

P U B L I C H E A R I N G

before

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

on

A-1772 and A-1932

(Jai Alai Control Act)

Held:
September 15, 1980
Assembly Chamber
State House
Trenton, New Jersey

MEMBERS OF COMMITTEE PRESENT:

Assemblyman Richard J. Codey, Chairman
Assemblyman Ernest F. Schuck
Assemblyman Gerald Cardinale
Assemblyman Anthony M. Villane

ALSO:

Wayne L. Bockelman, Research Associate
Office of Legislative Services
Aide, Assembly State Government, Federal and Interstate Relations
and Veterans' Affairs Committee

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ASSEMBLYMAN RICHARD J. CODEY (Chairman): I would like to start today's public hearing on two bills, A-1772 and A-1932. Our first witness will be a representative of Assemblyman Riley, Beverley Kennedy.

BEVERLEY KENNEDY: The Assemblyman apologizes for not being here this morning. He is in trial and I have a statement I would like to read.

"I am sorry I am unable to attend the public hearing regarding the two Jai Alai bills being discussed. However, a trial in which I am involved, presently, has a jury already impaneled and, and therefore, I cannot leave same. Obviously, I am cognizant of the fact that you will use your normal diligent care in studying the proposed legislation.

The purpose of my bill was to create a fund for the specific use of mass transit in the State of New Jersey. We have all seen the unparalleled success of our casino industry, in spite of the fact that it is still in its infancy stage, in providing many millions of dollars--more than originally anticipated--for the use of our senior citizens. Hopefully, through the enactment of this legislation, we will be able to proceed to address a similarly vital issue, that of the energy crisis.

If a substantial fund would be created for mass transit, we may be able to see the day when the dependancy on the automobile will be a thing of the past. As I am proud to represent a district already familiar with the best mass transit system in the nation, I long for the day when our State will be able to provide same throughout all of its populated areas, without the necessity of any increased taxation. As the most densely populated state, we should lead the mass transit and now is our opportunity to so proceed.

Although, obviously, I am not opposed to a joinder or an amendment of A-1772 and A-1932, I believe the funding goal of A-1772 to be more urgent than that of A-1932. In reality, I believe that the purpose outlined in A-1932 by Speaker Jackman would be accomplished, with the two areas where I feel Jai Alai would be welcomed, they being Jersey City and Camden; and the desired rehabilitation and new construction would result from my bill, while allowing a more broad based purpose.

The other differences in the bill would be as follows:

1. The pari-mutuel pool in A-1932 is limited to win, place, show, while A-1772 has a broader base for wagering. I believe that the broader base would allow for greater funds, and therefore, greater usage by the State.
2. In my bill, the members would select a chairman, rather than the Governor selecting a chairman and I believe we are all familiar with the recent debate concerning the difference.
3. Under A-1772, the director's salary would be \$60,000 rather than \$35,000 for an Executive Secretary, and obviously, this is based on the Casino Control Commission.
4. In regard to employee hiring, the directive in A-1772 would be the New Jersey conflict of interest law rather than the New Jersey Employer-Employee Relations Act. However, I am more than willing to reconcile the difference between same.
5. In order to protect the future, I would rather have a report to the Governor and the Legislature on a bi-monthly basis, rather than leaving same to an open system, as obviously, all of

us are now familiar with some of the problems of coordination previously experienced.

6. As to the difference with three members present being a quorum in both bills, and three members present for voting purposes in mine versus four members present for voting in A-1932, I again see no problem in reconciling these differences.
7. I feel that the mandate of 85% of the fronton employees being residents of this state would encourage employment, and therefore, I would rather have this mandated pursuant to A-1772.
8. In A-1772, the bill would allow for the local governing body of a municipality to recommend an applicant for a fronton license. Obviously, in this regard, we could have more than two frontons established, whereby Jersey City and Camden would be awarded a Jai Alai license, presuming the municipalities would desire same. However, other towns may also desire same. Obviously, some of the shore communities have expressed a desire in the past for an attraction, whereby they can compete with Atlantic City. Examples of this would be Perth Amboy and Wildwood. Jai Alai would allow for that attraction. Additionally, this could allow for our resort areas to provide year around tourist attractions, which could increase local employment, revenue, and residency, while building a coordinated mass transit system.

I respectfully request that the bills be considered in conjunction with each other, as I believe the differences can be reconciled while allowing the voters of the State of New Jersey an opportunity to build for the 1990's without the necessity of increased taxation.

Thank you for your consideration."

ASSEMBLYMAN CODEY: Thank you. Our next witness will be Assemblyman Chuck Hardwick.

A S S E M B L Y M A N C H U C K H A R D W I C K: Thank you, Mr. Chairman. I have copies of my statement for the Committee. Mr. Chairman, I thank you particularly for letting me get on early, since I have other commitments and for the opportunity to appear here today. I am here to express opposition to the legislation which would place jai alai on the ballot.

Let me hasten to say that I am not opposed to jai alai as such. To me, that is not the pressing issue.

But, rather, I am opposed to the expansion of legalized gambling in New Jersey. We already have a bewildering array of ways for people to wager--on horses, and numbers and casino games. In fact, today, gambling permeates the daily lives of millions of New Jerseyans.

The glittering allure of the easy buck, the big win, has taken its toll--make no mistake about that--and the Legislature knows it. It seems to me that we in the Legislature spend more time on gambling issues than anything else. For example, the Legislature has proposed for this session no fewer than 72 bills--and you can count them in the Legislative Index--72 bills to deal with some aspect of gambling.

The fact is, we really do not yet understand fully the significance of the rapidly growing gambling industry on the lives of the people in our state.

Recognizing this, our colleague, Assemblyman Cardinale, a member of this Committee, has sponsored AJR 1, which I fully support. This resolution would create a commission to study the immediate and long-range effects of gambling on the state's people. That resolution has been in the State Government Committee since January 14 and I urge you to pass this resolution. Let the commission come to grips with this most urgent problem before we add yet another gambling opportunity to the number already available. I believe that the conscience of the Legislature, which has approved gambling, demands nothing less.

Our own New Jersey State Department of Health recently compiled a disturbing study which indicates the scope of gambling damage that we already face. This survey estimated that there are 60,000 compulsive gamblers in New Jersey.

More tragically, the study also estimates a potential of 150,000 others who are vulnerable to gambling when exposed to its attractions. Clearly, it is this group which is most endangered by ever-increasing opportunities and promotion of gambling.

But, the effects of gambling hit all of us in terms of employment, welfare costs, loss of productivity

New Jersey will collect nearly \$300 million in tax revenues this year from gambling. We anticipate selling over 800 million lottery tickets. That is more than 100 for every man, woman and child in this state and that's a lot of gambling.

The question that we have to face is: Can we afford the social and human costs of this seemingly easy way out in attempting to solve pressing state problems?

To bring in that kind of revenue to the state, someone is losing a lot more. It is estimated that there will be \$1 billion lost at the casinos last year and that somebody is us, the citizens of the state and our neighbors and friends from nearby states.

The larger tragedy, perhaps, is that gambling is a solution that just doesn't work. The public does not get its money worth. You recall that the lotteries were going to solve the financial problems of our institutions. Well, our institutions are still losing federal funds because they can't pass accreditation. The casinos were going to solve our senior citizens' problems, but few seniors who voted for the casino referendum have ever seen a penny of the vast revenues that have resulted. Now, jai alai is being presented as a solution to our mass transit or urban renewal problems. But, the 5% of revenues earmarked from jai alai is miniscule in relation to the magnitude of the problems. Jai alai won't work either, as a solution to those problems.

In my opinion, New Jersey needs another chance to gamble like a drowning man needs a bucket of water. I urge you to move forward first on an understanding and treating of the effects of gambling, to determine how it has already affected our people and to come to grips with the medical problems of compulsive gambling, a problem that the state is contributing to, before entertaining the idea of further expansion of legalized gambling in our state.

I might add, in closing, that if the bill is passed from this committee and comes before the Assembly, I think there are numerous technical questions that need to be addressed, including the constitutionality of the procedures involved.

Mr. Chairman, once again, I thank you for this opportunity and I would be happy to respond to any questions you or any committee member might have.

ASSEMBLYMAN CODEY: Assemblyman Schuck, any questions?

ASSEMBLYMAN SCHUCK: Yes. Mr. Hardwick, I can appreciate your concern about gambling as a problem in the State of New Jersey and I would suggest that

most all of us have that same concern. I also appreciate your statement, but I have to take issue or at least ask you about the part where you say that casinos were going to solve our senior citizens' problems, but yet, they have not seen a penny of the vast revenues resulting. As an Assemblyman, I am sure that you are aware that money from casino gambling is going to our pharmaceutical assistance program, to our Lifeline Program and other programs that have been suggested. So based on that, would you agree that that might be a misstatement that you have there?

MR. HARDWICK: The statement is that few seniors who voted for the casino referendum have seen a penny of the vast revenues that resulted. I don't know how many, what proportion of our seniors have qualified for PAA. You do recall that some of us differed on how the monies were being shifted from one fund to another, as to whether or not that was new money or replacing programs already being funded. If it would make you feel better to say that many seniors who voted for the casino referendum have not seen the benefits that they anticipated, I can certainly live with that language. Technically, some have received some benefits. But, my real point is that it was being offered as a major solution to senior citizen issues and that it has not been and, I don't think, ever will be.

ASSEMBLYMAN SCHUCK: Again, that's a difference of opinion, but obviously, you are agreeing that that is a misstatement that you put in there, that few seniors have ever seen a penny from the vast amounts that result from casino gambling.

ASSEMBLYMAN HARDWICK: I don't know what proportion of our seniors have, Mr. Schuck, whether it is few or many. Certainly, some have, but the real point is that many seniors have realized the benefits of casino gambling that they thought they would and what proportion of our seniors and the population at large have benefited from the casinos, I don't know.

ASSEMBLYMAN SCHUCK: Okay.

ASSEMBLYMAN CODEY: Thank you very much, Assemblyman. Our next witnesses will be from Metro Jai Alai. Mr. Dugan?

J A M E S P. D U G A N: Mr. Chairman, Assemblyman Schuck, Dr. Villane, I am here in a representative capacity representing Metro Jai Alai. I have asked to speak on behalf of the bill. Three of the people who are associated with Metro Jai Alai are here. One is David Milner, who is President of Metro Jai Alai, and would like to offer to the committee for its consideration an overview of the economic involvement of Mr. Milner and the group that he has brought together. In addition to that, there is Hugh Schull, Jr., the Secretary of Metro Jai Alai would like to offer some comments on the fiscal aspects of the bill and finally, Leonard Meyers would like to offer to the committee his comments on his experience on the operational and startup aspects of a fronton and the operation of a fronton. Then, finally, I would like to offer some comments, Mr. Chairman, but I see I'm not on the list. So, I would appreciate it if you would put me down as the ninth or last speaker. Thank you.

ASSEMBLYMAN CODEY: David Milner?

D A V I D M I L N E R: Mr. Chairman and members of the Committee, thank you for the opportunity to support A-1932. I am the President of Metro Jai Alai, Inc. It is a New Jersey corporation, which was organized earlier this year for the purpose of promoting legislation for jai alai in this state and in structuring itself to be a successful applicant to operate a fronton in this state.

My own background includes 23 years as an attorney practicing in a very highly specialized area involving bus lines and trucking companies only, in a regulatory practice, before the Interstate Commerce Commission and the United States Department of Transportation. Some five years ago, through an attorney friend of mine who practices in Albany, New York, I became interested in the possibility of bringing the game of jai alai into New York and into New Jersey. This occurred after Connecticut had already authorized jai alai in Bridgeport, but before frontons were authorized and built in Hartford and Milford, Connecticut, and in Newport, Rhode Island.

Our initial interest coincided with the build up of interest for gambling casinos in Atlantic City. Realizing that jai alai would probably have to take a back seat to the Atlantic City casinos, our group, which came together and later became Metro Jai Alai, initiated discussions to consider ways and means of bringing jai alai into New Jersey, drafting required legislation, and getting people who we believed would help in organizing the project interested in the game.

Out of this, the Metro group was created and organized. It is primarily composed of New Jerseyites and it is a group which we believe will be able to successfully present itself to any gaming commission when it seeks a license to operate a jai alai fronton in this State. This founding group is composed of eleven people, eight of whom are domiciled in New Jersey. One comes from New York, one from Connecticut, and one party is from Florida. Metro includes three lawyers, one dentist, four business persons - three men and one business woman - a building contractor, a financial consultant, and one gentleman, the one from Florida, who is a former judge in Broward County, Florida. He left the bench after the death of his stepfather in order to take over and operate the jai alai operations in Florida which his family presently owns.

In the event that jai alai becomes an authorized activity in this State, Metro intends to present itself as an applicant to the appropriate licensing commission to build or to arrange to build and to operate the fronton which will be located in Jersey City. Metro has an interest in doing the same thing in Camden; but, appreciating that building one fronton may require as much as \$25 to \$30 million, the Metro group believes that to do the job correctly requires a concentration of its efforts in just one facility. In any event, if Metro gets involved in Camden as well as in Jersey City, it would only be the result of substantially enlarging the present Metro group.

Metro believes that it has the capability of operating a fronton right now. It has access to players and it has everything else required for a successful operation.

My purpose here this morning is to discuss generally what Metro is and what it is doing to help in bringing jai alai to New Jersey. Mr. Schull and Mr. Meyers, whom Mr. Dugan referred to, both are members of our Metro group and they will follow me. Mr. Schull will discuss the revenues which may be expected from a jai alai fronton, including, most importantly, what can be expected in public revenues. Mr. Meyers, in turn, will explain what is needed to establish a fronton and to start up jai alai activities.

Without infringing on Mr. Schull's area, permit me to briefly touch on what jai alai can do in bringing funds into the State. It is my sincere opinion that jai alai will receive a wide public support, not only from citizens of New Jersey but also from the citizens of nearby states, who by their attendance at

jai alai meetings will be swelling the coffers of this State, coffers which the Act proposes will help in the rejuvenation and the renewal of urban areas in the State. Obviously, areas where the frontons are to be located would be the principal beneficiaries of such rejuvenation.

Let me emphasize that jai alai cannot proliferate around the State. If it is authorized, jai alai will have to be limited to areas where each fronton can draw on a wide population area. This is so because it takes a large population area to make a fronton viable. Thus, we encourage you to find that there should be but one fronton in Northern New Jersey and one in the southern part of the State. Jersey City is probably the most logical choice for a northern fronton since it could feed off the entire New York Metropolitan area, both on the New York and the New Jersey side of the Hudson River. The choice of Camden is just as obvious since it can feed off the entire Philadelphia area on both sides of the Delaware River. Camden surely can use the impetus for its rehabilitation which jai alai funds can support.

Appreciating that the population of Northern New Jersey is that substantial that perhaps that area could support more than one fronton, we nevertheless submit it is our considered opinion that at least for starters only two frontons should be authorized in the State. Once these frontons are in place and operating and there is some experience to be gauged from their operations, then it could well be that the Legislature may wish to look to a further fronton location or locations, particularly in the northern part of the State.

In the same vein, Metro does not believe that Atlantic City is the place to locate a fronton. Atlantic City already has casino gambling, it has a track, and it is well on its way back to prosperity. Camden, on the other hand, no longer has a track and it surely is an area needing a shot in the arm. The Hudson County area similarly is a logical place for the same reasons.

Building a fronton in Jersey City and Camden would bring many varied interests into consideration. For one thing, frontons attract tourism. Thus, it would help to bring money from other states into New Jersey. Building frontons helps the construction industry. We estimate that each fronton would employ many hundreds of people, depending on the size of these facilities. I believe Mr. Meyers feels that it could run almost as much as a thousand people at a fronton, gauged by the number of dates that are in the present bill.

Merchants in the area surely would benefit from the influx of people. Local restaurants and hotels will stand to benefit.

As you know, the bill provides that local governments as well as the State government will benefit from various moneys to be derived from the games, as Mr. Schull will explain.

Building a fronton now will surely help New Jersey to get the jump on other bordering states. As I have indicated, in this part of the country, you have frontons: three of them in Connecticut, one in Rhode Island. There is a substantial amount of discussion in the State of New York to create frontons in that state. If New Jersey waits, then we feel that the costs of acquiring land and building the frontons will only increase and make it much more costly to start up operations at a later time. If we get a head start over our neighboring states, New Jersey can become the major league of jai alai, attracting the best players and creating a solid source of continuing revenues for the State.

Before closing, I would like to make reference to three people who are in Florida today whom we asked to appear with us at this hearing today, but who

unfortunately have a conflict with a meeting that was scheduled sometime ago. These three people are attending a one-day session of the National Association of Jai Alai which meets once a year with the members of that Association and the Florida Gaming Commission. The three people are Mr. Horton Soper, the President of Florida Jai Alai, who is acting as a consultant and as a member of the Metro group and is the former judge that I referred to before. The second gentleman is Mr. Guy Rutledge, who is the Gaming Commissioner of Florida, and his jurisdiction is over racetracks, the dog tracks and jai alai within Florida. The third gentleman is Mr. Patrick McCann. Mr. McCann dispatched a letter to me on Friday, September 12th. Unfortunately, it was not received in time for me to hand up this morning. When Mr. McCann's letter is received, I would ask permission to submit it as a late-filed exhibit for your record; and perhaps if Mr. Rutledge gets his letter off to us, we can do the same with that.

In any event, Mr. McCann's letter of the 12th was read to me over the phone on Friday. I would just briefly want to indicate what Mr. McCann wanted you to hear. Backgroundwise Mr. McCann had served in the FBI for 26 years and he left to become the Florida Gaming Commissioner. Four years ago, he left that post to become the Executive Director of the National Association of Jai Alai with its offices in Miami. He presently devotes his entire time to this Association and to jai alai.

In his letter Mr. McCann emphasizes that jai alai is an excellent source for revenues for this State. It helps to boom tourism. It benefits the construction industry. It brings in a constant source of funds to the State's treasury. Mr. McCann sits on the regulatory committee for the conduct of jai alai players. He feels that proper legislation and safeguards help to promote a healthy industry in jai alai. He believes that serious consideration should be given to passage of this bill and he feels that jai alai would be a tremendous asset to New Jersey and to its citizens.

In closing may I say this: Perhaps we are emphasizing the benefits of jai alai, particularly as a source of funds to the State and to local government. But I would also ask you not to lose sight of the fact that jai alai also presents a large cross section of the people with an inexpensive form of entertainment. It is an exciting game. It is even a family-oriented type of entertainment. We ask for your favorable action on this bill.

Mr. Chairman, I thank you for the opportunity of making this statement.

ASSEMBLYMAN CODEY: Any questions?

ASSEMBLYMAN VILLANE: Were you involved in the last campaign when we had a referendum in New Jersey to permit jai alai?

MR. MILNER: No, I was not, sir.

ASSEMBLYMAN VILLANE: You talked about access to players. You said that you have access to good players. Tell me how that works. I don't understand what you mean. Do you have special access or do you have contacts?

MR. MILNER: Through Mr. Soper, we do have an access to good players. Good players are the key to an exciting game. There are just a relatively limited number of players that are available. They principally come out of Basque country, although in the past few years there have been schools established in Mexico and in Florida to develop jai alai players.

In discussing the availability of players sometime ago, we had the opportunity when we were in Nevada to be at a fronton in Reno. I had complained that the

calibre of playing was not the same as we found down at Florida. It was suggested to me that that is indicative of the availability of good players. It is pretty much like our own major leagues and minor leagues. There are just so many that can make the big time. Our feeling is that, lying as we do, fortunately or unfortunately, between New York and Philadelphia, we can draw on such a large segment of the population that this in itself should be an attraction for players.

ASSEMBLYMAN VILLANE: What is the schedule for a fronton? How often do they play, what days of the year, and how many days are they open?

MR. MILNER: As the bill is drafted, it refers to 311 days, which would be Monday through Saturday of each week.

ASSEMBLYMAN VILLANE: For each fronton?

MR. MILNER: For each fronton. That would be the number of dates for the evening sessions. There would be matinees as well.

ASSEMBLYMAN VILLANE: Sometimes there are two sessions a day, a matinee and an evening performance?

MR. MILNER: Yes.

ASSEMBLYMAN VILLANE: Do the players play in the same fronton all the time or do they trade between different frontons?

MR. MILNER: No, generally, they stay under contract; but they will move from one area to the next. We are hoping by virtue of the type of attraction a fronton can be, whether it is in Camden or Jersey City, attracting this tremendous metropolitan area in the three states, that it will keep the players in place right here for the most part.

ASSEMBLYMAN VILLANE: The last time this bill came up some years ago, there were about 15 amendments offered to the bill requesting frontons in different areas and different legislators proposed their particular areas. I heard you say that you are only in favor of two. And I assume that you are testifying in behalf of the bill sponsored by Mr. Jackman.

MR. MILNER: That is correct, sir.

ASSEMBLYMAN VILLANE: Senator Bedell offered an amendment last time to a very similar bill that accepted Long Branch, New Jersey, as a possible site for a fronton. If that amendment were made in the Senate, would you still endorse the bill?

MR. MILNER: Yes, we would. That area, particularly on a seasonal basis, might well be a good location for a fronton. Initially, to introduce the game into this State, we just felt that perhaps we should walk before we run and see what the experience is at two logical spots, such as Jersey City and Camden. As I suggested in my statement, sir, the feeling is that perhaps the area in Essex County would support a fronton as well as Hudson County, and perhaps in time this Legislature might feel that introducing the game in Monmouth County might be just as logical. But we feel to try to do this all at one time, getting off the ground, would create a premature situation. It would seem rather obvious with the transit facilities and the road network between Hudson County and Northern New Jersey and Hudson County and New York City that Jersey City is a logical spot.

ASSEMBLYMAN VILLANE: I notice that this rendering that you have has Liberty Park on it and I see the Statue of Liberty in the background - and her torch is somewhat wilted. Do you have any idea that you might place that in Liberty State Park, the State park that adjoins it?

MR. MILNER: I would prefer to have you ask that question of Mr. Meyers.

He is in a position to describe the physical plant and also the various sites that would be logically used for this purpose.

ASSEMBLYMAN VILLANE: Is the Metro group a corporation?

MR. MILNER: Yes, it is.

ASSEMBLYMAN VILLANE: It is not a stock-held company?

MR. MILNER: No.

ASSEMBLYMAN VILLANE: It is a private company?

MR. MILNER: It is a private company, sir.

ASSEMBLYMAN VILLANE: Are you considering putting it on State property with a lease back or something like that?

MR. MILNER: If the locale feels that it is in its interest to maintain that type of control and have a lease back, we would really find no objection to it. At this point, the way the bill is structured, it was our intention if we were successful to undertake the financing to build the fronton ourselves on land that would be acquired by the corporation. But we are flexible in that respect.

ASSEMBLYMAN VILLANE: How can a corporation like yours guard against some of the scandals that have come up against the Connecticut and the Florida groups that have jai alai where records have disappeared and there is a fixing of games and things like that? What guarantees do we have we won't have those same kinds of problems in New Jersey?

MR. MILNER: I believe the sense of Mr. McCann's letter is directed to that very question, sir.

ASSEMBLYMAN VILLANE: Mr. McCann works for the industry. He was formerly an agent for the state and in New Jersey, you see, we have conflict of interest laws that would prevent him from doing things like that.

MR. MILNER: I appreciate that.

ASSEMBLYMAN VILLANE: Working for the state now, he works for your industry. I can understand his point of view that frontons are good and the game is good. But how do you prevent the fixing of games and things like that?

MR. MILNER: He is very much aware of the problem and Florida does maintain a very stringent control over the players. It is very much akin to the type of control that you have in other major games where you have a commissioner and they assess fines and they suspend players and owners and maintain controls. The present legislation was drafted with that in mind. We have been particularly careful in those with whom we have congregated and brought together for Metro in the realization that this very consideration would be brought to bear. I suppose it is the counter-part of the human fallacy that you are going to find these situations coming up. But we are trying to become forearmed in order to forestall any problems. It is a question of control over the players, certainly - and we are very much in favor of maintaining that type of control - so that any problems that would arise would be kept to an absolute minimum if they can't be prevented absolutely.

ASSEMBLYMAN VILLANE: Thank you very much.

MR. MILNER: Thank you, sir.

ASSEMBLYMAN CODEY: Thank you very much.

The next witness is Mr. Hugh Schull, Jr., Secretary of Metro Jai Alai.

H U G H S C H U L L, J R.: Mr. Chairman and members of the Committee, my name is Hugh Schull. I am a full time employe of Walter Kidde and Company, Inc. I am Vice President and General Attorney. But I appear here today in my personal capacity as a member of the Metro Jai Alai group and as Secretary and

one of the several lawyers involved in the organization.

The purpose of my testimony this morning is to give the Committee what we consider a reasonable estimate of the revenues to be expected by state, county and local governments as a result of the legalization of jai alai in this State. I am going to give you estimates relating to a single fronton of 10,000 seats, playing on 311 dates, giving 311 nightly meetings and 132 matinee performances.

ASSEMBLYMAN VILLANE: How many matinees?

MR. SCHULL: One hundred and thirty-two.

We have assumed, perhaps being overly conservative, that the attendance for nightly meetings would be 7,500 on the average and, for the matinees, 4,500, giving a total annual attendance of 2,926,500.

We have further assumed that the average wager per patron would be \$75. This again is a very conservative estimate since the Connecticut frontons, I believe, are experiencing an average wager of a little over \$100. However, using the assumptions I just recited, the total pari-mutuel pool for this hypothetical fronton for a year would be approximately \$219 million. Under A-1932, the bill we support, the governmental share of the pari-mutuel in total is 7 percent. The State would receive 5.5 percent as its basic take, or approximately \$12,071,000, to go into the State Jai Alai Fund. In addition, under the bill, the State would be entitled to 50 percent of the so-called breakage, which we estimate to be in total 2/10ths of 1 percent or 1/10th of 1 percent for the State, or \$219,000, and 50 percent of the outs or unclaimed winning tickets, which we have estimated to be \$400,000 as the State's share, giving \$12,691,000 in total State revenues from this fronton under these assumptions.

Under the bill, 1 percent of the pari-mutuel pool or \$2,194,870 would be available for the municipality in which the fronton is located, earmarked for tax abatement or property tax savings, and 1/2 of 1 percent or \$1,097,000 to the county in which the fronton is located.

In addition to these basic shares of the pari-mutuel pool, the bill also provides a total of 10 percent in governmental take from the admission tickets. Using our attendance projections and the price of \$2.50 for a nighttime ticket and \$1.50 for a matinee ticket, there would be total ticket revenues of \$6,722,000 or \$336,000 to the municipality and \$336,000 to the county.

This would mean on our assumptions the State would have received \$12,691,000 in revenues, less an approximate \$63,000 earmarked for administration. The municipality would receive \$2,530,000 and the county \$1,433,000.

As indicated, these are very conservative numbers and, if we made higher attendance assumptions, such as 9,000 for nighttime meetings and 5,500 for matinees, keeping the same \$75 wager, the total amount of governmental participation would go from \$15.9 to \$19.1 million.

We actually believe that on a successfully operated fronton, the pari-mutuel would be closer to, say, \$300 million. We could arrive at this figure by taking the attendance figures I used, 2,926,000 and using an average wager of slightly more than \$100, which would accord more nearly with the current experiences of licensed frontons. If we did this, using estimated breakage and unclaimed winning ticket numbers of \$300,000 and \$500,000, the State revenues from this single fronton would be approximately \$17,300,000. The municipality's participation would be \$3 million plus its share of the ticket revenues of \$336,000; and the county's participation would be \$1,500,000 plus its share of the admissions revenues.

This is for a single fronton. If we assume that there were two frontons approximately the same size with approximately the same wagers, of course, these figures would be simply doubled.

In addition to these direct revenue benefits from the pari-mutuel pool directly traceable to the legalization of jai alai, there are many other State revenue sources and pickups that would result from a successful fronton's establishment. For example, in the hypothetical fronton we are talking about, the payroll would be probably between \$17 and \$20 million, with perhaps 500 full-time and 500 part-time employees. Their salaries, of course, would be subject to the New Jersey gross income tax and other payroll assessments. We are speaking here of an additional ratable for real estate taxes of approximately \$20 million for the county and municipality. Plus the profits to the operator, if it were conducted in corporate form, of course, would be subject to corporate income tax; if passed to the individuals, again it would be subject to the gross income tax. The construction of the fronton would doubtless enhance surrounding property values, improve the businesses surrounding it, such as the restaurants, and the profits to suppliers. There are a myriad other ways in which the local economy will be enhanced by a fronton with the multiplier effect that it would have.

Thank you. Are there any questions?

ASSEMBLYMAN CODEY: Any questions?

ASSEMBLYMAN VILLANE: Did you say you worked in Florida in addition to working for Metro?

MR. SCHULL: No, sir. I said that I am a full-time employee of Kidde, Incorporated, a large New York Stock Exchange diversified company. I am Vice-President and General Attorney. But I am here in my personal capacity as a member of the Metro Jai Alai group. I am a resident of New Jersey. - I live in Montclair - and I have been since 1962.

ASSEMBLYMAN VILLANE: He is your representative.

ASSEMBLYMAN CODEY: No. It is close, but not in my district.

ASSEMBLYMAN VILLANE: What is the capacity of the fronton in Bridgeport?

MR. SCHULL: I believe it is close to 7,500. Mr. Meyers would probably be able to answer questions like that a little bit better than I.

ASSEMBLYMAN VILLANE: You are drawing figures and numbers. It is always interesting when you look at some of these deals as prospective investments. They always kind of flow rather naturally and rather graciously at proposal time. But we are talking about a 10,000-seat fronton. I think that is what you said.

MR. SCHULL: Yes, 10,000 seats.

ASSEMBLYMAN VILLANE: Is the one in Florida 10,000 seats?

MR. SCHULL: I don't believe so.

ASSEMBLYMAN VILLANE: Are there any around that have 10,000 seats?

MR. SCHULL: I don't know about the one in Las Vegas. But Mr. Meyers knows each fronton and its statistics fairly well. As I said, he can probably answer questions like that better than I.

ASSEMBLYMAN VILLANE: You talk about a 10,000-seat arena where you expect to have 7,500 people a night and have 1,000 people employed. That is kind of a disproportionate number of employees to the attendees.

MR. SCHULL: If you have, say, 10,000 and maybe 1,000 standees on a heavy night, then the ratio is not askew. Remember I am talking about also part-time maintenance and security people - policemen.

ASSEMBLYMAN VILLANE: Do you know what the average handle is at a race-track per person?

MR. SCHULL: I do not

ASSEMBLYMAN VILLANE: You are talking almost as much or more than they handle at a racetrack, which is surprising to me. What is the pari-mutuel bet at a fronton? Is it a \$2 bet?

MR. SCHULL: A \$2 minimum - I suppose it can go up higher than that.

ASSEMBLYMAN VILLANE: The minimum is \$2?

MR. SCHULL: I believe so, yes.

ASSEMBLYMAN VILLANE: You talked about what the revenue to the State of New Jersey would be and you kind of multiplied those according to the population. You estimated about \$12.6 million for the State. What did you estimate for the municipality and the county?

MR. SCHULL: That is using 7,500 average attendance at night and 4,500 at matinees, with a \$75 average bet, giving a total annual pool of \$219 million. On that basis, the State's revenue would be \$12,691,000; but you would have to add in the breakage and the unclaimed winning tickets.

ASSEMBLYMAN VILLANE: Well, that includes that - 50 percent for the breakage and 50 percent for the unclaimed tickets.

MR. SCHULL: Right.

ASSEMBLYMAN VILLANE: You estimate \$400,000 for the unclaimed tickets and \$219,000 for the other. So that includes that.

MR. SCHULL: Yes.

ASSEMBLYMAN VILLANE: How much would the corporation make with a handle like that?

MR. SCHULL: That I don't know. That is Mr. Meyers' bailiwick. It would depend upon the operating costs, the original cost of the fronton, the debt service, the interest rate, many, many variables.

ASSEMBLYMAN VILLANE: Well, there are as many variables, I think, with municipal, county and state government, as far as their policing of it and the additional people they would have to put on the payroll. But you have no idea percentagewise in a nice preparation like this, estimating what the State, the county and the municipality will earn, how much the corporation would appear to be able to make with a \$20 million investment? That ought to be pretty easy to amortize over a 25-year period. Do you know how many people are going to work there and ---

MR. SCHULL: If one can get the financing. This was not my area of responsibility to the group. Mr. Meyers, of course, could probably address himself more directly to that. But I would say, for example, my number I had for payroll expense was quite low. Mr. Meyers said I was only off about 30 percent. So I wouldn't trust my judgment as to how much the fronton would make or as to the number of employees. A surprising number of jobs are created by the operation of a fronton this size, things that I never considered.

ASSEMBLYMAN VILLANE: Why is it that they locate frontons in the urban areas?

MR. SCHULL: Well, I imagine, if there is a site available, it is the easiest market draw.

ASSEMBLYMAN VILLANE: That is pretty accurate - as opposed to putting it out in a place like the Meadowlands where you need private transportation

to get there.

My concern and our concern is that this is the kind of an industry that preys on poor people in their effort to get the big hit, the big win - triple your money and quadruple your money. They are the people least able to afford the loss of those kinds of dollars. We have looked at this for a number of years now. Placing this in areas where there is the highest unemployment and where the greater number of people are on welfare just compounds the problems of our urban areas. And I don't personally see how it is going to help urban areas. I think it is going to hurt more than help.

Thank you very much.

MR. SCHULL: Thank you very much.

ASSEMBLYMAN CODEY: Is Mr. Soper here? (Not present.)

Mr. Leonard Meyers.

LEONARD MEYERS: Good morning. My name is Leonard Meyers and I am with the Metro group. I think I may be able to answer some of Mr. Villane's questions more concisely since operations is an area in which I have been involved.

ASSEMBLYMAN VILLANE: I don't have a statement from the previous speaker. Is there one? You don't have a prepared statement to give to the Committee?

MR. MEYERS: No, I don't, sir. I, frankly, was only notified of this hearing over the weekend because I believe someone else was going to be here and I just came down this morning.

A couple of points I'd like to make before I get into the idea of how the operations are conducted in a jai alai fronton, just to clear up a couple of points--

ASSEMBLYMAN CODEY: Mr. Meyers, if you could, would you go into your background?

MR. MEYERS: Yes, sir. I was a former owner and operator of the Bridgeport Jai Alai Fronton in Bridgeport, Connecticut. Prior to that I had no pari-mutuel or gambling experience. I became involved in the Bridgeport Fronton with a group of second owners when the original licensee of the Bridgeport Jai Alai Fronton was unable to get a permanent license to operate that facility. I was invited into the group of operators as a local businessman in the community to bring the operation into the community and, as such, was directly responsible for cooperating with the local municipality, the local police, the state police, the local minority groups, who were involved in seeing that there was equal opportunity afforded to the entire community for the hiring of the residents of the local Bridgeport area who worked in the fronton and that comprised well over 90% of the people employed in that fronton. That 90% is after taking out the players who, for obvious reasons, cannot be secured in the local community. Since leaving the Bridgeport fronton, I have since been back to business again. My basic business is the parking business, started right here in New Jersey.

The two points I wanted to make before getting into the operational end of things were, at the present time, in as probably a scientific way as can be determined, as much as 10% of the attendance at the Bridgeport fronton are arriving in cars with New Jersey license plates.

The second point--and this takes some explanation and some real seeing-- it was mentioned earlier that Atlantic City might not be a good location for a jai alai fronton and one of the witnesses testified as to having seen jai alai in Reno, Nevada. Well, it is my information, at present, the Reno fronton is closing down. Jai alai is more an entertainment, to the people who go there, than it is a gambling opportunity. Now, I do not try to say that we could be successful without having the gambling. That is the element of excitement that goes along with watching some very exciting entertainment. But, jai alai cannot compete for fast action with a crap table, a blackjack table or a slot machine. People who are going into a casino aren't going in to watch the funny dice bounce up and down on the table. They're going in there for, as Mr. Villane has said, the big hit or the big score and you are going to find a much more compulsive gambler in a casino. When you go a racetrack, the race is over in anywhere from just over a minute to over two minutes and, again, it is very exciting, but it is over and done with. When you go into a jai alai fronton, you're going to sit and watch a game on which you might have a wager, which could be as low as a dollar today with the new machines that we have. It could be anywhere from a dollar to, if you wheel the trifecta, nine or eighteen dollars, which would be probably the maximum bet. You don't even see more than a \$10.00 window in a jai alai fronton. But, you are going to sit there and watch that game from anywhere from

eight minutes to as much as twenty-five minutes before you see what the result of your wager is. We feel that we're performing an entertainment function as much or as well as the pari-mutuel aspect of this.

As a further point, the State of Connecticut, in the last legislative session, increased the age which a person must be in order to attend a jai alai fronton. It formerly was that anybody could go into the fronton, but, of course, you had to be 18 to wager. Now, you must be 18 or older to enter the fronton. As a consequence, the attendance of the Connecticut frontons is off between 7 and 10%.

ASSEMBLYMAN VILLANE: That's in Bridgeport?

MR. MEYERS: No, that's the whole State of Connecticut, the three frontons and the Plainfield dog track, and that's directly attributable to the fact, particularly on matinees in the summertime, we used to see whole families coming in, spending an afternoon of entertainment--cheaper than they can go to the movies--and these families are no longer able to come and as a consequence, the attendance has drastically suffered. That is directly attributable to that fact.

Now, more to the point of what I was asked to speak on and that is the operation of the fronton. As I said, particularly entering a new area, such as the Jersey City or Camden market would be, as many as 1,000 full and part-time employees could be engaged in the operation of a facility of this size in the Jersey City area. This involves the pari-mutuel personnel involved in the selling and cashing of tickets and working in the back room operation, which involves the record keeping. It involves the security personnel, which I would estimate to be at a minimum of 100, and that does not include the city and state police who would be involved in the outside security, which is very important for traffic control and crowd control. You have your maintenance department and, just to give you an example in that area, if you run an afternoon matinee on a Saturday, which might end between 5:00 and 5:30, and you have to prepare for an evening performance starting at 7:00 to 7:30, it would take over 100 people to clean that facility in the hour and a half or two hours available to it. Now, they might not all be full-time employees, but they have to be in there and they have a very important job to do. You have the parking people. You have the office people. You have the concession people, program people and the restaurant people. As I say again, running a full year's program, I easily see 1,000 people working in this facility.

It has been the practice we followed in Bridgeport, and what we would certainly attempt to do in Jersey City, to work as close as we could with the city hall. Now, I don't mean in a patronage sense, but in a sense of working with the relative agencies that are responsible for seeing that jobs are provided in the community. We have an equal opportunity officer to make sure that we hire in proportion to the community's ethnic background and this became very important. We learned and we learned very quickly how important that is. We are teaching skills to people. We ran training schools for operation of the pari-mutuel facilities, for working in restaurants, for working in kitchens. It is opening a major business within the community. There is absolutely no question about that. There is an immediate upgrading of the area into which the fronton goes. Now, again, a direct answer to a question: Why do you go into urban areas? I must point out to you the very first fronton that went into and opened in an urban area was Bridgeport. Prior to that, all the frontons served a tourist function.

I might say that I don't look at jai alai in the same sense that you might classify the word tourist. We're an entertainment, but people don't come overnight

and stay in a motel to see a jai alai performance. We would hope that we would be an attraction to draw the people from New York, Long Island. As I told you, 10% of the people in Connecticut have a Jersey plate. 25% of them, or more on some performances, have a New York plate and I would suggest to you that Jersey City is a heck of a lot closer to Manhattan than Bridgeport, Connecticut is. But, it brings up a very good point. Bridgeport is a city of 150,000 people that Paul Newman, the actor, called, "the armpit of Connecticut." Once the jai alai got into operation we said that the jai alai was the "Rightguard" because, all of a sudden, people knew where Bridgeport was and the city taxrolls took a dramatic turn for the better. The ratables in the entire area around the fronton went up. The fronton became the sixth or eighth-- I'm not certain--largest real estate taxpayer in the city. That was a tax that was not mentioned previously, but this facility, if it is built with private funds, on private land, it goes on the ratable and you are looking at between \$25 million and \$30 million of a ratable, which will go into the coffers of Jersey City or wherever else it happens to be located.

Another school, which we started operating in which I could also anticipate seeing here, is a players' school. One of the very important questions in jai alai is, where do your players come from. Again, most of them come from the Basque region of France and Spain and the Pyrenees. There have been, over the past five years, a handful of American players who have started to play professionally. We started a school in Bridgeport under the supervision of the player-manager and several of the players and if American boys are brought out early enough--and I mean at the age of 12 or 13--to learn the skills, they rapidly develop so that they can be brought up through the training system, even including sending them over to Spain to play in some of the minor frontons which exist over there.

The wages that a competent American player is able to earn today playing jai alai make it worth his while. Until the advent of jai alai in Connecticut, it probably didn't pay a good American athlete to take the time to learn jai alai. He could do better being a baseball player or basketball player. But, today, the star and superstar in jai alai is a recognized sports figure and is starting to draw a salary commensurate with a professional athlete in the United States. We ran into sort of a problem in the Bridgeport area. They had to post signs in almost every schoolyard, "Please don't throw the jai alai balls against the walls." We had so many kids playing in the schoolyards and, of course, a jai alai ball is a heck of a lot harder than a basketball or a rubber ball and it was causing damage to the schoolyard walls. But, the kids love the game and our American boys have the capability to play the game when they are taught early enough and with proper instruction.

I think that is basically what I would say as a dissertation. I would be happy to answer any of your questions, some of which I might know the answers to.

ASSEMBLYMAN CODEY: Any questions?

ASSEMBLYMAN VILLANE: I wanted to ask some questions about Bridgeport? Are you still affiliated with the Bridgeport fronton?

MR. MEYERS: No, sir.

ASSEMBLYMAN VILLANE: You have sold out your interest there?

MR. MEYERS: Yes, sir.

ASSEMBLYMAN VILLANE: What is the capacity in the Bridgeport fronton?

MR. MEYERS: The seating capacity is about 4500. We have done over 10,000 people in the course of an evening. There is a very simple explanation--and it is not just jai alai, but also racetracks. The racetracks will come out sometimes

with a figure of 40,000 or 50,000 attendance, but there is never that many people there at the same time. Remember, a pari-mutuel performance extends over a period of anywhere from four to six hours and you have people coming to the early games, the middle games and the late games and you have a constant turnover. Therefore, your attendance figures really don't relate to the number of seats that you have. The facility that we would have here would be the largest ever built. If I had a big model, I could more easily explain it to you, but remember, you are looking at a court that is finite. You can't make it bigger or smaller. The sight lines are very, very important to watch in jai alai. If you can't see the front wall or the back wall, you're going to lose a lot of interest. So, you can only make your auditorium a certain size. This is one of the reasons that we have as much standing room and T.V. viewing rooms as possible, because it would be physically impossible for 15,000 people to all sit down and watch a jai alai game.

ASSEMBLYMAN VILLANE: The forward wall is glass in there?

MR. MEYERS: No, the forward wall is not glass.

ASSEMBLYMAN VILLANE: The wall that faces the audience.

MR. MEYERS: It is like a chicken wire, although much stronger.

ASSEMBLYMAN VILLANE: Why don't you build seating on both sides of it?

MR. MEYERS: That's been considered and you would have to build a sidewall, which is a wall in play, of glass and I don't know of anybody who is willing to take the risk and make the investment.

ASSEMBLYMAN VILLANE: To get back to Bridgeport--and I think it is important that you made the point that it really doesn't do much for the motels and hotels in the area--it is the kind of thing that we've seen in New Jersey where the visits to the racetrack have been a daily visit and then you go back home because of the access. It really is a more accurate statement than the previous statement.

MR. MEYERS: The restaurant business and the liquor business have prospered in the immediate vicinity. There is no question about that.

ASSEMBLYMAN VILLANE: Why was the change in the attendance, from allowing any age to go, but only age 18 to bet? Why was that change brought about?

MR. MEYERS: It was for a very political reason. When gaming was legalized in the State of Connecticut, it was under the prior administration to the present Governor. The present Governor has made her views well known on gaming and is doing all she can to try and roll it back, if you would, although her attitude has somewhat softened in the recent few months. To give you an example of her feeling--and it is a point I should make about a facility like this--the Bridgeport fronton is used a great deal for civic purposes, when it is not being used for jai alai and this facility would be too. There are high school graduations, charity events, and by the way, the bill calls for at least five of these performances with the entire proceeds of these performances to be given to a local charity, your heart fund, cancer fund, Catholic Relief, or whatever it might be. That is something that came out of the Florida facilities and has been incorporated into the bill here in New Jersey. But, we had Bob Hope one night, for the burn unit in our local hospital, come and entertain at the Bridgeport Fronton and the Governor refused to accept an invitation. She just wouldn't enter the fronton. So, that was one of the reasons that the 18 year old law went into effect. I think it will be reversed, eventually.

ASSEMBLYMAN VILLANE: According to this bill--and I asked the question of the previous speaker--5½% is returned to the state and it is about a \$220 million handle, which would mean that the state would get about \$12 million and local municipalities would get about 1%. Of the \$100 bet by the individual--and I think they said it is about \$100 per attendee, which is high, I think, very high. Was it that way in Bridgeport?

MR. MEYERS: It gets higher as you take out more of the people who come just for the entertainment value. By that, if a father and mother came with their two children on Saturday, now, you might just have the father showing up. He was the bettor anyway. So, whereas, he might have bet \$120 and if you had four people, it actually brought your per capita down to \$30. Now, the per capita is \$120. The Connecticut experience has been that the per capita is higher than the Florida one was, although Florida is increasing also. It is a function of two things, the more sophisticated pari-mutuel equipment available today, allowing for quicker betting, the inflation, where a person is more prone to bet three dollars today than he was to bet the two dollars before.

ASSEMBLYMAN VILLANE: How many games are there in an evening?

MR. MEYERS: Normally, twelve.

ASSEMBLYMAN VILLANE: And, the average bet, if you are handling \$100 or \$120, is probably \$10 per game?

MR. MEYERS: It is probably a little less than that.

ASSEMBLYMAN VILLANE: Somewhere in that area?

MR. MEYERS: Yes, sir. As I said, we allow betting down to a dollar and we don't have more than a \$10 window and you wouldn't get run over standing at the \$10 window.

ASSEMBLYMAN VILLANE: With the new machines, you can bet \$1000 in five seconds. All you do is punch the \$10 machine 100 times.

MR. MEYERS: Yes, that would be correct, if that is the kind of wagering that you had. You just don't get it.

ASSEMBLYMAN VILLANE: Out of a \$220 million handle, how much would a corporation make, according to this piece of legislation?

MR. MEYERS: I would want to see somewhere between a 15% and 20% return on our investment. I think that's fair.

ASSEMBLYMAN VILLANE: Someone mentioned a \$20 million investment.

MR. MEYERS: I think that you are going to see it closer to \$25 million, at least. We have forecast, two years ago--and I was part of that group that was sponsoring the legislation two years ago--that this facility would have cost \$18 million then and I think it has to be, at least, \$25 million today.

ASSEMBLYMAN VILLANE: So, you would figure on a \$25 million investment and you think you ought to be able to make about \$4 million a year?

MR. MEYERS: I would say, \$4 million to \$5 million.

ASSEMBLYMAN VILLANE: In this present legislation, it allows you people to take 12% of the handle, which comes to 12% of \$220 million.

MR. MEYERS: That's about \$25 million. It is going to cost you close to \$20 or \$21 million to operate the thing, sir. If you have 1000 employees, just stop and figure up from there, plus your debt service, your taxes. It is not a Mickey Mouse operation. It is a business. It really involves a great deal of detail and a great deal of bodies. It is labor intensive in the sense of getting that facility to be used as frequently and expeditiously as possible.

ASSEMBLYMAN VILLANE: Is it seasonal in any way? Is it more heavily attended in certain months?

MR. MEYERS: All gambling is seasonal. All entertainment is seasonal.

ASSEMBLYMAN VILLANE: You can argue Atlantic City.

MR. MEYERS: Well, Atlantic City is not going to do in February what it did in August.

ASSEMBLYMAN VILLANE: But, is this jai alai seasonal?

MR. MEYERS: Yes, sir. You are going to get variations. The entertainment dollar is not as readily available in December, for instance, when families are spending their money, entertainment and gambling money, for Christmas presents and what have you and you will see a falloff in December as compared to July and August. In July and August, the families are on vacation and they are more prone to go to this type of activity.

ASSEMBLYMAN VILLANE: Thank you. That's all, Mr. Chairman.

ASSEMBLYMAN CODEY: Assemblyman Cardinale?

ASSEMBLYMAN CARDINALE: You talked about attendance and occasions where the attendance would exceed your capacity, but what was your average attendance experience in Bridgeport?

MR. MEYERS: I'm going back. I have not been in Bridgeport since '77-'78. If memory serves me correct, and this is only a guess at this point, it was around 6,000 or 7,000, in that range, when you came down to your average.

ASSEMBLYMAN CARDINALE: In terms of the actual profits experienced in Bridgeport, can you expand on that at all?

MR. MEYERS: Bridgeport, the last year that I was involved--and again, this is a recollection--I believe it was \$6 million. That was the profit that was shown and that was on a lesser investment than is involved here. Bridgeport was a very unusual situation, probably the most successfully operated pari-mutuel facility in the country, vis-a-vis, the size of community, the size of facility and number of dates.

ASSEMBLYMAN CARDINALE: But, the profit per investment ration there was on what order of magnitude?

MR. MEYERS: It was probably closer to 40%. It has gone down considerably because of changes in the laws in Connecticut and an increase in the takeout. Remember, the takeout figures changed in Connecticut more to correspond with what has been suggested in this bill.

ASSEMBLYMAN CARDINALE: The actual experience in terms of taxes returned to state or local government was--

MR. MEYERS: It was in the millions. I don't remember the exact figure, but the facility itself was either the sixth or eighth largest taxpayer, real estate taxpayer in the city, dealing with a city of only 150,000 people.

ASSEMBLYMAN CARDINALE: You say it will employ close to 1,000 people?

MR. MEYERS: Full and part-time.

ASSEMBLYMAN CARDINALE: Translating that into full-time jobs, what number of full-time jobs would that be?

MR. MEYERS: At least 50%. At least 500 full-time jobs. This is given a full year's season, sir. The bill calls for 311 days. If that is the type of bill that is passed, it will be, at least, 500 full-time employees in that facility.

ASSEMBLYMAN CARDINALE: Thank you. No other questions.

ASSEMBLYMAN CODEY: Thank you very much. Leon Zimmerman, Standardbred Breeders and Owners Association?

L E O N J. Z I M M E R M A N: Thank you. I am testifying today on behalf of the Standardbred Breeders and Owners Association, which is a statewide organization that represents all aspects of harness racing in New Jersey, except, of course, for the track ownership. We have nearly 2500 members actively involved in breeding, owning, training and racing of standardbred horses in New Jersey and they employ approximately 10,000 additional people in the care and training of their horses and their farms.

As you know from previous testimony and appearances before this Committee on other occasions, the SBOA of New Jersey, which is now in its 20th year, is vitally interested in and has worked hard to improve the standardbred industry and harness racing in our state.

Obviously, that is why we are greatly concerned about these proposals to bring jai alai to New Jersey and the potential damage, if not destruction, that it could cause the very successful harness racing industry and horse racing in general.

Now, let me point out that I am not here simply to tell you that the standardbred industry is vehemently opposed to jai alai or, for that matter, that the state's entire horse racing community is opposed to jai alai. I am sure that most of you are aware of that position because it has been expressed before.

But, in your deliberations of these jai alai proposals, you should fully consider the effect it would have on an already established horse racing industry that makes a far greater contribution than gambling revenue from a race track or gambling revenue from any one facility.

Before I get into that, just a couple of observations as I've been sitting here this morning. I've been thinking about this and I just don't see any hue and cry out there for jai alai by the people of New Jersey. Point two, I don't really believe that it has been proven to be as successful as some of the proponents here have discussed, in terms of its acceptability. I happen to have seen and read, and I have no evidence of it, but I have read where the people in Connecticut, while they may have favored it before, are not particularly enthused about it now. But, that's really off the point I really wanted to get at. I just wanted to make those observations while they were fresh in my mind.

We are concerned that there is a limit to the competition for the betting dollar in New Jersey, particularly when you add additional forms of gambling in close proximity to existing racetracks. That's critical. To those who want to compare jai alai to casino gambling, let me point out that there are several distinctive differences that make jai alai a far more dangerous threat to the future of this established horse racing industry in our state.

First of all, the presentation of jai alai and the betting on jai alai are identical to horse racing. Jai alai games are held during a specified period of time, in the afternoon or evening, just as is horse racing. Betting on jai alai is the same too, win, place and show, and exotic betting such as exactas and trifectas. Therefore, the appeal for jai alai is the to the same people as horse racing and if jai alai is located anywhere near a racetrack, it couldn't help but cut into the attendance and revenue of that track.

On the other hand, casino gambling is not at all comparable, either in hours or the form of betting. It is really too early to tell what impact the Atlantic City casinos have had on the nearby thoroughbred track. The first year, for example, that both were operating, the track, the attendance and handle were down, but much of that was attributed to the gasoline crisis at that time. This past year, the thoroughbred track in Atlantic City did much better, but then you have the added factor of

thousands of casino employees who are in a gambling atmosphere, who are prohibited from any form of gambling in a casino and their only alternative was to go to the track. So, I think that kind of helped out.

Let's take a look at the horse racing industry in New Jersey, and I'm more here to tell you about the standardbred industry, and what it means to the state. As I noted before horse racing is more than a race track itself and gambling revenues.

The horse industry in New Jersey represents a third of a billion dollars to the state's economy. We have tens of thousands of people employed in such businesses as tack shops, which sell harnesses, bridles, blankets and sulkeys for harness racing, saddles and riding apparel and gear for other breeds; we have companies that manufacture and install fencing for hundreds of thousands of acres of farms; we have construction companies that erect stalls, barns, stables, training tracks and race tracks; we have feed companies that supply hay, oats and straw to more than 40,000 horses in our state of which we estimate there are 9,000 standardbred or harness race horses.

We in the standardbred industry are extremely proud of another fact, too, often overlooked in the discussion of harness racing and horse racing. Thousands of acres of open space--"Green Acres", if you will--have been preserved because of the growth of our horse farms and thousands more acres have been converted from previously dormant, unproductive farmland into horse farms. This is a great boost to New Jersey's Green Acres program and land preservation effort.

The growth of the horse farms in the standardbred industry is also a direct result of a tremendous growth of our Sire Stakes program in New Jersey. This state supported program, which you people are aware of, began modestly in 1971 and is now one of the best in the nation, providing incentives through larger purses for standardbred race horses bred in New Jersey. This program has brought to our state some of the greatest harness race horses in the country for breeding and subsequent preservation of the farmlands.

Finally, I must note that New Jersey, because of the success of the Meadowlands Racetrack, is considered the number one harness racing state in the nation. The Meadowlands Racetrack is the envy of horse racing people throughout the world.

Any attempt to bring jai alai to New Jersey, particularly near the Meadowlands or any other race track, threatens not only the success of our racing program, but the very life of your racing industry in your state.

Just ten years ago, for example, harness racing produced a betting handle of \$86 million, total and the attendance was 983,000. It wasn't until two years later, 1972, that the handle finally went over the \$100 million mark and attendance went over 1,000,000. I want to tell you, with the advent of the Meadowlands, the harness racing pari-mutuel handle has reached new heights. In 1979, the total harness racing handle was just shy of a half billion dollars--\$498 million, to be exact--and the total attendance for harness racing exceeded 3.7 million. Now, that doesn't even include thoroughbred racing at the Meadowlands, which produced another \$377.9 million in handle and attendance of 2.9 million people.

The standardbred industry in New Jersey really implores the members of this Committee and the Legislature, as a whole, to withhold action on yet another form of legalized gambling that could seriously jeopardize New Jersey's great horse racing industry and the tremendous progress that has been made over the years. We believe there should be a thorough and comprehensive study of the impact that jai alai would have on horse racing of, for that matter, on other gambling, casinos and the lottery, before it is approved and submitted to the voters.

I want to thank you for the opportunity to testify and if you have

any questions, I'll be happy to try and answer them.

ASSEMBLYMAN CODEY: Thank you, Mr. Zimmerman. We have no questions. Our next witness will be Reverend Dudley Sarfaty from the New Jersey Council of the Churches.

REVEREND DUDLEY E. SARFATY: Thank you, Mr. Chairman, for your hospitality. You folks sure know how to get me out to a party on a nice sunny day. I am glad to see you. Let me suggest in line with the statement I have outlined for you that we do in the New Jersey Council of Churches have an objection to the conduct of gambling as public policy for a variety of economic, sociological and religious reasons. I think those may not be the major concern to the Legislature, but they are a concern of ours.

Secondly, we see gaming, really, as poor economic development for New Jersey, especially jai alai and the particular weaknesses of it as an industry in terms of control and corruption, and particularly these two bills. I will get to our worries about these bills in a minute. But, in terms of economy, I would suggest that the Perth Amboy Steel Mill that puts New Jersey in the position, and the United States in a position, to compete with the Japanese and the Germans whose steel industry we paid to rebuild after World War II, or the manufacture of economical and saleable cars to put the American Automobile Industry back on its feet in Edison, as is just about to begin--- These are the kinds of things that are going to make New Jersey healthy again economically.

The multiplying effect of jai alai as came out with your second witness, or the interested corporation, is that there is relatively little development around the frontons. People do come and go. They may eat, but they don't sleep, and they don't spend that much money even if they drink a little bit. Knowing the problem that the casinos are having with people who pour out of the casinos at closing time, in the early hours of the morning, and are not sober enough to drive, I don't know what that would mean around jai alai frontons and the proposed urban sections of New Jersey.

So, we would suggest that jai alai has a pattern that drains money out of the State from an economic group who can ill afford it. Let me proceed then to jai alai as a giant step into a dangerous form of gambling. This is the first proposal you have considered, though, I realize the Council of Churches has objected or opposed previous ones, where you are changing betting on animals or chance to start betting on human beings. I think that is something that needs to be seriously considered.

Sports Illustrated said last time that "Jai alai presents poor odds for the average player while professionals with large bankrolls can earn 12% compounded." Of course, that is doing it legally, not to mention the illegal things such as were filmed by the show 20-20 last year.

You were talking about the kinds of betting, and I will get to it a little later, but my score card here from Milford in addition to indicating that you can bet by telephone, which is not controlled in this bill, allows win, place, show, quinella, exacta, trifecta, exacta boxing, quinella boxing, trifecta boxing and wheeling, and to tie down eight numbers in trifecta boxing, the gambler has to pay \$504.

ASSEMBLYMAN CODEY: That is not in here, Reverend. Gambling by telephone is not allowed in New Jersey. Unless it is authorized by this, it would be illegal.

REVEREND SARFATY: I feel that because of some of the ambiguities like the issue of credit which we don't have at racetracks, that it is important for the bill to specifically prohibit, while it would presume people don't

ASSEMBLYMAN CODEY: You can't bet by phone at a New Jersey racetrack.

REVEREND SARFATY: I understand you can't do it at the racetrack. You are quite right. I am suggesting the bill ought to specifically prohibit the

things that do not happen in the racing industry unless it in some way ties its standards to that of the Racing Commission or the racetrack practices for the State of New Jersey. There is a lot of money involved, and a tremendous payout in putting down the \$504 in tying down eight numbers, and that is the way somebody with a large amount of capital is able to make his or her compounds at 12%.

I am also concerned about the bills because of the way they indirectly open the door to Sunday jai alai playing by tying it to a possible referendum that is coming up this Fall or not coming up this Fall, and it does seem to me that issue of Sunday jai alai ought to be put to the voters as a separate issue.

In terms of being the most corruptible form of legalized gambling, I spent my vacation with in-laws near Rhode Island and discovered they have now subpoenaed the last five year's of records from the frontons there because of scandals that they are very much afraid they are going to discover.

In Connecticut there were scandals as late as last year. You have heard that Governor Grasso really doesn't like the industry. The kinds of things that were done by some of the Connecticut frontons - and I don't know precisely which one - were to set up a dummy corporation by a one-foot wide strip of land between the fronton and the Connecticut Turnpike, which no longer required certain zoning behaviors by the owner and then to have that invisible corporation disappear. That is not the kind of business people you want to welcome to New Jersey.

There was, two year's ago, considerable discussion when Mr. Errichetti and Mr. Friedland were pressing us for a gambling referendum on jai alai which lost, talk about the fact there were no prosecutions in Florida. The story that we received was there were no prosecutions because there was precious little investigation and when the Florida authorities began to investigate, suddenly the records of the frontons were either burned, or disappeared and the police had to go out into the garbage heaps and haul them back, and you certainly have a sense with your experience with the casino control, it is hard enough to deal with records that are in file cabinets, not to mention dumped in the town dump.

We are very much concerned - although it is I, not the whole citizenry of New Jersey - to learn a little bit about who the sponsors of this particular bill are. But, certainly the presentation has not been as far in advance or as up front as it was when Resorts International came to New Jersey and honestly and openly said what they wanted to do and who they were.

We are very much concerned about the controls in these two bills, their absence, their inadequacy, their gaps, primarily, summarizing it, they are weaker than the Casino Control Act in many, many ways.

There are, for instance, no mandatory regulations that the Commission must produce, despite the threats that we see in the industry. And, in terms of asking for a \$10,000 refundable bond, I am almost but not quite amused, because \$10,000 is a smaller amount than anyone would be asked to put down for any such serious enterprise. It is not a corporate bond, and I don't know why it would be refunded.

In terms of law enforcement, I don't know why the drafters of the bills went to fourth degree crimes, when most of the casino crimes are third degree. For myself, I would have them be second degree crimes. I think anyone who comes in claiming they are going to benefit New Jersey - as the several applicants will - ought to accept a higher level of responsibility for avoiding crime. And, in at least one of the bills, only part of the racketeering spectrum of laws is involved. Of course, I think the crimes ought to be in our criminal code.

In terms of benefits to the people of New Jersey, the way the bills are now written, the industry bears a percentage of the control cost based on its take. The way we finance the casino industry is, it pays all the bills that are controlling it. I don't see why we should give that special gift to the proposed jai alai industry. And, although it has been expressed this morning, up until now there has been no clear indication in dollar figures, not even a guess, as to what would come to the State, or what would happen to the income of the proposers. Certainly they have figured it out, or they would not be here wanting to invest their money.

There are relative disadvantages to the two-city plan and the any city plan. But, last time you who are in the Legislature recall the jockeying amongst the various towns to get in on the act. And, I don't know how you are going to solve that. I will get to it later, but it does seem to me if you give the right to jai alai frontons in two New Jersey cities, you are risking being accused of special interest legislation and running into a potential constitutional block.

There is another question I have, along with the same experience you have had with the casino industry, that is, if the profits grossly exceed the anticipation of both the Legislature and the industry, is the State going to have the opportunity to raise the tax rate? Because the tax rate is not a percentage on profits now; it is a percentage on the take. That concerns me very much. You certainly face the argument that it is unfair to the casinos to come back and raise the tax rate that you put to them at a given percentage, and there was a big battle here over that issue. But, I think we ought not to make the same mistake again if we are going to have such a bill.

I studied the bill before the latest draft that you put out, and there was a half-percent of missing money, and I wondered who was going to get that, but it is indicated in your notes now that it goes to the county. Yet, I suppose with the struggle of understanding such a complicated bill, it indicates to me how difficult it was even for the drafters. I think we have to go slowly in such a matter, which I will get to a little later.

One question I do have is, what the difference is between the two slightly different standards of distribution of the money in the two bills. I don't understand the difference or why there is a difference, or what it will mean to the citizens. In terms of who is going to suffer, in the bills, there are no development guarantees to protect the sorts of people who were hurt by the Atlantic City development pattern. There is no adequate, strong, or securely financed Affirmative Action Program for the projects intended for the inner city.

I was interested to hear our friend from Bridgeport say that he hired in proportion to the number of people of minority groups who live in Bridgeport. In Atlantic City, our minimum affirmative action goal is only the percentage of minorities who live in the county which lowers it from something like 48% to 54% down to 20%. And, if we are going to have it in the cities, I would love to see an affirmative action ratio approximating the city's minority population where it was held, and not the whole of the county, which takes in the suburbs.

Not only are there no standards for the development of the frontons, such as you had for the casino hotels, for their own facilities, for their parking, restaurants, if they have any, and I am not sure they do, their health and safety requirements, and so forth. There are no standards for the development of the communities surrounding the frontons. I think if we are going to enter into

something like this, it ought to be done with seriousness and care. In light of the same question you asked me, although I don't believe there is any credit given at the racetracks, I think the legislation should specifically prohibit credit at the frontons. I think also that no check should be allowed to be cashed at the fronton.

Relative to the comparisons to the Casino Control Act, I would suggest that there are poor and incomplete licensing procedures, both affirmative and negative for corporations, for individual persons, for facilities and maybe most dramatically of all for service industries. But, taking things like pending prosecutions for example out of the list of bars to licensing is something that I can't understand and can't imagine the reasonable justification for. So, I would suggest that the Casino Control Act provisions be more adequately transferred.

Now, I don't think licenses should go on forever. I think Senator Friedland allowed 20 years. When we complained, he shortened it. But, these bills, although they don't say forever, through the provision that if you have a schedule of dates assigned to you, you are automatically allowed a license for that ensuing year. The way the thing is worded at the moment, your license could go on forever, as long as you have the dates.

I think there are some specific invitations to corruption. As a Presbyterian who emphasized the sovereignty of God and the sin in human beings, let me use my sin glasses to suggest that for the municipality to recommend the applicants is an unbelievable open door to local political finagling. Furthermore, that the hearings are required on behalf of the applicant on very short notice after his making that application also seems to me to tie up the law enforcement capabilities of the State and the county and municipality.

Further specific invitations to corruption are the sessions for charity. These are suspicious in their nature for the State to organize charitable funding uncontrolled, of course, in the present wording and probably not controllable and it looks as if we were trying to buy people whose bingo games would be hurt by the local competition of gambling. In any case, if it is simply a public relations gimmick and not intended for the churches, I still think it is totally unjustified.

Another opportunity or an invitation to corruption is the proceeds of the lost tickets go half to the owner. Now, all I have to do as the owner is make some of those 12% sure return bets and lose the tickets and I make a 6% winning and I can't be caught, unless I am found burning tickets and they catch me before they are all burned up and get the numbers off the tickets, I am totally undiscoverable. I don't think there should be loopholes like this in this kind of a law.

There is also a lack of provision for uniform choice of games. Are we going to play all the games, not counting the telephone ones that are presently in Milford, or are we going to play the ones which are listed in Milford and no more? If we let the Commission allow different frontons to play different sorts of games, there will be no opportunity to establish a financial record pattern that will allow any state agency to tell where things are going according to Hoyle and where they are not. I think a lack of uniformity here and a lack of a requirement that a controlling agency sets standards is an absolute open door to misbehavior.

I think the definitions are absent or inadequate - the definition of a meeting, as where people are present, and the definition of pool and the definition of the kind of games allowed as witnessed in the Casino Control Act.

Now, there seems to me to be post-employment restrictions lacking, especially as involves the Governor and State officers. I think this invites all those terrible problems we had about who could go down and work in the casinos from government and from the legislature. I see the Control Commission in these drafts as weak and inadequate and a lack of full time persons. It is one structure where the director would become the czar because of the weakness of the volunteer or part-time members of the Commission, a phrase that allows for the removal of Commissioners. I think the Commissioner should only be removed as the Casino Control Commissioners are with the standard applicable to judges and no such elastic phrases as other causes. It seems to me the jai alai commissioners need to be as free from pressure as any other commissioners, and certainly as much as the casino commissioners.

One provision that the controller of the industry must not be drawn from industry, absolutely blows my mind, because I think we have learned in New Jersey it is better to take some good people and teach them the industry even if some of you have to learn it than to take somebody whose roots and loyalties are in that industry to begin with.

Just not to go on forever, I think the Commission certainly needs injunctive power. In terms of the Division of Enforcement, I have a similar kind of anxiety. I think there is a failure to make use of the experience of our casino gambling and the enforcement efforts respecting that, and certainly in the Reilly bill to have the division dependent upon the Commission weakens its capacity to act freely and in the unfettered benefit to the people of the State.

So, I am concerned, therefore, about the lack of a fiscal note. I think we do have something of a pig in a poke here. And, there is no limitation set upon the cost of the local taxpayers of the public construction of the frontons with all due respect to the Metro folks today who said they wanted to finance their own fronton, but I do not believe that the taxpayers should bear the risk of such a business enterprise, especially without guarantees. I think this is bad public policy in general and certainly unprecedented.

There is no indication that the sum appropriated in the bills to carry out the task will be repaid to the State Treasury with interest by the industry, which I think certainly ought to be. It seems to me further that bringing jai alai into the State at this time threatens the breakdown of all law enforcement in our State. The Attorney General says he is so busy with the casinos now that he can't do his work. If we bring another burden of law enforcement, exploration of a new sort of industry and lay that on him as well, I don't know what he is going to have time to do that needs to be done for the good of New Jersey.

So, let me get specifically to the constitutional problems here. This legislation bypasses the spirit of the constitution, insofar as I can understand it, in not letting the same gambling proposal be brought before the voters within two years. I realize the paragraph it is being brought under, and I hear contradictory interpretations to that paragraph, and as you know when there are contradictions on a legal issue, you never know who is right until you have gone to court and the judge has told you. But, nonetheless, I have that great concern.

Furthermore, the pattern of having voters vote on a piece of legislation that, although it may technically be legal, leaves the voters entirely out of

the process of the amendment of the legislation, even if everyone in this room and next door in the Governor's office should agree, I think is against the spirit of the Constitution and possibly illegal. If we vote to have jai alai in two cities, and the voters concur in that law passed by both houses and signed by the Governor, then are we giving the Legislature without going back to the citizens the right to say, "Put it in Long Branch, or Wildwood, or Newark, or where have you?" I think that problem has not been faced. And, I mentioned the issue of special legislation earlier because it was on my mind.

Let me give you a longer list of partial flaws. I do not believe alcohol should be in the fronton, although I am not sure I would prevail in that. But, it certainly ought not - as one of the bills seems to allow in its wording - be a gift to the patrons. I do not know of free liquor to bettors at the horse tracks. And, I think there was a big argument once between the Presbyterians and the Lutherans as to whether you could do what the Bible said or you could do what the Bible didn't forbid. In this case, at least, I would like to come down on the side of the legislation specifically prohibiting what nobody thinks is going to happen.

ASSEMBLYMAN CODEY: What did the Catholics say about it?

REVEREND SARFATY: The Catholics, blessedly, didn't get into that argument, Mr. Codey. They probably were a little wiser and decided to judge the issue on the merits of each particular case which is, I think, what most living Presbyterians and Lutherans do.

I think the salaries of the public officials have to be drawn, even if they are larger than yours and mine, to be as substantial as the persons on the Casino Control Commission, and the way the law has stated now, I think they would be limited to the standard of the Governor's Cabinet scale, which I think is around \$52,500, and maybe is going up to \$56,000. Certainly, I wouldn't pay \$35 per annum to a person to regulate jai alai when we are paying that same job description \$41,000 to regulate casinos.

For uniformity sake and because of the policy of the legislature assuming the responsibility, I think you all ought to set the hours of play, or at least require that they be strictly controlled by the Commission, which you neither set at the moment in the proposed legislation, nor refer to either of the two agencies.

Something that was mentioned earlier was the compulsive gamblers. The Congressional study suggests that any new gambling form you add, increases by a certain percentage the number of compulsive gamblers. Although, I would myself feel our gambling market is overcrowded, it does seem to be true, no matter how much you overcrowd it, you always get a certain increment of new gamblers. One of the things that we failed to win in the casino legislation was some concern for the compulsive gambler, financed out of casino income. In the last Governor's budget line item veto he took the money for the compulsive gamblers out of the budget which struck me as a small amount saying he couldn't afford those funds. It seems to me that we ought to take care of our compulsive gamblers if it is going to be state policy to have a new form of gambling. Whatever proportion of the compulsive gamblers, the State Health Department would estimate would be involved in jai alai to receive medical care from the profits of that industry.

The laundry list further, the hearing procedures are scanty, and I think the argument between the Lutherans and Presbyterians was not nearly as

bad as the argument as to whether the Governor ought to have veto over the minutes or not. But, the bills don't agree, and I have some deep concerns about that.

I would much prefer a tax rate that is spelled out in percentages, that is to say, percentages of profit rather than percentages of take. Because it is a very invisible figure. I brought the adding machine tape with me, just in case you all couldn't believe that there was a half a percent missing, but it is a very complicated business when you are working on percentages.

I think putting this bill to the voters this year, Mr. Chairman and members of the Committee, is almost a mechanical impossibility. Apart from the complicated character of the legislation, the many changes that I would like to see in it if it were going to pass, and many others I am sure will be suggested, the difficulty of citizens understanding it, and the fact they don't even have or understand the details of the casino control act for comparison, and the fact the bill itself would not likely be available in quantity unless you voted it to be so, because if you remember, the Friedland bill was unavailable even in limited numbers during a crucial time of its consideration and it seems to me that every registered voter ought to see what he is voting for, if you are going to vote a bill that to me is more complicated than what the Constitution intended, ought to be referred to the voters.

Beyond that, I think this is the wrong year. Resorts International gave us almost six month's notice and a draft, although you had to work on it a great deal afterwards so that Senator Dugan, as Chairman of the Senate Judiciary Committee, but you had a long time to get the act together. This does not allow that long time.

I think this year the citizens are concerned with electing a President and a Congress and I think it is too close in time to the conviction of last year's jai alai sponsor, among other problems, and there is most likely going to be another gambling referendum relating to Sunday racing on the ballot this year. I think if we confuse the voter too much, we make the election meaningless.

I discovered in my research that the Basque meaning of the words jai alai is "merry game." I do not believe this will be a merry game, nor was it a game that was invented for gambling or as a threat to the public good. So, there fore, I will be happy to answer questions, and I will say for these reasons and others, and general policy opposing the extension of gambling in our State, the New Jersey Council of Churches and its Commission on Government express blanket disapproval of the introduction of jai alai to New Jersey.

The Council staff will share more detailed criticisms with opponents of the proposal should this Committee choose to vote out either of these bills. The reason I say that is, what happened two years' ago is we essentially ended up taking all of the major problems out of Mr. Friedland's bill and that is really not our purpose in life, to prepare gambling bills so they can pass the Legislature.

ASSEMBLYMAN CODEY: Thank you, Reverend. Our next witness is Dr. Samuel A. Jeanes, New Jersey Christian Conference.

D R. S A M U E L A. J E A N E S: Mr. Chairman and members of the Committee, I am Dr. Samuel A. Jeanes of Merchantville, New Jersey, the Legislative Secretary of the New Jersey Christian Conference on legislation which opposes Assembly Number 1772 and Number 1932 and urges your disapproval of them.

Our objections to these bills are the same as they were to similar legislation sponsored last year by former Senator David Friedland of Hudson County and Senator Angelo Errichetti of Camden County. Some of you may remember former Senator Friedland's justification for jai alai gambling which Adrian Heffern of the Asbury Park Press wrote about. Friedland offered a moral justification for jai alai gambling as a way of fighting off the devil. He presented a forceful trio on the side of jai alai - Friedland, Goethe and Faust - all pushing for a jai alai referendum as a means of speeding more New Jerseyans along the route of salvation. Mr. Heffern, however, pointed out the flaw in David Friedland's position when viewed in the context of his jai alai proposal. The flaw was that it seems to depend on an awful lot of people succumbing to temptation or else why build frontons with seating capacities of 30,000 and operate them for 311 or more days a year. Of course in November of 1978 the voters rejected jai alai by an overwhelming vote indicating that perhaps they are getting tired of being tempted by the Legislature. I quote Mr. Heffern.

We do not need any more gambling in New Jersey. Gambling has reached a point in New Jersey where it is no longer an incidental thing. And, we are creating more gamblers. There are an estimated 375,000 compulsive gamblers in New Jersey. This is based on a study that was made by Channel 10, CBS in Philadelphia. And compulsive gambling has been labeled as an epidemic that is the stepchild of legal gambling.

Compulsive gambling is the ill advised wagering by people who cannot resist the urge to bet money.

Certainly the State is realizing some tax money from gambling but no more than you would realize through the sales tax on purchased items, the manufacture of which turn the wheels of industry and commerce and create year round employment for our citizens who would also be paying an income tax. Sociologist Edward Deveraux of Cornell University says, "A drastic increase in compulsive gambling has the makings of a major social and economic problem. Problems linked to gambling include family and job turmoil, impoverishment, incarceration, and even suicide. These problems will increase as wagering opportunities become more and more available.

We note that statistics from the Division of Public Welfare indicate that in the two counties where you would locate gambling frontons there were in one month 107,757 people receiving just one category of public assistance which amounted to \$10,354,869. That is one month for one category. How can opportunities for more gambling help these people? The number of jobs created by gambling frontons could not significantly reduce this public assistance load. It could, however, duplicate in New Jersey what the research report of the University of Connecticut's Sociology Department found - namely that the lower income people were betting larger proportions of their income on jai alai than upper income people. They found that the legalization of jai alai led in general to an increase in the amount of gambling. Bets of \$25 or more were not uncommon among the poorly dressed people in attendance . . . and they seemed to be betting still larger amounts, but paying little attention to the games themselves.

One bill before you, A-1772 calls jai alai a tool for urban revitalization and economic development, a means of developing and advancing tourism and recreation and a source of funds to provide mass transportation. Whoever wrote that must

certainly dream dreams. In 1978 ten frontons in Florida generated only \$13,487,156 in tax revenue. The Bergen Record reported that after two years of jai alai gambling in Bridgeport, Hartford and Milford, Connecticut not a single hotel, motel, restaurant or any other development had been attracted. The crowds came to gamble and they left without staying. Perhaps because they lost their money and didn't have too much to start with. Certainly Camden and Jersey City do not need that kind of urban revitalization.

Both of these bills, if adopted, will create another political bureaucracy made up of a Jai Alai Control Division, a Jai Alai Commission, a \$60,000 a year director, deputy directors, investigators, accountants, clerks, et cetera. And we would certainly question how the legislature can justify municipalities incurring financial obligations and floating bonds at the expense of the taxpayers to build gambling frontons - the benefits of which will be enjoyed mostly by the operators. Our cities already have financial burdens. People are afraid to walk the streets in some areas. Stores keep their doors locked. If we can't afford protection for the people, how can we afford to make the citizens responsible for building gambling operations which can contribute to even more potential crime.

It is high time that our legislators take seriously those words of the preamble of our Constitution of these United States that call for promoting the general welfare of people. These gambling proposals will benefit a few - they can make instant millionaires out of some like we are seeing in Atlantic City, but many will be impoverished and the door will be opened just a little more for more potential corruption of which New Jersey has too much already. The moral climate of New Jersey is not getting any better. Our cities are still in trouble. Drugs are threatening our children even down in the elementary schools, pornography has free reign and is prospering and the streets are not safe. Your problems outnumber the solutions that you have to offer. But we urge you not to increase our problems with more forms of legalized gambling whose stepchild is compulsive gambling. We therefore urge the defeat of Assembly Number 1772 and Assembly Number 1932 which are before you today.

Thank you, Mr. Chairman.

ASSEMBLYMAN CODEY: Thank you very much. There are no questions at this time. Mr. Dugan will be our last witness.

MR. DUGAN: Thank you, Mr. Chairman and members of the Committee. This question came up tangentially, I think, in the discussion that preceeded this, but the question was put to me by some members of the press and I would just like to respond to the constitutional question. There is absolutely no question that the appropriate way to get this issue to the people is by the process that this Committee is undertaking now. This is a public question on a gambling issue that, appropriately, pursuant to Section 7, paragraph 2 of the Constitution, should be submitted as a public question. It has nothing to do with amending the Constitution. On the contrary, it is done pursuant to the mandate of the Constitution. This is not only a product of my own research, that I humbly suggest might be flawed, but you also have the benefit of legislative counsel's advice that this is the appropriate way to do it.

The question that was suggested by Dr. Villane about where this facility would be located, I think, might have gone a little bit astray by the attaching of the Statue of Liberty and Liberty Park. There is no suggestion, Doctor, that we propose to put this in Liberty Park. This facility, should it pass the Legislature's procedure and the referendum procedure, would go wherever it was appropriate within the two cities that are affected by it. There would have to be land available in sufficient size to accomodate the facility and there would have to be the other infra-structure, municipal infra-structure facilities that would support it. I'm not suggesting at all that we're going to put it in Liberty Park, indeed, if we could at all.

We do, however, depart in A-1932 from the other bill that is before you and from the bill that passed the Senate last year in that we think there might be some problem with allowing the municipality to be involved in the selection of the jai alai fronton operator. So, in A-1932, the sponsor saw fit to eliminate that municipal control over the selection process and vest it solely in what will be comparable to the Casino Control Commission.

Those questions are relatively easy to answer, but the question of who should bet and why people bet is something that is a little too difficult for me to handle and I think, perhaps, the constitutional framers, when they framed the Constitution in 1947 in the State of New Jersey, felt the same way because they mandated that a question such as that, with the moral implications and the social and the economic implications, ought to be put to the people that are most directly affected and that is the voters. The Legislature doesn't really have to make that judgement. The Constitution mandates that the people of the state make the judgement and it is those people before whom all of these arguments should be made in a campaign to determine what is in the best interests of the state and what do the people of the state want. So, I suggest that some of the critics of this procedure are suggesting that the Constitution be frustrated by asking this Committee not to release the bill so that the people can pass on the merits of this proposition.

Finally, Mr. Chairman, the regulatory process that is contained in this bill is absolutely parallel to the regulatory process that governs the casino gambling activity in this state.

Finally, let me say that Mr. Schull's and Mr. Milner's statements will be reduced to writing and supplied to the Committee within the next couple of days, pursuant to what I think was the suggestion of Assemblyman Villane. Finally, the statement of Mr. McCann, who has the background in the United States Department of Justice and as the chief policing officer of jai alai activities in Florida, will be available, also, to Committee members within the next few days.

I think that the people from Metro Jai Alai, who have appeared here today, have been candid and informative. At least we hope they were. If there is any other information that the Committee, either collectively or individually, would like, we would be happy to get that information to you so that you can make an early decision on this matter.

So, thank you, Mr. Chairman and members of the Committee.

ASSEMBLYMAN CODEY: Thank you very much, Mr. Dugan. This hearing will stand adjourned.

(Hearing Adjourned)



**common
cause** NEW
JERSEY

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TESTIMONY TO THE ASSEMBLY STATE GOVERNMENT, FEDERAL & INTERSTATE RELATIONS
& VETERANS AFFAIRS COMMITTEE

The Jai Alai Control Act (A 1772 and A 1932)

September 15, 1980

Sharon Harrington, Executive Director

During the last session, New Jersey Common Cause opposed the jai alai bills because of the form which was used, asking voters to approve more than just the question of jai alai but also the format of its operation.

If A 1772 and A 1932 pass, the question would appear on the November ballot. But the voter would not be deciding the simple question of whether or not to allow jai alai gambling in New Jersey. He would be voting for or against bills which he would probably never see. They cover, among other things, licensing and regulation of the industry and the distribution of profits from jai alai. They permit the issuance of municipal bonds to finance the construction of jai alai frontons, and appropriate money to enforce the proposed law. The bills are extremely detailed and complex. Once approved, they would become law and could not be amended without another referendum.

This is a terrible way to legislate. It forces the voter to become a legislator, but without the information and resources available to members of the Legislature.

The complexity of legislation relating to gambling, and especially to a form of gambling entirely new to New Jersey, became clear to all of us after the voters approved casino gambling in Atlantic City. The Casino Control Act, which implemented the decision of the electorate, was introduced on November 23, 1976. Final passage came May 26, 1977. During that six-month period, the Legislature was intensely involved in the study of the bill and the casino industry. Many day-long meetings were held in both houses, at which committee members went line by line over the bill.

A number of legislators took inspection trips to Las Vegas, the Bahamas and London to study casinos. Many amendments were adopted by the Assembly State Government Committee, and the Assembly debated the bill for more than six hours, during which more than 50 additional amendments were proposed. In the Senate, the State Commission of Investigation urged the Judiciary Committee to strengthen the bill.

Editorials expressed astonishment that the bill would permit legislators and their families to hold casino-connected positions. The Governor wanted veto power over the decisions of the Casino Control Commission.

Prospective casino operators testified, at a public hearing, that if the 10 percent tax were not reduced, "it might not be economical" to build casinos. Scores of amendments were again proposed in committee, and many of them were adopted. In order to expedite passage, no amendments were permitted on the Senate floor.

The regulation of gambling is difficult and complicated. It is a responsibility the state Legislature should assume, not voters who do not have adequate resources to review it.

It would be better to put the jai alai question on the ballot in the form of a constitutional amendment. If the people of New Jersey supported jai alai in Jersey City and Camden, the enabling legislation could then be drafted, studied and debated. And it could later be amended as other bills are amended.

A constitutional amendment requires a three-fifths vote by both houses of the Legislature. Common Cause believes that such a super majority is justified in the case of a question which was only two years ago rejected by the voters. Common Cause recommends that the jai alai question be put to the voters in the form of a constitutional amendment, with all of the safeguards inherent in this procedure.

NATIONAL ASSOCIATION OF



FRONTONS, INC.

J. PATRICK McCANN
EXECUTIVE DIRECTOR

September 12, 1980

Assemblyman Richard Codey, Chairman
Committee on Review of Jai-Alai Legislation
New Jersey State Assembly
Trenton, New Jersey

Dear Sir:

I have been advised that your Committee is having a hearing on proposed jai-alai legislation on Monday, September 15, 1980. I regret that I will not be able to attend the meeting, but it so happens that the Florida Pari-Mutuel Commission and our Board of Directors are both having meetings on September 15th which precludes my attending. However, if in the future you desire me to appear personally before your Committee, I would be glad to do so, but I would appreciate written advance notice for such an appearance. Even though I cannot be present at your meeting, I do think it would be appropriate for me to make some comments regarding the possible impact of jai-alai in the State of New Jersey.

For your information, I am the President, Treasurer and Executive Director of the National Association of Jai-Alai Frontons, Inc. (NAJF). The Association is a non-profit corporation composed of the owners and operators of the thirteen major frontons licensed to operate in the States of Connecticut, Florida and Rhode Island. I am also Chairman of the recently-formed Security Council of NAJF, which has drafted mandatory security guidelines for the frontons in our Association and which enforces compliance with these guidelines. The Council also maintains a players' registry containing background information on players employed by Association members.

Prior to assuming my present position in January 1977, I was Director of the Division of Pari-Mutuel Wagering of the State of Florida for almost four years. In this position I was responsible for the supervision of all horse and dog racing and jai-alai game operations in the State of Florida at its thirty-six different plants. Prior to my position with the

Assemblyman Richard Codey
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Division of Pari-Mutuel Wagering, I was a Special Agent and Supervisor with the F.B.I. for twenty-six years.

I feel, based on my knowledge of jai-alai and the experience of other states, that the sport would be an excellent producer of revenue for the State of New Jersey; it would certainly provide excellent entertainment since it is an extremely fast and exciting game; and it would also, undoubtedly, enhance tourism in your State.

In the states where it presently operates, the jai-alai frontons have created numerous jobs, and if frontons were opened in New Jersey, there would likewise be a positive impact on local employment. The average fronton employs between 200-300 employees; local businesses, such as restaurants and motels benefit, from jai-alai attendance; and the entire community profits.

There is no question in my mind that with the proper regulatory safeguards, jai-alai could function very well in the State of New Jersey and would be an asset to the citizens of the state and the state government itself.

Sincerely,


J. PATRICK MCCANN
Executive Director

JPMcC/il

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