

PUBLIC HEARING

before  
NEW JERSEY. LEGISLATURE.  
SENATE JUDICIARY COMMITTEE.

ON

SENATE CONCURRENT RESOLUTION NO. 74 proposing  
to amend the Constitution of the State of  
New Jersey to permit the Legislature to  
authorize by law the operation of gambling  
games in Atlantic City.

Held:  
December 8, 1970  
Assembly Chamber  
State House  
Trenton, New Jersey

**New Jersey State Library**

Members of Committee present:

Senator Harry L. Sears [Chairman]  
Senator Frank X. McDermott  
Senator William F. Kelly, Jr.  
Senator Joseph C. Woodcock

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SENATOR HARRY L. SEARS [Chairman]: Ladies and gentlemen, may I have your attention for a moment, please, while we briefly go over the ground rules for this hearing.

I am Senator Harry Sears, the Chairman of the Judiciary Committee. Seated to my left is Senator McDermott who is also a member of the Committee and who, as you know, is the principal sponsor of SCR 74. Mr. Tilleman, our staff man, is seated at my right.

If there is anyone here who wishes to testify who has not already done so, please come forward and sign the roster. Except where I have given special indication to the contrary, we will take people in the order in which they signed up. We don't take the pros and then the cons or the neutrals in any special order. We simply take you as you have signed up with us except that I have indicated to Mayor Somer of Atlantic City, who has a commitment back in the city, we will take him first.

I am going to ask also that except where I have given indications to the contrary on special application that you limit your direct remarks to ten minutes. We are not going to keep a clock on you but we will be watching the time and we will find it necessary because of the number of people who have signed up to cut you off if you go over that by too much.

Witnesses after they have testified should remain seated to see whether or not there are any questions that might be forthcoming from either myself or Senator McDermott or any other members of the Committee who may arrive before the hearing is concluded.

Very briefly that constitutes the procedure that we will follow. I see that we have a number of visitors in the gallery. We welcome you. You are here, I am sure, because of your interest in the subject matter of this hearing. We will ask you, of course, during the proceedings not to engage in any displays of feeling one way or the

other, so that we may keep the proceedings as orderly as possible. At the conclusion, should you feel it necessary to give vent to any particular emotion when I indicate the hearing is closed, you are free to do so.

I would like to ask Mayor Scmer to come forward and we will begin with him. And we welcome you, Mayor. We are delighted to have you.

M A Y O R   G E O R G E   S O M E R:     Senators, good morning, and once again I welcome the opportunity to appear here before this Committee on behalf of the City of Atlantic City, and I am speaking this morning not only for myself and many interested citizens but unanimously for the other city commissioners of the City of Atlantic City.

We strongly urge and recommend to this Committee that serious consideration now be given to the resolution permitting the question of legalized gambling to go before the public of the State of New Jersey and, as I have said before, we are strongly urging and are in favor of legalized gambling for the City of Atlantic City.

Now there are several reasons I would like to enumerate why we feel so strongly in this connection. First of all, of course, like yourselves we would abide by the decisions of the people of the State of New Jersey on referendum as to whether or not we should legalize gambling in the State of New Jersey. Atlantic City being probably the most famous resort along the eastern coast from New Jersey to the north of us, it is my opinion a perfect proving ground to once and for all attempt to show, with very strict State regulation and State control, whether or not legalized gambling should then possibly be extended to maybe some other areas of the State. We have the facilities presently that a conversion to the strictly-operated casino type gambling would take the least amount of time in the conversion factor; we have the hotel accommodations to accommodate the many people we believe



this would attract and, at the same time that we strongly urge the resolution going to the public, we are fully cognizant also that we are not attempt to paint a panacea that legalized gambling might be the solution to all of the State's problems or even to all of the problems on our city or any other city.

I read with a great deal of interest recently just within the past few days that in New York City, for instance, where they now have legalized off-track betting, that the estimated revenue from that was such that the Commissioner of Off-track Betting in New York is now going before the Legislature of New York to attempt to even broaden the scope of the type of betting that may take place and the anticipated revenue there is in excess within the next three years of a billion dollars.

Now today, as the State government and the many municipal governments throughout our State continually wrestle with the problems of expanding cost of government, higher cost of education, spiraling cost of welfare, trying to meet the demands of our employees, the property tax structure, as we know it, in our State and most certainly in our city and many other cities, no longer can continue to absorb the tremendous annual increases that are occurring to our budget. In Atlantic City and in the State of New Jersey, I think it would be conservative, without trying to paint the picture too glowingly but at the same time not underestimating the potential revenue that could come to the State - I think that anywhere from seventy-five to a hundred million dollars of additional revenue is a conservative estimate, and I say this because we happen to be geographically in the City of Atlantic City so very close to approximately 70,000,000 people who are just a few short hours away by automobile and just a few minutes away by airplane. And this additional revenue, as the State legislators wrestle with the problems of other income areas, might forestall at least for the next year or two any possible consideration of expanding revenues to other areas

in the State Government, particularly the income tax.

We believe that in our city, which in my opinion would be the perfect proving ground as to whether or not legalized gambling could go, would go, and would attract many, many people into our State, the amount of increased business we would do would be not only in conventions but in the people who would be coming down for the short stays of 2 and 3 days to enjoy the facilities that legalized gambling could offer.

We must also recognize, I believe very realistically, that the income from legalized gambling is something that at the moment no area of government is participating in at all. There is absolutely no revenue at all coming to the State of New Jersey or to the cities, and we believe that a legalized gambling casino type operation in our city certainly would then produce additional revenues, and I have advocated, and I believe that most of the members of our local committee would strongly advocate, not only strictly supervised gambling, but gambling run by the State of New Jersey, and the revenue derived from this coming back to the State and then being disbursed by the State in the areas where the immediate need of increased cost of State Government could best utilize the funds that would become available.

I am not going to prevail upon your time any farther, Senator, excepting once again to say we strongly advocate the idea that the public referendum should be placed on the ballot so that the people of the State of New Jersey in this day and at this time should have the opportunity to indicate not only to our legislators but to all of us in municipal government whether or not they favor legalized gambling. We believe most sincerely that the City of Atlantic City, with the facilities we have available, would be the perfect proving ground and would be the first city to institute the casino-type gambling that we are advocating for the State of New Jersey.

SENATOR SEARS: Thank you very much, Mayor.

Before we go into questions, I simply want to announce that Senator Kelly, of Hudson, also a member of the Committee, has joined us and is seated at my right.

Mayor, I have a couple of questions I would like to ask: I was interested in your comment that you would favor State operation of the casinos. As I read the bill, that isn't provided for in the bill - at least it isn't mandated in the bill at the present time - but it is an interesting suggestion. Do you relate that suggestion in any way to the security and enforcement problems that might be prevalent if the State did not actually conduct the operation?

MAYOR SOMER: I related, Senator, that at least it is my opinion that, if the setting up of the casinos would be under the strict control and operation of the State Government and the training of the personnel, the actual operation within the casinos themselves, the accounting methods, etc., it would forestall and eliminate in a lot of people's minds any idea that if we did have legalized gambling in the State of New Jersey, some out-of-town interests or mobs would be coming into control the gambling in this particular area. That was the reason for my comment that this should be the State of New Jersey who would actually operate the casinos.

SENATOR SEARS: And take the profits just as we will under the lottery operation.

MAYOR SOMER: Yes, sir.

SENATOR SEARS: Senator McDermott, or Senator Kelly?

SENATOR McDERMOTT: Mayor, you mentioned in your presentation that with the gambling operation going on in New York at present, they estimate a billion dollars in revenue?

MAYOR SOMER: Yes, sir.

SENATOR McDERMOTT: Is that tax revenue or gross played.

MAYOR SOMER: In revenue to New York, The success they have had so far with the off-track betting has been

just phenomenal and now the Commissioner in charge is advocating that the Legislature give the Commission the power to also accept betting on football games, baseball games, basketball games, hockey games, which evidently is on the American scene today. Many, many people like to wager on the ballgames, basketball games or football games and they are hoping to amplify into these areas where you can now go and get track odds, incidentally, in New York, and they are now hoping to be able to accept whatever the going odds would be on a given sporting event, boxing, etc.

SENATOR McDERMOTT: It is just the size of the figure that is so startling.

MAYOR SOMER: It astounded me also when I read it, Senator.

SENATOR SEARS: This bill also calls for a local referendum, as you know, Mayor. I suppose the odds are pretty good that it would be approved in Atlantic City.

MAYOR SOMER: Yes, sir, I'd even like to take a little bet on that, Senator.

SENATOR KELLY: I have no questions, Mayor, except I would like to make a statement that I agree wholeheartedly with what I have heard you say here this morning.

MAYOR SOMER: Thank you, Senator.

SENATOR SEARS: Mayor, thank you very much for being with us.

We have two other witnesses who have asked to be put on early because of other commitments. Is Mr. Davis in the room? Will you come forward, please, and will you state your name, your address, and your affiliation, if any, Mr. Davis.

I. G. D A V I S, J R.: My name is I. G. Davis, Jr. I am President of Resorts International, Inc., which is a publicly-owned company on the American Exchange, with some 7500 stockholders. The official corporate address is 767 Fifth Avenue, New York City.

Mr. Chairman, Senators McDermott and Kelly, I would like to thank you for the invitation to appear before this Committee today. Mr. Peloquin, who was also scheduled to appear with me, and who is President of Intertel, was unable to be with us this morning as originally planned and has asked me to express his regrets,

Intertel, which is owned by Resorts International is a unique counseling organization for businesses like ours that must protect themselves against the infiltration of organized crime. Mr. Peloquin is at present in Las Vegas where Intertel has been retained by the Howard Hughes organization as counsel on security and intelligence for the Hughes owned gaming casinos and hotels. Instead of Mr. Peloquin, Mr. William Kolar will be here to testify, and he is Vice President of Intertel. Also I have with me two New Jersey residents, Mr. Raymond Gore who is Vice President of Finance of Resorts International and a long-time resident of Summit, New Jersey, and Mr. Gary Gardner, who many of those present will remember as the able counsel to the New Jersey State Commission of Investigation and before that was the trial attorney in the organized crime and racketeering section, Criminal Division of the United States Department of Justice. Mr. Gardner, one of the experts of Intertel, is a citizen of Trenton.

Now I will proceed with a description of Resorts International and some observations drawn from our experience operating gaming casinos.



Mr. Chairman, thank you for the invitation to appear before this Committee.

I am I. G. (Jack) Davis, President and a Director of Resorts International, Inc. Resorts International is a publicly owned company with over 7,400 shareholders which is listed on the American Stock Exchange.

The principal asset of Resorts International is Paradise Island in Nassau in the Bahamas. The Company also operates a casino at the recently opened Mullet Bay Beach Hotel on St. Maarten in the Netherlands, Antilles for Island Gem Enterprises. Last summer the Company operated under lease two hotels in Spring Lake. In addition, the Company has a real estate operation on Grand Bahama Island and is believed to be one of the largest shareholders of Pan American World Airways through its ownership of 1,200,000 shares or approximately 3.6% of such company.

Paradise Island includes three hotels owned by the Company and two owned by others having a total of 1,180 rooms. An additional hotel of 550 rooms is scheduled for opening by Holiday Inns early next year. Also included on Paradise Island, are gourmet restaurants, a golf course, a marina, shipyard, stables and a casino. Over 2,400 persons are employed on Paradise Island.

The total investment by the Company on Paradise Island exceeds \$52,000,000 and it is estimated that an additional \$35,000,000 has been invested by others.

Investments of this magnitude were made in the belief that a large resort complex is economically justifiable only if it includes all resort amenities, that is, first class hotels with convention facilities, gourmet restaurants,



good entertainment, all sport facilities and casino gaming.

This gives us an advantage over other U.S. and international resorts today.

#### BACKGROUND OF GAMING

To put my statement in prospective, let me recount, briefly, some of the background of gaming. Through the centuries, wagering and chance-taking in various forms have been common activities of mankind. On the international scene, particularly in Europe, legalized casino gaming has served as an important source of income for communities in England, Austria, Belgium, Greece, France, Germany, Italy, Monaco and Portugal among others. As an example, the world famous Monte Carlo casino has been the primary source of government income in Monaco for some 106 years.

In our own country, almost everyone has been exposed to chance books and bingo games sponsored by fraternal, charitable, and religious organizations for the purpose of raising funds, and many states have turned to horse racing and lotteries as a major source of tax funds.

With the advent of jet travel and increased leisure time, as the competition for the travel dollar became worldwide in scope, the competitive nature of tourism caused many governments to look into various methods of gaining appeal over other resort areas. Various studies and surveys led several governments to the conclusion that legalized - and government regulated - casino gaming would serve as a useful adjunct to local tourist attractions. Nevada legalized casino gaming in 1931. Puerto Rico authorized casino gaming in 1949, as part of its highly successful "boot-strap" operation. The Bahamian government first authorized limited gaming for the Paradise Island Casino in December 1967.

Historically, governments have not operated horse tracks or casinos. The primary and ancillary operating functions have been performed by private industry. In the horse racing field, many wealthy and important families have engaged in breeding, training and racing horses, and in race track operation in every part of the world.

A casino operation differs significantly from a race track operation, however. A casino is normally operated as an adjunct to a resort operation, with its hotels, restaurants, entertainment and sports and collateral activities.

As resort and casino operations have become more and more complex, an increased management and financial capability is required. Leading corporations inevitably have been attracted to the field, including such famous names as International Telephone and Telegraph, Pan American World Airways, Loew's Theatres, Hughes Tool, Holiday Inns, Continental Connector, Hilton Hotels, Benguet and International Leisure. The entry into the world of casino gaming of such corporations has heightened public interest in gaming as a business activity.

Now while the rules give the operator a mathematical advantage over the player, it can be argued that a casino gamer is in a more advantageous position than the horse bettor. Almost every bet at any game in the Paradise Island Casino and most other casinos provides the player with more favorable odds than he could obtain from a Pari-Mutuel pool at a race track.

In addition, the laws of probability enable the casino operator to predict, with a reasonable degree of accuracy, the expected gross win over the long term. The mathematics of the situation indicates that an adequately capitalized casino operator may have a losing night, week, or even longer period of loss, but the casino should attain the mathematically predicted gross percentage win over any extended period.

The principal games played at Paradise Island Casino as well as most other major casinos are Bank Craps (dice), Blackjack ("21"), Roulette and Slot Machines.

Casino management techniques including matters of supervision and security over these operations will be discussed in more detail by Bill Kolar of INTERTEL.

We appear before you as professionals in this field. If the resolution introduced by Senators McDermott and Musto providing for the authorization of casino gaming in the city of Atlantic City is placed before the voters of the State of New Jersey in a referendum and approved, we believe the following benefits can be expected:

1. Potential revenues to the State of New Jersey of \$200,000,000 in additional sales and other taxes previously quoted is achievable.
2. Potentially a significant growth of tourism in New Jersey can be expected. Tourism now ranks as New Jersey's second biggest money maker, bringing in approximately \$750,000,000 annually. Based upon comparative figures for Las Vegas, Nevada, which will take in an estimated \$550,000,000 in 1970, New Jersey's take from tourism could increase to over 2.5 billion. We will discuss this at greater length a little later.
3. The rejuvenation of Atlantic City will take place. Today Atlantic City must fight just to keep the business which it now has. The

resort industry is rapidly expanding both in the U.S. and internationally. In our opinion, a resort must have gaming to compete with other first round class resort areas. Gaming can form a basis of year / activities necessary to eliminate the present seasonal nature of the business in Atlantic City.

4. More employment for more persons on an annual basis will result. Construction will be aided through completing of new resort facilities and the upgrading of others. Construction of housing to accommodate the increased employment will be required. Jobs will be made available in the hotel, food and beverage and casino operations. Ancillary industries and services such as food providers, beverage distributors, taxi cab operators, airlines and others should expand appreciably.

As examples of the reason for our optimistic outlook, let's look at some of the statistics to ascertain what gaming has meant to Nevada and the Bahamas.

The final 1970 census figures released last week show that Nevada had the largest percentage increase in population of any state in the Union between 1960 to 1970. Nevada increased 71.3%; the second largest increase was Florida at 37.1%. New Jersey was 15th in line showing an 18.2% increase. The population increase for Nevada indicates vigorous economic expansion in Nevada as people are drawn to where jobs are available.

The latest annual report published by the Las Vegas Chamber of Commerce covering the year 1968 showed that 21,100 rooms were available for guests in greater Las Vegas. The total number of guests housed were estimated at 12,400,000 people. An estimated additional 2,200,000 tourists visited the area without stopping, making a total of 14,600,000 visitors for the year. It is estimated that the

annual tourist spending in Las Vegas exceeded \$560,000,000. Tourist spending exclusive of gaming was \$282,000,000 or an average of \$19.30 for each visitor per day. Gross gambling revenues for the Las Vegas area for the year were \$278,000,000 or an average of an additional \$18.97 for each visitor per day. For 1968, the entire gross revenues from gambling for the entire state of Nevada, amounted to \$453,000,000. Gross revenues from gambling for 1969 exceeded \$500,000,000 and revenues for the first six months of this year indicate annual gross revenues of approximately \$550,000,000. The percentage fee collections for the State of Nevada on gross revenues is currently based at 3% on the first \$150,000 of revenue, 4% of the next \$250,000 of revenue and 5.5% on the excess over \$400,000. In addition, the State of Nevada has an annual license fee based upon the number of games operated or slot machines used. Nevada also has an entertainment tax of 10% of amounts paid for admissions, refreshments or services applicable to showroom and lounge activities. Total percentage of license fees and entertainment taxes and other miscellaneous collections directly relating to gaming and tourist activities amounted to \$18,800,000 for the first six months of 1970 or an annual rate of \$37,600,000.

How do these statistics for Nevada compare to the current statistics in Atlantic City? Recent articles appearing in New Jersey newspapers indicate that Atlantic City offers approximately 31,000 rooms to visitors in the summer. The number of visitors has been estimated between 8 and 10 million a year. It is obvious that Las Vegas with 21,100 rooms available is doing a much better job when the total number of guests housed are estimated at 12,400,000. Obviously the bulk of the tourist industry is concentrated into the summer months. It is our belief that gaming on a year-round basis in Atlantic City will create an atmosphere for a year-round resort without the ups and downs now experienced by business there.

Nevada Department of Economic Development last did a comprehensive tourist survey in 1963. This report found that the amount of personal spending was closely related to the length of stay. Motorist visitors then comprised 86% of Nevada tourist industry. Of this segment, approximately 32% have Nevada as their destination while the bulk is thru-state traffic. At first thought it would appear that a large part of visitor expenditures would be involved in travel and that spending for gas, food and lodgings would account for most of the tourist dollar. However, this was not the case that was established. Of the total visitor expenditures, 25% were for beverage and food, 11% were for lodging, 6% for gas and oil and 58% for recreation and other. From these statistics, it is apparent that casinos together with associated elaborate entertainment facilities add over 100% to the total gross revenues that might be expected from resort hotels alone.

We estimate that population within a radius of 500 miles of Las Vegas amounts to approximately 24.5 million people. The total number of guests housed in the Las Vegas area was 12,400,000 people, which indicates that Las Vegas is extremely successful in drawing repeat business from within its immediate area and is successful in attracting visitors from distant places. This is proven through statistics that show that passenger volume through airlines for 1968 amounted to 3.5 million persons, up from 2.8 million persons in 1967, an increase of 23.7%. Our statistics indicate that a population of over 83.6 million people live within a 500-mile radius of Atlantic City. If Atlantic City were able to attract tourists on the same basis that Las Vegas has been able to attract tourists it is conceivable that over 40,000,000 persons per year would be attracted to Atlantic City, up from the 8 to 10 million now estimated.



Assuming that these visitors stay just one day and spend an average of \$50.00 per day total spending in New Jersey would amount to \$2 billion. Of course, this is probably conservative as the average stay for each visitor would probably be 3 or 4 days.

Atlantic City must have sufficient attractions to successfully compete with the rapidly increasing and growing resort attractions in foreign countries. This year about 22 million Americans will go abroad, up from 20,100,000 in 1969 and 18,000,000 in 1968. The Bahamas has successfully gained its share of such increase in U.S. tourism; this is demonstrated through statistics in Nassau, Bahamas where we have successfully carried on legitimate gaming, free of organized crime, and made a major contribution to the economy in the area.

The number of visitors to Nassau increased from 32,000 in 1949 to 531,000 in 1966, the year we acquired Paradise Island, to over 726,000 in 1969.

Hotel rooms on Paradise Island increased from 52 in 1966 to 1,180 rooms today. Next year, 1725 rooms will be available for guests on a double occupancy basis.

We have become the principal employer in the Nassau/New Providence area. In the past few years, Nassau has been experiencing full employment.

Finally I would like to stress the importance of cooperation between government and private gaming sector. In the Bahamas, Prime Minister Pindling and the Gaming Board have understood this very well and, as a consequence, we have been mutually successful both from a financial standpoint and in protection against infiltration of organized crime.

I would like to close by saying that following my testimony, Mr. William Kolar of Intertel will be honored to give comments on the security controls which have been adopted on Paradise Island.

In turning to him I want to emphasize one final point that over the years people have automatically linked gambling with crime. We have been particularly sensitive to that popular connection and would like to underscore the implication of Mr. Kolar's testimony that gambling can be honest; at Paradise Island it has been honest and, if you allow gaming casinos at Atlantic City, they can be operated honestly.

Thank you.

SENATOR SEARS: Do you think there is a better chance they can be operated honestly if the State operates them?

MR. DAVIS: Well, sir, I would have to say that I sincerely feel that private industry can meet the highest standards of requirement for honest gaming, provided the proper procedures and security are set up as we believe we have demonstrated in our casino operations.

SENATOR SEARS: If the State were to be the operator and take the profits and if such a law were to be adopted here in New Jersey, would there be any attraction for investment capital from companies such as yours in the resort area in which those casinos would be located, or would that attraction be removed by the loss of opportunity to participate in the profits from the gambling operation?

MR. DAVIS: Well, in our particular case, we would consider any investment opportunity in a resort area. However, I honestly will say that the interest would be substantially reduced if we were not enabled to participate in the operation of the casino. I might add one point: While I'm sure that the State would be very capable of operating this business as they could any business, the question is really whether, by use of experienced or specialized private industry, the total receipts of the operation were sufficiently large so that the State would get as much by merely taking tax revenue as by operating totally by itself.

SENATOR SEARS: I think you said that in Nevada the first six months figure to the State was something on the

order of \$18 million. Is that correct?

MR. DAVIS: That is correct.

SENATOR SEARS: I assume then that Nevada's rough average yearly take, insofar as the taxes were concerned, on the gambling operations would be something on the order of \$36,000,000 to \$40,000,000. Is that a fair statement?

MR. DAVIS: That would just be on the gaming tax. That would not be on revenues created by -

SENATOR SEARS: That's just on the tax.

MR. DAVIS: Yes.

SENATOR SEARS: To the operator, the private entrepreneur, that of course comes off the top of his operation. He takes his profit after that and any other taxes, of course, that there might be.

MR. DAVIS: Right.

SENATOR SEARS: What would you say - how does the profit to the gambling industry in Nevada relate to the amount that the State takes out from its revenue?

MR. DAVIS: Well, some of that is information that I guess the public is not privileged to know but I know of certain large operations out there which in fact will lose money this year and nevertheless will pay a substantial portion in tax.

SENATOR SEARS: Do you have any figures at all that would give us some idea of what the profit would be, the percentage of profit related to the State's share.

MR. DAVIS: It would be hard to generalize because there is such a wide diversion from one year to the next; for example, there is a lead article in the Wall Street Journal this morning that indicates that the leading casino operators in Las Vegas are doing quite poorly this year, although gaming revenues in total, on which the State takes its tax, are up 11 per cent. But the profits of the casino operators are down substantially, and I just wouldn't feel qualified to make a generalization on that point.

SENATOR SEARS: Everything is relative and if you could give us any figures it could be very helpful to me

and certainly to the Committee. For example, it would make a difference if their profit was 40 per cent in good times and it's down to 10 per cent and that 10 per cent is a lot of money - I'm not going to feel too badly about how poorly they are doing. But I would be interested if you could supply us with some figures. It might be helpful - not today necessarily - but if you could, we would certainly appreciate it.

MR. DAVIS: I will undertake that task and do so.

SENATOR SEARS: I have just one other question and that is, if the State were to legalize casino operations and were to go into the business itself, do you think that would have the same regenerative effect on the economy in a place like Atlantic City as if we were to license it under State control with private enterprise actually doing the job?

MR. DAVIS: Well, I think any gaming in Atlantic City would certainly have a salutary effect. There are questions that come to our mind insofar as state-operated versus private-operated. One is the question which is one of opinion, but we have encountered this in several foreign countries with which we have dealt and in which we operate and that is that inevitably there are opponents to gambling for religious reasons or moral reasons of one type or another, and the governments that we have dealt with feel more comfortable in perhaps balancing the appeal to people in favor of gambling and people against gambling by not being directly involved in it. They have expressed the opinion that if they were to be directly involved, the opponents of gambling would be even greater opponents.

The economic reason is, as I mentioned before - there is no question that the State could operate gambling satisfactorily as they could any business that they chose to go into. However, from an economic standpoint, it might be that the use of experienced private business trained enterprises could produce substantially more business and appeal that would give a greater boost to

the Atlantic City area than a lesser degree of success in gaming appeal.

SENATOR SEARS: Just one other thing occurs to me: You indicated, when we were talking about the profits from gambling enterprises, that that was not public information. Does the State of Nevada audit each individual enterprise?

MR. DAVIS: Yes. To my knowledge - well, there are ... certified public accountants under each enterprise. I don't believe they have representatives in every counting room but that is only one function of the accounting of a casino anyway.

Sir, there is one other point I would like to make on the last question you asked. In casino gambling, in thinking of the State operation versus the private operation, I would like to ask the Committee to consider the fact that casino gaming is not something that is just a separate entity off totally by itself. It is something that has to be operated in conjunction with other entertainment facilities and resort facilities so that it should be kept in mind that if the State is considering the operation of it, it would also have to get involved in the operation of the ancillary facilities.

SENATOR SEARS: We would have to learn how to book Sammy Davis and Frank Sinatra.

Are there any questions?

SENATOR McDERMOTT: I have no questions of Mr. Davis but I do want to compliment you, Mr. Davis, on what I think is a very excellent presentation. It certainly shows your professional background, and I believe you have helped this Committee in understanding what the experiences are in other areas of the world where they have gaming operations. I want to thank you for giving us some of your knowledge very much.

SENATOR SEARS: You have Mr. Kolar with you. Is that correct?



MR. DAVIS: Yes.

SENATOR SEARS: All right, Mr. Kolar. Will you come forward.

W I L L I A M K O L A R: Mr. Chairman, Committee Members, I am pleased to appear before the Committee to describe the types of security procedures and controls that are possible in casino operations.

I am William A. Kolar, Vice President of INTERTEL, located in Washington, D.C., and a majority owned subsidiary of Resorts International. INTERTEL was created on the basis of long professional experience to provide expert counsel to businesses wishing to safeguard themselves from the hidden risks of vulnerability to criminal elements and to assist the states and cities in development of comprehensive crime controls. Before joining INTERTEL, I served 17 years with the United States Internal Revenue Service, first as Director of Internal Security where I shared responsibility for processing employees among the 60,000 that presently work for the Service and for the protection of the more than 200 billion dollars collected each year as federal tax revenues. I also served as Director of the Intelligence Division and they are responsible for the investigation of alleged tax frauds against the United States, and I do comment with pride for the men of the Intelligence Division that the late President Johnson mentioned that that division was responsible for convicting more than 60 per cent of the organized criminals convicted by the federal government. Prior to that time I served with the Federal Bureau of Investigation and with the United States Senate Judiciary Committee.

As an example of the procedures available to casinos, I would like to tell of the controls which have been installed at Paradise Island.

In fairness to company stockholders of Resorts International and patrons of the casino, there must be strict adherence to all the rules of the games and absolute honesty



in accounting and other procedures - absolute honesty in principle, as a matter of ethics, as well as in technicalities as a matter of law.

We believe that the security system for the Paradise Island Casino is the most extensive security protection system of any casino in the world. Major emphasis is placed on ensuring that no racketeers or members of organized crime groups have any connection with or access to the Paradise Island complex.

The gaming license for the Paradise Island Casino issued by the Bahamian Government is in the name of Mr. I. G. Davis, Jr., President of Resorts International, Inc. Supervisory responsibility over all aspects of the casino operations is vested in the Casino Operating Committee. Members of this Committee are Mr. Davis, Mr. Robert D. Peloquin, President of INTERTEL, who was a Chief of the U.S. Department of Justice's Organized Crime Strike Force; and Mr. William G. Huntley, Secretary and General Counsel for INTERTEL, who was the Chief of Organized Crime and Racketeering Section of the Criminal Division of the U.S. Department of Justice. Reporting to the Casino Operating Committee are the Vice-President of Security for Paradise Island Limited, Fenelon A. Richards who was the Director of Enforcement, U.S. Bureau of Customs; Director of Security for Paradise Island Limited is James O. Golden who was a Special Agent with the U.S. Secret Service; Chief Casino Security Office is Warren Adams who was in charge of the Gaming Squad, Clark County Sheriff's Department, Las Vegas, Nevada.

We have found that techniques used in the casino industry draw heavily upon commercial bank experience. Techniques found successful in banks for proper management, operations, credit control and audit are, in the main, directly applicable to casino activities. And we are pleased with that because the public should have the same confidence in us that they have a right to have in their banks.

In recent years a great deal of publicity has been given to charges against certain casinos for "skimming." The Paradise Island Casino, in conjunction with the Bahamian Government, uses operating procedures which provide maximum controls over individual gaming tables and the operations of the Cashier's cage that virtually eliminate the possibility of skimming.

Because of time limitations, I won't go into the details of the strict supervision of each of the tables. However, I would like to comment that once each day at the close of business, the lock boxes attached to each gaming table - they are usually referred to as "drop boxes," - are collected by government representatives and security representatives of the casino. It takes two keys to release the boxes, one in the hands of the government representative and one in the hands of the casino security man. The boxes are placed in a time vault which will not open until the following day, at which time a government man appears, and, in the presence of the government man, the income - the cash, the checks - received the day before are counted and a tally made which the government keeps a copy of.

I might add also that this entire procedure, counting the prior day's proceeds, is observed through closed circuit television. Further, there is closed circuit television that observes the cashier's cage which serves two purposes - one of internal security and the other, of course, for the photographing of individuals who might chose to hold up or rob the casino.

The count, which establishes the net win or loss for each day, is observed and supervised by the Bahamian Government representatives and Price Waterhouse & Co., the retained independent public accountants, conducts periodic surprise audits in behalf of the Company.

The accounting of the cashier's cage function is directly analogous to that of a bank cashier. Each day

the starting inventory of chips, cash and negotiable instruments, plus the day's net win (or minus the net loss) is accounted for by the closing inventory of chips, cash, and negotiable instruments.

The specific protective measures taken are as follows:

Since the quality of personnel is vital to the operations, we carefully select and closely supervise all persons who have anything to do with gaming at the casino. Prior to their employment, a security check is made by the Company to determine, among other matters, that such applicants have had no criminal convictions or associations or affiliations with members of organized crime. In addition, all personnel must be cleared by the Bahamian Government prior to their employment. The prime consideration in this screening is to ensure that no employees have or have had a conviction or association with crime. Based on the experience of our executives and staff, we keep a careful running audit of all reports on organized crime received through public and private sources.

New croupiers (dealers) are given extensive training through a prescribed six-month course with pre-requisite performance standards before final hiring to insure competent and efficient results.

The count of moneys from gaming is supervised and authenticated daily by representatives of the Gaming Board of the Bahamian Government and Price Waterhouse & Co. in their surprise audits.

Security controls are maintained to avoid the extension of credit to, or gaming by, members of organized crime.

Gaming equipment purchased must conform to tolerance and specifications set by operational and security management personnel.

Sophisticated electronic devices are used periodically to check for the tampering with equipment or for the introduction of unauthorized devices.

A security force of 40 men is employed by the Paradise

Island Corporation for the protection of all installations, including the bridge, hotels, casino and all other public places. These men act as a private police force for the Company, are well trained in security work, and maintain close liaison with the Bahamian police force.

Liaison is maintained with appropriate Federal law enforcement agencies and in particular with the Organized Crime and Racketeering Section of the Department of Justice, to ensure that they are fully informed as to our operations.

We believe that the system described makes it possible to operate a casino honestly and to make it a business contributing to the economic well-being of the community in which it is located. This, we believe, has been demonstrated in Paradise Island.

I might close by encouraging any State to find some way to collect the tax due from what has become the biggest industry in the country, and that is illegal gambling today, and I make that statement based upon my own efforts to collect the excise tax for the Federal Government. There is a ten per cent excise tax on the gross amount of all wagers placed. It is conservatively estimated that twenty billion dollars a year is wagered and the government collects a startling total of six million dollars instead of the two billion that should be coming in.

I think this is a serious area of tax evasion. As a citizen, I don't particularly appreciate it, and I feel the taxing of wagering is certainly one of the only feasible ways to raise taxes in the future since others are currently so high.

Thank you, gentlemen.

SENATOR SEARS: Mr. Kolar, your experience prior to your association with INTERTEL was with the U. S. Government primarily?

MR. KOLAR: Yes, I was with the Federal Bureau of

Investigation and the Senate Committee, Internal Revenue Service.

SENATOR SEARS: And during your experience with Government were you involved in this particular area; that is, if you would give us just a little bit of your background in terms of your government service.

MR. KOLAR: I might point out that the Internal Revenue Service Intelligence Division is the only federal agency that has been successful in bringing to court individuals in Las Vegas tried and convicted, pled guilty in fact, for skimming from casino operations. So there was considerable experience obtained in this area.

SENATOR SEARS: And your security, as I understood your statement, includes not just making secure the owner in terms of protecting the money, the proceeds, the audit, etc., but also goes to such things as keeping undesirables out. Now how much of a part does the Bahamian Government in Paradise Island play in that aspect of it. Is it a self-policing kind of thing or does the government lay down some pretty tight regulations?

MR. KOLAR: Actually I can't, based on my experience, tell you too much about the regulations of the Bahamian Government. Certainly they are very strict, I know, about having undesirables come in. However, I know we have sent correspondence to the Bahamian Government pointing out that undesirables have come to the area and we acknowledge and warn them about these individuals coming in. So every effort is made. During the days when the junkets were running and the so-called trips to the casinos, these people were checked out in advance before they were permitted to land on the island. There is close liaison with the Bahamian Government.

SENATOR McDERMOTT: Just one question, Mr. Kolar. You mentioned there was a 10 per cent federal excise tax on gross revenues. Is that 10 per cent levied on the gross play?

MR. KOLAR: Yes, on the gross play. Each individual



accepting a bet is supposed to pay an excise tax of 10 per cent. Now in 1968 the Supreme Court ruled that that law was unconstitutional from the standpoint of - there is an application for a federal gambling stamp involved. So, therefore, these people can't be prosecuted today in court for the failure to pay, but the excise tax of 10 per cent is still on the books and there is an obligation to pay it.

SENATOR McDERMOTT: But it's not legally collectible.

MR. KOLAR: You can't prosecute a man criminally for not paying it. However, you can bring civil action against him for failure to pay.

SENATOR SEARS: So what you say - I'm sorry, Frank - is that if the State of New Jersey were the operator of casinos we, of course, would be subject to that 10 per cent tax. From our experience with the Lottery Commission we know that to be so. I'm just commenting now, but that's kind of revenue sharing in reverse, isn't it?

MR. KOLAR: You're right but I understand that the new bill - and there is a new bill in before Congress, One of the delays in having it passed is that the people in Las Vegas want to be exempted, so I am sure that that is a real consideration.

SENATOR SEARS: They have about as much chance as we have of getting the winnings on our lottery exempted from the income tax, I would say.

MR. KOLAR: Yes. Well, as Wilbur Mills is holding court in -

SENATOR SEARS: Thank you very much, Mr. Kolar. We appreciate your coming.

SENATOR McDERMOTT: Thank you, Mr. Kolar.

SENATOR SEARS: Now we will go to Mr. William Green, Coordinator of the City of Asbury Park.



W I L L I A M   G R E E N:   Senator Sears, the Chairman, Senator Kelly, and Senator McDermott: I welcome the opportunity to be heard here in behalf of our Mayor and Council and the citizens of Asbury Park.

Now first I would like to state that the Mayor and City Council would like to be placed on record, after passing a resolution, that they approve a state-wide referendum on the bill and that they also humbly ask the Legislature to include the City of Asbury Park in the proposed bill.

We are a small city, a mile square, with big city problems. The City of Asbury Park owns their own beach front and operates it. We have a sizeable downtown business district. We have a sizeable concessionaire business on the boardwalk, and we are plagued on the west side of our town with a slum area. So this can definitely give you an idea of the problems that the City of Asbury Park is coping with today.

Our population is around 20,000, standing population, during the year, and during the summer months our population increases between 125 and 150 thousand people.

Now I would like to make reference to another State, the State of Nevada, where down in the southern part of the State they have Las Vegas with legalized gambling, and up in the northern part of the State they have Reno. I am reasonably sure that Atlantic City could service these people coming in from the southern part of the State, Philadelphia and Camden, but I would like to state here before the Committee that I think Asbury Park could service between 10 and 12 million population, and that is taking in New York City and the northern part of our State and the central part.

We are the second largest resort city in the State of New Jersey and we have suffered in the last 15 years. With the construction of the Garden State Parkway that took many of our conventions and visitors to our resort area down to the southern parts of our State, we have been

trying for years to overcome the loss of the convention business. We also are coping with the loss of business that goes to Las Vegas where people like to hold conventions because of legalized gambling and people like to go down to the Bahamas and other islands where they have legalized gambling, and I believe this has not only hurt Asbury Park but the other resort areas in New Jersey.

I would like to talk about our physical setup in Asbury Park for a minute. We have built-in features there that could accommodate a legalized gambling setup. We have our casino which is as large as our convention hall and on the southern part of our boardwalk we have our convention hall, and we have fine land available both on our boardwalk and on Kingsby Street and Ocean Avenue where builders and investors can come in tomorrow and develop. Now in order to bring these investors in we must give them some incentive, and the only incentive I can think of at this particular time is the passage of this legalized gambling bill. I think this might beyond any doubt give the City of Asbury Park and other resort areas, such as the lake region in the northern part of the State, a shot in the arm.

Now we have hotels, motels, restaurants, golf courses and other entertainment facilities in the City of Asbury Park.

As I said, this could create a building boom the likes of which the City has never dreamed of. It will also produce the additional revenues and tax ratables and business that will allow the city to clear up its slum areas and create additional recreational facilities and public works projects.

Now I have here in my hand, just to cite an example of what our city and other cities are undergoing today, a request from our Recreation Committee. Here is the 1970 budget which was \$10,000 and in my hand for 1971 it is \$100,000, which means they are looking for ten times the amount of money they had in 1970. If this is an indication

of what is going on in most cities, I would say it's a horrible situation for the taxpayer.

Now I think all you Senators are aware of what happened in the City of Asbury Park this past summer and it has also happened in other cities in New Jersey. These incidents come from frustrations of people. They feel they should be living in a better world today, in a better town, and it's just an impossible situation for any of our towns in New Jersey to keep raising the tax rate. If we have another increase this year - and this is what is going to happen - we have an additional middle school that is going to demand additional revenues; we have an increase going to our fire department and, incidentally, we have the only paid fire department in the central part of the shore area of New Jersey. We have an increase going to the police department, our public officials who work in the city, our Public Works employees, and our tax rate is very high at present. Now if we initiate an additional tax raise this year, I'm afraid we are going to panic some of our people right out of their homes. So you can readily see what some of our cities are undergoing today.

Our business district has suffered between 40 to 50 per cent loss in business this year, and I can safely say that some of this was due to the disturbances we had, but on a national level I believe that business has been off somewhere around 15 per cent, so if you discount that off the 40 and 50 you have a true figure of what we actually suffered during the disturbance.

Again I say, with a legalized gambling bill such as the one being considered by the Committee, a lot of the frustrations of both the taxpayers and the people living in the city can be removed.

Now the people in the State by all means should be given an opportunity to vote on this bill or on the referendum and I urge the State regulation of legalized gambling if this referendum is passed so we can be

assured of complete control.

Now the State at present is in control of bingo, raffles, lottery, horse racing, and we have a State board, the ABC, which controls our liquor. I am just afraid that the municipalities may become prone to being lax on legalized gambling in any given municipality in the State if the State does not take control of this and operate it the way it should be.

We just can't be hypocritical of legalized gambling for, as I just stated, we are now in the throes of it with horse racing and bingo and a lottery and all they do is invite the criminal element into our towns and cities and destroy them by not being realistic and passing such a bill. I can't tell you how much I urge your consideration of the rest of the cities in New Jersey and not just consider one. I'm talking about the real deep-rooted problems of every city that is being affected today in our State, and I hope that this Committee and the Legislature give the City of Asbury Park due consideration.

Thank you.

SENATOR SEARS: Thank you very much, sir.

Would you suggest that if this bill should be adopted there ought to be an across-the-board local option provision in it so that any town that wanted to take advantage of it could?

MR. GREEN: Yes. I forgot to mention that but I think there should be local option and the ones that want it can have it.

SENATOR SEARS: Are there any questions?

SENATOR McDERMOTT: I just want to say, Mr. Green, I know Asbury Park has been a great convention center and that we are all regretful of the problems you have at present. We think though your people down there will certainly bring Asbury Park back to its greatness, and this Committee will certainly consider what you said.

MR. GREEN: Thank you very much.

SENATOR SEARS: Mr. Gary Malamut.

G A R Y M A L A M U T: Mr. Chairman, honorable Senators, my name is Gary Malamut; I am Chairman of the Board of the New Jersey Hotel-Motel Association representing 250 member properties employing 25,000 people with capital investments in the State of New Jersey of \$250 million and annual payrolls of \$125 million.

I have been accused of having a selfish interest regarding Senate Concurrent Resolution #74. Yes, I have a selfish interest in this legislation. I would like to see Atlantic City become Monte Carlo, U.S.A. with an enclosed boardwalk, a busy airport, high speed rapid rail transit, hundreds of conventions, thousands of new jobs which would improve the economy on an annual basis and millions of visitors. The method of operation could be patterned after the Commonwealth of Puerto Rico with limited evening hours of operation, no minors permitted, strict security guards at the door, elegant attire by the patrons with strict state supervision and control and inspectors on premises at all times.

Yes, I have a selfish interest in this legislation. This could be the catalyst for our urban aid and construction. And modernization would flourish and Atlantic City could still remain in a strong competitive position in relationship to its convention and resort competitors.



I will not dwell on the economic impact of this measure since other speakers already have done so. Although we do not advocate a plan like Nevada, I would like to quote certain statistics prepared by the Nevada Employment Security Department in a report titled "Manpower Horizons for the Soaring Seventies", which was prepared by the Manpower Information Section of the Nevada Employment Security Department. In the State of Nevada there are approximately 188,000 workers employed in non-agricultural work and by 1980 they predict that 360,000 will be employed in the same industry. Approximately 75,000 of these new workers will be employed in the tourism industry which at the current time employs 75,000 people, so that in the next 10 years this figure will double. At the current time there are approximately 17,000 casino employees and by 1980 this figure will more than double to approximately 36,000 casino employees. These figures do not include support personnel such as bookkeepers or maintenance men. The report comments that even excluding support personnel "the number of persons

actually involved in taking and placing customer wagers still represents a minority of casino employment." Four percent of all tourism employees in the United States work in Nevada or to state it more simply, 4 out of every 100 persons employed in tourism works in the State of Nevada.

Not only would this be a brand new industry with clean air and clean water, but it can drastically reduce unemployment, relief, and welfare in the Southern part of our State.

New York State shortly will be operating legalized off-track betting parlors, and will eventually legalize all forms of sport betting including football, basketball, baseball and boxing. Meanwhile New Jersey stands by and watches.

I have heard certain people express the opinion that New Jersey should wait and analyze the results of the recent lottery. Meanwhile lottery was approved 13 months ago and not a penny has yet accrued toward education in New Jersey. This attitude of sit and wait will not help the fiscal dilemma of our state.

I would like to see our senior citizens given some relief regarding their housing situation. Be it subsidized rentals or anything that would permit them to live and buy other goods and services with primarily fixed incomes and Social Security benefits. I should think it's time that our police officials concentrate their efforts against crimes of a violent nature instead of raiding bookie joints, and numbers writers. With crime in the streets and narcotics, they have their hands full now. The supposed moral issue should also be decided by the public. Horses, lottery, bingo and raffles are legal in New Jersey. Casinos should also be legal.

No one wants a personal income tax in New Jersey. Let's try this method of allowing the voters to decide their fate. They do not want taxation without representation. Let them decide this question next November and not impose a personal income tax after the next election. We can deal a tremendous blow to organized crime by legalization of casino gaming in New Jersey. The system can

be state controlled and state supervised to prevent infiltration by organized crime. It will reduce the working capital of the crime lords and prevent further narcotic purchases from foreign countries.

The National Council on Crime and Delinquency has stated that organized crime nets 10 billion dollars a year and that bribes cost them 2 billion dollars a year. A New York State Legislative Committee in 1968 estimated that organized crime collected 343 million dollars more out of New York's three major slums than the state spent on welfare for residents of those slums.

The seed money for narcotics comes from bookmaking, illegal gambling, and loansharking. Our youngsters are becoming drug addicts and in order to feed their habit they go out and steal cars, rob stores, and mug people in the streets.

We can take a positive approach toward the elimination of organized crime, graft, corruption, narcotics and crime in the streets.

This resolution should be the important issue of 1971 in preference to a personal income tax. An affirmative vote on this resolution does not signify a Senator's personal endorsement of legalized gambling. It only reflects that the issue will be placed on a public referendum to be decided by the 7 million people of the State of New Jersey. I ask that this resolution be brought on to the senate floor for a vote as quickly as possible. A vote against this resolution signifies a back door endorsement for a personal income tax, denying the people of New Jersey a chance to express their opinions on future taxations, more crime in the streets and more narcotics for our children.

It is my belief that there has been much pressure and money in New Jersey trying to kill this legislation. It's coming from Nevada, Bahamas and the elements of organized crime. I hope our Legislators haven't fallen victim to the rumors and stories. Please stop protecting the crime lords and approve this resolution.

When the SIC sends an organized crime leader to prison,



his place is taken by a subordinate and the system is now self perpetuating. The system goes on, only the faces change to protect their identity.

In September 1968 before a New Jersey Senate Hearing, Professor G. Robert Blakey of Notre Dame University, a former consultant to the President's Crime Commission stated "I think New Jersey has as large a corruption problem as any state in the union". I think the past several years in New Jersey has reinforced his statement.

It's no wonder that we are out of touch with the younger generation. They look at the hypocritical adults condemning gambling and then the parents bet on the Mets to beat the Giants, <sup>and take 2 to 3 odds.</sup> The kids are rioting because we won't listen to them. They are trying to tell us that they don't want to become drug addicts and that many of our rules are antiquated and should be modernized. This is certainly one of them. Let's remove the heroin needles from the arms of our children, and help the Garden State.

I have never seen such wide support for an issue to be placed before the people for their opinion: Labor, Management, Republicans, Democrats, Young and Old, rich or poor.

There are 100 million people within 500 miles of Atlantic City. There are only 7 million people in New Jersey.

Let's try to bring those people to New Jersey with fresh money. Instead of them flying to distant areas, let them come to New Jersey. Let New Jersey lead in the war against organized crime. Let's murder the Mafia.

Let the people vote! I repeat, let the people vote!

Thank you. [Applause]

SENATOR SEARS: Mr. Malamut, would it make any difference to you whether the casinos were operated by the State or by private enterprise?

MR. MALAMUT: No, sir, I would just like to see people working.

SENATOR SEARS: As former Chairman of the Lottery Planning Commission, I can't resist the impulse to just make a short statement about our lottery, because as you drove up perhaps you saw by the billboards that on December 16th we will start to sell tickets. I want to point out that an operation, whether it be a lottery or organized gambling on any scale can't begin the day after election. Last November, of course, the

referendum was approved on the lottery. In the winter session, the Legislature passed the implementing legislation, and our Commission has been hard at work since, and I would simply point to New York where over a year ago the off-track betting was approved and they have yet to take the first bet, and Mr. Samuels has continued, it seems, to put off that inevitable day. One thing I think the people of New Jersey will want us to do whether it be in implementing lottery legislation or casino legislation or off-track betting or anything else that might come along will be to do it the right way, and the right way is not the fast way.

Do either of you gentlemen have any questions?

SENATOR KELLY: I have just one, Mr. Chairman.

Mr. Malamut, you mentioned - I think you said there were rumors that money is coming into this State from Las Vegas and the Bahamas to keep this bill from coming out of committee and giving the people the right to vote on it.

MR. MALAMUT: I think that is the expression of a large number of the people, sir.

SENATOR KELLY: Do you have any solid information that any money has come from any source into this State to anyone for that purpose?

MR. MALAMUT: No, sir, but perhaps the Committee could request the SIC to check that.

SENATOR SEARS: All right. Thank you very much, Mr. Malamut, for your remarks. Incidentally, if any of you have extra copies of your prepared remarks, if you will

leave them with us we will appreciate it.

For the benefit of those who have signed up since I made the first announcement of our ground rules, I want to remind all of you that speakers are limited to ten minutes for their direct remarks.

I will call Mr. Hugh Maguire.

H U G H W. M A G U I R E: Mr. Chairman, I am Hugh W. Maguire, Tax Collector of the Township of Hamilton, County of Mercer, and act on a volunteer basis as Chairman of Hamilton Township Senior Citizens Council and Vice President of the New Jersey State Senior Citizens Council representing about 100,000 members. Our State Council of Senior Citizens is acutely aware of the need for additional revenues and in my position of Tax Collector I know first hand of the sad plight of many of my senior neighbors. There was a title some years ago and the office of Tax Collector and even neighbors of mine for 30 years deem me "the dirty old man." With the increase in taxes year after year, we have reached the point of saturation. Not only our senior neighbors but I believe municipalities throughout the entire State of New Jersey have reached that point. We cannot stand additional taxation.

I am cognizant of this bill to propose a referendum which, if successful, the top priority would be in the area of the senior citizens' housing. That, in my opinion, is a definite need. As you know, the Senior Citizens Council's eventual goal is the freezing of taxes for persons attaining age 65 and for widows attaining the age 60.

Clubs throughout the State will be made aware of this meeting today and I shall return to our Council with my findings and recommendations, but before I do, sir, there is a bill proposed now and, if I am not out of order, Mr. Chairman, I respectfully implore this honorable body to pass post haste the implementation of the additional \$80 exemption and this, of course, must be done prior to December 31 this year to take effect next year.

SENATOR SEARS: That's on schedule.

Thank you, Mr. Maguire.

For the benefit of our stenographer, we will take a five-minute break.

[Recess]

SENATOR SEARS: Our next witness is Rev. Samuel A. Jeanes.

R E V. S A M U E L A. J E A N E S: Mr. Chairman and members of the Senate Judiciary Committee, I am Samuel A. Jeanes of Merchantville, General Secretary of the Lord's Day Alliance of New Jersey and Legislative Secretary of the New Jersey Christian Conference on Legislation.

Mr. Chairman, we have had several persons who have written in asking to be included in this statement. I received a letter today from Dr. William Guffick who is the District Superintendent of the Methodist Church in that area and I would like to just file this with the Committee. I won't take time to read it.

SENATOR SEARS: It will be made part of the record.

DR. JEANES: Thank you.

We also would respectfully request the inclusion of a statement which was filed with the Committee at the public hearing conducted on March 19, 1970. This did not appear in the printed record but we did send copies of this statement to the members of the Senate.

We are not unsympathetic with the "good causes" that have been associated with this new gambling proposal. Unfortunately, however, every gambling proposal seems to be given the "public relations treatment" that overemphasizes the "good causes" and gives slight attention, if any, to the potential dangers and risks that accompany any further extension of gambling. We do have heavy responsibilities for education, our institutions and agencies, and the ever-growing burden of public assistance. However, to persist in claiming that we can resolve the fiscal dilemma of state and local government by additional gambling taxation is to fail to recognize the nature and magnitude of the tasks that confront government today.



May we submit to you that a couple of years ago the combined state- local tax structure of the nation yielded almost \$42 billion dollars. 45.9% of this revenue was derived from property taxation while 14.7% came from General Sales taxes and 11.6% was realized through the taxation of income and inheritances. Seventh-tenths of one per cent was derived from pari-mutuel and other forms of gambling taxation. Do not overlook the conclusion that gambling taxation is but a token effort. We have too much legalized gambling already in America, but let us assume that the public would succumb to the sales tactics and the promotional schemes that encourage people to gamble so that the amount of gambling doubled. This would still produce less than 1½% of the total tax yield...a long ways from meeting the needs of government in the seventies.

Nevada is often referred to as a "one tax" state...only 13% of the total state revenue comes from all forms of gambling and Nevada depends upon the Federal government for grants and subsidies that total 27% of its entire State income and to which every citizen of the nation is required to contribute his tax dollars.

New Jersey is now confronted with problems of unemployment and some of our industries are facing difficult days. These gambling proposals will not add to the attractiveness of New Jersey as a place for commerce and industry. The United States Census of Manufacturers indicates that over a fifty year period the State of Nevada had not attracted any new industries to settle within its borders. To gain the reputation of an "Eastern Las Vegas" in New Jersey would be comparable to hanging out a quarantine sign to new industry on our bridges, roads and turnpikes.

One speaker at the March 19th Hearing raised some questions that this Committee should face. He labeled this as special privilege legislation which he considered a violation of the Anti-Trust laws because it restricts trade, it eliminates competition and is discriminatory. Of course, he still favored casino gambling but not just for one seashore resort. And here is another danger in this legislation: The Philadelphia Bulletin of January 5, 1969 reported that the business men of

Atlantic City were raising \$2 million dollars to push this personal interest gambling plan. If this amount of money can be raised to bring wide-open gambling to a town of 60,000 permanent residents, will there not be privately motivated people and interests in other communities that also desire the same wide-open gambling for their cities and towns?

It has been publicly stated that this proposal, if enacted, would bring to our New Jersey resort "The Triple A Grade Tourist". We do not know what kind of tourist is attracted to Las Vegas but there is a combination of gambling and tourism in that city that requires the largest police force per capita of any city in America. And Atlantic City certainly can't risk anymore crime than it now has for it is now listed as having the fifth highest crime rate in the Crime Index of the Federal Bureau of Investigation per 100,000 population.

The County which would feel the impact of more gambling in Atlantic City already has a crushing welfare problem and most of it comes from the city where it is reported that 33.5% of the population earn less than \$3,000 a year. In the month of May of this current year the cost of one item of relief - Assistance for Dependent Children - involving 15,982 people was \$918,000 for just one month. Bergen County with five times as many people spent less money - \$727,231 to assist 10,678 individuals. There is an irony in legalized gambling that requires government and private agencies to make large expenditures for welfare purposes. It is reported that many who lose all their money in Nevada at the gambling houses become part of the relief load of the Red Cross, the Salvation Army and other agencies. Our welfare problems are too much for us now. Let's not allow privately motivated interests to import more problems that will immediately become our charge under our liberal relief laws of presumptive eligibility!

New Jersey has already received too much embarrassing publicity brought to light by our Investigative bodies and activity of the United States Attorney. Let us not move another inch toward legalizing this proposal that is freighted with the possibility of underworld penetration. Every member of our Legislature and certainly

every member of this Committee ought to be familiar with the May 1970 Reader's Digest article entitled THE SHOCKING SUCCESS STORY OF PUBLIC ENEMY NO. 1. This became a part of the Congressional Record on May 18th of this year on motion of Congressman Poff who used it for urging the passage of the Organized Crime Control Act of 1969. This is an almost unbelievable story that contradicts testimony given here in March of this year which said, "the casino is self-contained. They are not a liability to the police department of the community or the state police. They have well trained security officers of their own paid by the casinos, not at the expense of the taxpayers." We ask, was it with this kind of policing that the F.B.I. uncovered that in each casino, huge sums of money - as much as \$280,000 a month were being lopped off the top of the winnings? No taxes, state or federal, were paid off the skim. The F.B.I. found that 60% of this skim money was going into Miami and the rest was delivered to a person in this State, according to the article in the Congressional Record. Further investigation indicated that this money was deposited in Swiss banks and was then loaned by the banks (always concealing the names of the owners) for enterprises here in our own nation. Gentlemen, all this occurred under what has been labeled "Self contained policing of legalized gambling". And the rest of the story ties into political campaigns and political candidates. Please do not open the doors in New Jersey for this. We can't afford this moral detriment.

We have been blessed by our Creator with wonderful resources in this State that for so many people is home. Our greatest resource is our people....people of all ages. Too long have we been listening to the litany of security without work... living by luck instead of living by industry. Instead of going further down...and I do mean DOWN this road of economic and moral grief, let's turn around and begin to climb the hill up where we will encourage economy in government, supported by honest taxes, where we will teach our people to save and not to gamble, and where we will educate and inspire our youth with the glory and dignity that can be found in achievement, hard work and attainment. The approval of this gambling proposal would be a step DOWN but its defeat will be a step...a long step UP.

SENATOR SEARS: Thank you very much, Reverend Jeanes. Are there any questions, gentlemen? (No questions) I will call Mayor Hentges.

W. R O B E R T H E N T G E S: My name is W. Robert Hentges, I am Mayor of the Borough of West Wildwood in the County of Cape May.

Members of the Judiciary Committee, I am here to reiterate my position of March 19 and to concur with my colleague from Asbury Park. I feel that perhaps this legislation in its present form is the most detrimental piece of legislation which has come out of the State of New Jersey in many years.

This bill - and I am not against legalized gambling in Atlantic City. Alone - that is the problem. Atlantic City alone. Atlantic City, by virtue of the adoption of legalized gambling, will steal from all resort cities throughout the State of New Jersey the resort economies that they now enjoy. My colleague from Asbury Park complained of the plight of Asbury Park. The Wildwoods in Cape May County now, not necessarily enjoy, but they have the highest percentage of unemployment in the State of New Jersey. They are classified as an economically depressed area. What this legislation will do, sir, is to make Atlantic City very, very rich. It will make Cape May County and Asbury Park and all other resort-oriented communities very, very poor. I think the people of the State of New Jersey do in fact have the right to decide for themselves, and I think the people of resort areas who depend on resort money should also have the right to decide themselves.

I have had several people to me in my community and throughout Cape May County in general say: "All right, let Atlantic City have it for a year and see how it works out. If it drains our economy, then we'll get it." Well, Senator, no one has been told or has had it explained to them that this is a constitutional amendment. If a year

passes and Atlantic City does in fact adopt legalized gambling, it will require, sir, another complete constitutional amendment to expand this to other areas. This will require two, three, perhaps four years more. It is unlikely that the New Jersey State Senate is going to permit other areas to have it once it becomes possible in the City of Atlantic City.

I fear for the Wildwoods in general. I am the Mayor of one of four of them. Our economy right now is not too good. We have just completed a 1.4 million dollar convention hall which admittedly is only a drop in the bucket compared to Atlantic City's new addition to their convention hall. My fear is solely this, that the conventions which we now receive primarily in the off-season will no longer come to the Wildwoods. They will stay in Atlantic City. I cannot conceive in all honesty, and I'm sure you must agree with me, that the American Legion, the Veterans of Foreign Wars, and the other connections which we have, will come to the Wildwoods, stay in the Wildwoods, and travel 40 miles up the Parkway to gamble. They are in fact going to stay in the City of Atlantic City. I do not care to take anything away from the City of Atlantic City but I do not want them to take anything away from us. It is very serious, Senator. We know not where to turn. I spoke to Mayor Somer in May of last year. We both appeared on a television show in this regard. He indicated to me at that time that he is not opposed to any other community having legalized gambling. He has not come forth, to my knowledge, to Senator McDermott, the prime sponsor of the bill, or to Senator Farley who is concerned in Atlantic County, to indicate this and to have the bill amended. Between last May and today is a long time. This bill could have been amended to permit local option by seashore resort communities who depend on their resort-oriented economy. Senator McDermott has offered a suggestion that this would bring \$200 million in revenue to the State of New Jersey. Now if this is in fact correct,



let's assume that Asbury Park, the Wildwoods - just two,--for example - had also legalized. This figure could then increase to \$350 million per year. I'm sure the State of New Jersey could use \$350 million per year, and I don't believe that \$200 million a year is going to forestall any income tax. At the rate the State of New Jersey is going now, \$200 million will never meet the needs of the State of New Jersey, so it is my concern, sir, that this legislation should be broadened before taxes, because once it passes, the people of Cape May County, the people of Asbury Park, are out of luck. I fear we will never, never get it.

Now I have also suggested that the New Jersey State Legislature create a legalized gambling study commission. Now I know several people will say that the New Jersey Hotel Resort Industry is conducting such an investigation.

Inasmuch as the State of New Jersey may run this operation themselves, it is suggested that the Legislature set up their own Legalized Gambling Study Commission. This would be very effective in that it could show, Number 1, a factual amount of revenue which could be returned to the State of New Jersey; it would show, Number 2, the effect on the economy of the entire State of New Jersey and, Number 3, it would show what effect legalized gambling would have on Cape May County, on Asbury Park, and every other resort-oriented community.

I think Senator Kay, whom I have asked to introduce such legislation, will in fact introduce legislation to this effect - to set up a Legalized Gambling Study commission. This doesn't necessarily have to delay the passage of this bill. As you know, it can't go on the ballot until next November. A Legalized Gambling Study Commission could be given a time period of perhaps three months to make an investigative study and come up with very pertinent facts, facts that are important to the State of New Jersey, facts that the Legislature must have to effectively pass on any gambling legislation whether it is for Atlantic City or the entire State of New Jersey.

I fear, sir, if this bill is passed in its present form that the people of Cape May County, the people of Asbury Park, and the people of all resorts throughout the State of New Jersey are going to be coming to the Legislature of the State as Newark is coming at the present time, because this piece of legislation can mean economic and social disaster for every resort-oriented community in the State of New Jersey with the exception of Atlantic City. Atlantic City will be very rich and the other communities will be very poor and I don't think, Senator, that this legislature can honestly and intelligently pass this bill knowing that this very definitely will happen. I'm afraid of it; it scares me very much and it is definitely going to happen.

I happen to be a businessman and I am just struggling along with the business I have now and if all the business is going to leave the Wildwoods and go to Atlantic City, my business will go down the road even further. It is very, very important, and before this bill is passed in its present form I urge you to pass legislation setting up a Legalized Gambling Study Commission and come forth with your own facts and not listen to witnesses based on their past experiences. I think facts have to be determined accurately and precisely and the Legislature should do this and no one else.

Thank you very much.

SENATOR SEARS: Thank you very much, Mayor, and your suggestions certainly will be noted and fully considered. As you know, part of the reasons for a public hearing are to take suggestions such as this, and bills such as those under consideration certainly are subject to amendment before they get to the floor.

Do either of you other gentlemen have any comments or questions?

SENATOR McDERMOTT: Thank you, Mayor.

SENATOR SEARS: I will call Mr. Marciante.

C H A R L E S   M A R C I A N T E: Senator Sears, Senator Kelly, and Senator McDermott, my name is Charles Marciante. I am President of the New Jersey State AFL-CIO.

The purpose of my appearance here today is to urge that every consideration be given by this Committee to the legislative proposal offered by Senator McDermott which would authorize a referendum on the question of amending the Constitution to permit state-controlled casino gambling in Atlantic City.

As a representative of the labor movement, it is natural that labor urge favorable consideration to any legislation that might have the effect of creating greater opportunities of employment for persons in various trades and occupations. And it is true that Senator McDermott's proposal, if given favorable consideration by the electorate, would create jobs and stimulate the flow of goods and services.

There is an item of overriding importance in the Senator's proposition and that is the fact that revenue generated from casino operations would be part of a long-term tax relief so desperately needed in New Jersey.

I realize that I do not have to detail for this Committee the dilemma of New Jersey's tax situation. The virtually confiscatory real estate tax, the five per cent sales tax, the myriad of use taxes and the specter of the personal income tax, have stretched the citizen's ability in many cases beyond his limit to pay. Even after our Unions have signed contracts for two or three-year terms, the cost of living rises and in many cases wipes out the gain the Unions have made at the bargaining table.

Unfortunately the relative weight of our tax structure is felt most keenly by the working people of New Jersey whom we represent. These individuals do not have the benefit of large depreciation charges or tax carry-forwards to help them over the lean stretches. What they do have, however, is a succession of constantly

increasing tax bills from the municipalities, counties, state and federal authorities. In return for the dubious privilege of having government at all levels withhold much of their income, the average workingman sees the general deterioration of public services and a run-away inflationary cycle that threatens to evaporate what small amount of money he is somehow in rare instances able to put aside.

The answer to the problem of overburdened taxpayers lies partially in a fundamental review of New Jersey's tax raising mechanism, initiation and implementation of whatever reforms are necessary to insure both a more equitable incentive of the burden and more productive use of tax dollars.

I am aware that a gubernatorial tax study commission is now at work on these items. Labor is represented on the Commission. I have every reason to believe that it will faithfully discharge its obligation. But the need for tax relief is immediate and it is most pressing among the working people who carry economic security that is presently threatened. Relief for many of these people may come too late to be helpful unless every effort is made to provide such assistance when opportunities present themselves.

One of these opportunities may well rest in the proposal to permit casino gambling in Atlantic City. Beyond the commercial benefits manifest in such an idea, we are most influenced by the fact that taxes raised by casino gambling represent an entirely new revenue source and further would be generated only by those who prefer to avail themselves of the facility. The finance derived, however, would be to the general welfare.

This is precisely one of the kind of long-range and original tax sources that we have to develop in New Jersey if we are to solve our revenue problems at all. I am aware that the idea of casino gambling has its

controversial side. Indeed, let us have a full and candid discussion of all details. Frankly, we would not ask its adoption under any other considerations. To that end, we are pleased to see that Horace J. DePodwin Associates, a recognized firm of management consultants, has been retained to survey the potential of casino gambling from every aspect.

What we urge most of all, therefore, is that we keep an unbiased mind and not prejudge the issue. It is only after all the facts are on file and after all opinions have been heard that the question of casino gambling can be given an honest and objective decision.

Finally, as I have said throughout this presentation, it is the revenue potential of this idea that is most intriguing. Casino gambling is a rare opportunity for New Jersey to generate sorely-needed revenue and not have it show in the tax bill that every citizen pays. For that reason alone, we would urge that this Committee give Senator McDermott's proposal its most sympathetic consideration.

SENATOR SEARS: Thank you very much, Mr. Marciante. Do you have any questions, gentlemen?

SENATOR McDERMOTT: No, I just want to compliment Mr. Marciante on his presentation about the need for new jobs in New Jersey. I can assure you that I have had a personal interest in new jobs. Thank you.

SENATOR SEARS: Mr. DePodwin.

H O R A C E J. D e P O D W I N: I have a few charts, gentlemen, that I would like to use if I may.



I am Horace J. DePodwin, Dean of the Graduate School of Business Administration, Rutgers - The State University of New Jersey. I am also President of Horace J. DePodwin Associates, a firm of economists. I appear here today on behalf of the New Jersey Hotel-Motel Association which has asked DePodwin Associates to undertake a study of the potential impact of legalized gaming on the State of New Jersey. Working with me on this study is Barbara Epstein, an economist on the DePodwin Associates staff.

Our approach to this study, as outlined in the statement that follows, has been to consider gaming as any other industry that might locate in New Jersey. Our experience has been particularly relevant to this analysis. We have prepared numerous studies of individual domestic and international industries. The scope of most of these studies, such as those of ceramic and glass products, electrical equipment, data processing and communications, asphalt, and plastics, has covered industry characteristics that will be significant in assessing the potential contribution of a gaming industry. Among these characteristics are: projections of demand, economies of scale, regulatory procedures, industry structure, and pricing. We have also been in the field of taxation. Through projects for the Savings Bank Association of New Jersey, our staff has become familiar with the current tax structure and needs for revenue in New Jersey. I am the author of Discharging Business Tax Liabilities, Rutgers University Press, an analysis of the impact of taxation on the financial position of businesses of various

types and sizes. Our third area of expertise that will contribute to this current study is our knowledge of industry regulation. In 1968, we prepared a study for the Business Equipment Manufacturers Association on the "Major Economic Issues in Data Processing/Data Communications Services". This study considered the question of regulation of these services. The final report was submitted to the Federal Communications Commission. In addition, I have participated for the State of New Jersey in public utility rate hearings. My associate, Miss Epstein, is an expert in the economics of industrial organization and pricing.

The purpose of our statement today is to outline the study in preparation. We are evaluating three aspects of the introduction of legalized gaming into New Jersey:

1. What contribution might the gaming industry make to the State of New Jersey in terms of economic growth and employment opportunities for its citizens?
2. Can this industry be taxed in such a way as to provide the additional revenue required by a growing state concerned with the welfare of all its citizens?
3. What are the potential social costs and effects that might be generated by this industry, and how, if at all, can they be minimized?

Since we were authorized to begin our investigation within the past month, no final conclusions have been reached. Any findings presented now are tentative and based entirely on the experience of areas that have legalized gaming industries. The three areas that our staff have visited are Nevada; London, England; and Puerto Rico. From our observations of gaming industries in these areas, we believe it may be possible for New Jersey to minimize undesirable social effects of gaming and, thus, be able to realize its potential advantages. Our purpose, today, is not to prove this hypothesis, but only to suggest that an objective appraisal requires consideration of many things. Hasty conclusions are not being sought.

#### History of Gaming

Casino gambling is not something new, created by American pioneers in the Wild West. It is mentioned in the earliest written records of man. Dice have been found in the tombs of ancient Egypt and the Orient. In 18th and 19th Century Europe, fashionable English and Frenchmen gambled in luxurious gaming houses. Settlers in America brought dice and cards with them. Today private and public casinos are located in almost all of the world's cosmopolitan cities and successful resort areas.

In determining whether or not a legalized gaming industry can make a contribution to the State of New Jersey, we are working within the framework set forth in revised Senate Resolution No. 74, submitted September 21, 1970. The significant statement of this resolution is that legal gaming would be confined to Atlantic City. Our task is to assess all possible effects on the people and economy of this area, as well as the rest of the State.

The first image that most of us picture when gaming is mentioned is that of Las Vegas--neon signs flashing, a strip solid with casinos, slot machines in every gas station and grocery store. Let's be clear from the beginning, this is only one structure a legalized gaming industry can take. Moreover, it is the exception. In the Caribbean, gaming rooms are confined to large hotels, and the hours and dress of clients are strictly regulated. London licenses private clubs with one or more gaming rooms in each. Monte Carlo has one large casino. In all of these cities where casinos flourish, they do so just as one alternative form of evening entertainment, no more obvious or ostentatious than any other. Residents and visitors who do not inquire about the location of these casinos may never realize they are there.

The structure that a gaming industry might take in Atlantic City can be determined by the licensing and control procedures that are established. There is nothing inherent in the nature of the industry that favors one particular form.

#### Possible Advantages of Legalized Gaming for New Jersey

From our preliminary observations, the benefits derived by a community with legalized gaming appear to be abundant when the industry is adequately regulated. Our study, therefore, begins with an analysis of the potential advantages.

The starting point is the experiences of other communities with gaming industries. Step one is a comparison of the characteristics of Atlantic City with those of the other communities. From the results, we should obtain a good picture of the impact of casinos on Atlantic City. Let us look at a sample projection.

The casinos both in Nevada and the Caribbean depend on tourists and conventions for customers. Local citizens are believed to account for only a minor portion of gaming activity and revenues. We now ask if Atlantic City has the potential for continuing to be a major tourist area. The answer is obviously yes. Atlantic City has had a long and rich history as a popular tourist resort serving the citizens of New Jersey and the New York and Philadelphia metropolitan areas. In recent years, the travel revolution has exposed the city's resort industry to severe competition from vacation areas the world over. Considering its vulnerability to trends in tourism, the Atlantic City industry has sought to use its facilities for convention business. Even during the relative decline of the area as a tourist attraction in recent years, Atlantic City has hosted about 600 conventions with about 500,000 attendees each year. These figures could very well increase if the city could offer a complete entertainment package that included casino gaming.

The city might also attract vacationers in larger numbers, particularly from the Atlantic seaboard. The majority of Nevada's gaming customers drive there from California for the day or a weekend. In this respect, New Jersey is strategically situated. By 1975, it is projected that 60 million people will live within 250 miles of Atlantic City.



Atlantic City's ability to attract conventions and vacationers will depend on the scope and quality of its lodging, entertainment, and meeting facilities. Substantial investment in improved facilities will be made only if potential income is greater than now seems possible under present laws.

Whatever the method selected to optimize the tourist potential, there appear to be opportunities for contributing to the growth of New Jersey. Other communities have found that as the number of visitors and conventions increases, so do income and employment opportunities in hotels, restaurants, casinos, and all the supplying and related industries.

Another advantage of legalized gaming, indicated by the Nevada statistics, is that it is less sensitive to business cycles than many other industries. During the recent slowdown in the national economy, Gross National Product for the United States rose only 5.6 percent [first quarter 1969 to first quarter 1970]. In contrast the Nevada Business Activities Index increased 9.5 percent. Much of this increase may be attributed to the continued growth in tourist and closely-related industries. The rise in gross gaming revenues, alone, was 15.4 percent. This stability should be an important consideration in the selection of new tax sources for New Jersey.

#### Gaming as a Potential Source of Revenue for the State of New Jersey

It has been well publicized that a source of steadily rising income is an immediate necessity for the State. As all industrialized communities, New Jersey faces a growing demand for public services that cannot be readily financed from present tax revenues. Education, transportation, and social services are but three of the areas requiring large and continuous public investments.

The frequently mentioned alternative to raising already high sales and property taxes is to impose a state income tax. It is possible that New Jersey may be able to avoid an unpopular income tax by obtaining adequate revenue through a tax on gaming. In our study, we are investigating various aspects of such a tax. Again, our comments, today, rely mainly on the experience of Nevada.

Included in our research are the ways in which such a tax might meet criteria commonly used in public finance. These criteria were first set forth by Adam Smith in his Wealth of Nations.<sup>1</sup>

His first criterion concerns equity of the tax: is it levied in proportion to ability to pay. Taxes on gaming are like luxury taxes in that no one pays who does not choose to. By and large, the tax seems to fall on discretionary income, not on purchases of essential goods such as food, clothing, and shelter. Those people who choose gaming as a form of entertainment are not likely to be hindered by a tax, any more than those who choose to purchase tickets to the theater or sporting events.

The second criterion asks whether payment is certain, not arbitrary. According to Adam Smith, "The time of payment, the manner of payment, the quantity to be paid, ought all to be clear and plain to the contributor and to every other person." Surely, gaming taxes meet this criterion.

The third principle concerns convenience of payment for taxpayers. This is indeed a convenient tax and especially so when compared with the complexities inherent in personal income taxes.

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<sup>1</sup>New York: Modern Library Edition, 1937, Book V, Chapter II, pp. 777-778.

The fourth criterion concerns the efficiency of the tax. The best tax would have minimum costs of collection. Most of the alternative methods of taxing gaming that we are evaluating appear to have one common characteristic: they all provide simple, inexpensive means of collection. The most popular form of taxation is a tax on gross revenue/ <sup>as in Nevada.</sup> Use of this base avoids detailed calculations of deductions and subsequent audits. Another simplified tax is one on all chips purchased. This works well when all activity in the casino is conducted using chips, not cash. Still another form of tax would be a flat fee per gaming table, <sup>such as in London .</sup> These are among the several major forms of taxation which we are in the process of assessing.

The rapid growth of the State's fiscal needs dictate that we add two criteria to Adam Smith's maxims of taxation. The first would rate taxes well if the tax base grows concurrently with the State's fiscal needs. The second would approve a tax if the total revenue derived is fairly insensitive to business cycles.

If Nevada's experience is representative, tax revenues from gaming can grow rapidly and with very little fluctuation due to changes in business activity. Gross gaming revenues in Nevada have grown dramatically, much faster than U. S. Gross National Product. A tax levied as a percentage of these revenues grows at the same high rate.

I have here a chart which compares the receipts from gaming with the sales tax in Nevada.

The Nevada tax been insensitive to business cycles while sales tax revenues have not been. For example, while revenue from collection of the sales tax in New Jersey has been disappointing during the past year, it is possible that gaming revenues might have continued to grow. The trend in Nevada has been for gaming taxes to rise faster than sales tax collections. For example, on that chart you will see that the sales tax grew by 135 per cent, compared with 250 per cent

### Possible Social Effects from Legalized Gambling

One of the most serious questions the State of New Jersey must ask with respect to legalizing gambling is: of what magnitude are the social effects that would be incurred from the industry? And, can they be minimized to the satisfaction of the State's citizens?

Let us recognize that New Jersey is already among the 29 states that obtain revenue from legalized betting and gaming. In the U.S. Department of Commerce compilation of "State Tax Collections in 1969", New Jersey revenue from gaming and betting totaled \$35.3 million. This ranked New Jersey fifth highest among states realizing such revenue (after New York, California, Florida, and Illinois). Nevada was sixth. So the concept of using revenue derived from the gaming industry is not foreign to New Jersey citizens. What we are considering in our study are the social costs accompanying an increase in gaming.

Such social costs appear to take three basic forms. One is the additional expenditure for municipal services due to the fact that the city remains open more hours and it must accommodate a larger number of visitors. Similar expenditures are already being incurred by Atlantic City. The question at issue is how much legalized gaming would increase these expenditures.

A second cost to the community may be a higher rate of crime. Preliminary discussions with the Federal Bureau of Investigation and with law enforcement officials in communities with gaming industries have proved inconclusive. There has not yet been a measure devised to calculate what crime rate is expected in any one city. This, certainly, is an area to which we feel it necessary to devote extensive research effort.

A third, and related social cost, which may be peculiar to the gaming industry, is the cost of control and regulation. It is quite evident that this industry could be attractive to organized crime. Prevention of such infiltration appears to require a relatively small amount of money but a good deal of determination and continuing supervision. From the examples we have seen in London, San Juan, and Nevada, the more important ingredient is the establishment of effective control procedures, administered and enforced by highly respected and responsible citizens of the State. An important focus of our inquiry, therefore, is identification of the attributes of a successful control system, and incorporation of these into a proposed system for New Jersey. Without such controls, no economic advantages will be realized.

In summary, we have isolated three areas to investigate. One is the potential contribution of a gaming industry to economic growth in New Jersey. The second is the tax revenue that might be obtained for the State. And the third concerns the magnitude and types of social effects, particularly the costs and methods of effective control. From our preliminary work, we have selected these areas as the most significant. We are, however, under no obligation or constraint to limit our study to these areas. We recognize that this Committee might place greater emphasis on some areas of inquiry rather than others. We would welcome suggestions from this committee as to other questions you believe should be investigated.

Thank you, gentlemen.



SENATOR SEARS: Thank you, Mr. DePodwin. How far along is your study?

MR. DePODWIN: We've been working a bit over a month and we have visited the three major communities I have mentioned and are gathering data and talking to people. We have no published results, so to speak. We feel that the study will take, I would say, in total about four to five months.

SENATOR SEARS: In the three places you visited, in any of them do public agencies or government operate the casinos?

MR. DePODWIN: No, in each of them they are operated by private enterprise. However, they are under very strict control of either a gaming board or a gaming commission.

SENATOR SEARS: I, for one, would be interested - let me say parenthetically that your studies will be made available to this Committee or the results.

MR. DePODWIN: Yes, certainly, sir.

SENATOR SEARS: And, of course, it is always possible that some legislative commission may also undertake some sort of study, but certainly we will be interested in having any information you develop. I, for one, would be interested in whatever analysis you might be able to make of what the relative differences would be between private and public operation - what the advantages and disadvantages, if any, might be, what the effect might be, for example, on problems of security and law enforcement, keeping out undesirables and things of that sort, and also, but more particularly, what the revenue in fact would be. Assuming that the State as a practical matter could operate casinos, what would be the difference between just taking the taxes off the top and taking the profits, because so far today we have not been able to glean any information as to what those profits are and what the magnitude of the profits might be. If the figure of two million dollars is a credible figure in terms of private operation, I have rather a strong feeling that we might

be somewhat impressed by what the other figure might be if the State were the operator.

MR. dePODWIN: Sir, we are investigating. We are looking at the cost and revenue structure of the casinos and we should have a good understanding of their profitability.

SENATOR SEARS: I think this Committee would be interested in whatever you develop in that regard.

Are there any questions? (No questions)

Thank you very much for your thorough presentation based on your short time on the job.

I will call Assemblyman Caputo of Essex.

R A L P H R. C A P U T O: First, gentlemen, I would like to express my appreciation to the Chairman, Senator Sears, and the rest of the members of the Judiciary Committee for allowing me to come here today to express to you my views on what I feel the impact of legalized gambling would be in the State of New Jersey.

My name is Ralph R. Caputo and I am an Assemblyman representing Essex County and a resident of the City of Newark.

As all of you do know, the State of New Jersey is now experiencing a very, very serious urban crisis which is facing the citizens of this State. In my opinion it is State crisis which we have to face here in the Legislature dealing with the economic problems and trying to raise additional revenue that will be beneficial to our citizens here in New Jersey. We have a resolution sponsored by Senator Frank McDermott who points out that legalized gambling in the State of New Jersey may have a positive effect so far as raising additional revenues.

I feel that the moral hypocrisy involved as far as society and government is facing, dealing with legalized gambling, is truly a realistic picture. I speak of moral hypocrisy and I would like to point out to the members of the Committee, and it is a matter of record, that we do have legalized gambling in the State of New Jersey in the form of

a lottery which was approved by the voters here in the State and also by legalized track betting here in the State of New Jersey. Yes, we are part of that moral hypocrisy that has led this State into the situation which we are in now where an individual feels and knows it's illegal to bet in an environment that is not a legal place for gambling.

We have a suggestion that says that Atlantic City will be another duchy of gambling such as Las Vegas and other parts of the world. Gentlemen, I submit to you that this is purely another way of establishing a monopoly and an environment that is conducive to gambling by not facing up to the real question that is facing the State. that gambling should be legalized, and legalized not for the benefit of the hotel and motel industry nor for a resort area but for helping to solve the urban crisis that we face here in New Jersey.

Yesterday Mayor Kenneth A. Gibson of Newark was here in the State House presenting his views to the Legislature and to the Governor on the various ways that he was willing to go or would expect the Legislature to adopt to solve the fiscal problems of Newark. As all of you do know, there has been a reluctance, a political reluctance among legislators, regardless of party - Democrat or Republican - to face up to the responsibility that we have. There has been a reluctance not only to give Newark and the other cities in this State the tools to help themselves, but there has been a reluctance also for the Legislature to take on the responsibility of a statewide broad-based tax in deference to a geographic penalty that has been offered here to the Legislature, I have sponsored in the Legislature a one per cent tax on business, statewide, with the exclusion of small businessmen, allowing those municipalities to retain half of that revenue and the remainder of that revenue to be distributed among the municipalities on a formula of need. We have a city that has a dying economy, a ghost town, a city that is on the brink of bankruptcy, yet we talk of allowing one city in this State, Atlantic City,

from the standpoint of pure interest in enriching the hotel and motel industry instead of emphasizing the revenue that is so sorely needed in our city. If you take a walk down Broad Street in the major city of this State after six o'clock, you will find there are not too many people doing business; you will find that the stores are closed; you will find that the expectations of businessmen even during the Christmas season are not where they should be, and yet the citizens of Newark are really the ones being penalized because they have to live with the situation in that large city - the high tax rate, the decaying schools, and many, many other problems that are facing the State and every large city in this State.

My proposal is this, gentlemen: If we are going to talk of legalized gambling and we are going to be reluctant to give the cities the desired help that they need -- we should open the question to a city like Newark - and in the bills that I am preparing that are pre-filed Newark is included in a package that would give the voters in the State a chance to deal with the question of legalized gambling by including Newark as a city for those possibilities - the possibility of off-track betting that we see in New York City that Mayor Lindsay and Howard Samuels are not afraid to lend their name to. They say two hundred million dollars will be the revenue for off-track betting in one year in the City of New York. We should have those possibilities open to the voters not only of Atlantic City and Newark but in a referendum that will allow the entire State to deal with it.

I question the figure of Mr. Raymond Gore who says that two hundred million dollars will be the estimate for Atlantic City. I think it will be much more. I think that the whole State can benefit from the realistic approach that this Legislature should take in dealing with legalized gambling. Government has talked out against organized crime and I would be remiss if I did not mention that we have an individual here this morning stating that organized crime -



the "Mafia," - we must murder the Mafia. I want to put on the record, gentlemen, that organized crime is not a monopoly of any ethnic group and I resent that kind of approach by using the name "Mafia" as a category or as a term describing organized crime. I am sure that the record discloses, the FBI records and the SIC records, that organized crime is not solely the Mafia. I think that our job in government is to root out organized crime and I think that the way to do it is by putting the person who is in the lucrative business of gambling out of business so that we can enforce the laws of the State of New Jersey involved in narcotics, crime in the street, etc.

I would like to urge the members of this Legislature to withhold support of the Atlantic City proposal unless the largest city in the State is included in that proposition. These bills will be before the Assembly for consideration and I hope that I will have the support that has already been offered to me. I think we have members of the Essex delegation and members of this Legislature who do not know how to deal or are too cowardly to deal with the problems directly, so if this is the position of many legislators, I think they should allow Newark to have the chance to help itself.

Thank you, gentlemen.

SENATOR SEARS: Thank you very much, Assemblyman.

Are there any questions, gentlemen? (No questions)

I will call Mrs. Herbert Packer.

MRS. HERBERT PACKER: Mr. Chairman, Senators, I am Mrs. Herbert Packer; I live in Atlantic City; I am Executive Secretary to the Atlantic City Retail Merchants Association.

As businessmen involved in retail trade in Atlantic City, we urge our State Legislature to take immediate steps toward legalizing gambling in our area.

As a woman and a wife, I have long found with my husband that when I say "I want" or "I need" there is a difference. Needing is more than wanting. We just don't want it; we need it.



There can be no doubt that we need help if we are to maintain our status as the foremost Convention City and vacation spot in the country. We have already taken a major giant step by building a magnificent new addition to our famed Convention Hall. This places us second to none in available convention facilities.

As a city, however, we feel that this is not enough. Our long experience with convention business has taught us that we must be prepared to offer a complete package to prospective conventions in order to bring them to us. A complete package consists of adequate meeting and exhibit facilities, A-1 hotel accommodations, fine eating places, good shopping, and the extras in the field of entertainment that makes time away from home attractive to all visitors whether they are working conventioners, convention followers, or simply vacationers. These people all look for a variety of entertainment they cannot find at home.

The popularity of our city effects not just the area within our boundaries, but also the surrounding communities that are married to us financially and depend on our economy to support their own. It becomes increasingly difficult for Atlantic City's taxpayers to foot the huge bill for the necessary maintenance costs of the boardwalk, beaches, public facilities, and other services needed to protect and cater to our visitors. Our Property Tax Rate is astronomical when compared to the Property Tax Rate of our immediate neighbors even though the majority of citizens of these outlying communities earn their livelihood in our city or indirectly from our city.

This huge, but unavoidable tax bite results in a curtailment or even total elimination of surplus moneys that should be invested in excellent maintenance and capital improvements on privately-owned properties. The inadequate revenue income places the city in the same untenable position. This forced neglect must inevitably lead to gradual deterioration and decline for a city whose very existence depends on being able to put its best foot forward. It is completely illogical to expect to continue a first rate business, a first rate city, or a first rate state if its economy is based on rising costs without similarly rising income.

If gambling were to be legalized our local hotels, motels, restaurants, nightclubs, retail businesses, and indeed the city itself can realize the increased income which would provide both incentive and funds for improving and increasing both public and private facilities. Attractive and well run Gambling Casinos would also provide the sorely needed entertainment extras that lure visitors. No amount of enthusiasm or ambition can bring results unless there is the possibility of coupling it with concrete action. This is the kind of concrete action we are seeking.

Atlantic City has long been the magnet that has drawn visitors to our state and it is urgent, in this point of time, that we have the help that is vital if we are to continue to be a magnet of both national and inter-national importance. Vacation spots all over the world, in and out of our country, are spending great amounts of money to lure visitors to them and away from us, and they will be successful if we do not recognize the need to provide extra attractions. The institution of gambling need not and should not be considered the beginning and the end of a solution, but rather should be considered the catalyst that will help rejuvenate a sick economy.

Without dwelling on the possible direct tax returns from Gambling Casinos, since any projected figure must be purely conjecture, increases in presently existing taxes are noteworthy. Such sources of income would include the Luxury Tax, Gross Sales Tax, road tolls and all of the other myriad of collectible taxes that are levied against our citizens and our visitors. Most people don't mind taxes if they can afford to pay them. We are begging you to take the necessary action that will place our city and its citizens in this eviable position.

As an answer to moralists who view legalized gambling as a threat to our society, it must finally be recognized that morality and human nature cannot be legislated. Just as the repeal of Prohibition gave governmental agencies the opportunity to control and share in the profits of liquor sales, thus minimizing the harms, so would legalized gambling afford the opportunity for controlling and sharing in the profits.

We are already involved in gambling in the State and as a woman I can tell you from very personal experience that you cannot be a little bit pregnant. You've got to go the whole way and we would like to have the baby.

As the "Queen of Resorts" and host to the world, we have been greatly instrumental in building our home State of New Jersey, and we urge you at this point to help us continue our status of world renown. We will in turn continue to bring pride to our State. We are asking you gentlemen to gamble on us.

I have never been to a horse race and don't know too much about it but I am told by those who know that long shot odds on a sure fire bet can't lose. It's an irresistable combination and we beg you - don't pass it up. We need your help; we need the opportunity to help ourselves. Please do it now.

SENATOR SEARS: Thank you very much, Mrs. Packer.

Any questions? [No questions]

Mr. Alan Owen.

A L A N O W E N: Mr. Chairman, Senators, I am Alan Owen, Executive Director of the Greater City Chamber of Commerce and a resident of Ventnor. I will refrain from speculation on quotations of any figures at this time because of my title. Too often data from our source is labeled just that - Chamber of Commerce figures.

I voted for the lottery. I think it's a wonderful thing that we are going to have it. Despite the enactment of this lottery which is going to be conducted in our case in our friendly neighborhood A & P and other friendly stores and locales, as it should be, and will probably broaden a great deal more - a step, as I say, for which I voted along with a truly significant percentage of franchised voters in our State - despite the well-regulated commission type of operation of horse racing and trotters, we who support this regulation seem to be feeling the objections of some who are saying to us "don't confuse us

with facts - our minds are already made up."

This is not a generalization because just because someone disagrees with us, it is still a good democracy and that's the way it should be. However, sir, the creation of handsome casinos which we have visited, set in an atmosphere which could not possibly taint any objecting areas, because geographically we are not even part of the mainland; we are on a small little island with just a couple of bridges and you can always pull them up and shut us off from the rest of the country. Our Chamber has conducted annual visits since 1962 to other resort centers of the world for the specific purpose of fun and pleasure but really to see what we could learn from others. We have, without requesting it, almost always been taken to a local casino by representatives of air lines, travel bureaus and cruise ship lines in such far-flung points as Baden Baden, Germany, traveling 50 miles from the river where our ship docked, on board a bus, Divonne, France - this is for one evening, not necessarily overnight or for a 2 or 3 days' stay - Estoril, Portugal; Montreux, Switzerland - and just last month to Campione, Italy. And I'm not just name dropping. Tourists arriving at these points or anywhere within 50 or 60 miles of casinos that have casino operations, such as those I've mentioned and visited, were bussed or otherwise transported to the local casino because they were well run, they were well supervised, they were beautiful show places of their region, or province, or country - and, last but not least, of course, because they meant taxable revenues also to whatever breakdown of governmental units operated or oversaw the casino in question. In none of the aforementioned places did we ever see every shop, street corner or lobby filled with slot machines or other facets of gambling.

I mention this, sir, because I'm not a big-time gambler at all - unlike the lady ahead of me. I've

been to the track; I enjoy an occasional visit, and I have been to all of these casinos. I have four children I am raising, on a fixed income, so I'm not about to bet too many bob on anything, but it does make for an enjoyable evening.

We say this: We are not merely seeking specialized legislation for the benefit of a city of 45 to 50 thousand population surrounded by water and featuring Miss America. We ask for an attraction that will, of course, help turn our seasonal stress, the overnight reduction of a labor supply each year at a specific point - but more, we are part of New Jersey and, like all others, we realize that we are fast facing decisions that are far-reaching for income and taxable sources that will help us out. When we talk about an income tax, we know that industry is going to be very, very cautious about locating things that are new here, that people who are high salaried or specialized people that must be brought in by industry are going to refrain, as they do now, from going to live in a State where an extra bite out of their salary is going to be taken, besides the many other taxable sources.

Just an aside as a reply to some of those who feel it should immediately be widespread - and I have no objection - but we don't give a track - our State does not award a track franchise to every city because they happen to be in some financial need at the time, and certainly it wouldn't solve it in every case as well. It's a very well thought-out process.

At least the money spent on gambling is a voluntary expenditure and the people who will spend it for the most part are like the tourists that we now draw from.

Gentlemen, we want to remain competitive with those areas now luring untold numbers. We don't wear our problems that much on our sleeve, but like those who have our sympathies as well, a lot of people are in trouble, a lot of cities as well, and we are too, because of this competitive picture.



We have long endured the barbs and taunts of others who can't stand it, because here we are a city of 50,000 that competes with convention centers and cities with millions of dwellers , and our little resort city continues to attract millions annually to its shores, and now that same little city would like to help this State and itself if you see fit to give the populous of our State an opportunity to decide shall we indeed have legalized gambling that began on that little island or at Absecon off the coast of the United States. Atlantic City.

SENATOR SEARS: You are just going to have to import some palm trees to add to that.

MR. OWEN: We tried that too, sir.

SENATOR SEARS: Thank you very much, Mr. Owen.

Commander Goren? [Not present]

Anthony M. Rey.

I would like to announce for the benefit of those present that we have been joined by another member of the Committee, Senator Woodcock from Bergen County.

A N T H O N Y M. R E Y: Mr. Chairman, Senator McDermott, Senator Kelly, I am Anthony Rey, President of the Greater Atlantic City Chamber of Commerce, an organization made up of some 1100 members, large and small businesses. We have heard from numerous housewives, senior citizens, young people, employers and employees, and from high-salaried and gratuity-dependent individuals. All have the same fervid hope that legalized gambling come to pass; that our legislators give our citizens the pribilege, the opportunity, and the right to be heard on this resolution.

We who champion this proposed form of gambling are not a group of lustful, wanton gamblers, nor do we want undesirables in our communities. We are most anxious to convey to everyone our determination that the most stringent State controls, the strictest supervision of employees

and operators be maintained. The State and State alone shall decide the rules to govern New Jersey's gambling, to set the type of gambling, who will operate it, limitation of hours, days, and, not being selfish, the cities and communities to profit by it. Yes, every single facet of the process should be run and directed by the State. Not one of our members pictures legalized gambling as the total solution to all problems - be it taxes, economy of the State, or the growth of New Jersey. Rather, we look upon gambling as one means to relieve taxpayers of some of their already heavy burden.

My associates and I feel legalizing the urge and the desire that exists for the pleasure and excitement related to legalized gambling would provide a feature attraction for visitors while it would deter those who presently profit by the absence of well-regulated and controlled gambling.

This new attraction could rejuvenate one of our State's largest industries and provide it with full employment: further provide resort properties 12 months or year-round operation. We can see daily crowds of tourists; we see means of creating added livelihood; a change of atmosphere; of capital reinvestment and modernization of facilities. We also see improved transportation. Only by leveling off the economy can this become a reality. There is always a need for a new choice of recreation in a community which is solely recreational. We need attractions for every age, for every member of the family. Atlantic City has been a family resort for the last hundred years and we have no intention of changing that image.

Above and beyond gambling revenue taxes would increase from a variety of sources. The present 5 per cent sales tax would be added to every check relating to food, to beverage, to retail shops, for services rendered, to every purchase of gasoline the out-of-state vehicle consumes.

I could continue with many other sources where the gambling-minded tourist will spend his money - each area returning revenue to the State coffers.

Remember, gentlemen, this is above and beyond the dollar return from the dividend of gambling. Might I also point out that new Jersey will not have any partners to share these lucrative proceeds with. The sums we read about from other gambling areas only indicate the small percentages the State receives from the joint interests which it shares with the principals.

New Jersey's resolution proposes that all, yes, all return belong to the State - not just a small percentage.

Visitor statistics in Atlantic City indicate the great bulk of expected revenue to be derived from the source of entertainment would come from out-of-state visitors, many who now frequent San Juan, The Bahamas, or the gambling tables of France, Switzerland, Italy, Monaco, or other recreation centers around the world. Wouldn't this means of securing revenue be a more palatable substitute than a State income tax, a business tax, or any other form of tax which you, our legislators, inevitably must design and enforce upon our citizens?

Governor Cahill has indeed been astute to recognize the fiscal plight of the Garden State. His experience as a proven student of government has led him to indicate a need for both immediate and long-range sources of revenue for State problems so vividly portrayed. More liberal attitudes are called for and indeed are already an accepted fact, for our legislators of recent date have shown great concern for the problems of marijuana. They have liberalized, with the encouragement of the courts, the penalties meted out to first-time offense users of the drug. Weekly lottery drawings are a reality and now an accepted form of gambling just as the pari-mutuel betting at our racetracks. We sincerely hope this kind of liberalization continues to benefit our people. We implore you, our legislators, to find justification to permit legalized gambling to appear

on referendum, allowing the citizens of this great State to determine their own destinies.

A defeat of this resolution without an opportunity for the voters to voice opinion would be the assist certain elements elsewhere seek to shut us out of this lucrative endeavor. We only seek fairness - your fairness - to give us, the citizens of New Jersey, the privilege and right to resolve the course we will steer on this most important issue in our democratic process on the ballot.

Thank you.

SENATOR SEARS: Thank you, Mr. Rey.

How do you in your organization feel about the possibility of this being extended to other parts of the State?

MR. REY: We have no objections.

SENATOR SEARS: Are there any questions? (No questions)

We have two more witnesses and I think, rather than break for lunch, we will hear those two witnesses and then close the hearing.

Mr. August Duva of the New Jersey State Firemen's Mutual Benevolent Association. Is he still here?

AUGUST J. DUV A: Members of the Judiciary Committee, Senator Sears, Chairman, and the sponsor of the resolution, Senator McDermott; Senator Kelly; and Senator Woodcock; My name is August J. Duva, I am President of the New Jersey State Firemen's Mutual Benevolent Association, an organization of some 5,000 professional uniformed municipal firemen.

At the outset, I have been authorized by John Heffernan, President of the New Jersey State Policemen's Association, to state that he is fully in accord with the proposal of submitting to referendum the proposition of casino-type gambling in the State of New Jersey. President Heffernan is conducting a State PBA meeting in Toms River right now.

During the National campaign for President in 1968, the major issue, with the exception of the Viet Nam War,

was law and order. We have been hearing hues and cries for law and order from that date to this. Everyone expects and wants law and order but we haven't found anyone who is really willing and able to pick up the tab to provide the services necessary. The troubled days of 1967 and 1968 in our State, when we had major civil disorders in Newark, Paterson, Jersey City, and since then Plainfield, Asbury Park and Lakewood - the days are not buried in the distant past. They are lying in and around any long hot summer in the future.

To shift the population from the urbanized centers in the State where the middle and high middle income citizens have left the urban centers and are being replaced with people in the low to low-low income brackets where they are unable and in most cases incapable of providing the revenue necessary to give the municipal service required - two years ago the Legislature in its wisdom and generosity passed a State aid to municipalities bill which took a percentage of the State sales tax and proportioned it amongst the six largest cities in the State - \$12,000,000 to provide, among other things down on the list of priorities after education, welfare, senior citizens - came the ability of the municipalities to pay out of this grant from the State police and firemen salaries.

It has been then and it is now necessary to the cities of the State that there must be some form of subsidy whether it be federal, State - we won't go beyond that point. It must be federal or State, to subsidize the need for public safety services in the cities of our State.

We broadened the tax base just a few short years ago by creating the 3 per cent sales tax. That proposition was amended and expanded to a 5 per cent sales tax. Supposition and conjecture are now no longer being considered, - it is more like reality - that the income tax is just around the corner. No one twists anyone's arm to gamble and if a means can be supplied that gambling



can provide the subsidy necessary to allow the municipalities to maintain and provide the public safety services that they need and require, the morality of the question, or immortality of the question, of whether governmental services should be provided by income derived from gambling can be settled at another time, in another place. But there is a need for public safety services in this State. The citizens are entitled to have that need satisfied and if the means of providing those services is derived from gambling, then so be it.

Thank you, gentlemen.

SENATOR SEARS: Thank you very much, Mr. Duva.

Any questions, gentlemen? (No questions)

Our last witness is Mr. Kaplan, Jacob Kaplan.

Is he still here?

B A R N E Y W A L T E R S: Mr. Chairman, I have no speech. I just want the Committee to know that we are for the bill.

SENATOR SEARS: You support the bill?

MR. WALTERS: Yes.

SENATORS SEARS: Have you registered, sir? Is your name Kaplan?

MR. WALTERS: No.

SENATOR SEARS: All right, sir. I don't have your name but if you will come forward.

I called one gentleman who didn't respond, I believe. Maybe you were out of the room. Are you Mr. Barney Walters?

MR. WALTERS: Yes.

SENATOR SEARS: Go ahead, sir.

MR. WALTERS: Mr. Chairman and Senators, my name is Barney Walters and I have a small hotel in Atlantic City. I don't represent a big organization or I'm not a big corporation but I have met and spoken to people in

Atlantic City in my rounds and they tell me - they say "Barney, I want to ask you something. How is it that if a person, when he gets up in the morning and he goes to the golf course and he comes back and he says 'You know,

I met a sucker today and I made so much money every time we played because I could beat him." Gambling is something that we all do from the time we are children until we grow up. Everybody gambles. Isn't it funny that I can go into the stock market and lose a million dollars and nobody says anything. If I play the numbers for a quarter, I could be arrested.

Now, let's be practical. I've heard you people sit here and you mention hundreds of millions of dollars and in fact at one time there were billions mentioned. I'm not talking about how much revenue you are going to get but I'm talking about a practical thing that I know myself. I don't believe there are very many people in this audience here who at one time or another haven't bet on a baseball game or a football game or even had a little game in the house and yet they could be arrested for that. I'm not saying how much money the State is going to get from it. Of course, we all know that you are going to get a lot of money from the State. I can recall a number of years ago when we had prohibition. People died because they were taking these sterno cups and were draining it and doing things like that, and if a bootlegger was arrested they didn't go too hard on him because they knew that was a natural thing that we are going to do. Now we have regulated - a lot of people are saying that we shouldn't have gambling. That's their opinion, but when they did away with prohibition and they legalized liquor, everything was run in a decent, clean, nice manner. They regulated it. You don't see people dropping on the floor dying, going blind. That happened years ago.

Now another thing is this: A little while ago we didn't have bingo games. But we had them, yes, and people who were against it would go in and raid them or make a big fuss about it. Today some of the people who were opposed to it have signs that say "Bingo Game Monday

Night, Tuesday Night, Wednesday Night" and they are deriving revenue from it. Now what makes it right - because you say you can do it today and tomorrow you can't do it. And you are going to arrest me for something that I'm going to do and we are all going to do as long as we live. Let's not kid ourselves. Everybody gambles. Is there anyone in here who hasn't bet on an election? Is there anybody who hasn't bet on a prize fight. If you've got any sort of red blood in you, you'll buy property. Aren't you gambling? When I go into business, am I gambling? Is anybody going to arrest me for that? Let's not be hypocrites, let's be honest with each other. Nobody is going to stop me or anybody else from gambling, but I'm going to do it because some people say I can't and it's just as natural for me to gamble as it is for me to breathe.

I say to you, ladies and gentlemen, let's not be hypocrites. If you don't want to gamble, don't gamble.

Now I lived in Atlantic City and then I went into the Army and I have a brother in Asbury Park and I lived there for a while. Right next to Asbury Park there is a little community called Ocean Grove. At 12 o'clock Saturday night they put a rope across the street there and nobody can enter that town with any sort of vehicle. Now that's their opinion and that's the way they want to live, but don't tell me that I can't walk and drive my car down some other street. They don't tell the other people what to do and we don't tell them what to do. Don't tell me that I can't go in when it has been legalized for me to drink - don't say to me "Don't drink." The government is getting hundreds of millions of dollars from that.

Now I say to you gentlemen that I think you are all open minded. You are all gambling when you run for office, aren't you?

SENATOR SEARS: Some of us may swear off after next year.

MR. WALTERS: Well, what I am trying to say, gentlemen, is this: I'm not talking in millions, billions, or how much money we are going to make. I'm just talking in a manner where a person is able to live his way as long as he doesn't do anything that breaks the law, and when you're gambling you're not breaking the law because we're gambling as soon as we get up.

Thank you very much.

SENATOR SEARS: Thank you very much.

SENATOR McDERMOTT: I would like to read Mr. Heffernan's statement for the record.

SENATOR SEARS: Senator McDermott has a statement to read for the record.

SENATOR McDERMOTT: This statement comes from Mr. John J. Heffernan of the New Jersey State Policemen's Benevolent Association:

"Dear Senator McDermott:

"On behalf of the 16,000 members of the N.J. State Policemen's Ass'n, Inc., I fully enforce the proposed legislation to legalize gambling casinos in Atlantic City, as a portion of the bill deals with revenue for law enforcement endeavors.

"Good luck and good health to you and yours."

SENATOR SEARS: May I close the hearing by assuring all of you, and you can bet on this, that this Committee will take into consideration all the testimony that was heard today.

I want to comment in passing on one thing that was said which was rather disturbing to members of the Committee, although it may very well have been an innocent statement and founded on rumor rather than fact, and that we hope. I say this not in criticism of the man who said it, because rumors are heard and they are repeated. But the statement that was made that organized gambling interests in States and countries which presently have legal gambling may have sent some money into New Jersey in an effort to block this bill. That statement is a source of some considerable concern to us whether it be rumor or whether it

be fact. I think as Chairman of the Committee, and with the consent of the members of the Committee here present, I will ask that that part of the record be turned over to the Attorney General for whatever consideration it may merit or need. I don't want to let it die on the table here, because I don't think it would be proper to do so. I think that I will direct the stenographer to transcribe that part of the record and transmit it to the Attorney General for whatever consideration it may merit.

The hearing is closed.

Thank you very much.

[HEARING CONCLUDED]





# Telegram

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HONORABLE HARRY L SEARS

CHAIRMAN SENATE JUDICIARY COMMITTEE STATE HOUSE TRENTON  
NJER

THE OFFICES AND MEMBERS OF THE NEW JERSEY STATE BLDG AND  
CONSTRUCTION TRADE COUNCIL ARE IN FAVOR OF SCR74 REGARDING  
THE CONDUCT AND OPERATION OF GAMBLING GAMES IN ATLANTIC  
CITY WE FEEL THIS RESOLUTION WOULD BE BENEFICIAL NOT ONLY  
TO ATLANTIC CITY BUT AS AN ADDITIONAL SOURCE OF REVENUE  
FOR THE STATE OF NEW JERSEY

KEN MASO VICEPRESIDENT JOHN GUCCI PRESIDENT FRANK A MARCHITTO  
SECRETARY TREASURER  
(410).

1201 (RS-69)



# Telegram

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SENATOR HARRY SEARS

STATE HOUSE TRENTON NJER

WE ARE STRONGLY OPPOSED TO THE ESTABLISHMENT OF A  
LAS VEGAS STYLE GAMLING CASINO ANYWHERE IN NEW JERSEY

JAMES DRAGO PRESIDENT SAVE THE PALISADES ASSN.  
(1023)

SUBMITTED BY REV. SAMUEL A. JEANES

REV. WILLIAM R. GUFFICK  
1926 FERNDALE DRIVE  
OCEAN CITY  
NEW JERSEY 08226

December 5, 1970

The Rev. Samuel Jeannes  
Merchantville Baptist Church  
Merchantville, New Jersey

Dear Mr. Jeannes:

I wish to add my voice in opposition to Bill SCR39 which would permit Casino gambling in Atlantic City.

In my judgment, the estimated "take" is political pipe dreaming.

The propoganda that such gambling will reduce real estate taxes is questionable.

Atlantic City needs tourists, to be sure. Toward this end the city needs clean government. fair business practices and the avoidance of "gouging" the conventioners.

You have our good wishes and prayers in your efforts to oppose the bill.

Yours sincerely,

*William R. Guffick*  
William R. Guffick

# NEWSLETTER

821 Richard Road  
Cherry Hill, New Jersey 08034  
9 December 1970

The Hon. Harry L. Sears  
Senator of the State of New Jersey  
Majority Leader  
714 Main Street  
Boonton, New Jersey 07005

Sir:

Before any changes in the gaming or racing laws of the state of New Jersey are seriously entertained, the public must have the full and complete report of the governor's tax commission at its disposal. It is highly probable that in an attempt to avert a state income tax by turning to legalized casino gambling and/or winter or night racing, you may well plague the citizens not only with casino gambling and night and winter racing, but an income tax as well. Remember, not too long ago we were led to believe that the sales tax increase was an alternative to a state income tax; apparently that promise has been forgotten.

We feel the first step is to work on our obviously inadequate and antiquated state tax structure, not to pursue pointless "pie in the sky" schemes such as casino gambling. We are not satisfied that everyone in New Jersey--wage-earner, homeowner, small businessman, large corporate conglomerate-- are all paying their fair

share. It's up to the tax commission to come up with the answer soon. If the legislature is sincere in its attempt to alleviate the heavy tax burden on the citizenry and raise additional state revenue, it would be wise for you to press for a speedy and complete report by the tax commission before any legislation concerning revenue is passed.

We are all fully aware of the serious infiltration of organized crime in our state and the many public officials corrupted by that group. Are we going to reopen the door that U.S. Attorney Lacey has worked so hard to close? Before you further consider casino gambling as a state revenue source, read the enclosed "Wall Street Journal" (Tuesday, 8 December 1970) report in its entirety and include it in the public record. It confirms the suspicions of the Cherry Hill League and we are sure it will raise serious doubts in your mind as well.

Any attempt to legalize casino gambling must be made most cautiously and with guaranteed state control designed to overcome the obvious probabilities of skimming earnings, organized crime infiltration, influx of undesirables, etc. These will place an added burden on our already overworked law enforcement agencies at both the state and local levels.

If gambling must come to New Jersey, we would like to see it in the form suggested by Ralph Salerno, who proposes state owned and operated casinos manned by civil service employees. These would be



run in the manner of the state liquor stores of Pennsylvania. This system has certain disadvantages, also, but state regulation would be simpler and it would prevent most infiltration attempts by organized crime, political appointments and patronage notwithstanding.

Please consider our suggestions carefully. They are made in a sincere attempt to protect and serve the public interest.

enc.

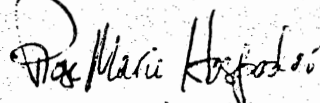
cc Ralph Salerno  
Ralph Nader  
The Wall Street Journal  
Philadelphia Inquirer  
Courier Post  
WCAU TV  
KYW TV  
WFIL TV

Very truly yours,



Alene Ammond, President

The Cherry Hill League, Inc.



Rosemarie Hospodor, Trustee

The Cherry Hill League, Inc.