

Public Hearing

before

SENATE STATE GOVERNMENT, WAGERING, TOURISM & HISTORIC PRESERVATION COMMITTEE

*"The Committee will receive testimony on the importance of authorizing sports wagering
for the gaming industry in New Jersey"*

LOCATION: Committee Room 6
State House Annex
Trenton, New Jersey

DATE: September 26, 2011
10:00 a.m.

MEMBERS OF COMMITTEE PRESENT:

Senator Jim Whelan, Chair
Senator Robert M. Gordon, Vice Chair
Senator Dawn Marie Addiego
Senator Anthony R. Bucco



ALSO PRESENT

Frank J. Parisi
Raysa J. Martinez Kruger
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Hearing Recorded and Transcribed by
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TOURISM AND HISTORIC PRESERVATION COMMITTEE
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PUBLIC HEARING NOTICE

TO: MEMBERS OF THE SENATE STATE GOVERNMENT, WAGERING, TOURISM & HISTORIC PRESERVATION COMMITTEE

FROM: SENATOR JIM WHELAN, CHAIRMAN

SUBJECT: **PUBLIC HEARING - SEPTEMBER 26, 2011**

The public may address comments and questions to Frank J. Parisi, Raysa Martinez Kruger, Committee Aides, or make bill status and scheduling inquiries to Josephine DeAngelo, Secretary, at (609)292-9106, fax (609)777-2998, or e-mail: OLSAideSSG@njleg.org. Written and electronic comments, questions and testimony submitted to the committee by the public, as well as recordings and transcripts, if any, of oral testimony, are government records and will be available to the public upon request.

The Senate State Government, Wagering, Tourism & Historic Preservation Committee will hold a public hearing on Monday, September 26, 2011 at 10:00 AM in Committee Room 6, 1st Floor, State House Annex, Trenton, New Jersey.

The committee will receive testimony on the importance of authorizing sports wagering for the gaming industry in New Jersey.

Issued 9/19/11

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SENATOR JIM WHELAN (Chair): Good morning.

I'm informed by Mr. Frank Parisi, of OLS, this is not a voting session for this Committee. Even though we lack a quorum, we can actually get started in the interest of time, particularly Senator Lesniak's time, who is here to testify. Senator Bucco and myself have a busy day up here in Trenton.

We will get started, and we will hear from Senator Lesniak first. As many of you know, Senator Lesniak has really spearheaded this effort to -- with regard to sports betting in New Jersey, bringing the Federal lawsuit and sponsoring bills in this Legislature. And our goal today -- my goal today, and I think our goal collectively, is, if the referendum should pass on November 8, we would like to start November 9, actually, and craft the legislation that, when we go back to Federal Court -- and at that point it would be the State of New Jersey in Federal Court, not Senator Lesniak's law firm who has graciously done this work pro bono. We could go back into court and have a bill that we could show to the Federal judge that protects the public's interest. And then the question becomes: Where's the Federal interest if there, in fact, is a referendum that is passed and a bill that clearly protects the public's interest in terms of the integrity of the games, compulsive gambling, underage gambling, etc.?

So that's-- Again, this is the start of that process. And with that, let me turn it over Senator Lesniak.

Senator.

S E N A T O R R A Y M O N D J. L E S N I A K: Thank you, Chairman Whelan, members of the Committee.

First of all, I want to thank you for being such a champion for Atlantic City, and for boosting tourism and revenues into the casinos, and job creation as well.

And you're right. I started this venture about four years ago, maybe even a little more. It was during Super Bowl week. And there was the usual bust of organized crime of a sports betting ring. It was in Monmouth County. And I thought to myself, why in the world are we wasting -- why do we have to waste law enforcement resources to bring criminal investigation and charges against people doing something that they could legally do in Las Vegas? What's wrong with this picture? And at that point in time I said, "Look, not only are we wasting law enforcement resources, but we're missing out on an opportunity for New Jersey -- for our tourism industry and for State revenues." That is only given, for the most part, by Congress to the state of Nevada.

My first effort was to try to get Congress to change its mind. That went nowhere; it went nowhere fast. And it was at that point in time that we started researching the law. And I concluded, based on many legal authorities, that the Federal ban is unconstitutional on many grounds -- original intent of the Commerce Clause, 10th Amendment, 14th Amendment -- and that if challenged in court, it would not hold up. Brought a lawsuit and was bounced in court because the judge said, "Hey, you can't have-- Even if we declare this law unconstitutional, you can't have it in New Jersey because your Constitution forbids it -- prevents it. Get that changed, and then we'll take this up again."

And that's why we're here today. It's on the ballot in November.

And I may add, by the way, the Justice Department -- when PASPA banned -- which is the ban on sports betting, except for the most part in Nevada -- the Justice Department expressed grave concerns over its constitutionality. So if this referendum passes, the chances are certainly better than not that we will have sports betting in the State of New Jersey.

I will leave it to the experts that we have here -- that Senator, Chairman -- that you have ready to testify in terms of the incredible amount of revenues that will flow into the State of New Jersey to boost our ailing casinos, to aid our ailing racetracks, and to bring revenues into the State of New Jersey that now are going to Las Vegas, off-shore online gaming sites, or organized crime. We'd wipe that out in a heartbeat when we pass this referendum and pass the legislation.

Senator, you know all too well, on Super Bowl week, Final Four weekend, Atlantic City is empty; Las Vegas is packed. You can't get a room, and you can't get a room because of sports betting. There is no reason why the politicians in Washington should deny the State of New Jersey what they allow the state of Nevada. I really-- I commend you for supporting this and for having this hearing today to get this message out.

Thank you, Mr. Chairman.

SENATOR WHELAN: Thank you, Senator.

I would just point out that Nevada has the type of sports betting we want. There are three other states, under that Federal law, that can have limited forms of sports betting: Delaware, Montana, and I think Oregon. And of course the heart of the legal issue is: How does the Federal government say-- And when they did Prohibition, right or wrong, they did Prohibition for everybody.

Now, Atlantic City didn't quite get that memo. That's why they have the show *Boardwalk Empire*. (laughter)

SENATOR LESNIAK: We didn't get that memo in Elizabeth either. Peterstown. (laughter)

SENATOR WHELAN: Okay. But to say 46 states can do it one way and four other states get to do it another way just seems patently unfair. So, again, we applaud your leadership on this.

I don't know if there are any questions from Senator Addiego or Senator Bucco or Senator Lesniak. We are going to hopefully hear from some other people today and, as I say, work with all of us to fashion a bill so that we can show that this can be done and protect the public's interest.

SENATOR LESNIAK: Senator, may I mention one other thing? May I? (referring to PA microphone) Somebody is blocking me.

Okay, thank you.

Open up any newspaper today, go to the sports section, see the line for the college games and next Sunday's games. What's that all about? What's the purpose of that? The purpose of that is to gamble. So let's get our heads out of the sand and move this.

I may add one thing that we talked about earlier. This referendum would not allow gambling on New Jersey-based college teams, wherever they play, or any college games in the state. The NCCA has made that request. I believe that's a legitimate request. But at the same time, Auburn playing Ohio State for the national champions would bring a lot of folks into Atlantic City and to other areas of the state.

Thank you, Mr. Chairman.

SENATOR WHELAN: Thank you, Senator.

Again, any questions from our colleagues? (no response)

Okay. We have some representatives, I think from Econsult, who are Adam Ozimek. Am I saying that right?

A D A M O Z I M E K: Yes.

SENATOR WHELAN: Okay. You can come and share some of your thoughts. And you have done a lot of research, I think, in this area and have some--

MR. OZIMEK: That's correct.

SENATOR WHELAN: --estimates, guesstimates as to what the impact might be here.

MR. OZIMEK: We have some numbers for you.

SENATOR WHELAN: Could you press that button? (referring to PA microphone)

MR. OZIMEK: Okay, thanks.

SENATOR WHELAN: Thank you.

MR. OZIMEK: Good morning. My name is Adam Ozimek, and I'm going to discuss some of the economics of allowing sports betting in New Jersey.

To quickly tell you a little bit about myself, I'm an Associate at Econsult Corporation, an economics consulting firm in Philadelphia. I have my master's in economics from Temple University. And the work I do for Econsult consists of a wide variety of economic and statistical analysis. Part of my work with Econsult has been a study I did with some colleagues on the effect of internet gaming in New Jersey, and I will be drawing on that somewhat for my comments today.

First, I will start with a few facts that should come as no surprise to anybody. The gaming industry in New Jersey has suffered economically recently. From 2005 to 2010, the number of visits to Atlantic City has fallen 16 percent, from 35 million to 29 million a year. That's 3.2 million less car trips and about 2.5 million less bus trips every year. Over the same period, casino winnings in New Jersey fell from 5 billion to 3.5 billion. The situation has been declining.

Now, part of the reason is surely due to the economic recession. And another part of it stems from increased competition from Pennsylvania. The question is: What, if anything, can New Jersey do to help stop the decline in the gaming industry? One way to think about it is: What creative solutions could the industry employ that laws and regulations currently prevent? In other words, if they were allowed, how would they be responding to the new competition from Pennsylvania? A likely response is that they would be diversifying into gaming areas, including sports betting. This is a typical response for an industry, firm, or nation facing new competition. And you can see it in the actions of companies like Microsoft, who expanded into video game systems and hand-held software as Windows ceased market growth; or you can look at Netflix, who moved from DVD by mail into online streaming videos. On a national level, Germany adjusted the manufacturing competition from Asia by moving into green technologies like solar panels.

The key lesson here that I'm trying to give with these examples is that under competitive pressure, firms often respond by expanding into new areas. If the New Jersey gaming industry is under competitive

pressures, one way to help them is to let them expand into new areas like sports betting.

Another way to look at the decline in the industry is that in terms of providing economic stimulus to the industry, it's far easier and cheaper to help by no longer preventing them from doing stuff they'd like to do, than to provide traditional economic stimulus like loans and investment incentives.

So whether you regard the decline in gaming revenues as a (indiscernible) structural issue related to new competition, or as a short-term issue resulting from the recession -- and keeping in mind that it's likely a mix of both -- allowing sports betting is a good way to provide an economic boost to the New Jersey gaming industry.

So how big of an impact would allowing sports betting have? Since betting is already occurring anyway in unapproved revenues, and because people in other markets have shown a preference for safer, legal betting when it's available, there would be a lot of switching from the unapproved venues -- from off-shore activities and betting-related organized crime -- into the legal market. People want to make that switch. So that tells you there's going to be somewhat of an immediate impact.

I can't provide a full answer to how big the impact is going to be, but I can tell you that in our study we estimated that allowing online sports betting *only* would generate \$217 million in new revenues for the New Jersey gaming industry. We also estimated that this would generate over 1,600 new jobs -- that's direct and indirect jobs. It's important to emphasize that these numbers -- \$217 million and 1,600 new jobs --

represent only online sports betting. And so the true number would actually be a lot higher than that.

And those are my comments. Thank you for your time.

SENATOR WHELAN: Thank you.

Any questions? (no response)

I just have one. When you look at the numbers you project, is that strictly Atlantic City, or does that include the tracks?

MR. OZIMEK: That's New Jersey.

SENATOR WHELAN: Okay. So that includes the tracks.

MR. OZIMEK: Yes.

SENATOR WHELAN: Okay. Thank you.

Thank you for your testimony, and hopefully we'll be working with you going forward on this.

Thank you.

MR. OZIMEK: Thanks.

SENATOR WHELAN: We're going to call, if we could, a panel -- shorthand, the horse racing panel -- if I could refer to it as that -- Tom Luchento, Nona Balaban, Anthony Perretti, and Jeff Gural. If those gentlemen and lady could come up. Anthony Perretti is Perretti Farms, which may be closing; Nona Balaban, President of the Thoroughbred Breeders' Association; Tom Luchento, Standardbred Breeders Association; and Jeff Gural, the Meadowlands Racetrack.

I think that's who we have.

Just for ease, we'll start right to left, Tom. So we can start with you if that's okay.

Thank you.

T H O M A S F. L U C H E N T O: Is this on now? (referring to PA microphone) Yes, okay.

Chairman Whelan and Committee members, my name is Tom Luchento.

On behalf of the Standardbred Breeders and Owners Association of New Jersey, I want to thank you for the opportunity to represent the concerns of the thousands of men and women who make their living in the horse racing and breeding industry. We are grateful to Senator Ray Lesniak for his efforts to bring sports gaming to New Jersey, and to all the other legislators who have championed the preservation of our industry.

For more than 100 years, racing has provided New Jerseyans with both great entertainment and the sporting challenge of picking winners. Racing is a part of our state's history and heritage. It is also a key cog in the state's economy and land use. Twenty percent of the state's agricultural farmland is devoted to equine purposes. All this is in jeopardy as our industry struggles in a changing and challenging economy. The other day I was thinking that horse racing in New Jersey has been treated like a kid thrown into a pool expected to learn to swim or sink in the abyss. Maybe there is a time for that tough-love approach, but it only works if you have the tools to survive. Frankly, we need a lifeline.

Years ago we were told to drop our pursuit of slot machines for our racetracks, knowing the tracks in neighboring states had no such restraints and they could endanger our supremacy in the world of racing if they benefited from slots money. We were told that casinos would make us whole by paying us a stipend to compensate our industry and to supplement our purses. It was essentially a payment in lieu of slots. Right

now we have neither the supplement nor slots income. Meanwhile, the states around us not only have thriving slots operations at their racetracks, they also have added and will be adding table games. This has resulted in an exodus from New Jersey, not only of horses competing for enhanced purses in neighboring states, but also the gamblers being drawn to Pennsylvania, Delaware, New York for new casinos and racinos. So while our billion-dollar industry is being decimated, another billion a year in gambling dollars are leaving our state and we are left flailing away in the middle of that pool searching for a lifeline.

One such lifesaver could be sports wagering, benefiting not only horse racing, but also the casinos and the State Treasury. In 2010, gamblers in Nevada wagered more than \$2.7 billion on sporting events. Nevada, along with Oregon, Montana, and Delaware, are the only states currently permitted to accept sports bets based on the 1992 Federal Professional and Amateur Sports Protection Act. As a result, a reported 98 percent of the tens of billions wagered on sports in the United States each year is being bet illegally.

While Senator Lesniak pursues relief from Federal restrictions, New Jersey needs to set the table for the legislation on sports betting. The referendum of voters in November is the first step. Once the referendum is approved by voters, we urge the State Legislature to act swiftly to set up the infrastructure needed to put sports gaming into place as quickly as possible. Gambling covers a lot of different games. And it is our expectation that race tracks in the future will be more like gaming malls with a full menu of wagering options, including sports betting.

In the past year, horse racing in New Jersey has undergone significant changes. The State is in the process of signing over operations of the Meadowlands and Monmouth Park to private operators. Not surprisingly, the transition has been bumpy. Privatization of racing alone could not possibly provide the means to protect the thousands of jobs and tens of thousands of acres of farmland that are racing related.

We hope that we can depend on this Committee to keep us in mind as you address the issue of sports wagering.

Thank you very much.

SENATOR WHELAN: Thank you.

Ms. Balaban. Am I saying that correctly?

N O N A B A L A B A N, ESQ.: Yes, that's correct.

SENATOR WHELAN: Thank you.

MS. BALABAN: Is this on? (referring to PA microphone)

Thank you for inviting the New Jersey Horsemen's Association to participate in today's hearing. On behalf of the New Jersey Horsemen's Association and its President, John Forbes, I'm here today to support legislation that would enable sports betting in New Jersey.

The 2007 New Jersey equine study conducted by Rutgers Equine Science Center shows that the equine industry has a \$1.1 billion annual economic impact on the State of New Jersey, accounts for 13,000 jobs, and pays \$160 million annually to Federal, State, and local taxes. The equine industry accounts for 176,000 total acres. These equine acres -- equine-related acres represent about one-fifth of the state's 790,000 acres in agriculture. The further decline of the equine industry will have a

significant negative impact on the total acres of agriculture as farms -- be it breeding, boarding, and training -- because they will disappear.

The racing business is an agribusiness. The equine industry not only involves the farms where the horses are foaled and the tracks where they are raced, but many other ancillary businesses such as feed and hay suppliers, blacksmiths, veterinarians, and tack stores.

Without a long-term solution for the racing industry, the mass exodus of horse-related business to other states will continue to the point where there will no longer be any equine activity in this state. Along with the owners, trainers, and breeders, thousands of acres of farmland will be turned into housing and commercial developments, and the jobs that go with those horsemen will also disappear.

As I am sure you know, the New Jersey Thoroughbred Horsemen's Association established a new model in 2010 of a 50 day, \$50 million thoroughbred meet, which was conducted at Monmouth Park. This meet was highly successful and set a new standard for future racing models across the country. Wagering and handle set new records and had an extremely positive effect on our industry. Unfortunately, we were unable to repeat the \$50 million meet this year due to a lack of funding and the Governor's veto of \$15 million which was allocated as part of the Atlantic City deregulation bill. The racing industry needs to find a new source of revenue because our revenue source this year was cut in half, adversely impacting our business model.

I am here today to strongly support the proposed legislation for sports betting. As you know, the NJTHA was one of the plaintiffs in the litigation filed by Senator Lesniak seeking to enable sports betting in New

Jersey. That litigation was dismissed because of a lack of standing. However, the passage of this legislation would enable the industry to renew its attempts to legalize sports betting.

It is essential that the race tracks, as well as the casinos, be permitted to engage in sports betting since the ability to wager on sports events will obviously cannibalize some of the wagering currently made on horse racing. As you know, illegal wagering on sporting events in this country is a trillion-dollar-per-year, illegal enterprise. Legalizing sports betting just makes sense.

I thank you for the opportunity to address your Committee in support of the proposed legislation for sports betting.

I'm actually wearing two hats, because-- Is this-- (referring to PA microphone)

I'm wearing two hats today, because I'm General Counsel for the Horsemen's Association, and also President of the Breeders' Association. Shall I speak for their interests now?

SENATOR WHELAN: Thank you.

Just so we can clarify, the referendum has to come before the legislation. I'm sure you understand that. So hopefully the referendum passes on the 8th -- those of us who are, in fact, advocates of sports betting -- and then the legislation, which we're potentially starting today.

But thank you for your testimony.

Gentlemen.

MS. BALABAN: I have another speech.

SENATOR WHELAN: Oh, you have another. Okay, I'm sorry.

MS. BALABAN: Am I on? (referring to PA microphone)

The Thoroughbred Breeders' Association of New Jersey, the TBA, is responsible for the registration of all thoroughbred foals born in New Jersey and the distribution of the New Jersey-bred incentive program. The incentive program provides monetary awards to the breeders, owners, and stallion owners of those registered New Jersey-bred horses. Each time a Jersey-bred finishes first through third in any race run in New Jersey, the breeder receives a monetary award that is distributed by the TBA. Our incentive awards are funded primarily through the handle, which is the money wagered at the race tracks, OTWs, and through account wagering and via simulcasting at the New Jersey casinos.

Increased competition from neighboring states that have been awarded the rights to place video lottery terminals and/or slot machines at their racetracks have caused the breeders and owners of New Jersey-bred horses to look elsewhere. The horse breeder will make a decision where to foal their horses based in part on the monetary incentives that each state bred program has to offer. At the present time, New Jersey is well below our neighboring states in terms of money provided through our incentive program. Consider these facts: Pennsylvania distributed \$16 million in incentive awards during 2010, and New York distributed \$7.8 million. New Jersey distributed only \$3.2 million during this same time period.

The number of horses foaled in New Jersey has decreased by 64 percent from 2007 to 2011. This is due to the competition from neighboring states, our inability to fully fund our program, and the lack of a long-term plan for the industry. One of our neighboring states, Pennsylvania, saw their foal crop increase by 17 percent from 2007 to

2009. The increase in Pennsylvania's foal crop is due to only for one -- only to one reason: the increased revenue from video lottery terminals that have been installed at the racetracks across Pennsylvania.

Without a stable incentive program, the New Jersey breeders have been unable to support their farms. The breeders, who are also farm owners, have had no choice but to sell their farms and leave New Jersey in search of states that offer better incentives. The breeders need to make decisions months in advance before horses are born. And with the uncertainty that exists in New Jersey, we've made the decision an easy one for them. They are leaving; they're boarding their horses on farms in Pennsylvania and New York, while contributing to those states economies, not ours.

The mass exodus of breeders to other states will continue to the point where there will no longer be any equine breeding in this state, which would be tragic. Along with the breeders, thousands of acres of farmland will be turned into housing and commercial developments, and the jobs that go with those farmers will also disappear.

The authorization of sports wagering would be one way to provide an additional source of revenue for our very valuable incentive program, and would in turn help to keep the breeding farms operational for years to come.

Accordingly, the TBA of New Jersey supports the proposed legislation for sports betting.

Thank you.

SENATOR WHELAN: Thank you.

J E F F R E Y R. G U R A L: Thank you, Senator Whelan, and the other Senators here, and Senator Lesniak for taking up our cause.

As you know, I'm in the process of signing a lease to take over the Meadowlands, hopefully, for the next 35 years.

Is it working? (referring to PA microphone) Okay.

Again, I thank everyone for your help.

I'm in the process of signing a lease to take over the Meadowlands for the next 35 years or so. And as part of that project, we intend to spend \$100 million to open an OTW in Bayonne, and rebuild the grandstand on the opposite side. And the reason for that, frankly, is the existing building was built for a different era. It's way too big, and we just don't get those kinds of crowds anymore. And it's the equivalent -- you know, when you go into an empty restaurant. People just don't want to be in an empty restaurant. I think by rebuilding this facility and making it modern, and new, and the right size, it will create a completely different dynamic.

But no matter what I do, the big problem that I have is getting horses to race at the Meadowlands. Because while everybody pats me on the back and tells me how much they appreciate that I came to the rescue, the reality is the purses at Yonkers, and Pocono, and Chester are much higher than they are at the Meadowlands. And it's much easier to win a race at those tracks. They're smaller. You need to be a pretty good horse to win at the Meadowlands, because it's a mile track.

And, frankly, I have no idea what to expect this upcoming year. We're going to have to reduce purses again, lower than they were last year when we struggled to get horses. So I can spend \$100 million, but there is

no way I can force people to race for less money and have to go faster than their horse can go. So this is a real problem for me.

And one thing that would definitely help would be sports betting. I'm a big sports nut. I don't really want to say whether I bet illegally or not, but I'm a big sports nut. I know my son goes to Las Vegas every year for the NCAA and the Super Bowl. And, frankly, if this is designed to help Atlantic City, you should be aware -- because I own two racetracks in New York, and I opened two -- I reopened two bankrupt race tracks that were closed, created 600 jobs. And we give \$50 million a year to education. And the only reason I was able to do it is that those tracks have VLTs, which is paying the bills.

But more importantly, from the standpoint of Atlantic City, is we have gotten together and we're heavily focused on trying to get legislation -- a constitutional amendment passed in New York that would allow us to have table games and full casinos. And right now I would say it's highly likely that's going to happen. A poll came out the other day that showed that the voters, by at least almost a two to one majority, favor legalizing sports -- legalizing table games in New York. When that happens, Atlantic City -- if they have problems now, it's going to be brutal, because it's going to be a lot closer. People are going to drive over the George Washington Bridge to Yonkers and Aqueduct rather than drive to Atlantic City.

So I think-- And one good thing is, sports betting never came up in our legislation, so we're not trying to get sports betting. So I think one thing that would help would be if you guys could get it in New Jersey,

because we're not asking for it in New York. We're just happy to get table games.

So, you know, I think this is very important for us; and I think it's also important for people to recognize that, if they're going to add additional kinds of gaming in New Jersey, we've got to be included. Because if we're going to give people in New Jersey another -- something else to bet on and not let the tracks also participate, it's just one more nail in our coffin.

So I appreciate you hearing us out. Hopefully the public will vote for this, and hopefully it's constitutional.

Thank you.

SENATOR WHELAN: Thank you.

ANTHONY PERRETTI: Again, thank you to the Committee for, again, hearing from our -- my perspective from the breeding industry in the State of New Jersey.

As a lot of you know, I'm Anthony Perretti of Perretti Farms, the largest breeder in the State of New Jersey -- a thousand acres of preserved ground, breeder of the last three Hambletonian winners.

I've said this before, it's like-- Jeff is a friend and business partner of ours for years. He stepped forward, and with a good leap of faith, to build Yankee Stadium. But without attracting Yankee ballplayers to Yankee Stadium, it's hard to sustain that structure.

At Perretti Farms, unfortunately, we've been forced, economically, to disperse and to close operations here in Jersey. And the reason for that is very simply put. As Jeff knows, and people of this board room know, we've lost two Horses of the Year that couldn't stand it in the

state -- \$5 million syndication deals. Because as soon as they knew that -- the tribulations happening in New Jersey, and revenue streams, and the Sire Stakes program racing for state bred -- they basically pulled the contracts on those two horses.

I cannot believe-- I cannot stand or attract new talent to the farm in New Jersey in order to stay in my business, period. We've pushed our way through in the last nine, eight, seven years, but now it's become an impossibility. And I have expressed that before to this Committee and other committees in reference to that. And that's really it in a nutshell. You just can't attract talent.

Now, I understand that we're working on revenue streams like sports betting and other venues with the support of everybody in the industry. But there is a three-year window of breeding. When somebody breeds a mare this coming season, in 2012, that won't come to fruition on the race track for another three years. So three years is a crucial time period that we're in.

I'll give a perfect example. Again, we have a horse that -- his offspring won three Hambletonians, called Muscles Yankee. His bookings were close to 200 mares. His bookings were down 50 percent this past year. So we're breeding world champions in the State of New Jersey, and we cannot survive in the State of New Jersey, unfortunately. We started out with 3,000 bred mares, to 2,000 bred mares, and now we're breeding maybe 700 mares in the State of New Jersey. We started out with 110 stallions 10 or 15 years ago. We're down to 15 -- now we're down to 5. Perretti Farms pulls out, we're down to three or none.

And this is the significance, these are the concrete facts that we're dealing with. And the only reason for that, like Jeff said, is that Pennsylvania and New York -- where tracks were bankrupt that Jeff took over, and other tracks in Pennsylvania -- all of a sudden started blossoming and we cannot, obviously -- mentioned before, we cannot compete with those various race tracks.

We don't need that much, like Jeff said, in the State of New Jersey because people want to race at the Meadowlands. And any revenue stream will help us greatly in order to increase that viability of the sport.

But, again, my dad is 84, I'm 51, and three years is a long time to wait. And I guess I'm really, unfortunately, the poster child of what's to come without the revenue streams coming into the business.

Thank you.

SENATOR WHELAN: Any questions?

Senator Gordon.

SENATOR GORDON: Just really a comment. Clearly the taxpayers just can't keep pouring money into any industry. But I do believe that what we need to do is give our industry here -- the horsemen's industry in New Jersey -- the tools to compete with other states on a level playing field. And so I hope that we can get this referendum passed and that we pass this legislation, and that we can do what needs to be done in Washington to eliminate the obstacles, so that we can get sports betting in place and a revenue stream to save your industry. You certainly have my support on that.

SENATOR WHELAN: Any other questions or comments from the members? (no response)

We hear what you're saying. I can only echo what Senator Gordon has said. You alluded to the revenue stream, and I assume that you want to make sure that some of that revenue stream is dedicated back to the horse industry generally, and also specifically to breeders. So that's part of the discussion that we will have going forward, and it will be a very public discussion. In the best of all worlds, we're back here sometime in November or December, advancing some legislation that hopefully you will have input into.

So, again, thank you for coming. And we will continue this dialogue.

Thank you.

We have Jim Kirkos, from the Meadowlands Regional Chamber of Commerce. I'm not sure if he's here, or if there's a representative from the Meadowlands Chamber of Commerce here to come and testify.

Going once. The Meadowlands was well-represented by the racing industry.

All right, we'll go to Joe Kelly, from the Greater Atlantic City Chamber of Commerce.

We thank you for your presence, Joe, my old friend.

J O S E P H K E L L Y: Good morning.

My name is Joe Kelly. I represent the Greater Atlantic City Chamber.

Thank you, Chairman Whelan, thank you Committee members. We appreciate some time to speak today.

I've provided copies of our testimony. I don't like it when people read to me, so I won't read to you.

But a couple points that we'd like to make-- First, we are supportive of sports betting for the reasons you've heard. Anything we can do to bring more visitors to Atlantic City is clearly a plus. And the numbers are what the numbers are. We know that sports bet would allow us to do that. So we strongly favor sports betting.

Our challenge with this issue-- And I honestly wish that I didn't have to appear parochial, but I am a Chamber President, and I am in a community that is really struggling. We appreciate the legislative efforts, we appreciate what Senator Lesniak has done. Senator Lesniak said, "Take a look at the papers." If you look at our paper, you'll see that we just topped, in Atlantic County, 15 percent unemployment -- excuse me, the poverty rate for Atlantic County. That is up, from 2005, 8 percent. So in our local market, we're at, now, over 15 percent poverty rate. And the numbers go on, and on, and on -- 10,000 jobs lost since 2005. We're really in a struggling environment.

Steps that the Legislature has taken to create a tourism district are clearly a plus. The efforts of the Administration and the legislative body have been very meaningful to our marketplace. Our primary concern with sports bet is that we look at the net results. We have to look at loss of jobs, we have to look at tax revenue, and we have to look at the investment atmosphere that we're creating. Right now we have the largest project in the state, \$2.5 billion in Revel, and we're very excited that, hopefully, come May 14 -- not that we're counting the days -- but when Revel opens, that that is going to be a huge impact on our marketplace. The trades positions that now have work, the 5,000-plus jobs that will be created--

So the ball is moving in the right direction. But we're concerned, with sports bet, that if we're -- if it's not exclusive to Atlantic City, that it will be marginalized, and that the true benefits, statewide, won't be seen. If we were here talking about any other item of support for horseracing or other industries -- incentives in this marketplace -- this Chamber would be supporting it. But times are so challenging in our marketplace, it's hard for us to do that today.

So we are advocates. We will be supportive of sports betting all along the way, with the caveat that we've got to look at the net results, and we have to look at a marketplace that is really struggling right now -- with the loss of 10,000 jobs in an environment where the headline in Sunday's paper was 15 percent of our population in poverty compared to 8 percent in 2005.

Jim, I think the rest of the folks have shared the numbers. That's where we stand as the local Chamber of Commerce.

SENATOR WHELAN: Thank you, Joe. And like you, I'm parochial, and I'd love to sit here and tell you we'll be able to get this done exclusively for Atlantic City. I have heard the referendum is enabling for both Atlantic City and the tracks. And I suspect that if we were to do legislation that limited it to Atlantic City-- Well, I'll let my colleagues speak for themselves on that.

SENATOR GORDON: I don't think we have to. (laughter)

SENATOR WHELAN: Senator Gordon, do you want to comment? (laughter)

SENATOR GORDON: I mean, the Meadowlands is an engine for economic growth in North Jersey. And I wouldn't be doing my job if I

weren't trying to get some resources for that facility as well. And I think the reality of legislative politics is that you have to spread the wealth a little bit.

MR. KELLY: I respect that.

I would simply-- The due diligence to look at the net is what our business group is asking for.

SENATOR GORDON: Yes.

SENATOR WHELAN: Thank you.

Any other questions or comments from the members? (no response)

I think that's all the speakers who had signed up. We thank you and the Atlantic City Chamber.

We're going to hear a statement from the Casino Association of New Jersey, which obviously is in favor of sports betting and probably shares the Chamber's position.

Let me, before we hear that, acknowledge Commissioner Harrington is here from the Casino Control Commission.

One of the issues that we will have to address, legislatively, is, right now, the Casino Control Commission and the Division of Gaming Enforcement is focused on the Atlantic City casinos. And, of course, we have the Racing Commission that focuses on the race tracks. How do we regulate sports betting if, in fact, it goes to both the tracks and the casinos? I mean, I would suggest the DGE and the Casino Control Commission are probably better equipped to deal with it on a statewide basis. But that's part of the discussion and one of the things we'll have to decide as we go forward.

We appreciate your presence here today, Commissioner.

Again, our goal here -- and part of what Senator Lesniak had started, with this referendum being on the ballot-- If something were to happen tomorrow -- if another state brought a lawsuit and won; or if the Federal government, someday, will take up and, with enough proliferation of gaming around say, "Well, we ought to repeal this bill --" if we don't have this referendum, and we don't have this legislation in place, we will be behind other states in terms of establishing sports book. We don't want to be in that position. We want to be first to establish sports book because we think it, first off, would help the industries that are both in distress -- casinos and race tracks -- both in terms of their own bottom line and, as Senator Lesniak alluded to, from a marketing perspective. Super Bowl weekend is one of the busiest weekends, after New Year's -- probably the second busiest weekend in Nevada. It is a dead weekend in Atlantic City, I will tell you. We need to turn that around.

So that's the overall goal. I think most of us share it.

And with that, we'll have a statement from the Atlantic City Casino -- or New Jersey Casino Association. And unless there are comments, we'll be able to conclude.

Raysa.

MS. MARTINEZ KRUGER (Committee Aide): This is the statement submitted in writing by the Casino Association of New Jersey concerning the November referendum to allow sports betting.

"The Casino Association of New Jersey, or CANJ, supports the passage of the November sports betting ballot question, which asks voters

whether they support amending New Jersey's Constitution to allow sports betting in the state.

"The November referendum, if passed, would provide an important step in the continuing process toward overturning the Federal sports betting ban. If the referendum is passed, and if the Federal ban is subsequently overturned, legal sports betting would provide an economic boost for Atlantic City and the entire State of New Jersey. Legalized sports betting will attract more tourists to visit our city and enjoy our world-class entertainment, thriving restaurant industry, brand-name retail shopping, and famous boardwalk. Sports betting will allow Atlantic City to better compete, grow, and reinvest in the region.

"Senate Concurrent Resolution SCR-132, if approved by popular vote this November, would amend the State Constitution to authorize New Jersey's Legislature to allow sports betting at Atlantic City casinos and at horse racetracks on the results of any professional, college, or amateur sport or athletic event, except college sporting events taking place in New Jersey or involving New Jersey collegiate teams. However, sports betting would not be permitted to actually be offered in New Jersey until the current Federal law prohibiting sports wagering, The Professional and Amateur Sports Protection Act of 1992, or PASPA, is determined to be unconstitutional, overturned, or a new Federal law is enacted that overturns the current law prohibiting sports betting. Note, the only states grandfathered from PASPA are Nevada, Delaware, Oregon, and Montana.

"CANJ is a not-for-profit organization which represents operators of New Jersey casino resorts. It serves as a collective voice for the industry and concentrates on the betterment of industry employees,

government relations, casino-affiliated businesses, and the casino industry itself.”

SENATOR WHELAN: Thank you very much.

Unless there are questions or comments--

Again, we'll hopefully be revisiting this if there is a successful referendum.

We are adjourned.

Thank you, all.

(HEARING CONCLUDED)

APPENDIX



New Jersey Thoroughbred Horsemen's Association, Inc.

232A Norwood Avenue
West Long Branch, New Jersey 07764
Phone: (732) 263-1022 Fax: (732) 263-1032
President: John H. Forbes ~ Executive Director: Michael Musto



Dear Senator Whelan:

Thank you for inviting the New Jersey Horsemen's Association to participate in today's hearing. On behalf of the New Jersey Horsemen's Association and its President, John Forbes, I am here today to support legislation that would enable Sports Betting in New Jersey.

The 2007 New Jersey Equine study conducted by Rutgers Equine Science Center shows that the equine industry has a \$1.1 billion annual economic impact to the State of New Jersey, accounts for 13,000 jobs and pays \$160 million annually to federal, state and local taxes. The equine industry accounts for 176,000 total acres. These equine acres-related acres represent about one-fifth of the state's 790,000 acres in agriculture. The further decline of the equine industry will have a significant negative impact on the total acres in agriculture as farms, be it breeding, boarding and training, will disappear.

The racing industry is an agribusiness. The equine industry not only involves the farms where the horses are foaled and at the tracks that they race at, but many other ancillary businesses such as feed and hay supplier, blacksmiths, veterinarians, and tack stores.

Without a long term solution for the racing industry the mass exodus of horse related business to other states will continue to the point where there will no longer be any equine activity in this state. Along with the owners, trainers and breeders, thousands of acres of farmland will be turned into housing and commercial developments and the jobs that go with those horsemen will also disappear.

As I am sure you know, the New Jersey Thoroughbred Horsemen's Association established a new model in 2010 of a 50 day 50 million dollar Thoroughbred meet which was conducted at Monmouth Park. This meet was highly successful and set a new standard for future racing models across the country. Wagering and handle set new records and had an extremely positive impact on our industry.

Unfortunately we were unable to repeat the 50 million dollar meet this year due to a lack of funding and the Governor's veto of \$15 million which was allocated as part of the Atlantic City deregulation bill.

The racing industry needs to find a new source of revenue because our revenue source this year was cut in half, adversely impacting our business model.

I am here today to strongly support the proposed legislation for Sports Betting. As you probably know, the NJTHA was one of the plaintiffs in the litigation filed by Senator Lesniak seeking to enable Sports Betting in New Jersey. That litigation was dismissed because of a lack of standing however the passage of this legislation would enable the industry to renew its attempts to legalize sports betting.

It is essential that the **race tracks** as well as casinos be permitted to engage in sports betting since the ability to wager on sporting events will obviously cannibalize some of the wagering currently made on horse racing.

As you know illegal wagering on sporting events in this country is a trillion dollar per year illegal enterprise. Legalizing sports betting makes sense.

I thank you for the opportunity to address your committee in support of the proposed legislation for Sports Betting.



THOROUGHbred BREEDERS' ASSOCIATION OF NEW JERSEY



265 HWY 36, SUITE 1R
W. LONG BRANCH, NJ 07764
Tel: 732-542-8880 Fax: 732-542-8881
Website: www.njbreds.com Email: info@njbreds.com

September 21, 2011

Senator Jim Whelan, Chairman
Senate State Government, Wagering, Tourism & Historic Preservation Committee

Senator Whelan & members of the committee:

The Thoroughbred Breeders' Association of New Jersey ("TBA") is responsible for the registration of all thoroughbred foals born in New Jersey and the distribution of the New Jersey-bred incentive program. The incentive program provides monetary awards to the breeders, owners, and stallion owners of those registered New Jersey-bred horses. Each time a New Jersey-bred finishes 1st-3rd in any race run in New Jersey the breeder receives a monetary award that is distributed by the TBA.

Our incentive awards are funded primarily through the handle (money wagered at the racetracks, OTW's, through account wagering and via simulcasting at the New Jersey casinos).

Increased competition from neighboring states that have been awarded the rights to place video lottery terminals and/or slot machines at their racetracks have caused the breeders and owners of New Jersey-bred horses to look elsewhere. The horse breeder will make decisions on where to foal their horses based in part on the monetary incentives that each state bred program has to offer. At the present time, New Jersey is well below our neighboring states in terms of money provided through our incentive program.

Consider these facts:

- Pennsylvania distributed \$16 million in incentive awards during 2010.
- New York distributed \$7.8 in incentive awards during 2010.
- New Jersey distributed \$3.2 million in incentive awards during 2010.

The number of horses foaled in New Jersey has decreased by 64% from 2007 to 2011. This is due to the competition from neighboring states, our inability to fully fund our program, and the lack of a long-term plan for the industry.

One of our neighboring states, Pennsylvania, saw their foal crop increase by 17% from 2007 to 2009. The increase in Pennsylvania's foal crop is due to one reason: increased revenue from video lottery terminals that have been installed at racetracks across Pennsylvania.

The 2007 New Jersey Equine study conducted by Rutgers Equine Science Center shows that the equine industry has a \$1.1 billion annual economic impact to the State of New Jersey, accounts for 13,000 jobs and pays \$160 million annually to federal, state and local taxes. The equine industry accounts for 176,000 total acres. These equine acres-related acres represent about one-fifth of the state's 790,000 acres in agriculture. The further decline of the breeding industry will have a significant negative impact on the total acres in agriculture as farms will disappear.

The breeding segment of the racing industry is an agribusiness. The equine industry not only involves the farms where the horses are foaled but many other ancillary businesses such as feed and hay supplier, blacksmiths, veterinarians, and tack stores.

Without a stable incentive program, the New Jersey breeders have been unable to support their farms. The breeders, who are also farm owners, have had no other choice but to sell their farms and leave New Jersey in search of states that offer better monetary incentives.

The breeders need to make their decisions months before the horse is born and with the uncertainty that exists in New Jersey we have made the decision an easy one. They are leaving, boarding their horses on farms in Pennsylvania and New York while contributing to another state's economy.

The mass exodus of breeders to other states will continue to the point where there will no longer be any equine breeding in this state. Along with the breeders, thousands of acres of farmland will be turned into housing and commercial developments and the jobs that go with those farms will also disappear.

The authorization of sports wagering would be one way to provide an additional source of revenue for our incentive program and would in turn help to keep the breeding farms operational for years to come.

Thank you for your consideration and should you have any questions please contact me at 732-542-8880.

Sincerely,

Nona Balaban

Nona Balaban
President

Cc: Senator Robert M. Gordon, Vice-Chairman
Senator Shirley K. Turner
Senator Dawn Marie Addiego
Senator Anthony R. Bucco



GREATER ATLANTIC CITY CHAMBER
ADVOCACY • COMMUNITY • PROSPERITY

**Prepared Remarks for Senate State Government,
Wagering, Tourism and Historic Preservation Public
Hearing on Sports Betting
September 26, 2011
Comments by Joe Kelly, President
Greater Atlantic City Chamber**

Good morning, on behalf of our Board of Directors and our more than 800 members, thank you Chairman Whelan and the other committee members for the opportunity to provide comments on the importance of authorizing sports wagering in New Jersey.

The Greater Atlantic City Chamber supports sports betting in Atlantic City. We understand Senate Resolution (SCR) 132 is an important step in overturning the federal sports betting ban and we appreciate the efforts of legislators that continue to advance this issue.

However, we continue to not support sports betting in other parts of the state.

Our reasons are both clear and compelling. While the casino industry in Atlantic City has come under significant pressure from the nation-wide economic slump and increased competition from neighboring states, it is still a source of enormous economic impact to this region and to the entire state.

Now, more than ever, it's vitally important for our state to protect its investment in Atlantic City by not allowing gaming activities – in other parts of New Jersey.

Recent legislation forming the tourism district and streamlining casino regulation have served to improve the picture considerably. But the industry needs further support and not more in-state competition for gaming revenues.

The New Jersey casino industry is at a critical crossroads, which threatens its all-important role in the State's economy. Casino gaming represents one of New Jersey's largest industries, accounting for nearly \$1 billion in state and local taxes and more than \$2 billion in revenues spread across more than 2,000 businesses throughout all of New Jersey's 21 counties.

Let me illustrate some examples of why it's so important that Atlantic City casinos be the sole focus of gaming activity in terms of our state's economy.

5x

The New Jersey casino industry has invested nearly \$20 billion of its own capital to build the world-class casino facilities in Atlantic City, including more than \$8.5 billion on projects completed since 2003 alone. In the process, they've created thousands of construction jobs year after year for New Jersey's building trades.

It's not hard to find a shining example of capital investment in Atlantic City. The Revel project is a \$2.5 billion casino currently under construction in Atlantic City. The project's size of more than six million square feet will make it the largest single property in the State of New Jersey. Once completed, Revel will provide more than 5,500 jobs.

Also consider the following data, which should make it clear that Atlantic City should be your singular focus for allowing the expansion of sports wagering and related revenues.

- Employment data: In 2009, the NJ casino hotels directly employed approximately 38,000 individuals with good paying wages and benefits.
- Taxes: In 2009, New Jersey casinos directly paid close to \$1 billion in total state and local taxes, with \$295 million dedicated to seniors and people with disabilities. In its 31-year history, the casino industry has generated more than \$18 billion in taxes and fees for the state
- Spending on NJ businesses: In 2008, NJ casinos paid \$4.15 billion to its vendors, \$2.3 billion of which was paid to 2,119 NJ vendors located in all 21 counties throughout the state. These purchases sustained or created an estimated 20,000 additional NJ jobs.

We believe that legalized sports betting can be an exceptionally valuable tool in helping the casino industry in Atlantic City reinvigorate itself. However, that belief and our enthusiasm for the prospect of sports betting is tempered by the prospect of also making sports betting available in other parts of the state. Doing so would significantly dilute the positive impact here in Atlantic City. We believe if sports betting is offered in other parts of New Jersey there will be a net loss in jobs, tax revenue and investment coming into the state. Atlantic City is simply too powerful of an economic engine for the state to allow that to happen.

With the public and private sectors working together, Atlantic City is overcoming its current challenges, build on its success of the past 30 years and continue to evolve into the world class resort destination that we all know it can be.

We need to protect the investment in Atlantic City's casino industry because the return on that investment for New Jersey tax payers is too important to put at risk. One critical way of protecting that investment is to limit sports betting to Atlantic City casinos.

We do support other development incentives for other parts of the state just not those things that involve gaming. Atlantic City has been the exclusive focus for gaming and this should continue.

Thank you for the opportunity to share our views with you.

Joseph D. Kelly, President
Greater Atlantic City Chamber
The Garage at Gordon's Alley
12 South Virginia Avenue
Atlantic City, New Jersey 08401
609-345-4524 x13
jkelly@acchamber.com

Statement by Casino Association of New Jersey, Inc. November Referendum to Allow Sports Betting

September 26, 2011

The Casino Association of New Jersey, Inc. (CANJ) supports the passage of the November sports betting ballot question, which asks voters whether they support amending New Jersey's constitution to allow sports betting in the State.

The November referendum, if passed, would provide an important step in the continuing process towards overturning the federal sports betting ban. If the referendum is passed and if the federal ban is subsequently overturned, legal sports betting would provide an economic boost for Atlantic City and the entire state of New Jersey. Legalized sports betting will attract more tourists to visit our city and enjoy our world-class entertainment, thriving restaurant industry, brand-name retail shopping and famous Boardwalk. Sports betting will allow Atlantic City to better compete, grow and reinvest in the region.

Senate Concurrent Resolution (SCR) 132, if approved by popular vote this November, would amend the State constitution to authorize New Jersey's Legislature to allow sports betting at Atlantic City casinos and at horse racetracks on the results of any professional, college, or amateur sport or athletic event, except college sporting events taking place in New Jersey or involving New Jersey collegiate teams. However, sports betting would not be permitted to actually be offered in New Jersey until the current federal law prohibiting sports wagering, The Professional and Amateur Sports Protection Act of 1992 ("PASPA"), is determined to be unconstitutional, overturned, or a new federal law is enacted that overturns the current law prohibiting sports betting (Note: The only states grandfathered from PASPA are Nevada, Delaware, Oregon and Montana.)

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