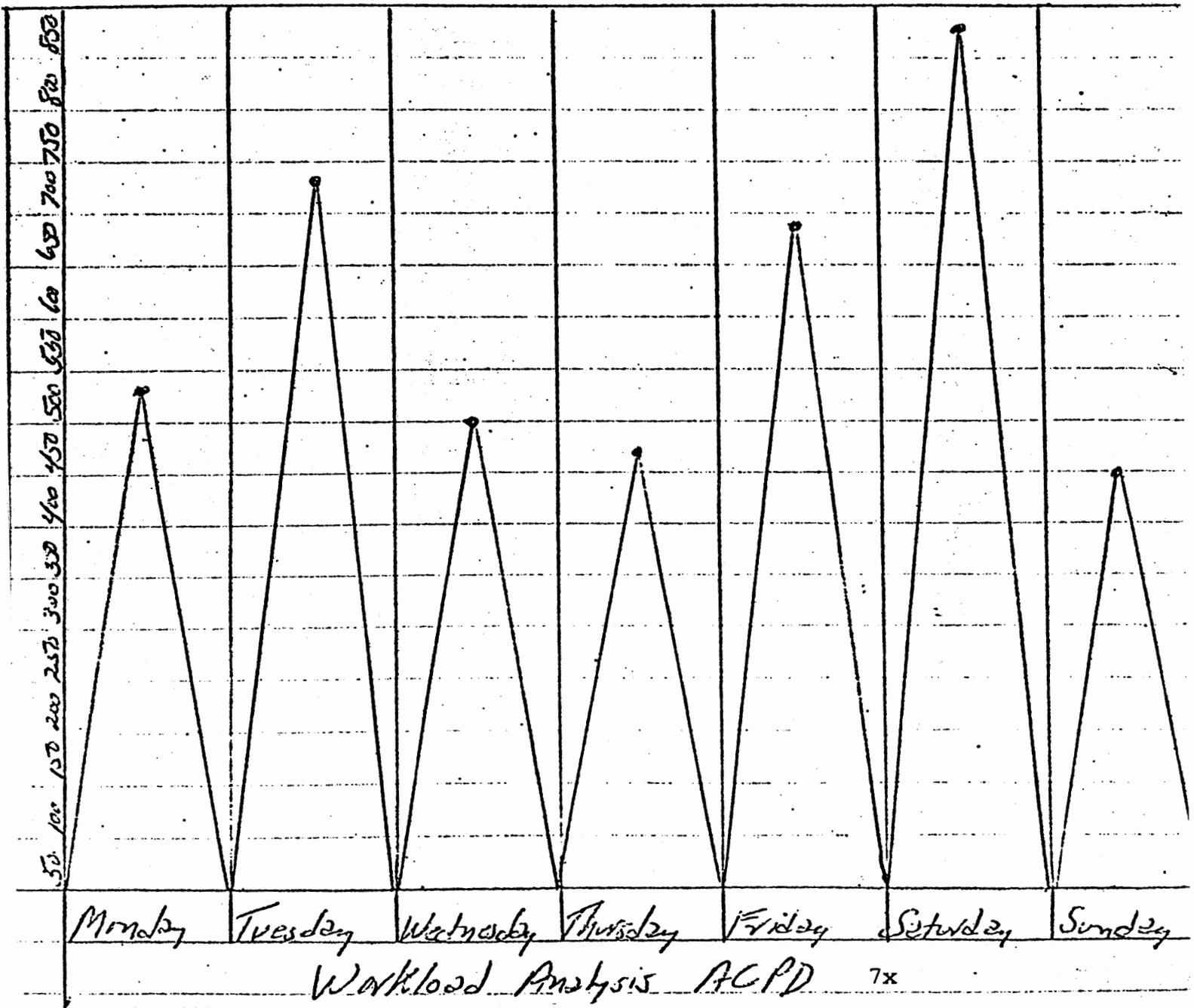
DISTRICT5-1 SHIFT

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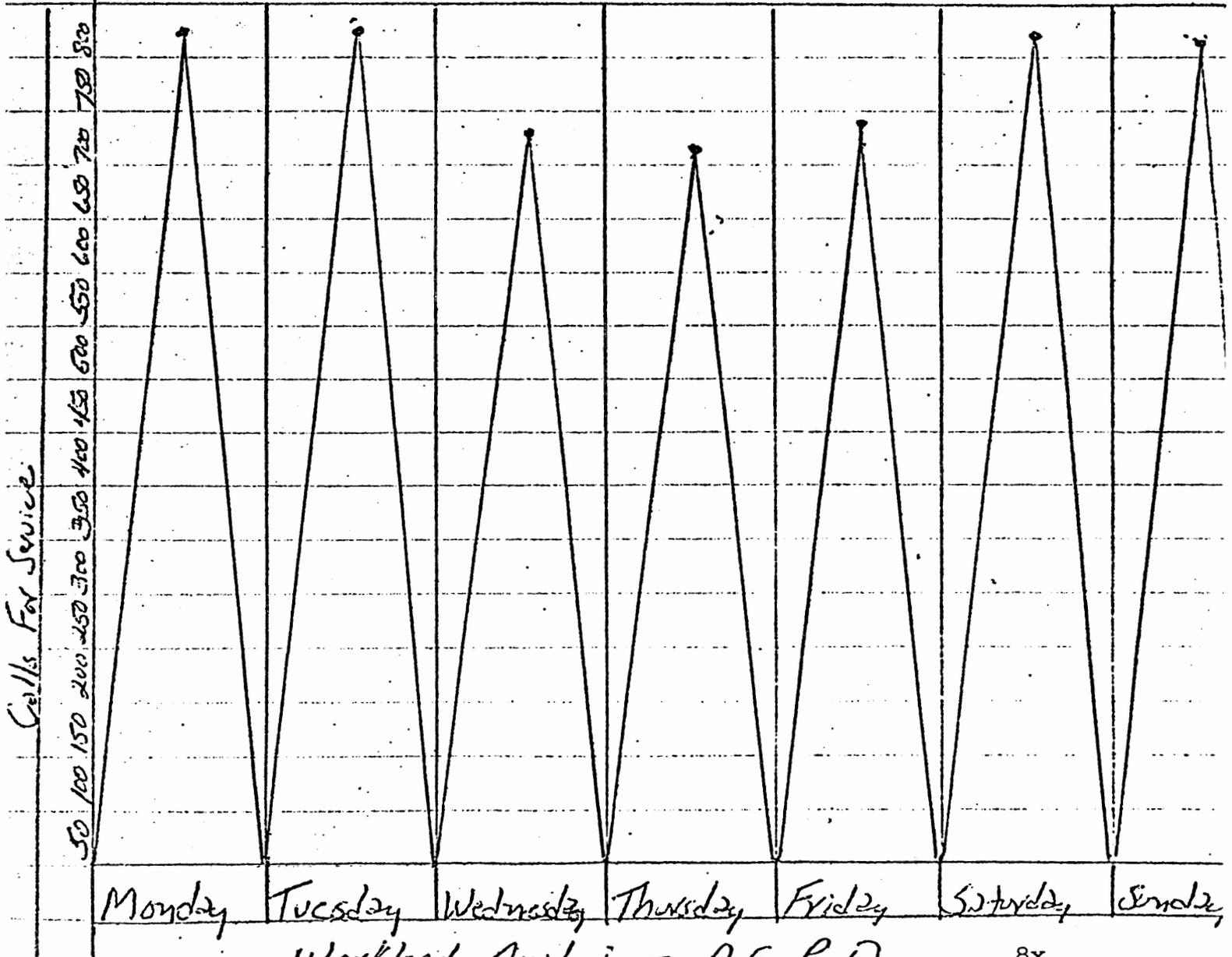
Aver. Time

1	15.4
2	15.2
3	17.4
4	19.8
5	16.1
6	11.5
7	10.6
8	12.7

Calls For Service -  
by  
Day of week  
May - 78



Calls For Service  
by  
Day of Week  
June - 78



Weekend Analysis - A.C.P.D.

DEPARTMENT OF PUBLIC SAFETY  
ATLANTIC CITY FIRE DEPARTMENT



FIRE PREVENTION BUREAU

September 27, 1978

Room 304  
City Hall  
Phone 344-2121  
Ext. 264

EVERY SO OFTEN

there is an unavoidable fire . . .  
one that cannot be prevented.  
But the vast majority of fires  
are preventable . . . most of them  
are caused by sheer THOUGHT-  
LESSNESS . . . and all of them  
are a drain on the pocketbooks  
of everyone . . . It is everyone's  
job to help put a STOP to this  
UNNECESSARY waste of life and  
property.

Dear Members of N.J. State Legislature:

With the advent of Casino Gambling in Atlantic City, its local Fire Department faces new and difficult fire problems. Among these several problems, is the Fire Protection of our Casino Hotels and the life safety of the large numbers of tourists who will be guests at these hotels.

We expect our fire problems to be compounded by a drastic increase in automobile traffic, increases in tourist trade, both seasonal increases, and the casino tourist. Beachfront property should become highly developed and this property lies at the most remote section of a dead-end street. It is foreseeable to the Fire Department to have our Casino Hotels at the boardwalk end of a beach block, completely isolated from emergency equipment by traffic situations.

One solution to the problem would be to have the approved hotel build in Fire Protection Systems needed to start the suppression of any unfriendly fire. Modern technology has made such detection and suppression systems available to the developer who has a concern for the fire problem that is manifested with today's modern materials.

When dealing with new construction, these problems are not as deep-seated as they become when we look at the existing hotels which have hopes of becoming Casino Hotels. These buildings do not have the built-in suppression systems in them now, and Fire Suppression Systems are not required by the Casino Control Act, so, therefore, no great interest is expressed in thinking about fire safety for the Casino Hotel. To emphasize the depth of the existing hotel problem, consider this - the City Planner revealed his skeleton plan on November 2, 1977, in which he proposed 18 possible hotel sites, 11 of which were existing buildings.

9x



FIRES WON'T START--IF YOU DO YOUR PART



The Fire Department feels that the developer of a Casino Hotel Complex should design a building that offers its guests the safeguarding of their lives by building in Fire Suppression and Detection Systems.

The City cannot impose individual restrictions on construction to meet its local problems, so, therefore, the Fire Department appeals to the members of the Legislature to assist us with our tasks; help the Atlantic City Fire Department and safeguard the Casino tourist by requiring build-in Fire Suppression Systems in "Approved Casino Hotels." Modern technology can make it a safe building.

The eye of the nation is upon Atlantic City. When it becomes the Fire Department's turn to do it right, we want it done right!

September 27, 1978

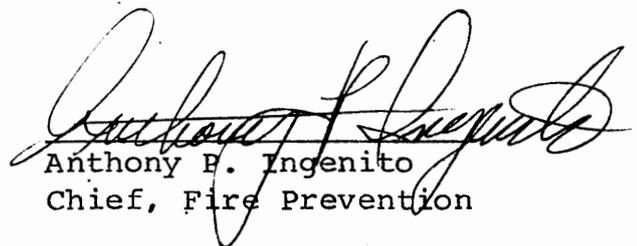
The "Casino Control Act" P.L. 1977 c.110, defines an "Approved Hotel" as follows:

1 27. "Hotel" or "Approved Hotel"—A single building under  
2 one ownership, located within the limits of the city of Atlantic  
3 City as said limits were defined as of November 2, 1976, and con-  
4 taining not fewer than 500 sleeping units, each of at least 325 square  
5 feet measured to the center of perimeter walls, including bath-  
6 room and closet space and excluding hallways, balconies and  
7 lounges; each containing private bathroom facilities; and each  
8 held available and used regularly for the lodging of tourists and  
9 convention guests and conforming in all respects to the facilities  
10 requirements contained in this act. For the purpose of exceeding  
11 the maximum casino size specified in section 83 of this act, an  
12 approved hotel may, by means of physical connection, annex  
13 additional buildings or facilities. "Physical connection" for the  
14 purposes herein means an enclosed permanent pedestrian passage-  
15 way. In no event shall the main entrance or only access to an  
16 approved hotel be through a casino.

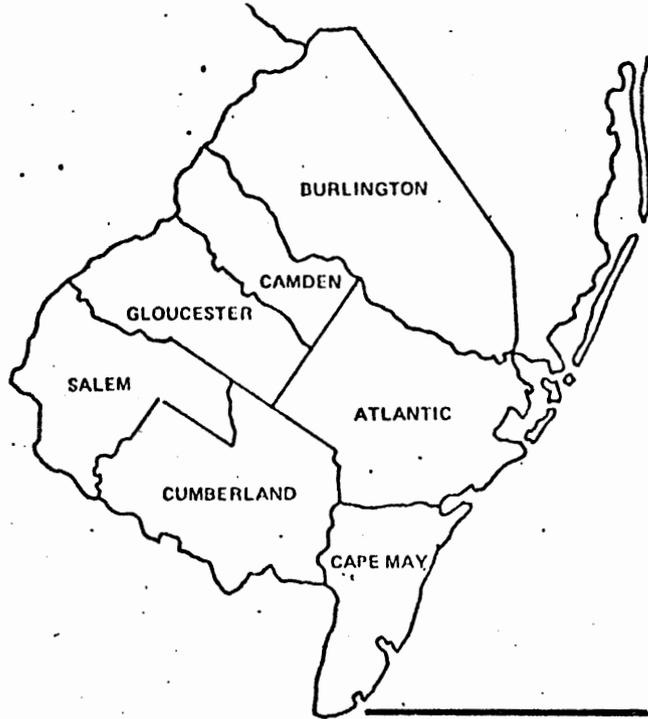
The Atlantic City Fire Department would like to see this definition broadened, so as to offer Fire Protection to the guests of the hotel.

Perhaps the addition of the following could serve this purpose:

"This building should also be protected by an approved Fire-Suppression System in all sleeping rooms, hallways and public spaces."

  
Anthony P. Ingenito  
Chief, Fire Prevention

# SOUTHERN NEW JERSEY



New Jersey Department of Human Services  
Ann Klein, Commissioner  
Statewide Human Services Advisory Committee  
Norman O'Connor, Chairman  
County Human Services Coalitions  
Title XX Southern Regional Committee  
Mary E. Haynie, Chairman  
211 N. Washington Avenue  
Ventnor, New Jersey 08406

Background on Coalitions: The Commissioner requested each Freeholder Board to convene citizens to elect a representative (Consumers, Advocates, Public Providers and Private Providers of social services) County Coalition to review, comment, study, and evaluate all of the Title XX funds in the County. They were formed in 1975 and each elected a State Rep to the Statewide H.S. Advisory Committee. note: In N.J. Title XX is about \$126 million.

I am Mary Haynie, the only member from Southern New Jersey on the Executive Committee of the Human Services Statewide Advisory Committee. I have also been the Southern Regional elected chairman for the past year. The Southern Region is made up of Coalitions from the Counties of Atlantic, Cape May, Cumberland, Salem, Gloucester, Camden, and Burlington. During 1977 and 1978 we contacted our State Legislators about the Casino Control Act. We wish to encourage you to appropriate the Casino Revenue Funds to senior citizens and the disabled residents of the State through EXISTING AGENCIES whether they are public tax supported agencies or private not-for-profit agencies.

We have seen large expenditures of funds designated for human social services funnelled off into administrative costs and property rentals when existing agencies are not functioning at the fullest potential of work available.

The Southern Region has been attempting to make the Title XX allocation more equitable. We also have requested and recommended that the State exercise the option of determining eligibility on a group basis for selected services. We wish to utilize group eligibility for transportation. Our elderly population has little opportunity to increase their income and we see employees of counties and agencies laboring over checking, rechecking eligibility when they could be on the service delivery...like driving a van, instead. The Southern Regional Coalitions also see Adult Day Care as another possible area for GROUP eligibility. The highest priority item in the Coalitions is TRANSPORTATION. IF Transportation, is in fact a "MUNICIPAL UTILITY" then we ask you to look at the Title XX Advisory Committee's study on Transportation. Commissioner Klein has been given the study, we think it is a good one - we happen to feel that a volunteer effort CAN be worthwhile, particularly since the Coalitions and their representatives were elected by consumers in the Counties. I live on Absecon Island....Atlantic City is only  $\frac{1}{2}$  of the Island....I rode the bus for a week. I live at 7300 block and work at 4100 block.....I walk four blocks to get the bus, the schedule is awful..a poor <sup>SCHEDULE</sup> one will never encourage me to give up our second car and I pity an elderly person wanting to come up town to your hearing....they may not be poor but they sure are deprived of decent services. TRANSPORTATION is a priority EVERYWHERE.

Lastly, a personal appeal.... as Chairman of the Board of Trustees of Woodbine State School an institution in Cape May County for the severely and profoundly retarded males ranging in ages from 5 to 85...do not forget the elderly in the State Institutions. They have fewer opportunities than any others I know. The State provides many things but they have never been able to give special considerations due to cost constraints....direct services to the elderly in State Institutions should be considered in the Casino Revenue Fund appropriate

Thank you.

*Mary E Haynie*

residence - 822-6487

ASSEMBLY COMMITTEE SUBSTITUTE FOR

ASSEMBLY, No. 2366

STATE OF NEW JERSEY

By Assemblymen PERSKIE and KUPPERMAN

ADOPTED APRIL 18, 1977

AN Act authorizing the establishment of gambling casinos in Atlantic City and providing for the licensing, regulation and taxation thereof, and creating the New Jersey Casino Control Commission and the Division of Gaming Enforcement, prescribing the powers, duties and functions thereof and making appropriations thereto.

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

112 investments and cumulative investments required by this article.

1 145. Casino Revenue Fund. a. There is hereby created and es-  
2 tablished in the Department of the Treasury a separate special  
3 account to be known as the "Casino Revenue Fund," into which  
4 shall be deposited all revenues from the tax imposed by section 144  
5 of this act.

6 b. The commission shall require at least monthly deposits by  
7 the licensee of the tax at such times, under such conditions, and  
8 in such depositories as shall be prescribed by the State Treasurer.  
9 The deposits shall be deposited to the credit of the Casino Revenue  
10 Fund. The commission may require a monthly report and recon-  
11 ciliation statement, to be filed with it on or before the 10th day  
12 of each month, with respect to gross revenues and deposits re-  
13 ceived and made, respectively, during the preceding month.

14 c. Moneys in the Casino Revenue Fund shall be appropriated,  
15 notwithstanding the provisions of P. L. 1976, c. 67 (C. 52:91I-5  
16 et seq.), exclusively for reductions in property taxes, rentals, tele-  
17 phone, gas, electric, and municipal utilities charges of eligible  
18 senior citizens and disabled residents of the State, as shall be  
19 provided by law.

1 146. In Lieu Tax. a. Any casino licensee whose licensed premises  
2 are located in an area which has been declared, by the Department  
3 of Community Affairs and the commission, to be a blighted area,  
4 or an area endangered by blight, may, for a period of not more  
5 than 25 years, enter into a written agreement with the Department  
6 of the Treasury, which agreement shall, with respect to real prop-  
7 erty held for use as a licensed casino hotel, provide for the payment  
8 of taxes to the tax collector of the municipality, in lieu of full local  
9 real property tax payments, in an amount to be computed by the



