

NEW JERSEY CASINO CONTROL COMMISSION

**ANNUAL REPORT
DECEMBER 31, 1981**

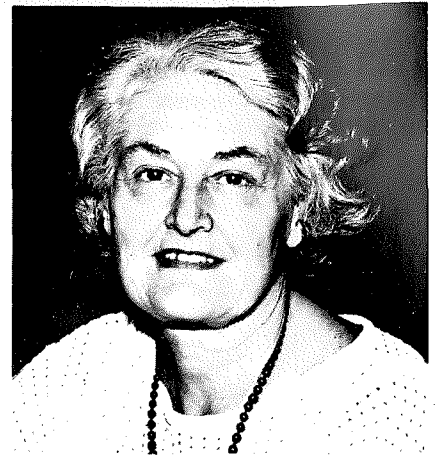
New Jersey Casino Control Commission



MARTIN B. DANZIGER
Princeton
Term expires: July, 1985



JOEL R. JACOBSON
Point Pleasant Beach
Term expires: July, 1986



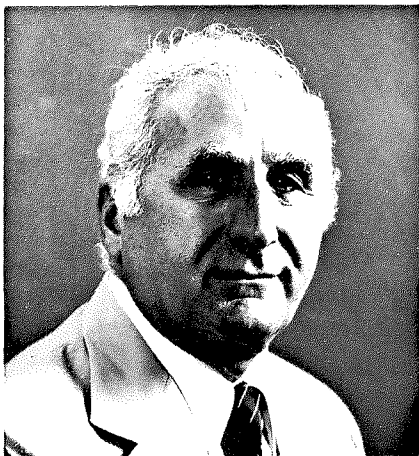
MADELINE H. McWHINNEY
Red Bank
Term expires: July, 1982



DON M. THOMAS
Orange
Term expires: July, 1984



CARL ZEITZ
Bordentown
Term expires: July, 1983



JOSEPH P. LORDI
Newark
Served as Chairman
September 1977 to June 1981
(Retired on June 30, 1981)

ALICE D. CORSEY
Westville Grove, served October 1977 to August 1980

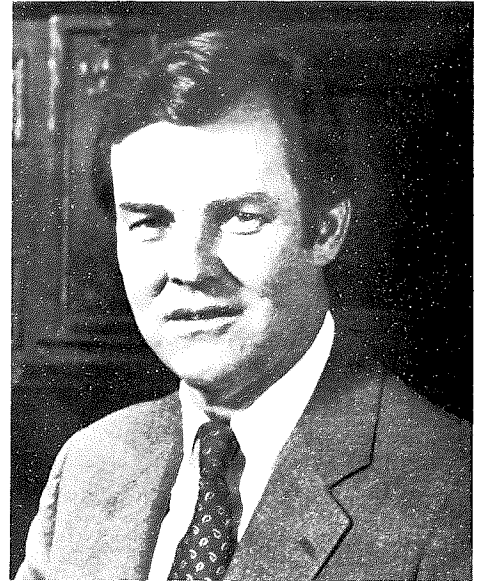
PROSPERO DeBONA
Rumson, served October 1977 to August 1980

ALBERT MERCK
Mendham, served September 1977 to July 1980



BRENDAN BYRNE
Governor, 1974 to 1982

*The Annual Report of the
New Jersey Casino Control
Commission is submitted
to the Governor and to
the members of the New
Jersey Legislature.*



GOVERNOR THOMAS H. KEAN

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STATEMENT FROM THE MEMBERS OF THE NEW JERSEY CASINO CONTROL COMMISSION

Three fundamental purposes underlie the public policy enacted by New Jersey in 1976 to establish legal casino gambling in Atlantic City. Each of them has been served by the activities of the New Jersey Casino Control Commission in the period covered by this, the commission's third annual report.

Those public purposes are the choices to employ casino gambling as a "unique tool of urban redevelopment" to restore Atlantic City's economic prosperity and social stability; the demand that casino gambling and all the activity that accompanies it conform to the most rigorous standards of business, personal, and public integrity; and the decision to dedicate public revenues derived directly from casino gambling to assist qualified elderly and handicapped residents of the state.

The Casino Control Commission reports confidently that each of these public purposes has been served by the commission's activities in the period July 1, 1980 to December 31, 1981.* In this 18-month span Atlantic City casino gambling evolved from an uncertain experiment into an established and growing sector of the New Jersey economy, recording record levels of new employment and business and personal income. At the same time the regulatory agencies, the commission and the Division of Gaming Enforcement, an arm of the Attorney General's Department of Law and Public Safety, experienced a metamorphosis from new, largely untested agencies into solid, knowledgeable representatives of the public interest in the regulation and control of legal casino gambling.

On July 1, 1980 there were three open, operating casino hotels in Atlantic City. On December 31, 1981 nine casino hotels were operating in the resort city. In those eighteen months the number of casino hotels that had received an initial plenary license increased from one to five. In that period six of the facilities received the temporary permits that allowed them to open for business, and with their openings to provide nearly 20,000 new jobs. On December 31, 1981 industry employment exceeded 27,500 jobs. Finally, in these eighteen months, the industry marked its further maturity as recorded by the issuance of three plenary license renewals, including the second such renewal given to Resorts International Hotel Casino, which had been the first permittee in 1978 and the first licensee in 1979.

*With this report the Casino Control Commission has revised the schedule of its annual reports. Henceforth the commission, which previously reported on a fiscal year basis, will issue calendar year reports in order to provide financial and statistical information in more useful form.

The commission itself underwent important changes. On August 28, 1980 four new, full-time commissioners were jointly sworn into office, succeeding four members of the original commission, which had been created with a full-time chairman and four part-time associate members. The new commissioners joined Joseph P. Lordi, chairman of the original part-time panel, who remained a member and chairman until his retirement on June 30, 1981. The vacant seat on the commission was filled in December 1981 by former New Jersey Commissioner of Energy Joel R. Jacobson.

Mr. Jacobson joined Commissioners Martin B. Danziger, Madeline H. McWhinney, Don M. Thomas, and Carl Zeitz. Following Mr. Lordi's retirement Mr. Danziger, as vice chairman during calendar year 1981, served as acting chairman of the agency. As of the end of this reporting period, December 31, 1981, a permanent chairman had not been appointed. It was announced that the appointment of a chairman would be left by the outgoing governor, Brendan T. Byrne, to his successor, Governor Thomas H. Kean.

Thus, for a substantial portion of the period addressed in this report, the commission functioned with four rather than five members, and, in fact, conducted two plenary license hearings under these circumstances. Those hearings resulted in decisions to issue plenary licenses to Holiday Inn's Harrah's Marina Hotel Casino and the Golden Nugget Hotel Casino.

These proceedings, combined with the plenary licensing hearings of Caesars Boardwalk Regency in the fall of 1980 and of Bally's Park Place Hotel Casino in the late fall of 1980, involved nearly six months of painstaking evidentiary hearings. These licensing reviews and decisions, the proceedings attending the issuance of six temporary permits, and the previously noted renewal hearings and licensings comprised the bulk but by no means the total effort of the commission to assure that the foremost mandate of the Casino Control Act, maintenance of the integrity of casino gambling, is being met.

Another part of that effort is the continuing review at regular weekly public meetings of the license applications of many thousands of individuals seeking casino hotel industry employment, and of the many large and small businesses that seek licenses as casino service industries. Additionally, the commission must and does keep abreast of other vital confidential information brought to it by the Division of Gaming Enforcement and by its own staff, including sophisticated financial analyses of the industry and its member companies, with such review occurring virtually on a daily basis.

In the reporting period contained here the commission also began to separate purely regulatory matters from those that bear exclusively or principally on the integrity of gaming and public confidence in the honesty of both the industry and the government regulators. It began to address industry petitions for relief from certain rules and regulations, examining the underlying philosophies, legal bases, and economic impact of certain requirements adopted by the commission in the formative period of the industry's development, when first one and then at most three casino hotels provided the only market available to the gaming public.

As a result the commission, through its Permanent Committee on Regulation and Legislation, convened public hearings in Atlantic City in February 1981 to examine regulatory and legislative issues. The committee's recommendations, and other separate actions by the commission resulted in a series of regulatory changes and proposed statutory amendments. The commission believes these actions demonstrate that the government entities that regulate New Jersey casino gambling and the public those agencies work for have matured rapidly in their understanding of casino gambling as a legal business.

Among the major changes adopted by the commission were the elimination of required minimum table stakes; elimination of requirements for nightly cabaret entertainment in the casino hotels; the end of commission pre-approval of casino hotel advertising; removal of the early surrender option from the game of blackjack; and an ongoing and continuing review of casino staffing requirements which has been estimated to have reduced mandated numbers of casino employees by more than ten percent.

In each of these reviews of the rules and regulations the commission weighed carefully the threefold requirements of the Casino Control Act, which call upon the commission to protect the financial viability of the casino industry, assure maximum and fair participation for the public, and guarantee the integrity of casino gambling and its regulation.

As the industry began to take distinct form with the addition of each casino hotel, and as the commission's systems and procedures matured, providing the industry and the public with predictable patterns of regulatory response, the commission focused on the issue that many and perhaps most people perceive will be the ultimate test of the success of casino gambling in Atlantic City.

Central to that issue is whether the casino hotel industry can and will serve as the catalyst for the full economic recovery and social rejuvenation of the "Queen of Resorts." In mid-1981 the commission received a petition from the New Jersey Department of the Public Advocate urging it to undertake a study of housing needs in Atlantic City. Receipt of the petition coincided with an

emerging belief among the commissioners that the housing issue epitomized the deep-seated, unmet social concerns in Atlantic City, and anticipated a commission decision to attempt to measure that need and determine what requirement, if any, should be placed on the hotel casino industry to help meet it.

The commission responded by unanimously granting the Public Advocate's petition. It began a search for an expert consultant on urban redevelopment and housing, with hope that it could find and retain a firm with a national reputation founded on strong ability and a proven record contending with and solving complex economic and social problems in urban America.

The commission's search became a five-month exploration that included more than 75 meetings in New Jersey, New York, Boston, Philadelphia, Washington, and Baltimore. The commission consulted numerous state government, federal government, and private sector specialists in urban problem solving, housing, banking, law, finance, social policy, and city planning; and with many informed members of the business world including leading New Jersey executives in the banking, insurance and, of course, casino industries. Perhaps most important were a series of talks with grass roots community and neighborhood organization representatives in Atlantic City, who with their constituencies would benefit from the economic and housing development the commission believes the study will identify and foster.

As 1981 came to a close, the commission had taken this extensive work and honed it into a call for proposals from consulting groups and firms. The call produced 23 responses and, as 1982 arrived, the commission prepared to undertake an equally painstaking review of each of the firms or groups that submitted proposals with the goal of selecting a consultant and letting a contract early in 1982.

As to the third purpose underlying the adoption of legal gambling—the creation of public revenue—the commission is essentially a conduit for the collection and transfer to the state treasury of the gross tax on casino revenue. Originally set at 8 percent in the Casino Control Act, the tax rate was revised by legislation adopted in 1979 to 12 percent with provisions for staged reductions tied to the opening of new casinos. When the fourth casino hotel, the Sands (formerly the Brighton), opened in August 1980 the tax automatically reduced to 10 percent of gross gaming revenue. It was lowered to eight percent in November 1980 when Harrah's Marina Hotel Casino opened.

As the casino market expanded with each hotel opening, the gross revenue grew and with it the state share. In calendar 1981 gross gaming revenue reached \$1.1 billion which netted \$86.5 million for the state at the fixed rate of eight percent. The end of this reporting period, December 31, 1981, marked the midway point in the state's Fiscal 1982, with the contribution from casino revenue

budgeted at \$100 million. The commission forecasted an increase to \$110 million for the state in Fiscal 1983.

These monies are dedicated by the constitutional amendment that allowed casino gambling in Atlantic City for the support of programs to aid the elderly and handicapped. To date the legislature has employed these funds in an ongoing program to provide qualifying senior citizens and handicapped residents with special assistance in paying their utility bills, and with real property tax rebates for the elderly.

The commission's role is to serve as the collector of monies earmarked for the casino revenue fund and to act as the conduit between the taxpayers—the casino hotels—and the state treasury, which administers the fund. However, the commission believes that by expediting the opening of six casino hotels in this reporting period, it contributed to the acceleration of revenue while the prudent revision of regulations governing the conduct of casino gambling has contributed to a further unmeasured but real increase in the industry's gross revenue. Such increases produce a concomitant benefit in the state's casino gross revenue tax collections.

Looking ahead to 1982 the commission will consider and act on the plenary license applications of the four casino hotels still operating under temporary permits at the end of 1981; anticipates

that its search for a consultant to assist in developing a plan for the redevelopment of Atlantic City will reach fruition, and before the end of the year see completion of at least the first stage of such a study; will continue to examine ways to provide regulatory relief to the industry while preserving essential integrity and fairness to the public; and will continue to work with the developers of planned new or expanded casino hotels to expedite an anticipated second wave of industry growth in Atlantic City.

Meanwhile, Atlantic City's first stage of casino hotel development has been accomplished. Completion of new projects, if they are to come, is at least two years in the future. In the interim the commission believes the city, the state, the industry, the regulatory authorities, and the diverse communities that are Atlantic City will be able to digest the phenomenal changes experienced in the formative era of Atlantic City casino gambling, and begin to deal jointly with the unfinished social agenda in the resort city.

Respectfully submitted,
Martin B. Danziger
Joel R. Jacobson
Madeline H. McWhinney
Don M. Thomas
Carl Zeitz

THE CASINO CONTROL ACT

Legalized casino gaming was introduced in Atlantic City by the enactment of the Casino Control Act, *N.J.S.A. 5:12-1 et seq.* (hereinafter Act), effective June 2, 1977. Since that date, it has been amended and supplemented a number of times in an effort to further the original goals and purposes.

The framers of the original act intended legalized gaming to foster the redevelopment of the tourism, resort and convention industries in Atlantic City, to provide new jobs and generate tax revenues.

To date the industry has generated nearly 28,000 jobs directly in the nine operating casino hotels and provided substantial revenue for the State of New Jersey. This revenue has helped defray the cost of living for thousands of senior citizens in this state.

The first important amendment to the act occurred in March 1978. In recognition of the need to initiate casino operations, the act was amended to allow casinos to open under temporary casino permits. These permits were issued by the Casino Control Commission upon satisfaction of certain criteria, designed to balance the significant law enforcement interests with those of stable and continuous casino operations. Having achieved

the requisite stability, the act was amended in September 1980 to prohibit the further issuance of temporary casino permits after December 31, 1981.

A September 1979 amendment revised various fee and tax provisions, the most notable of which called for a special assessment against hotel casinos in operation or with applications pending. The purpose of the special assessment was to repay to the New Jersey General Fund those monies appropriated to the commission and the Division of Gaming Enforcement for initial expenses, thereby making the regulation of the casino industry a self-supporting operation.

The most comprehensive changes to the act came with the passage of an omnibus bill, effective January 9, 1980. The act was amended in many particulars, so that:

1. Variations or composites of the permitted games (blackjack, craps, roulette, baccarat, big six wheel and slot machines), were authorized subject to commission approval.
2. All licensed casino employees were required to report any violation of the act. Any reprisals against anyone making such a report were specifically prohibited.

3. Major changes to the provisions governing persons eligible for a casino license were made to permit more flexibility between and among landlords and tenants.
4. Qualifying space requirements for approved hotels were altered to permit more flexibility in the marketing of casinos.
5. The provisions governing disqualifying criteria for casino license applicants and employee license applicants were substantially revised. The list of offenses, conviction of which required automatic disqualification, was completely rewritten to take into account the recently adopted Code of Criminal Justice, and to apply more equitably mandatory per se disqualifications. The automatic disqualification provisions were limited to those convictions which occurred within a 10-year period immediately preceding the application for licensure. Further provision was made to permit casino employee and casino hotel employee applicants, who had been convicted of disqualifying offenses, to demonstrate rehabilitation, and thereby avoid automatic disqualification.
6. Provisions for temporary employee licenses were added in recognition of the industry's pressing need for licensed employees pending completion of the extensive mandatory personal background investigations.
7. The commission was authorized to permit gaming related service industries to do business with casino operators on an individual transaction basis.
8. The commission's ability to exempt non-gaming related services from licensure requirements was expanded.
9. The duration of licenses was extended from one year to two years for casino employees whose work is related directly to gaming and from one year to three years for casino employees whose work is not related directly to gaming, casino hotel employees and non-gaming related service industries.

Licenses for casino key employees and gaming related service industries remained valid for the limited period of one year.

10. Penalties for cheating and swindling were broadened to include attempts to cheat or swindle.
11. The commission was vested with authority to review affirmative action efforts undertaken by developers in the construction of a casino hotel facility prior to the filing of an application.

In Fiscal 1981, as in former years, casino gaming continued to receive considerable legislative attention, resulting in the introduction of 40 new casino gaming bills. Moreover, sixty-six other bills, formerly introduced, remained operative. Of these bills, seven became law in Fiscal 1981, and several warrant comment.

Early in Fiscal 1981, the New Jersey Legislature directed its attention to ethical considerations, with the passage of conflict of interest provisions. The first amendment to the act provided that members of the commission would be terminated upon the acceptance of employment by a member of their immediate family with a casino applicant or licensee. Further, commission members were prohibited from having any financial interests in a casino or discussing commission business outside the premises of the commission.

A second amendment prohibited special state officers or employees from accepting employment or otherwise representing casino interests before a state agency; and prohibited state officers or employees, and members of the legislature or judiciary from accepting employment by or representing casino interests before any state agency for two years after termination of their office or employment.

In November 1980, supplementing an earlier bill which had reconstituted the commission from a body composed of one full-time chairman and four part-time commissioners to a five-member, full-time commission, the act was amended to require the advice and consent of the Senate on the appointment by the Governor of the Commissioner designated to serve as chairman.

ORGANIZATION OF THE CASINO CONTROL COMMISSION

The Casino Control Commission has five members appointed for staggered fixed terms by the governor with the advice and consent of the senate. Originally, the chairman was a full-time official and the other commissioners served in a part-time capacity. In July 1980, the Casino Control Act was amended to make all five commissioners full-time members.

By law, commission members may not engage in any other business, occupation or gainful employment during their term in office. The member designated by the governor to serve as chairman is by law the chief executive officer of the commission. A vice-chairman is elected annually by the commission from among the other members.

The commission is authorized by the Casino Control Act to employ such personnel as it may deem necessary. The commission employs a staff of over 400 professional and clerical personnel. Commission members and employees are subject to comprehensive employment restrictions, not only during, but prior, and subsequent to their actual terms of office or employment.

The commission's staff is divided into five divisions: Legal, Financial Evaluation and Control, Licensing, Affirmative Action and Planning, and Administration. The functions of these five divisions are described briefly below.

Unlike most New Jersey administrative agencies, which are represented by the attorney general in legal matters, the commission is authorized by the Casino Control Act to employ its own independent legal counsel. The Legal Division of the commission is headed by General Counsel Robert J. Genatt. This division performs three primary functions. First, legal opinions are prepared on various issues of law. These opinions may be informal, i.e., non-binding opinions issued directly by the staff, or formal opinions reviewed and voted on by the commission. Second, commission regulations and suggested statutory amendments are prepared and reviewed by the commission's attorneys. Finally, the Legal Division represents the commission in all court actions to which the commission is a party.

The Financial Evaluation and Control Division, under the supervision of Director Francis X. Fee, is responsible generally for the regulation and analysis of the daily operations of casino licensees and permittees, and for the commission's inspector force. In meeting this responsibility, the commission's accountants evaluate the adequacy of each casino's internal control system, and perform statistical analyses of actual

casino operations. Commission inspectors continuously monitor gaming operations, gaming revenue collection, and the effectiveness of the casinos' internal control systems to determine compliance with commission regulations. The Financial Evaluation and Control Division is also responsible for the assessment and collection of all casino related taxes and licensing fees.

The Licensing Division is headed by Director David Arrajj. This division is divided into three sections which reflects its three primary areas of responsibility. The Casino Section reviews and analyzes casino license applications, evaluating compliance with statutory mandates of suitability of proposed facilities and the entities and persons required to be approved as part of the license applications.

The Employee Section processes all employee license applications and makes an initial determination whether an applicant's experience qualifies the individual for a particular position.

The Enterprise Section is responsible primarily for the processing of all applications for casino service industry licenses, contract approvals and labor organization registrations.

The Affirmative Action and Planning Division is headed by Jack E. Wood, Jr. The division is comprised of two sections which reflect its two primary areas of responsibility. The Affirmative Action Section monitors the performance of the casino hotel industry, its attendant construction contractors, and the casino service industries, with respect to their compliance with the statutory and regulatory requirements of the state of New Jersey governing equal employment opportunity and affirmative action. The Planning Section is responsible for providing assistance to the commission in stimulating redevelopment efforts in Atlantic City and its environs. It is also involved in analyzing the impact of the casino hotel industry on the region's environmental, social and economic conditions as well as its demographics.

The Administration Division, under the direction of Director Theron Schmidt, provides administrative support for all activities of the commission. In addition to providing normal administrative services to the commission and its staff, this division responds to public and industry inquiries, and coordinates the dissemination of public information to the media. The organization of, and preparation for commission meetings and hearings, and the maintenance of the official records of the commission are other responsibilities of this division.

CASINO REVENUE FUND

The Casino Control Act imposes a tax of eight percent on the gross revenues of operating casinos. Upon collection, these monies are deposited in the Casino Revenue Fund.

The New Jersey Constitution mandates that the state use the monies in the Casino Revenue Fund solely to reduce the property taxes, rentals, telephone, and utilities charges of eligible senior citizens and disabled persons.

In accordance with this constitutional mandate, the legislature has established two programs. The first program provides property tax (homestead) rebates for senior citizens.

The second program is "Lifeline." In Fiscal 1982 this provided \$150 to help eligible senior citizens and disabled persons pay their utility bills.

Any elderly or disabled person who has income less than \$9,000 a year if single, or less than \$12,000 joint income if married is eligible. The program covers both those who pay their own utility bills and those whose utility costs are included in their rent.

The New Jersey Department of Human Services administers this program.

In November 1981, New Jersey's voters ap-

proved a referendum to allow money in the Casino Revenue Fund to be used to aid senior citizens and disabled persons in the form of transportation and medical programs. It is up to the legislature to develop the programs and determine eligibility.

In Fiscal 1983, the "Lifeline" benefit will be increased to \$175 and the income eligibility limits will be extended to \$12,000 for single persons and \$15,000 for married persons.

For New Jersey Fiscal 1981, which ended June 30, 1981, \$26.9 million was spent on the Lifeline program while \$17.0 million was spent on property tax rebates. During the period July 1, 1981 to December 31, 1981 an additional \$80 million was expended for property tax rebates from the Casino Revenue Fund.

The Casino Revenue Fund began Fiscal 1981 with a \$29.0 million surplus; during Fiscal 1981 \$72 million was collected. An additional \$50.4 million was collected during the first half of Fiscal 1982. Thus, for the entire 18 month period from July 1, 1980 to December 31, 1981 total monies in the fund were \$151.4 million, of which \$123.9 million was expended leaving \$27.5 million unexpended at December 31, 1981.

DIVISION OF GAMING ENFORCEMENT

The Division of Gaming Enforcement was created by the Casino Control Act to serve specific regulatory functions within the general legislative scheme. The division is organized within the Department of Law and Public Safety and is under the immediate supervision of a director who, in turn, serves under the direction and supervision of the attorney general.

The Division of Gaming Enforcement is delegated the responsibility to investigate all applications for licensure, enforce the provisions of the Casino Control Act and any regulations promulgated thereunder, and prosecute before the commission all proceedings for violations of the act or any regulations promulgated thereunder.

The division is also responsible to provide the commission with all information necessary for all licensing actions, and for all proceedings involving the enforcement of the provisions of the act and the regulations promulgated thereunder.

In order to accomplish these objectives, the division has organized itself into nine sections corresponding to the functional responsibilities of the agency. These sections include the Service Industry Licensing Section, the Casino Licensing Section, the Casino Investigations Section, the Employee Licensing Section, the Audit Section, the Casino Operations Section, the Inspections Section, the Central Records Section, and the Administration Section.

**THE NEW JERSEY CASINO INDUSTRY
SCHEDULE OF GROSS REVENUE AND
RELATED TAX FROM INCEPTION
THROUGH DECEMBER 31, 1981**

<u>Casino-Hotel</u>	<u>Revenue</u>	<u>Number of Days in Operation</u>	<u>Daily Average Revenue</u>	<u>Adjustment for Uncollectibles</u>	<u>Gross Revenue after Adjustment</u>	<u>Tax</u>
Resorts International						
1981	\$ 186,527,689	365	\$ 511,035	\$ 1,333,093	\$ 185,194,596	\$14,815,568
1980	212,317,173	366	580,102	5,029,472	207,287,701	23,101,161*
1979	232,945,748	365	638,208	655,908	232,289,840	23,362,060
1978	134,073,445	220	609,425	400,000	133,673,445	10,693,876
Caesars Boardwalk Regency						
1981	194,094,699	365	531,766	6,313,695	187,781,004	15,022,480
1980	208,788,576	366	570,460	6,866,199	201,922,377	22,359,921
1979	91,283,223	189	482,980	345,000	90,938,223	10,879,744
Bally's Park Place						
1981	188,834,435	365	517,355	4,335,055	184,499,380	14,759,950
1980	181,524,144	366	495,968	7,040,000	174,484,144	19,202,469
1979	1,251,559	3	417,186	10,000	1,241,559	148,987
The Sands						
1981	92,181,056	365	252,551	2,034,000	90,147,056	7,211,764
1980	27,298,187	141	193,604	0	27,298,187	2,627,207
Harrah's Marina (Holiday Inns)						
1981	142,531,544	365	390,497	1,200,000	141,331,544	11,306,524
1980	7,805,706	39	200,146	0	7,805,706	628,522
Golden Nugget						
1981	157,538,341	365	431,612	997,500	156,540,841	12,523,267
1980	4,959,855	20	247,993	0	4,959,855	396,788
Playboy-Elsinore						
1981	93,889,449	262	358,357	1,800,165	92,089,284	7,367,143
Claridge						
1981	33,000,719	162	203,708	297,950	32,702,769	2,616,222
Tropicana						
1981	11,181,245	36	310,590	154,280	11,026,965	882,157
Industry Total						
1981	\$1,099,779,177	365	\$3,013,094	\$18,465,738	\$1,081,313,439	\$86,505,075
1980	\$ 642,693,641	366	\$1,755,994	\$18,935,671	\$ 623,757,970	\$68,316,068*
1979	\$ 325,480,530	365	\$ 891,727	\$ 1,010,908	\$ 324,469,622	\$34,390,791
1978	\$ 134,073,445	220	\$ 609,425	\$ 400,000	\$ 133,673,445	\$10,693,876

*Does not include a \$319,392 penalty imposed by the Casino Control Commission and paid by Resorts International Hotel, Inc.

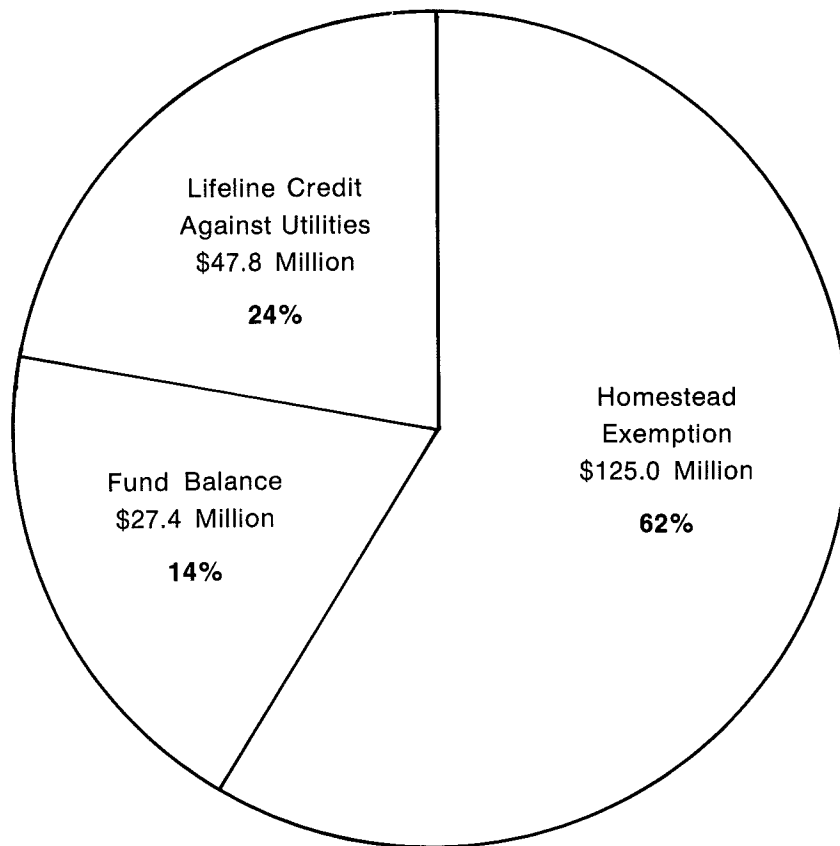
**CASINO CONTROL COMMISSION
CASINO REVENUES AND TAX SUMMARY
FROM INCEPTION THROUGH DECEMBER 31, 1981
(\$ in Thousands)**

	Inception of Casino Gambling Through Dec. 1978	Jan. 1979 Through Dec. 1979	Jan. 1980 Through Dec. 1980	Jan. 1981 Through Dec. 1981	Grand Totals
Gross Revenue:					
Resorts International	\$134,073	\$232,946	\$212,317	\$ 186,528	\$ 765,864
Caesars Boardwalk Regency		91,283	208,789	194,095	494,167
Bally's Park Place		1,252	181,524	188,834	371,610
The Sands			27,298	92,181	119,479
Harrah's Marina (Holiday Inns)			7,806	142,532	150,338
Golden Nugget			4,960	157,538	162,498
Playboy-Elsinore				93,889	93,889
Claridge				33,001	33,001
Tropicana				11,181	11,181
Total Revenues for the Period	134,073	325,481	642,694	1,099,779	2,202,027
Adjustment for Uncollectible Patron Checks	400	1,011	18,936	18,466	38,813
Gross Revenue After Adjustment	<u>\$133,673</u>	<u>\$324,470</u>	<u>\$623,758</u>	<u>\$1,081,313</u>	<u>\$2,163,214</u>
Tax on Gross Revenue	<u>\$ 10,694</u>	<u>\$ 34,391</u>	<u>\$ 68,635*</u>	<u>\$ 86,505</u>	<u>\$ 200,225*</u>

*Includes a \$319,392 penalty imposed by the Casino Control Commission and paid by Resorts International Hotel, Inc.

**GROSS REVENUE TAXES AND DISTRIBUTION
INCEPTION THROUGH DECEMBER 31, 1981**

\$200.2 Million



**CASINO CONTROL COMMISSION
LICENSING STATISTICS AS OF DECEMBER 31, 1981**

CASINO HOTELS

	7/1/80 to 12/31/81	Inception Through 12/31/81
License applications filed	2	20
Temporary casino licenses issued	6	9
Casino licenses issued	4	7

CASINO SERVICE INDUSTRIES

Firms permitted to conduct business	1,965	6,036
Contracts approved	1,212	2,374
Service industry license applications:		
gaming-related firms which applied	41	69
gaming-related firms licensed	7	15
gaming-related firms denied	0	0
non-gaming related applications	413	1,055
non-gaming related licenses approved	90	277
non-gaming related licenses denied	2	3
exemption requests received	29	94
exemption requests accepted for filing	37	65
exempted by Commission	1	9
withdrawal requests	29	56
withdrawals granted	12	32

GAMING SCHOOLS

Applications filed	1	12
Schools licensed	1	5

LABOR ORGANIZATION REGISTRATIONS

Labor organizations registered	2	15
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EMPLOYEES

Casino key employees:		
applications filed	1,061	2,283
licenses issued	1,063	1,546
Casino employees:		
applications filed	14,827	34,646
licenses issued	18,175	30,536
Gaming school employees:		
applications filed	373	710
licenses issued	373	536
Casino Hotel employees:		
applications filed	22,747	38,634
licenses issued*	22,305	31,494
Total employees:		
applications filed	39,008	76,273
licenses issued	41,966	64,112
position additions processed	11,576	15,051
license renewals processed	10,348	14,761

*Does not include temporary casino hotel employee or temporary key casino employee licenses issued.

**TABLE GAMES AND SLOT MACHINES
AS OF DECEMBER 31, 1980**

	Resorts International		Caesars Boardwalk Regency		Bally's Park Place		The Sands	
	1981	1980	1981	1980	1981	1980	1981	1980
Table Games:								
Blackjack	84	84	65	73	88	104	48	49
Craps	20	20	22	18	22	16	14	10
Roulette	10	14	12	12	12	10	8	7
Big Six	6	2	4	4	4	4	2	4
Baccarat	3	3	3	3	3	3	2	2
Total Table Games	<u>123</u>	<u>123</u>	<u>106</u>	<u>110</u>	<u>129</u>	<u>137</u>	<u>74</u>	<u>72</u>
Slot Machines:								
\$0.25 Slots	1,160	1,019	758	833	1,136	1,063	623	439
\$0.50 Slots	77	0	86	109	115	215	26	183
\$1.00 Slots	316	486	182	198	143	261	44	229
Video Blackjack ¹	32	0	62	0	19	0	20	0
Video Poker ¹	32	0	38	0	10	0	20	0
Progressive Slots ²	39	0	70	0	54	25	61	0
Other Slots ³	93	95	162	75	123	111	86	46
Total Slots	<u>1,749</u>	<u>1,600</u>	<u>1,358</u>	<u>1,215</u>	<u>1,600</u>	<u>1,675</u>	<u>880</u>	<u>897</u>
Casino Square Footage	<u>60,000</u>	<u>60,000</u>	<u>48,045</u>	<u>48,045</u>	<u>60,000</u>	<u>60,000</u>	<u>32,236</u>	<u>32,207</u>

¹Includes \$0.25 and \$1.00 slot machines.

²Includes \$0.25, \$0.50 and \$1.00 slot machines.

³Includes \$0.10 and \$0.50 slot machines.

⁴Not in operation during 1980.

MACHINES IN OPERATION
31, 1981 AND 1980

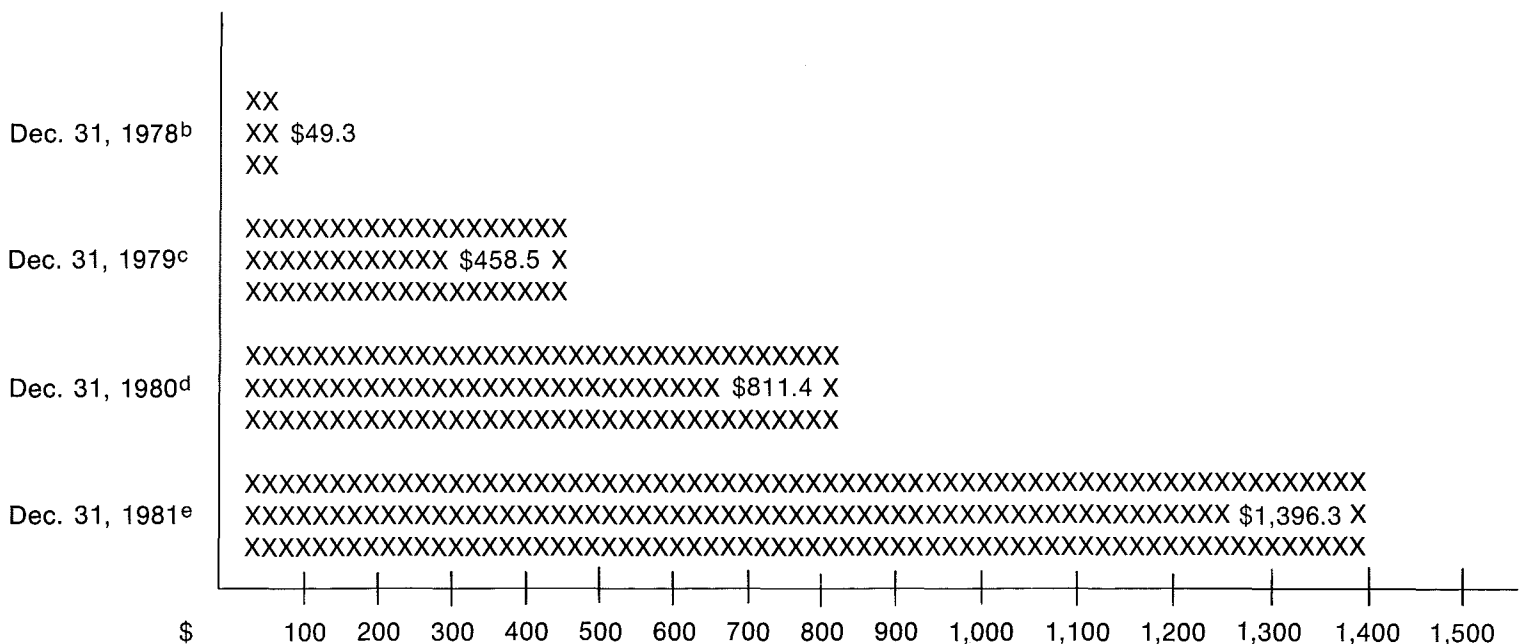
	Harrah's Marina		Golden Nugget		Playboy- Elsinore ⁴		Claridge ⁴		Tropicana ⁴		Total Industry	
	1981	1980	1981	1980	1981	1980	1981	1980	1981	1980	1981	1980
9	80	81	62	70	81	-	48	-	76	-	632	461
0	18	12	14	10	18	-	13	-	18	-	159	86
7	12	12	12	10	16	-	8	-	16	-	106	65
4	4	4	4	4	3	-	2	-	4	-	33	22
2	2	2	2	2	3	-	2	-	2	-	22	15
2	<u>116</u>	<u>111</u>	<u>94</u>	<u>96</u>	<u>121</u>	<u>-</u>	<u>73</u>	<u>-</u>	<u>116</u>	<u>-</u>	<u>952</u>	<u>649</u>
9	643	416	828	784	840	-	589	-	903	-	7,480	4,554
3	126	126	100	161	40	-	76	-	180	-	826	794
9	208	207	177	158	109	-	76	-	120	-	1,375	1,539
0	20	6	10	0	44	-	10	-	75	-	292	6
0	0	0	10	0	35	-	10	-	25	-	180	0
0	25	15	19	19	67	-	24	-	16	-	375	59
3	<u>108</u>	<u>140</u>	<u>62</u>	<u>62</u>	<u>68</u>	<u>-</u>	<u>65</u>	<u>-</u>	<u>70</u>	<u>-</u>	<u>837</u>	<u>529</u>
1	<u>1,130</u>	<u>910</u>	<u>1,206</u>	<u>1,184</u>	<u>1,203</u>	<u>-</u>	<u>850</u>	<u>-</u>	<u>1,389</u>	<u>-</u>	<u>11,365</u>	<u>7,481</u>
0	<u>44,090</u>	<u>40,403</u>	<u>40,662</u>	<u>40,662</u>	<u>51,823</u>	<u>-</u>	<u>28,982</u>	<u>-</u>	<u>46,305</u>	<u>-</u>	<u>412,143</u>	<u>281,310</u>

**NEW JERSEY CASINO INDUSTRY
FIXED ASSET INVESTMENT IN ATLANTIC CITY**
AS OF DECEMBER 31, 1978, 1979, 1980 AND 1981**

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
Resorts International	\$49,315,309	\$ 85,915,997	\$119,155,968	\$ 129,394,457
Caesars Boardwalk Regency	*	98,005,611	103,982,514	103,607,585
Bally's Park Place	*	274,545,164	290,849,655	275,473,985
The Sands	*	*	69,297,503	70,146,913
Harrah's Marina (Holiday Inns)	*	*	101,436,529	120,237,719
Golden Nugget	*	*	126,630,922	130,324,732
Playboy-Elsinore	*	*	*	136,887,386
Claridge	*	*	*	139,616,890
Tropicana	*	*	*	290,652,354
TOTAL INVESTMENT	<u><u>\$49,315,309</u></u>	<u><u>\$458,466,772</u></u>	<u><u>\$811,353,091</u></u>	<u><u>\$1,396,342,021</u></u>

**The fixed asset investment represents the net fixed asset balance reported by the casino licensee.

**NEW JERSEY CASINO INDUSTRY
FIXED ASSET INVESTMENT IN ATLANTIC CITY^a
(\$ in Millions)**



^aThe fixed asset investment represents the net fixed asset balance reported by the casino licensees.

^bOne casino-hotel in operation.

^cThree casino-hotels in operation.

^dSix casino-hotels in operation.

^eNine casino-hotels in operation.

**NEW JERSEY CASINO INDUSTRY
NUMBER OF EMPLOYEES
AS OF DECEMBER 31**

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
Resorts International	3,226	4,354	4,441	3,858
Caesars Boardwalk Regency	*	3,863	3,955	3,251
Bally's Park Place	*	3,084	3,695	3,486
The Sands	*	*	2,594	2,430
Harrah's Marina (Holiday Inns)	*	*	3,516	3,185
Golden Nugget	*	*	2,950	2,942
Playboy-Elsinore	*	*	*	3,019
Claridge	*	*	*	2,202
Tropicana	*	*	*	3,469
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL	<u>3,226</u>	<u>11,301</u>	<u>21,151</u>	<u>27,842</u>

*Not operating as of December 31.

**NEW JERSEY CASINO INDUSTRY
HOTEL ROOMS*
AS OF DECEMBER 31**

<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
724	1,572	3,257	4,781

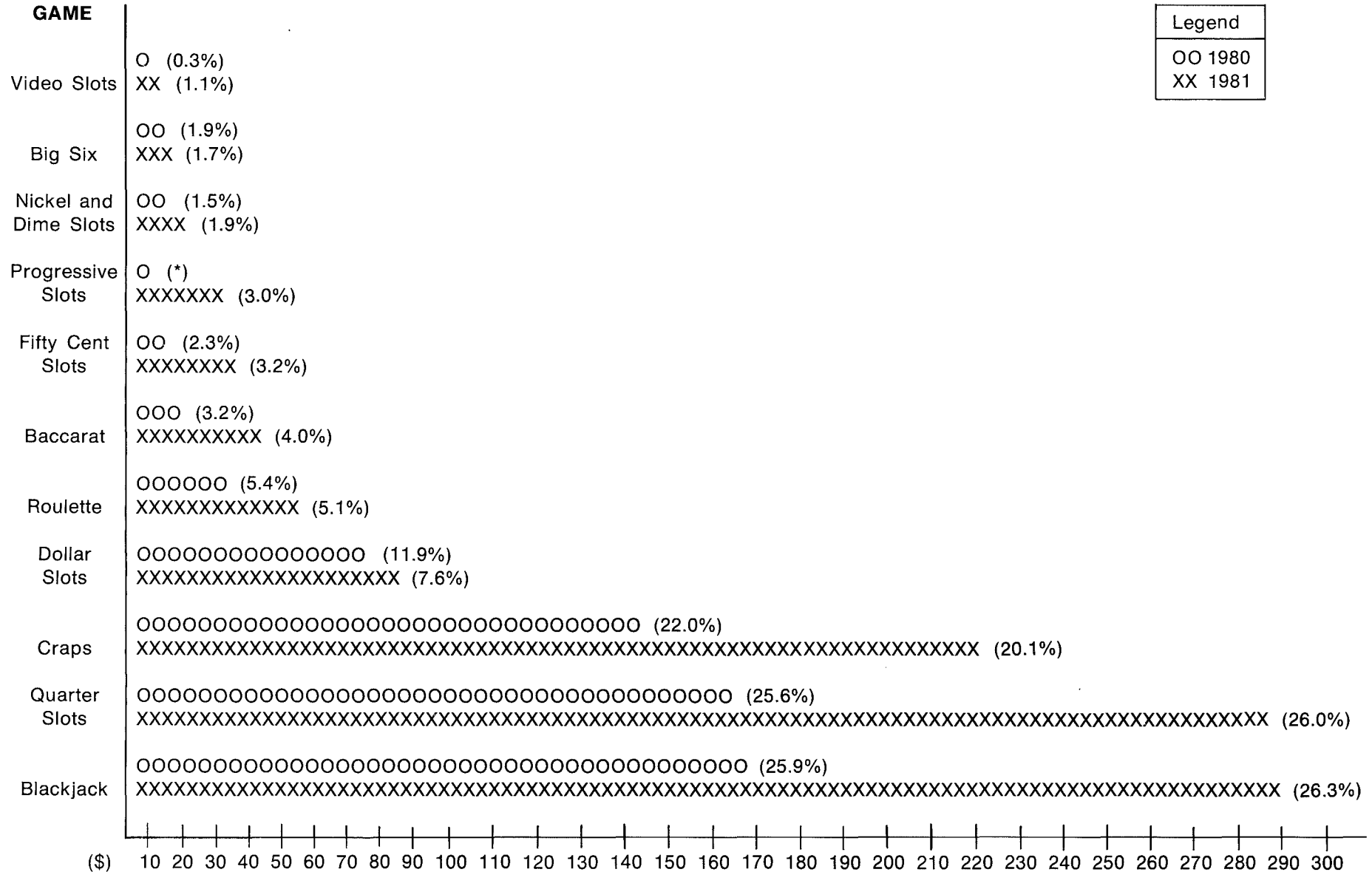
*Numbers include qualified and non-qualified rooms for Resorts International Hotel, Inc.

**NEW JERSEY CASINO INDUSTRY
CONVENTION SPACE IN SQUARE FEET
AS OF DECEMBER 31**

<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
50,125	96,300	178,863	268,651

**NEW JERSEY CASINO INDUSTRY
COMPARISON OF GROSS CASINO WIN
FOR THE YEARS 1981 AND 1980
(\$ in Millions)**

16



Total Casino Win-1980: \$ 642.7
Total Casino Win-1981: \$1,099.8

*Less than one-tenth of 1 percent

**NEW JERSEY CASINO INDUSTRY
BUS STATISTICS FOR THE YEAR 1981 AND 1980**

	<u>Number of Buses</u>		<u>Number of Passengers</u>	
	<u>1981^a</u>	<u>1980^b</u>	<u>1981^a</u>	<u>1980^b</u>
January	11,837	2,345	386,939	71,291
February	13,590	3,264	494,552	122,959
March	12,772	4,249	463,058	168,797
April	11,502	5,403	342,577	212,575
May	14,375	5,400	447,971	195,765
June	17,735	6,347	609,210	243,778
July	16,211	6,403	509,583	218,132
August	18,979	7,362	557,870	275,908
September	19,398	8,967	576,756	327,680
October	20,274	10,519	589,765	364,500
November	19,719	11,213	554,683	372,421
December	<u>15,960</u>	<u>8,196</u>	<u>365,562</u>	<u>233,403</u>
Total	<u>192,352</u>	<u>79,668</u>	<u>5,898,526</u>	<u>2,807,209</u>

^aAs of April 14, 1981, seven casinos were in operation.

As of July 23, 1981, eight casinos were in operation.

As of November 26, 1981, nine casinos were in operation.

^bAs of January 1, 1980, three casinos were in operation.

As of August 13, 1980, four casinos were in operation.

As of November 23, 1980, five casinos were in operation.

As of December 12, 1980, six casinos were in operation.

Source: Bus Statistics provided by casino operators.



New Jersey State Legislature

OFFICE OF LEGISLATIVE SERVICES

DIVISION OF STATE AUDITING

STATE HOUSE, SUITE 232

TRENTON, NEW JERSEY 08625

TELEPHONE (609) 292-6430

November 18, 1981

TO: Honorable Thomas H. Kean
Governor of New Jersey

Honorable Carmen A. Orechio
President of the Senate

Honorable Alan J. Karcher
Speaker of the General Assembly

Mr. Samuel A. Alito
Executive Director
Office of Legislative Services

Gentlemen:

We have examined the balance sheets of the Casino Control Fund of the State of New Jersey as of June 30, 1981 and 1980, and related statements of revenues, expenditures, and changes in fund balances; revenues, expenditures, and changes in fund balances, budget and actual-budgetary basis for the years then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly, included such tests of the accounting records, and such other auditing procedures as we considered necessary in the circumstances.

The statements previously referred to reflect the activities of the Casino Control Commission (Department of the Treasury) and the Division of Gaming Enforcement (Department of Law and Public Safety). Expenditures of both agencies are appropriated and paid from the Casino Control Fund. During Fiscal Year 1981, the State changed certain of its financial accounting and reporting practices for the Casino Control Fund to conform to generally accepted accounting principles as defined by Governmental Accounting and Financial Reporting Principles (Statement 1). These changes, with which we concur, are more fully explained in Note 5 and principally include: statement presentation of expenditures and encumbrances; and comparing actual expenditures on a non-GAAP budgetary basis with budget information. The financial statements for Fiscal Year 1980 have been restated to conform with these accounting changes. In addition, as also indicated in Note 5, the accounting period for encumbering funds has been shortened by one month.

In our opinion, subject to the final disposition of certain contingencies (Note 10), the accompanying financial statements present fairly the financial position of the Casino Control Fund as of June 30, 1981 and 1980, and the results of operations for the years then ended in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change, in the financial accounting, with which we concur, and changes in reporting practices as described in Note 5.

The examination was performed and this report is submitted pursuant to the State Auditor's responsibility as set forth in Article VII, Section 1.6 of the State Constitution, and N.J.S.A. 52:24-4, Legislative Services Law of 1978.

Respectfully submitted,


James J. Dolan
State Auditor

**STATE OF NEW JERSEY
CASINO CONTROL FUND
BALANCE SHEET
JUNE 30, 1981 AND 1980**

**EXHIBIT I
(in \$000)**

	<u>1981</u>	<u>1980</u>
Assets		
Accounts Receivable:	\$2,869.3	\$ 1,283.4
Less Allowance for Doubtful Accounts	<u>(416.0)</u>	<u>(241.2)</u>
Net Accounts Receivable	2,453.3	1,042.2
Due from General Fund	<u>244.3</u>	<u>3,225.0</u>
Total Assets	<u><u>\$2,697.6</u></u>	<u><u>\$ 4,267.2</u></u>
Liabilities and Fund Balances		
Liabilities:		
Accounts Payable	\$1,884.3	\$ 2,584.4
Revenue Refunds Payable	.5	-
Due to General Fund	<u>-</u>	<u>8,004.4</u>
Total Liabilities	<u>1,884.8</u>	<u>10,588.8</u>
Fund Balances:		
Reserved:		
Reserved for Encumbrances—Current	789.1	1,035.1
Reserved for Encumbrances—Prior Years	114.7	647.7
Unreserved:		
Designated for Subsequent Years Expenditures	.4	-
Undesignated	<u>(91.4)</u>	<u>(8,004.4)</u>
Total Fund Balances	<u>812.8</u>	<u>(6,321.6)</u>
Total Liabilities and Fund Balances	<u><u>\$2,697.6</u></u>	<u><u>\$ 4,267.2</u></u>

() Denotes Minus Figures

SEE NOTES TO FINANCIAL STATEMENTS

**STATE OF NEW JERSEY
CASINO CONTROL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEARS ENDED JUNE 30, 1981 AND 1980**

**EXHIBIT II
(in \$000)**

	<u>1981</u>	<u>1980</u>
Revenues:		
Licenses		
Casino	\$11,989.4	\$ 6,148.8
Casino Employees	3,949.6	2,280.6
Slot Machine	3,396.3	1,944.6
Casino Service Industry	862.9	698.3
Alcoholic Beverage	663.8	316.8
Work Permits	1,431.3	669.5
Special Assessment	8,004.4	-
Fines and Penalties	225.0	-
Other Revenues	18.3	484.0
Total Revenues	<u>30,541.0</u>	<u>12,542.6</u>
Expenditures:		
Public Safety and Criminal Justice (Division of Gaming Enforcement—Schedule I)	14,721.3	10,347.9
Government Direction, Management and Control (Casino Control Commission—Schedule I)	<u>8,418.3</u>	<u>4,741.7</u>
Total Expenditures	<u>23,139.6</u>	<u>15,089.6</u>
Other Decreases:		
Interest (Notes 5 and 7)	<u>267.0</u>	<u>317.6</u>
Total Other Decreases	<u>267.0</u>	<u>317.6</u>
Total Expenditures and Other Decreases	<u>23,406.6</u>	<u>15,407.2</u>
Net Increase (Decrease) in Fund Balances for the Year	7,134.4	(2,864.6)
Fund Balances—Beginning of Period	<u>(6,321.6)</u>	<u>(3,457.0)</u>
Fund Balances—End of Period	<u>\$ 812.8</u>	<u>\$ (6,321.6)</u>
() Denotes Minus Figures		

SEE NOTES TO FINANCIAL STATEMENTS

**STATE OF NEW JERSEY
CASINO CONTROL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL—BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 1981**

**EXHIBIT III-A
(in \$000)**

	<u>Actual</u>	<u>Adjustment to Budgetary Basis</u>	<u>Actual on Budgetary Basis</u>	<u>Budget</u>	<u>Variance- Favorable (Unfavorable)</u>
Revenues:					
Licenses					
Casino	\$11,989.4	\$ -	\$11,989.4	\$13,608.8	\$(1,619.4)
Casino Employees	3,949.6	-	3,949.6	2,715.5	1,234.1
Slot Machine	3,396.3	-	3,396.3	4,000.0	(603.7)
Casino Service Industry	862.9	-	862.9	200.0	662.9
Alcoholic Beverage	663.8	-	663.8	490.0	173.8
Work Permits	1,431.3	-	1,431.3	450.0	981.3
Special Assessment	8,004.4	-	8,004.4	8,004.4	-
Fines and Penalties	225.0	-	225.0	-	225.0
Other Revenues	18.3	-	18.3	-	18.3
Total Revenues	<u>30,541.0</u>	<u>-</u>	<u>30,541.0</u>	<u>29,468.7</u>	<u>1,072.3</u>
Expenditures:					
Public Safety and Criminal Justice (Division of Gaming Enforcement—Schedule I)	14,721.3	(807.3)	13,914.0	14,000.0	86.0
Government Direction, Management and Control (Casino Control Commission— Schedule I)	8,418.3	205.9	8,624.2	8,629.3	5.1
Total Expenditures	<u>23,139.6</u>	<u>(601.4)</u>	<u>22,538.2</u>	<u>22,629.3</u>	<u>91.1</u>
Other Decreases:					
Interest (Notes 5 and 7)	267.0	-	267.0	-	(267.0)
Total Other Decreases	<u>267.0</u>	<u>-</u>	<u>267.0</u>	<u>-</u>	<u>(267.0)</u>
Total Expenditures and Other Decreases	<u>23,406.6</u>	<u>(601.4)</u>	<u>22,805.2</u>	<u>22,629.3</u>	<u>(175.9)</u>
Net Increase (Decrease) in Fund Balances for the Year	<u>\$ 7,134.4</u>	<u>\$ 601.4</u>	<u>\$ 7,735.8</u>	<u>\$ 6,839.4</u>	<u>\$ 896.4</u>

SEE NOTES TO FINANCIAL STATEMENTS

**STATE OF NEW JERSEY
CASINO CONTROL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL—BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 1980**

EXHIBIT III-B

(in \$000)

	<u>Actual</u>	<u>Adjustment to Budgetary Basis</u>	<u>Actual on Budgetary Basis</u>	<u>Budget</u>	<u>Variance- Favorable (Unfavorable)</u>
Revenues:					
Licenses					
Casino	\$ 6,148.8	\$ -	\$ 6,148.8	\$ 7,600.0	\$(1,451.2)
Casino Employees	2,280.6	-	2,280.6	550.0	1,730.6
Slot Machine	1,944.6	-	1,944.6	2,000.0	(55.4)
Casino Service Industry	698.3	-	698.3	200.0	498.3
Alcoholic Beverage	316.8	-	316.8	200.0	116.8
Work Permits	669.5	-	669.5	350.0	319.5
Special Assessment	-	-	-	-	-
Fines and Penalties	-	-	-	-	-
Other Revenues	484.0	-	484.0	100.0	384.0
Total Revenues	<u>12,542.6</u>	<u>-</u>	<u>12,542.6</u>	<u>11,000.0</u>	<u>1,542.6</u>
Expenditures:					
Public Safety and Criminal Justice					
(Division of Gaming					
Enforcement—Schedule I)	10,347.9	666.3	11,014.2	11,775.0	760.8
Government Direction, Management					
and Control					
(Casino Control Commission—					
Schedule I)	4,741.7	(113.9)	4,627.8	4,755.0	127.2
Total Expenditures	<u>15,089.6</u>	<u>552.4</u>	<u>15,642.0</u>	<u>16,530.0</u>	<u>888.0</u>
Other Decreases:					
Interest (Notes 5 and 7)	317.6	-	317.6	-	(317.6)
Total Other Decreases	<u>317.6</u>	<u>-</u>	<u>317.6</u>	<u>-</u>	<u>(317.6)</u>
Total Expenditures and Other					
Decreases	<u>15,407.2</u>	<u>552.4</u>	<u>15,959.6</u>	<u>16,530.0</u>	<u>570.4</u>
Net Increase (Decrease) in Fund					
Balances for the Year	<u>\$ (2,864.6)</u>	<u>\$(552.4)</u>	<u>\$(3,417.0)</u>	<u>\$(5,530.0)</u>	<u>\$ 2,113.0</u>

SEE NOTES TO FINANCIAL STATEMENTS

**STATE OF NEW JERSEY
CASINO CONTROL FUND
EXPENDITURES DETAIL
FISCAL YEARS ENDED JUNE 30, 1981 AND 1980**

**SCHEDULE I
(in \$000)**

	1981		1980	
	Casino Control Commission	Division of Gaming Enforcement	Casino Control Commission	Division of Gaming Enforcement
Expenditures:				
Salaries	\$5,269.8	\$ 7,554.5	\$2,866.3	\$ 5,296.5
Payroll Taxes and Employee Benefits	1,008.8	1,640.5	496.8	1,285.9
Printing and Office Supplies	153.6	237.0	61.6	306.9
Travel	59.1	26.3	57.2	45.6
Telephone	127.6	340.0	83.9	266.8
Legal and Investigative	267.5	750.5	202.0	611.7
Rent—Facilities	503.9	226.2	157.4	177.3
Rent—Automobiles	41.8	512.2	28.4	194.0
Rent—Other	40.6	97.2	12.1	138.2
Professional Fees	75.8	649.5	70.5	834.6
Staff Training	12.1	120.8	1.8	163.8
Office Equipment	284.7	572.4	197.9	455.2
Vehicular Equipment	.8	391.2	18.9	251.8
Data Processing	190.9	375.6	21.9	62.4
Other Expenditures	202.3	226.1	92.9	11.3
Indirect Costs (Note 6)	179.0	1,001.3	372.1	245.9
Total Expenditures	<u>\$8,418.3</u>	<u>\$14,721.3</u>	<u>\$4,741.7</u>	<u>\$10,347.9</u>

SEE NOTES TO FINANCIAL STATEMENTS

**STATE OF NEW JERSEY
CASINO CONTROL FUND**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1981 AND 1980**

NOTE 1—Plan of Organization

Pursuant to the "Casino Control Act: P.L. 1977, C.110", the Casino Control Fund was established in the State of New Jersey Department of the Treasury as a separate special account wherein all fees, fines, and penalties collected or accrued by the Casino Control Commission are recorded. Fees have been established by N.J.A.C. 19:41-9.1 et seq. based on the cost of investigating and processing license applications along with the cost of maintaining control and regulatory activities contemplated by the "Casino Control Act." Fines and penalties are assessed by the Casino Control Commission pursuant to the authority granted by the "Casino Control Act." Monies in the Casino Control Fund are appropriated exclusively for the operating expenses of the Casino Control Commission and the Division of Gaming Enforcement.

NOTE 2—Financial Statements

The National Council on Government Accounting, in its publication entitled *Statement 1—Governmental Accounting and Financial Reporting Principles*, defines a fund as a "fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations." These statements reflect financial reporting practices in accordance with that definition.

NOTE 3—Significant Accounting Policies

The accounting policies of the Casino Control Fund follow a modified accrual basis. Under this basis, revenues are recorded as received in cash except for those revenues susceptible to accrual

(measurable, available, and material).

Appropriations are authorized by an act of the State of New Jersey Legislature for expenditure during the fiscal year and a period of one month thereafter for 1981 and two months for 1980. Expenditures are recorded on an accrual basis except for disbursements for prepaid expenses, inventory items, and fixed assets, all of which are considered expenditures at the time of purchase.

The fund balance of the Casino Control Fund is comprised of:

- a. **Reserve for Encumbrances**—Represents a portion of fund balance segregated to provide for expenditure upon vendor performance of purchase agreements.
- b. **Unreserved—Designated for Subsequent Years Expenditures**—Represents that portion of fund equity resources available to finance expenditures in a future period.
- c. **Unreserved—Undesignated**—Represents the portion of fund equity resources available for appropriation.

Other significant accounting policies are described in Notes 4 through 9.

NOTE 4—Revenue and Expenditure Budgets

The Casino Control Fund operates under a budgetary control system comprised of:

- a. The Annual Appropriation Acts approved June 30, 1980 and June 28, 1979 and various supplemental appropriations acts approved during the fiscal year.
- b. Reappropriations (provided by Annual Appropriation Acts) of prior year funds which are available for expenditure in the current year.

The above items provided the following amounts for the Fiscal Years 1981 and 1980 budgets:

	(in \$000)			
	For Fiscal Years Ended June 30,			
	1981	1980	1981	1980
	Revenue and Other Increases	Expenditures and Other Decreases	Revenue and Other Increases	Expenditures and Other Decreases
Annual Appropriations Act	\$29,468.7	\$22,625.0	\$11,000.0	\$16,530.0
Reappropriations	-	4.3	-	-
Totals	<u>\$29,468.7</u>	<u>\$22,629.3</u>	<u>\$11,000.0</u>	<u>\$16,530.0</u>

The accompanying statements of revenues, expenditures, and changes in fund balances, budget and actual—budgetary basis present comparisons of the legally adopted budget and actual data on a budgetary basis. There were no expenditures in excess of appropriations in the Casino Control Fund.

NOTE 5—Changes in Accounting Principles and Statement Presentation

The classification of the accompanying financial statements have been revised from previous years statements to conform with generally accepted accounting principles as defined by Statement 1—Governmental Accounting and Financial Reporting Principles, published by the National Council on Governmental Accounting.

- a. In prior financial statements, encumbrances outstanding at year end were treated both as expenditures and liabilities. In accordance with generally accepted accounting principles, encumbrances outstanding at year end which represent the estimated expenditures on contracts for goods or services, to be provided in future periods, are reported as a reserve for encumbrances in the fund balance section of the balance sheet. The Fiscal Year 1980 financial statements have been restated to reflect the above change. The effect of this change is a reduction of liabilities and expenditures and a corresponding increase in fund balance at June 30, 1979 in the amount of \$1,229,900 and at June 30, 1980 in the amount of \$1,682,800.
- b. In accordance with the annual appropriation acts, appropriations are available for a period of one month after June 30, 1981, and for a period of two months after June 30, 1980. As a result, appropriation usage was \$1,499,400 less for the one month subsequent to June 30, 1981 than for the two months subsequent to June 30, 1980.
- c. In Fiscal Years 1981 and 1980, expenditures as presented on the statement of revenues, expenditures, and changes in fund balances, budget and actual—budgetary basis are converted from GAAP basis to budget basis (non-GAAP) in order to make a valid comparison to budget information.
- d. On the statements of revenues, expenditures, and changes in fund balances, the interest charged the Casino Control Commission by the General Fund is classified as an operating expenditure in Fiscal Year 1980 and as other decreases to the fund balance in Fiscal Year 1981. The interest expenditure in Fiscal Year 1980 has been reclassified as other decreases for comparability purposes.

NOTE 6—Indirect Costs

The Departments of the Treasury, and Law and

Public Safety, annually allocate a portion of their expenses (based on services provided) to the Casino Control Commission and the Division of Gaming Enforcement.

NOTE 7—Interest Expense

The General Fund charges interest to the Casino Control Fund for disbursements made in excess of revenues collected. Effective July 1, 1980 the General Fund charged the Casino Control Fund an interest rate equal to the month-end New York Federal Reserve Discount Rate charged to banks. During Fiscal Year 1981 the interest rates charged varied from 10% to 14%. During Fiscal Year 1980 interest was charged at a rate of 8%. The interest charges to the Casino Control Fund for Fiscal Years 1981 and 1980 were \$267,000 and \$317,600, respectively.

NOTE 8—Accumulated Unpaid Vacation and Sick Leave

At June 30, 1981, unpaid vacation was not in excess of a normal year's accumulation.

Full time State employees earn 15 days of sick leave credits each year, with no maximum accumulation limit. Upon retirement, cash payments are made equal to 50%, of the employee's sick leave accumulated, not to exceed \$12,000. Funds for this purpose are appropriated annually. At June 30, 1981, the estimated value of unused sick leave is approximately \$800,000.

NOTE 9—Special Assessment

Pursuant to *N.J.A.C. 19:41-9.1*, a special assessment of \$8,004,400, was made to 20 casinos in operation or with applications pending as of July 1, 1980, to be paid by December 31, 1980. As of June 30, 1981, 17 casinos have paid \$7,682,900, and there is an accounts receivable for these casinos for \$321,500.

NOTE 10—Contingent Liability

The \$8 million assessment as described in Note 9 has been protested by the representatives of the casino industry at a Casino Control Commission special hearing. Since the commission's decision, which has yet to be rendered, is subject to legal appeal, the ultimate disposition of this matter cannot be predicted.

