



NEW JERSEY CASINO CONTROL COMMISSION

**ANNUAL REPORT
DECEMBER 31, 1983**

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



**GOVERNOR
THOMAS H. KEAN**

TABLE OF CONTENTS

Message from the Chairman	3
Legal Division	5
Administrative Division	6
Affirmative Action & Planning Division	6
Financial Division	7
Licensing Division	8
Casino Revenue Fund	8
Division of Gaming Enforcement	9
Licensing Statistics	10
Gross Revenues and Tax Tables	12
Casino Statistics	14
Casino Revenue Fund Statistics	16, 17
Bus Statistics	18
Casino Control Fund (Auditor's Report)	19
Table of Organization	27
Senior Staff	28

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STATEMENT BY WALTER N. READ CHAIRMAN NEW JERSEY CASINO CONTROL COMMISSION ANNUAL REPORT 1983

The past year was the second straight year during which no new casino opened in Atlantic City but it was a year marked by the explosive growth of the gaming industry and the growing sophistication of the machinery needed to cope with this burgeoning giant which threatens to overshadow all other significant developments in this field.

More important, 1983 was the year that saw completion of the \$246 million plan developed by American City Corporation for the redevelopment of 309 acres of the Inlet Community. Simultaneously, it was the year when the legislative process was set in motion to revise the casino reinvestment tax credit plan to provide funds for the revitalization of the city.

Casino gambling in 1983 in Atlantic City was a record year with win revenues climbing close to \$1.8 billion, a growth of approximately 20 percent over 1982. Equally important is the fact that the industry as a whole reported net operating income three times greater than in 1982 with eight of the nine casinos reporting a net profit during the year.

The growth of the industry as evidenced by the 20 percent growth in win figures is also reflected in the \$139.5 million that the casinos paid to the state to finance programs for Senior Citizens and the disabled. The Casino Revenue Fund has now turned over to the state \$460 million since the first casino opened in May, 1978.

Furthermore, projections by gaming industry analysts and stock market experts anticipate that Atlantic City casino revenues will continue to grow by 18 to 20 percent during 1984 and are likely to surpass the Las Vegas totals. This anticipated growth will result in a corresponding increase in the state's share.

That growth is expected to be strengthened as the beginning of the "second wave" of casinos comes on line this year. Harrah's at Trump Plaza is projected as the first of several casinos which are expected to open during the latter half of this decade.

The growth of the industry with the resultant increase in tax dollars and reinvestment funds will enable the state to provide more and better services for the citizens of New Jersey as a whole and for residents of Atlantic City particularly.

A major step in reaching that goal in Atlantic City was the completion of the American City Corporation plan for the revitalization of the Inlet Community. The study, which was 18 months in the making and which cost \$360,000, was accepted by the Commission and turned over to the Board of Directors of the newly formed Inlet Com-

munity Development Corporation to be used as the basis for rebuilding that section of the city.

The plan calls for 2,750 new housing units of all types plus 250 units to be rehabilitated but it is not simply another housing development project. Indeed, it is a comprehensive master plan for the rebirth of the Inlet and calls for commercial development, construction of school and day care facilities, recreational and leisure areas as well as improvements to the infrastructure system.

The most encouraging aspect is the confidence with which the planning consultant believes that there will be tangible results of the study by late this year or early next year.

Basic to the plan which has been called a "blueprint for the people of Atlantic City to join with private investors and public agencies for the rebuilding of the city" is the assumption that money will be available through the casino reinvestment fund. Although legislative approval was still lacking at the year's end, plans for the incorporation of the Development Corporation were moving ahead on schedule.

The overriding thrust of the legislative program was designed to raise more than \$1 billion over the next 20 years with the bulk of the funds being used for the revitalization of Atlantic City with the remainder of the money being used to finance other improvements off Absecon Island.

Two major court decisions bolstered the Commission's responsibility to exercise closer surveillance over the licensees. The New Jersey Supreme Court upheld the Commission's right to deny a license to Playboy owner Hugh Hefner on the grounds that he was unqualified to hold a license in this state. Denial of the Playboy appeal which was a direct challenge to the Commission's statutory authority has forced Hefner to divest himself of his holdings in the Atlantic City casino. The Hefner decision means that all future license applicants must face the same demanding standards that were set in the earlier licensing hearings or face disqualification in this state. It was a signal victory for the state and the Commission.

A second notable achievement was the decision by the U.S. Supreme Court to hear the Commission's appeal in the Local 54 case. In 1981 Local 54 of the Hotel and Restaurant Employees and Bartenders International Union challenged the provision of the Casino Control Act which required that all labor organizations seeking to represent employees of a casino hotel must register with the Commission.

Although Local 54 was upheld in the lower courts, the U.S. Supreme Court announced late last year that it would take jurisdiction with argu-

ments expected to be heard later in the 1984 Spring calendar.

The two cases are part of the Commission's ongoing efforts to assure that the casino industry adheres completely and faithfully to the provisions of the Casino Control Act.

The Commission signalled its intention early in the year when it levied a \$257,000 fine against Caesars Boardwalk Regency and threatened suspension of its casino license for violation of the Casino Control Act and the Commission's regulations.

The casino/hotel was found guilty of interfering with the state inspectors assigned to monitor play. The size of the fine was designed to put the industry on notice that future violations of the Act would not be tolerated and threatened that a second offense could result in a suspension of a license with the licensee ordered to pay the salaries of its employees during the lay-off period.

Caesars was not the only casino/hotel to feel the Commission's sting. Resorts International was assessed a \$10,000 fine for moving its casino and hotel records off premises and several other licensees were assessed fines for violations of the alcoholic beverage sections of the Act.

The Commission also stepped up its efforts to make casino management and workers aware that employee-gambling in Atlantic City is prohibited and violations will be treated more harshly in the future with the possibility of heavier fines and suspension of licenses during the coming year.

The court fights over the licensing of the Playboy owner and registration of the labor union, the heavier fines and the threats of suspensions, the on-going efforts to force potential casino investors to submit to registration or divest themselves are all parts of a continuing effort to keep the ownership and operation of the casinos clear of any taint.

It was gratifying to have the Superintendent of State Police speak out publicly that the casinos are free of organized crime influence and the Commission has continued its close cooperation with the Division of Gaming Enforcement to expand the "exclusion list" by banning known criminals from the casinos. Commission members have responded with vigor whenever sufficient evidence has been presented against the so-called organized crime figures.

Re-appointment of Carl Zeitz to a second term on the Commission was another highlight of the year. It marked the first time that a Commission member had been re-appointed to a second term and it helped to provide the stability needed to carry on the work of the Commission.

Unfortunately, the appointment of Zeitz was tempered by the loss of two of the Commission's five directors. Francis X. Fee resigned as Director of the Division of Financial Evaluation and Control and David Arrajj resigned as Director of the Division of Licensing. Both of these high caliber

men left because of greater opportunities in the private sector and their losses are felt deeply although the Commission was fortunate in having more than adequate replacements in William H. Delaney as the new Director of Finance and Christopher D. Storcella as the new Director of Licensing.

The Commission also moved during the year to reinforce its insistence that the casino license holders as well as the vendors who carry on business with the casinos adhere fully to the affirmative action goals. The Commission authorized the publication of quarterly and annual reports outlining the compliance of the various casinos in hiring and promoting females and minorities.

It isn't enough and it does not satisfy the legislative mandate if women and minorities do not share as fully as others in this growing economy that the casino industry has spawned. The customer service industry must adhere to these guidelines and the labor unions have been asked to take this step voluntarily in unison with management.

Finally, on this matter, the Commission staff has been put on notice that as regulators the Commission has an obligation to lead the way.

More than 26 million people visited Atlantic City last year with the overwhelming majority of them stopping for some period of time at the casinos. It is inevitable, given those statistics, that there were complaints and violations.

For example, the Commission investigators reported more than 1,600 regulatory violations and handled another 1,300 table inventory discrepancies. The Commission staff also handled 792 formal complaints from patrons over table game pay-offs, malfunctioning slot machines, cage pay-offs, disputes over bus coupons and a variety of other incidents.

While the number is not significant in view of the extraordinary volume of business, one of the Commission's primary objectives this year is to be more responsive to patron complaints. A cooperative attitude, a more timely response and an equitable solution are the very least that a patron should expect from the Commission and the industry. We expect to report on an improved performance in this area next year.

In summary, 1983 was a year of progress as we learned to cope with a growing industry and as we moved closer to a solution to the problem of revitalizing Atlantic City. In 1984, we plan to continue with the progress that has been made during the past year. At the same time we recognize that the so-called "second wave" of construction will present an even greater challenge to our abilities to maintain the integrity of this flourishing industry while at the same time fulfilling the hopes and expectations of the people of New Jersey and Atlantic City.

Respectfully submitted,
Walter N. Read,
Chairman

LEGAL DIVISION

This year the Legal Division was especially busy and two significant decisions were extremely gratifying to the Commission. One, involves the Commission's ability to assess the qualifications of various officers of labor unions which represent employees within the casinos. The other involved the Commission's determination that Hugh M. Hefner and Playboy Enterprises, Inc. were unsuitable for licensure in New Jersey.

In 1981 the Hotel and Restaurant Employees and Bartenders International Union, Local 54 challenged in the Federal District Court a provision of the Casino Control Act which requires that all labor organizations seeking to represent employees of a casino hotel facility be registered with the Commission. Local 54 also sought a preliminary injunction against the holding of a hearing by the Commission regarding the registration of the union.

In March 1982, U.S. District Court Judge Stanley Brotman denied Local 54's application for a preliminary injunction, thereby permitting the Commission to conduct a hearing. Thereafter, during the spring, summer and autumn of 1982, the Commission was involved in a lengthy hearing relating to the registration of Local 54.

Local 54, however, filed an appeal from Judge Brotman's decision with the Court of Appeals for the Third Circuit. In June 1983, the Third Circuit, by a vote of 2 to 1, reversed Judge Brotman's decision and found that the statutory provision in the Casino Control Act regarding Commission registration of labor unions was preempted by federal labor laws. The Commission's petition for rehearing *en banc* was denied by the Third Circuit by a vote of 5 to 5.

Subsequently, the Commission filed an appeal with the U.S. Supreme Court which, in November 1983, noted probable jurisdiction. Argument is scheduled for the spring of 1984.

After finding Hugh M. Hefner and Playboy Enterprises, Inc. unqualified for licensure in New Jersey in April 1982, the Commission issued a conditional casino license to Playboy-Elsinore Associates.

Hefner and Playboy Enterprises, Inc. filed a Notice of Appeal with the Appellate Division of the New Jersey Superior Court.

On August 31, 1983, the Appellate Division upheld the Commission's determination that Hefner and Playboy Enterprises, Inc. were unsuitable for licensure in New Jersey.

In November 1983, the New Jersey Supreme Court denied the petition for certification that had been filed by Hefner and Playboy. Hefner and Playboy have subsequently indicated they will divest themselves of their casino interest in New Jersey.

The Legal Division is also involved in several

other areas of importance. For example, the Casino Control Act reveals a legislative design for the Commission and the Division of Gaming Enforcement to be financed exclusively from license fees that are imposed upon casino hotels and other persons and entities. Accordingly, the Commission has adopted extensive fee regulations which are designed to ensure that the casino regulatory apparatus is self-sufficient.

Over the years, however, there have been a number of individuals and entities which have failed to pay the Commission license fees. Section 63(d) of the Casino Control Act provides that the Commission has the responsibility to collect all license fees. Further, Section 68 of the Casino Control Act empowers the Commission to bring a civil action in the name of the State of New Jersey to collect delinquent amounts, interest and penalties. Accordingly, the Legal Division has, on behalf of the Commission, instituted numerous lawsuits and expended great effort in attempting to collect these delinquent fees.

Since legalized casino gaming was introduced in Atlantic City by the enactment of the Casino Control Act, back on June 2, 1977, it has been amended and supplemented a number of times in an effort to further the original goals and purposes.

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

In calendar year 1982 nearly 20 casino gaming bills were introduced in the New Jersey Legislature with two becoming law in 1983.

In January 1983, the Act was amended to facilitate the organization and use of casino junkets without jeopardizing regulatory and law enforcement interests and standards. The amendments removed the \$200 regulatory threshold and redefined "junket" to include only those gaming arrangements with a casino licensee where a person has been "selected or approved for participation therein on the basis of his ability to satisfy a financial qualification obligation related to his ability or willingness to gamble or on any other basis related to his propensity to gamble." The legislation also removed the present requirement that casino licensees must submit reports on junkets in advance, including information on participants, terms or other relevant information, and instead requires that each casino licensee maintain on file a report on any junket engaged in on its premises.

The effect of these changes in the junket provisions of the Act has been to increase employment opportunities (through the expanded use of temporary licensure and a reduction in the

costs of licensure) for junket representatives and to assure the appropriate level of regulatory control over this important aspect of casino operations.

In April 1983, the Casino Control Act was amended by P.L. 1983, c.134. The amendment raised from 18 to 21 years the minimum age for entering a licensed casino (except by way of passage to another room) and for participation in casino gaming, in conjunction with a similar change in the "legal" drinking age.

During calendar year 1983 the Commission responded to several legislative requests for comments and recommendations concerning proposed changes to the Act, and continued a review of its provisions in an effort to formulate and recommend changes which it deems necessary or desirable.

Finally, the regulations of the Commission are contained in Title 19 of the New Jersey Adminis-

trative Code and comprise fourteen chapters of the Code. Pursuant to Section 69 of the Act, the Commission is authorized to adopt, amend, or repeal such regulations, consistent with the policy and objectives of the Act, as it deems necessary or desirable for the public interest in carrying out the provisions of the Act.

Section 70 of the Act requires that the Commission adopt specific regulations in accordance with a number of provisions of the Act. Eighteen subjects requiring specific regulations are described in this section. All regulations are adopted, amended and repealed in accordance with the provisions of the Administrative Procedure Act.

The public is encouraged to participate in the rulemaking process. The Act provides that any interested person may file a petition with the Commission requesting the adoption, amendment or repeal of a regulation.

ADMINISTRATION DIVISION

The Administration Division, under the direction of Director Theron G. Schmidt, provides administrative services for the Commission. The services include the operation of the Personnel Office, the Office of Data Processing and Systems Development, and the Budget and Fiscal Office. Also included is the Office of Administrative Support which has responsibility for responding to public and industry inquiries, and coordinating the dis-

semination of public information to the media. The information to which persons can subscribe includes notices of all types of Commission meetings, regular weekly, special and licensure hearings. Also, services are provided to make available copies of proposed and adopted regulations, minutes of all regular and special meetings, plus a weekly update of petitions which are pending action by the Commission.

AFFIRMATIVE ACTION & PLANNING DIVISION

The Affirmative Action and Planning Division is comprised of two units under the direction of Director Jack E. Wood, Jr.

The Affirmative Action unit monitors the performance of the casino hotel industry, its construction contractors and casino service industries with respect to their compliance with the equal employment opportunity and affirmative action provisions of the Casino Control Act and its attendant regulations. The past year marked the second full calendar year for which the Affirmative Action unit provided comprehensive documentation of the nine member casino hotel industry's affirmative action performance. By the close of the year, the industry employed 30,958 workers of whom 13,938 (45%) were females and 8,837 (29%) were minorities. Of the industry's 5,013 dealers, 1,887 (38%) were females and 1,033 (21%) were minorities. Of almost 6,000 casino hotel employees earning in excess of \$25,000 per year, 1,697 (28%) were females while 885 (15%) were minorities. While these figures are generally

better than 1982, the unit plans to push for improved compliance figures in the coming years.

The Division's Planning unit assists the Commission in stimulating the redevelopment of Atlantic City and the surrounding region. Last year saw the completion of a redevelopment plan for the City's Inlet Section prepared by the American City Corporation, which the Commission had engaged as a consultant in 1982.

The Atlantic City Task Force on Housing and Community Development, formed by the Commission, adopted The American City program which, in turn, led to the creation of the Inlet Community Development Corporation in December 1983. This entity represents a partnership and business interests whose mission is to implement the program for the rehabilitation of 309 acres in the Inlet section of the city. The massive redevelopment program calls for new and rehabilitated housing, recreational facilities, improvements to the commercial area and upgrading of the infrastructure.

FINANCIAL DIVISION

The Division of Financial Evaluation & Control is charged by the Commission with the responsibility of carrying out the State Legislature's mandate to insure the integrity of gaming activity and funds control in New Jersey's casinos. Faced with an ever-increasing workload and more sophisticated casino technology, the Financial Division has continued to improve its capabilities of meeting the challenges of regulating this sensitive industry. In essence, the Division of Financial Evaluation & Control is the focal point of the state's efforts to control New Jersey's casino-gaming activity and is one of the chief repositories of the state's expertise in all technical areas involving casino-hotel operations.

During 1983, the Financial Division's technical expertise continued to expand to meet the casino industry's growth and development. The industry trend toward more highly sophisticated corporate financing has been closely studied and analyzed by the Commission's financial staff. The industry's changing environment has also been continually evaluated to insure that the accounting systems and operating procedures provide for effective internal control.

During 1983, significant strides were taken in analyzing the Division of Gaming Enforcement and the State Commission of Investigation's proposed amendments to the credit regulations. After these recommended changes were analyzed, a series of public hearings were held at which representatives of the casino industry presented their views. The Financial Division's recommendations will be presented to the Commission for adoption in 1984 and, where appropriate, amendments will be suggested to the State Legislature.

Another of the Financial Division's major accomplishments during 1983 was the formation of a Financial Reporting Task Force composed of accountants from the Commission and each of the nine operating casino hotels. As a result of working together over a long period of time, the Task Force was able to revise the Commission's quarterly and annual financial reports to assure uniformity, consistency, and comparability as well as effective disclosure of all financial information filed with the Commission. One of the Task Force's most significant accomplishments was to identify problem areas in reporting financial information caused by the diversity of organizational structures and policies. The Task Force also served to resolve any uncertainties over financial reporting requirements.

During 1984, the Commission's Financial Reporting Task Force will remain in operation to revise the Uniform Chart of Accounts and instructions, implement new financial reporting policies, and address financial reporting problems resulting from operators who hold more than one casino license.

High on the Financial Division's 1984 agenda is an extensive review of the current rate structure used to bill applicants and licensees for the cost of agency operations. The primary goal of the review, which will be jointly performed with the Division of Gaming Enforcement, is the development of a new rate structure that will provide the industry with a more equitable distribution of operating costs on a regular basis.

During 1983, the Division of Financial Evaluation & Control worked closely with representatives from Harrah's at Trump Plaza in anticipation of its 1984 opening. In early 1984, one new crew of inspectors will be trained to staff that facility around-the-clock. In addition, extensive analyses will be performed to determine Harrah's at Trump Plaza's ability to meet statutory requirements of financial stability, financial responsibility, casino experience, and business ability. Additional in-depth financial and operational reviews will also be required in order to provide the Commission with the necessary information to issue a certificate of operation.

Throughout 1983, the Division of Financial Evaluation & Control has also been actively engaged in the development of a financial data base on casino operations. In addition to enabling staff to meet stringent demands for timely, accurate information, the data base incorporates sophisticated facilities for highly technical financial analyses, statistical studies, and graphics that will assist in the analyses of the increasing range of complex financial issues facing the Commission.

Another of the Financial Division's primary 1984 objectives is the anticipated completion of its new computer financial data base on casino operations. When completed, the financial data base will provide the Commission with the best statistical information related to gaming operations in the western hemisphere. Throughout 1984, the Commission's financial staff will also continue the on-going review of regulations governing casino operations, including the regulations related to internal controls, games, and equipment.

LICENSING DIVISION

The Licensing Division, headed by recently appointed Christopher D. Storcella, is divided into four sections, reflecting the Licensing Division's three primary areas of responsibility and its document receipt, distribution, and storage section.

The past year was a busy year for all sections within the division. For example, the Employee License section received 7,608 applications and issued 7,299 full-time and temporary licenses. In addition, it issued 5,477 hotel registrations and 3,174 position additions, not including the 17,080 license renewals.

The Enterprise License section, which is responsible for processing all applications for casino service industry licenses and contract approvals, was equally busy. In addition to investigating, verifying, and processing these licenses, the section conducted workshops for purchasing directors of the various casinos and also began on-site inspections in order to ensure compliance with internal control submissions for purchasing and disbursing.

During the coming year the section expects to refine the on-line data processing system introduced late last year. It will enable the section

to track documents, track qualifiers, and to provide statistical and managerial information which the Commission requires.

The Casino Review section evaluates casino licensee applicants for compliance with the licensing standards as set forth in the Casino Control Act concerning the suitability of proposed facilities, entities, and persons required to be qualified.

The Document Control Unit presently stores and maintains 125,000 employee license applications and 20 casino/hotel corporate applications and is responsible for secure storage and accurate, prompt retrieval of these records. In addition, the Unit processed and distributed 1,003 petitions for official Commission action. In September 1983, the Unit acquired another electrical lateral file system to accommodate 12,000 casino service industry files, thereby consolidating all license division documents into a central, secure, and fireproof file room.

This year was a busy year and 1984 promises to be an even busier year with more casinos opening and with the License Division striving for more efficient, electronic storage and tracking of the voluminous documents which are processed.

CASINO REVENUE FUND

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

The New Jersey Constitution, in accordance with the provisions of the 1976 referendum, mandates that the state use the money in the Casino Revenue Fund solely for the benefit of the elderly and the disabled.

In accordance with that mandate, the Legislature has adopted programs for real estate tax rebates, home health care services, lifeline payments, rental assistance and transportation costs for the elderly and the disabled.

During the fiscal year ending June 30, 1983, the state disbursed \$51.7 million to eligible senior

citizens and disabled persons under the lifeline assistance program.

In addition, \$45.2 million was disbursed as part of the real estate tax rebate program for eligible persons and \$19.4 million was provided under a pharmaceutical assistance program. During Fiscal 84 the programs will be expanded to permit payment for personal health care programs and transportation costs.

Since the first casino opened in 1978 the state has collected \$467.5 million, as of December 31, 1983, for the Casino Revenue Fund.

None of the funds collected for the Casino Revenue Fund is used by the Commission to regulate the gaming industry. All the costs of the Commission are borne by the industry and no funds come out of the general treasury.

DIVISION OF GAMING ENFORCEMENT

With the advent of casino gaming in Atlantic City in 1976, came the need to establish a strict regulatory process to ensure public confidence in the state's ability to safeguard against the negative influences historically associated with the casino industry. The Division of Gaming Enforcement, established within the Department of Law and Public Safety, was created in August of 1977 as the investigative and enforcement agency mandated by the Casino Control Act. The Division is charged with the responsibility of investigating the backgrounds of all individuals and corporate applicants for casino licensure, as well as prosecuting violations of the Casino Control Act and regulations before the Casino Control Commission.

The Division, which is led by Director Thomas R. O'Brien, is organized in two primary components: Operations and Investigations.

The Operations component of the Division, supervised by Deputy Director of Operations Anthony J. Parrillo, and Chief Administrator of Operations William J. McElroy, includes the Audit Section, and the Renewal Section.

The Investigations component of the Division is supervised by Deputy Director of Investigations James F. Flanagan, III, and the Chief Administrator of Investigations Major Robert C. Winters. This unit includes the Revocation and Exclusion Section, the Service Industry Licensing Section, the Casino Investigations Section, the Employee Licensing Section, and the Management Information Section.

During 1983, the Division made 820 arrests related to casino crimes and filed 385 administrative complaints with the Casino Control Commission to revoke or suspend casino licenses and registrations and for audit or inspection violations of the Casino Control Act and regulations. The names of 29 individuals, including 17 linked to organized crime, were added to the casino exclusion list, bringing the total number to 86. The Division prosecuted 110 hearings before adminis-

trative law judges and disposed of 12,507 employee license or registration applications through investigation and report to the Commission or other appropriate action. The Division also conducted 2,156 other investigations relating to casino service industries, junkets, qualifiers, and violations of the Casino Control Act and regulations, as well as nine operational audits of casinos.

Other significant Division activities in 1983 included: appellate court proceedings in the Hotel and Restaurant and Bartenders International Union, Local 54 case to determine the state's authority to regulate casino unions, and the Playboy case, upholding the Casino Control Commission's decision to refuse casino licensure without divestiture of Hugh Hefner's interest; action to enforce the required stock divestiture of William O'Donnell, former chairman of Bally Manufacturing; discovery of more than \$1.35 million in improper bad-debt write-offs by casinos; proposals for statutory and regulatory revisions to reduce credit fraud and other credit abuses in casinos; breaking sports betting and cheating rings in casinos, as well as assisting the FBI in a kidnapping/murder investigation; and establishment of a new entertainment unit to monitor and regulate entertainment services used by casinos.

To carry out its task of investigating all corporate and individual applicants for casino licensure, the Division has assembled an investigative staff comprised of State Agents, State Police Detectives, and Deputy Attorneys General, supported by administrative and research professionals and clerical personnel.

Operating funds for the Division are advanced from the General State Treasury, which is reimbursed with interest as revenues are received from the casinos.

"Bet with your head, not over it"

**CASINO CONTROL COMMISSION
LICENSING STATISTICS AS OF DECEMBER 31, 1983**

CASINO-HOTELS

	<u>1/1/83 to 12/31/83</u>	<u>Inception to 12/31/83</u>
License applications filed	3	26
Temporary casino licenses issued	0	9
Casino licenses issued	1	10
Casino licenses reserved	1	2

CASINO SERVICE INDUSTRIES

Enterprises permitted to conduct business with casino licensees	2,775	7,555*
Enterprises prohibited from conducting business with casino licensees	50	227
Contracts reviewed by CCC	1,058	3,327
Service Industry license applications:		
gaming-related applicants	7	92
gaming-related licenses issued	6	25
gaming-related licenses denied	6	6
gaming-related licenses active		20
gaming-related withdrawals granted	5	9
nongaming-related applicants	235	1,301
nongaming-related licenses issued	140	642
nongaming-related licenses denied	51	67
nongaming-related licenses active		553
nongaming-related withdrawals granted	41	143
junket enterprise applicants	146	146
junket enterprises licensed	15	15
exemption requests received	19	117
exemption requests accepted for filing	16	64
enterprises granted exemptions by CCC	0	9

*This figure is less prohibited vendors, 3,529 purged vendors, and 60 vendors which were administratively deleted from the Master Vendors List.

GAMING SCHOOLS

Applications filed	0	14
Schools licensed	0	8
Currently operating	2	

LABOR ORGANIZATIONS

Registered	0	15
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**CASINO CONTROL COMMISSION
LICENSING STATISTICS AS OF DECEMBER 31, 1983**

CASINO-HOTELS

	<u>1/1/83 to 12/31/83</u>	<u>Inception to 12/31/83</u>
Casino key employees:		
applications filed	380	2,928
licenses issued	241	2,326
temporary licenses issued	146	686 ^a
Casino employees:		
applications filed	7,133	45,494
licenses issued	5,289	40,108
temporary nongaming licenses issued	818	3,431 ^b
temporary junket representative licenses issued	419	419
temporary sole/owner operator junket enterprise licenses issued	290	290
Gaming school employees:		
applications filed	95	858
licenses issued	77	681
temporary licenses issued	19	49 ^c
Casino hotel employees:		
license applications filed (through 2/14/82)	n/a ^d	39,480
licenses issued (through 2/14/82)	n/a ^d	32,364
registrations (from 2/15/82)	5,477	10,502
Total employees:		
applications filed	7,608	88,760
licenses issued	5,607	75,479
temporary licenses issued	1,692	4,875
hotel registrations issued	5,477	10,502
position additions processed	3,174	22,428
license renewals processed	17,080	42,408

^aNumber of temporary key licenses granted from January 1980 through December 1983.

^bNumber of temporary casino licenses granted from September 1980 through December 1983.

^cNumber of temporary gaming school licenses granted from June 1980 through December 1983.

^dNo longer required.

THE NEW JERSEY CASINO INDUSTRY GROSS REVENUE AND RELATED TAX

<u>Casino-Hotel</u>	<u>Revenue</u>	<u>Daily Average Revenue</u>	<u>Adjustment for Uncollectibles</u>	<u>Gross Revenue After Adjustment</u>	<u>Tax</u>
Bally					
1983	\$ 230,814,258	\$ 632,368	\$ 925,432	\$ 229,888,826	\$ 18,391,106
1982	196,421,937	538,142	1,651,845	194,770,092	15,581,607
Caesars					
1983	\$ 213,591,342	\$ 585,182	\$ 5,081,000	\$ 208,510,342	\$ 16,680,827
1982	194,203,214	532,064	4,392,000	189,811,214	15,184,897
Claridge					
1983 ^a	\$ 110,205,513	\$ 301,933	\$ 1,325,986	\$ 108,879,527	\$ 8,710,362
1982	89,593,743	245,462	1,624,842	87,968,901	7,037,512
Golden Nugget					
1983	\$ 262,810,910	\$ 720,030	\$ 3,852,500	\$ 258,958,410	\$ 20,716,673
1982	184,686,846	505,991	2,371,000	182,315,846	14,585,268
Harrah's					
1983	\$ 201,479,511	\$ 551,999	\$ 1,893,283	\$ 199,586,228	\$ 15,966,898
1982	175,695,745	481,358	1,445,920	174,249,825	13,939,986
Playboy					
1983	\$ 144,014,321	\$ 394,560	\$ 1,029,000	\$ 142,985,321	\$ 11,438,826
1982	141,651,221	388,086	4,056,000	137,595,221	11,007,618
Resorts					
1983	\$ 252,471,635	\$ 691,703	\$ 7,320,940	\$ 245,150,695	\$ 19,612,056
1982	215,475,611	590,344	3,560,855	211,914,756	16,953,180
Sands					
1983	\$ 156,424,701	\$ 428,561	\$ 2,741,095	\$ 153,683,606	\$ 12,294,689
1982	145,715,455	399,220	4,175,865	141,539,590	11,345,620 ^b
Tropicana					
1983	\$ 199,129,719	\$ 545,561	\$ 2,759,337	\$ 196,370,382	\$ 15,710,622 ^c
1982	149,720,309	410,193	2,160,919	147,559,390	11,804,751
Industry Since Inception					
1983	\$1,770,941,910	\$4,851,896	\$26,928,573	\$1,744,013,337	\$139,522,059 ^{c,d}
1982	1,493,164,081	4,090,860	25,439,246	1,467,724,835	117,440,439 ^{b,e}
1981	1,099,782,762	3,013,103	18,465,738	1,081,317,024	86,505,361
1980	642,673,245	1,755,938	19,135,671	623,537,574	68,635,460 ^f
1979	325,480,531	891,727	1,010,908	324,469,623	34,390,725
1978	134,073,445	609,425	400,000	133,673,445	10,693,876
Total	<u>\$5,466,115,974</u>	<u>\$2,671,611</u>	<u>\$91,380,136</u>	<u>\$5,374,735,838</u>	<u>\$457,187,920^{b,c,d,e,f}</u>

^aFigures for 1983 include the combined results from Claridge Limited and The Claridge at Park Place, Inc.

^bIncludes \$19,653 in delinquent taxes and \$2,800 in interest paid by Sands.

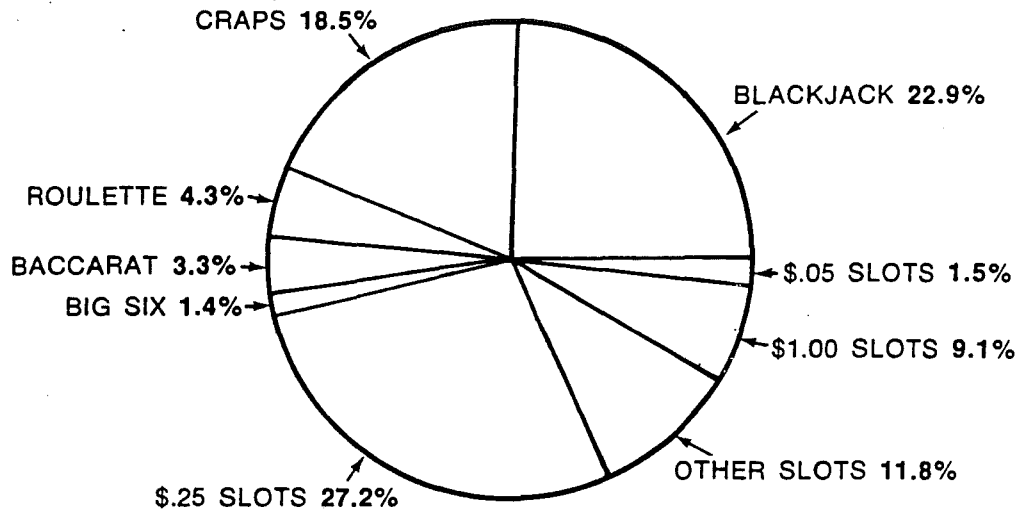
^cIncludes \$851 in delinquent taxes and \$140 in interest paid by Tropicana.

^dDoes not include \$3,306,809 interest earned from January through December 1983.

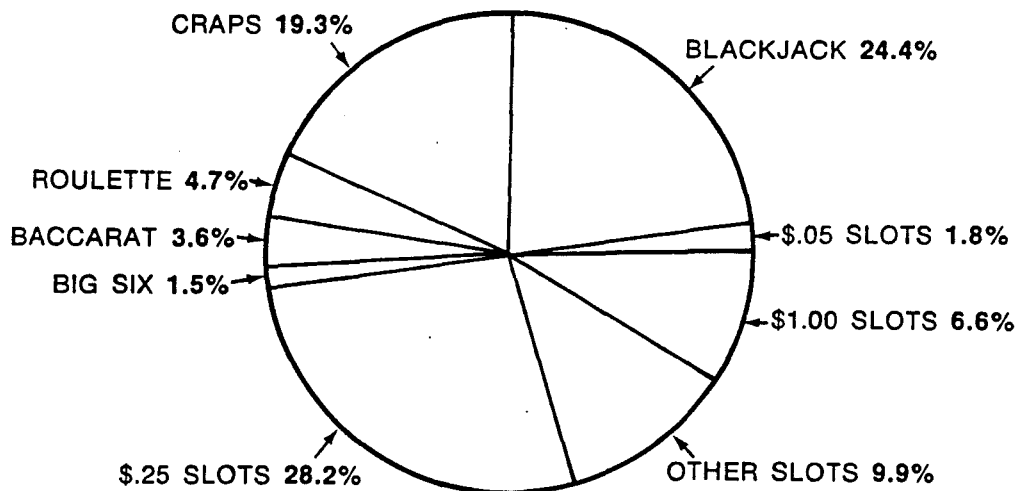
^eDoes not include \$2,114,401 interest earned from April through December 1982.

^fIncludes a \$319,392 penalty imposed by the Casino Control Commission and paid by Resorts.

**THE NEW JERSEY CASINO INDUSTRY
BREAKDOWN OF CASINO REVENUE BY GAME
FOR THE YEARS ENDED DECEMBER 31, 1983 AND 1982
(\$ IN MILLIONS)**



1983 CASINO REVENUE \$1,770.9



1982 CASINO REVENUE \$1,493.2

**THE NEW JERSEY
FACILITY S
AT DECEMBER 31**

	Bally		Caesars		Claridge		Golden Nugget		Harrah's	
	1983	1982	1983	1982	1983	1982	1983	1982	1983	1982
Table Games:										
Blackjack	76	90	54	63	40	44	57	61	60	68
Craps	22	22	24	26	12	12	20	18	22	18
Roulette	12	12	7	12	8	8	10	10	12	12
Big Six	4	4	3	2	2	2	4	4	3	3
Baccarat	3	3	4	4	2	2	2	2	2	2
Total Table Games	117	131	92	107	64	68	93	95	99	103
Slot Machines:										
\$.05 slot machines	86	136	75	70	55	81	63	63	66	66
\$.25 slot machines	1,101	1,133	886	919	641	623	727	810	690	724
\$1.00 slot machines	162	130	180	105	94	63	179	135	228	228
Other slot machines ^a	239	208	278	270	197	87	233	188	323	287
Total Slot Machines	1,588	1,607	1,419	1,364	987	854	1,202	1,196	1,307	1,305
Casino Square Footage	59,499	60,000	48,965	49,061	34,408	29,950	40,814	40,622	44,698	44,698
Number of Hotel Rooms^b	512	509	507	509	504	505	522	506	502	502
Convention Space										
Square Footage ^b	37,440	32,114	25,378	25,854	27,138	26,134	25,024	25,441	23,473	23,653
Number of parking										
Spaces ^b	816	873	1,000	900	504	504	1,527	867	2,753	2,753
Number of Theatre										
Seats ^b	310	312	492	492	558	558	540	540	849	849
Number of Restaurants^b	8	8	9	9	7	6	8	9	8	8
Fixed Asset Investment^c										
\$ in Millions	\$336.3	\$313.9	\$172.3	\$139.9	-0- ^d	\$144.7	\$234.0	\$176.8	\$164.9	\$141.4
Number of Employees	3,751	3,569	3,400	3,198	2,253	2,148	3,209	3,058	3,789	3,361

^aIncludes all other denominations and types of slot machines.

^bFor the fiscal year ended on or about December 31.

^cRepresents property, plant, and equipment before accumulated depreciation as reported by each casino licensee.

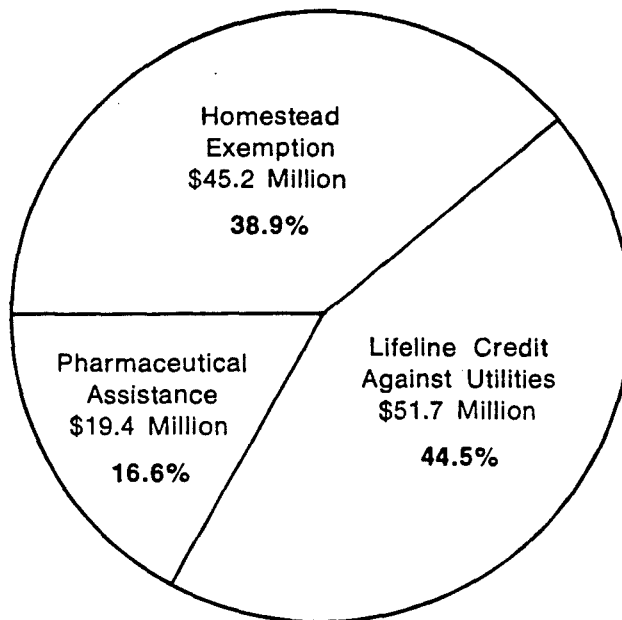
^dFixed asset investment for Claridge at December 31, 1983, is zero because Claridge at Park Place, Inc. leases its property, plant, and equipment as a result of a sale and refinancing agreement.

**CASINO INDUSTRY
STATISTICS
, 1983 AND 1982**

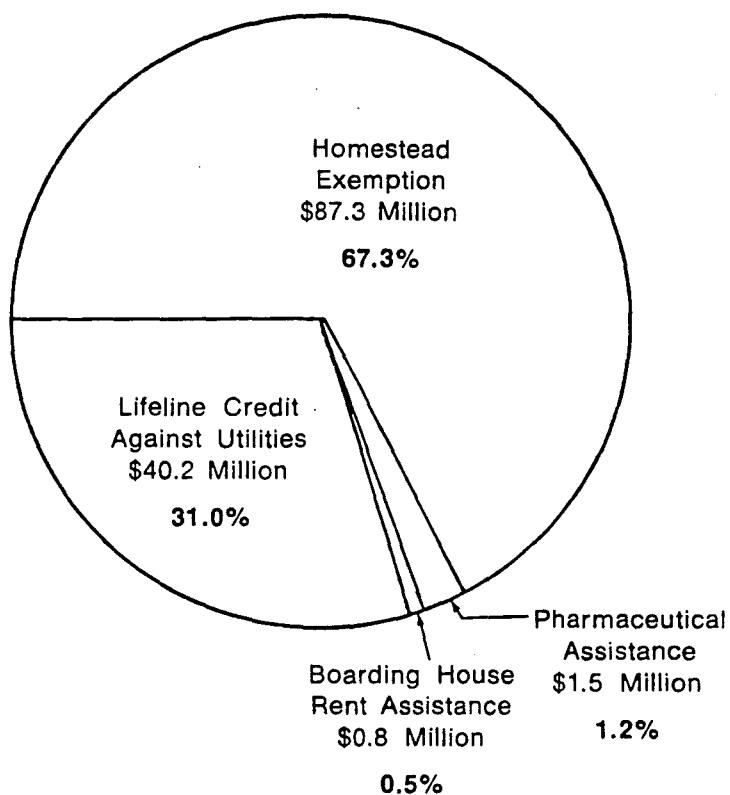
Playboy		Resorts		Sands		Tropicana		INDUSTRY Totals	
1983	1982	1983	1982	1983	1982	1983	1982	1983	1982
60	76	84	84	43	59	76	76	550	621
16	14	20	20	16	16	24	18	176	164
11	12	11	11	10	10	11	15	92	102
2	3	6	6	2	2	3	4	29	30
3	3	3	3	2	2	3	3	24	24
92	108	124	124	73	89	117	116	871	941
68	74	94	135	56	64	76	76	639	765
890	1,070	1,067	1,071	647	622	946	1,097	7,595	8,069
95	62	307	309	68	56	167	105	1,480	1,193
232	228	261	234	145	308	268	224	2,176	2,034
1,285	1,434	1,729	1,749	916	1,050	1,457	1,502	11,890	12,061
51,085	52,313	59,857	60,000	32,497	38,336	50,873	50,795	422,696	425,815
506	500	701	711	504	504	521	521	4,779	4,767
21,767	25,569	49,076	50,125	32,053	26,115	31,556	31,556	272,905	266,561
1,594	995	3,238	3,238	765	530	2,174	1,009	14,371	11,669
800	800	1,650	1,650	850	850	1,900	1,041	7,949	7,092
7	7	12	12	4	3	10	10	73	72
\$163.9	\$148.4	\$158.8 ^b	\$185.5 ^b	\$108.7	\$ 90.3	\$300.3 ^b	\$297.2 ^b	\$1,639.2	\$1,638.1
3,473	3,260	4,065 ^b	3,938 ^b	2,707	2,532	3,550 ^b	3,029 ^b	30,197	28,093

**CASINO REVENUE FUND DISBURSEMENTS
(\$ IN MILLIONS)**

JULY 1, 1982 THROUGH JUNE 30, 1983

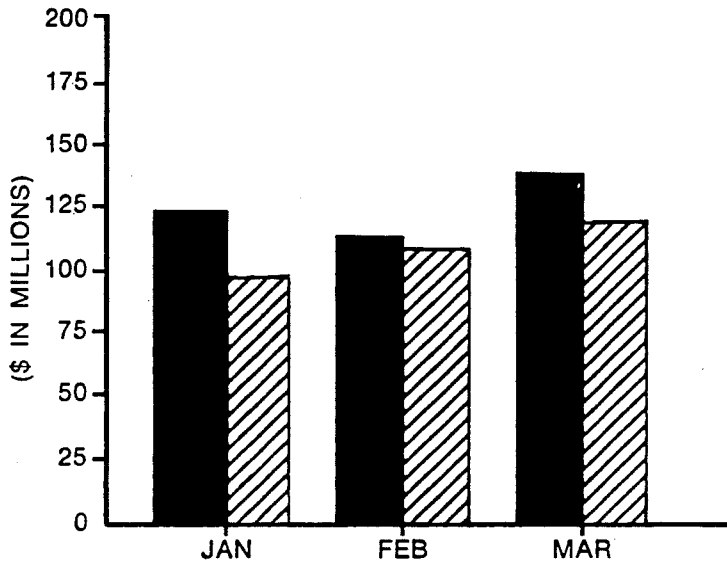


JULY 1, 1981 THROUGH JUNE 30, 1982

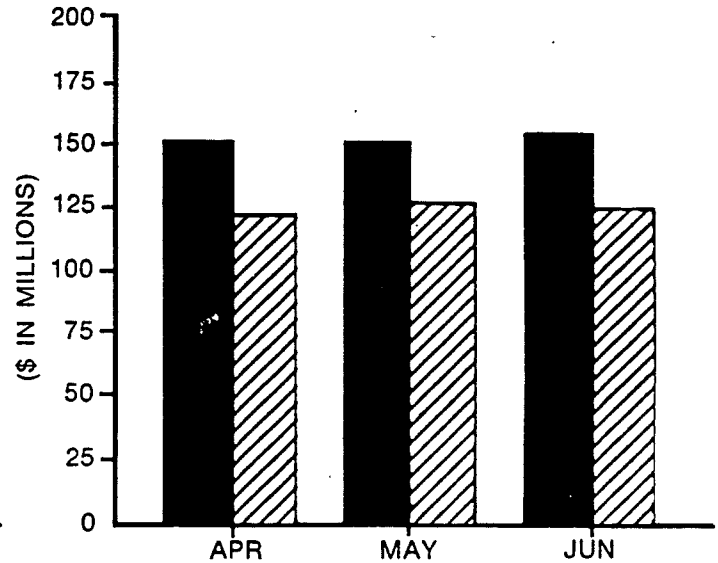


**THE NEW JERSEY CASINO INDUSTRY
COMPARISON OF CASINO WIN
FOR THE YEARS ENDED DECEMBER 31, 1983 AND 1982**

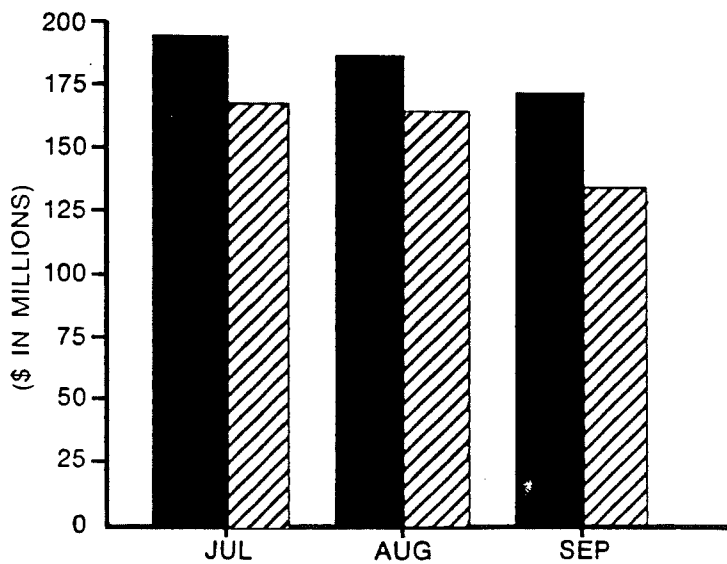
FIRST QUARTER



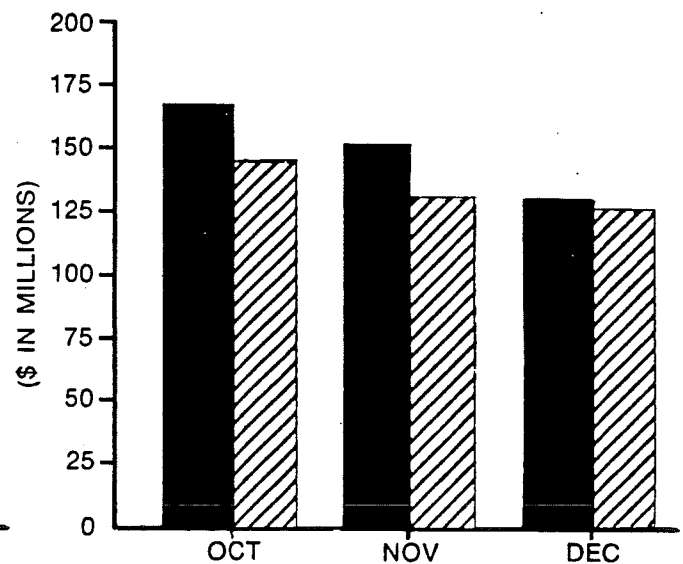
SECOND QUARTER



THIRD QUARTER



FOURTH QUARTER



1983

1982

**THE NEW JERSEY CASINO INDUSTRY
COMPARISON OF ATLANTIC CITY AND NEVADA GAMING REVENUE
FOR THE YEARS ENDED DECEMBER 31, 1983 and 1982
(\$ in Millions)**

	<u>Atlantic City</u>	<u>Nevada</u>	<u>Atlantic City as Percentage of Nevada</u>
1983	\$1,770.9	\$2,847.2	62.2%
1982	\$1,493.2	\$2,627.5	56.8%

**THE NEW JERSEY CASINO INDUSTRY
COMPARISON OF VISITORS TO ATLANTIC CITY
FOR THE YEARS ENDED DECEMBER 31, 1983 and 1982**

<u>Travel Mode</u>	<u>1983</u>	<u>1982</u>	<u>% Change</u>
Automobile*	14,347,000	13,086,000	9.6%
Bus	11,679,615	9,487,542	18.0%
Air*	335,000	223,000	50.2%
TOTAL	<u>26,361,615</u>	<u>22,796,542</u>	<u>13.5%</u>

*Source: New Jersey Expressway Authority

LEGISLATIVE SERVICES COMMISSION

CARMEN A. ORECHIO
CHAIRMANROBERT E. LITTELL
VICE-CHAIRMANDONALD T. DI FRANCESCO
MATTHEW FELDMAN
WALTER E. FORAN
GARRETT W. HAGEDORN
JOSEPH HIRKALA
JAMES R. HURLEY
JOHN F. RUSSO
WILLIE B. BROWN
JOHN PAUL DOYLE
DEAN A. GALLO
ALAN J. KARCHER
DENNIS L. RILEY
ANTHONY M. VILLANE, JR.
KARL WEIDEL

State of New Jersey

OFFICE OF LEGISLATIVE SERVICES
DIVISION OF STATE AUDITING
STATE HOUSE ANNEX, CN-067
TRENTON, NEW JERSEY 08625
TELEPHONE: (609) 292-6430JAMES J. DOLAN
STATE AUDITOR

December 21, 1983

TO: Honorable Thomas H. Kean
Governor of New Jersey

Honorable Carmen A. Orechio
President of the Senate

Honorable Alan J. Karcher
Speaker of the General Assembly

Mr. Albert Porroni
Executive Director
Office of Legislative Services

Gentlemen:

We have examined the balance sheet of the *Casino Control Fund*, of the State of New Jersey as of June 30, 1983 and 1982, and the related statements of revenues, expenditures, and changes in fund balances; revenues, expenditures, and changes in fund balances, budget and actual—budgetary basis for the years then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records, and such other auditing procedures as we considered necessary in the circumstances.

As discussed in Note 1C to the financial statements, there are suits pending against the *Casino Control Fund*. The ultimate outcome of these suits cannot presently be determined, and no provision for any liability that may result has been made in the financial statements.

In our opinion, subject to the effect on the financial statements of such adjustments, if any, as might have been required had the outcome of the uncertainty referred to in the preceding paragraph been known, the accompanying financial statements present fairly the financial position of the *Casino Control Fund* as of June 30, 1983 and 1982 and the results of operations for the years then ended in conformity with generally accepted accounting principles, applied on a consistent basis.

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

Respectfully submitted,

James J. Dolan
State Auditor

**STATE OF NEW JERSEY
CASINO CONTROL FUND
BALANCE SHEET
JUNE 30, 1983 AND 1982**

		EXHIBIT I (in \$000)	
		1983	1982
Assets			
Accounts Receivable (Note 3)		\$8,070.6	\$4,042.8
Less: Allowance for Doubtful Accounts		(713.0)	(705.4)
Net Accounts Receivable		7,357.6	3,337.4
Due from General Fund (Note 2)		—	—
Total Assets		<u>\$7,357.6</u>	<u>\$3,337.4</u>
Liabilities & Fund Balances			
Liabilities:			
Accounts Payable (Note 4)		\$2,784.3	\$4,471.6
Revenue Refunds Payable		—	.1
Due to General Fund (Note 2)		6,956.3	3,065.6
Total Liabilities		<u>9,740.6</u>	<u>7,537.3</u>
Fund Balance: (Note 1)			
Reserved:			
Reserved for Encumbrances:			
Current Year		907.5	753.0
Prior Year		187.9	108.4
Unreserved:			
Undesignated (Deficit)		(3,478.4)	(5,061.3)
Total Fund Balances		<u>(2,383.0)</u>	<u>(4,199.9)</u>
Total Liabilities and Fund Balances		<u>\$7,357.6</u>	<u>\$3,337.4</u>

SEE NOTES TO FINANCIAL STATEMENTS

**STATE OF NEW JERSEY
CASINO CONTROL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
FOR THE FISCAL YEARS ENDED JUNE 30, 1983 AND 1982**

		EXHIBIT II	
		(in \$000)	
		1983	1982
Revenues:			
Licenses			
Casino		\$15,889.3	\$13,206.4
Casino Employees		5,056.0	3,924.8
Slot Machines		6,268.2	5,219.5
Casino Service Industries		1,010.1	818.8
Alcoholic Beverage		735.0	763.6
Work Permits		1,345.8	1,633.8
Special Assessment		4,199.9	—
Fines and Penalties		275.2	62.1
Other Revenue		85.8	68.5
Total Revenues		34,865.3	25,697.5
Expenditures:			
Public Safety and Criminal Justice			
(Division of Gaming Enforcement)			
(Schedule I)		19,074.4	18,070.4
Government Direction, Management			
and Control			
(Casino Control Commission)			
(Schedule I)		13,613.7	12,571.7
Total Expenditures		32,688.1	30,642.1
Other Decreases:			
Transfers to General Fund		360.3	68.1
Total Other Decreases		360.3	68.1
Total Expenditures/Other Decreases		33,048.4	30,710.2
Net Increase (Decrease) in Fund		1,816.9	(5,012.7)
Balance for the Year		1,816.9	(5,012.7)
Fund Balance—Beginning		(4,199.9)	812.8
Fund Balance—Ending		\$(2,383.0)	\$(4,199.9)

SEE NOTES TO FINANCIAL STATEMENTS

**STATE OF NEW JERSEY
CASINO CONTROL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL—BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 1983**

				EXHIBIT III-A (in \$000)	
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Budget	Variance- Favorable (Unfavorable)
Revenues:					
Licenses					
Casino	\$15,889.3	\$ —	\$15,889.3	\$13,860.0	\$2,029.3
Casino Employees	5,056.0	—	5,056.0	7,393.4	(2,337.4)
Slot Machines	6,268.2	—	6,268.2	5,890.9	377.3
Casino Service Industry	1,010.1	—	1,010.1	299.7	710.4
Alcoholic Beverage	735.0	—	735.0	900.0	(165.0)
Work Permits	1,345.8	—	1,345.8	2,880.0	(1,534.2)
Special Assessments	4,199.9	—	4,199.9	4,200.0	(.1)
Fines and Penalties	275.2	—	275.2	—	275.2
Other Revenue	85.8	—	85.8	50.0	35.8
Total Revenues	<u>34,865.3</u>	<u>—</u>	<u>34,865.3</u>	<u>35,474.0</u>	<u>(608.7)</u>
Expenditures:					
Public Safety and Criminal Justice (Division of Gaming Enforcement) (Schedule I)	19,074.4	1,095.4	20,169.8	21,134.6	964.8
Government Direction, Management and Control (Casino Control Commission) (Schedule I)	13,613.7	(28.5)	13,585.2	14,339.4	754.2
Total Expenditures	<u>32,688.1</u>	<u>1,066.9</u>	<u>33,755.0</u>	<u>35,474.0</u>	<u>1,719.0</u>
Other Decreases:					
Transfers to General Fund	360.3	—	360.3	—	(360.3)
Total Other Decreases	<u>360.3</u>	<u>—</u>	<u>360.3</u>	<u>—</u>	<u>(360.3)</u>
Total Expenditures and Other Decreases	<u>33,048.4</u>	<u>1,066.9</u>	<u>34,115.3</u>	<u>35,474.0</u>	<u>1,358.7</u>
Net Increase (Decrease) in Fund Balance for the Year	<u>\$ 1,816.9</u>	<u>\$1,066.9</u>	<u>\$ 750.0</u>	<u>\$ -0-</u>	<u>\$ 750.0</u>

SEE NOTES TO FINANCIAL STATEMENTS

**STATE OF NEW JERSEY
CASINO CONTROL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL—BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 1982**

					EXHIBIT III-B (in \$000)
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Budget	Variance- Favorable (Unfavorable)
Revenues:					
Licenses					
Casino	\$13,206.4	\$ —	\$13,206.4	\$17,820.0	\$(4,613.6)
Casino Employees	3,924.8	—	3,924.8	2,998.7	926.1
Slot Machine	5,219.5	—	5,219.5	5,157.7	61.8
Casino Service Industry	818.8	—	818.8	433.5	385.3
Alcoholic Beverage	763.6	—	763.6	900.0	(136.4)
Work Permits	1,633.8	—	1,633.8	2,605.0	(971.2)
Special Assessment	—	—	—	—	—
Fines and Penalties	62.1	—	62.1	—	62.1
Other Revenues	68.5	—	68.5	50.0	18.5
Total Revenues	<u>25,697.5</u>	<u>—</u>	<u>25,697.5</u>	<u>29,964.9</u>	<u>(4,267.4)</u>
Expenditures:					
Public Safety and Criminal Justice					
(Division of Gaming					
Enforcement-Schedule I)	18,070.4	(362.2)	17,708.2	18,394.4	686.2
Government Direction,					
Management and Control					
(Casino Control Commission					
—Schedule I)	12,571.7	525.1	13,096.8	13,170.9	74.1
Total Expenditures	<u>30,642.1</u>	<u>162.9</u>	<u>30,805.0</u>	<u>31,565.3</u>	<u>760.3</u>
Other Decreases:					
Transfers to General Fund	68.1	—	68.1	—	(68.1)
Total Other Decreases	68.1	—	68.1	—	(68.1)
Total Expenditures and					
Other Decreases	30,710.2	162.9	30,873.1	31,565.3	692.2
Net Increase (Decrease) in Fund					
Balances for the Year	\$(5,012.7)	\$(162.9)	\$(5,175.6)	\$(1,600.4)	\$(3,575.2)

() Denotes minus amount

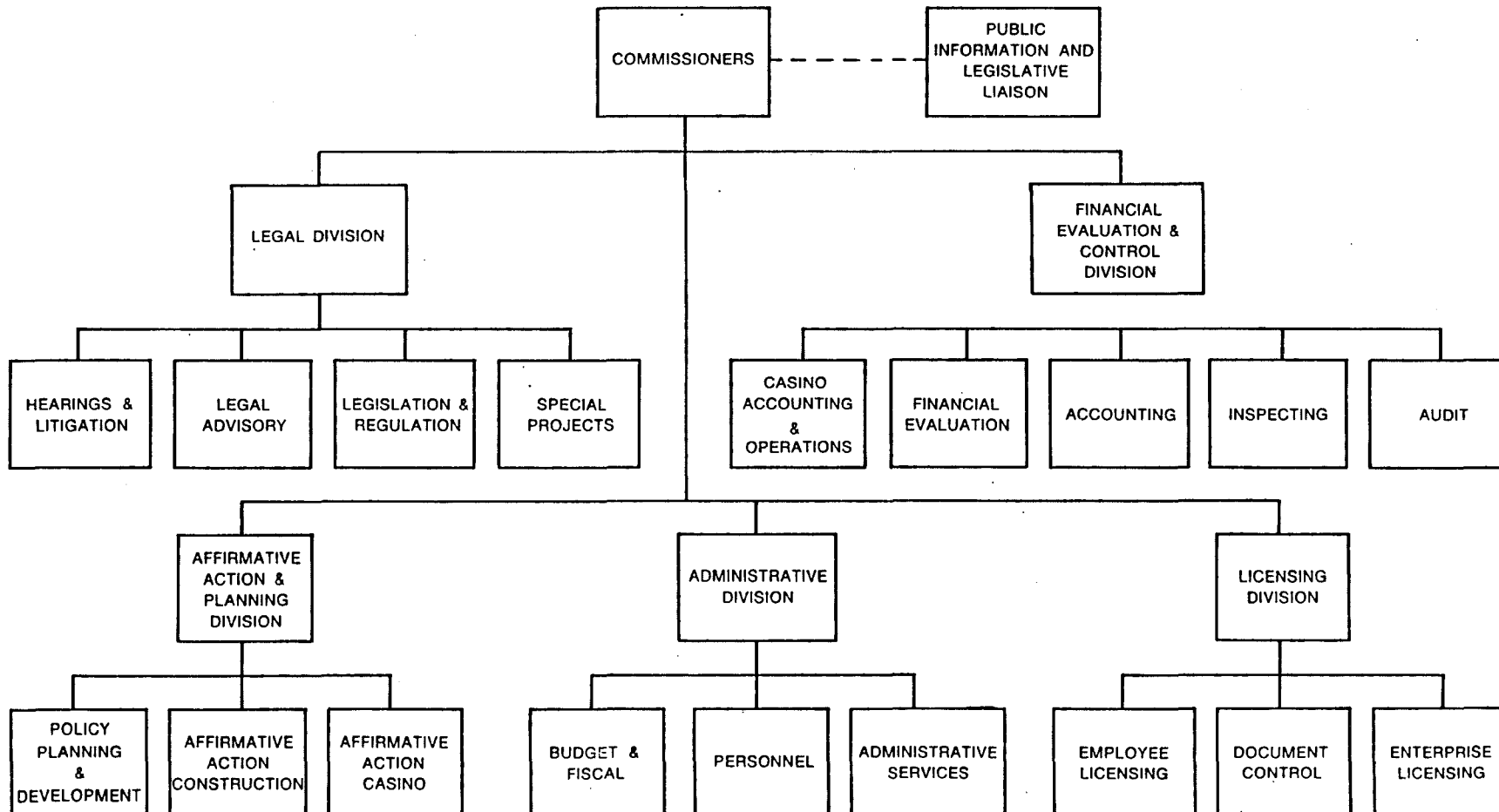
SEE NOTES TO FINANCIAL STATEMENTS

**STATE OF NEW JERSEY
CASINO CONTROL FUND
EXPENDITURE DETAIL
FISCAL YEARS ENDED JUNE 30, 1983 AND 1982**

	1983		1982	
	Public Safety and Criminal Justice	Government Direction Management and Control	Public Safety and Criminal Justice	Government Direction Management and Control
Expenditures				
Salaries	\$10,543.2	\$ 8,774.3	\$ 9,293.4	\$ 7,637.6
Payroll Taxes and Employee Benefits	2,767.5	1,839.2	2,409.3	1,538.7
Printing and Office Supplies	197.0	196.9	316.0	258.1
Vehicular Supplies	303.3	—	560.4	.5
Travel	25.0	82.2	24.4	73.8
Telephone	506.0	249.5	445.1	212.3
Data Processing	539.6	384.1	293.9	422.5
Professional Services	244.3	334.1	478.5	396.1
Other Services Other Than Personal	314.7	247.6	844.2	398.4
Rent-Facilities	1,127.7	691.3	1,377.7	623.6
Rent-Automobiles and Other	778.4	140.1	735.4	135.6
Indirect Costs (Note 5)	832.6	348.0	947.9	363.1
Office Equipment	29.0	208.0	121.0	413.7
Other Expenditures	866.1	118.4	223.2	97.7
Total Expenditures	<u>\$19,074.4</u>	<u>\$13,613.7</u>	<u>\$18,070.4</u>	<u>\$12,571.7</u>

SEE NOTES TO FINANCIAL STATEMENTS

NEW JERSEY CASINO CONTROL COMMISSION
TABLE OF ORGANIZATION





DIRECTOR
Robert J. Genatt



DIRECTOR
William H. Delaney



DIRECTOR
Christopher D. Storcella



DIRECTOR
Jack E. Wood, Jr.



DIRECTOR
Theron G. Schmidt

SENIOR STAFF

LEGAL DIVISION

DEPUTY DIRECTOR-LEGAL

Thomas N. Auriemma

LEGAL ADVISORY

John R. Zimmerman

LEGISLATION & REGULATION

David Missimer

HEARINGS & LITIGATION

Dennis Daly

SPECIAL PROJECTS

Patricia M. Kerins

FINANCIAL EVALUATION & CONTROL DIVISION

DEPUTY DIRECTOR-FINANCIAL

Jeffrey A. Cohen

MANAGER-CASINO OPERATIONS

Patricia A. Hetzel-Cohen

MANAGER-ACCOUNTING UNIT

Paul W. Maksimow

MANAGER-FINANCIAL UNIT

Glenn Simpson

MANAGER-AUDIT UNIT

Deno R. Marino

CHIEF-INSPECTION UNIT

David F. Mullane

DEPUTY DIRECTOR-CASINO OPERATIONS

Michael A. Santaniello

LICENSING DIVISION

DEPUTY DIRECTOR-LICENSING

Richard P. Franz

CHIEF-EMPLOYEE LICENSE

John I. Bowman

CHIEF-ENTERPRISE LICENSE

William J. Hoffman

PROJECT ATTORNEYS SECTION

Scott N. Silver

DOCUMENT CONTROL SECTION

Stephen H. Crist

FACILITIES REVIEW SECTION

Catherine A. Walker

ADMINISTRATIVE UNIT

Susan McAlaren-Kunkle

ENTITIES & QUALIFIERS SECTION

E. Dennis Kell

AFFIRMATIVE ACTION & PLANNING DIVISION

CHIEF-PLANNING UNIT

Barbara Lampen

ADMINISTRATION DIVISION

DEPUTY DIRECTOR-ADMINISTRATION

James Fiandaca

COORDINATOR-SYSTEMS DEVELOPMENT

Julian Grauer

CHIEF-BUDGET AND FISCAL

Joseph Papp

CHIEF-PERSONNEL OFFICE

David Hopkins



In Memoriam

JOSEPH P. LORDI

1920-1983

Joseph P. Lordi was appointed as the first chairman of the Casino Control Commission in September 1977 and served until he retired June 1981.

He also served as Essex County Prosecutor, Director of the State Division of Alcoholic Beverage Control, chief counsel to the state Public Utilities Commission and as a Deputy Attorney General.

He served with the Office of Strategic Services during World War II and was assigned special counter-intelligence work in France, Germany and Czechoslovakia.

Mr. Lordi died at home Oct. 20, 1983.

**STATE OF NEW JERSEY
CASINO CONTROL FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1983 AND 1982**

NOTE 1—Summary of Significant Accounting Policies

A. Fund Accounting

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

Special Revenue Fund

The Casino Control Fund is classified as a Special Revenue Fund. Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or for major capital projects) that are legally restricted to expenditure for specified purposes.

The Casino Control Fund (N.J.S.A. 52:12-143) accounts for fees from the issuance and annual renewal of casino licenses, work permit fees, and other license fees. Appropriations are made to fund the operations of the Casino Control Commission and the Division of Gaming Enforcement.

B. Basis of Accounting

Basis of Accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of Accounting relates to the timing of the measurements made regardless of the measurement focus applied.

Special Revenue Funds are accounted for using the modified accrual basis of accounting. Under this basis of accounting, revenues are recognized in the accounting period in which they become susceptible to accrual—that is, when they become both measurable and available to finance expenditures of the fiscal period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Material revenues susceptible to accrual would include casino license fees.

Appropriations are authorized by an act of the Legislature for expenditures during the fiscal year and for a period of one month thereafter. Expenditures are recorded on an accrual basis when the

related liability is incurred. Modifications to the accrual basis of accounting include:

- a. Disbursements for prepaid expenses, inventory items, and fixed assets are recorded as expenditures when incurred.
- b. Accumulated unpaid vacation and sick pay are not accrued.

Encumbrances represented by executory and unperformed purchase orders and contracts are recorded and reported as reservations of fund balance since they do not constitute expenditures or liabilities.

C. Revenue and Expenditure Budgets

The Casino Control Fund, as detailed in the following table, operates under a budgetary control system comprised of:

- a. The Annual Appropriations Acts approved June 30, 1982 for Fiscal year 1983, June 30, 1981 for Fiscal Year 1982, and various supplemental appropriations acts approved during the fiscal year.
- b. Reappropriations (authorized by the Annual Appropriations Act) of prior year funds which are available for expenditure in the current year.
- c. Appropriated Revenues (authorized by the Annual Appropriations Act) which establish certain revenues as appropriations.

The above items provided the following amounts for the Fiscal Year 1983 and 1982 budgets (in \$000).

	Revenue and Other Increases	
	1983	1982
Annual Appropriations Act	\$35,474.0	\$29,964.9
Totals	<u>\$35,474.0</u>	<u>\$29,964.9</u>
	Expenditures Other Decreases	
	1983	1982
Annual Appropriations Act	\$35,474.0	\$31,565.3
Totals	<u>\$35,474.0</u>	<u>\$31,565.3</u>

Budgetary control is maintained at the program unit level.

There were no expenditures in excess of appropriations in the Casino Control Fund. The accompanying statements of Revenues, Expenditures, and Changes in Fund Balances, Budget and Actual—Budgetary Basis present comparisons of the legally adopted budget with actual data on a budgetary basis.

The State's budgetary basis of accounting differs from that utilized to present financial statements in conformance with generally accepted accounting principles (GAAP). The main difference between the budgetary basis and the GAAP basis is that under the budgetary basis encumbrances are recognized as expenditures. There were no expenditures in excess of appropriations in the Casino Control Fund.

D. Fixed Assets

The State owns extensive fixed assets consisting of: (1) land, (2) office buildings, educational facilities, etc., and (3) equipment used in data processing, offices, etc. Since Special Revenue Funds are accounted for on a spending or financial-flow measurement focus, only current assets and current liabilities are included in the balance sheet. Fixed assets are, therefore, recorded as expenditures at the time of acquisition and are not included as assets of the Special Revenue Funds.

E. Fund Balances

The fund balances of the Casino Control Fund consist of:

- a. Reserved for encumbrances—used to segregate a portion of fund balance to provide for expenditure upon vendor performance of purchase agreements.
- b. Unreserved—Undesignated—used to represent that portion of fund balance resources available for appropriation.

F. Other

Other significant accounting practices are described in Notes 2 to 10.

NOTE 2—Cash

Cash transactions of the Casino Control Fund are made through and by the General Fund cash accounts. The balance of cash for this fund held in the General Fund after receipt and disbursement transactions is accounted for and reflected in the respective Due From or Due To Accounts on the Balance Sheet.

NOTE 3—Accounts Receivable

Accounts Receivable include amounts which were collected within the one-month period subsequent to June 30, and outstanding billings applicable to June 30, 1983. Approximately 70% of the outstanding billings was satisfied within a three-month period subsequent to June 30. Amounts included in these receivables but not collected within the one-month period subsequent to June 30 are deemed to be collectible.

NOTE 4—Accounts Payable

Accounts payable for the Casino Control Fund represent amounts due for goods and services that were received by the State prior to fiscal year end.

NOTE 5—Indirect Costs

The Departments of the Treasury and of Law and Public Safety annually allocate a portion of their expenses (based on services provided) to the Casino

Control Commission and the Division of Gaming Enforcement.

NOTE 6—Accumulated Unpaid Vacation and Sick Leave

At June 30, 1983 and 1982 unpaid vacation was not in excess of a normal year's accumulation. Accumulation of unused sick time is accounted for in the General Fund. Full time State employees earn 15 days of sick leave credits each year, with no maximum accumulation limit. Upon retirement, cash payments are made equal to 50% of the employee's sick leave accumulated, not to exceed \$12,000. Funds for this purpose are appropriated annually. At June 30, 1983 and 1982 the estimated value of unused sick leave is approximately \$1,207,300 and \$1,224,800, respectively.

NOTE 7—Employee Benefit Costs

Fringe benefit costs which include pension, health benefits, payroll taxes, and amounts for unused sick leave are originally paid by the General Fund and are charged to the Casino Control Fund using a composite fringe benefit rate.

NOTE 8—Fund Balance

The deficit fund balance in the Casino Control Fund results from expenditures in excess of revenues. Pursuant to N.J.A.C. 19:41-9.1, an assessment to the casino industry was made in the amount of \$2.4 million and payment is due by December 31, 1983. As of December 31, 1983, all nine operating casinos had remitted their assessments.

NOTE 9—Interest

Pursuant to the Annual Appropriations Act, the General Fund charges interest to the Casino Control Fund for disbursements made in excess of receipts collected. The interest rate is equal to the month-end New York Federal Reserve Discount Rate charged to banks. During Fiscal Year 1983, the interest rate varied from 8.5% to 11.5% and the interest charged to the Casino Control fund amounted to \$360,300. For Fiscal Year 1982, the interest rate charged varied from 12% to 14%, and the amount charged for Fiscal Year 1982 amounted to \$68,000.

NOTE 10—Contingent Liability

The Casino Control Fund is involved in a number of legal actions wherein there is potential for either a loss of revenue or unanticipated expenditure. The exact amount involved in these legal proceedings is not fully determinable as of June 30, 1983. The major item of litigation concerns a special assessment of \$8.0 million imposed by the Casino Control Commission upon 20 casinos in operation or with applications pending as of July 1, 1980, to be paid by December 31, 1980.

This special assessment has been challenged in the New Jersey Superior Court, Appellate Division. It is anticipated that a court decision will be rendered by June 30, 1984. The ultimate disposition of the matter cannot be predicted.