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# Public Hearing

before

SENATE JUDICIARY COMMITTEE

SENATE CONCURRENT RESOLUTION No. 103

(Proposes amendment to the Constitution to permit  
wagering in person at casinos on the results  
of professional sports events)

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LOCATION: Freeholders Boardroom  
Essex County Hall of Records  
Newark, New Jersey

DATE: May 28, 1993

MEMBERS OF COMMITTEE PRESENT:

Senator William L. Gormley, Chairman  
Senator Leanna Brown

ALSO PRESENT:

Rafaela Garcia  
Office of Legislative Services  
Acting Aide  
Senate Judiciary Committee



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***Hearing Recorded and Transcribed by***  
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## New Jersey State Legislature

SENATE JUDICIARY COMMITTEE  
LEGISLATIVE OFFICE BUILDING, CN-068  
TRENTON, NEW JERSEY 08625-0068  
(609) 292-5526

### NOTICE OF PUBLIC HEARING

The Senate Judiciary Committee will hold a public hearing on the following bill:

The committee will discuss pending legislation dealing with carjacking. And also take testimony on the following bill:

**SCR-103 Proposes amendment to the Constitution  
Bassano to permit wagering in person at casinos  
on the results of professional sports  
events.**

The hearing will be held on Friday, May 28, 1993 at 10:00 A.M. in the Essex County Board of Freeholders Boardroom, Room 506, Essex County Hall of Records, 465 Dr. Martin Luther King Blvd., Newark, New Jersey.

*The public may address comments and questions to John J. Tumulty, Judiciary Section, Office of Legislative Services. (609) 292-5526. Those persons presenting written testimony should provide 15 copies to the committee on the day of the hearing.*

1 or clubs, volunteer fire companies and first-aid or rescue squads  
2 to conduct games of chance of, and restricted to, the selling of  
3 rights to participate, and the awarding of prizes, in the specific  
4 kinds of games of chance sometimes known as raffles, conducted  
5 by the drawing for prizes or by the allotment of prizes by chance,  
6 when the entire net proceeds of such games of chance are to be  
7 devoted to educational, charitable, patriotic, religious or  
8 public-spirited uses, and in the case of senior citizen associations  
9 or clubs to the support of such organizations, in any municipality,  
10 in which such law shall be adopted by a majority of the qualified  
11 voters, voting thereon, at a general or special election as the  
12 submission thereof shall be prescribed by law and for the  
13 Legislature, from time to time, to restrict and control, by law,  
14 the conduct of such games of chance;

15 C. It shall be lawful for the Legislature to authorize the  
16 conduct of State lotteries restricted to the selling of rights to  
17 participate therein and the awarding of prizes by drawings when  
18 the entire net proceeds of any such lottery shall be for State  
19 institutions, State aid for education; [and]

20 D. It shall be lawful for the Legislature to authorize by law  
21 the establishment and operation, under regulation and control by  
22 the State, of gambling houses or casinos within the boundaries, as  
23 heretofore established, of the city of Atlantic City, county of  
24 Atlantic, and to license and tax such operations and equipment  
25 used in connection therewith. Any law authorizing the  
26 establishment and operation of such gambling establishments  
27 shall provide for the State revenues derived therefrom to be  
28 applied solely for the purpose of providing funding for reductions  
29 in property taxes, rental, telephone, gas, electric, and municipal  
30 utilities charges off[.] eligible senior citizens and disabled  
31 residents of the State, and for additional or expanded health  
32 services or benefits or transportation services or benefits to  
33 eligible senior citizens and disabled residents, in accordance with  
34 such formulae as the Legislature shall by law provide. The type  
35 and number of such casinos or gambling houses and of the  
36 gambling games which may be conducted in any such  
37 establishment shall be determined by or pursuant to the terms of  
38 the law authorizing the establishment and operation thereof. Any  
39 such law may authorize wagering in person at such gambling  
40 houses or casinos on the results of professional sports events  
41 conducted there or elsewhere; and

42 E. It shall be lawful for the Legislature to authorize, by law,  
43 (1) the simultaneous transmission by picture of running and  
44 harness horse races conducted at racetracks located within or  
45 outside of this State, or both, to gambling houses or casinos in the  
46 city of Atlantic City and (2) wagering at those gambling  
47 establishments on the results of those races. The State's share of  
48 revenues derived therefrom shall be applied for services to  
49 benefit eligible senior citizens as shall be provided by law.

50 (cf: Article IV, Section VII, paragraph 2 amended effective  
51 December 6, 1990)

52 2. When this proposed amendment to the Constitution is finally  
53 agreed to pursuant to Article IX, paragraph 1 of the Constitution,  
54 it shall be submitted to the people at the next general election

# SENATE CONCURRENT RESOLUTION No. 103

## STATE OF NEW JERSEY

INTRODUCED MARCH 22, 1993

By Senator BASSANO

1 A *CONCURRENT RESOLUTION* proposing an amendment to  
2 Article IV, Section VII, paragraph 2 of the Constitution.

3

4 BE IT RESOLVED *by the Senate of the State of New Jersey*  
5 *(the General Assembly concurring):*

6 1. The following proposed amendment to the Constitution of  
7 the State of New Jersey is agreed to:

8

9

### PROPOSED AMENDMENT

10

11 Amend Article IV, Section VII, paragraph 2 to read as follows:

12 2. No gambling of any kind shall be authorized by the  
13 Legislature unless the specific kind, restrictions and control  
14 thereof have been heretofore submitted to, and authorized by a  
15 majority of the votes cast by, the people at a special election or  
16 shall hereafter be submitted to, and authorized by a majority of  
17 the votes cast thereon by, the legally qualified voters of the  
18 State voting at a general election, except that, without any such  
19 submission or authorization:

20 A. It shall be lawful for bona fide veterans, charitable,  
21 educational, religious or fraternal organizations, civic and service  
22 clubs, senior citizen associations or clubs, volunteer fire  
23 companies and first-aid or rescue squads to conduct, under such  
24 restrictions and control as shall from time to time be prescribed  
25 by the Legislature by law, games of chance of, and restricted to,  
26 the selling of rights to participate, the awarding of prizes, in the  
27 specific kind of game of chance sometimes known as bingo or  
28 lotto, played with cards bearing numbers or other designations, 5  
29 or more in one line, the holder covering numbers as objects,  
30 similarly numbered, are drawn from a receptacle and the game  
31 being won by the person who first covers a previously designated  
32 arrangement of numbers on such a card, when the entire net  
33 proceeds of such games of chance are to be devoted to  
34 educational, charitable, patriotic, religious or public-spirited  
35 uses, and in the case of senior citizen associations or clubs to the  
36 support of such organizations, in any municipality, in which a  
37 majority of the qualified voters, voting thereon, at a general or  
38 special election as the submission thereof shall be prescribed by  
39 the Legislature by law, shall authorize the conduct of such games  
40 of chance therein;

41 B. It shall be lawful for the Legislature to authorize, by law,  
42 bona fide veterans, charitable, educational, religious or fraternal  
43 organizations, civic and service clubs, senior citizen associations

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

Matter underlined thus is new matter.

1 derived from this wagering would be used, like other State  
2 revenues from casinos, for benefits for senior citizens and the  
3 disabled.

4

5

6

7

8 Proposes amendment to the Constitution to permit wagering in  
9 person at casinos on the results of professional sports events.

1 occurring more than three months after the final agreement and  
 2 shall be published at least once in at least one newspaper of each  
 3 county designated by the President of the Senate, the Speaker of  
 4 the General Assembly and the Secretary of State, not less than  
 5 three months prior to the general election.

6 3. This proposed amendment to the Constitution shall be  
 7 submitted to the people at that election in the following manner  
 8 and form:

9 There shall be printed on each official ballot to be used at the  
 10 general election, the following:

11 a. In every municipality in which voting machines are not used,  
 12 a legend which shall immediately precede the question, as follows:

13 If you favor the proposition printed below make a cross (x), plus  
 14 (+) or check (✓) in the square opposite the word "Yes." If you are  
 15 opposed thereto make a cross (x), plus (+) or check (✓) in the  
 16 square opposite the word "No."

17 b. In every municipality the following question:

18  
 19  
 20  
 21 PERMITS WAGERING AT CASINOS ON THE  
 22 RESULTS OF PROFESSIONAL SPORTS EVENTS

23  
 24 YES. Shall the Constitution be amended, as agreed to  
 25 by the Legislature, to permit wagering in person  
 26 at casinos on the results of professional sports  
 27 events, as that term is defined by the  
 28 Legislature, conducted there or elsewhere, with  
 29 the State revenues derived therefrom to be used  
 30 like other State revenues from casinos for  
 31 benefits for senior citizens and the disabled?  
 32

33  
 34  
 35 INTERPRETIVE STATEMENT

36  
 37 NO. This amendment would permit the Legislature to  
 38 authorize wagering in person at casinos on the  
 39 results of professional sports events conducted  
 40 there or elsewhere. The State revenues derived  
 41 from this wagering would be used, like other  
 42 State revenues from casinos, for benefits for  
 43 senior citizens and the disabled.  
 44 The limitation to "professional" sports events  
 45 would exclude wagering on college or high school  
 46 sports events.  
 47  
 48  
 49

50 STATEMENT

51  
 52 This concurrent resolution proposes an amendment to the  
 53 Constitution that would permit the Legislature to authorize  
 54 wagering in person at casinos on the results of professional sports  
 55 events. The term "professional sports events" will be defined in  
 56 the implementing legislation if this constitutional amendment is  
 57 approved; that term, however, is meant to exclude college or  
 58 high school sports events where the participants are students at  
 59 or representatives of such institutions. The State revenues



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mjz: 1-36

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In a couple of days, many of us will think of Memorial Day as the beginning of the summer season; the shore opens up, and it is a fun time. But many of our brothers and sisters who are not with us are going to be remembered for the service they rendered this country to protect that one point -- the right to participate as a citizen in the public policy decision-making process.

I point that out to sort of indicate to you now that my remarks are going to be heavily influenced by that compelling appreciation for our form of government and the process which involves, and includes, the citizens and the ballot.

On behalf of the State Chamber organization, Mr. Chairman, let me compliment you for your personal advocacy of this important economic development issue. As well, we thank the other members of your Committee for previously supporting this bill and aiding in the process of moving the legislation to the floor of the State Senate for a vote. Today's hearing is part of the constitutional process that we hope will allow this issue to go to the ballot this November.

But first, the State Chamber must publicly ask the Senate President for his commitment to post this legislation as quickly as possible. We feel this would be in keeping with the Senate's previous recognition of the overriding economic importance of this issue.

We must publicly state, too, that this same process ought to be repeated in the General Assembly, and we feel that this legislation should be considered by, and debated upon, by all members of that House as well. These may be regarded as bold words, but we feel the State Chamber's advocacy of this issue has some historical support from actions made by both the Legislature and the voters of this State in the past.

New Jersey's State Constitution provides for the enactment of a two-step process in approval of constitutional amendments by both the Legislature and the voters.

**SENATOR WILLIAM L. GORMLEY (Chairman):** The next part of our meeting will be the public hearing on SCR-103. What I would like to do is call as the first witness, representing the State Chamber of Commerce, the Vice President of the State Chamber, Al Cade. And, let me see, also he will have with him Bill Healey, Assistant Vice President of the State Chamber of Commerce.

**A L F R E D C A D E:** Chairman Gormley, members of the New Jersey Senate Judiciary Committee: Thank you for providing me with this opportunity to present the viewpoint of the New Jersey State Chamber of Commerce on the issue of sports betting.

My name is Alfred Cade, and I serve as First Vice Chairman of the Board of Directors of the State Chamber of Commerce. I have also been associated with Caesar's of Atlantic City for more than 15 years. I am joined this morning by Mr. William Healey, Assistant Vice President and Chief Lobbyist for the State Chamber.

I think I should comment at this point on something which you know well, sir, but Senator Brown may not know, and the record may not know, and that is that prior to joining Caesar's as an executive, I served for 26 years as a commissioned officer in the United States Army, retiring as a brigadier general in 1978. During those 26 years as a commissioned officer, I found I was frequently required to remind our servicemen and women why they were in the uniform and on the posts, camps, and stations around the world, and on the battlefields from time to time. The explanation essentially resolved itself into a duty to protect the form of government, the form of life that we have in the United States, essentially our legal and legislative process and a government which guarantees that all of its citizens have a right to participate in the public policy decision making of our nation. All of the antagonists, all of the nations that we were fighting against at the time that I was serving, had no such privilege, no such right for their citizens.

human face of our workers and thousands of other New Jerseyans who benefit from the New Jersey casino industry's presence. The State Chamber can point to all the statistics, if necessary. However, collectively, the statistics illustrate the thrust of our effort, and it is a point that has been the focus of the State Chamber's involvement in this issue -- economic development.

Plain and simple, sports betting is an economic development issue for our State. This debate about sports betting goes way beyond the realm of Atlantic City. It is about New Jersey jobs, New Jersey's tourism, New Jersey's hospitality industry, and New Jersey's convention business.

It is ironic that many of our opponents in this debate are more than happy to denigrate our efforts, to cast doubt by misstatement or innuendo. Unfortunately, it is the same tactic many of the same groups took back in 1976. At that time, we were able to make our voice heard in both the public and the legislative arenas. The arguments of the broad spectrum of supporters of the casino industry won the day.

You have also been hearing from those groups that make use of the revenues generated by the casinos, especially the elderly and disabled. Back in 1976, it was wisely decided that these groups be among the prime beneficiaries of these moneys. Groups representing the elderly and disabled have great public support, and should have great political clout, yet it appears that their needs, needs that could be augmented through the realization of revenues from sports betting, sometimes get shunted aside in the emotionalism of the debate.

We are reminded that the Legislature, more than two years ago, chose to substantially increase the benefits derived from the Pharmaceutical Assistance for the Aged and Disabled -- the PAAD program. That is a commitment not likely to be changed or be scaled back anytime soon, yet a reasonable plan

In 1976, the Legislature gave its assent to the question of casino gambling in Atlantic City, New Jersey, and the voters then gave their approval. In an earlier, separate ballot question in 1974, voters turned down the idea of casinos locating throughout the State of New Jersey. More recently, the Legislature and the voters approved the concept of simulcasting. In each instance, whether it was a "thumbs up" or a "thumbs down," the constitutional amendment process was allowed to take place to its fullest extent.

This issue should not be treated any differently. Yet, some have chosen to say that the public does not want this process. That's flat out wrong, and we believe the mail that has come into each and every legislator's office refutes the allegation rather successfully.

Although it is some 110 miles from Atlantic City to Newark, I am pleased to be able to travel here this morning. It is also entirely appropriate to be in Newark since this city, as well as every other urban center in this State, has benefited from New Jersey's casino revenues. I am personally proud to have been involved in this industry since its infancy here in New Jersey.

As the members of this Committee know, we have accomplished a great deal of good here in New Jersey. At the risk of being somewhat biased because of my professional affiliation, we believe our industry has been a model corporate and public citizen.

There are others here today, too, who will tell you of the good that has been accomplished through casino revenues, not just in Atlantic City, not just in Newark, but around the State. There will be other groups, including the Casino Association of New Jersey, which will cite the voluminous statistics.

I am not here to do that. Rather, I would like to put a public face -- a human face -- on those same statistics; the

few, manufacturing, telemarketing, agriculture, and our ports are areas where we are lagging because of inconsistent tax and regulatory policy, or both. Our leadership in these fields has been challenged, and other states have passed us by. That's sad, and in nearly all cases, it was avoidable. Thwarting the economic progress of the New Jersey casino industry is avoidable, too. Unfortunately, we have all seen what has happened to other industries in this State when we have not allowed them to use the tools necessary to compete.

Earlier, I stated that the Chamber wanted to put a human face on the statistics, the track record of our industry. That human face is nowhere more evident than in the faces of our workers. It's those workers who more than likely could be hurt, not just workers in our industry, but workers who are employed by our vendors, by the public agencies and groups that benefit from casino revenues, by the workers who make the goods and provide the services purchased by our industry.

That human face is also clearly evident in those who are currently unemployed, now better than 9 percent of the New Jersey work force.

That is the challenge that faces the casino industry in New Jersey today. We have to find new ways to compete, to remain unique, to give our customers the product they want. Indeed, the casino industry delivers, provides a product -- an entertainment and recreational product. That is why Atlantic City, New Jersey, is still the most visited tourist destination of any in the United States, but, just like any other successful industry, we cannot rest on our laurels. And I can assure you, we have not!

Over the past 15 years, with your assistance, we have improved our product, offering new games to our customers. No industry can stay successful by staying static for any length of time and that is why we are seeking the approval of sports

that meets the realities of that commitment -- the proposal for sports betting -- is not being given its full due.

Now, some 17 years after its initial approval in a thorough constitutional process, backed by a substantial public reputation and history of action in the public and civic sectors, the New Jersey casino industry and its 43,000 jobs come to make an argument for its further economic enhancement and economic development. We hope that our arguments and the same reasoned debate that took place in 1976 can occur in 1993 in both Houses of the Legislature this summer, and this fall on both the campaign trail and at the ballot box. For an issue so important to a key New Jersey industry and in benefit of well-paying New Jersey jobs, doing anything less on the consideration of sports betting is not giving this issue its proper hearing.

Just last week, my good friend and State Chamber colleague, Bill Faherty, appeared before your counterparts in the Assembly. I know he spoke of the role of casinos as an industry, an industry still unique on the East Coast, but one that is facing growing competition from around the world. Bill has been an important player in public affairs in this State for nearly 40 years, and I respect his opinion. He has seen what has happened to other industries in our State in which we were preeminent at one time or another.

The New Jersey Chamber of Commerce is an organization that is the State's private sector leader in promoting free enterprise. No one from this organization wants to come before leaders of State government five years from now and bemoan the "could have beens" and "should have beens." Our industry does not want to be put in that position.

We have seen the debilitating impact on other industries in this State where we've failed to compete, or had State government impose too severe a burden, all because we thought our leadership would always be preeminent. To name a

We pledge to work with you to make the doubters among your colleagues into believers. We only ask for the opportunity.

Mr. Chairman and members of the Committee, thank you for the opportunity to appear before you this morning. Both Mr. Healey and I look forward to answering any questions that you may have on this subject at this time. Thank you.

SENATOR GORMLEY: Thank you. Bill, do you have anything?

W I L L I A M R. H E A L E Y: No, Mr. Chairman, I do not. It was a pleasure to listen to our Vice Chairman very eloquently state our position on this important issue. We would be delighted to take any questions.

SENATOR GORMLEY: To hone it down, we are talking about a jobs and competition issue in terms of other markets around the country. You have a circumstance where it already exists in other states. So whatever real or alleged problems might exist because of it would not in any way be enhanced by its existence in Atlantic City.

What I have found since 1976, is that certain people just don't realize that it was legalized in the State. I think this issue-- I mean, what I have found in the opposition, is that it is opposition for opposition's sake, to a great degree. I have found the industry to be made a punching bag over the years because of the stereotype of gaming prior to 1976, and how it might have existed in other areas. But I have never seen a group of people with a higher level of integrity or higher licensing requirements. I think what might be unique is that if others feel there is a need for integrity, then I suggest that they look at their individual industries, or at whomever they may be testifying for, to see if they would like to undergo the same licensing procedure that Al Cade and the other executives of the casino industry undergo.

betting, strictly monitored and controlled, and extended to professional events only.

If the numerous public hearings on this issue have proven anything, it is that we have tried to demonstrate that New Jersey's casinos are under the most competitive pressure ever. We are no longer that East Coast monopoly, and we have to continue to make Atlantic City unique, and more importantly, keep this precious New Jersey industry competitive. Making our gaming product unique through sports betting is the best way to accomplish this.

I believe we know all the steps that have to be taken to ensure that this question does get on the ballot this November. For those who have supported us, we thank you for that support. For those who have opposed us, please take the time to review our industry's track record, not just in creating jobs and economic benefit, but in providing aid to some of the most needy and unfortunate. Put aside, if you can for a moment, the emotional and sometimes disingenuous arguments that have been used about the sports-betting issue. The year 1993 provides a unique opportunity. The Federal government has given us this year to decide the issue of sports betting. The diverse business interests of the New Jersey State Chamber of Commerce believe we have earned the right to move this issue forward.

I know this morning that I have been "preaching to the choir," so to speak, but thank you for allowing me, on behalf of the State Chamber, to make this impassioned plea for the casino industry. We pledge to work with you, Senator Gormley, your Senate colleagues, and others interested in the economic growth of our State, to allow this process to continue right up to the November ballot. The voters, through the constitutional amendment process, have been involved in the evolution of this industry every step of the way. They ought to have the same decision-making input on the sports-betting issue as well.

I certainly appreciate your testimony. Thank you.

Senator Brown, do you have any questions? (no response)

MR. CADE: Thank you, Mr. Chairman.

MR. HEALEY: Thank you, Mr. Chairman.

SENATOR GORMLEY: I would like to call Redenia Gilliam-Mosee, representing the Greater Atlantic City Chamber of Commerce.

**R E D E N I A G I L L I A M - M O S E E:** Good morning, members of the Committee. I am Redenia Gilliam-Mosee. I am Chairman of the Board of Directors of the Greater Atlantic City Chamber of Commerce. With me this morning also is Mike DeRogatis, who is President of the Greater Atlantic City Chamber of Commerce. I also, for the past 15 years, have been a corporate officer with Bally's Park Place in Atlantic City.

Our comments this morning are in representation of approximately 400 businesses in the Greater Atlantic City area. For the last three years, I have been Chair of that organization, and it has been our responsibility and our goal to discuss a lot that we see within the growing Atlantic City area, our particular concern being the impact that casino gaming has had on the community.

Particularly I would like to digress a moment just to tell you that in 1974, when I was teaching at Rutgers in New Brunswick -- I am a city planner by profession -- the issue of casino gaming came up in terms of particularly the kinds of campaigning that were occurring. At that time, as a professor at Rutgers, I was against it because of my concern about the proliferation around the State. At that time, they were talking about having casino gaming in various communities around New Jersey. I had a particular interest, and that was in my home, Atlantic City.

Having been a city planner, having been involved with the Model Cities Program as an intern, and having pretty much

I think this is really a test of comparisons; casino gaming compared to what? They will talk about Atlantic City and say, "You haven't done enough housing," but we have done more housing than anyone else. "Well, you should do more for seniors," but it is \$300 million a year, isn't it? Every time we say we have done something in political campaigns, you will always lose to "Unknown." Unknown always does very well. Then you fill in the name of the opponent, and then you have a problem.

I think if Atlantic City is given the opportunity to be compared to other jurisdictions, other competitive pressures, and to the actual jobs that are being created and not taken from any industry, I think, you know-- Obviously, I am on your side on the issue. But I would like to take advantage of this hearing today to -- and I appreciate your testimony, but anybody else who is going to testify on one side or the other-- Let's deal with reality, and let's deal with any comments that might have been made over the last four or five months that might have been inflammatory.

I do not want inflammatory comments. What I would like to have today, quite frankly, are comments that address -- and I assume Tom Carver is going to address these-- There were certain comments made about the nature of the campaign that would have been run; someone's opinion about the nature of the campaign that would have been run. The individual was off by \$1.9 million in terms of the campaign that was run in 1976. But I think what has happened is, when people are groping and are just against and can't really identify except because they want to play to certain people's opinions of what this is about, when really if they give it a fair analysis it isn't, it is easier just to say anything off the top of their heads because it is gaming, and they can always feel they have the shelter of stereotypes that existed before 1976. Hopefully we can deal with certain of those.

in the South Jersey area, about appearing to come in piecemeal fashion. That was not our choice to begin with.

SENATOR GORMLEY: May I interject? Anytime that you have ever come, have you asked for any of the State sales tax or State income tax money from the State?

MS. MOSEE: No. That was my next point.

SENATOR GORMLEY: Thank you.

MS. MOSEE: I wanted to make a point that what we are as an industry-- First of all, if we had one particular wish, it would be to be viewed just as J&J or American Express. For example, when we were looking at credit as an issue, there were a lot of discussions about what we have individuals pay and about the forms that they have to fill out in terms of credit. It was my responsibility, I guess, using some of my professorial skills at the time, to look at different venues in terms of how credit is extended.

What we found was testimony that anyone in this room who has a credit card can attest to; that is, most times you do not have to fill out a request for an increase in your credit line. You get a letter that says, "Congratulations. Because you have been an excellent payer, we have now increased your credit line." We are an industry that has to look at not only providing the kinds of services and also the kinds of jobs and economic development needed within our community, but also the fact that we are an industry that, in its totality, has the kind of integrity that is also looked at as being of benefit to our entire State.

In teaching at Rutgers, we recognized that options of opportunity and choice are very important. At this time, with this issue, in this day and in this place, the Greater Atlantic City Chamber of Commerce and its entire business membership are looking at the option of, what does it take to let the people of New Jersey decide? What does it take for them to have the option to choose on this particular issue? We are here this

patterned around the kinds of programs that have been involved to address urban areas, I was most concerned that Atlantic City be given the priority in terms of development of these particular moneys. In the amount of time spent working as a city planner, and then subsequently returning home, I have been able to look at the impact directly on my community. I live at the inlet. I am an example of what we can do, and have been, within our community, but more so the fact that working together, businesses are looking at the benefits that have come into our community, but more so than that, the leverage it provides to bring additional developments to our area.

I would like you to also think about 1976, because there was a request at that time of the casino industry about what they thought would be a very competitive package for gaming. The competition at that time was with Nevada. If you look at that information, you will see that there were requests at that time for sports betting. There were composites in terms of poker. There were a lot of ideas that were looked at, because it needed to be a look at what totally would be involved of a competitive nature in gaming. From those packages, as they were presented in the State Legislature here, and also in discussion, it was decided that perhaps we needed to do this in a little bit more of a piecemeal fashion.

The reason I bring that up is because we consistently hear, "Here is Atlantic City and the people in Atlantic City and its gaming industry coming again to Trenton to ask us something." We did not make the guidelines to which we have to respond. We gave, initially, in that package the items that we thought should be included in order to be very competitive in the gaming industry. It has been as a result of the various concerns of the Legislature that at various times we have been asked to come back into the process and ask again. I bring that up because I am very concerned, and we are very concerned

is clear on the record that what we are trying to do is to get that which we asked for from the very beginning, 15 years ago. Right now, we ask you to have this particular item brought up for a vote by the people of the State of New Jersey.

SENATOR GORMLEY: So, if I may, every measure that has ever been asked for from the casino industry has increased the fund for the seniors and the handicapped.

MS. MOSEE: That's true, Senator Gormley. I think it is one of the adages that it is only after it is gone that we realize what it really was to begin with. I hope we never get to that point.

SENATOR GORMLEY: I appreciate the way you didn't intend the Band-Aid comment as an exaggeration. However, I think you would find that if any other industry were seeking to increase the level of funds for seniors and the handicapped in the State through enhancement of its competitive capabilities, the reception would be far warmer.

MS. MOSEE: Thank you, Senator.

SENATOR GORMLEY: Mr. DeRogatis, Executive Director?

**M I C H A E L J. D e R O G A T I S:** I have nothing to add. As Redenia said, it is extremely competitive. It has gotten to the point where our phone now at the Chamber-- Our main number is answered by a recording machine. People just call day in and day out. They want to come to visit, and we have to provide what our competition provides. We have an opportunity now. That's it. We have an opportunity to add something else. We would like to see the people of New Jersey step forward on it.

SENATOR GORMLEY: Well, I think you bring up an important point. If it is not done this time, it's never, and it is still subject to the regulation of the Legislature and whatever implementation and legislation it would want to have. But what it does is just preclude even reconsideration in the future.

morning because we recognize that it takes the ability to have an open passage of this particular bill, in order that they be given that opportunity in November, which we have been told will not come back again.

We have to ask ourselves as a business community then, how the business could curtail the possibility of our competitiveness, just as J&J would probably have to ask the question if they had to come to the State Legislature to say, "Well, we would like to change from what we were doing, the original Band-Aids that were very stable and very brown, to now come into these Band-Aids that have different kinds of designs on them."

I am not minimizing nor making light of the issue. I see it as a comparable, juxtaposed issue; that is, an industry that is providing job opportunities. What we are asking for is the opportunity for you to allow the people of the State of New Jersey to make a decision on this issue of sports betting. It is another facet of our industry, or our competitiveness, and it is another facet of providing the product.

We originally requested the product in 1976. By your choice and by a decision of the Legislature, we have agreed, of course, to follow the guidelines that you have requested, in order for us to seek additional kinds of amenities to this particular competitiveness.

I feel it is very unfair to consistently try to characterize Atlantic City and the people of Atlantic City as consistently coming to the State Legislature to beg. We are coming to ask for the opportunity to add a competitive nature to our particular industry, and to the industry within this community, but more so to the businesses that also accrue benefits throughout this State from this particular industry.

We appreciate the support and the opportunity to speak to you this morning, and we are appreciative of the things that you have been doing on our behalf. We are also hopeful that it

MR. GIBLIN: My sole purpose at that time was to demonstrate not only to the industry, but to the citizens of New Jersey, that based on a joint partnership what we see today in Atlantic City is the creation of employment for over 43,000 employees. Probably no other industry or segment of society here in New Jersey operates in the percentages as being classified as an organized labor town, than does Atlantic City. I echo that to you because of my concern with what we see ahead of us. The previous speakers have echoed their concern of job security for their own employees, the same sentiment I have on ensuring job security for the membership of this local union.

The fact of the matter is, 25 percent of the International Union of Operating Engineers' membership works in Atlantic City. The fact of the matter is, we presently have 50 percent unemployment. There is no other employment existing except in the Atlantic City area which provides secure employment with prevailing rates of pay, terms, and conditions.

I know firsthand, in the second position I hold as Chairman of the Casino Reinvestment Development Authority, that there are many proponents, even on my side of the aisle, who disagree with sports betting. But the fact is, I have been able to see what the Casino Reinvestment Development Authority has done, not only for the city that we sit in today, but throughout the State of New Jersey, giving back and ensuring future development that will continue to keep the building and construction trades fully employed, and ensuring that prevailing rates, terms, and conditions are paid.

I hope the citizens of New Jersey are given the opportunity that we were given initially here in New Jersey of deciding the destiny of casino gambling. I prevail upon our constituents here in the Assembly and the Senate to give us that right, the right that each of us is entitled to in the State. I hope that over the next few months, before father

MR. DeROGATIS: Exactly. Thank you.

MS. MOSEE: Thank you.

SENATOR GORMLEY: Vincent GIBLIN, Local No. 68, Operating Engineers, also the Chairman of the Casino Reinvestment Development Authority.

V I N C E N T G I B L I N: First, let me welcome you to north of the Mullica River.

SENATOR GORMLEY: Thank you.

MR. GIBLIN: There is more to New Jersey, as I am often given permission to travel south of the Mullica River.

I come here today as the Chief Executive Officer of the International Union of Operating Engineers, and also as the Chairman of the Casino Reinvestment Development Authority. Undoubtedly, I have been an outspoken supporter of sports betting. I know firsthand what the casino industry has done for the members of the International Union of Operating Engineers -- firsthand.

On a personal note, after the enactment of the legislation, I was the first labor leader to step forward to take the test, while the vast majority of organized labor ran to the courthouses to contest the scrutiny of labor leaders. I did it to set an example of what I felt should be the bargaining representatives to represent casino employees.

SENATOR GORMLEY: We're talking about the licensing procedure for the casino employees which was challenged in the early '80s by Local No. 54.

MR. GIBLIN: Right.

SENATOR GORMLEY: What it provides is that the heads of unions to provide workers to casinos must be licensed, which, in effect, is an exemption from the National Labor Relations Act.

Thank you. I just wanted to clarify that for other people who may not be familiar with it.

they are not only germane, but I think add to the tenor of some of the things I wish to stress as to whether or not this issue has been debated on the merits or on other issues.

I would like, just for a moment before I do that, to summarize some of the things that have been said at these various hearings; some of the points that have been made, and also I would like to, I believe, fairly summarize some of the statements that have been made in opposition to some of the things that we have said. We produced a study last week which we gave to the Assembly Appropriations Committee, which we will stand by; an economic study which was completed by people who work in this industry both here and in Nevada, indicating that in New Jersey, wagering on professional sports could produce between \$2 billion and \$6 billion annually in new revenue. This, in turn, would produce between \$30 million and \$158 million in new taxes, and specifically between \$16 million and \$87 million annually for the Casino Revenue Fund.

Now, our opponents have submitted a study and, Senator, it was coauthored, you might be interested to note, by Noel Eisenstat. You and I have had some experience with Noel, and I think it is fair to say that we don't remember him as an expert in casino enterprises or casino business. But that study concluded that if, in fact, sports wagering were introduced in this State, that this State would lose money.

SENATOR GORMLEY: So consequently, if we were to lose money, why would anybody be opposed to it because it doesn't take any money in the first place.

MR. CARVER: Well, the interesting point is, at every hearing that would be followed by a cadre of witnesses who would predict that we would be so successful, we would undermine the business of their games -- and I stress the word, "their."

Specifically, we seek to increase State revenue by buttressing this institution of ours, of New Jersey, so that it

time runs us out of time in January of 1994, that we can sit here and be competitive with what will exist throughout the State -- or throughout this country in other areas where casino gambling is.

I will answer any questions, Senator, that you may have. I do hope that my testimony today and my continued support of this is for the clear fact of ensuring that this industry remains competitive and that the membership, not only of the Operating Engineers, but of organized labor in that town, remain secure.

SENATOR GORMLEY: I guess the bottom line is, what is your function? Jobs.

MR. GIBLIN: That is what I am paid for on a day-to-day basis.

SENATOR GORMLEY: That's what this is about. If you had any equivocation, you wouldn't be testifying in terms of this, and that is on the plus side of the ledger for jobs for New Jersey.

MR. GIBLIN: Correct; that is correct.

SENATOR GORMLEY: Senator Brown, any questions?

SENATOR BROWN: No, thank you.

SENATOR GORMLEY: Thank you. Tom Carver.

**T H O M A S D. C A R V E R:** Thank you, Mr. Chairman.

SENATOR GORMLEY: You are going to clear up all the stereotypes today, aren't you?

MR. CARVER: I would have to start with my own, I guess.

I don't want to disappoint or contradict my friend and colleague, Al Cade, but I am not going to spend a lot of time today giving you an armful of statistics. We have argued, I believe, on the merits of statistics for some time. What I do want to do today-- I do intend to address some comments which were made to this issue following, and at the hearing of the Assembly Appropriations Committee last week, because I think

Jersey authorizes it, it will send the wrong signal and could damage the integrity, as well as the business of their games.

However, in 1977, the Federal District Court in Delaware, in a suit brought by the NFL against the Governor of Delaware, in rejecting the NFL's claims, said that the record shows that extensive illegal gambling on NFL games has existed for a long time and common public knowledge has shown that it has not damaged the plaintiffs or their representatives.

I would like to get, if I may -- as I get to the end of my testimony today -- to specific references and comments which were made at last week's Appropriations Committee hearing. I think we have put together a case which basically suggests, if we are permitted, if we are allowed, if the people approve, that we will produce more jobs and more money, more competition, more development in the State of New Jersey.

Now, at the hearing last week and, Senator, I recall turning around and seeing you in the room during certain periods of time, the Vice-Chairman of that Committee, C. Rich Kamin, Assemblyman from Morris County, was quite adamant and very forceful in his presentation that the issue had to be decided that day; had to be decided before a true reflection and an honest analysis of the economics that we presented before a Committee whose responsibility is that very responsibility-- Before that was done, the issue had to be decided before it went to the public.

I cite these comments, and I am going to talk about them, because, in my judgment, they reflect the thinking that we have had over and over again that the merits of this issue are not what is the deciding factor thus far. I will tell you, and the record will show both in Washington and in Trenton, and in virtually every single forum that we have been able to debate this issue in on the merits, that we have not lost. Mr. Kamin suggested during his comments that perhaps in lieu of

can remain competitive. We represent 43,000 employees. I must tell you as an aside, and as a moment of privilege -- and I have said this publicly and privately at much less emotional times -- what a privilege it is for me to stand for colleagues and friends like Al Cade and Redenia Gilliam among those 43,000 people. I am very, very humble, but very, very proud of the fact that I have this opportunity to represent not only those 43,000 people in Atlantic City, but another 30,000 people in the State of New Jersey who work in other areas of this State because we exist. I think it is fair to say that as a result of our work and our economic partnership with the State of New Jersey, we also represent millions of senior citizens. We purchase \$1.9 billion in goods throughout the State.

Now, our opponents have said, as recently as last week-- There was an attorney who represented the NFL. He is not here today, but a member of the NFL staff, who very proudly said he had raised his children in New Jersey. There was a Commissioner of the NBA who, for a second time at a public hearing, stated that he had gone to Teaneck High School. We were told last week, and at previous hearings, that the New York Giants and the New York Jets and the Philadelphia Eagles owe a great deal to the State of New Jersey. I have not heard too many specifics on exactly what it is they accomplish in ratio to what we think we may accomplish, but--

SENATOR GORMLEY: Well, I mean, that racetrack does not subsidize the football stadium. They wouldn't want it that way, would they, because that's gambling? (no response) Oh, okay, go to another point.

MR. CARVER: We have cited the U.S. Treasury Department and the U.S. Justice Department which have said that illegal gambling on sports in the State of New Jersey, as we speak today, is a \$4.5 billion industry. Our opponents have basically ignored the fact that illegal gambling exists in this State and at these stadiums, but they have said that if New

personalities who might increase what he termed the "urban vote," and I will let him define what he means by the "urban vote." Perhaps we know, but I will let him define it. It was suggested, in fact, that this might be detrimental to the voters -- to the candidate, rather, the successful candidate of his particular party. I have, interestingly enough, had people on the other side of the aisle suggest to me that if this question were on the ballot, it might be detrimental to their party. But, be that as it may, we have no such strategy. We have no such plan. We believe, quite frankly, and because of whom we are and our licensing criteria, and what we are, that we can argue and win, or lose, on the merits. So, we will rise or fall on the people's votes.

But I would make a suggestion here today on behalf of our industry. Campaign reform seems to be a rather difficult accomplishment in the State of New Jersey. A lot is talked about. I have listened to Common Cause talk very often about campaign reform. We will suggest for this campaign, a campaign reform. We would agree to limits of campaigning. I don't particularly know-- Well, I suppose I know, but since we have never taken part in an election actively, or we do not take part actively in elections, I am not sure I understand the term "street money," as applied by Mr. Kamin, but he suggested that we would have street money out there. I can assure you that we could agree up-front that whatever street money is to be used and defined as, there will be no street money. We could agree to a limitation of \$500,000 or so for spending on this campaign. We would hope, although the people who oppose us suffer no such limitations, that, in fact, they could also agree. Perhaps it could be the beginning of so-called campaign reform.

But, Senators, to summarize, if I may, because there has been a lot of verbiage even added to today by me-- But, let me summarize: Our only position from day one in

sports wagering, we should lower the casino revenue gross tax from 8 percent to 7 percent.

SENATOR GORMLEY: In other words, he would lower the money going to seniors and the handicapped by \$30 million to \$40 million a year?

MR. CARVER: It comes out to approximately, as Redenia said, my next point-- It comes out to basically a \$32 million reduction in the Fund, which is approaching insolvency. I must wonder, to be quite frank, how Mr. Kamin would make up the difference. Would there be new taxes? I wonder how the seniors who would benefit from these programs would vote on the issue.

Now, we don't seek a handout. It has been said that the casino industry, on occasion -- on more than one occasion -- has come to Trenton for a handout. I don't have to tell you that that is not the case. We do not cost the State money; we produce it. We have not petitioned for a reduction in the gross revenue tax or any other tax. We will produce more if we are given the opportunity.

There was another statement that was made to the press, and I must confess to you that for some of us in Atlantic City, a fairly inflammatory statement. As a matter of fact, to repeat what I said, which has already been published, I found it a despicable statement. It was suggested that this industry, which prior to its existence in the State of New Jersey, prior to it becoming a New Jersey institution-- The proponents for the industry from Atlantic City had spent millions of dollars in an effort to get this question passed initially. As Senator Gormley has noted, I believe the estimate given by Mr. Kamin was off by \$1.9 million, but I don't know what was spent to begin with. I happened to be up here in Newark during those years.

I have a suggestion. Mr. Kamin said that we would bring out certain public officials and certain public

SENATOR GORMLEY: Thank you. John -- John Sheridan, and Tom O'Neill. Not since Blanchard and Davis has there been a duo like that. (laughter) Mr. Inside and Mr. Outside.

J O H N P. S H E R I D A N, J R., E S Q.: Good morning, Mr. Chairman, members of the Committee. We have presented written testimony and we will stand by that. We are here to answer questions, if you have any, but we will rely on the written testimony we have submitted today for Mr. Moyer and Mr. Stringer.

T H O M A S O ' N E I L L: As well as on behalf of the NBA we have a statement from Commissioner Stern which we have submitted, and we would ask that it be included in the record.

SENATOR GORMLEY: Senator Brown, any questions? (no response) Just as a matter of curiosity, because the people you represent have organizations at the Meadowlands, in terms of what we talked about earlier, in terms of the level of licensing for unions, and election on reform in terms of matters of this nature, do you think that level of licensing should be extended to all operations in the State that are in or near gaming? For example, the racetrack does, I think, supplement the stadium to a great degree. Do you think that level of integrity and licensing -- because that is what this is about, from your perspective -- that level of the licensing should be extended to the Meadowlands? Well, it's integrity, so I assume you are for it.

Thank you.

MR. SHERIDAN: You don't care for a response?

SENATOR GORMLEY: Go ahead. The level of licensing that we see in Atlantic City, would you want it extended to all operations in and around the Meadowlands?

MR. SHERIDAN: I will answer for myself, because I have not conferred with my client about it. We don't see any reason why that should be necessary.

SENATOR GORMLEY: You don't think it is necessary?

Washington, where our opponents attempted to keep you from hearing these issues -- they did not want this to come to you; they, in turn, do not want it to go to the people-- But, to summarize, we will stand or fall on the will of the people and the fans in New Jersey as to whether or not this should be authorized and offered in Atlantic City.

I think it is fair to say that our opponents, from day one continuing up until today and continuing until this issue is decided one way or the other, will do everything in their power to keep it from going to the people of the State of New Jersey.

I appreciate your time. I appreciate your both coming here today. Thank you once again. If you have any questions I will try to answer them, if I can.

SENATOR GORMLEY: So what you are saying on the question of the campaign being brought up, without getting into inflammatory comments one way or the other--

MR. CARVER: Right.

SENATOR GORMLEY: You will agree to any restriction on the campaign that provides a level playing field for both sides?

MR. CARVER: Absolutely, without question.

SENATOR GORMLEY: Without question?

MR. CARVER: Without question. What that definition will be, I can't tell you, but whatever it would be--

SENATOR GORMLEY: Even though it won't apply to any other campaign, it will just apply to your campaign?

MR. CARVER: Yes, sir. Well, obviously it can't--

SENATOR GORMLEY: It would only be your campaign. So what you're saying is, uniquely, you will apply a standard to this campaign that has never been applied to another campaign in history?

MR. CARVER: Yes, sir, we would be happy to do so. We are privileged to take part in this election if we get that opportunity.

SENATOR GORMLEY: Exactly, that is how the State chose to do it. So what we have to do is go beyond the word "gambling," and analyze all the facts, and you guys have been very -- both of you, who are both friends of mine-- I think we might disagree on the issue, but you have not, shall we say, been inflammatory, and I appreciate that.

MR. O'NEILL: Let me say something perhaps to clarify that: Our argument is not for or against gambling per se or for or against the casino industry per se. The essence of our argument is that casinos should continue to prosper doing what they do, making money for themselves and for the State from the games which they create. We do not feel they should be taking our games and exploiting them for their profit. That is the heart of our argument.

SENATOR GORMLEY: I understand the argument. We can disagree on the argument, but it-- As I said, it is not the inflammatory nature of some of the other arguments that have been brought up by others.

Thank you.

MR. SHERIDAN: Thank you.

MR. O'NEILL: Thank you.

SENATOR GORMLEY: Howard Wise

**H O W A R D W I S E:** My name is Howard Wise. I am President of Sports Arena Employees Local No. 137, representing mutuel clerks and admissions people in both New Jersey and Pennsylvania. This is Mr. Bill Becker, our Public Relations Director, who is with me today.

First of all, I would like to thank the Chairrman and the members of the Committee for giving me the opportunity to speak before this group. I have been President of Local No. 137 for a period of more than 20 years now, and in that time I have only addressed a legislative committee once. The reason only once was because we had people who were far better speakers than I on our staff, and I was content to sit at

MR. SHERIDAN: There are all kinds of industries that are not regulated. We do not engage in gambling. We are not engaged in gambling in any way, shape, or form. I see no reason that our industry should be regulated any more than most industries. All licensing is done in connection with those special situations--

SENATOR GORMLEY: No. We are talking in relation to the entire facility up there. I mean, the racetrack does support the stadium, doesn't it?

MR. O'NEILL: I think the racetrack initially supported the stadium. I am not sure what the relationship is--

SENATOR GORMLEY: Now it is just the State of New Jersey that supports the stadium.

MR. O'NEILL: --there now. That may well be, Mr. Chairman.

SENATOR GORMLEY: Should it extend to the racing facility? That's gambling.

MR. O'NEILL: I think that is a public policy question, quite frankly, for the Legislature.

SENATOR GORMLEY: Okay. Well, fine.

MR. O'NEILL: There are special licensing standards in the solid waste industry, and in the casino industry. Whether that belongs upon other industries-- I don't think, certainly we should be expressing an opinion.

SENATOR GORMLEY: Thank you.

MR. SHERIDAN: If I might, Mr. Chairman? With respect to the stadium question, I think the decision of this State to figure out how to finance a stadium in order to entice several franchises into New Jersey, which they wanted to do, was their decision.

SENATOR GORMLEY: Sure. That's exactly-- And, it's gambling. It was gambling.

MR. SHERIDAN: That's how the State chose to do it.

casinos. While they are betting on the various games, they will run over to the simulcast parlor, so they are going to kill two birds with one stone. What is going to happen to the racing industry itself? Please follow me.

As handles go down, purses go down, because purses are predicated on handle. If the racetracks do more business, the purse structure goes up. I know that happened at Freehold recently. And when the handle goes down, the purse structure goes down. What is going to happen to the better stables with the better horses? They are going to look for greener pastures. They have in the past, and they will do it today. They will not stay in Jersey.

Let me give you one instance, and this is the absolute truth. We had simulcasting this year when we brought in Gulf Stream Park. The best horses in the country, the best jockeys. Business -- boom -- went way up. We had to add a lot of people -- more clerks, more this, more that. As soon as Gulf Stream closed, we had to take other racetracks with lesser type horses, and the business fell off dramatically. These bettors would not come. They can't handicap poor races. They would get the kinds of races, unfortunately, we had at Garden State, and you know what the betting is there -- terrible.

So you are going to lose the good horses, and in order to fill the fields, they are going to bring in the poorer horses. The people -- the bettors, the good bettors -- who I am acquainted with, are not going to be around. They, also, are going to go to greener pastures. They, also, are going to find racetracks where they feel they can handicap horses. So, what you are doing now, you are starting to dilute the industry. So, with weaker fields, and with the good bettors going away because-- Some of them have gone to the casinos, because they can do whatever they want there. The others who are there who don't go to the casinos, are going to look for

meetings and listen. However, I feel so strongly about this proposed amendment, that I felt I wanted to speak in person.

Let's take the three types of gambling I am familiar with in this State: casino gambling, the racetracks, and the Lottery. When the casinos and the racetracks needed additional revenues and proposed certain additions, they were granted in both instances. The casinos got additional time; they got additional games; and they got simulcasting. The racetracks got intrastate simulcasting, and now whole card simulcasting from out-of-state. The Lottery has changed around various games to try to increase their revenues. That, to me, is fair competition. Everybody wants something; they all got something. I have no argument with that.

There was some talk previously about unfair competition. This is the crux of the whole matter. Competition now is going to become very unfair. If this bill goes through and becomes a fact, then the casinos are way up here and the racetracks we represent come way down here. (demonstrates) If you will bear with me, let me give you some facts.

If you are not aware, racetrack revenue handles are predicated -- or persons, rather -- are predicated on the handle. I have serviced, personally, for 49 years, the bigger bettors at racetracks, working the bigger windows. I have gotten to know them better than I know my wife. Don't, for one minute, think that racetrack handles are made by the \$2 bettor. People say that, but it is not so. It is the high roller, the businesspeople, professional people, professional gamblers. They are the ones who contribute most of the money to the handles.

If you allow sports betting of all natures, with all kinds of ball games up on the monitors, and football when the Eagles play the Giants, a big rivalry, these bettors who are primarily going to the racetracks now, will certainly go to the

SENATOR GORMLEY: Garden State was in trouble-- I mean, first, we don't even have sports betting. You have agreed that simulcasting, what has been done so far in terms of competition, has been fair.

MR. WISE: Simulcasting has helped, naturally. It has kept the racetracks viable.

SENATOR GORMLEY: Sure, but I think-- I can understand people disagreeing, but I think that to say that one thing, in and of itself, would be the cause to destroy it--

MR. BECKER: It would give the casinos an enormous competitive advantage, and you are legislating that advantage. You have had an industry in this State -- for what, 60 years, 70 years? -- that provides hundreds of jobs, thousands of jobs, actually, and provides a revenue base for municipalities throughout the State--

SENATOR GORMLEY: Uh huh.

MR. BECKER: --and supports, directly and indirectly, hundreds of small businesses. And it is poor business for the State to take and legislate an advantage for one industry, and, in the result, emasculate another industry.

SENATOR GORMLEY: Well, I think that is an incredible exaggeration--

MR. BECKER: I don't think so.

SENATOR GORMLEY: --and probably based, quite frankly, as you know -- and we are talking about something that has been an open sore on both sides-- There has been--

MR. WISE: Yes, we have spoken about this before, Senator.

SENATOR GORMLEY: --open hostility. Mr. Wise and I have always gotten along. We are not in the middle of a big hostility, but there has been hostility between the Union and the casinos with pre-sports betting.

MR. WISE: Yes.

other places to go. So, from an industry, for example, that was doing \$1 million a day, you are going to cut it in half.

The result is, the racetracks are going to start laying off people. If the people are not there to bet, the mutuel clerk goes, the guy who cleans the floor goes, the fellow who was doing the breeding--

SENATOR GORMLEY: After January, we will talking Freehold, Monmouth, and the Meadowlands. Do you think it would have an impact on those tracks?

MR. WISE: Yes.

SENATOR GORMLEY: Okay. Obviously, we would all like to see Garden State stay open, but they have given a December closing date now.

MR. WISE: Absolutely.

W I L L I A M B E C K E R: Yes, but that doesn't mean the track won't exist after December 4. There are buyers for that track now; buyers who are bidding for that track. You are assuming that the track is going to be closed permanently after December 4, and that's not true.

SENATOR GORMLEY: That track has endorsed this measure. They are receiving \$1.5 million a year as a result of this proposal, over and above what they would also generate from the simulcast room, that would have sports betting in it. Okay?

MR. WISE: True.

MR. BECKER: What you are doing is legislating a competitive edge, the one industry against the other. There have been comments here about competition between the casinos within this State and gaming interests outside the State. What you are doing is precipitating a competitive advantage for one industry above another in this State. You are destroying an entire industry with this type of legislation.

SENATOR GORMLEY: This legislation--

MR. BECKER: The racing industry--

you have done for them-- I think they probably needed that needle in the arm. I think they now have it.

As I started my conversation, the analogy -- and this is a poor analogy, but it is sports-- Take the team up here that has all the good players, because they have the money, and the team down here that has to take what's left. Then the competition is ceased. There is no competition.

SENATOR GORMLEY: I have used worse analogies. That's fair for your argument.

MR. WISE: Yes. I say, there is no competition. The same thing is going to happen, because, as God made little green apples, you are going to have an influx of better bettors who have kept the game alive, and if I were in that position, I would do the same thing myself. Hell, I can go and bet the ball games -- I love baseball -- bet the ball games, and then run over to the simulcast parlor, make some bets, sit there-- It's the greatest thing in the world. But what you're doing is hurting an industry that for 52 years has paid big taxes, local and State, has provided thousands and thousands of jobs, all these ancillary groups -- and I can't name them all, there are so many-- They are going to be hurt. Instead of having 9 percent unemployment, it is going to rise.

We don't want that; you don't want that. Now, you have two choices, as I see it, and, as I say, I am not the smartest guy in the world. If I were, I would have been up here many years ago. But, you have two choices: One, get the bill passed. Kill the racetracks. This is an ailing industry now. Kill the racetracks. Put many more people out of work. And next -- and I would think about this -- alienate a lot of constituents in various districts who think there is enough gambling in this State now. They are beginning to call New Jersey the "Little Las Vegas." With the event of sports betting, just to the casinos alone, you are going to have that.

MR. BECKER: There was a comment made earlier by somebody from organized labor that the casinos had been a prolabor institution, and yet we just filed, and won, several Fair Practices suits against the casinos. They have resisted our efforts to come into those casinos -- for what, 10 years or more? -- so with equal emphasis I can say that the attitude of the casinos has been as antilabor as it has been prolabor.

SENATOR GORMLEY: I am just saying that-- I mean, I am trying to be balanced in this.

MR. BECKER: That's why we're here today, because there is a difference of opinion.

SENATOR GORMLEY: I understand that. Go ahead. I'm sorry, Mr. Wise.

MR. WISE: Senator, let me continue, please. All I am trying to tell all of you, with my 50 years' experience in this business, is that I can see the rapid decline of horse racing. I can see these magnificent buildings -- and they are-- I have traveled all over the country visiting racetracks, and I will take ours before many, many others. To see these things decline to second- and third-grade tracks -- and that is exactly what is going to happen-- You are going to have-- Talk about joblessness, you are going to have increased joblessness, because starting with the breeder to the mutuel clerk to the guy who sweeps the floor, and the hundreds of ancillary businesses that depend on the racetracks--

I don't have statistics. I didn't come prepared with statistics, but I do know that it is going to be an ailing industry, and there is no need for it. I think we have given-- I think that you people in the Legislature have given the casinos all the breaks that they need at this time.

I am not a casino bettor, but I have been there on several occasions, as I have been in Vegas. I don't see where there is any difference between the big crowds that I saw in Vegas and the crowds I saw at the casinos. I think that what

**S H A R O N G O R D O N:** Good morning, Mr. Chairman, Senator Brown. It is nice to appear before a Committee that is actually listening to us.

I am President of the International Gaming Vendors Association, and I represent the interests of over 4800 businesses in the State of New Jersey. These businesses operate in all 21 counties of the State. They are businesses that receive over \$1.9 billion a year from the sales of goods and services from the casino industry. These are businesses that employ people throughout the State, that pay State and local taxes, and I am here today to urge you -- to urge our State legislators to understand the economic impact that this industry has on the entire State, and that these businesses are looking forward to continuing to do business with this industry. Also, know that there is constant competition in this industry, and they, too, look to go in other jurisdictions.

So, I would like very much to urge this Committee--

**SENATOR GORMLEY:** Can you provide a list of those businesses to members of the Legislature?

**MS. GORDON:** I would be happy to.

**SENATOR GORMLEY:** How many are there?

**MS. GORDON:** There are over 5000 in New Jersey, but 4800 that actively supply goods and services to the industry.

**SENATOR GORMLEY:** Okay. I think that would be good information for them to have.

**MS. GORDON:** We can even sort it by zip code.

**SENATOR GORMLEY:** By zip code? Okay. Do it by registration, and the legislators will really get emotional. (laughter)

**MS. GORDON:** I would be happy to take any questions.

**SENATOR GORMLEY:** Well, thank you very much for your testimony. That information on the small businesses that are affected, I think, would be a positive.

**MS. GORDON:** Okay. I will forward it right away.

Thank you.

On the other hand, keep the racing industry alive. We have a start. The simulcast has been beautiful. It is going to get better. Let's hope times get better and racing gets back to where it was, and we will have first-class racing at all of these racetracks. If you do that, and you think about that, and you are all clear, intelligent, well-thinking people, you will see that there is no choice. You have to defeat this bill.

SENATOR GORMLEY: I appreciate your testimony, and I do appreciate the fact that you have indicated that these are complex issues in terms of analysis, or whatever. But if you do have the opportunity, or could, or if there is an analysis that has been, or will be prepared, if it could be provided in terms of, you know, the conclusions that are drawn in terms of the businesses, or whatever--

MR. WISE: We certainly--

SENATOR GORMLEY: --I would appreciate looking at it--

MR. WISE: Senator, we certainly will do that, yes.

SENATOR GORMLEY: --whatever information is available. Obviously, we disagree on the issue, but whatever information you might have, or analysis that bears fruit to your arguments, I would be more than happy to distribute to members of the Committee, or, obviously, I know you would to the members of the Legislature. We would be more than happy to look at it. I would appreciate looking at it, if you have a study on it.

MR. WISE: We want to thank the Committee for allowing us to speak. If you have any other questions, we will certainly try to answer them.

SENATOR GORMLEY: Thank you very much.

MR. WISE: Thank you very much, Senator.

SENATOR GORMLEY: Sharon Gordon.

better perspective the public will have on this issue in the next few weeks.

So, thank you all for coming.

**(HEARING CONCLUDED)**

SENATOR GORMLEY: Gloria Bryant.

G L O R I A B R Y A N T: Thank you for hearing my testimony. I am Gloria Bryant. I am a business owner located here in the City of Newark. I am a member of the Governor's Women's Business Advisory Council; Vice President for the Metro Newark Chamber of Commerce. I belong to the New Jersey Association of Women Business Owners; the United Minority Brain Trust; and I am a member of the Task Force for the New Jersey Performing Arts Center.

These memberships are important because they all, at the bottom, have one interest, and that is economic development. I belong to these organizations as a volunteer to not only promote my business, but to work on behalf of other businesses, both female and minorities, in the State of New Jersey.

I am urging legislation to let the voters of New Jersey decide on whether or not we can expand this industry, which I believe can spur more economic development and opportunities for these particular businesses that I am membership to.

SENATOR GORMLEY: Well, thank you very much for testifying.

MS. BRYANT: Well, thank you for hearing me.

SENATOR GORMLEY: That will conclude the public hearing. I appreciate those who came to testify, and I thank my colleague, Senator Brown, for coming today.

I would like to specifically thank the people for taking so much time. I know this is a time when many people were leaving early for the weekend, and I appreciate the number of people who came and testified on this very important issue. It is an issue that has to go beyond simple phrases, and I think the testimony today was focused. It stuck to the facts, and I think the more that we focus on issues, I think the



**APPENDIX**

THE NEW JERSEY STATE CHAMBER OF COMMERCE SUPPORTS THE CONCEPT OF LIMITED SPORTS BETTING, AND MORE IMPORTANTLY, BELIEVES THAT THIS QUESTION OUGHT TO BE MOVED TO THE GENERAL ELECTION BALLOT OF NOVEMBER, 1993. WHEN ARMED WITH THE FACTS ON THE BENEFITS TO THE STATE OF LIMITED SPORTS BETTING, WE BELIEVE THE VOTERS WILL SAY "YES".

THIS COMMITTEE CAN AID THAT PROCESS TODAY WITH AN AFFIRMATIVE VOTE FOR SCR-103.

THIS PROPOSAL, AS YOU KNOW, HAS NOW BEEN AMENDED TO EXEMPT THE GAMES OF AMATEUR ATHLETIC TEAMS EVERYWHERE FROM SPORTS BETTING WAGERS. THE SPONSORS OF THIS PROPOSAL IN BOTH HOUSES HAVE LISTENED CLOSELY TO THE CONCERNS OF AMATEUR ATHLETIC OFFICIALS.

THE PROPOSAL TO CONSIDER SPORTS BETTING RECOGNIZES THE NEED FOR ADDITIONAL FUNDS FOR PROGRAMS FOR SENIOR CITIZENS, DISABLED PERSONS AND REDEVELOPMENT PROGRAMS STATEWIDE, AS WELL AS THE CHANGING FACE OF THE COMPETITIVE FORCES AFFECTING THE CASINO INDUSTRY NATIONWIDE. THIS PROPOSAL ADDRESSES THE FUTURE REQUIREMENTS OF



NEW JERSEY STATE  
CHAMBER OF COMMERCE  
ONE STATE STREET SQUARE  
50 WEST STATE STREET - SUITE 1110  
TRENTON, NEW JERSEY 08608

STATEMENT OF THE  
NEW JERSEY STATE CHAMBER  
OF COMMERCE

WILLIAM F. FAHERTY, JR., PRESIDENT  
ON SCR-103  
BEFORE  
NEW JERSEY SENATE  
JUDICIARY COMMITTEE

MAY 17, 1993

CHAIRMAN GORMLEY, AND MEMBERS OF THE  
SENATE JUDICIARY COMMITTEE, I AM WILLIAM F.  
FAHERTY, JR. PRESIDENT OF THE NEW JERSEY STATE  
CHAMBER OF COMMERCE.

THANK YOU FOR THE OPPORTUNITY TO ADDRESS  
THE COMMITTEE THIS AFTERNOON ON SCR-103, WHICH  
PROPOSES SUBMITTING TO THE VOTERS THE QUESTION  
OF A CONSTITUTIONAL AMENDMENT TO ALLOW LIMITED  
SPORTS BETTING AT CASINO ESTABLISHMENTS.

NOW DEPENDENT ON THE REVENUES GENERATED BY THE GAMING INDUSTRY.

THIS PROPOSAL WOULD ALLOW SPORTS BETTING TO TAKE PLACE ONLY IN OUR CASINOS IN ATLANTIC CITY. WHEN ORIGINALLY PROPOSED, NEARLY TWENTY YEARS AGO, VOTERS IN THIS STATE REJECTED THE NOTION OF GAMBLING TAKING PLACE THROUGHOUT THE STATE. YET, IN 1976, WHEN A NEW PUBLIC QUESTION LIMITED SUCH ACTIVITIES TO THE LOCALE OF ATLANTIC CITY, THAT CONCEPT WAS WIDELY APPROVED.

THAT'S WHY THIS CONSTITUTIONAL AMENDMENT SIMILARLY LIMITS SPORTS BETTING ACTIVITIES STRICTLY TO ATLANTIC CITY.

SINCE THAT FIRST CASINO OPENED ITS DOORS 15 YEARS AGO, THE SCOPE OF THE INDUSTRY AS A WHOLE HAS CHANGED. IT USED TO BE JUST ATLANTIC CITY AND LAS VEGAS, AND THIS STATE WAS LUCKY TO HAVE A LITERAL EAST COAST MONOPOLY ON GAMING ACTIVITIES. THAT WAS BEFORE WE HAD INDIAN TRIBE CASINOS IN CONNECTICUT OR RIVERBOAT GAMING IN IOWA AND OTHER STATES. NOW, WE ARE HEARING MORE AND MORE ABOUT POSSIBLE GAMBLING IN PENNSYLVANIA'S PONCHOS, NEW YORK'S CATSKILL'S AND IN OTHER NEARBY REGIONS.

OUR STATE BUDGET AND OUR STATE'S PRIVATE ECONOMY AS A WHOLE.

THE CASINO INDUSTRY IS AN IMPORTANT PART OF THAT ECONOMY.

NEW JERSEY'S SENIOR CITIZENS AND DISABLED PERSONS HAVE BENEFITTED FROM MORE THAN \$2 BILLION IN CASINO TAX REVENUES. WHEN THE CONCEPT OF CASINO GAMBLING WAS FIRST PROPOSED, IT WAS WISELY DECIDED THAT THESE IMPORTANT AND DESERVING CONSTITUENCIES WOULD BE AMONG THE PRIME BENEFICIARIES OF STATE REVENUES GENERATED BY THE CASINO INDUSTRY.

SINCE THE FIRST CASINO OPENED IN ATLANTIC CITY IN 1978, THE NEEDS OF THESE GROUPS HAVE MARKEDLY INCREASED. THAT'S A POINT ON WHICH NO ONE CAN ARGUE. IT'S ALSO ONE THAT IS ESPECIALLY TRUE IN LIGHT OF OUR GROWING SENIOR POPULATION. IN FACT, OUR STATE HAS THE SECOND HIGHEST PERCENTAGE OF PERSONS OVER THE AGE OF 65, PERSONS WITH WHOM OUR STATE HAS AN IMPORTANT, PROPER AND LONGSTANDING COVENANT.

IN ADDITION, MAJOR DEVELOPMENT AND INFRASTRUCTURE ACTIVITIES AROUND OUR STATE ARE

MANY OF THE MOST URGENT AND PRESSING NEEDS OF OUR STATE ARE DEPENDENT ON CASINO REVENUE. FOR THAT REASON, AND THE VERY IMPORTANT NEED OF THIS INDUSTRY TO COMPETE IN THE NATIONWIDE MARKETPLACE, WE SUPPORT THIS MEASURE AND WE FEEL THAT SPORTS BETTING ACTIVITIES -- STRICTLY MONITORED AND CONTROLLED AS OUTLINED IN SCR-103 -- WILL ALLOW BOTH THE NEEDS OF OUR CITIZENS AND OUR ECONOMY TO BE REALIZED.

I THEREFORE URGE YOU TO APPROVE SCR-103 FOR EVENTUAL PLACEMENT ON OUR GENERAL ELECTION BALLOT IN NOVEMBER, 1993.

THE NEW JERSEY STATE CHAMBER OF COMMERCE AND ITS 110 AFFILIATED LOCAL AND REGIONAL CHAMBERS OF COMMERCE, REPRESENTING MORE THAN 45,000 BUSINESS ENTERPRISES IN THE GARDEN STATE, THANK YOU FOR THIS OPPORTUNITY TO OUTLINE OUR THOUGHTS ON THIS IMPORTANT PROPOSAL.

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IN FACT, LOOK AMONGST THE DOCKETS OF LEGISLATURES THROUGHOUT THE COUNTRY AND YOU'LL SEE OTHERS EAGER TO ALSO ADOPT CASINO GAMING AND RELATED ACTIVITIES. LIKE ANY OTHER INDUSTRY -- AND AGAIN, CASINOS ARE A VITAL INDUSTRY TO THIS STATE -- COMPETITIVE FORCES ARE ALWAYS AT WORK. NEW JERSEY MUST MAKE IT POSSIBLE FOR OUR STATE'S CASINO INDUSTRY TO MEET THOSE FORCES, IN ORDER TO PROTECT AN INDUSTRY THAT PURCHASES MORE THAN \$2 BILLION ANNUALLY IN GOODS AND SERVICES FROM MORE THAN 10,000 BUSINESSES IN EACH OF OUR 21 COUNTIES. THIS IMPORTANT INDUSTRY HAS ALSO CREATED MORE THAN 75,000 JOBS IN THE PAST DECADE AND A HALF.

DURING 1992, THE CONGRESS OF THE UNITED STATES GAVE NEW JERSEY UNTIL JANUARY, 1994 TO DECIDE WHETHER OR NOT SPORTS BETTING ACTIVITIES SHOULD TAKE PLACE IN OUR STATE. AFTER THAT TIME, WE WILL NO LONGER BE AFFORDED THE OPPORTUNITY TO MAKE THAT DECISION -- IT WILL HAVE BEEN MADE FOR US.

THE CONSTITUTION OF OUR STATE DICTATES THAT SUCH A PROPOSAL, IN THE FORM OF AN AMENDMENT TO THE STATE CONSTITUTION, REQUIRES APPROVAL OF THE VOTERS AT A GENERAL ELECTION.

Common sense tells you that a bookie offers inducements the casinos could never match: better odds, a bigger payout, tax-free winnings, credit, privacy, and the convenience of doing business by telephone. In fact, as several candid bookmakers have publicly observed, the flow of gamblers will be to the bookies, not away from them, if team-sports betting is legalized in New Jersey. Once you hook people on point-spreads, it won't take long for them to recognize that they can do much better with an illegal bookmaker - without having to travel to Atlantic City.

Former Superintendent of State Police, Clinton Pagano, the New Jersey State Association of Police Chiefs, the New Jersey State Sheriff's Association, and a wide array of amateur sports governing bodies throughout New Jersey have gone on record opposing any legalization of sports gambling because they understand the ramifications of sports betting. They know that legal gambling begets illegal gambling and does nothing to reduce the influence of organized crime. Cook County (Chicago) Sheriff Michael Sheehan has observed that:

"From a law enforcement standpoint, it is common knowledge that large stakes gambling of any type attracts organized crime. I see no way that professional sports gambling could be adequately policed to rule out any organized crime influence. In addition, I am concerned about the influence legalized betting could have on organized sports at all levels - from the professional athlete who could be pressured to shave points or throw a game to the impressionable youngster who could be led to believe it is cash that counts."

Further, legalized sports gambling would, by example, promote gambling among young people. We should not gamble with our children's heroes - or with the positive values our sports

STATEMENT OF JOHN P. SHERIDAN, JR.  
ON BEHALF OF THE  
NATIONAL FOOTBALL LEAGUE  
to the  
JUDICIARY COMMITTEE OF THE  
NEW JERSEY SENATE  
MAY 17, 1993

My name is John P. Sheridan, Jr. I am here on behalf of the National Football League, the League's member clubs and their players and coaches to express our strong opposition to SCR-103, which would authorize amending the New Jersey Constitution to permit legalization of head-to-head, high stakes sports betting in Atlantic City gambling houses and casinos.

The measures before you raise a serious question of misappropriation. As producers of sports entertainment, the NFL and the other sports have a right to control their products - and they do not want them marketed as gambling devices or as bait to lure more people into casinos. There is no reason why New Jersey should give the casinos a license to exploit the NFL to benefit their industry.

Legalized team-sports gambling would threaten the integrity of team sports and the public's confidence in them - the twin pillars on which every sport rests - by generating widespread suspicion and cynicism about every controversial play that affected the "point spread." By encouraging more people to gamble on the NFL's games, you encourage them to look at professional football not as fans, but as gamblers. When you do that, you change what they "see."

Like prostitution, drug use, and other forms of illegal behavior, gambling on sports exists. But legalizing it will not cut into the illegal gambling; it will do just the opposite.

spending. As an example of sports betting's impact on State revenue, let me remind you, according to the Stringer Report, that it would take \$181 of sports betting to replace every dollar diverted from the New Jersey lottery.

There is certainly no public clamor to legalize sports betting. Polls have consistently shown that majorities oppose such a proposal. So do most of New Jersey's leading newspapers. So does the Senior Citizen Alliance which would supposedly benefit from it.

Well over fifty different amendments to the New Jersey Constitution have been proposed in this legislative session alone. You should ask the gambling interests supporting automatic placement of this issue on the ballot whether they advocate putting every one of these proposed amendments on the ballot - or just the one that suits their short-term business interests?

We urge you to tell the casino operators that, whatever else you have done and will do to help them, this is where you draw the line. Tell the casinos that you are not going to undermine the values of team sports and the special role they play in the lives of our citizens.

Vote against SCR-103.

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represent to tens of millions of Americans, young and old. Dr. Valerie Lorenz of the National Center for Pathological Gambling told Time last year that the rise in teenage gambling is linked to the spread of state lotteries: "The message they're conveying is that gambling is not a vice but a normal form of entertainment." That negative message would be intensified if the state endorses gambling on something as popular with young people as team sports. As Dr. Lorenz has written, a sports lottery "not only teaches youngsters how to bet on football pools, but also encourages them to do so." This would obviously be even truer for head-to-head casino-style sports gambling. The fact that record numbers of New Jerseyans are already calling a gamblers' hotline, looking for help in breaking their addiction, should only heighten this concern.

Sports betting as envisioned by SCR-50, ACR-103 and ACR-113 was a bad idea for New Jersey which the casinos justified because it provided revenue for the State treasury. By eliminating amateur sports wagering, the proponents of sports betting have removed, by the casino industry's own estimate, 40% of the possible sports gambling business. SCR-103 means even less revenue for the State than SCR-50, ACR-103 and ACR-113. In short, the potential State revenue from the earlier proposal did not justify the moral, social and ethical concerns raised by sports betting and now the potential for State revenue is even lower. In fact, as the Stringer Report points out, the State will probably lose revenue because of sports betting as the result of the diversion of spending from the State Lottery, horse racing, other forms of gambling and consumer

In the twenty years I have been privileged to serve the National Football league, and for many years before, the League has worked hard to protect its reputation for integrity and for the honesty of its games. As part of that effort we have maintained strict and wide-ranging rules prohibiting gambling on NFL games and detrimental associations with sports gambling. Legalizing sports gambling in this state would undermine everything we have worked for in this respect - and considerably more.

If it is legalized in New Jersey casinos, gambling on team sports will automatically be declared a legitimate and desirable activity. It will then be heavily promoted and encouraged, and widely publicized. It will openly become an accepted, state-condoned part of the fabric of our everyday life. As a New Jersey columnist wrote not long ago, "if sports gambling were as legal as buying a soda, how teams or individual athletes failed to meet the previous morning's betting line would be all we would ever read or hear about." If and when that happens, the ugliness and trouble will accelerate.

Legalized team-sport gambling would threaten the integrity of team sports and the public's confidence in them - the twin pillars on which every sport rests - by generating widespread suspicion and cynicism about every controversial play that affected the "point spread." By encouraging more people to gamble on our games, you encourage them to look at our sport not as fans, but as gamblers. When you do that, you change what they "see."



NATIONAL FOOTBALL LEAGUE

STATEMENT OF JAY MOYER  
EXECUTIVE VICE PRESIDENT  
AND LEAGUE COUNSEL

prepared for the

Public Hearing on SCR-103  
before the  
JUDICIARY COMMITTEE  
of the  
NEW JERSEY SENATE

May 28, 1993

My name is Jay Moyer. I am the National Football League's Executive Vice President and League Counsel. I am presenting this statement on behalf of the NFL, Commissioner Paul Tagliabue, the League's member clubs and their players and coaches to express our strong opposition to SCR-103, which would authorize amending the New Jersey Constitution to permit legalization of head-to-head, high stakes sports betting in Atlantic City gambling houses and casinos.

We do not want our games used as bait to sell gambling. Gambling casinos should not be allowed to appropriate our sport as a magic cure for their own sagging fortunes. We should not gamble with our children's heroes - or with the positive values our sports represent to tens of millions of Americans, young and old.

Gambling brings no good to sports - only ugliness and trouble. New Jerseyans saw this close up not so many years ago, in the college basketball point-shaving scandals that involved schools in this state as well as in the two major metropolitan areas that bookend New Jersey.

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The game is fixed. Only explanation. At least that's what you tell yourself, because it's so easy to believe.

I do not exaggerate when I promise you that the same hatred and displacement of responsibility would take place in all our sports if widespread, legal gambling was involved.... Fix. That's what you will believe."

Apart from the suspicion and cynicism that gambling breeds, isn't it a total perversion of sports to have fans leaving the stadium or the arena surly and disappointed when their team wins, because they didn't cover the spread? Or happy when their team lost, because they did cover? Make no mistake: with legalized team-sport gambling you will see this - and it will make you sick if you care about sports.

Legalized team-sport gambling that involves head-to-head, high-stakes betting may well threaten more than just public confidence in our games. By sending a message to the athletes themselves that sports gambling has official approval, it could well threaten actual corruption of the games by lowering an athlete's moral guard and by undermining the ability of professional and amateur sports organizations to enforce their own rules against gambling involvement.

Casino gambling proponents have always argued - misleadingly - that so long as a state heavily regulates legalized gambling, the corrupting influence of organized crime and other unsavory elements can be avoided. But whether or not the casinos are "clean," no amount of state regulation can protect the integrity of team sports if high-stakes sports betting is legalized. Perhaps

Even our very best players make critical mistakes on the field: Phil Simms or Jeff Hostetler can throw interceptions ... Freeman McNeil can fumble ... Rob Moore can drop a pass ... Lawrence Taylor or Carl Banks can miss a tackle. Even in the Giants' recent World Championship year, some of Bill Parcells' coaching strategy decisions backfired. And it is a rare game in which at least one referee's call isn't roundly booed.

These examples are inevitable parts of our game - and all of them can affect the "point spreads" on which football betting is based. Since there is no less rational person than a losing bettor, legalized team-sport gambling would create a pervasive climate of suspicion about every controversial play in a game. Sports Illustrated noted it well: "As fans cheer their bets rather than their favorite teams, dark clouds of cynicism and suspicion hang over games, and the possibility of fixes is always in the air."

In the warped and suspicious perspective of the losing bettor, "the breaks of the game" becomes "the fix was in." A sportswriter summed it up very well:

"I like to gamble - but not on sports. Though I make predictions on the outcome of NFL games, I never wager on them. Sure, one reason is that I might lose, but another reason is far more important.

I love sports. I do not want to hate them. Believe me, friends, when a horse stumbles or a greyhound hits the rail, you can hate the animal for causing you to lose. You don't blame yourself - you blame it. Losing the mortgage payment was not your fault, but the fault of somebody else.

It's even worse for jai alai players. Let a jai-alai player drop what should have been an easy catch - preventing you from winning - and you know he dropped it on purpose.

another message to our young people: that "anything goes" when it comes to raising revenues, and that we might as well legalize, sponsor and promote any activity so that the state can get its "cut."

Further, legalized sports gambling would, by example, promote gambling among young people. Dr. Valerie Lorenz of the National Center for Pathological Gambling told Time last year that the rise in teenage gambling is linked to the spread of state lotteries: "The message they're conveying is that gambling is not a vice but a normal form of entertainment." That negative message would be intensified if the state endorses gambling on something as popular with young people as team sports. As Dr. Lorenz has written, a sports lottery "not only teaches youngsters how to bet on football pools, but also encourages them to do so." This would obviously be even truer for head-to-head casino-style sports gambling. The fact that record numbers of New Jerseyans are already calling a gamblers' hotline, looking for help in breaking their addiction, should only heighten this concern.

Team sports are one of the few positive influences left in the lives of many of today's youth. The threatened perversion of that role by the proposals before you may explain why the New Jersey State Interscholastic Athletic Association, the New Jersey Directors of Athletics Association, and the New Jersey Principals and Supervisors Association have joined in opposing legalization of sports betting in any form.

casino gambling can be conducted completely beneath the watchful eye of state officials - but the "action" in sports betting takes place far beyond the reach of New Jersey's gambling regulators.

Perhaps that concern is why former Superintendent of State Police, Clinton Pagano, the New Jersey State Association of Chiefs of Police, the New Jersey State Sheriff's Association, and a wide array of amateur sports governing bodies throughout New Jersey have gone on record opposing any legalization of sports gambling. The same concern has prompted Cook County (Chicago) Sheriff Michael Sheehan to observe that:

"From a law enforcement standpoint, it is common knowledge that large stakes gambling of any type attracts organized crime. I see no way that professional sports gambling could be adequately policed to rule out any organized crime influence. In addition, I am concerned about the influence legalized betting could have on organized sports at all levels - from the professional athlete who could be pressured to shave points or throw a game to the impressionable youngster who could be led to believe it is cash that counts."

In addition to the dangers of real and perceived corruption in sports, state-sanctioned betting cheapens team sports by converting them from wholesome athletic entertainment into gambling devices - and into vehicles for communicating very negative values to our young people. Over time, the impact on the youth of New Jersey and beyond will be devastating. Team sports will no longer stand for competition, intense cooperation among athletes, teamwork, success through preparation, motivation, and sportsmanship. They will come instead to represent "the fast buck" and "the quick fix." Legalization of sports betting would also send

never match: better odds, a bigger payout, tax-free winnings, credit, privacy, and the convenience of doing business by telephone. In fact, as several candid bookmakers have publicly observed, the flow of gamblers will be to the bookies, not away from them, if team-sport betting is legalized. Once you hook people on point-spreads, it won't take long for them to recognize that they can do much better with an illegal bookmaker - and without having to travel to Atlantic City.

Rather than cutting into illegal sports gambling, legalized sports betting will more likely siphon away spending from other forms of legal gambling, including New Jersey's state lottery. Because the state will receive less money from sports betting than any other form of gambling, I am advised that it would take \$181 of sports betting to replace every dollar diverted from the New Jersey lottery. To a lesser extent, the same is true of diversions from horse racing, casino gaming, and non-gambling consumer spending. I urge you to examine former Deputy State Treasurer Bill Stringer's study, which explains these points very well.

In Nevada, the only state to legalize head-to-head casino-style sports betting, the state receives very little revenue from sports gambling - reportedly, only \$3 million in 1990-91. As I understand it, New Jersey officials have predicted a casino-fund shortfall of more than \$150 million this year alone, and they anticipate a larger deficit next year. Even if New Jersey received the full \$3 million collected by the state of Nevada in 1990-91 in sports gambling tax revenues - and that is in line with what the New

The measures before you also raise a serious question of misappropriation. As producers of sports entertainment, we and the other sports have a right to control our products - and we do not want them marketed as gambling devices or as bait to lure more people into casinos. There is no reason why New Jersey should give the casinos a license to exploit our industry to benefit theirs.

How do the casino interests try to justify their proposals? They can't try to tell you that legalizing sports gambling is good social policy, or that it would improve the quality of life for our citizens or set the right example for our young people. What they can do, and have done, is try to smother you with distortion, innuendo, irrelevancy, and outright nonsense - including pie-in-the-sky financial projections - to obscure the real issues.

Cutting through their smoke-and-mirrors pitch, the casinos' arguments reduce to these:

1. "Gambling on sports already exists, so we might as well legalize it and get some of that money."

2. "The senior citizens of New Jersey will benefit greatly from increased revenues to the Casino Revenue Fund."

3. "We [the casinos] need the extra money, or Atlantic City will shrivel up and die."

None of these arguments can withstand scrutiny.

Like prostitution, drug use, and other forms of illegal behavior, gambling on sports exists. But legalizing it will not cut into the illegal gambling; it will do just the opposite. Common sense tells you that a bookie offers inducements the casinos could

team sports obviously did not cause or contribute in any way to those problems, and should not be expected to cure them.

Our economy, of course, is cyclical. Recent economic news provides hope for an upturn - and in decent economic times, Atlantic City's casinos have done extremely well. But even in the worst case, Atlantic City's casino industry will survive. If some current owners can't handle their acquisition debt, they will sell to others who can, and the industry will go on.

The casinos say they fear an increase in gambling competition from Indian reservations, and perhaps from new casinos elsewhere in the country. But they don't want to compete on a level playing field, as other businesses have to; instead, they want the advantage that they think sports gambling would give them. But this too could prove illusory. If New Jersey allows sports gambling in Atlantic City, and future casinos do crop up elsewhere, there will be real pressure on Congress to level the playing field once more. If that happened, the net result would be a zero-sum gain for the casino industry, and a proliferation of sports gambling all over the country that New Jersey's own action would have caused - for no ultimately beneficial reason.

Rather than responding to the many moral, social, ethical and fiscal concerns, the casinos' ultimate fallback position is to urge this body to pass the buck - to skip the legislative step in the amendment process and simply "let the voters decide." But there are serious flaws in the seduction of those who would reduce this legislature into a rubber stamp for whatever the casino lobby wants

Jersey Casino Control Commission itself projects - it would hardly put a dent in the casino-fund deficit.

Just as importantly, New Jersey's senior citizens recognize that any money from legalized casino sports gambling would be tainted money, extracted at too high a social price. In a perceptive and forceful Resolution of its own, the New Jersey State Commission on Aging and its Senior Citizen Legislative Committee have unanimously opposed the measures before you. (A copy of this Resolution is attached for your reference.)

The casinos' real argument is simply naked self-interest: "We're in trouble, and we need more money."

But only three days ago, in addressing the effect of these measures on New Jersey's horse racing interests, Arthur Goldberg of Bally told another Assembly committee that, "Each industry has to stand on its own." He added, "You can't expect our industry to bail out theirs." But that is exactly what Mr. Goldberg and his casino colleagues are seeking in the measures before you - a naked "bailout" of the casinos by a forced misappropriation of the goodwill, the entertainment value, and the public's interest in amateur and professional sports. Plainly and simply, the casinos should practice what Mr. Goldberg has preached. They should stand or fall on their own, not lean on sports to prop them up.

There is one overriding reason for any real "trouble" the casino industry may be in: some of their owners made bad business decisions and paid too much for their properties. They are leveraged to the hilt, and have trouble servicing their debt. But

respectfully and in the strongest possible terms, to reject legalized team-sport gambling.

We urge the Senate to recognize that such gambling is not consistent with the positive role sports play in our society, and that the financial "promise" of its proponents is an illusion. We urge you to recognize that legalized team-sport gambling is not a solution to anything - but that it is, in the words of a perceptive writer, "a poison that goes directly to the heart."

We urge you to tell the casino operators that, whatever else you have done and will do to help them, this is where you draw the line. Tell them that you, as elected leaders, do not want them messing with our team sports, or compromising the values sports stand for, as a quick fix for their current financial problems. Tell them that blackjack, roulette, and craps are one thing, but you are not going to advocate legalized gambling on the performances of live, vulnerable human beings in athletic contests that were never meant to be the functional equivalents of poker chips, dice, slot machines, or lottery tickets. Tell the casinos that you are not going to gamble away the future of team sports and the special roles they play in the lives of our citizens.

Don't just listen to us. Listen to the editorials from your newspapers. Listen to the senior citizens, who repudiate this idea of tainted money. Vote with your heads, your hearts, and your values. Don't gamble with our children's heroes.

Thank you for your attention.

to amend New Jersey's Constitution to say. For one thing, there is certainly no public clamor to legalize sports betting. Polls have consistently shown that majorities oppose such a proposal. So do many of New Jersey's leading newspapers. So does the Senior Citizen Alliance who would supposedly benefit from it. For another, more than fifty different amendments to the New Jersey Constitution have been proposed in this legislative session alone. I ask the gambling interests supporting automatic placement of this issue on the ballot whether they advocate putting every one of these proposed amendments on the referendum ballot - or just the one that suits their short-term business interests?

We learned in high school that America was founded as a representative democracy - and that in such a system, the people's representatives are not elected simply to "pass the buck". Under New Jersey's Constitution, this decision is, in the first instance, the Legislature's.

We realize that New Jersey, like other states, faces significant fiscal pressures. But team sports did not create those pressures and cannot relieve them. The effort to find an economic bailout in sports gambling won't work for you and your citizens; but it will cause great long-range harm to our sport and the others - and to a generation of young people whose attitudes toward team sports would be distorted and diminished by a gambling-oriented outlook.

The National Football League, its member teams, and its players and coaches therefore collectively urge this Legislature,

From: Kalorama Consulting Group, William L. Stringer  
Subject: The Impact on New Jersey State Revenues of Eliminating Amateur Sports Betting from the Proposed Constitutional Amendment  
Date: May 28, 1993

**A. INTRODUCTION.**

In June, 1992 Kalorama Consulting Group submitted to the National Football League and the National Basketball Association a report entitled The Impact of Sports Betting on New Jersey State Revenues. This memo updates that report to address the revenue impacts of professional only sports betting on the New Jersey State Treasury. The first section of the memo provides a summary of our conclusions regarding the revenue impact of professional only sports betting and the second section provides a summary of the analytical approach used in this and our previous report.

**B. The "Professional Sports Only" Concurrent Resolutions Will Likely Result In Less Revenue For The State And Will More Likely Result In A Loss Of State Revenue.**

Our June, 1992 report considered the question of whether or not the introduction of sports betting in Atlantic City casinos would enhance New Jersey State revenues and concluded that:

- ° In all likelihood sports betting would not make a net contribution to State revenue and would, in fact, jeopardize other gaming revenue to the State.
- ° The annual net revenues to the State from sports betting would be no more than \$5 million and could actually be a loss of \$40 million. The analysis also indicated that it was more likely that net revenues resulting from sports betting will be a loss to the State than a gain.

Since that time, it has been proposed that betting on amateur sports be eliminated from the list of eligible sports on which betting might be allowed. Newspaper reports state that the casino industry estimates that amateur sports betting represents about forty percent (40%) of sports betting in Nevada and, presumably, would have represented 40% of sports betting in Atlantic City. In light of the new proposals (ACR-124/SCR-103), we have re-examined the loss magnitudes estimated by our 1992 report based upon the industry's 40% estimate and our data. It should be remembered first that we have no independent verification of the industry's estimate that amateur sports betting represents 40% of the sports

STATEMENT OF WILLIAM L. STRINGER

ON BEHALF OF THE  
NATIONAL FOOTBALL LEAGUE

prepared for the

Public Hearing on SCR-103  
before the  
JUDICIARY COMMITTEE  
of the  
NEW JERSEY SENATE

May 28, 1993

My name is William L. Stringer. I am President of Kalorama Consulting Group located in Washington, DC and Senior Lecturer in Economics and Finance at the University of Pennsylvania. I served as Deputy Treasurer and, at times, Acting Treasurer of New Jersey from 1982-1986. Attached to this statement is memorandum that concludes, based upon the model developed for my June 1992 report, The Impact of Sports Betting on New Jersey State Revenues, that ACR-124 will likely result in a loss of State revenue because the effective tax rate on sports betting is substantially less than on other forms of spending from which sports wagering dollars will be diverted.

After re-examining the data, it is still my conclusion that with the elimination of amateur sports betting, and assuming that elimination reduces the total sports bet pool by as much as the 40% casino industry estimate, annual net revenue to New Jersey would be around \$4 million, at most, and would more likely be negative. Applying reasonable and prudent assumptions, that loss could be as high as \$35 to \$40 million particularly if a sizeable portion of would-be amateur sports bettors elect to wager on professional sports instead of amateur sports.

Let me, by way of example, emphasize the magnitude of possible State revenue loss in the context of possible State Lottery revenue losses. The State nets 42.6 cents for every dollar spent on the Lottery. That is at least 181 times the amount netted for each dollar spent on sports betting. Thus, any substitution of sports bets for lottery tickets significantly erodes State revenues. The attached update to my report details other examples of the effects of substitution on State revenues.

Thank you for your attention.

Because the effective tax rate on sports betting is lower than the effective tax rate on any of these alternative uses of consumer funds, there likely will be a negative impact on State revenue if sports betting is implemented.

- The State nets between 1 and 1½ cents (1.25 cents in our estimate) for every dollar bet on existing games at the casinos. State revenue from sports betting would be about 1/4 cents per dollar (applying the 2.7 percent of total drop win for the Nevada casinos<sup>2</sup> and the 8 percent New Jersey casino tax rate equals .23 percent or approximately 1/4 cents per dollar). Thus, sports betting tends to supplant higher tax wagering with lower tax wagering and, to the extent sports betting diverts spending from casino games to sports betting, it will cannibalize existing State revenue from casinos.
- In the case of parimutuel wagering, the State nets between ½ cent and 1 cent for every dollar bet at the tracks (.8 cents in our study). Again, to the extent that sports betting draws wagering dollars from parimutuel betting, it merely replaces higher tax wagering with lower tax wagering and it will cannibalize existing State revenue from parimutuel betting.
- And, if the money spent on sports gambling came from money that would have been spent on taxable goods (not a particularly good public policy), the State would be exchanging the eight cents it gets out of every dollar spent on taxable goods for the ½ cent per dollar wagered on sports betting. To the extent sports wagering draws funds from consumer spending, it replaces higher tax spending with lower tax wagering and it will significantly reduce State revenue.

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<sup>2</sup> While sports betting is very active in Nevada, it produces little direct income to the casinos. In 1991, the total Nevada sportsbook win for the casinos was \$48.7 million while the overall win for the casinos was \$5,084.1 million. Thus, total win for the casinos on the sportsbook was only .89 percent of the total house win in Nevada. At the same time, overall sports bet drop in Nevada was \$1,782.6 billion which is approximately 40% of total Nevada drop.

To be competitive with Nevada, which is one of the key arguments of the sports betting proponents, the win in Atlantic City would have to be scaled at least as favorably as Nevada. Indeed, because the New Jersey proposal requires would-be sports gamblers to come to Atlantic City to gamble on sporting events, the scale will probably have to be more favorable to the gamblers (and less favorable to the state) for gambling volume to be comparable. However, we have assumed for this report that the scales would be the same in New Jersey and Nevada.

betting business in Nevada.<sup>1</sup> Nonetheless, there is little reason to believe the industry's estimate is erroneous and that 1992 data would alter the results significantly.

After re-examining the data, it is still our conclusion that with the elimination of amateur sports betting, and assuming that elimination reduces the total sports bet pool by as much as 40%, annual revenue to New Jersey would be around \$4 million, at most, and would more likely be negative. Applying reasonable and prudent assumptions, that loss could be as high as \$35 to \$40 million even if a sizeable portion of would-be amateur sports bettors elect to wager on professional sports instead of amateur sports.

The analysis of what effect Atlantic City sports gambling will have on State revenue recognizes that a vast majority of the funds wagered on sports betting would come from spending that is already creating revenue for the State. Furthermore, it is obvious that there are only two sources from which casinos might attract funds for sports betting: (1) Money that is not currently being spent and taxed within the State, or (2) Money that is already being spent and taxed within the State. More specifically, the first area, money not currently spent and taxed within New Jersey, consists of:

- Funds from New Out-of-State Bettors,
- Current Illegal Sports Gambling, or
- Holdings that Could Otherwise Have Been Saved or Invested.

Our earlier analysis and the evidence indicates that these areas would not likely become a large enough source of funds for sports betting to provide a net enhancement to State revenue. The new proposal that eliminates amateur sports betting does not change this conclusion.

The second source from which money could be attracted for sports betting is funds that are already being spent and taxed by the State. This source of funds would divert money that would have been spent on:

- Other Casino Games,
- Parimutuel Betting,
- State Lottery, or
- Consumer Goods or Services,

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<sup>1</sup> We point out, however, that Nevada allows sports betting by telephone from anywhere within the state and that under the New Jersey proposals telephone betting is prohibited. This fact tends to show that professional only sports betting volume might be substantially less in New Jersey than it is in Nevada.

revenue, and the more sports betting that occurs, the greater the loss. Thus, if one assumes that everyone who would have bet on amateur sports shifts to professional sports betting as a result of the legislative change, then the losses are equal to those estimated in the June, 1992 report. If some persons do not place sports wagers as a result of the legislative change (and anecdotal evidence suggests that some amateur sports bettors place their bets on a favorite team regardless of the competitor or the chances of winning, thus increasing the typical take by the house for amateur sports betting) then the effect of substitution is somewhat mitigated, although the casino revenue pool is also lower. In our re-examination of the effects we have assumed three alternative scenarios which might be assumed to result from the legislative change contained in ACR-124/SCR-103:

- Only 5 percent of the 40 percent of the potential sports bet population drops out of sports gaming action as a result of the legislative change, or
- Twenty five percent of the 40 percent of the potential sports bet population drops out of sports gaming action as a result of the legislative change, or
- Forty percent of the potential sports bet population, the entire proportion that is purported to represent those that bet on amateur sports in Nevada, drops out of sports gaming action.

The results for each of the three assumptions and for a single assumption relating to the total size of the sports gaming pool in Atlantic City is shown in the Table below. Results for other "size" assumptions are similar but with losses generally higher since the size of the pool is higher under the other "size" assumptions.

- The greatest loss to State revenue would occur if sports betting were to replace money otherwise spent on the lottery. The State nets 42.6 cents for every dollar spent on the lottery. That is at least 181 times the amount netted for each dollar spent on sports betting. Any substitution of sports bets for lottery tickets significantly erodes State revenues.

C. Summary Of The Analytical Approach Used For This Report.

In preparing this report, we applied the same analytical model developed for the June, 1992 report. For both reports, we found that three issues must be considered in order to project the impact on State revenues caused by the implementation of professional only sports betting in New Jersey:

- The Volume of Sports Betting,
- The Extent to which this volume might be money not currently being spent in New Jersey ("New Money"), and
- The Extent to which the volume of sports betting results from the substitution of other forms of gaming or consumption within New Jersey.

In our analysis for this report, as with our previous report, we examined alternative sports betting scenarios in which we varied the potential volume, the amount of new money and the level of substitution. Wherever possible, we used assumptions that would tend to produce greater, rather than lesser, State revenues, or used assumptions derived from studies done for the casino industry itself. We examined four different ways of projecting total sports bet handle including assuming a handle as large as that in Nevada. And, finally, we examined various degrees of substitution including no substitution. Coupled with these assumptions, the model captured both sources adding to State revenue due to sports betting and sources off-setting State revenue from sports betting.

Additions to State Revenue include:

- The direct tax revenue that could be anticipated from sports betting.
- The direct tax revenue that could be anticipated from other casino game play that is stimulated by sports betting.
- A multiplier that captures the tax consequences of economic ripple effects.

Offsets to State Revenue include:

- The loss of revenue to the State caused by substitution.
- A multiplier that captures the tax consequences of economic ripple effects caused by the substitution.

Because of the enormous differential in effective tax rates, even the most minute substitution causes significant losses in State

**THE IMPACT  
OF SPORTS BETTING ON  
NEW JERSEY STATE REVENUES**

**FINAL REPORT**

Prepared By:

**WILLIAM L. STRINGER  
NOEL E. EISENSTAT  
and  
C. ERIC OLSEN**

Prepared For:

**THE NATIONAL FOOTBALL LEAGUE  
and  
THE NATIONAL BASKETBALL ASSOCIATION**

**JUNE 1992**

**NET REVENUE GAIN TO NEW JERSEY FOR ALTERNATIVE ASSUMPTIONS  
REGARDING THE IMPACT OF ELIMINATION OF SPORTS BETTING ON  
AMATEUR SPORTS EVENTS**

Assumption Regarding Degree of Substitution (See 1992 Paper for Percentage Rationales)	Amateur and Professional sports betting are not authorized per SCR-60 and ACR-103/13	With 5% of 40% dropping out of Sports Bet Pool	With 25% of 40% dropping out of Sports Bet Pool	With 40% dropping out of Sports Bet Pool
0% New, 4.5% Lottery, 91.7% Casinos, 3.8% Parimutuel	(\$19,480,905)	(\$18,506,860)	(\$14,610,679)	(\$11,688,543)
50% New, 2.3% Lottery, 45.8% Casino, 1.9% Parimutuel	(\$4,783,631)	(\$4,544,449)	(\$3,587,723)	(\$2,870,178)
50% New, 25% Consumption, 1.1% Lottery, 22.9% Casino, 1% Parimutuel	(\$30,886,388)	(\$29,342,068)	(\$23,164,791)	(\$18,531,833)
75% New, 1.1% Lottery, 22.9% Casino, 1% Parimutuel	\$2,565,007	\$2,436,756	\$1,923,755	\$1,539,004
75% New, 25% Consumption	(\$23,537,751)	(\$22,360,863)	(\$17,653,313)	(\$14,122,650)
90% New, 10% Consumption	(\$3,466,914)	(\$3,293,568)	(\$2,600,185)	(\$2,080,148)

**THE IMPACT OF SPORTS BETTING ON  
NEW JERSEY STATE REVENUES**

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## GLOSSARY OF TERMS

Drop: The amount of money or credit spent on the purchase of chips or other credits at a casino.

Handle: The total value of chips or funds put at risk (wagered) including those played in machines in casinos. For a casino, chips, once purchased, may be replayed several times over. Thus, in the case of casino table games, handle will exceed drop.

Hold, Win, Revenue, or Gross Revenue.. A casino's total remaining revenue after payment of prizes. Usually expressed as a percentage of handle (or as a percentage of drop in the case of casino table games).

Payout: The amount or percent of the total wager distributed to the winning wagerers.

Simulcasting: The simultaneous broadcast of races, as they are contested, to patrons wagering at sites other than where the track where the live races are conducted.

Take-Out A term usually applied to parimutuel wagering. The amount of the total wager that is distributed to the facility, participants and/or to the state. Usually expressed as a percentage of the handle.

Net Income: Amount left to the gaming facility after subtraction from gross revenue of prize payouts, expenses and taxes.

Nominal: Dollar amounts expressed in current dollars. Not adjusted for inflation.

Parimutuel: A system of betting in which the facility and state take-out a certain portion of the handle and the rest is distributed to the winners. The payout to the winners is determined by the odds, which are finalized after the contest is over and after the facility and the state have taken-out their share so that the remainder is distributed as winnings to the wagerers.

Real: Adjusted for inflation. In this report, the fiscal year or calendar year Consumer Price Index for Urbanized Areas, compiled by the U.S. Department of Labor, Bureau of Labor Statistics is used to adjust for price changes.

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- (2) **The source of the spending for sports betting.** Money spent on sports gambling has to come from somewhere. Money spent on sports gambling is money *not* spent on something else.
- Funds that would have been spent on other casino games, parimutuel games or State Lottery. In each case sports betting is diverting spending from a source that yields more revenue per dollar for the State.
  - Funds that would have been spent on consumer goods or services. In this case, sports gambling is simply raising revenue at the expense of revenue that would have been raised more effectively through the sales and income taxes. Sports gambling would net the state less revenue per dollar than purchases of consumer goods and services.
  - Funds that would have been saved or invested. There is no evidence that sports gambling will draw funds that otherwise would have been saved or invested. As a public policy matter, a diversion of funds from savings to sports betting would be undesirable.
  - Funds that would have been spent on illegal sports gambling. Substitution is highly unlikely. Legal sports gambling cannot compete with illegal sports gambling, which offers better odds, greater payout, flexible credit and tax-free winnings.
  - Funds from out of state bettors. There is no evidence that legalizing sports gambling will increase the number of bettors who come to Atlantic City from out of state, or cause them to spend more in the casinos. Atlantic City demographic data and evidence from Quebec, Oregon and Nevada indicate that any increase in out-of-state dollars that might be produced would not be sizable and could not offset the loss to New Jersey that would result from the various forms of substitution.
- (3) **The rate at which sports betting is taxed relative to other uses of the funds.** Funds wagered on sports betting will produce less revenue to the State if the funds spent on sports betting were previously spent in New Jersey and/or were taxed at a higher rate than they will be as sports bets. The State share of sportsbook wagers would be the smaller than any other use of the funds:
- Over the last ten years the average State take per total handle for lottery has ranged from 41.9% to 42.8%.
  - The State share of Casino slot and game wagers has ranged from 1.6% to 1.0%, and

# THE IMPACT OF SPORTS BETTING ON NEW JERSEY STATE REVENUES

## EXECUTIVE SUMMARY

This Report considers the question of whether or not the instigation of sports betting in Atlantic City casinos would enhance New Jersey State revenues.

- **In all likelihood sports betting would not make a net contribution to State revenue and would, in fact, jeopardize other gaming revenue to the State.**
- **Reasonable estimates detailed in this Report indicate that the annual net revenues to the State would be no more that \$5 million and could actually be a loss of \$40 million. The analysis indicates that it is more likely that net revenues resulting from sports betting will be a loss to the State rather than a gain.**

Any action which would jeopardize gaming revenue to New Jersey would create a serious budgetary problem. Gaming revenue has increased from 3.23% of the State budget in 1977 to 6.26% by 1991. The significance of the magnitude is underscored by the fact that the amount is equal in magnitude to that that would be raised if sales tax were increased by 1.3 percentage points and that the amount collected is equal to 18 percent of the amount collected from the State Income Tax.

**The Appropriate Methodology for Estimating Revenue Impact.** Incomplete methodology has been used by proponents of sports betting. Estimates have been based on the Nevada experience and have only included direct revenues to the State of Nevada plus other revenue derived from the spinoff of persons being enticed to play other casino games as a result of making the trip to the casino to place a sports bet. In fact, revenue estimation requires a much more complete framework. Some portion of the funds wagered on sports betting would come from spending that is already creating revenue for the State. The revenue gain from sports betting must be weighed against the revenue loss from the reduction in other spending. Ultimately, the revenue impact depends upon three factors:

- (1) **The amount of sports betting.** The sports handle in Nevada was \$1,782,564,103 in 1991. If Atlantic City's sportsbook handle were in the same proportion as total Atlantic City Casino handle relative to total handle in Nevada, then Atlantic City could expect a sportsbook handle of around \$715 million.

**By any reasonable comparison, the sportsbook handle in Atlantic City would be considerably less than that in Nevada.**

- Total amount wagered on sports betting,
- The sources of the funds wagered on sports betting (i.e. the degree of substitution of sports betting for some other activity already producing revenue to the State),
- The relevant multipliers for both casinos and other consumption,
- The degree by which sports betting contributes to other casino win, and
- The tax rate that would apply to each source of revenue.

The assumptions used in this analysis--most notably the multipliers that are used, the assumed contribution of sports betting to other casino win, and the effective tax rates--engender highly optimistic assumptions regarding revenue impact. Where possible, assumptions are derived from calculations sponsored by the New Jersey Casino Association itself.

Data gathered from the past indicate that a one percent increase in casino gaming (sports betting in this case) has been associated with a 0.23 percent decrease in lottery sales and a 0.11 percent decrease in parimutuel wagering. Using these numbers it is estimated that sports betting would be a net wash to total New Jersey State revenue or a loss of around \$5 million--depending upon the actual impact of sports betting on general consumer spending.

- The State share for Parimutuel racing has ranged between 1.8% and 0.5%
- If Atlantic City were to have the same competitive pressures for payout that Nevada has had, a reasonable estimate of the effective State share would be only 0.23 percent--the lowest of all gaming shares.

In other words, the direct revenue produced by the lottery for each dollar wagered is 181 times the revenue directly produced from a sports bet. Similarly, the tax rate levied against consumer spending is 39 times that that would be levied on sports bets. Other casino games produce a revenue to the State equal to 5 1/2 times that that would be produced by a dollar placed on a sports bets and a dollar of parimutuel wagering produces 3 1/2 times as much revenue to the State as a dollar sports bet.

Thus, for example, if \$20 million of New Jersey's \$715 million sportsbook handle were to come from lottery (where the State share is 42.6%), \$20 million from other casino games (where the State share is 1.25%), \$2 million from parimutuel gaming (where the State share is 0.8%), and \$10 million from other consumer spending (where the State share averages 9%) the State of New Jersey would lose \$7.6 million from the legalization of sports betting (where the State share is only 0.23% of each dollar wagered). This example does not account for multiplier effects, but, because the multipliers would work both on the side of revenue loss as well as revenue gain, the impact, for all intents and purposes, is the same.

**Considerable Substitution Should Be Expected in New Jersey.** All forms of gaming in New Jersey show signs of being at a mature stage, where growth in one game is at the expense of some other game. While New Jersey's lottery has held its own in actual dollars, it has not held up when the dollars are adjusted for inflation. The trend is illustrated by the decrease in inflation adjusted terms of lottery revenue from \$416 million in 1987 to \$388 million in 1991. Lottery revenue in 1990 and 1991 had inflation adjusted declines of negative 6.6 and 3.0 percent respectively.

Casino gross revenue and revenues to the State grew substantially until 1989. Since 1989, gross revenues have flattened. Accordingly, inflation adjusted contributions to the State have fallen--from \$183.4 million in 1988 to \$173.5 million in 1991. By the same token, parimutuel revenues to the State have fallen since 1978. To a large degree, this decline correlates with the advent and expansion of casino gambling in the State.

**Estimates Show Chance for Small Gains in State Revenues and Considerable Potential for Net Losses.** Numerous studies have found evidence of substitution in gaming markets. Evidence developed for this Report shows similar instances of correlation between casino gaming, lottery and parimutuel wagering in New Jersey historically. To estimate the revenue potential of sports betting to New Jersey, simulations of various scenarios were made with the following variables:

Although the overall percentage of State revenue from gaming may appear to be small, the State has become increasingly dependent upon gaming revenues. The State cannot afford to jeopardize this important revenue source.

Gaming revenue has increased from 3.23% of the State budget in 1977 to 6.26% by 1991. The significance of the magnitude is underscored by the fact that the amount is equal in magnitude to that that would be raised if sales tax were increased by 1.3 percentage points and that the amount collected is equal to 18 percent of the amount collected from the State Income Tax.

**However, revenues that the State can derive from various forms of legalized gaming are not unlimited. Attempts to raise additional revenue through new forms of gaming may actually decrease rather than increase net State revenues.** The ultimate revenue impact depends upon (1) the source of the spending for sports betting and (2) the rate at which sports betting is taxed relative to other uses.

- Funds wagered on sports betting will produce additional revenue for the State of New Jersey only if the funds spent on sports betting were not previously spent in New Jersey ("new revenue sources") or if funds previously spent in New Jersey ("existing revenue sources") are taxed at a higher rate when wagered on sports betting than they were previously taxed.
- Funds wagered on sports betting will produce less revenue for the State if the funds spent on sports betting were previously spent in New Jersey and were taxed at a higher rate than they will be as sports bets.

Thus, "new revenue sources" would be funds reallocated from an activity that did not previously provide any revenue for the State of New Jersey to a wager on sports betting (which provides State revenue). "Existing revenue sources" would be funds reallocated ("substituted") from an activity that did provide revenue for the State of New Jersey to a wager on sports betting.

**This analysis shows that it is unlikely that new sources would provide sufficient portions of the funds wagered on sports betting to increase total State revenues.** The positive impact from new revenue sources is insufficient to offset the negative reallocation of spending among existing revenue sources. Because of the relatively higher tax rates applied to existing revenue sources, the extent of substitution does not have to be great before the gain from sports betting is completely eroded.

(1) New spending sources for sports betting would be:

- Funds wagered in the illegal (untaxed) market;
- Funds wagered from existing consumer savings; or
- New or additional funds wagered by out-of-state gamblers.

# THE IMPACT OF SPORTS BETTING ON NEW JERSEY STATE REVENUES

## BACKGROUND

The purpose of this paper is to examine the impact that the authorization of legalized sports betting will have on New Jersey State revenues.

The pressure on the New Jersey Legislature to find additional sources of State revenue without raising taxes is tremendous. In addition to an overall projected deficit of \$684 million<sup>1</sup>, the New Jersey Department of the Treasury, Office of Management and Budget estimates a \$157 million deficit to the Casino Revenue Fund for Fiscal Year 1993.

Partially in response to this shortfall, the New Jersey Legislature is currently considering various proposals to permit sports wagering in Atlantic City casinos. Legalized sports betting would require an amendment to the State Constitution which requires approval by New Jersey voters in a general election. Presumably, the State would tax Casino "win" from sports wagering at the same rate that both table games and machine games are currently taxed.

There are no firm or published estimates of revenues that are anticipated from sports betting. In fact, no fiscal analysis or note was prepared to accompany legislation introduced in May 1992 (SCR 50) which proposes placing the issue on the November ballot. Proponents of the legislation appear to have based projection of revenues on the tenet that wager and hold in New Jersey would be the same as wager and win in Nevada.

As sources of additional revenue, the Legislature is also considering:

- Simulcasting in inter and intra state parimutuel racing in Atlantic City casinos.<sup>2</sup>
- Expansion of the current "on-track" simulcasting schedule to permit intra-state parimutuel racing in addition to the current inter-state schedule.
- The authorization of a statewide video lottery.

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<sup>1</sup> New Jersey Treasurer Samuel Crane, quoted in "Income Tax Shortfall Means \$350 million Less in State Revenue", Newark Star Ledger, May 8, 1992, p. 26

<sup>2</sup> The expansion of simulcasting to Atlantic City casinos required a Constitutional amendment. The amendment was ratified by the voters in 1990. However, the legislation authorizing simulcasting in casinos and interstate facilities is presently under consideration by the New Jersey Legislature.

## STRUCTURE OF THIS REPORT

The National Football League (NFL) and the National Basketball Association (NBA) have jointly commissioned this report to assist members of the New Jersey State Legislature, the Executive branch, the Office of Legislative Services and the news media as they evaluate the proposals before them. This report should provide its readers with an understanding of the following:

**Budget Trends.** This section provides an analysis of the rapid growth and recent leveling of revenues from both casinos and the State Lottery. The continuing decline in parimutuel revenues to the State are also evaluated.

**Taxation and Operations of Legalized Sports Betting Relative to Other Legalized Gaming.** This section provides an overview of the manner in which NJ raises money from both currently legalized forms of gaming as well as from the proposed legalized sports betting. The section emphasizes the low revenue return rate of legalized sports betting relative to all other legalized gaming in New Jersey.

**New Revenue Sources Compared to Existing Revenue Sources.** This section provides an assessment of market for gaming activities. It compares the prospects for bringing in new revenue sources for sports betting against the likelihood of substitution between sports betting and existing revenue sources.

**New Proposals.** An examination of the manner in which sports betting would operate in New Jersey. In examining sports betting an assessment of the prospects for budget augmentation through the expansion of simulcasting and statewide video lottery is unavoidable.

**Estimated Revenue Impacts.** The net effect of legalized sports betting in New Jersey depends on the sources of funds wagered, the amounts wagered and the rates at which the various sources and uses are taxed. This section quantifies the potential revenue gains and losses of legalized sports betting.

There are no other sources. Of course, in the long run sufficient economic growth could provide new funds, but the stimulus is insufficient, the multipliers too small, and the time too short to say that new funds would come in the near future via this route from sports betting.

New sources would be a positive contribution to State revenues. However, because of the competitive advantages of the illegal market--high pay-out rates, easy credit and tax free winnings--it is not likely that many illegal gamblers will switch from the illegal market to the legal market. It is also unlikely that sports betting will draw much from consumer savings. Data gathered from the casino, lottery and parimutuel industries in New Jersey and elsewhere indicate that the funds set aside by the public for gaming activity are somewhat fixed. This is supported by the evidence that shows that New Jersey's gaming market has reached a mature and saturated stage. Although it is difficult to predict the draw that sports betting will have on out-of-state sports bettors, the evidence--drawn both from Atlantic City demographic data and from other experience in Quebec, Oregon and Nevada--does not support an expectation of the massive draw that is required to attain large tax dollars.

(2) Existing spending sources that might be reallocated for sports betting fall in the following three categories:

- Funds wagered by both in-state and out-of-state residents on current legal New Jersey gaming activities--namely the New Jersey State Lottery and parimutuel horse racing,
- Funds wagered by both in-state and out-of-state residents on current games offered by New Jersey casinos, and
- Funds expended on non-gaming consumer goods and services.

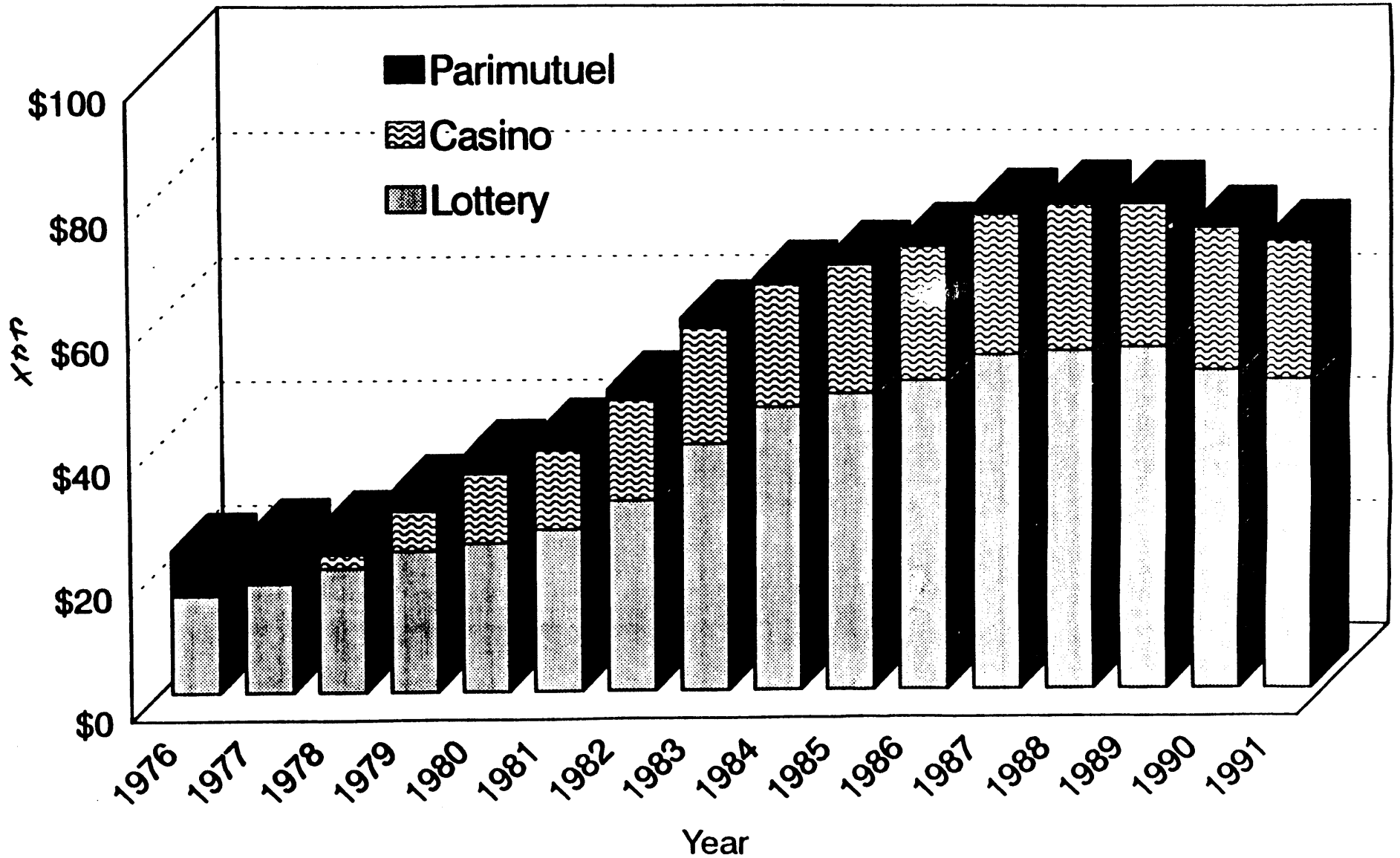
Funds wagered on sports betting from these "existing revenue sources" amount to a trade or substitution of one activity that raises revenue for New Jersey for another activity that raises revenue for New Jersey. But, because sports betting compared to existing revenue sources provides the State with the least revenue return for each dollar wagered or spent, any substitution that occurs will mean a net revenue loss for the State of New Jersey.

This analysis explores the gaming trends and operations in New Jersey. The evidence suggests that it is unlikely that a sufficient proportion of the funds wagered on sports betting would come from new revenue sources to provide a net addition to New Jersey State revenue. It also provides a quantitative analysis of the likely and potential gains or losses in New Jersey State revenue. These gains and losses depend on the relative division of sports betting sources between new and existing State revenue sources. The conclusion reached through this analysis is that only in optimistic scenarios will legalized sports betting provide a net positive return to New Jersey and, in fact, will most likely cause a net loss to the New Jersey Treasury.

CHART 1

# Gaming Revenue in New Jersey

Real Per-Capita (1982-1984=100)



## BUDGET TRENDS

The State of New Jersey depends upon revenues received from gaming for at least 6 percent of its total revenue. Over the past fifteen years the State budget has received over \$111.7 billion directly from the State lottery, parimutuel horse racing and Atlantic City's casinos. See Table 1 and Chart 1.

Fiscal Year	State Lottery	Casino Gambling	Parimutuel Wagering	Total State Revenue From Gaming	Total State Revenue	Gaming Revenue as a % of Total Revenue
1977	\$78	\$0	\$35	\$113	\$3,507	3.23%
1978	\$96	\$11	\$21	\$128	\$3,919	3.26%
1979	\$122	\$34	\$17	\$173	\$4,308	4.02%
1980	\$146	\$68	\$17	\$231	\$4,654	4.97%
1981	\$176	\$87	\$16	\$279	\$5,032	5.54%
1982	\$220	\$117	\$13	\$351	\$5,530	6.35%
1983	\$297	\$140	\$12	\$449	\$6,208	7.23%
1984	\$358	\$155	\$8	\$521	\$7,279	7.16%
1985	\$391	\$169	\$9	\$569	\$8,029	7.08%
1986	\$418	\$181	\$9	\$608	\$8,632	7.04%
1987	\$473	\$198	\$11	\$682	\$9,830	6.93%
1988	\$501	\$217	\$9	\$727	\$10,303	7.05%
1989	\$532	\$222	\$8	\$763	\$10,998	6.94%
1990	\$524	\$233	\$7	\$763	\$11,139	6.85%
1991	\$529	\$236	\$7	\$773	\$12,344	6.26%
<b>TOTAL</b>	<b>\$4,861</b>	<b>\$2,069</b>	<b>\$199</b>	<b>\$7,129</b>	<b>\$111,712</b>	<b>5.99%</b>

## STATE LOTTERY

The New Jersey Lottery began on December 16, 1970. It was the third state lottery following New Hampshire and New York. The State Lottery's enabling statute directs a minimum of 30% of total revenues for aid to education and State institutions. Since 1980, the lottery has exceeded this percentage by 12 or 13 percentage points. See Table 3.

Year	State Lottery Revenue	State Lottery Sales	State Revenue As a % of Sales
1970	\$0	\$0	NA
1971	\$33,400,000	\$72,700,000	45.9%
1972	\$69,000,000	\$137,500,000	50.2%
1973	\$56,700,000	\$112,700,000	50.3%
1974	\$46,400,000	\$89,200,000	52.0%
1975	\$36,100,000	\$76,800,000	47.0%
1976	\$66,100,000	\$158,400,000	41.7%
1977	\$78,100,000	\$194,000,000	40.3%
1978	\$96,000,000	\$238,300,000	40.3%
1979	\$122,000,000	\$297,900,000	41.0%
1980	\$145,900,000	\$348,600,000	41.9%
1981	\$176,000,000	\$417,000,000	42.2%
1982	\$220,400,000	\$517,800,000	42.6%
1983	\$296,900,000	\$693,100,000	42.8%
1984	\$358,300,000	\$848,000,000	42.3%
1985	\$390,900,000	\$924,600,000	42.3%
1986	\$418,200,000	\$990,100,000	42.2%
1987	\$472,600,000	\$1,116,900,000	42.3%
1988	\$501,000,000	\$1,174,300,000	42.7%
1989	\$532,249,834	\$1,247,000,000	42.7%
1990	\$523,641,012	\$1,223,300,000	42.8%
1991	\$529,252,621	\$1,241,600,000	42.6%

Contributions to State revenues in real terms, and growth rates of State revenue by each gam activity are (again, in real terms) provided in Table 2. The trend is one of leveling--a sign c mature gaming market. Of course, the significance of the leveling market for the purpose projecting revenues from sports betting is that it would imply greater substitution of exist revenue sources for sports betting than would be the case in a growing market.

**TABLE 2**

**REVENUE TO NEW JERSEY FROM GAMING &  
GROWTH RATES OF REVENUE TO STATE**  
Real Terms (1982-1984=100)

Year	Real Lottery Revenue	Real Casino Revenue Fund	Real Parimutuel Revenue	Growth in Real Lottery Revenue	Growth in Real Casino Revenue Fund	Growth in Real Parimutuel Revenue
1977	\$128,877,888	-	\$57,961,682	12.0%	-	4.5%
1978	\$147,239,264	\$16,402,939	\$32,318,986	14.1%	-	-44.2%
1979	\$168,044,077	\$47,371,798	\$23,249,026	14.0%	188.4%	-28.1%
1980	\$177,063,107	\$82,912,817	\$20,543,450	5.2%	74.8%	-11.6%
1981	\$193,619,362	\$95,200,223	\$17,592,194	8.9%	14.3%	-14.4%
1982	\$228,393,782	\$121,708,599	\$13,669,460	17.4%	27.3%	-22.3%
1983	\$298,092,369	\$140,103,017	\$12,398,370	29.9%	14.5%	-9.3%
1984	\$344,850,818	\$148,847,812	\$7,642,791	14.9%	5.5%	-38.4%
1985	\$363,289,963	\$157,282,632	\$8,079,924	4.7%	5.0%	5.7%
1986	\$381,569,343	\$165,423,123	\$7,856,748	4.2%	4.4%	-2.8%
1987	\$416,021,127	\$174,490,289	\$9,517,310	8.3%	4.8%	21.1%
1988	\$423,499,577	\$183,396,125	\$7,375,159	1.2%	4.5%	-22.5%
1989	\$429,233,737	\$179,350,390	\$6,523,467	1.2%	-2.4%	-11.5%
1990	\$400,643,467	\$178,054,998	\$5,446,559	-6.6%	-0.7%	-16.5%
1991	\$388,584,891	\$173,460,601	\$3,990,038	-3.0%	-2.6%	-26.7%

TABLE 4

## CASINO DROP AND CONTRIBUTION TO STATE REVENUE

Year	Table Games Drop	Slots Drop	Total Casino Drop	State Revenue	State Rev. As a % of Total Drop
1977	\$0	\$0	\$0	\$0	0.00%
1978	\$393,137,000	\$405,521,000	\$798,658,000	\$10,694,716	1.34%
1979	\$1,023,435,000	\$1,002,699,000	\$2,026,134,000	\$34,391,925	1.70%
1980	\$2,284,882,000	\$1,993,947,000	\$4,278,829,000	\$68,320,161	1.60%
1981	\$3,709,627,000	\$3,372,880,000	\$7,082,507,000	\$86,537,003	1.22%
1982	\$4,728,406,000	\$5,071,696,000	\$9,800,102,000	\$117,448,798	1.20%
1983	\$5,220,910,000	\$6,542,712,000	\$11,763,622,000	\$139,542,605	1.19%
1984	\$5,880,337,000	\$7,320,926,000	\$13,201,263,000	\$154,652,877	1.17%
1985	\$6,466,475,000	\$8,542,543,000	\$15,009,018,000	\$169,236,112	1.13%
1986	\$6,658,569,000	\$9,505,744,000	\$16,164,313,000	\$181,303,743	1.12%
1987	\$7,167,003,000	\$10,897,419,000	\$18,064,422,000	\$198,220,968	1.10%
1988	\$7,596,660,000	\$12,867,383,000	\$20,464,043,000	\$216,957,616	1.06%
1989	\$7,680,966,000	\$13,159,982,000	\$20,840,948,000	\$222,394,484	1.07%
1990	\$7,903,683,000	\$15,040,191,000	\$22,943,874,000	\$232,581,883	1.01%
1991	\$7,219,607,000	\$18,136,899,000	\$25,356,506,000	\$236,253,339	0.93%

## PARIMUTUEL WAGERING

Legalized parimutuel wagering on horse races was approved by voter referendum in 1939 in order to create a source of post-Depression revenue. In 1960 there were three thoroughbred tracks and one harness racetrack operating in New Jersey. In 1968, at the same site as one of the existing thoroughbred facilities a new harness racetrack was opened.

Net lottery income to the State (after prizes, administration, advertising and commissions) surpassed \$200 million in 1982, \$300 million in 1984, \$400 million in 1986 and \$500 million in 1988. Net lottery revenue to the State peaked at \$532.2 million in 1989 and was \$529.3 million last year, FY1991. Over the past 15 years the State lottery has brought in over 68 percent of the total revenue from gaming. On a yearly basis the State lottery has consistently brought twice the revenue to the State that the casino's have.

## **CASINO GAMING**

In 1978, the first casino opened in Atlantic City. By 1981 there were nine casinos. There are currently 12 casinos operating in Atlantic City. One Casino (The Atlantis) permanently closed on May 22, 1989, and the last casino opened (Trump's Taj Mahal) on April 4, 1990. Currently there are no new casinos in the planning stage or under construction.

Revenue taxes paid by casinos are directed to the Casino Revenue Fund, which is then directed to assistance programs for the handicapped and elderly. From 1981 to 1988, taxes to the casino revenue fund grew at an average annual rate of 23.5%. Since 1988 the fund has grown at an annual rate of 2.9%--a rate insufficient to keep up with appropriations from the fund.

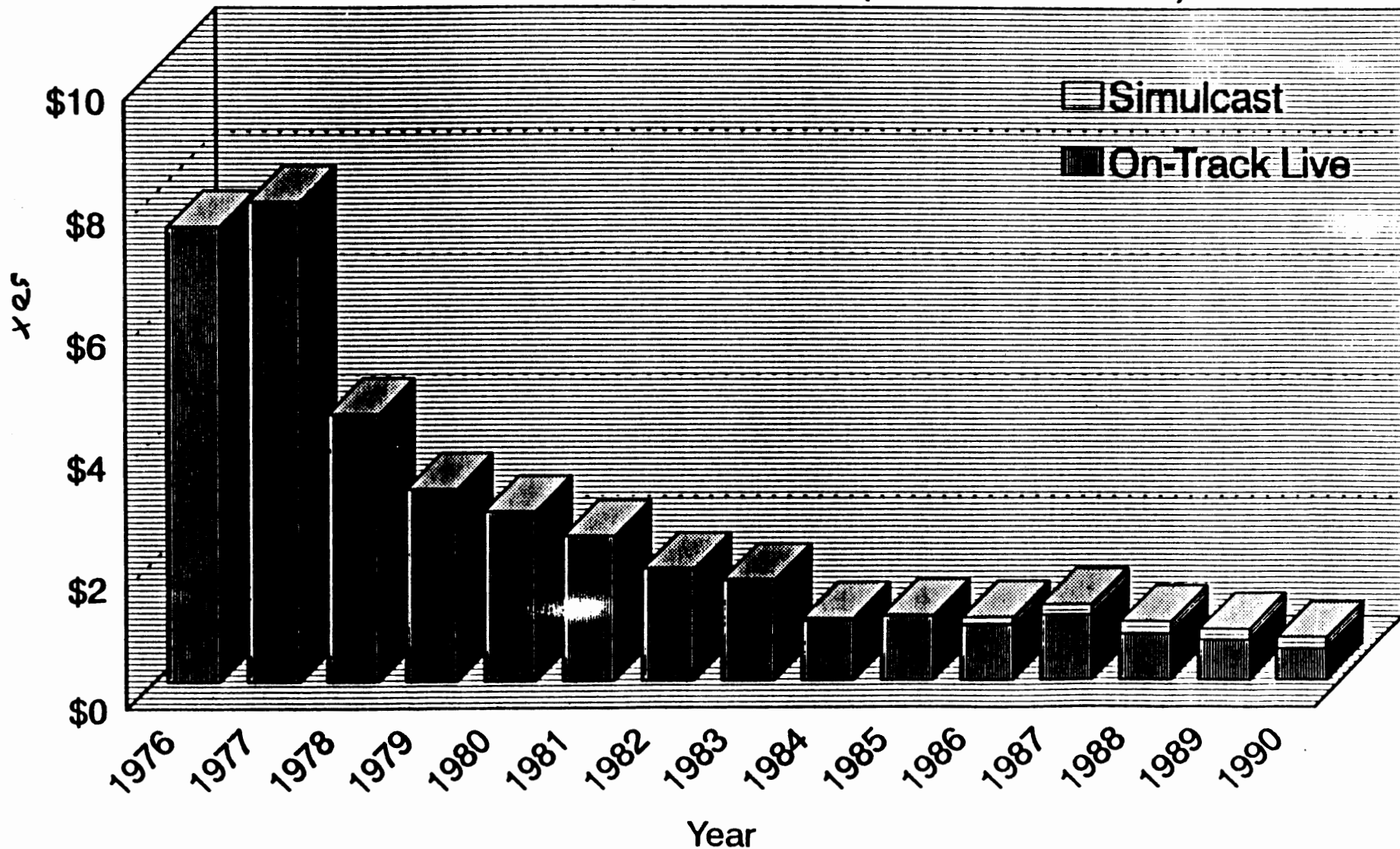
Certain other taxes paid by casinos to the State include the Casino Reinvestment Tax, certain regulatory fees, and corporate income and payroll taxes. A report published in July, 1989 sponsored by the Casino Association of New Jersey and undertaken by Rutgers University's Center for Urban Policy Research indicated that the total effect of such taxes in 1988 as a percentage of gross gaming revenue was 10.4 percent.

Table 4 illustrates the relation between State revenue generated from casinos and the casino drop.

# CHART 2

## New Jersey Horse Racing On-Track (Live) vs. Simulcast Revenue

Real Per-Capita Dollars (1982-1984=100)



The New Jersey Sports and Exposition Authority was authorized to conduct thoroughbred and harness races in 1974. The Authority opened the Meadowlands, with harness racing in 1976 and instituted thoroughbred races the following year. Garden State Park, in Cherry Hill, closed after the 1977 season due to fire and the facility reopened in 1985 conducting both thoroughbred and harness race meets.

Simulcasting of horseracing events was originated in New Jersey in 1983 but was declared unconstitutional in 1985 by the New Jersey Supreme Court. The court decision caused approximately a seven month interruption of simulcasting until voters approved the needed constitutional amendment. Since then, simulcasting has been the only growth element of parimutuel gaming in the State. Much of this growth appears to have been at the expense of on-track betting. See Chart 2 on the following page.

Parimutuel taxes are levied against a proportion of the total amount wagered and accrue to the State's General Fund. As can be seen in Table 1, revenues received by the State from horserace wagering reflect the overall decline in racetrack attendance and wagering. In 1977 parimutuel taxes contributed nearly \$35 million to the New Jersey General Fund. The State revenue from all parimutuel betting has decreased from its peak in 1977 of \$35,124,779 to \$5,434,432 in 1991--a decrease of 93% in real terms. Despite the opening of the Meadowlands, the rebuilt Garden State Park and the advent of simulcasting, by 1991 the amount had fallen to \$7 million. Similar amounts are projected for 1992 and 1993. See Table 5.

### EXISTING TAXATION OF LEGALIZED GAMING

The State's share of each dollar wagered depends on which game is played. Actual tax rates are described below. Over the last ten years the average State's share per total handle for lottery has ranged from 41.9% to 42.8%, the State's share for casino slots and games has ranged from 1.6% to 1.0%, and for parimutuel racing between 1.8% and 0.5%. Even if a new game effected a somewhat higher handle, the inflow would have to be sufficient to cover lost revenue if it were adversely impacting any wagering on games taxed at a higher rate. See Table 6.

Year	Lottery State Revenue As a Percent of Sales	Parimutuel Revenue As a Percent Handle	Casino Revenue As a Percent Handle/Drop
1976	41.7%	4.8%	
1977	40.3%	3.8%	
1978	40.3%	2.5%	1.3%
1979	41.0%	1.9%	1.7%
1980	41.9%	1.8%	1.6%
1981	42.2%	1.7%	1.2%
1982	42.6%	1.4%	1.2%
1983	42.8%	1.3%	1.2%
1984	42.3%	0.8%	1.3%
1985	42.3%	0.9%	1.1%
1986	42.2%	0.8%	1.1%
1987	42.3%	0.9%	1.1%
1988	42.7%	0.7%	1.1%
1989	42.7%	0.7%	1.1%
1990	42.8%	0.6%	1.0%
1991	42.6%	0.5%	1.0%

**TABLE 5****PARIMUTUEL HANDLE  
AND CONTRIBUTION TO STATE REVENUE**

Year	Nominal Parimutuel Handle	State Revenue from Parimutuel	Percent of Handle Going to State
1976	\$661,751,118	\$31,570,193	4.8%
1977	\$918,852,591	\$35,124,779	3.8%
1978	\$842,499,300	\$21,071,979	2.5%
1979	\$876,196,118	\$16,878,793	1.9%
1980	\$915,418,093	\$16,927,803	1.8%
1981	\$968,575,095	\$15,991,304	1.7%
1982	\$949,179,913	\$13,191,029	1.4%
1983	\$958,685,566	\$12,348,777	1.3%
1984	\$944,049,566	\$7,940,860	0.8%
1985	\$1,012,900,808	\$8,693,998	0.9%
1986	\$1,100,019,020	\$8,610,996	0.8%
1987	\$1,211,557,086	\$10,811,664	0.9%
1988	\$1,259,156,807	\$8,724,813	0.7%
1989	\$1,165,680,188	\$8,089,099	0.7%
1990	\$1,177,841,492	\$7,118,653	0.6%
1991	\$1,051,058,719	\$5,434,432	0.5%

## CASINO WAGERING

State revenues from casino wagering depend on four variables:

- Total amount wagered (total drop and handle),
- Percentage hold (casino win) for both table games and machine games,
- A deduction for uncollected debts, and
- An eight percent tax on casino holds after the deduction for uncollected debts and other taxes levied against income.

$$\text{CASINO TAX} = [(\text{WAGER} \times \text{PERCENT HOLL} - \text{BAD DEBT ADJUST.}) \times \text{TAX RATE}]$$

The total wager is the sum of both table drop and machine handle. The total wager was \$4.279 billion in 1980, \$15.009 billion in 1985 and \$22.944 billion in 1990. The total wager last year, 1991, was \$25.357. See Table 1 on page 5.

The percentage hold (casino win) for table and machine games differ. The Casino Control Act established a minimum payout of 83 percent for machines but no minimum is established for games. Percentage hold figures may fluctuate, however. Over time, the percentage hold has decreased for both table and machine games. Percentage hold for casino table games has decreased 300 basis points from 18.6% in 1980 to 15.7% in 1991. Percentage hold for casino slot games has decreased about 350 basis points from 13.8% in 1980 to 10.3% in 1991. See Table 8.

**STATE LOTTERY**

State revenues from the lottery are a function of:

- The sum of all lottery tickets sold,
- Prizes paid on winning lottery tickets, and
- Operational costs including administration, advertising and sales commissions.

*STATE LOTTERY SHARE = + SALES - PRIZES - OPERATIONAL COSTS*

Lottery prizes as a percentage of total sales in New Jersey have approximated 42% since 1980. For fiscal year 1991, New Jersey's net income as a percent of lottery sales was 42.6 percent. Costs for administration, advertising and commissions approximate 7 to 8 percent. See Table 7. The New Jersey Lottery's State revenue to sales ratio ranks it with New York and Connecticut as the three most efficient in producing state revenue. For all states in 1991 the average state's net income as a percent of sales was 37 percent.<sup>3</sup>

<b>TABLE 7      DISTRIBUTION OF NEW JERSEY LOTTERY: FISCAL YEAR 1991</b>		
Gross Sales	\$1,241,576,275	
Commission & Bank Fees	\$67,177,680	5.4%
Game Contractor Fees	\$20,426,248	1.6%
Prize Expense	\$622,169,974	50.1%
Operating Expense	\$19,931,982	1.6%
Revenue to State	\$529,252,621	42.6%
Revenue to State includes \$18,326,810 from lottery income other than sales. This makes figures add to more than total sales. Percent figure is percent of total Lottery sales.		

<sup>3</sup> These figures exclude South Dakota because lottery sales are calculated along with video lottery sales.

The total taxes paid by casinos are comprised of the 8 percent of hold paid to the Casino Revenue Fund, plus an amount equal to approximately 1.25 percent of net revenue paid to the Casino Reinvestment Development Fund, plus certain other amounts paid directly or in kind for various regulatory and oversight activities. Rutgers University's Center for Urban Policy Research, in a 1989 study entitled "Analysis of Taxation of Atlantic City Casinos" sponsored by the Casino Association of New Jersey, estimated the total impact of such taxes to be about 10.3 percent of gross gaming revenue (hold) over the period 1978 to 1987. This report has used a tax rate equal to 10.6 percent of gross revenue (an amount adjusted to reflect current conditions) to reflect these findings.<sup>4</sup>

## PARIMUTUEL WAGERING

State revenues from parimutuel wagering depend upon:

- The amounts wagered and the type of wager,
- The takeout rate, which is determined by statute, and
- The tax rate which is applied against the takeout rate, also determined by statute.

<b><i>PARIMUTUEL TAX = (WAGER x TAKEOUT RATE) x APPROPRIATE TAX RATE</i></b>
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For parimutuel horseracing in New Jersey, the amount paid to bettors as prizes depends on the amount bet and manner in which the bets are placed (i.e. making straight wagers such as win, place or show; two horse bets such as daily doubles or exactas; and three or more horse wagers such as trifectas, pick-3s or pick-6s).<sup>5</sup> The fact that horseracing in New Jersey is parimutuel indicates that the track, through its formula for odds-making guarantees itself a set portion of every pool of betting. The difference between the amount paid out in prizes and the total amount bet is called the "takeout". It is the amount withheld from each dollar wagered for other purposes. These other purposes are:

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<sup>4</sup> Note that in the calculation of taxation per dollar wagered (Table 6, for instance), the tax rate for casinos is overstated in the sense that table gaming measures drop instead of total handle. Thus, some winnings at table games are replayed without being tallied as additional sums wagered.

<sup>5</sup> Straight wagering constitutes 37.7% of thoroughbred wagering and 35.0% of harness wagering. Two-horse wagering constitutes 46.9% of thoroughbred wagering and 48.0% of harness racing. Three or more horse wagering constitutes 15.4% of thoroughbred wagering and 17.0% of harness racing. Thalheimer, R. and M.M. Ali, "An Analysis of the Impact of Intra-state Intertrack Wagering, a State Lottery and Casino Gambling on Parimutuel Horse Race Wagering: New Jersey -- An Expanded Analysis", University of Louisville, Department of Equine Administration, Louisville, Kentucky, February, 1992, pp. 12-14.

Year	Casino Table Game Drop (\$ 1,000)	Casino Slot Handle (\$ 1,000)	Percent Hold for Table Games	Percent Hold for Slots	Weighted Average
1978	\$393,137	\$405,521	19.0%	14.0%	16.5%
1979	\$1,023,535	\$1,002,699	18.1%	12.8%	15.5%
1980	\$2,284,882	\$1,993,947	18.6%	13.8%	16.4%
1981	\$3,709,627	\$3,372,880	16.5%	13.7%	15.2%
1982	\$4,728,406	\$5,071,696	16.9%	13.5%	15.1%
1983	\$5,220,910	\$6,542,712	16.2%	13.2%	14.6%
1984	\$5,315,837	\$6,780,926	16.0%	12.8%	14.2%
1985	\$6,466,475	\$8,542,543	15.8%	12.9%	14.2%
1986	\$6,658,569	\$9,505,744	16.7%	12.6%	14.3%
1987	\$7,167,003	\$10,897,419	16.5%	12.3%	13.9%
1988	\$7,596,660	\$12,867,383	16.3%	11.6%	13.4%
1989	\$7,605,966	\$12,949,982	16.2%	11.3%	13.1%
1990	\$7,903,683	\$15,040,191	15.0%	10.7%	12.2%
1991	\$7,219,607	\$18,136,899	15.7%	10.3%	11.8%

The decrease in percentage hold can be explained in two ways. First, with more casinos and competition, odds in favor of the wagers have improved over time. Second, as wagers continue to play they become more sophisticated and improve their chances over the house. For whatever reason, its result is a decrease in revenue to the State. Assuming total wagering of \$25 billion, a one percent change in hold represents a difference of \$20 million in State revenues.

## SPORTS BETTING AND OTHER PROPOSALS

Three proposals for additional gaming in New Jersey have been introduced, introduced in prior years or are under discussion. Notably, the analysis of each would fit into the context of the new source/existing source model described above. The net effect on State revenues depends on the sources of funds wagered. Each proposal will have impacts on the other. As a result, it would be entirely inappropriate to add the revenue estimates of each together. Any changes to State gaming must be considered as a package rather than as individual elements of change.

### SPORTS BETTING

No analysis has been made public by the New Jersey Office of Legislative Services (OLS) or the Casino Association of New Jersey (CANJ) to estimate the revenues from sports betting in New Jersey. To date, the only revenue analysis has been by analogy with sports betting in Nevada. Specifically, proponents of sports betting have referred to Nevada's drop and win figures for sports betting. In Nevada in 1991, the total sportsbook handle was \$1,782.6 million and the win was \$48.7 million. This would make the percentage win equal to 0.89 percent of the handle. The tax rate in Nevada is variable based upon the nature of the casino and the amount of handle. In Atlantic City, the tax rate would presumably be the same as the rate applied to other games--the 8 percent Casino Revenue Tax.

$\text{SPORTS BET TAX} = \text{DROP} \times \text{PERCENTAGE WIN} \times \text{TAX RATE}$
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No other state in the U.S. allows for sports betting of the type offered by Nevada. Thus, there is little historical evidence available to predict the degrees of substitution, and/or spinoff effects. The Oregon Lottery, begun in 1985, conducts nine lottery contests which span most all types of lottery games. Instant games began in 1985, other types of numbers and lotto games were developed in 1985 through 1989, and a sports lottery was instituted on September 6, 1989. Due to various factors including court challenges, Oregon presently only conducts its sports lottery during the NFL season, with games revolving around the outcomes of NFL games. The Oregon lottery offers two Sports Action games. The first is a fixed prize game in which the player wins five dollars for each one dollar bet if three of three winners are picked correctly. Alternatively, the fixed prize game pays ten dollars for each one dollar bet if four of four winners are picked correctly. The second game allows the player the option of choosing three to fourteen winners with the prizes scaled accordingly. Odds are established before the week's game and do not change during the week.

- (1) State taxes (including track and occupational licenses, pari-mutuel taxes, admission taxes),
- (2) Amounts paid to the breeders and organizers (purses), and
- (3) Expenses of the track (commission).

The "takeout rate" is established by statute as are the amounts that are due the State, and limitations upon the percentage of commissions. After meeting these statutory shares the residuals are paid as purses.

- Presently, for thoroughbred and harness racing the total take out is set at 17% of straight betting, 19% on two-horse betting and 25% on three or more horse betting. Given the average mixture of types of wagering, the average takeout rate for thoroughbreds would be around 21% for thoroughbred racing and around 22% for harness racing.<sup>6</sup>
- For thoroughbred racing the State's share of take-out at private tracks averaging less than \$1,000,000 in total handle is graduated such that the revenue received from the from the takeout ranges from .30 to 1.30 percent of the handle depending on the nature of the bet. For private tracks averaging more than \$1,000,000 in total handle and for the Meadowlands the rate is just .50% of the handle.<sup>7</sup>
- For harness racing, the tax rate on the take out is such that the State's share of the handle is .50% at all tracks.<sup>8</sup>

As a percentage of handle, State revenue will be about 0.5% of each dollar wagered. As a percentage of takeout the State share is close to 3.8%<sup>9</sup> Actual State revenues will be somewhat larger than the marginal tax rate would indicate, because the two State owned tracks contribute a greater portion of their commission (track share) to the State.

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<sup>6</sup> Thalheimer and Ali, *op. cit.* p. 12.

<sup>7</sup> In 1977 the tax rate was 3.5 percent of the amount wagered. The rate was lowered to 2.5 percent of the handle in 1978. It was reduced to 1.0 to 1.5 percent (depending on type of bet) in the early 1980s and to its present rate in the late 1980s. See Listokin, David, et. al., Analysis of Taxation of Atlantic City Casinos, Casino Association of New Jersey, July 1989, p. 54.

<sup>8</sup> National Association of State Racing Commissioners, Pari-Mutuel Racing, 1986, Lexington, Kentucky, p.15.

<sup>9</sup> Rutgers University Center for Urban Policy Studies, Listokin, David, et. al., Analysis of Taxation of Atlantic City Casinos, Casino Association of New Jersey, July 1989, p. 57.

According to that bill, amounts wagered at a casino on the results of the simulcast at in-state racetracks would be included in the parimutuel pool of the racetrack with the takeout distributed between the racetrack, the casino, the State and the purse. Two features of the bill recognize the potential for substitution: (1) casinos games other than slot machines may be conducted in the simulcasting facility, and (2) compensation would be paid to the Atlantic City Racetrack for business that it is expected to lose because of casino simulcasting.

$$\text{SIMULCAST REVENUE} = (\text{TRACK SHARE} \times \text{RATE}) + (\text{CASINO SHARE} \times \text{RATE})$$

A June 1, 1990 study by Deloitte & Touche undertaken for the New Jersey Sports and Exposition Authority indicated that Casino Simulcasting should provide an additional \$6 to \$7 million per year to Meadowlands and Monmouth Park combined incomes--equal to between 21 and 25 percent of total income. Taking these estimates and applying other known proportions provides a guess of total addition to State revenue of casino simulcasting. If tracks were to receive simulcast income proportionate to their share of total handle--it would mean that all racetracks in the State would receive a share equal to \$8.8 to \$10.3 million. Of course casinos would receive additional amounts allocated by the formula in the bill, and other participants in the take-out at the tracks (breeders, for instance) would receive approximately the same amount as the tracks. The end result would be an addition to State revenue of around \$2 to \$2.5 million. This estimate is prior to accounting for substitution of casino simulcasting for other forms of gaming.

### STATE'S SHARE COMPARISONS

Any comparison of the State's share of gaming and non-gaming activities will demonstrate that the State Lottery is such an efficient producer of revenue that any substitution of funds for sports betting that would otherwise be spent on lottery tickets will quickly erode any revenue advantage to the State of the new game. Chart 3 on the following page shows New Jersey's State share of a dollar wagered in Lottery (42.6%), existing Casino games (1.25%), Parimutuel Horserace wagering (0.80%), and Sports Betting (0.23%). It also demonstrates the State's share of each dollar spent on consumption, a weighted average of sales and income tax accounting for exemptions from the sales tax (9.0%).

Given that the proportion of each dollar spent on sportsbook that goes to the State is 181 times less than the rate of each dollar spent on lottery that goes to the State, 39 times less than the rate on ordinary consumption that goes to the State, 45 times less than the rate spent on other casino games that goes to the State, and 17 times less than the proportion of dollar that's spent on parimutuel wagering that goes to the State, only a small amount of substitution is required before all potential positive revenues are substantially reduced and the net effect turns to a lose for New Jersey State revenues.

## VIDEO LOTTERY

Video lottery has also been proposed as a partial solution to the State budget. No specific video lottery bill has been introduced this legislative session. However, a video lottery proposal, modeled after the South Dakota video lottery program, was introduced last session. The bill should serve as a framework for any legislative proposal considered this session.

$$\text{VIDEO LOTTERY TAX} = (\text{WAGER} - \text{PAYOUT}) \times \text{TAX RATE}$$

Under the bill, the State Lottery Commission would establish a statewide network of privately owned video lottery machines. The machines would be limited to facilities licensed to sell alcoholic beverages and no more than six machines would be permitted in any one location. Types of games permitted in the bill would include but not be limited to video lottery, keno and blackjack.

The bill requires a minimum prize payout of 85 percent. However, in order for the video lottery game to be competitive with the machines in Atlantic City casinos the payouts would have to approximate 89 percent. The bill's interpretive statement estimated that the State's share of video lottery proceeds would approximate \$3,555 million per year. This estimate is based upon the State receiving 25 percent of the income. In the bill, the State would receive 25 percent net machine income for the first three years, it would increase to 27.5 percent for the next three years and 30 percent thereafter.

Assuming an 85 percent payout, in order to reach \$225 million in State revenue, the total amount wagered would have to approximate \$6 billion to reach the anticipated level of State revenue. The State would receive 3.75 cents for each dollar wagered. If the payouts were competitive with the Atlantic City casinos, the total amount wagered would have to approximate \$9 billion and the State would have to receive approximately 2.56 cents per dollar wagered in order to raise the \$225 million. This is in contrast to the State Lottery whose gross revenues in 1991 were \$1,224 million and which returned \$514 million in revenue.

## CASINO SIMULCASTING

Extension of simulcasting to Atlantic City Casinos has been offered as another revenue raiser for the State. In 1991, a bill, the "Casino Simulcasting Act" was introduced which implemented the constitutional amendment already approved in 1990 by New Jersey voters. That bill would have allowed casinos to receive and promote wagering on simultaneous transmissions by video of thoroughbred or harness horse races conducted at in-state or out-of-state racetracks.

## REVENUE SOURCES

The net revenue effect of legalized sports betting (or video lottery; or casino simulcasting) on New Jersey State revenues depends on the source of the funds wagered on sports betting and the rate at which the gaming revenue is taxed. The following analysis shows that the historical evidence suggest that funds wagered from new revenue sources are quite limited. It also demonstrates that a large degree of substitution between gaming revenue sources is likely.<sup>10</sup>

### MATURE GAMING MARKETS PROMOTE GAMING SUBSTITUTION

**New Jersey, like other states with mature gaming markets, has shown slow growth overall in the gaming industry and even decline in the parimutuel wagering market. The following analysis shows the historical trends in the legal gaming market.**

It is apparent that after a number of years the public's appetite for gaming levels out. This leveling out would mean that even with the introduction of new games it would be unlikely that the public would take their disposable income out of savings to wager on gaming activities--substitution of income spent on sports betting for income otherwise spent on other games or in other uses would become more likely.

**State Lottery.** A number of studies and articles have concluded that state lotteries have approximately a ten year maturation process whereby per capita lottery sales are saturated.<sup>11</sup> The year to year increase in national lottery sales are attributable to the

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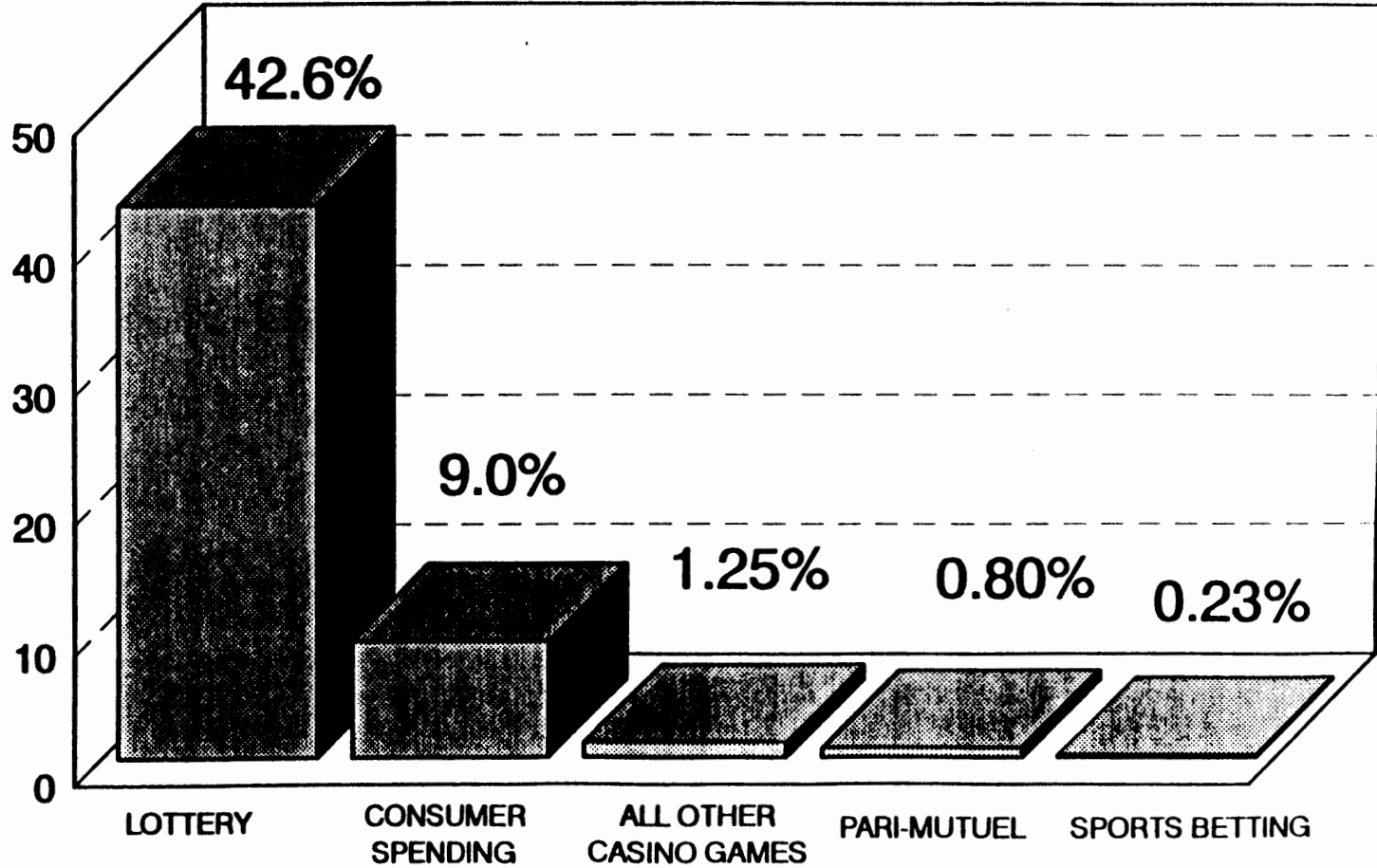
<sup>10</sup> Although some might be tempted to argue that sufficient additional income could be generated by economic expansion occasioned by the sports betting stimulus that money would not have to be drawn from existing sources to finance the larger handle. The argument sketched by simple percentage comparisons between Nevada and New Jersey does abstract from additional corporate or income taxes that might be collected from stimulated economic activity and additional play of other games caused by sports betting. However, such an argument would require extreme and instantaneous economic multipliers which have not been in evidence historically. The argument would employ the concepts of "supply side economics" at their extreme. And, to the extent that substitution between games exists--even those multipliers would be reduced or, if substitution were total, completely offset.

<sup>11</sup> Christiansen, E.M., "1990 Gross Wager", Gaming & Wagering Business, July/August 1991, pp. 33-43. Mikesell, J.L., "The Effects of Maturity and Competition on State Lottery Markets", Journal of Policy Analysis and Management, Vol. 6, Winter 1987, pp. 251-253. Deboer, L., "Lottery Sales Stagnation: Product Maturity or Small Jackpots?", Growth and Change, Winter 1990, pp. 73-77. Mikesell, J.L. and Zorn, C.K., "State Lottery Sales: Separating the Influence of Markets and Game Structure", Growth and Change,

**CHART 3**

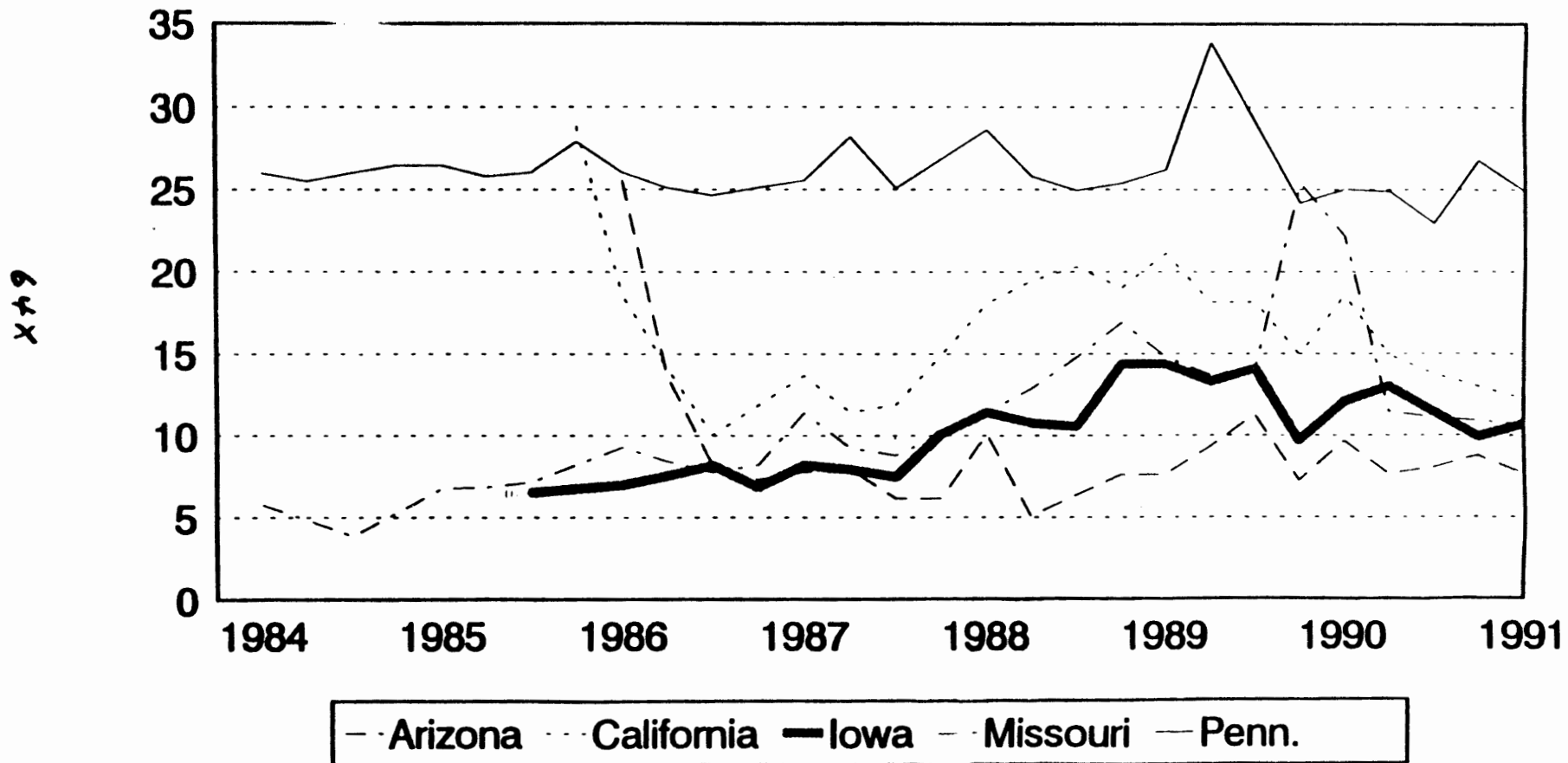
**STATE SHARE AS A PERCENTAGE  
OF EACH DOLLAR WAGERED OR SPENT**

X19



# CHART 4 Other States Lottery Sales Real Per Capita Sales

DOLLARS



introduction of new state lotteries--not the growth of existing lotteries. Generally, the addition of new games to mature lotteries has been considered the only way to increase gross revenues. Some of the older lottery games have been replaced with newer games.

New Jersey has been fortunate compared to a number of other mature lotteries. In 1990, gross revenues decreased two percent from the year previous. In 1991, there was a one percent increase over 1990. Other states have had substantial decreases in gross revenues. Per capita sales of five of these states are shown on the following collection of charts which illustrate the maturation process--California, Arizona, Pennsylvania, Iowa and Missouri--five state lotteries which have been in existence for some period of time. See Chart 4.

Compared to other states, New Jersey has one of the highest per capita lottery sales figures in the nation on a yearly basis. For example, in 1990 New Jersey ranked third behind Massachusetts and Maryland in lottery net income per capita with a measure of \$66 compared to Massachusetts' \$80 and Maryland's \$71 figures. By 1991, New Jersey remained third, but increased its per capita amount to \$67 while Massachusetts fell to \$77 and Maryland remained at \$71.

While New Jersey's lottery has held its own in actual dollars, it has not held up in real dollars. The trend was illustrated in Table 2 on page 7, which indicated a decrease in real terms of lottery revenue from \$416 million in 1987 to \$388 million in 1991. Lottery revenue in 1990 and 1991 had real growth of negative 6.6 and 3.0 percent respectively.

The maturation of the New Jersey lottery is further evidenced by the State's budget and revenue projections prepared by the New Jersey Office of Management and Budget (OMB) that have forecasted no growth (or slight negative growth) in lottery revenues over the next three years.

**Casino Wagering.** Casino wagering has also leveled. Along with stagnant Lottery sales this leveling in casino wagering further suggests that the limit of the public's willingness to commit increasing proportions of disposable income to gaming has been reached. As new casinos continued to open in the 1980s and the gross available casino square footage grew in Atlantic City, casino win and revenues to the State continued to grow at a rate beyond inflation. This occurred despite the fact that the overall hold between table and machine games was decreasing. The average weighted hold of all casinos in Atlantic City fell from 16.35 percent to 11.8 percent by 1991.

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Fall 1987, pp. 10-19. Clottfelter, C.T. and P.J. Cook, "Redefining 'Success' in the State Lottery Business", *Journal of Policy Analysis and Management*, Vol. 9, No. 1, 1990, pp. 99-104.

Year	Nominal Table Game Revenue Per Sq Foot	Nominal Slot Revenue Per Sq Foot	Real Table Game Revenue Per Sq Foot	Real Slot Revenue Per Sq Foot	Real Growth in Table Game Revenue Per Sq Foot	Real Growth in Slot Revenue Per Sq Foot
1980	\$2,285	\$243	\$2,772.93	\$294.78	NA	NA
1981	\$2,669	\$210	\$2,935.89	\$231.01	5.9%	-21.6%
1982	\$3,508	\$276	\$3,635.00	\$285.85	23.8%	23.7%
1983	\$4,191	\$330	\$4,207.47	\$331.49	15.7%	16.0%
1984	\$3,826	\$303	\$3,682.72	\$291.78	-12.5%	-12.0%
1985	\$3,626	\$287	\$3,369.99	\$266.64	-8.5%	-8.6%
1986	\$3,840	\$305	\$3,504.00	\$278.48	4.0%	4.4%
1987	\$3,753	\$298	\$3,304.01	\$262.40	-5.7%	-5.8%
1988	\$3,932	\$312	\$3,323.96	\$263.69	0.6%	0.5%
1989	\$4,011	\$318	\$3,235.04	\$256.31	-2.7%	-2.8%
1990	\$3,830	\$302	\$2,930.43	\$230.92	-9.4%	-9.9%
1991	\$3,858	\$305	\$2,832.56	\$223.70	-3.3%	-3.1%

The Atlantic City casino market has always been somewhat regional in nature. A study by Touche Ross done in 1987 for the Casino Association of New Jersey found that in 1984, 32% of visitors to Atlantic City casinos came from in-state, another 21% came from New York, and 23% came from Pennsylvania. This leaves 24% coming from all other places.<sup>12</sup> The number of visitors have also declined in recent years. In 1991, according

<sup>12</sup> Touche Ross International, Casino Industry's Economic Impact on New Jersey, Atlantic City Casino Association, October 20, 1987, Exhibit 16-18.

Casino gross revenue and revenues to the State grew substantially until 1989. Since 1989, gross revenues have flattened. See Table 2. Accordingly, real contributions to the State have fallen in real terms--from \$183.4 million in 1988 to \$173.5 million in 1991.

The flattening of the market was most apparent in 1990 when, despite the closing of the Atlantis, casino square footage grew some 70,882 square feet (an increase of 10.1%) due primarily to the opening of the Taj Mahal (120,000 square feet) and expansion of other existing casinos (while one casino closed). The Atlantic City casino gaming market was unable to adsorb the additional square footage offered.

Gross revenues and State revenues on a square foot basis peaked in 1989 at \$4.01 thousand and \$0.31 thousand respectively. Gross revenues and State revenues per square foot fell to \$3.83 thousand and \$0.3 thousand respectively in 1990 and slightly rebounded to \$3.86 thousand and \$0.30 thousand in 1991. See Table 9.

TABLE 10 NEW JERSEY PARIMUTUEL HANDLE AND SIMULCAST HANDLE 1982 TO 1990 Nominal Dollars			
Year	Total Parimutuel Handle	Simulcast Handle	Simulcast Handle As a % of Total Handle
1982	\$949,179,913	\$0	0.0%
1983	\$944,344,184	\$14,341,382	1.5%
1984	\$878,331,902	\$65,717,664	7.5%
1985	\$997,520,568	\$15,380,240	1.5%
1986	\$876,385,378	\$223,633,642	25.5%
1987	\$908,085,687	\$303,471,399	33.4%
1988	\$881,729,809	\$377,426,998	42.8%
1989	\$822,538,571	\$343,141,617	41.7%
1990	\$786,680,529	\$391,160,963	49.7%

In addition to simulcasting, the industry has sought to stop the downward fall by adding racing days and events to the schedule. Racing days have risen from 714 in 1976 to 850 in 1991. Nevertheless, from its boom in the 1960s, the average daily handle at New Jersey raceways has fallen substantially. From Fiscal Year 1977 to 1990 the average real (adjusted for inflation) handle--thoroughbred and harness racing combined--fell 57 percent.

Parimutuel revenues to the State have fallen in nominal terms in every year but three since 1978. They have fallen in real terms every year but two over that same period. The fall in nominal dollar revenue to the State produced by the parimutuel tax is exacerbated by viewing the return in real dollar and per capita terms as is illustrated by Chart 2.

In summary, the historical trends in New Jersey's gaming markets suggest that the market is saturated and that it is unlikely that sportsbetting would induce New Jersey citizens to forego savings to wager on sportsbook.

to the Atlantic City Convention and Visitors Bureau, 30,788,000 people visited Atlantic City, down 3.2% from the 31,813,000 who visited in 1990. In 1990, the number had fallen 0.5% to 31,842,776 visitors from 32,002,034 in 1989. Whether sports betting would stimulate additional visitors from out-of-state is conjectural.

In early 1991, various amendments were authorized to the Casino Control Act. Changes to the Act included permitting 24 hour gaming on weekends and holidays and the introduction of new table games including Sic Bo, Pia Gai and Red Dog. The win for the new games represent less than a half of a percent of total win. As for the weekend and holiday 24 hour gaming, which originated on the July 4th holiday of 1991, it has been too early to estimate its impact on casino revenues.

**Parimutuel Wagering.** Parimutuel wagering has suffered dramatic declines since the implementation of the State lottery and casino's. This decline supports the argument that the public's willingness to convert savings to wagers on gaming activities has become saturated.

Handle and attendance at New Jersey's four tracks has been declining since 1978. This follows the national trend. In 1990, for example, parimutuel wagering on horses rose by only 1.49% from 1989. On track wagering actually fell .86% while off track betting rose 8.48%.<sup>13</sup> Handle from simulcasting, steadily increasing in importance to the industry since its introduction in 1983, now constitutes nearly forty percent of the average daily handle. See Table 10.

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<sup>13</sup> Christiansen, *loc.cit.*, p. 33.

## **OUT-OF-STATE WAGERING AS A NEW REVENUE SOURCE**

The current Atlantic City market is generally regional in nature. A 1987 study prepared by Touche-Ross for the Atlantic City Casino Association entitled The Casino Industry's Economic Impact on New Jersey, indicates that 32 percent of the visitors to Atlantic City were from New Jersey, 23 percent from Pennsylvania and 21 percent from New York. Visitors from other states accounted for only 24 percent of the total in 1984. Counts by the Visitor's Bureau the last two years have shown a decline in out-of-state visitors to Atlantic City. Two points should be made in this regard:

- Easier access to Atlantic City via bus and air should help these proportions--but they would help all games, not just sports betting.
- Experience with sports betting in Quebec, or the sports lottery in Oregon show no particular out-of-state attraction, and sales have been flat in Oregon and declining in Quebec since their introduction.

As noted above, the Oregon Lottery conducts nine lottery contests which span most all types of lottery games. Instant games began in 1985, other types of numbers and lotto games were developed in 1985 through 1989, and a sports lottery was instituted in 1989. Oregon presently only conducts its sports lottery during the NFL season, with games revolving around the outcomes of NFL games. The Oregon lottery offers two "Sports Action" games. The first is a fixed prize game in which the player wins five dollars for each one dollar bet if three of three winners are picked correctly. Alternatively, the fixed prize game pays ten dollars for each one dollar bet if four of four winners are picked correctly. The second game allows the player the option of choosing three to fourteen winners with the prizes scaled accordingly. Odds are established before the week's game and do not change during the week

The Sports Action game's similarity to the variety of sports betting proposed for Atlantic City lies only on the fact that its winners are determined by the winners of professional sporting contests. Sales by calendar year, for all games is provided in Table 11 below. Note that the handle of the Sports Action game has been stagnant since its inception and has actually dropped in real terms. The growth in Oregon's Lottery Sales is in the Keno game, not the sports betting game. Out of state play on the Oregon sports lottery is not evident.

## ILLEGAL GAMING AS A NEW REVENUE SOURCE

There are no reliable estimates on the extent of illegal gaming in either New Jersey or nationally. However, because illegal winnings are not taxed, illegal games are more varied and flexible, wagering is easily accessible by phone, and credit (albeit at a high price) is also very accessible; the only way that legal betting could compete with illegal betting would be by offering a significantly higher expected payout. Clearly, competition by increasing the proportion of sales paid out in prizes is detrimental to the State's interest in tax revenue from taxes levied against the game operator. One study has indicated that an average illegal sports betting game pays out 91 percent of its book--a figure that would be hard to match (given a tax free effective rate of return) for a state seeking to augment revenues.<sup>14</sup>

Estimates of the size of the illegal market are difficult to come by and harder to trust. The Internal Revenue Service has stopped calculating estimates as of 1991 because of their non-reliability.

The nature of illegal gaming is such that casino sports betting does not look like a viable substitute. Studies have revealed two types of sports bettors although the split between the two has not been established. The first is the social player--the neighborhood or office pool. There is no reason to believe that this group will, in fact, abandon the social allure of such wagering for the Atlantic City setting. The second is the serious handicapper or the professional. The attraction of the illegal market to this type of player is obvious--tax avoidance is facilitated, the games can be flexible, and credit can be arranged more easily. The provision of sports betting at Atlantic City casinos would not appreciably diminish these advantages.

When casino wagering was proposed for Atlantic City, some of its early law enforcement proponents had hoped that legalized gaming would have taken the profits out of illegal gaming. Law enforcement professionals do not believe that to have been the case, however. Former New Jersey State Police Superintendent, Clinton Pagano, suggested that "the legalization [of gambling] has no or little negative effect on illegal gambling in New Jersey."

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<sup>14</sup> See Pagano's testimony before the Governor's Advisory Commission on Gambling, October 15, 1987. For a further discussion on this issue see Report and Recommendations of the Governor's Advisory Commission on Gambling, Trenton, New Jersey, June 30, 1988, pp. 186-188.

across states. The study found considerable sensitivity of gaming to price which, in turn, implies considerable constraint upon the ability of states to raise revenue from gaming. Studies by Simmons and Sharp in 1987<sup>16</sup> and Gulley and Scott<sup>17</sup> in 1989 examined the impact of state lotteries on parimutuel wagering and found significant substitution.

Thalheimer and Ali, in 1992<sup>18</sup> examined the effects that the implementation of an intrastate intertrack wagering system (expanded simulcasting) in New Jersey might have on on-track thoroughbred and harness parimutuel wagering. In the study Thalheimer and Ali also examined the impact that New Jersey lottery and casino wagering had had upon the parimutuel handle. They found that a 1 percent increase in casino gaming was associated with a 0.339 percent drop in parimutuel wagering in the 1987 to 1988 period. The study also finds that a 1 percent increase in lottery handle was associated with a 0.172 percent decrease in parimutuel wagering in 1988.<sup>19</sup> Applied to 1988 data, this would mean that the increase in lottery accounted for a \$17.2 million drop in handle at racetracks and the increase in casino handle accounted for a \$33.9 million decrease in handle at New Jersey racetracks.

Using the same technique for this study indicated that a 1 percent increase in casino gaming was associated with a 0.23 percent decrease in lottery sales and a 0.11 percent decrease in parimutuel gaming. There would also be offsets to consumption, but the model was unable to capture the impact in a statistically significant manner.

In Oregon, three years of data indicate a consistent play without growth of sales for the "Sports Action" game in its three years of existence. The sales have been considerably below expectations. However, sales of the first five games have fallen over 14 percent since the introduction of the game providing further evidence of substitution. In fact, Keno, a game introduced in 1992 provides over 80% of the growth in the Oregon lottery in 1992. The first year of Video Lottery is promising, but any analysis of trend would be meaningless.

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<sup>16</sup> Simmons, S.A. and R. Sharp, "State Lottery Effects on Thoroughbred Horse Racing", Journal of Policy Analysis and Management, June, 1987, pp. 446-448.

<sup>17</sup> Gulley, D., and F. Scott, "Lottery Effects on Parimutuel Tax Revenues", National Tax Journal, 1989, pp. 89-93.

<sup>18</sup> Thalheimer, R. and M.M. Ali, *loc.cit.*

<sup>19</sup> These estimates resulted from estimated cross elasticities between parimutuel wagering and lottery playing and between parimutuel wagering and casino gambling of -.3794 and -.03446 respectively. This would mean that each one percentage point increase in lottery handle has historically been associated with a .3794 percent decrease in the parimutuel handle and each one percentage point increase in casino drop and handle has historically been associated with a .03446 percent drop in parimutuel handle.

TABLE 11

**OREGON LOTTERY SALES: 1985 to MAY, 1992**  
(\$ MILLIONS)

FY	Inst.	Mega -bucks	Daily 4	Lotto Amer	Break- Opens	Sport Action	Keno	Video Lott.	Power -Ball	Total	Net Inc.	Av S: s/
	4/85	11/85	3/87	2/88	9/87	9/89	9/91	3/92	4/92			
1985	35.128									35.128	14.5	3
1986	80.864	11.383								92.247	26.5	1
1987	56.201	39.863	3.727							99.791	32.1	1
1988	48.933	93.221	8.035	3.919	4.980					159.088	55	3
1989	50.783	64.678	7.425	19.973	12.556					155.415	51.3	2
1990	51.480	52.206	7.048	32.421	13.667	7.181				164.003	50.1	3
1991	48.048	58.420	6.682	18.404	13.547	7.012				152.113	43.6	2
1992	39.185	64.285	4.597	13.657	11.639	7.512	68.736	7.577	0.764	217.952	NA	4
TOT.	410.622	384.056	37.514	88.374	56.389	21.705	68.736	7.577	0.764	1075.737	273.1	

Lotte-Quebec operates a lottery game based on the results of National Hockey League games where total winnings are based upon the odds of winning. A player may wager on three to six games of a total of as many as thirty-six games. Payout is equal to about sixty percent of the wagering pool. In the 1991-92 hockey season sales are averaging \$800 to \$1 million per week--about half the amount projected when the game was launched. There appears to be no great draw from the surrounding provinces.

### THE LIKELIHOOD OF SUBSTITUTION

Using a variety of theoretical models, numerous studies have found a significant and negative substitution between various forms of gaming both in New Jersey and elsewhere. Suits, for example,<sup>15</sup> tested the elasticity of demand for legal bookmaking in Nevada by examining changes in price of legal bookmaking occasioned by the 1974 reduction of the federal excise tax on bookmaking. He also examined the elasticity of demand for betting at thoroughbred race tracks by examining differences in takeout

<sup>15</sup> Suits, Daniel B., "The Elasticity of Demand for Gambling", Quarterly Journal of Economics, February 1979, pp. 155-162.

### ESTIMATES OF REVENUE IMPACT

Many of the unofficial estimates of contributions to State revenue from sports betting are based on the Nevada experience. Sports betting in Nevada for fiscal year 1990-1991 resulted in a sports pool drop of \$1.782 billion, resulting in a sports pool win of \$48 million, a hold of 2.73 percent. But, even in Nevada the state received only \$3 million in direct gambling tax revenues (before netting against any offsets), only 0.168 percent of the total amount wagered on sporting events. The total sports pool win of \$48 million was only 0.89 percent of Nevada's total win of \$5.4 billion. Over the last five years, Nevada's sports betting has averaged .88 percent of Nevada's total win. See Table 12.

	FY1985-86	FY1986-87	FY1987-88	FY1988-89	FY1989-90	FY1990-91
Sports Pool Win	\$30,633	\$35,314	\$31,987	\$37,839	\$48,325	\$48,684
Sports Pool Drop	\$880,258	\$989,187	\$1,073,389	\$1,358,238	\$1,482,382	\$1,782,564
Sports Pool Win (% of Drop)	3.48	3.57	2.98	2.79	3.26	2.73
Total Nevada Win (nonrestricted)	\$3,418,084	\$3,768,001	\$4,178,685	\$4,581,915	\$5,084,087	\$5,411,478
Sports Pool Win (% of Total Win)	0.9	0.94	0.76	0.82	0.95	0.89

New Jersey's gaming industry differs from that of Nevada's in size, tax structure, market area and games played. Nevertheless, the following analysis, in a best case sense, superimposes the experience of Nevada sports betting upon the size and tax structure of New Jersey in way which allows for a reasonable estimate of the impact of sports betting on New Jersey revenues. The effects of legalized sports betting in New Jersey may be separated into five categories. The first three represent additions and the last two represent reductions (offsets) to net New Jersey State revenue as a result of legalized casino sports betting.

#### Additions to Revenue:

- The direct tax revenue that could be anticipated from sports betting.
- The direct tax revenue that could be anticipated from other casino game play that is stimulated by sports betting.
- A multiplier to capture the tax consequences of economic ripple effects .

Similar correlation (without any ability to assign causation) has been found in other states. For example the secular decline in parimutuel gaming in Florida seemed to be accelerated by the introduction of a State Lottery in 1988. The parimutuel wagering handle fell 23 percent from \$2.6 billion to \$1.7 billion with 2.5 million fewer persons attending parimutuel events. As a result, total parimutuel tax receipts fell from \$130 million during the 1987-88 period to \$118 million during 1988-89 despite a four percent increase in the number of racing days.<sup>20</sup>

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<sup>20</sup> Shelley, William J., "Looking Behind a 'Sure Thing': A Fiscal and Economic Analysis of Legalized Sports Betting in Florida", Tallahassee, Florida, April 20, 1992.

- The third assumes that the New Jersey's sportsbook drop will be the same as Nevada's sportsbook drop.
- The fourth is derived using the assumption that New Jersey's sportsbook win will be the same proportion of New Jersey's casino win as is the case between Nevada's sportsbook win and Nevada's non-sportsbook casino win. This figure is .91%. Because New Jersey's casino's have a higher win to drop ratio than Nevada casino's the New Jersey sportsbook drop yielded by this assumption is a relatively high 56% of Nevada's sportsbook drop.

All ratios are applied to 1991 data and would have to be adjusted in real terms if the estimates were to apply in future years. That is, these estimates assume that sports betting is implemented this year.

**Assumed Sources of Funds Wagered on Sportsbook.** The net effect on New Jersey State revenue depends in large degree on the source of the funds wagered on sportsbook. The most optimistic scenario for New Jersey revenue returns from legalized sports betting would be if 100% of the funds wagered on sportsbook came from new revenue sources. The most pessimistic scenario would be if 100% of the funds wagered on sportsbook came from funds that would otherwise have been spent for lottery tickets with its relatively high State share of dollar sales. This analysis calculated anticipated State revenue using three distinct distribution scenarios as to the possible sources of funds wagered on sportsbook.

- The first assumes the most optimistic scenario, no substitution from other legalized gaming. In other words all wagers come from new spending/revenue sources.
- The second assumes that 50% of the funds wagered come from new spending/revenue sources and 50% from existing spending/revenue sources (25% from consumption, 22.9% from other casino gaming, 1.1% from lottery sales, and 1% from parimutuel gaming)
- The third assumes that none of the funds wagered on sports betting would come from new spending/revenue sources and that 100% would come from other legalized gaming (91.8% from other casino gaming, 4.5% from lottery sales, and 3.8% from parimutuel)<sup>21</sup>

## REVENUE ADDITIONS

**Direct Sports Bet Tax Revenue.** Using the above four Sports Betting Drop scenarios New Jersey drop on sportsbook ranged from \$0.6 billion to \$1.8 billion. Applying Nevada's 2.7% hold rate for casino sportsbook, the casino win ranged from \$16 million

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<sup>21</sup> In each case, the proportion allocated to each legalized gaming form was determined based on the 1991 handle in each category.

#### Revenue Offsets:

- The loss of revenue to the State caused by substitution.
- The multiplier to capture the tax consequences of economic ripple effects caused by the substitution.

Estimates of the following quantities are required to determine the appropriate magnitudes of the categories listed above. The required quantities are:

- Total sports bet drop,
- The sources of the funds wagered on sports betting (i.e. the degree of substitution of an existing revenue source for sports betting),
- The relevant multipliers for both casinos and other consumption,
- The degree by which sports betting contributes to other casino win, and
- The tax rate that would apply to each source of revenue.

This Report has argued that existing revenue sources would constitute a significant share of the funds wagered on sports betting. In the following revenue analysis, the revenue impact is estimated using a series of scenarios for the total amount wagered on sports betting and the portion of the sports wager that comes from new revenue sources. The assumptions used in this analysis--most notably the multipliers that are used, the assumed contribution of sports betting to other casino win, and the effective tax rates--engender highly optimistic assumptions regarding revenue impact. Where possible, assumptions are derived from calculations sponsored by the New Jersey Casino Association.

#### ASSUMPTIONS

**Sports Betting Drop Assumptions.** This analysis establishes a variety of estimates of the potential drop on legalized sports betting in New Jersey based on extrapolations from the experience in Nevada.

- The first assumes that New Jersey's sportsbook drop will be the same proportion of Nevada's sportsbook drop as is the case between New Jersey's total casino drop and Nevada's non-sportsbook casino drop. This assumption suggests that New Jersey's sportsbook drop would be 40% of Nevada's.
- The second assumes that New Jersey's sportsbook drop will be the same proportion of New Jersey's casino drop as is the case between Nevada's sportsbook drop and Nevada's non-sportsbook casino drop. This assumption suggests that New Jersey's sportsbook drop would be 2.2% of New Jersey's total casino drop.

<b>TABLE 13 EFFECT OF SPORTS BETTING ON NEW JERSEY REVENUES IF THERE IS NO SUBSTITUTION (NO OFFSETS)</b>				
Positive Effects on Revenue	Sports Betting Drop Assumptions			
	NJ Total Handle Relative to NV Non-Sports Handle	NV Sports Handle Relative to NV Total Handle	NJ Sports Handle Equal to NV Sports Handle	NV Sports Win Relative to NV NonSports Casino Win
NJ Sportsbook Drop	\$715,107,691	\$594,691,455	\$1,782,564,103	\$995,503,051
NJ Casino Win on Sports Betting	\$19,522,440	\$16,235,077	\$48,664,000	\$27,177,233
NJ State Direct Revenue from Sport Betting	\$2,069,379	\$1,720,918	\$5,158,384	\$2,880,787
NJ Revenue From State Tax on Casino Spinoff from Sports Betting	\$2,870,599	\$2,387,222	\$7,155,603	\$3,996,167
NJ Revenue From Tax on Multiplier Amount	\$6,981,033	\$5,805,504	\$17,401,768	\$9,718,312
<b>Total of All Positive Effects</b>	\$11,921,010	\$9,913,644	\$29,715,755	\$16,595,266

### REVENUE OFFSETS

The probability of some substitution of other taxed spending within the State for sports betting was argued above. This substitution effect is exacerbated in a mature gaming market. The slow growth of New Jersey's lottery, casino revenue and decrease in parimutuel wagering indicate that such a mature and tapped out market exists in the State.

to \$48 million. The resulting direct revenue to New Jersey from taxing sportsbook win at the suggested 10.6% of casino win ranged from \$1.7 million to \$5.6 million.

**Other Tax Revenue from Casino Spinoff.** A positive effect on New Jersey State revenue caused by legalized sports betting would be the inclination for those who wager on sportsbook to also wager on other casino games. In this analysis, it has been assumed that each \$1 dollar brought in for sportsbook will generate \$0.33 in other casino gambling. Although this "Casino spinoff" figure is clearly arbitrary, it is also clearly optimistic.

Using the above Sports Betting Drop scenarios, the addition to New Jersey casino drop caused by the advent of legalized sportsbook ranged from \$196 million to \$588 million. Applying Atlantic City's 11.8% average hold rate on casino's and the 10.6% State tax on casino win yields revenue to the State ranging from \$2.4 million to \$7.2 million.

**Tax Revenue from Multiplier Effects.** The increased revenue of the casinos resulting from both new sports bet win and enhanced win from the casino spinoff effect also add to New Jersey State revenue through a "multiplier effect". As a result of the increased business from sportsbook, the casinos will employ additional people, pay additional wages, and provide other monetary benefits which cycle through the New Jersey economy many times over, each time producing additional income and tax revenue. The "multiplier effect" of casino spending has been estimated by the New Jersey Office of Economic Policy and Planning to be a 1.6367 times the direct effect. In other words if legalized sportsbook generated additional casino revenue of \$1 after this \$1 worked its way through the economy it would have generated \$1.64 dollars of taxable income.

The additional casino win generated directly from legalized sportsbook and from the casino spinoff effect, ranged from \$39 million to \$116 million. Applying the multiplier to these figures yields taxable economic activity of between \$65 million and \$180 million. Because this economic activity is both income and consumption the blended average tax on income and sales of 9% was applied to determine additions to New Jersey State revenue. The multiplier effect caused additions to New Jersey State revenue that ranged from \$5.8 million to \$17.4 million.

Thus, using the four assumptions for Sports Betting Drop and assuming that none of the funds wagered on sportsbook would come from other gaming or from consumption, the total revenue to New Jersey after all positive effects were included ranged from \$9.9 million to \$29.7 million. See Table 13.

**Tax Revenue Loss From Multiplier Effects.** Reductions in non-sports gaming activity and consumption translate into reductions in revenues for both casino's and other shops. Due to the multiplier effect this translates into lost jobs, reduced wages and reduced benefit payments. Depending on the sports betting wager assumption this means a loss of between \$7.3 million and \$22.0 million due to lost income and sales tax revenue from reductions in non-sports gaming. For consumption the loss ranged between \$20.1 million and \$60.2 million. The total loss due to reduced income and sales tax collection as a result of the multiplier effect equaled between \$27.4 million and \$88.2 million.

After taking into account all the revenue additions and revenue offsets, the net effect to New Jersey State revenue of a 25 percent reduction in current gaming caused by the increase in sports betting (1.1 % Lottery sales, 22.9% Casino games, and 1.0% Parimutuel wagering) would be a gain of \$2.6 million to \$7.7 million.

After taking into account all the revenue additions and revenue offsets, the net effect to New Jersey State revenue (assuming that the sources of funds wagered on sportsbook are divided 50% new sources, 25% from consumption that would otherwise be taxed, 1.1% from Lottery sales, 22.9% from other Casino games, and 1.0% from Parimutuel wagering) would be a loss of between \$30.9 million and \$92.6 million. See Table 14.

Despite the fact that proponents of sports betting see it as a way of revitalizing the casino market as well as providing State revenue, the new gaming market can not help but engender some substitution. Given that the proportion of each dollar spent on sportsbook that goes to the State is 181 times less than the rate of each dollar spent on lottery that goes to the State, 39 times less than the rate on ordinary consumption that goes to the State, 45 times less than the rate spent on other casino games that goes to the State, and 17 times less than the proportion of dollar that's spent on parimutuel wagering that goes to the State, only a small amount of substitution is required before all potential positive revenues are substantially reduced and the net effect turns to a lose for New Jersey State revenues.

**Scenario 1: No Substitution.** The first scenario, no substitution was described above. The \$29.7 million is the polar case--the most optimistic. It would require that New Jersey sportsbook be as large as Nevada's and that of this \$1.7 billion in New Jersey sportsbook wagering none of this increased spending would come from other gaming or other consumption already taxed. This is clearly unrealistic.

**Scenario 2: Partial Substitution.** The second scenario assumes that 50% of the funds wagered come from new spending/revenue sources and 50% from existing spending/revenue sources (25% from consumption, 22.9% from other casino gaming, 1.1% from lottery sales, and 1% from parimutuel gaming). The gaming percentages are those that would apply if substitution were proportionate to the total handle of each type of gaming that exists in New Jersey today. This scenario also postulates a substitution of twenty five percent sportbook wagering by a reduction in consumption. This reduction in consumption would cause a reduction in the New Jersey State tax revenue from the blended sales and income tax rate.

**Direct Revenue Losses.** Direct tax revenue losses are due to the reduction in New Jersey State tax revenue from the reduction in funds wagered on other types of gaming and from the reduction of income spent on consumption. The direct revenue loss from reductions in non-sports gaming range between \$4.6 million and \$16.8 million depending on the Sportsbook wager assumption.

The direct revenue loss from reductions in consumption non-sports gaming range between \$13.4 million and \$40.1 million depending on the Sportsbook wager assumption. Combining these two direct revenue losses yields a total direct revenue loss of between \$18.0 million and \$56.9 million.

**Scenario 3: Total Substitution.** The third scenario assumes that none of the funds wagered on sports betting would come from new spending/revenue sources and that 100% would come from other legalized gaming (91.8% from other Casino games, 4.5% from Lottery sales, and 3.8% from parimutuel wagering)

**Direct Tax Revenue Loss Due to Substitution.** Direct tax revenue losses are due to the reduction in New Jersey State tax revenue from the reduction in funds wagered on other gaming. This analysis assumes no reduction in consumption.

The direct revenue loss from reductions in non-sports gaming range between \$18.3 million and \$54.8 million depending on the Sportsbook wager assumption.

**Tax Revenue Loss Due To Multiplier Effects.** Reductions in non-sports gaming activity translate into reductions in revenues for both casino's and other shops. Due to the multiplier effect this translates into lost jobs, reduced wages and reduced benefit payments. Depending on the Sports Betting Wager Assumption this means a loss of between \$11.2 million and \$33.4 million due to lost income and sales tax revenue from reductions in non-sports gaming.

After taking into account all the revenue additions and revenue offsets, the net effect to New Jersey State revenue (assuming that the sources of funds wagered on sportsbook are divided 0% from new sources, 0% from consumption that was previously taxed, 4.5% from Lottery sales, 91.8% from other Casino games, and 3.8% from Parimutuel wagering) would be a loss of between \$19.5 million and \$58.4 million. See Table 15.

**TABLE 14 EFFECT OF SPORTS BETTING ON NEW JERSEY REVENUES  
SCENARIO 2**

<u>GAINS</u>	NJ Total Handle/ NV NonSports Handle	NV Sports Handle/ NV Total Handle	NV Sports Handle	NV Sports Win NV Casino Win
NJ Sportsbook Drop	\$715,107,691	\$594,691,455	\$1,782,564,103	\$995,503,05
NJ Casino Win on Sportsbook	\$19,522,440	\$16,235,077	\$48,664,000	\$27,177,25
NJ Revenue from Sportsbook	\$2,069,379	\$1,720,918	\$5,158,384	\$2,880,78
NJ Revenue From Tax on Casino Spinoff Win	\$2,870,599	\$2,387,222	\$7,155,603	\$3,996,16
NJ Revenue from Tax on Multiplier	\$6,981,033	\$5,805,504	\$17,401,768	\$9,718,31
<b>Total of All Positive Effects</b>	<b>\$11,921,010</b>	<b>\$9,913,644</b>	<b>\$29,715,755</b>	<b>\$16,595,26</b>
<b>LOSSES</b>				
<i>Sources of Funds Wagered on Sportsbook 50% New, 25% Consumption, 1.1% Lottery, 22.9% Casino, 1.0% Parimutuel</i>				
<b>Other Gaming:</b>				
Direct Revenue Loss	\$5,490,304	\$4,565,798	\$13,685,798	\$7,643,06
Reduction in Lottery Sales	\$4,013,962	\$3,338,055	\$10,005,687	\$5,587,84
Reduction in Casino Win	\$19,346,448	\$16,088,720	\$48,225,300	\$26,932,23
Reduction in Parimutuel Win	\$1,427,171	\$1,186,851	\$3,557,540	\$1,986,76
Multiplier Effects	\$37,181,371	\$30,920,439	\$92,682,791	\$51,760,27
State Revenue Loss Due to Multiplier	\$3,346,323	\$2,782,839	\$8,341,451	\$4,658,42
<b>Total Losses</b>	<b>\$8,836,628</b>	<b>\$7,348,637</b>	<b>\$22,027,249</b>	<b>\$12,301,49</b>
<b>Consumption:</b>				
Direct Revenue Loss	\$16,089,923	\$13,380,558	\$40,107,692	\$22,398,81
Multiplier Effects	\$268,165,384	\$223,009,296	\$668,461,538	\$373,313,64
Revenue Loss Due to Multiplier	\$24,134,885	\$20,070,837	\$60,161,538	\$33,598,22
<b>Total Losses</b>	<b>\$40,224,808</b>	<b>\$33,451,394</b>	<b>\$100,269,231</b>	<b>\$55,997,04</b>
<b>Combined Total Losses</b>	<b>\$49,061,435</b>	<b>\$40,800,032</b>	<b>\$122,296,480</b>	<b>\$68,298,53</b>
Net Effect on Revenue (Gaming Only)	\$3,084,382	\$2,565,007	\$7,688,506	\$4,293,77
Net Effect on Revenue (Gaming and Consumption)	(\$37,140,425)	(\$30,886,388)	(\$92,580,725)	(\$51,703,27

The above analysis provided a range of estimates of the effects of legalized sports betting on New Jersey State revenue. The range illustrates the significant downside risk and only very limited potential revenue gain.

As noted previously, historical statistical analysis provides some insight into the expected levels of substitution and the potential revenue impacts of legalized sports betting. Data indicate that a one percent increase in casino gaming (which would be sports betting in the case at hand) has been associated with a 0.23 percent decrease in lottery sales and a 0.11 percent decrease in parimutuel wagering. Assuming the New Jersey sportsbook handle of \$715 million, the net effect on State revenue would be from no change in revenue to a loss of \$5 million--depending upon the impact of sports betting on general consumer spending.

**TABLE 15 EFFECT OF SPORTS BETTING ON NEW JERSEY REVENUES  
SCENARIO 3**

<b>GAINS</b>	NJ Total Handle/ NV NonSports Handle	NV Sports Handle/ NV Total Handle	NV Sports Handle	NV Sports Win/ NV Casino Win
NJ Sportsbook Drop	\$715,107,691	\$594,691,455	\$1,782,564,103	\$995,503,051
NJ Casino Win on Sportsbook	\$19,522,440	\$16,235,077	\$48,664,000	\$27,177,230
NJ Direct Revenue from Sportsbook	\$2,069,379	\$1,720,918	\$5,158,384	\$2,880,787
NJ Revenue From Tax on Casino Spinoff Win	\$2,870,599	\$2,387,222	\$7,155,603	\$3,996,167
NJ Revenue From Tax on Multiplier	\$6,981,033	\$5,805,504	\$17,401,768	\$9,718,312
<b>Total of All Positive Effects</b>	<b>\$11,921,010</b>	<b>\$9,913,644</b>	<b>\$29,715,755</b>	<b>\$16,595,266</b>
<b>LOSSES</b>				
<i>Sources of Funds Wagered on Sportsbook: 0% New, 0% Consumption, 4.5% Lottery, 91.7% Casino, 3.8% Parimutuel</i>				
Direct Revenue Loss From Other Gaming	\$21,961,217	\$18,263,191	\$54,743,192	\$30,572,261
Reduction in Lottery Sales	\$16,055,847	\$13,352,220	\$40,022,750	\$22,351,381
Reduction in Casino Win	\$77,385,790	\$64,354,878	\$192,901,200	\$107,728,930
Reduction in Parimutuel Win	\$5,708,685	\$4,747,406	\$14,230,160	\$7,947,071
Multiplier Effects of All Reductions in Win	\$148,725,483	\$123,681,755	\$370,731,165	\$207,041,081
State Revenue Loss Due to Multiplier	\$13,385,293	\$11,131,358	\$33,365,805	\$18,633,691
<b>Total Losses</b>	<b>\$35,346,511</b>	<b>\$29,394,549</b>	<b>\$88,108,997</b>	<b>\$49,205,951</b>
<b>Total Net Effect on NJ State Revenue</b>	<b>(\$23,425,501)</b>	<b>(\$19,480,905)</b>	<b>(\$58,393,242)</b>	<b>(\$32,610,693)</b>

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## CONCLUSIONS AND OBSERVATIONS

The above analysis presented a spectrum of possibilities and their impacts on New Jersey State revenue. It is clear that the potential gains--even in the most optimistic scenarios with the most optimistic assumptions--are small in comparison to the potential revenue losses under feasible assumptions.

The following observations provide additional quantitative evidence that further demonstrate the limited ability of sports betting to raise any revenue and underscore the sensitivity of revenues to actual substitution. It can be seen that the risk is on the downside.

- If only 0.68% of the total sportsbook wager were to come from lottery sales the direct revenue gains from legalized sports betting would be eliminated.
- If only 3.22% of the total sportsbook wager were to come from consumption the direct revenue gains from legalized sports betting would be eliminated.
- If only 9.42% of the total sportsbook wager were to come from a distribution (based on handle) of non-sports gaming activities the direct revenue gains from legalized sports betting would be eliminated.
- Even if New Jersey's sports pool were double the pool of Nevada (\$3,564 million), then direct resulting revenues would be only about \$4.1 million. In comparison, the New Jersey Lottery, with its current sales of \$1,224 million, generated revenue to the State of \$514 million, a much more effective revenue producer.
- If New Jersey's sports pool were large enough to provide, say \$25 million of revenue to the State directly, then the win would have to be \$312.5 million resulting from a drop of about \$10.8 billion. This is 8.8 times the entire sales of the New Jersey Lottery in 1991 and 6.05 times the entire drop in Nevada in 1991.
- Nevada's current sports pool drop of \$1.782 billion should be contrasted with the drop of \$880 million in fiscal year 1985-86. It has taken a number of years to reach current levels. Aside from New Jersey's casino industry being considerably smaller than Nevada's, it would also take some time before New Jersey could raise the sportsbook drop that were discussed as theoretical possibilities.



# NATIONAL BASKETBALL ASSOCIATION

OLYMPIC TOWER • 645 FIFTH AVENUE • NEW YORK, N. Y. 10022 • 212-826-7000

DAVID J. STERN  
COMMISSIONER

**Statement of David J. Stern, Commissioner  
of the National Basketball Association  
New Jersey Senate Judiciary Committee  
May 28, 1993**

## INTRODUCTION

Good Morning. Chairman Gormley, and Committee members, I am David J. Stern, Commissioner of the National Basketball Association. I appreciate your giving me the opportunity to explain why the NBA and its member teams, including the New Jersey Nets, vigorously oppose SCR-103, which would place on the ballot a proposed amendment to New Jersey's Constitution authorizing Atlantic City's casinos to conduct wagering on professional sporting events.

This bill, like the proposals that preceded it, poses a significant danger to the NBA, its players and our fans. In addition, the bill is bad public policy and will not result in any significant additional revenues for the State. The fact that the latest sports gambling bill does not permit betting on college games both admits the League's basic concerns and renders the casinos' revenue projections even more exaggerated and unrealistic.

I would like to make several specific points that explain the NBA's position in more detail.

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Thalheimer, R. and M.M. Ali, "An Analysis of the Impact of Intra-state Intertrack Wagering, a State Lottery and Casino Gambling on Parimutuel Horse Race Wagering: New Jersey - An Expanded Analysis", University of Louisville, Department of Equine Administration, Louisville, Kentucky, February, 1992.

Touche Ross International, Casino Industry's Economic Impact on New Jersey, Atlantic City Casino Association, October 20, 1987.

United States Department of Labor, Bureau of Labor Statistics, Consumer Price Index.

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profit motive. As a result, the NBA and its reputation will be damaged.

**II. LEGALIZED SPORTS BETTING UNFAIRLY PLACES ATHLETES AND THE GAMES UNDER A CLOUD OF SUSPICION AND COULD ERODE PUBLIC CONFIDENCE IN ORGANIZED SPORTS.**

Gambling on sporting events inevitably gives rise to suspicions of "the fix." Beyond merely shifting the fan's focus away from winning the game to winning a bet, when gambling is permitted on games, normal incidents of the game like missed shots, turnovers, referees' calls and coaching strategy inevitably fuel speculation, distrust and accusations of point-shaving or game-fixing. All of this can occur even when totally unfounded. The potential for injury to the League, its teams and its players is very real.

The proposal you are presently considering, unlike those previously before you, specifically excludes betting on college games. This exclusion of college games from legalized casino wagering admits to the correctness of the NBA's concern -- the fan may perceive that a basket was missed because of a fix. Under SCR-103, should a crucial turnover occur in a widely publicized Seton Hall or Rutgers game, the player involved will not be the subject of suspicion, since casino wagering on college games is not permitted. But if, one year later, one of those Seton Hall or Rutgers players, who is now playing for the Knicks or the Nets (on whose games wagering will be permitted) commits that same turnover, the perception of the fix will exist, the player will be placed under a cloud of suspicion, and the

I. **SPORTS BETTING CHANGES THE INTERESTS OF OUR SPECTATORS FROM THAT OF FANS TO THAT OF BETTORS WHO ARE FIRST AND FOREMOST INTERESTED IN BEATING THE POINT SPREAD.**

We believe that at the core of the NBA's success is a special relationship between our fans and our players who are recognized as premier entertainers of world-class stature and known for their spectacular skill and honest, tough competitiveness.

All this is threatened if our games and our players become the object of widespread, state-promoted or state-sanctioned gambling. Legalized sports betting creates a new type of fan - the "point spread fan" - who is predominantly concerned with the game's ultimate point differential, regardless of who wins or loses. Players' missed baskets, coaches' strategic decisions, and every referee's whistle comes to be viewed through the prism of the impact on the betting line rather than whether the team won or its players performed well. In essence, sports betting transforms the betting line into the bottom line.

Many of you undoubtedly followed the valiant effort the Nets just exhibited in their five-game playoff against the Cleveland Cavaliers and joined in the excitement the team generated among its fans and throughout the state. But if Nets fans were to leave the Byrne Meadowlands Arena feeling disappointed or cheated because Chuck Daly coached a conservative yet winning game (or even worse, elated because the Nets lost but beat the point spread), the special relationship between this team and its fans will be badly, and perhaps irreparably, altered. For these fans, the entertainment value of our games will have been replaced by a

placing a bet in Nevada, will only foster an environment that encourages unhealthy levels of gambling.

**III. LEGALIZED SPORTS WAGERING DOES NOT DIVERT MONEY FROM ORGANIZED CRIME.**

One of the great myths offered by the proponents of legalized sports betting is that the state can somehow successfully compete with organized crime. It cannot.

John McGinley, former Special Agent in charge of the FBI's New York-New Jersey Office, has testified that legalized gambling has "created a new market of gamblers that does not either compete with illegal groups or hurt their operations at all."

The law enforcement community knows that state-sanctioned sports wagering will only serve as a lure to eventual participation in the illegal sports betting market. Many persons - who otherwise might never gamble - introduced to sports betting through a pari-mutuel sports pool game may eventually turn to illegal book-makers who offer better odds, credit and tax-free winnings. In fact, there is a substantial likelihood that legalized sports gambling will actually increase the incidents of illegal gambling and its attendant problems of crime, financial insolvency and family discord.

**IV. LEGALIZED SPORTS BETTING WOULD ADVERSELY IMPACT THE MOST VULNERABLE ELEMENTS OF OUR SOCIETY.**

Children and teenagers are among the most avid sports fans. Professional athletes are often idolized and held up to our youth as role models. I respectfully submit that New Jersey should not

integrity of the sport will be compromised. The bottom line is that the exclusion of gambling on college games is really nothing more than an acknowledgment that sports betting has a corrosive effect on the integrity of the sport.

The mere suspicion of a fix, no matter how unwarranted, can seriously harm a sport's popularity by placing its integrity in question and by creating associations in the public's mind between the game and unsavory characters. The recent allegations of a gambling ring involving, among others, members of the University of Rhode Island's basketball team and the point shaving scandal of Boston College in the 1980's vividly illustrate the evils that arise when sports and gambling are combined. In fact, public opinion surveys demonstrate that while the public has a high degree of confidence in the integrity of professional baseball, football, hockey and basketball, it has much less confidence in the integrity of sports traditionally associated with wagering such as horse racing and jai alai.

Moreover, the threat of sports betting tainting professional sports teams is much greater in New Jersey than in Nevada, the only state where single-game wagering is legally conducted. New Jersey, unlike Nevada, is home to a number of professional teams and is in close proximity to professional teams located in Pennsylvania and New York. In addition, the convenience of Atlantic City to gamblers from New Jersey, New York, Pennsylvania and other eastern states, as opposed to the inconvenience of

than \$15,000 a week, or less than one-tenth of what had been projected. Oregon discontinued its Sports Action basketball game after just one season. And after four seasons of play, the Sports Action football game has had negligible impact on Oregon's overall lottery revenues for one important reason: it has taken money from existing games, and while gross revenue has been flat, administrative costs have increased.

There is even the possibility that giving casinos the power to institute sports gambling might actually lose revenue for the state for the simple reason that New Jersey realizes far less income from every dollar wagered at a casino than it realizes from bets at the race track or with the state lottery. Thus, any approach that increases casino wagers at the expense of other existing gambling enterprises could significantly adversely affect the hard pressed casino revenue fund.

#### CONCLUSION

This bill should be seen for what it is: a scheme for the casinos to make more money with very few trickle-down benefits for New Jersey's senior citizens. The possibility of such limited additional revenues for the State is not worth the damage that sports betting would inflict on the local professional teams, their fans, the NBA and the citizens of New Jersey.

It is one thing to gamble with cards and dice and slot machines on games that exist solely as vehicles for gambling. But the NBA has established itself as an independent entertainment product

be suggesting to its children that their sports heroes are performing in games on which gambling is an acceptable and encouraged adjunct or that the games children enjoy playing as they grow up are actually vehicles for gambling. Simply put, our coaches and players should not be treated like poker chips and roulette wheels.

If New Jersey legalizes sports betting, fans who bring their children to Nets, Knicks and 76ers games will be surrounded by spectators who either wagered on that game or are disenchanted with players for "costing" them a bet on a previous game. These spectators will certainly detract from the atmosphere of family entertainment that the Nets and all the other NBA teams try to engender in their arenas. As Senator Bill Bradley put it, "Is it our game, or is it the gambler's game?"

**V. SPORTS BETTING DOES NOT REPRESENT A SIGNIFICANT,  
LONG-TERM STABLE SOURCE OF REVENUE FOR NEW JERSEY.**

In terms of revenue, there is a false perception that sports gambling can generate substantial new funds and be the panacea to the state's fiscal problems. This is particularly true now that betting on college athletics has been eliminated from the bill, and the casinos' have reduced their own revenue estimates by thirty percent. As experiences in other states has shown, legalized sports betting does not create significant new revenue.

Oregon, for example, introduced its Sports Action lottery game in 1989, confidently predicting large weekly revenues. But net revenues from basketball Sports Action in 1989/1990 averaged less

"THE TASK FORCE ON COMPULSIVE GAMBLING"

We are a grass roots organization comprised of a cross section of 150 New Jersey residents that was formed through the encouragement of the Governors Advisory Commission on Gambling in 1989.

We are concerned about the rapid acceleration of legalized gaming in the state, and the corresponding jump in the number of New Jersey citizens and their families devastated by this baffling illness.

On behalf of the Task Force on Compulsive Gambling of New Jersey, I welcome the opportunity to address this committee on the proposed sanctioning of legalized sports betting in New Jersey by allowing the voting public the option to choose a new gambling revenue raising mechanism.

To rephrase the question, should this committee provide care for New Jersey to curtail the proliferation of gambling in the best interests of all its citizens?

We would normally agree that the public be given the opportunity to decide questions of major significance via the voting process.

However, the proliferation of gambling in America should be viewed realistically by those who, in their elected capacity, are fostering such concepts. Instead of the old adage, "SHOP UNTIL YOU DROP," we should say here, "GAMBLE UNTIL YOU CAN'T STOP!"

Lets think about the message that you would be sending if this proposal leaves this room with your endorsement.

that is widely known and admired throughout the world. We do not wish to be associated with gambling. Surely we have that right.

We ask you to join the United States Congress, New York, Massachusetts, Rhode Island, Illinois, Kentucky, Montana, the District of Columbia, and at least a dozen other states in rejecting legalized sports gambling, and refusing (in the words of Senator Bradley) to "turn athletes into roulette chips." Just last week your colleagues on the Assembly Appropriations Committee rejected an identical measure by a resounding 8-2 vote. On behalf of the NBA, I respectfully ask the Senate to reject it as well.

Thank you.



TESTIMONY BEFORE THE  
SENATE JUDICIARY COMMITTEE  
MAY 28, 1993

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

MY NAME IS RICHARD STOKES AND I REPRESENT ATLANTIC ELECTRIC. WE ARE AN INVESTOR-OWNED ELECTRIC UTILITY COMPANY THAT SERVES OVER ONE MILLION PEOPLE IN SOUTHERN NEW JERSEY.

WE APPRECIATE THE OPPORTUNITY TO TESTIFY BEFORE THIS COMMITTEE IN SUPPORT OF SCR-103. WE BELIEVE SPORTS BETTING IS AN IMPORTANT ISSUE THAT NEEDS TO BE PLACED BEFORE THE VOTERS OF NEW JERSEY. IN FACT, WE FEEL THAT IT IS TOO IMPORTANT OF AN ISSUE NOT TO HAVE THE VOTERS DECIDE. THE FUTURE AND DIRECTION OF CASINO GAMBLING IS A QUESTION THAT WE NEED TO ADDRESS AS A STATE.

ATLANTIC ELECTRIC, LIKE MANY OTHER ORGANIZATIONS AND BUSINESSES, HAD MIXED VIEWS WHEN CASINO GAMBLING WAS FIRST PASSED BY THE VOTERS IN 1976. WE WERE NOT SURE OF THE BLESSINGS AND CERTAINLY SURE OF THE PROBLEMS THAT WOULD COME FROM CASINO GAMBLING. THE BENEFITS HAVE MATERIALIZED, ESPECIALLY FOR SOUTHERN NEW JERSEY. THE CASINO INDUSTRY HAS CREATED OVER 70,000 NEW JOBS, PAID OVER \$2 BILLION IN TAX REVENUES FOR NEW JERSEY'S ELDERLY AND HANDICAPPED, AND HAS HELPED SPUR CONSTRUCTION PROJECTS THROUGHOUT THE STATE.

THERE ARE CERTAINLY PROBLEMS ASSOCIATED WITH CASINO GAMBLING. BUT I THINK MOST PEOPLE WOULD AGREE WITH ME THAT THE PROBLEMS HAVE NOT MATERIALIZED TO THE EXTENT THAT EVERYONE THOUGHT IN 1976. THE CASINOS HAVE BEEN RESPONSIBLE CORPORATE CITIZENS AND ARE AN ACTIVE PART OF OUR STATE AND COMMUNITY. THE

Atlantic Electric  
6801 Black Horse Pike  
Pleasantville, New Jersey 08232  
609-645-4463

Capitol View Office Building  
150 W. State Street  
Trenton, New Jersey 08608  
609-393-4044

The message to our youth who today are growing up in a society that is being mesmerized by the excitement that surrounds gambling is that....its "OK" to gamble. Assemblyman Impreveduto has introduced legislation to instruct students about the dangers of compulsive gambling. He states, "The stories of teenagers falling prey to the temptation of gambling's get-rich quick image are well documented." "Too often these youthful dreams of bright lights result in self-destruction."

Perhaps no one here has or will be affected by someone with a gambling problem.

- Sports betting is a tempting idea BUT
- For the State of New Jersey to win, a lot of the citizens will have to lose.
- Sports betting would create many new gamblers and increase the allurement for older gamblers for whom wagering is a compulsion.
- Yes, legalized gambling would generate revenue and people will always gamble.
- But New Jersey does not need to do anything more to encourage them.

This issue should be decided here today by this committee.

We encourage all of you to vote "NO" on this proposal.

Thank you.

**NATIONAL SPOKESPERSONS**

**SENATOR BILL BRADLEY, NJ**  
*Former New York Knick*

**ROBERT W. BROWN, MD**  
*President*  
*American Baseball League*

**WILLIAM D. WHITE**  
*President & Treasurer*  
*National Baseball League*

**BART STARR**  
*Former Green Bay Packer*

**DONNA DE VARONA**  
*Founder*  
*Women's Sports Foundation*

**NEW JERSEY COALITION TO  
BAN STATE-SPONSORED  
SPORTS BETTING**

*132 West State Street*  
*Trenton, NJ 08608*  
*(609) 394-7477*  
*(609) 394-8768 Fax*

May 17, 1993

Dear Members of the Senate Judiciary Committee:

The New Jersey Coalition to Ban State-Sponsored Sports Betting vigorously opposes Senate Concurrent Resolution 103 sponsored by Senator Bassano, which was referred to the Senate Judiciary Committee.

This resolution is a last ditch attempt to push sports-betting through the legislature. The sponsor has removed college sports betting in an attempt to legitimize the issue and make it appear more acceptable to the legislature. Don't be fooled! By eliminating college sports, proponents are admitting to the **NEGATIVE IMPACT** sports betting will have on organized sports in general.

The NCAA, NFL, NBA and the New Jersey Coalition to Ban State-Sponsored Sports Betting, are strongly opposed to this proposal. The NCAA has expressed its concern about the expansion of sports gambling. The Federal law is ambiguous, leaving open the possibility of a future New Jersey decision to legitimize betting on college sports if SCR-103 is adopted.


Although New Jersey provides many opportunities for legalized gambling -- the racetracks, the state lottery and the casinos in Atlantic City -- the gambling industry wants **MORE**. This year, the casinos have been granted longer hours, simulcasting and more games. When will we say **ENOUGH IS ENOUGH!!!**

In reviewing SCR-103, we should not forget our future leaders -- the children. The youth in towns across New Jersey participate in all types of sports and recreational activities. It is here they learn healthy forms of competition, sportsmanship, personal achievement and team effort. Participation in sporting activities instills lifetime goals and values. Put simply, sports betting is **BAD PUBLIC POLICY**. Therefore, the Coalition urges you not to release SCR-103.

As a member of the Senate Judiciary Committee, you have the opportunity to defeat this measure once and for all. Don't send the wrong message to our young people. Vote **NO** on SCR-103 and **YES** for our children's future.

Thank you for your time and your consideration on this very important issue.

-Sincerely,

  
Nancy H. Becker  
New Jersey Coalition to Ban State Sponsored Sports Betting

100X

**DON'T GAMBLE WITH OUR CHILDREN'S HEROES.  
STOP STATE-SPONSORED SPORTS BETTING.**

CASINOS HAVE BEEN RESPONSIVE TO THE NEEDS OF ATLANTIC CITY AND NEW JERSEY AS A WHOLE AND HAVE BEEN WILLING TO PARTICIPATE IN IMPORTANT PROJECTS. THE CASINO INDUSTRY IS AN INTEGRAL PART OF NEW JERSEY.

WE RECOGNIZE THE STATE'S RESPONSIBILITY IN REGULATING THE CASINOS. WE BELIEVE, HOWEVER, THAT THE STATE MUST REALIZE THE IMPORTANCE OF PERMITTING THE CASINOS TO MAKE RELEVANT BUSINESS DECISIONS. LEGALIZED SPORTS BETTING UNDER PROPER SUPERVISION AND CONTROL WOULD HELP TO KEEP OUR CASINO INDUSTRY COMPETITIVE WITH OTHER STATES. LEGALIZED SPORTS BETTING ALSO OFFERS US A CHANCE TO BOOST THE GAMBLING INDUSTRY, RAISE MORE REVENUES AND HELP MORE SENIOR CITIZENS AND DISABLED PEOPLE. SPORTS BETTING WOULD ALLOW THE GAMING HALLS TO ATTRACT NEW PLAYERS AND PREVENT SLIPPAGE IN EXISTING MARKETS DUE TO COMPETITION FOR LEGALIZED GAMING ELSEWHERE.

WE BELIEVE IT IS IMPORTANT TO PASS SCR-103 AND ALLOW THE VOTERS OF NEW JERSEY THE OPPORTUNITY TO DECIDE THIS QUESTION. WE ASK THAT THIS COMMITTEE FAVORABLY RELEASE SCR-103.

THANK YOU FOR CONSIDERING OUR VIEWS IN THIS MATTER. WE WILL BE HAPPY TO ANSWER ANY QUESTIONS YOU MAY HAVE.

Atlantic Electric  
6801 Black Horse Pike  
Pleasantville, N. J. 08232

# Princeton Basketball

Post Office Box 71

Princeton, NJ 08544-0071

(609) 258-3512

(609) 258-5376

Pete Carril

Head Coach

Bill Carmody

Assistant Coach

Armond Hill

Assistant Coach

May 10, 1993

Dear Committee:

May I be one of many who join in opposition to the extension of gambling activities in our state. It is a sad commentary on the status of life in New Jersey when income for whatever reason is derived from gambling activities. No one in his right mind can not be concerned about the influence of gambling on sports betting. The questions as to what effect it has to participants on every level, do they effect the results, do they corrupt the values of the participants and add to a growing number of people who use their money to gamble rather than useful purposes. Please consider the welfare of the youth of New Jersey, as all of us endeavor to help them become more useful citizens and make New Jersey the premier state of the union.

Sincerely,



Peter J. Carril  
Head Basketball Coach

PJC/cw

102X



*NJSIAA*

P.O. BOX 487 • ROUTE 130 • ROBBINSVILLE, NEW JERSEY 08691 (609) 587-4855



May 17, 1993

JAMES C. RICCOBONO  
Executive Director

ROY SCHLEICHER  
Associate Director

JAMES C. LOPEZ  
Assistant Director

CAROL W. PARSONS  
Assistant Director

Senator William L. Gormley  
1333 Atlantic Avenue  
Atlantic City, New Jersey 08401

RE: Sports Betting Legislation/SCR-103

Dear Senator Gormley:

The NJSIAA has always taken extensive steps to assure the highest level of integrity in high school sports. Consistent with these goals, the NJSIAA has strongly opposed any form of sports betting in New Jersey. In the last legislative session, NJSIAA Associate Director Roy Schleicher appeared before two committees of the Assembly to voice that opposition. Fortunately, through the efforts of a coalition of concerned groups and courageous legislators, that legislation, which would have placed this issue before the public, was not able to muster sufficient support.

We are now advised that sports betting legislation has again been introduced. This letter is intended to reiterate the strong opposition to any form of betting on the same type of sports undertaken by our high school athletes. Those athletes look to our professional athletes as role models, and betting on baseball, basketball, football, etc., at either the professional or collegiate level will erode our attempt to maintain the highest degree of integrity in amateur sports.

I would ask that you do everything possible to combat this newest effort to spread gambling activities in the area of competitive sports.

Sincerely yours,

*James C. Riccobono*

James C. Riccobono  
Executive Director

JCR:rf

101X

A VOLUNTARY, NON-PROFIT ASSOCIATION HAVING NO AFFILIATION WITH STATE GOVERNMENT  
TEACHING HONESTY, COURTESY AND FAIR PLAY IN ATHLETIC COMPETITION



# Bill Bradley

U.S. SENATOR  
Democrat/New Jersey

---

731 Hart Senate Office Building • Washington, D.C. 20510 • 202/224-3224

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Contact: Eric Hauser, Kristen Tenerowicz (D.C.)  
Nicole Bradley (N.J.)

## BRADLEY REITERATES OPPOSITION TO STATE-SANCTIONED SPORTS GAMBLING IN NEW JERSEY

For immediate release: Monday, May 17, 1993

Washington, D.C.-- Senator Bill Bradley (D-NJ) issued the following statement today in response to an effort to revive the issue of state-sanctioned sports gambling in New Jersey.

Bradley, an original co-sponsor of S. 474, The Professional and Amateur Sports Protection Act, which bans sports betting in 44 states, said, "I will continue to strongly oppose state-supported sports betting in every form. I have personally witnessed the dangerous influences of sports betting and believe the disadvantages far outweigh the advantages.

We should not allow the state to put its imprimatur on a corrupting activity like this. The message sports gambling sends to our kids, the fans, and the athletes is that athletic competition is more about money than personal and team achievement.

Sports betting wrongly puts a price tag on victory and threatens the integrity of athletics.

I will continue to work with the Coalition Against Sports Betting to spread the message that sports gambling is wrong for New Jersey."

Bradley is a former professional and Olympic athlete. He is co-founder of the New Jersey Coalition Against Sports Betting, a grassroots educational organization dedicated to preventing the spread of sports gambling in New Jersey.

XXX



# The New Jersey Council of Churches

116 NORTH ORATON PARKWAY, EAST ORANGE, NEW JERSEY 07017-4399 • (201) 675-8600  
176 WEST STATE STREET, TRENTON, NEW JERSEY 08608-1190 • (609) 396-9546

The Rev. Peter M. Paulsen  
President of the Council

The Rev. Charles W. Rawlings  
Executive Director

The Rev. Jean Paul Richter  
Associate Director

The Rev. Dudley E. Barlow  
Associate Director

Jean Diefenbach, Esq.  
IMPACT Director

**TO:** Members Senate Judiciary Committee

**FROM:** Joan Diefenbach, Public Policy Director

**DATE:** May 17, 1993

**RE:** SCR 103

### COUNCIL MEMBERS

- African Methodist Episcopal Church New Jersey Conference
- African Methodist Episcopal Zion Church New Jersey Conference
- American Baptist Churches of New Jersey
- Christian Church Northeastern Area Association
- Christian Methodist Episcopal Church Seventh Episcopal District
- Evangelical Lutheran Church in America, New Jersey Synod
- Episcopal Church Diocese of Newark
- Episcopal Church Diocese of New Jersey
- General Baptist State Convention of New Jersey
- Methodist Church Northeast Province
- Presbyterian Church, (U.S.A.) Synod of the Northeast
- Reformed Church in America Synod of the Mid-Atlantic
- Religious Society of Friends New York Yearly Meeting
- The Salvation Army
- Union American Methodist Episcopal Church
- United Church of Christ Central Atlantic Conference
- United Methodist Church New Jersey Area

I write on behalf of the New Jersey Council of Churches, an association of 17 denominations with more than 3,000 local congregations in our state.

The NJCC wishes to express its continued opposition to the legalization of sports betting.

Legalizing sports betting reflects a growing desperation to solve very basic economic problems with extremely superficial measures. It comes at a time when families are struggling to build a solid moral platform for themselves and their children. It produces a particularly corrupting influence; because in our sports traditions, we have established a training ground for moral experience and decision making.

The NJCC firmly believes that these factors are not superseded by the elimination of college athletics.

It is through professional athletics that kids watch for signs of what it means to be human, to take your knocks, and to keep trying. The New Jersey Council of Churches vigorously opposes an effort to turn professional athletics, where young people often get their role models, into a gamblers domain.

103X

# Babe Ruth League, Inc.

1770 Brunswick Pike • P.O. Box 5000 • Trenton, NJ 08638 • Phone: 609-695-1434 • Fax: 609-695-2505



RONALD TELLEFSEN  
President/Chief Executive Officer

*Senator Gormely*

*RE: Proposal SCR103*

*Dear Senator Gormely:*

*The moral fiber of the family has been eroded enough. The State should not promote sports gambling as an acceptable form of entertainment. Enough is enough.*

*Babe Ruth Baseball looks to protect it's 700,000+ participants from being exposed to gambling in sports. Stop State-sponsored sports betting.*

*Sincerely,*

*Ronald Tellefsen*

*RT/nc*



GARDEN STATE GAMES, INC.  
PO Box 6923 • Edison, New Jersey 08818-6923  
908 225-0303 • FAX 908 225-0357

TO: ASSEMBLYMAN RODNEY FRELINCHUYSEN  
APPROPRIATIONS COMMITTEE CHAIRMAN

FROM: SCOTT C. BOLLWAGE *SB*  
GARDEN STATE GAMES EXECUTIVE DIRECTOR

REF: SPORTS BETTING LEGISLATION

DATE: MAY 14, 1993

THE BOARD OF DIRECTORS OF THE GARDEN STATE GAMES WISHES TO EXPRESS THEIR DISAPPROVAL OVER ANY LEGISLATION THAT WOULD LEGALIZE SPORTS BETTING IN NEW JERSEY.

EACH YEAR OVER 10,000 ATHLETES PARTICIPATE IN OVER 30 SPORTS, FOR THE PURE LOVE AND JOY OF THE GAMES.

PASSAGE OF LEGALIZED SPORTS BETTING WILL DO NOTHING TO ENHANCE OUR ATHLETES DEDICATION TO THEIR SPORT. ON THE CONTRARY IT WILL DO A GREAT DEAL TO CHEAPEN IT.

AS A PARENT OF A HIGH SCHOOL ATHLETE I WOULD HOPE THAT SOMEONE WOULD SUPPORT EFFORTS TO PROVIDE MORE POSITIVE EXAMPLES OF ATHLETICS THAN THE RECENT EVENTS THAT HAVE INVOLVED ATHLETES AND SPORTS BETTING.

THANK YOU FOR YOUR TIME AND YOUR INTEREST.

**WHAT ORGANIZATIONS BELONG  
TO THE COALITION AGAINST  
SPORTS BETTING?**

**ORGANIZATIONS**

American Legion Baseball  
 Atlantic Collegiate Baseball  
 Babe Ruth League, Inc.  
 College Athletic Administrators of  
 NJ  
 Essex County Baseball League  
 Fairleigh Dickinson University  
 Family Counseling Services of Somerset  
 Garden State Athletic Conference  
 Garden State Games  
 Intercollegiate Soccer Officials  
 Association NJ  
 Little Lads Baseball  
 Metropolitan Baseball League  
 National Baseball League  
 National Football League  
 National Collegiate Athletic  
 Association (NCAA)  
 NJ Association of Directors of  
 Athletics  
 NJ Athletic Conference  
 NJ Council of Churches  
 NJ Interscholastic Coaches  
 New Jersey Nets  
 NJ Principals and Supervisors  
 Association  
 NJ Soccer Officials Association,  
 Inc.  
 NJ Special Olympics  
 NJ State Association of Chiefs of  
 Police  
 NJ Sheriffs Association  
 New York Giants  
 Pop Warner Football  
 Rutgers, The State University of  
 New Jersey  
 Somerset County Board of  
 Freeholders  
 Task Force on Compulsive Gambling  
 Umpires Association of NJ, Inc.  
 United Senior Alliance, 40,000  
 Senior Members  
 US Baseball Federation

**WHAT INDIVIDUALS BELONG TO  
THE COALITION?**

**INDIVIDUALS**

Ann Baran, Union County Manager  
 Honorable Raymond Bateman, Former  
 NJ State Senator  
 Gertrude Berman, Former Assemblywoman  
 Honorable Bill Bradley  
 Lenny Brazer, Coordinator - Compulsive  
 Gambling Program, St. Claire Medical Ctr.  
 Harry Carson, Chairman for the  
 Governor's Council on Physical  
 Fitness and Sports, Former NY  
 Giant  
 Honorable Tom D'Alessio, Essex  
 County Executive  
 Ralph Froehlich, Sheriff  
 Mayor Henry G. Geier, Westwood  
 Mayor Francis B. Grout  
 Upper Saddle River  
 Robert Kalajian, President  
 Hillsdale Little League  
 Honorable Alan Kercher, Former  
 Assembly Speaker  
 Senator Louis Kosco, District 38  
 Anne Martindell, Former Assemblywoman  
 Phil McConkey, Former NY Giant  
 Tom O'Connell, Princeton University  
 Baseball Coach  
 Colonel Clinton Pagano, Former  
 NJ State Police Superintendent  
 Bruce Peragallo, President  
 NJ Youth Fitness Coalition  
 Honorable Judith Ptasienki  
 Councilwoman Midland Park  
 Joanne Rajoppi, Union County  
 Register  
 Honorable Lisa Randall, Bergen  
 County Counsel and Former  
 Assemblywoman  
 Honorable Anthony Russo, Mayor  
 Union Township  
 Harry Sayen, Columnist  
 Trenton Times  
 Mayor Joseph Scarpa, Rochelle Park  
 Jack Schloeb, Board Member and  
 Former YMCA Director  
 Honorable William Pat Schuber,  
 Bergen County Executive  
 Congressman Chris Smith, District 4  
 Jack Terhune, Bergen County  
 Sheriff  
 Triangle IV Enterprises, a  
 Private Investigative Firm  
 Arnie Wexler, Executive Director  
 Council on Compulsive Gambling

**DON'T GAMBLE WITH  
OUR CHILDREN'S  
HEROES.**

**STOP  
STATE-SPONSORED  
SPORTS BETTING.**

**NATIONAL SPOKESPERSONS**

**SENATOR BILL BRADLEY, NJ**  
*Former New York Knick*

**ROBERT W. BROWN, MD**  
*President  
 American Baseball League*

**WILLIAM D. WHITE**  
*President & Treasurer  
 National Baseball League*

**BART STARR**  
*Former Green Bay Packer*

**DONNA DE VARONA**  
*Founder  
 Women's Sports Foundation*

**NEW JERSEY COALITION TO  
BAN STATE-SPONSORED  
SPORTS BETTING**

*132 West State Street  
 Trenton, NJ 08608  
 (609) 394-7477  
 (609) 394-8768 Fax*

107X(a)

# DON'T GAMBLE WITH OUR CHILDREN'S HEROES. STOP STATE-SPONSORED SPORTS BETTING.

## LEGALIZED SPORTS GAMBLING? DON'T BET ON IT!

The recession has hit state and federal government revenues hard. Corporations have downsized and consumer spending is following suit. Consequently, sales, corporate, real estate and income taxes are also down. Desperately seeking to bolster sagging revenues, some states are thinking the unthinkable: the legalization of sports gambling.

Proponents of sports betting, such as the lottery and casino industries, argue that illegal sports betting has been in existence for decades, so why not legalize it? It's an acceptable form of entertainment, they say. These arguments are not new, but government hunger for additional revenue sources is reviving them.

Because New Jersey is among the states considering the legalization of sports betting, we are asking you to protect the integrity of professional and collegiate sports in this state. The Coalition Against Sports Betting is organizing a grassroots campaign: Don't Gamble With Our Children's Heroes. It is set to battle the newly elected 205th New Jersey Legislature and the Congress on this issue. This action plan is your guide to participating in the anti-sports betting effort.

The Coalition Against Sports Betting was formed with national and state members to send a message to Congress and State Legislatures that legalizing sports betting is an unacceptable "revenue" policy that will not cure what ails our economy.

## WHAT'S WRONG WITH LEGALIZED SPORTS BETTING?

The Coalition believes the government should not use sports betting to try to cure its fiscal woes. First, the integrity of sports would be damaged forever. Legalizing sports betting will negatively and permanently change the relationship between the fans and the players. The public's attention should not be shifted from athletic competition to the winning bet. Betting fans would become cynical and suspicious "losers." Some would think the outcome of the game could be influenced by gambling interests.

Second, legalized sports betting will financially impair the sports business. When betting fans become cynical "losers," they will stop supporting their teams. The State should not sanction sports betting at the expense of the New Jersey Nets, Giants and Devils. The New Jersey Sports Authority, which houses these franchise teams, will also suffer when fans place bets instead of purchasing tickets.

Not to be forgotten among these important arguments are the children. Their healthy interest in athletic competition should not be transformed into an unhealthy interest in gambling. State approved sports betting can only increase the number of teenage compulsive gamblers, already at the one million mark and climbing.

## WHEN SHOULD I JOIN THE CAMPAIGN?

Join the campaign now! Legislation that could lead to legalized sports betting has already been introduced into the state legislature.

## WHAT SHOULD I DO?

Along with this action plan is a sportscard. Please write one or two sentences telling legislative leaders: "Don't gamble with our children's heroes." Here are sample messages you can use:

- ♣ Enough is enough! New Jersey already relies too heavily on gambling revenues.
- ♣ The state legislature should have the courage to reduce government spending and waste. Don't increase gambling alternatives such as sports betting.
- ♣ If you care about children and sports, you'll run from this idea as fast as you can. Be a Super Bowl Giant--Don't Bet.

When you have written your message, a representative of the Coalition will collect this sportscard and distribute it to New Jersey's legislative leaders. That's all you need to do.

THANKS FOR PROTECTING SPORTS  
IN NEW JERSEY!

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games. In so doing, it will demean sports competition in general, to the detriment of all who organize and participate in that competition.

Second, we know from the Nevada experience that gambling on professional contests can lead to gambling on college sports. It has been widely reported in New Jersey's newspapers that from 35% to 40% of the Nevada casinos' gross income from sports books is derived from betting on college games; we would be naive to assume that the New Jersey casino interests will abandon that opportunity for profit, if a way can be found eventually to capture it.

In this regard, our lawyers tell us that the "New Jersey window" in the federal statute is ambiguous, and that an argument can be made that the later addition of college game betting to a present authorization of professional game betting, would at least arguably not violate the express terms of the statute. Whether intentionally or not, they say, the "window" appears to have been drafted in such a fashion as possibly to permit progressive authorization of casino-based sports books, as long as some such authorization is approved by the New Jersey voters in 1993.

There is one way to eliminate any argument as to the meaning of the federal statute: that is to defeat the current proposal for betting on professional games, and assure that no such plan is authorized by the end of 1993. No vehicle for future sports betting on college games could then exist in New Jersey.

This Committee has the opportunity to strike a decisive blow to defeat sports books in this critical session of the Senate. The NCAA thus strongly urges that you not favorably report Senate Concurrent Resolution 103, and by so doing send a signal to the casino industry that misappropriation of sports contests for gambling purposes offends the social policy of this State.

Thank you.

STATEMENT OF  
RICHARD D. SCHULTZ, EXECUTIVE DIRECTOR  
NATIONAL COLLEGIATE ATHLETIC ASSOCIATION

before the

COMMITTEE ON JUDICIARY  
OF THE SENATE OF THE STATE OF NEW JERSEY

May 17, 1993

Chairman Gormley, Members of the Committee. I am Dick Schultz. Executive Director of the National Collegiate Athletic Association ("NCAA"). I appreciate the opportunity to submit this statement on behalf of the NCAA in opposition to Senate Concurrent Resolution 103, which would permit casino-based gambling on professional sports events.

First, let me say that the NCAA and our member institutions, both within and outside the State of New Jersey, were most gratified to hear of the decision by the sponsors of Resolution 103 to remove intercollegiate and interscholastic sports events from the proposed gambling authorization.

As we have repeatedly said during consideration of earlier versions of the authorizing resolution, we regard gambling on intercollegiate athletics as wholly incompatible with the principles of our Association, and in our judgment there is no legitimate social purpose to be served by authorizing gambling on college sports.

Having said that, however, I wish to make clear that the NCAA opposes any state legislative proposal to authorize gambling on sport, any sport -- professional or amateur, via casino-based sports books or via state lottery games, state-wide or local.

For most of the last two sessions of Congress, the NCAA worked in close cooperation with the professional leagues in seeking -- and ultimately obtaining -- federal legislation banning the expansion of sports gambling. We have not come this far, now to abandon the common effort while the New Jersey "window", contained in the federal bill over our vigorous opposition, remains even partially open.

Our continued opposition to the proposed gambling amendment is based upon two principal grounds. First and most importantly, we believe that gambling in New Jersey, even limited to professional sports, still sends the wrong message to young people about the purpose and meaning of sport, and will inevitably raise suspicion about the integrity of professional

New Jersey Thoroughbred Horseman's  
Benevolent Association

TO: Members of the Senate Judiciary Committee  
DATE: May 28, 1993  
PAGE: 2

existence for thirteen years. Of course, that same threat has been made repeatedly over the last several years. First, it was in support of 24-hour gaming, then allowing gambling by casino employees, and then to liberalize casino regulations. Each time the legislature has acceded to the casino industry's pleas, and each time that same industry came back for more.

Horse racing is an industry which has been in existence in New Jersey for over 50 years. Each year, we have lost dozens of family farms and owners and trainers, who have gone bankrupt as a direct result of casino and lottery competition. We are strongly opposed to the introduction of sports betting in New Jersey. Sports betting represents the kind of direct competition to racing which would toll the death knell for both an industry and a way of life in this State.

This legislature has recently recognized the importance of the racing industry in New Jersey and its current plight and has enacted simulcast legislation which is already advancing our industry. At a time when racing is trying to recover from the present gambling competition which has already been introduced, and is facing intense competition from the neighboring states of Maryland, Pennsylvania and New York, it would be catastrophic to permit sports betting. We respectfully urge this Committee to consider the negative consequences which would result to our industry and our State from the introduction of sports betting. Please vote to keep New Jersey racing alive. Please oppose SCR-103.

Thank you for your consideration.

JF:ann

New Jersey Thoroughbred Horseman's  
Benevolent Association  
148 Route 537 East  
Colts Neck, NJ 07722  
908-389-0804  
Telefax 908-389-0905

TO: Members of the Senate Judiciary Committee

FROM: John Forbes, President  
New Jersey Thoroughbred Horseman's Benevolent Association

DATE: May 28, 1993

RE: Opposition to Senate Concurrent Resolution No. 103  
(SCR-103)

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During the last session of this Legislature, I appeared numerous times before Assembly and Senate Committees to voice the strong opposition of the New Jersey Thoroughbred Horseman's Benevolent Association ("THBA") to legislation which proposed an amendment to the New Jersey Constitution which would authorize wagering at casinos on the results of sports events. These measures proved unsuccessful. Unfortunately, despite uniform opposition by numerous groups including senior citizens, the professional sports leagues and other groups across this State, this proposal has resurfaced with a new wrinkle in the form of Senate Concurrent Resolution No. 103 (SCR-103).

The THBA has more than 5,500 members, comprising owners and trainers of thoroughbred horses in the State of New Jersey. Besides our membership, the thoroughbred industry also includes thousands of stable and track employees, farm employees, veterinarians and breeders.

Racing currently makes a tremendous economic contribution to New Jersey. It provides 25,000 jobs, is a major source of revenue for the New Jersey Sports and Exposition Authority and contributes greatly to the preservation of our green spaces. However, in the past decade, the industry has been in steady decline as a direct result of competition in the form of casino gambling and the lottery. In fact, a recent study performed at the University of Louisville, using New Jersey as a case study, confirmed that the introduction of casino gambling and the lottery in New Jersey has resulted in a 58% reduction in attendance and handle at New Jersey racetracks.

The casinos contend that unless sports betting is allowed, it will jeopardize their industry, which has been in

A 1985 research study in high schools indicated the following:

- 3.5% of the students answered enough questions "yes" to be classified as compulsive gamblers.
- 8.5% of the students answered enough questions "yes" to be classified as problem gamblers.
- 6.5% reported job or school disruptions caused by gambling.
- 10% reported obtaining gambling money through illegal means.
- 20% reported family disruptions caused by their gambling.
- A recent NJCCG questionnaire distributed to high school students indicated their favorite form of gambling is sports betting.
- In 1991 the Casino Control Commission reported that 190,000 youngsters were turned away from casino entrances.
- 21,000 minors were removed from casino floors.
- Police investigated gambling activities in 19 high schools nationwide last year.
- 14 of which were in New Jersey.
- In the past six (6) months, because of known illegal sports gambling in the schools, prosecutors and police officials in three (3) counties contacted

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# NEWS RELEASE

FROM: Ed Looney, CCGC; Deputy Director

DATE: May 18, 1993

RE: Sports Betting ACR-124

Legislating sports betting in New Jersey is equivalent to pouring gasoline on a smoldering fire.

A 1991 research study by the University of Medicine and Dentistry stated that there are 450,000 problem gamblers and another 250,000 potential compulsive gamblers in New Jersey.

We cannot legislate more forms of gambling and continue to ignore the growing social costs without providing resources for education and treatment.

Alcohol and drug programs in New Jersey receive over 75 million dollars for educational and treatment programs every year. There were no funds provided for education and treatment for compulsive gambling:

Sports Betting is the most popular illegal form of gambling for those callers to the 1-800-GAMBLER hotline.

#### Youth Gambling

Some facts to consider before legalizing sports betting:

- There is no curriculum in our schools that teach any prevention and education programs for our one million children.

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The Council on Compulsive Gambling of New Jersey, Inc.

1315 West State Street • Trenton, New Jersey 08618  
609-599-3299 • FAX: 609-599-9383

**PRO BASKETBALL**

**SAT. DEC 12**

1*	KNICKS	-12	2	PISTONS	+10
3	SUNS	-1	4*	HEAT	-1
5*	HAWKS	-9	6	76'ERS	+7
7*	CAVALIERS	-7	8	S'SONICS	+5
9*	HORNETS	-11	10	NUGGETS	+9
11*	T'WOLVES	-1	12	ROCKETS	-1
13*	BULLS	-10	14	NJ NETS	+8
15	SPURS	-9	16*	MAVERICKS	+7
17*	JAZZ	-7	18	BUCKS	+5
19*	KINGS	-3	20	WARRIORS	+1

**PRO HOCKEY**

21*	PENGUINS	-2	22	DEVILS	+1
23*	FLYERS	-1	24	CAPITALS	+E
25*	LIGHTNING	-1	26	OILERS	+E
27	SABRES	-1	28*	WHALERS	+E
29*	ISLANDERS	-1	30	JETS	+E
31*	CANADIENS	-1	32	BRUINS	+E
33*	N.STARS	-2	34	BL.HAWKS	+1
35	FLAMES	-2	36*	SENATORS	+1
37*	KINGS	-2	38	BLUES	+1
39	NORDIQUES	-2	40*	SHARKS	+1

**PRO FOOTBALL**

41*	BUFFALO	42	DENVER	+14
43	UNDER 36	44	OVER 38	
45*	CARDINALS	46	N.Y.GIANTS	+3
47	UNDER 36	48	OVER 38	

**PRO FOOTBALL**

**SUN. DEC. 13**

49*	WASHINGTON	50	DALLAS	+3
51	UNDER 36	52	OVER 38	
53	S.F.49'ERS	54*	MINNESOTA	+6
55	UNDER 41	56	OVER 43	
57	PITTSBURGH	58*	CHICAGO	+3
59	UNDER 34	60	OVER 36	
61*	KAN.CITY	62	N.ENGLAND	+17
63	UNDER 33	64	OVER 35	
65*	TAMPA BAY	66	ATLANTA	+1
67	UNDER 39	68	OVER 41	
69	CLEVELAND	70*	DETROIT	+3
71	UNDER 36	72	OVER 38	
73*	N.Y.JETS	74	IND. COLTS	+6
75	UNDER 33	76	OVER 35	
77	PH.EAGLES	78*	SEATTLE	+10
79	UNDER 32	80	OVER 34	
81	N.ORLEANS	82*	L.A.RAMS	+6
83	UNDER 35	84	OVER 37	
85*	SAN DIEGO	86	CINCINNATI	+14
87	UNDER 37	88	OVER 39	
89*	HOUSTON	90	GREEN BAY	+7
91	UNDER 39	92	OVER 41	

1	2	3	4	5	6	7	8	9	10
11	12	13	14	15	16	17	18	19	20
21	22	23	24	25	26	27	28	29	30
31	32	33	34	35	36	37	38	39	40
41	42	43	44	45	46	47	48	49	50
51	52	53	54	55	56	57	58	59	60
61	62	63	64	65	66	67	68	69	70
71	72	73	74	75	76	77	78	79	80
81	82	83	84	85	86	87	88	89	90
91	92	93	94	95	96	97	98	99	00

New Jersey State Library

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NJCCG to do educational presentations at several high schools in their counties.

- NJCCG did 30 presentations in high schools in 1992. Students told us they gamble at race tracks, they gamble on lottery tickets, they sneak into casinos.
- 80% of the schools had illegal sports tickets in their schools. (copy attached)

#### Organized Crime

Organized crime is alive and well in New Jersey and doing business with our school children.

Organized crime will be the beneficiary of legalization of Sports Betting in New Jersey because of the following reasons:

- credit
- convenience
- confidentiality
- no tax liability
- college sports betting

We are a lazy society and regular sports bettors will not travel to Atlantic City to place a legal bet. Bettors will seek out illegal bookmakers in their local area.

New Jersey police and organized task forces are doing a concerted effort in the past 20 years to rid our state of illegal gambling. This legislation will have severe negative results in these efforts.

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know." However, if Arledge was so knowledgeable about this subject why didn't he authorize some degree of network reporting on the subject. And now that he is the president of ABC News, why doesn't he assign a network-backed investigation of organized crime and its links through the gambling community to professional sports? I think all of us in this room know the answer to that.

It is clear that the interests of the sports media and those of us who are concerned about organized crime in America are at cross-purposes. But right now, the most important question is: How sensitive are the members of your committee to the problem of organized crime in America and in this state.

Gambling has made watching sports more interesting for millions of Americans, but gambling has also brought Mafia figures, bookmakers, lay-off operators, loan sharks, and juice collectors into sports. And our nation has simply been unable to accept the link between organized crime and the legal and illegal gambling communities, as well as the consequences of this cabal-- and how syndicate gambling activities have helped finance other illicit operations, such as drug trafficking and political corruption. The problem here is not simply gambling, drugs, and corruption; the real problem is organized crime.

Let me remind you of an important fact: The Mafia's number one money-making activity--after drug trafficking--is illegal gambling on professional football games. Over \$10 billion is wagered illegally every year. More money is bet in a single

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TESTIMONY OF DAN E. MOLDEA  
New Jersey Assembly Appropriations Committee  
ACR-124 (on legalizing sports gambling)  
May 19, 1993

My name is Dan E. Moldea, and I appear before you today on behalf of the New Jersey Thoroughbred Horseman's Benevolent Association. I have been an independent journalist since 1974, and I am a nationally-recognized expert on organized crime. I have written numerous articles for a variety of publications, and I am the author of four books, including Interference: How Organized Crime Influences Professional Football. In this 1989 book, I took a hard-line against the movement toward legalizing sports gambling in America, a view I still strongly maintain. I have attached to my written testimony a chapter from Interference, entitled "On Legalizing Sports Gambling."

In my book, I charge, among other things, that the sports media has been cavalier about the penetration of professional sports by organized crime; thus the sports media, with few exceptions, has condoned and even encouraged illegal gambling. I believe that the illegal gambling economy has become an adjunct to the First Amendment because of the insistence by the sports media to print and broadcast the betting line and to hire oddsmakers and handicappers for the purpose of predicting the outcomes of games.

When a reporter asked Roone Arledge, then-producer of "ABC's Wide World of Sports," if he was aware of organized crime's involvement in the world of professional sports, Arledge flippantly replied, "Tell me something else I don't already

between the underworld and professional sports is well-documented.

I believe that game-fixing is the ultimate threat to all sports when gambling proliferates, and there is ample evidence that college and professional sporting events have been fixed in the past. Legalizing sports gambling will encourage future fixes.

Gambling is indeed inevitable. And to create a complete prohibition against all forms of betting is as unrealistic as to assume that every professional athlete performs at his peak level at every moment of every game. Passes will be dropped. Field goals will go awry. Baskets will be missed. Pitchers will serve up home runs. But the problem for all sports and for their fans is to ensure that when seemingly innocent on-field mistakes do occur that something nefarious hasn't actually happened. But the broader the base of legal and illegal sports gambling, the more suspicions will be raised when these errors are made and the greater the temptation for underworld figures and team members to fix games in order to make fast bucks.

Years ago, horse racing was the most common form of gambling, both legal and illegal; but the sport of horse racing has been tightly regulated for years. The principals in the sport are licensed and investigated by the state when allegations are made against them.

Today, most of the sports gambling is on professional football. Although I believe that the registration and licensing

month on NFL games than on an entire season of major league baseball. And the growth of illegal gambling has clearly proliferated since the opening of the sports books in Las Vegas.

Also in my book, I charged that the movement toward legalizing sports gambling will cause a proliferation of illegal gambling and organized crime activities. It is my belief that state governments do not get into the bookmaking business, directly or indirectly, for eleemosynary purposes. They are doing so to make money by convincing their citizens that they can enrich themselves by gambling. Meantime, the states are going to teach the public how to gamble and how to use the point spread. Sooner or later, the betting public is going to realize that the state is taking a large skim of the handle--of the total pool of bets--and, eventually, the public is going to come to terms with the fact that they can get a bigger bang for their buck, betting with Charlie the Bookie, the friendly local bookmaker at the corner bar, who is going to make them put up \$11 to win \$10 and is only taking a ten percent vigorish on the losing bets he books. The illegal bookmaker is also going to extend credit to his customers--a service the state will not perform.

Bookmakers are not in the business of risking money; they're in the business of making money from those who are willing to risk their money on bets. So bookmakers want to make sure they always have the edge. Therefore, being able to influence the outcome of sporting events on which bets are placed is an inseparable part of the gambling profession. And the alliance

**BOOKS BY DAN E. MOLDEA**

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**The Hoffa Wars:**  
Teamsters, Rebels, Politicians and the Mob  
1978

**The Hunting of Cain:**  
A True Story of Money, Greed and Fratricide  
1983

**Dark Victory:**  
Ronald Reagan, MCA and the Mob  
1986

**Interference:**  
How Organized Crime Influences Professional Football  
1989

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# Interference

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How Organized Crime Influences  
Professional Football

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Dan E. Moldea

William Morrow and Company, Inc.  
New York

of anyone with a financial interest or job with a professional sports team should be required, that is not the law today. Professional sports have transcended their image as merely sports entertainment. They have become big business at its best and worst. And from what I have observed, there is an absolute need for the licensing of the owners of professional sports franchises, as well as every employee of that organization. Until such regulation and licensing of professional sports teams occurs, the concept of legalizing gambling on these institutions shouldn't even be considered.

By placing such variables as professional sports and all of their components, sports reporters who cover and are beholden to these sports, Mafia figures and their bookmakers, and legalized sports gambling in the same equation, it can only add up to a bad bet for New Jersey. Simply speaking, the vig for the state is too low.

In 1951, the Kefauver Committee insisted that, "The legalization of gambling would not terminate the widespread predatory activities of criminal gangs and syndicates . . . Gambling, moreover, historically has been associated with cheating and corruption."<sup>1</sup>

Once again, on behalf of the New Jersey Thoroughbred Horseman's Benevolent Association, I thank you for your time and attention.

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<sup>1</sup> Third Interim Report, Special Committee to Investigate Organized Crime in Interstate Commerce, 1951.

Wexler--2

intended.

I feel sorry for the Casino Control Commission when the first casino worker comes in front of the Commission because they can't pay their marker.

This bill will allow any new games the Casino Control Commission determines to be compatible with the public interest.

Today, we know there are 450,000 compulsive gamblers, 350,000 spouses, and 700,000 children in New Jersey living in a house with a compulsive gambler.

Gamblers lost \$5.3 billion in New Jersey last year. There are over 50 weekly meetings of Gamblers Anonymous in New Jersey. In 1978, there were only 15.

Who would believe, after all of this, we would be here today to talk about legalizing sports betting. Recently, six (6) New Jersey papers did a survey that stated 53% of state residents oppose sports betting, also 24 hour gambling.

The Governor's Advisory Commission of 1988, on Page 13 of their report to the Governor, stated, "...the more opportunities that exist for expanding the leisure gambling dollar, the more evidence to substantiate an increase in compulsive gambling.

"Compulsive gambling, it has been documented, leads to misappropriation of funds, embezzlement, and other illicit activities, impacts on the family and business, and poses problems for the entire gambling industry..."

Also, the Commission on the Review of the National Policy

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NEWS RELEASE

STATEMENT BY ARNOLD WEXLER, EXECUTIVE DIRECTOR OF THE COUNCIL ON COMPULSIVE GAMBLING OF NEW JERSEY, INC.

In September of 1976, I was on a panel that debated casino gambling. One of the sponsors of the bill held up the bill before the referendum vote of the people of New Jersey. It had no credit, no comps, no free drinks, no 4% tax write-off, no Comchek, and no 24 hour gambling in this bill. But once it passed the referendum, all that changed. Let me refresh your memory of what has happened.

In the last 14 years since the first casino opened, the casinos have won more than \$30 billion. Gamblers signed markers for \$1.959 billion in 1991. In 1991, the casinos gave out over \$80 million in free drinks and \$736 million in comps.

We also know that there is not only Comchek, but hundreds of automatic teller machines at casinos - and who knows how much money comes out of those machines!

Last July, a bill was signed that would change the casino industry. 24 hour gambling was OK'd as a 3 year experiment.

Then we dropped the 3 year experiment, added simulcasting, and now will allow casino workers to gamble and get credit. We all know you ask for credit because you already have gambled more than you

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go for treatment and the other (if collected) \$500,000 would go toward The Council on Compulsive Gambling of New Jersey, Inc.

We supported those bills, even at the potential loss of some of our initially established stipend. However, Assemblyman Gaffney of that committee is of the opinion that all such monies should go for treatment with no allocation for education, public awareness and outreach efforts.

Unfortunately, that Assemblyman doesn't share or understand the views expressed by Dr. Bruce Siegal, our Health Commissioner, in dealing with addictions, and I quote his statement, "Education is the key to prevention."

Our fear is that, should this bill pass through the voting process by you and the citizenry...there will be no monies from the proceeds of sports betting to go toward compulsive gambling programs in this state.

Again, we are not opposed to people gambling in general,...but, let's keep in mind that there would be an adverse impact to some people via the legalization of sports betting and I want to know, in the finally adopted version, if that becomes a reality, a provision will be made, that part of these proceeds will go toward education and treatment of compulsive gambling.

I might note, that one of the previous versions of this bill did include such a provision.

I don't see any money for compulsive gambling in this bill.

Even though this bill only addresses betting on professional sports, we all know the history of New Jersey and gambling. How

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Wexler--3

Toward Gambling (1976) recognized a direct relationship between the rate of addiction and increased availability. It seems apparent, then, that by sanctioning legalized gambling as a revenue raising device, the State has contributed significantly to what is now known to be a major societal problem.

In June 1990 we received a letter from Governor Florio that stated, "...my administration will continue to aggressively support programs for compulsive gamblers. I am committed to maintaining this program priority. Likewise, we will not support any review or recommendations for new or expanding gambling initiatives without considering corresponding measures to address the needs of those persons with gambling problems..."

In February 1993, the Governor announced that he would form another Governor's Advisory Commission on Gambling to probe the fiscal and social impact of gambling.

While the Governor has yet to release the names of the full panel, his tabling of Keno in January was a positional statement on fostering new gaming activity.

On Monday, May 17, I spoke before the Assembly Financial Institutions Committee on Bills #A2272 and S1383 which would provide for the contingency collection of up to \$600,000 from fine monies levied and collected by the Casino Control Commission to go towards compulsive gambling programs.

This potentially unstable source of funding, via this amendment, would provide that the first \$100,000 collected would

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could you not believe, when the casinos cry they are losing money, we won't add college sports, high school sports, Little League sports, and Tee Ball.

Enough is enough. I urge you to not move this bill but if you do, please consider providing funding for the problem you may create or perpetuate.

-end-







