

P U B L I C     H E A R I N G

before

SENATE JUDICIARY COMMITTEE

on

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

Held:  
February 10, 1971  
Assembly Chamber  
State House  
Trenton, New Jersey

**New Jersey State Library**

MEMBERS OF COMMITTEE PRESENT:

Senator Harry L. Sears (Chairman)  
Senator John A. Lynch  
Senator William F. Kelly, Jr.  
Senator Frank X. McDermott  
Senator John L. White  
Senator Joseph C. Woodcock, Jr.

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SENATOR HARRY L. SEARS (Chairman): Ladies and gentlemen, before we start, I would just like to say a few words about the ground rules of this hearing, which I will now declare to be in order.

First, let me introduce the members of the Judiciary Committee who are here. My name is Harry Sears and I am Chairman of the Judiciary Committee. To my extreme right, and to your left looking at us, is Senator John Lynch of Middlesex County; next to him is Senator John White of Gloucester County; and on my left, Senator Frank McDermott, the principal sponsor of the Bill that we are here to talk about this morning and who also is a member of this Judiciary Committee, and Senator McDermott is from Union County.

I notice that we have a number of interested people in the gallery and we welcome you. This is a public hearing and members of the general public are invited. Those of you, who have not already done so, who might wish to testify formally for the record are welcome to do so. You simply have to come up here and register, if that's your desire.

May I say that although this is a public hearing our purpose here today is not to have participation by anyone other than those who have formally registered. You folks in the gallery, I would ask that you observe the basic rule of the hearing which is that no matter which way you are inclined to react to any particular statement, please do not give vent to any public demonstrations. This will enable us to keep order and to perform the business of the Committee and to expedite the hearing as much as possible.

Witnesses have been asked, where possible, to give us written statements. If they do not have a written statement, we are having the testimony recorded and there will ultimately be a full transcript of everything that is said here today.



For those of you who have registered, there are some people who asked to be heard early. Some are officials who have other business here in Trenton or elsewhere and, to the extent that we can, we will try to accommodate the wishes of those people. We will be going into the afternoon. We have 17 witnesses and probably we would have to anyhow, but the Attorney General, Mr. Kugler, and Colonel Kelly, Superintendent of the State Police, both are scheduled, at their request, for this afternoon. We will probably take a lunch break at approximately 12:30 and reconvene at 1:30, for those of you who are interested in that.

The first witness, who has asked to be heard early because he does have another hearing, is Mr. Glen Miller of the SIC. Mr. Miller, would you take the witness seat here and try to talk into the microphone.

I would ask you, ladies and gentlemen in the gallery, if as the first witness testifies you are not able to hear him, would you just simply raise your hand. I will look for that indication as evidence that you're not hearing and we will try to do better and get ourselves properly wired for sound here.

This public hearing is on Senate Concurrent Resolution No. 74. This is the second hearing. The first one was held on December 7 pursuant to a constitutional requirement that a question of this kind have such a public hearing. And the purpose of this second hearing is to develop further testimony and hear other people who are interested. And may I point out that these hearings are factfinding proceedings. We are here to try to develop for the record such facts on either side of this question, or any given question, in order that the Committee may consider the merits of this Bill.

Mr. Miller, if you would please, sir. identify yourself first and give us your address. And any of you who are testifying for any official organization, please

indicate so for the record. Mr. Miller.

G L E N B. M I L L E R, JR.: My name is Glen B. Miller, Jr. I reside at 243 Russell Road, Princeton, New Jersey. I have a written statement which incorporates my views and which I will turn over to you, Senator Sears, as part of your record.

My views on this issue are my own and do not represent any official position of the State Commission of Investigation.

As you know, I have been, and still am, an ardent proponent of a legal lottery in New Jersey. Because of this, some people have assumed that I also favor legalized gambling casinos. This is not true.

Our new lottery is off to a good start. Nevertheless, I still hope that it will eventually become a daily lottery which duplicates the numbers game now run by organized crime. My main reason for supporting a legalized lottery was to remove or greatly diminish numbers income - the largest single source of income which organized crime has in any state and in the nation. Our new lottery, good as it is, does not yet do this.

As far as organized crime is concerned, I believe that legalized casinos would worsen rather than help the present situation. To the best of my knowledge there are no illegal casino operations of any consequence now being run in New Jersey by the underworld.

I agree with Attorney General Kugler and Col. Kelly that legalized gambling casinos will attract rather than repel criminal and unsavory elements whether or not the casinos are operated by a governmental unit. Thus, the bill would increase rather than decrease the attractiveness of our state to the underworld.

There is another aspect of this matter which deserves consideration. Lottery tickets cost 50¢ each. The man who plays the lottery may never win but betting usually costs him no more than a pack of cigarettes a day.

To the best of my knowledge, it has never "wiped out" a player.

This contrasts with casino gambling which is largely centered around roulette, dice and blackjack. The stakes are higher. The betting is more frequent. Several hundred wagers occur within a few hours and, most important, there is a tremendous temptation and opportunity to increase wages or double up in order to "get even". Almost every day in the life of a casino some player loses a huge sum, often his life savings. This bankrupts the player and his family and exposes him to loan sharks.

If we legalize gambling casinos, we should do so with the knowledge that we are going to financially destroy a large number of human beings and their families.

Thank you.

SENATOR SEARS: Mr. Miller, some of the members of the Committee may have questions they would like to ask of you concerning your views. I have one.

Would you distinguish between legalized casino gambling which was operated by private enterprise and that which might be operated by and for the State?

MR. MILLER: No, sir, I do not, although if I had to choose between the two, I would certainly want it to be operated by the State.

My view on the various questions of gambling that have come up is really that it always harkens back to the effect I think it will have on organized crime. The big money, the huge sums that organized crime makes, far more than on anything else, is on the numbers game which is played daily and still is played daily in this State.

I feel that if our lottery, which is, I think, a good lottery, eventually is supplemented or changed so that we operate a daily lottery exactly and precisely as the Mafia now operates its lottery, we can put them out of business and take that huge source of income away from them.

Conversely, I don't see that legalizing casinos

will help us with organized crime because they're not now running illegal casinos in this State. In fact, if anything, because there are always a bunch of hangers-on or bad actors around the periphery of any gambling operation, I think it would hurt rather than help.

SENATOR SEARS: Senator McDermott, any questions?

SENATOR McDERMOTT: Yes.

Commissioner Miller, - incidentally, I applaud what you are trying to do for daily gambling. I think that's the way to fight the organized crime syndicate, by using their own weapons.

I am sure you are familiar with the testimony of former Attorney General Sills and Colonel Kelly before a joint committee of this Legislature in 1968 to study crime and the system of criminal justice in New Jersey. There were two weeks of hearings and I was Majority Leader in the Senate at the time and a member of this group. And throughout the testimony here, Colonel Kelly does talk about the fact that gambling is almost impossible to stamp out in New Jersey, particularly in industrial plants because of the daily play. And I presume that your support of the daily lottery is in keeping with Colonel Kelly's observation that it's almost impossible to stamp out.

MR. MILLER: I was not familiar with those hearings, Senator McDermott, but I would agree with what you have said. I think that we're going to have a daily lottery or numbers game and, therefore, I am in favor of legalizing that.

SENATOR McDERMOTT: As a result of these hearings, Commissioner Miller, the Legislature passed many bills setting up new tools for law enforcement officials, in fact I am the co-sponsor of some six bills. One of them is the statewide grand jury; another one is the State Investigation Commission, of which you're a member; another one is a loanshark bill that has a very stiff penalty for loansharking that you referred to. In fact,

we had to override former Governor Hughes' veto of it to get it into law. Then another one of the bills is full-time prosecutor; another one was providing for 50 additional State Troopers; and, finally, the wiretapping bill. And all of these bills were passed, oh, around the end of 1968 and made law.

Are these laws useful tools in law enforcement, to your knowledge?

MR. MILLER: No question about it. I'm in favor of all of those bills. I think they're good bills.

SENATOR McDERMOTT: When you say, however, that gambling attracts - I'm talking about legalized casino gambling, would attract the criminal element, are you, in a way, saying that our present law enforcement setup just isn't geared to handle it?

MR. MILLER: No. I'm just talking about human nature, Senator McDermott. I went down to Nassau to address the State Bar Association, about a month ago, and I saw the casinos there. I've been to Las Vegas. It's just appealing to that kind of people.

SENATOR McDERMOTT: Well, the reason I asked you that is because I am very concerned when people say that our law enforcement officials can't handle it because, as you know, I've been the co-sponsor of some six major law enforcement tools, and if you have some thoughts that you would like to leave with this Committee today as to how we can give law enforcement agencies of this State more effective weapons to go after organized crime, I will be in the forefront of supporting them. Do you have any such ideas?

MR. MILLER: I don't like to say that our law enforcement can't handle it, it's something that I think is silly for them to undertake to handle. There is no need for it. And the thing that really concerns me about this bill, Senator McDermott, is that, if you go to any casino, you will see people everyday lose everything they have.



Now they don't do that with a lottery. When I was down at Nassau addressing the Bar Association, there were two people there who lost very substantial sums of money, and I just don't think it's right to do that.

SENATOR McDERMOTT: They did it voluntarily, didn't they?

No further questions.

SENATOR SEARS: Would it be perhaps fair to say, Mr. Miller, that while you consider the law enforcement tools, and particularly the new ones that have been made available, to be good and perhaps even adequate at the present time, that your point really goes to putting an undue additional burden on them?

MR. MILLER: That's right. Why do it? I mean, I see no real advantage to us in passing this bill and I see some detriments.

SENATOR SEARS: Anyone else have any questions, gentlemen?

SENATOR LYNCH: Mr. Miller, there have been some suggestions that law enforcement officials are incapable of stamping out gambling or doing a good job in connection with the opposition to gambling. Isn't it a fact that since these new laws, which Senator McDermott discussed, have been effective, there has been a dramatic increase in the number of apprehensions and convictions of persons involved in organized gambling?

MR. MILLER: No question about it, Senator Lynch. I personally feel that you can never depart too far from the mores of the people. I kind of liken the lottery to prohibition. We all know the terrible things that alcohol does to people. On balance, it was decided maybe it was better to legalize it than to keep it illegal which really spawned the Mafia in the first place. And I think the same thing is true about the lottery. And while a great many of the Mafia leaders in this State have gone to jail, rather than answer the questions put to them by our

Commission and while a lot of others have been convicted of crimes and sent to jail, with the tremendous sums of money that are there from the daily lottery new men are rising to take their place and, in my opinion, will continue to rise and take their place. I think that we're going to have a lottery and the only question is whether it's legal or illegal. I don't think that's true about gambling casinos. I don't believe - sure there may be a floating crap game somewhere from time to time but none of the gambling operations that casinos usually specialize in are to my knowledge being run on a daily basis by organized crime in New Jersey.

Does that answer your question, sir?

SENATOR LYNCH: Yes, sir. Thank you.

SENATOR WHITE: Commissioner, it has been said frequently that if this were to become law organized gambling would be stamped out, we'd have little of it, and so forth. I would like to ask you, can you crystalize for us just what is the major source of revenue of organized gambling in the State at the present time?

MR. MILLER: No question about it, it's numbers.

SENATOR WHITE: Strictly the numbers.

MR. MILLER: Yes, sir. That's far and away the - and if you wish I can get you some figures on this, prepared by the Federal Government, but far and away the largest source of income for organized crime is gambling, and far and away the largest part of that is numbers in the State.

SENATOR WHITE: How about the so-called floating crap games or poker games, whatever they might be, where the house takes a cut? Is this of any significance?

MR. MILLER: Of course, you never know figures like that with precision but I would guess that they are only a tiny percent, a very tiny percent.

SENATOR WHITE: All right. Thank you.

SENATOR SEARS: Anything else, gentlemen?

Thank you very much, Mr. Miller. We appreciate

your coming and giving us the benefit of your views.

SENATOR LYNCH: Mr. Chairman, may I ask through you - may I submit a question to the sponsor of this Resolution?

SENATOR SEARS: If the sponsor cares to reply.

SENATOR McDERMOTT: Why certainly.

SENATOR SEARS: Senator Lynch?

SENATOR LYNCH: Senator, I've been reading in the newspapers, in the daily press around the State, for the past months that you have estimated that the take by the State of New Jersey would approximate \$200 million a year if casino gambling were permitted in Atlantic City. I have yet to hear anybody give me facts or figures that would justify that assertion. Do you have such information or evidence?

SENATOR McDERMOTT: Yes. I understand Mr. Glaser is going to speak here today about the revenue in Nevada.

SENATOR LYNCH: Well, I don't know anything about him, do you have any information?

SENATOR McDERMOTT: Well, I have what Mr. Glaser has.

SENATOR LYNCH: Did he give you the information?

SENATOR McDERMOTT: Yes, he gave me a copy of his prepared statement.

SENATOR LYNCH: Well, I didn't see the report. I'm asking you whether you have information to substantiate this \$200 million.

SENATOR McDERMOTT: Well, if you will wait, in due time, Senator, - I think you're a little bit out of context. We're talking now about the law enforcement problems and I understand that Mr. Glaser --

SENATOR LYNCH: Well, I would like to have this information in the record.

SENATOR McDERMOTT: It will be in the record. Mr. Glaser is going to make his report.

SENATOR LYNCH: But you made the statement a year

ago.

SENATOR McDERMOTT: That's right. And when Mr. Glaser gets through I will be very happy to point this out to you, Senator.

SENATOR LYNCH: All right.

SENATOR SEARS: Suppose we call Mr. Glaser.

Mr. Glaser, if you would identify yourself for the record and state your position, please.

S I D N E Y     G L A S E R: My name is Sidney Glaser and I am Acting Director of the New Jersey Division of Taxation, Department of the Treasury. I have been asked by the Chairman of this Committee to comment with respect to the revenue potential inherent in Senate Concurrent Resolution No. 74.

The Resolution would amend Article IV, Section VII, paragraph 2 of the State Constitution by adding a new subparagraph "D". This amendment would make it lawful for the Legislature to authorize casino gambling in Atlantic City to be under State control and to license and tax gambling operations and equipment with the net revenue to be appropriated exclusively for specified state aids to municipalities. The details would be embodied in legislation.

I would like to suggest that the revenue should also be appropriated for State use, probably for institutions and education, as may be determined by the Legislature.

My remarks will be confined solely to the revenue implications of this activity as far as practical and meaningful estimates may be made. They represent no official position. Without specification of such items as tax rates, hours of permitted gambling, the number of licensed establishments and other factors, any dollar estimate of revenue must remain speculative. However, in the interest of supplying this Committee with certain factual information from which it may draw its own conclusions, I respectfully submit the following.

The Report of the Nevada Gaming Commission on Direct Levies for the fiscal year 1969-70 shows that exclusive of federal income tax, Nevada's legalized gambling industry paid \$58.5 million in gaming taxes as shown in the tabulation which is contained in this statement.

	<u>1969-70</u>		<u>1968-69</u>	
	<u>Amt. of Tax (in millions)</u>	<u>Distribution</u>	<u>Amt. of Tax (in millions)</u>	<u>Distribution</u>
Fed. Government	\$10.1	17.3%	\$7.7	16.0%
State of Nevada	39.3	67.1	33.3	68.1
Nevada Counties	6.7	11.5	5.6	11.4
Nevada Cities	<u>2.4</u>	<u>4.1</u>	<u>2.2</u>	<u>4.5</u>
	\$58.5	100.0%	\$48.9	100.0%

Now this tabulation shows that in 1969-70, out of the \$58.5 million in gaming taxes, which the Federal Government received, the State of Nevada, Nevada Counties and Nevada Cities, the State of Nevada received \$39.3 million or 67.1%. This compares with the revenue of the previous year where the State received \$33.3 million or 68.1% of the total.

In 1960, the total tax amounted to \$17.6 million compared to the \$58.5 million which I just mentioned, and it increased over the ten year period by \$40.9 million or 232%.

Of the \$39.3 million gaming taxes accruing to the State of Nevada, \$27.5 million or 70% was obtained from percentage fees on gross revenue. Casino entertainment taxes, similar to the former Federal Cabaret Tax, totaled \$5 million or 15%. The remaining \$5.8 million or 15% was generated by levies on the number of gaming devices operated, penalties, investigation fees and other sources.

The relationship of gambling revenue to total Nevada state and local revenues in fiscal 1968-69 may be shown as follows:



The \$41.2 million of state and local revenues for this period represented 14.4% of the \$285.4 million of all state and local revenues, exclusive of federal aid, reported by the Bureau of the Census for 1968-69.

The \$33.3 million of state gambling revenues represented 23% of \$144.6 million of state revenues, exclusive of federal aid, reported by the Bureau of the Census in 1968-69.

The Nevada gambling taxes consist in part of license fees expressed in terms of amount per game or per slot machine, et., which increase as the number of games or machines increase. In addition, there is the principal state tax consisting of percentage fees based upon gross revenue collected quarterly in connection with license renewal. Gross revenue means all winnings less only the total of all sums paid out as losses with no deductions for operating expenses. Now these rates in Nevada range from 3% to 5.5%. For example, there is 3% on the first \$150,000, plus 4% on the next \$250,000, plus 5.5% on amounts of gross revenue exceeding \$400,000.

In fiscal 1969-70, gross revenues from application of this percentage fee tax totaled \$544 million. Now, this is an important figure, \$544 million. This represents the gross revenues after there has been pay-out for winnings by players but before any operating expenses have been deducted.

Now, since the yield from this tax, as noted before, was \$27.5 million, it would mean an average rate of 5.1%. This \$544 million is the base upon which percentage fees are assessed and should not be confused with net income. The levy is upon gross earnings without regard to operational expenses.

In John Scarne's definitive work published in 1961 entitled "Scarne's Complete Guide to Gambling," the author attempted to work out a methodology for determining the gross handle for legalized gambling in Nevada in 1960. He noted that official gross revenues were \$200 million that year.

He estimated that 4% of each dollar wagered is returned to the house. On this basis, he concluded that the gross handle amounted to \$5 billion, that is \$200 million divided by 4%. That gives you a factor of 25 and when you multiply that by \$200 million you get \$5 billion. He was also of the opinion that for every dollar wagered in the legal casinos in Las Vegas, \$20 was wagered illegally. Thus, \$5 billion, legal, multiplied by 20 equals \$100 billion on which the illegal operators, he contended, earned 4% or \$4 billion.

Using this same methodology, the legal estimated handle is estimated to total \$13.6 billion, that is, 272% times the \$544 million, compared to \$5 billion estimated in 1960. The illegal handle may be determined in the same manner.

Scarne's percentage figures may be disputable, but they may serve to indicate broadly the dimensions of illegal gambling in the country today.

The three major gambling areas in Nevada, namely, Clark County, Las Vegas; Douglas County, Reno; and Washoe County, Lake Tahoe; accounted for \$526 million of the \$544 million gross taxable revenues. That was 97%. So 97% of this gross was obtained from three cities.

The Annual Report of the Nevada Gaming Commission contains a detailed breakdown by number and location of the various slot machines and games as well as the number of licensees. These are available and I am certain that this Committee has this information and, therefore, I will not comment further on this.

To complete the Nevada picture, I have summarized the direct levies on gaming as follows:

The United States imposes a tax on coin-operated machines at \$250 per device per year. Wagering stamps are required of both principal and agents at a cost of \$50 per stamp year. Wagers accepted by bookmakers are subject to a 10% wagering excise tax.

Nevada imposes annual state license fees based

on the number of games operated. The fees range from \$100 for one game to \$1,750 for five games, to \$16,000 pluss \$200 for each game over sixteen. In addition, an applicant for the operation of sixteen or more slot machines pays in advance a license fee of \$40 for each slot machine payable at \$10 per quarter. When less than sixteen machines are to be operated together with any other game or gaming device, an advance fee of \$40 for each slot machine payable at \$10 per quarter is required.

In addition, a quarterly flat license fee, as noted before, is required, determined according to a schedule of rates which range from \$50 for one game to \$81,200 plus \$100 for each game over thirty-five.

Percentage fees based upon gross revenue are collected quarterly in connection with license renewal. Gross revenue, as I said before, means all winnings less only the total of all sums paid out as losses, and with no deductions for operating expenses. Rates are - and I discussed the rates before - that could range from 3% to 5.5%.

A casino entertainment tax is levied at 10% of all amounts paid for admissions, merchandise, refreshments under conditions set forth in the statute.

Counties and cities also have licensing powers. These are minutely enumerated in the Commission's Annual Report referred to before.

Available information about gambling taxes in other countries is most limited. As yet, I have not been able to obtain firm revenue figures from foreign countries where casino gambling has been legalized. Most of the literature on the subject of gambling is concentrated on lotteries, pari-mutuel and off-track betting.

In France, casinos are operated either by municipalities or by private entrepreneurs. In either event, the National Government taxes monthly profits at rates graduated from 13% on the first 100,000 francs - and

a franc is 18¢ - to 68% on amounts exceeding 1,500,000 francs. The minimum rate on the lowest bracket is approximately 2 1/2 times the maximum rate applied to the highest rate on the highest bracket in Nevada.

Some other comparative rates are as follows:

Russia - 50% or more of total wagers.

Great Britain - The principal betting duties are the pool betting duty, which applies to football pools and betting by coupon at fixed odds, charged at a rate of 33 1/3% of the stake money; and the general betting duty, which is charged on most other kinds of betting at the rate of 5% of stake money. An annual license duty equivalent to three times the rateable value of the premises where off-course betting is carried on was imposed in the 1969 Finance Act. Gaming is taxed at different rates mainly by license fees.

We are continuing our efforts to obtain more meaningful information with respect to foreign gambling.

I trust that some of the data furnished today may be useful to this Committee. I appreciate the opportunity to be here today.

SENATOR SEARS: Thank you, Mr. Glaser. Some members of the Committee may have questions.

Just to make sure we understand you and that the record is clear, these Nevada figures represent the entire income of the state from the gambling industry across the board in Nevada. Is that correct?

MR. GLASER: Well, the \$33.9 million figure, which I indicated, this is exclusively from gambling and it includes the amount which the State of Nevada has obtained.

SENATOR SEARS: And are you familiar with the law of Nevada? Would you know, for example, whether casinos are open 24 hours a day, 12 hours a day, or what the regulation is?

MR. GLASER: I think they are. I believe they are open 24 hours a day.

SENATOR SEARS: Do any of the other Committee Members have any questions?

SENATOR McDERMOTT: Well, I would like to compliment you. I think this is a very comprehensive report.

When you talk about direct yield here, you're talking about direct yield from gambling sources?

MR. GLASER: Right.

SENATOR McDERMOTT: I don't know whether or not you have any figures, but do you have a guesstimate of the yield that might come to Nevada through its sales tax as a result of people coming in to gamble? In other words, doesn't this help the yield on other taxes?

MR. GLASER: Well, I think the available figures show, of course, that Nevada has a great tourist trade. I mean, I think it's the Nevada number one industry. There is no doubt about that.

SENATOR McDERMOTT: I see. Mr. Glaser, the lottery, when it was originally projected, that is the estimate of the amount that they might recover from a lottery in one year, what was the original estimate on the lottery?

MR. GLASER: I believe the original estimate was about \$12 million, and I think they figured about five or six million for the current fiscal year.

SENATOR McDERMOTT: And what are the projections now for the ultimate yield of the lottery, in view of its fantastic success?

MR. GLASER: Well, this I don't know, except that it is considerably above that. I think Ralph Batch, the Lottery Director, would have that information.

SENATOR McDERMOTT: Thank you.

SENATOR SEARS: Mr. Glaser, using the magic, or whatever it is, figure of \$200 million that Senator Lynch was questioning Senator McDermott about before you began to testify, based on these figures that you've developed from Nevada, what would the gross handle - now



that's distinguished from gross revenue -- what would the gross handle have to be if you took an average 5% tax yield to produce revenue of \$200 million?

MR. GLASER: Well, let's see, if you take the \$200 million and if that equals a 5% yield, that would be a factor of 20 times \$200 million - that would be \$4 billion, and this is not gross handle. This \$4 billion is gross revenues. So this means that - you know the money keeps on passing hands but the house, the combined total of all of the gambling houses would have to finally result in them having \$4 billion because \$4 billion then at 5% would produce \$200 million in tax. Now, in order to determine how much would have to pass hands during a game, you could apply a factor of 10 or 15, it could bring you anywhere between \$40 billion and \$60 billion. \$80 billion would probably have to be passing hands. Now this is entirely different from the way the parimutuel betting is conducted. In parimutuel, for example, every dollar which is bet is subject to the tax; whereas in the casino gambling every dollar which is bet is not necessarily taxed, it keeps on doing business over and over again. But it's the net which would be the \$4 billion. But actually the handle, if you want to use the word "handle", would have to be easily in the neighborhood of \$80 billion, which is a pretty astronomical figure, I think.

SENATOR McDERMOTT: What's the difference between handle and gross play?

MR. GLASER: Well, Senator, by gross revenues, - and this is the way Nevada reports it - this is the actual amount of money which the casinos actually receive after they've paid out money to the winners in the different games. In other words, this is what they finally receive. For example, in a slot machine - I think that's the best example of that. In a slot machine the house gets what's in the machine, whereas the same quarter or the same nickel is played over and over again several times. That would be

the gross handle as distinguished from the gross revenue, which would be the net.

SENATOR McDERMOTT: And their tax is only what? about 4%?

MR. GLASER: Well, figured it came to about 5.1%. This was based on 1969-70 tax.

SENATOR McDERMOTT: So this is net gross revenue.

MR. GLASER: That's right.

SENATOR SEARS: The term "skim-off," is that a technical term or is that in the vernacular?

MR. GLASER: Well, frankly, you're getting beyond my expertise, but from what I read in the paper I suppose the skim-off, as John Scarne mentioned in his book, that's the part apparently which is taken before there is accountability for federal or state income tax purposes.

SENATOR SEARS: That's before you calculate the gross revenue for tax purposes.

MR. GLASER: Yes.

SENATOR SEARS: Any other questions, gentlemen?

SENATOR WHITE: Can you give us any approximation as to what would be the cost to the State to administer a casino program in the State?

MR. GLASER: No, but I imagine it would be considerable. I haven't tried to prepare any figures on that.

SENATOR WHITE: Percentagewise, would you care to venture a guess, not to be held to it but just taking a rough estimate?

MR. GLASER: Well, you see, one of the problems which you have in trying to make that kind of an estimate - number one, there are your direct costs, in other words the direct investigation and the supervision and so forth, that would be one cost; and I think, as Mr. Miller pointed out before, there would probably be other costs involved you might say in possibly beefing up your police and getting on more investigators and so forth. But, ordinarily there really

isn't any way of determining that. I think in the lottery, for example, the cost could run anywhere from ten to fifteen percent, but in the administration of the various laws that I have responsibility for our cost for any one of the taxes would run anywhere from 4/10 of 1%, in one of the excise taxes, to probably about 1.5% in the sales tax, and inheritance tax runs a little higher, it runs about three or four percent. That's because of the additional auditing that's required in that particular tax.

SENATOR WHITE: But then I take it that you have no ready figures or percentages as to the cost to administer this.

MR. GLASER: No, sir.

SENATOR WHITE: Now on page 5 of your statement you indicated that I believe the gentleman from Nevada was of the opinion that for every dollar wagered in the legal casinos in Las Vegas twenty dollars was wagered illegally. Do you have any additional information on that? In other words, what do they mean by it?

MR. GLASER: Well he just means that in Nevada you have legal gambling and it was his estimate that there is casino gambling and illegal gambling going on all over the country, and he thinks that there would be twenty times the amount of gambling throughout the country which is not provided for by law. Now, Scarne is an extremely knowledgeable individual. He knows all of the intricacies of all kinds of devices. He is fully familiar with all of the operations in casino gambling and, as a matter of fact, he has such a brilliant mathematical mind that they - I think he's excluded from Las Vegas, they won't let him in any of the games there.

SENATOR WHITE: Do they have off-track betting in Nevada?

MR. GLASER: Yes, sir, they do.

SENATOR WHITE: Are these figures reflected in your statement on page 2, I believe, where you project the

amount of tax to the federal government, the state, the counties and the cities?

MR. GLASER: Yes, sir. I think they're in and they constitute a relatively insignificant portion of the take.

SENATOR WHITE: But they are included in these figures,

MR. GLASER: Yes.

SENATOR WHITE: Well, now, going back to the \$20 for every \$1, the \$20 being that bet illegally, do you have any idea or any opinion as to how this comes about? In other words, does a fellow run a bookie joint or something like that on the side which is not licensed by the State for which he would pay no tax?

MR. GLASER: He would do that. He would probably also must have included all of the football pools and other pools that are going on. He speaks of widespread casino gambling in many of the other states, particularly near borders of other states. He is extremely knowledgeable and I think he indicates that the amount of illegal gambling is that much. You might dispute the 20, you might say, well, 15 or 12 times might be more appropriate but I think it gives the dimensions of what is going on.

SENATOR WHITE: Yes, but isn't he talking only about Nevada? because the statement is that for every dollar wagered in the legal casinos in Las Vegas, twenty dollars was wagered illegally. I would take that to mean we're talking mainly of Nevada.

MR. GLASER: I'm sorry. I probably should have been a little more specific on that. That's throughout the country, not in Las Vegas. That's a nationwide figure.

SENATOR WHITE: Now you also speak of the tax or the charge per game. Can you tell me what you mean by that? I really don't understand it. If you have a crap game or a blackjack game or whatever? What do you mean by that?

MR. GLASER: Well, first of all, as I said before,

the games would be a poker table, for example, in which - well, for the operation of the poker table there would be a license fee, depending upon the number of poker tables or poker games that are being conducted. Now the slot machines, I indicated before, - there's a flat charge for each slot machine depending upon the number at a particular place. And then there is also a charge on the gross receipts which are taken in by the owner of that machine.

SENATOR WHITE: Then the license fee per game, I take it, would be either quarterly or annually or something like that, per table.

MR. GLASER: Right. That's correct.

SENATOR WHITE: That's correct?

MR. GLASER: That's correct.

SENATOR WHITE: Fine. Thank you very much.

SENATOR LYNCH: Mr. Glaser, just one question. When major sporting events are taking place, basketball, football and the like, baseball, you usually reads odds on the games or points in the game coming from Las Vegas. Are such events legal in Nevada, such form of betting? betting on football, baseball through a bookie?

MR. GLASER: I'm not sure, Senator. I don't know.

SENATOR LYNCH: But if they were licensed in Nevada, your figure on the net receipts in the State of Nevada, 1969-70, of \$39.3 million would include revenues from that source of betting.

MR. GLASER: I'm not so sure that it includes that. As a matter of fact I was just going over that annual report and they do have specific columns for revenue from slot machines and then revenue from percentage fees. Now, if that is included, it would only be included in the form of gross revenues on which they pay that percentage fee of between 5% and 5.5% that I mentioned before.

SENATOR LYNCH: I think it's a fair statement to make that gambling on major sporting events equals or exceeds gambling in casinos. Is that not a fact?

MR. GLASER: I would think so. Of course, I profess no expertise in this field or knowledge of that.

SENATOR LYNCH: I'm not an expert either, Mr. Glaser. I've never been to Las Vegas.

MR. GLASER: I was looking at it from a revenue point of view.

SENATOR LYNCH: All right. Thank you.

SENATOR SEARS: Anything else, gentlemen?

Senator Woodcock of Bergen County, also a member of the Judiciary Committee, has joined us. Senator, do you have a question?

SENATOR WOODCOCK: I would just like to clear up this \$200 million which has been estimated that the State of New Jersey could reap from a casino operation in Atlantic City or elsewhere. Now, did I understand you to say that this would be based upon a gross profit of \$4 billion? Is that correct?

MR. GLASER: What I was saying is that the relationship in Nevada between the amount of tax which was collected from gambling and the gross revenue was about 5%. So that if we know, for example, what the tax is, and if you're assuming that the tax is \$200 million, then we say that in order to produce \$200 million in taxes at 5% you would have to have a gross take of \$4 billion.

SENATOR WOODCOCK: And when you say a gross take, you're talking about a gross profit, in other words.

MR. GLASER: I'm talking about - no, we can't use profit. I've spelled it out in my statement. And by that I mean the amount of money which the casinos actually take in after they've paid whatever payout they had to make but before they've taken out any operating expenses. If you want to use the term "gross profit," in that sense, I think it's correct.

SENATOR WOODCOCK: Well, in other words, since

the product that they are giving to the public, if that's the proper term, is the service of the casino, and when you put up your chips they either take them or they give you more, and after the end of the evening, if we count up how many more chips they have or money in the bank, that would be what you would term as the --

MR. GLASER: As the revenue, the gross revenue or what you designate as gross profit.

SENATOR WOODCOCK: And then the State would be entitled to 5% of that.

MR. GLASER: Right.

SENATOR WOODCOCK: And you say that would be based upon a \$4 billion --

MR. GLASER: It would have to be \$4 billion.

SENATOR WOODCOCK: Why?

MR. GLASER: Because \$4 billion times 5% would give you \$200 million.

SENATOR WOODCOCK: And did I understand you to say that the estimate of the handle, the gross handle, would have to be somewhere in the vicinity of \$80 billion?

MR. GLASER: That's what I said. This is a speculative amount. Just picture yourself sitting down at a poker game and counting up the amount of money in every play, in every pot. In other words, after someone wins, you just total up that money. That would be comparable to the \$80 billion. But whatever goes into that pot, that's not what the 5% is based on because what the 5% is based on is going to be the net to the one who is running the game.

SENATOR WOODCOCK: Right. Now, when we talk about the \$80 billion gross handle, would this be similar to the figures that we see in the paper for the handle at Monmouth and Garden State and so forth, at the bottom.

MR. GLASER: Right. That's exactly it.

SENATOR WOODCOCK: In other words, that represents the figure of the winners playing back into the machines

money that they've won.

MR. GLASER: Every dollar which is bet at the track, that's included in the gross handle and it's on that that the State gets the 7.5 or 8.5% depending upon the amount of the handle.

SENATOR WOODCOCK: So that if we were to figure this on the basis of a daily handle here in the State of New Jersey, we would have to handle roughly \$200 million a day? Is that correct or am I incorrect in my arithmetic?

MR. GLASER: Well, if you're trying to divide the \$80 billion - what, by 365 days?

SENATOR WOODCOCK: If we do it by 360 I think that might be better.

MR. GLASER: By 360 - \$80 billion - I have to do some mental arithmetic here. It looks like about \$5 billion a day? No, it couldn't be that. If you take \$80 billion divided by 100 would be \$800 million and --

SENATOR WOODCOCK: It would be about \$230 million a day.

MR. GLASER: That's right.

SENATOR WOODCOCK: That we would have to handle to generate \$200 million.

MR. GLASER: Right.

SENATOR WOODCOCK: Now, considering that, do you think that the figure of \$200 million then is realistic in what we could hope New Jersey could generate in the way of revenue?

MR. GLASER: Well, once again I will just have to say that I am not a gambling expert. I couldn't for the moment indicate the extent of the gambling but these are the figures apparently that this Committee could play around with and if you think it appeals to your sense of logic, you can accept it, and if it doesn't appeal to your sense of logic, you can reject it. Now, on a personal opinion, I think it's rather high. I'm not too sure of that.

SENATOR SEARS: I think, - Senator, I don't mean



to interrupt you, Mr. Glaser, but I think, Senator, we should have clearly in mind that the \$200 million that we're talking about was not Mr. Glaser's estimate of what the take would be. He hasn't attempted to estimate it, and we have accepted Senator McDermott's \$200 million for the purpose of playing around today.

SENATOR WOODCOCK: Well, since we're playing with monopoly money --

MR. GLASER: A numbers game.

SENATOR WOODCOCK: Well, let me ask you this, Mr. Glaser, how much does the State realize from the sales tax at 5% on a yearly basis?

MR. GLASER: Well, that's a pretty sensitive question. But what I can tell you is that for the current fiscal year, 1970-71, the budget estimates \$545.5 million.

SENATOR WOODCOCK: So that the gross profit from a casino operation would have to be something in the vicinity of half of the gross retail sales in the State of New Jersey.

MR. GLASER: Well, if you want to accept the \$200 million, it would have to be about 40%.

SENATOR WOODCOCK: I was just using that as an estimate.

MR. GLASER: Yes, that's right.

SENATOR WOODCOCK: All right. I just wanted to have some idea of what we were talking about.

SENATOR SEARS: Thank you very much, Mr. Glaser. We appreciate your talking the time to be with us today and for giving us the benefit of your research and findings.

MR. GLASER: Thank you.

SENATOR SEARS: Senator McDermott, before we call the next witness, did you wish to make any reply to Senator Lynch's original question?

SENATOR McDERMOTT: Right. I would be very happy to respond to Senator Lynch's question.

As Mr. Glaser put it, this is the numbers game. And, of course, it's a good thing Mr. Miller had left or we would all be indicted

Now the numbers concern two areas. The first one is population, and I am going to make relative comparisons between Nevada and New Jersey in this numbers game. The population of Nevada is only 481,893. It ranks 48th out of 50 states. By comparison, the population of New Jersey is 7,084,992 which puts us in eighth position populationwise.

In the 400 mile area, radius, from Nevada, there are approximately 35 million people, and that is a very low figure when compared to taking a 500 mile radius of Atlantic City. In a 500 mile radius of Atlantic City there are some 85 million people, including several million Canadians whose money is just as good as ours. Between the New York and Philadelphia area, I believe there are somewhere close to 25 million people, which would put them within easy driving access of Atlantic City.

The second factor is that of percentage of revenue take by Nevada. The figures supplied by Mr. Glaser show that the Nevada budget, exclusive of federal revenues, for the year 1968-69 was a paltry \$144.6 million. And of that amount, 23% came directly from gambling. The needs of Nevada are not the needs of New Jersey.

New Jersey has a projected budget next year, and I am quoting the newspapers and not Governor Cahill, of about \$1.7 billion.

The State of Nevada has only a 2% sales tax. The State of New Jersey has a 5% sales tax.

In Nevada, in elementary and secondary schools, they have only 123,663 students. They don't need a lot of State Aid. In the State of New Jersey, by comparison, we have 1,454,378 children who do need State Aid to be properly educated.

Nevada doesn't need revenue the way New Jersey

needs revenue. I understand there are no mass transit problems in the State of Nevada; that there are no cities like Newark or Trenton or Paterson or Camden. They don't have the same problems we have. And when you look at the figures here, presented by Mr. Glaser, you can see that the State of Nevada does very well by its direct revenues from gambling.

Now, using these population figures and the percentage figure of tax, I would like to point out to you - and let's talk in rather direct terms. I had proposed that the State of New Jersey take a 10% levy on the gross revenues, not 5% like Nevada. So that means we only need twice the play that's in Nevada. Nevada presently returns in gross revenues from gambling to the State, the counties, and municipalities, forty-eight point some million dollars. So the figure that I've used of \$200 million is only a multiplier of 4. And if we increase our tax from 5 to 10% we only have to multiply by 2. And when you look at the population figures that we have in this area, compared to Nevada, I think we ought to get more than twice the play.

So these are the simple figures upon which I have based my estimate of \$200 million. And yet I should like to point out, Senator, I haven't even, and Mr. Glaser hasn't even been able to do it, estimated what it will mean to the State in other areas. Surely our sales tax yield will increase; we'll have more people in here. Surely our gasoline taxes, our alcoholic beverage taxes, our cigarette taxes, and you keep right on naming all of the taxes that New Jersey imposes on people that are going to be paid by people out of State. And we're talking about increasing our yield from existing taxes.

These are the figures and, as Sid Glaser said, this is the numbers game.

SENATOR LYNCH: They are the figures but no facts.

SENATOR McDERMOTT: Well, they are based on Mr. Glaser's facts with a multiplier of 2 and an increase in revenue of 2.

SENATOR SEARS: Gentlemen, I'm getting confused. All I can see is green on green.

I have a couple of other people that I have promised to get on. Commissioner Hyland is here, as well as former Senator Parsekian. I will take you first, Commissioner, and then Senator Parsekian. Then we will get back to our list.

MR. HYLAND: Good morning, gentlemen.

SENATOR SEARS: If you would, for the record, Commissioner, identify yourself and also try to speak directly into that mike because the folks in the balcony have had a little trouble hearing.

W I L L I A M     F.     H Y L A N D: I am William F. Hyland of Cherry Hill, New Jersey, and formerly the Chairman of the State Commission of Investigation for a period of some 18 months. I am also proud to say that I was a member of this House for 8 years and I know most of you gentlemen and your problems and I appreciate the opportunity that you have given to me to be here today.

I have great sympathy for the problems of Atlantic City. I was born and raised in South Jersey. Atlantic City has really been the vacation land of the world and it has been a vacation land for me and my family for many years. But there are two activities that I can think of carried on only in Nevada, exclusively, throughout the country. One is casino gambling and the other is underground nuclear testing, and I want to keep both of them there.

I think I am prompted to be here today because in the earlier hearing, and in the newspaper stories that have come out of it and in other newspaper releases, there was an allusion to the fact that organized crime, it was rumored, is financing the opposition to casino gambling. This not only outraged me but I began to think then, what kind of opposition? who are they financing? Rev. Jeanes, for example, who spoke against this? Colonel Kelly of the State Police, who spoke against it? Commissioner Miller of the State Commission of Investigation, who spoke against it? I think this is a rather insulting thing for anyone to say. And I can tell you that the only rumors that I have heard about organized crime's involvement in this began to arise 18 to 20 months ago, in the spring of 1969, long before this present interest in a referendum in November had begun to mount. And the rumors that I heard then, from people in the law enforcement field, from sources in the Department of Justice, and elsewhere, were that organized crime figures, as far west as Chicago, were already talking about casino gambling in Atlantic City and meeting and arguing over how it was going to be whacked up. This bothered me then, it

bothers me now. I have no way of substantiating those rumors but I think they certainly are every bit if not more credible than the rumors that some of the folks from Atlantic City have been originating or, at least, spreading.

I want to go back several years and review the organized crime situation as it affects New Jersey. We were all dismayed by articles that began to appear in Life Magazine, and elsewhere, in 1965 and in later years, which described New Jersey as the haven of organized crime. And from this we developed a national reputation. Whether it was justified or not, this is what people believed. And as I traveled through different parts of the country, I was constantly confronted with this. It was embarrassing and it was annoying.

It isn't just a question of what people in other parts of the country think about us, - we all like to have a good reputation - but there are some good, tangible reasons for having a good reputation. We are trying to run this State intelligently, not only for today but, more importantly, for tomorrow. We're trying to attract reputable industry from all parts of the country. We have to compete with other states that are doing things in the area of tax inducements, and so on, that we're not doing. And so the image and reputation of the State does mean a great deal. The image of the State is also important to our own people because it directly affects their confidence in their local police departments and in their prosecutors and in the State Police and in the Attorney General and in the Legislature itself.

On March 11, 1968, the Legislature created a joint legislative commission to study crime and the system of criminal justice, Senate Concurrent Resolution No. 44. And out of this came a series of hearings by a group of State Legislators, a Committee that became known as the Forsythe Committee. I want to remind you of several things that that Committee said, and I'm reading from the First

Annual Report of the State Commission of Investigation. It concluded that, New Jersey has a serious and growing crime problem and a crisis in crime control with major action needed immediately. The Committee Report expressed alarm over what it called expanding activities of organized crime in New Jersey and suggested that for such widespread criminal activities to exist there must be failure to some considerable degree in the system itself or official corruption or both.

Concerned about these findings, the Legislature created the State Commission of Investigation and a number of other very meaningful weapons to fight organized crime, the statewide grand jury, for example, the witness immunity act.

When the legislation creating the State Commission of Investigation was signed into law and the committee organized in the early part of 1969, it found itself with a statute that gave it very broad and helpful powers, not only to inquire into specific instances of corruption or the alleged nonperformance of their duties by state officials or local officials, but also gave it the responsibility to inquire into any matter concerning the public peace, public safety and public justice.

Section 3 of that Act also provided that upon the request of the Legislature the State Commission of Investigation could make studies and make recommendations to the Legislature with respect to changes in or additions to the existing provisions of the law required for the more effective enforcement of the law.

The Commission embarked upon an investigation into the municipal affairs of Long Branch in Monmouth County and the activities of the Prosecutor's office in that county. I think that it had some helpful effect in terms of the reform of the Prosecutor's office, which was adopted some months later by this Legislature.

It investigated the garbage industry, at the

request of Governor Hughes, and I think in some measure helped to bring about the legislation that we now have regulating the garbage industry.

It inquired into the purchasing practices of the State and found instances of kickbacks, nonperformance by contractors, and conflicts of interest.

At the request of Governor Cahill, it assisted in the task force that he put together for the study of drug problems and, I think, made a contribution to the legislation that we now have.

All of these things came about because of a concerted effort by the Legislature, by the Governors, the State Police, the Federal Task Forces, the United States Attorney and also the State Commission of Investigation. In a sense, and maybe for the first time, we put all of our wagons in a circle and made a stand, and we demonstrated, in my judgment, that the people and their government can muster the ingenuity, the resources and, most importantly of all, the courage to drive evil out of our society.

A number of people are in jail today who were looked upon several years ago as the leading figures in organized crime - Mr. DeCavalcante, DeCarlo, Russo, Zicarelli and Catena. This has been helpful. We know that the imprisonment of these individuals has had a very disheartening, disorganizing effect upon the middle and lower echelon of the organized crime structure.

Another very helpful result of this concerted effort by all of these agencies that I have described is that we have helped to regain for the State and its law enforcement people the confidence of the Federal authorities, the Federal Bureau of Investigation and the Department of Justice. I tell you, very candidly, that when the State Commission of Investigation came into being in 1969, it's literally true that the FBI and the Department of Justice trusted virtually no one in New Jersey, and this was a great disadvantage in mustering an



effective and coordinated program against law violators. We've restored the confidence that was lost and we now have a very effective coordination program with Federal officials. We've gradually begun to restore the confidence of people in other parts of the country in New Jersey and in our willingness to do something about the problems that they contend that we have had. And there has been a renewal of confidence on the part of the people of this State in their officials,

In the time that I was in office I had literally hundreds of written and verbal comments from the people who told me what a great job was being done, not just by our group but by everybody, and it took everybody to do it.

Now, what do we find? In the early part of 1971 we have a situation almost akin to the 1849 gold rush, a madness, almost, to find as many ways as we can, as fast as we can, to broaden the State's involvement in gambling, without the careful, deliberate study that should be made to see what is really good for New Jersey. We have a State Lottery. The proposal is that we introduce winter racing. Senator Guarini has suggested that the State get involved in jai alai. We have this proposal for casino gambling. We have proposals that the State Lottery Commission, if it has the authority and, if not, it be given the authority to get into the numbers business, sports betting and off-track betting.

Now, what really is good for New Jersey? The standard should be just this, not what is good for Atlantic City or Wildwood, or even the State Treasury, but what's good for all of us as individuals and for our children? what's good for other businesses in the whole State in this great complex of interest that we have?

I find no moral issue in gambling. I gamble when I'm permitted to, legally, and what's so hard about that? We have liquor in the State and yet no one of us would suggest that it should be unrestrained. We have motor

vehicle laws, and no one would suggest that there shouldn't be restraints on the way people drive, yet every one of us likes to drive fast. We have increasing restraints on pollution and other things that people have been in the practice of doing or wanting to do. So, is it enough for us to give the people something simply because we say that that's what they want to do? No. I contend that that is why responsible officials are elected and government exists, to help make these decisions for the people, with their guidance and help but to make the decisions.

Now there are proposals before the Legislature to do just that, and I support them. SCR-2004 by Senator Kay would create a bipartisan, joint legislative legalized gambling study commission of Senators and Assemblymen and people from the outside to study and determine the various probable social and economic effects that legalized gambling will have on the State. What's wrong with that?

Senator Musto and Senator Hauser have introduced SCR-75 which proposes to study the intent of the Legislature regarding the State Lottery, and requests the Lottery Commission to study and investigate all forms of lotteries in order that the intent may be fully implemented as soon as practicable. And what's wrong with that?

Addressing myself to the argument that casino gambling will be a blow to organized crime, I think this assumes, first of all, that it would be run in a completely upstanding and honest fashion. And yet, that really isn't the experience of casino gambling.

Gambling was legalized in Las Vegas, in Nevada generally, in 1931, and I ask you to look into the history of that State and see how many scandals they have had over the years. And I ask you to read some of the books that have been published that outline the alleged ownership by leading organized crime figures, including men from New Jersey, such as Gerry Catena, in various hotels in Las Vegas.

I read in the newspaper, several days ago, that an

ordinance has been introduced in Las Vegas to legalize prostitution. I thought that with casino gambling and a highly respectable and quality operation you wouldn't have things of this kind. But, apparently, there is enough of it that they want to legalize it. And somebody has made the argument that this is a good way to raise revenue. They would charge a \$100,000 license fee each year. So, if we're thinking about how to raise revenue for the State, let's not overlook that.

I draw your attention to the Bahamas. There has been testimony before this Commission that in the Bahamas the operation has been run very honorably and respectfully. But if you go back into the Life Magazine articles - and I don't think there is any secret about the fact that Sandy Smith and others who were writing these articles had access to information from the Department of Justice - there were some horrible scandals in the Bahamas, as late as 1967. So I don't think that this properly can be cited as an illustration of what ought to be done.

So, as an answer to this, the suggestion now has been made that we can eliminate all of these problems by having casino gambling run and owned by, presumably, the State. We can look at our own State and neighboring states and think of dozens of illustrations where state-operated enterprises have eventually been filled with corruption - the New York Liquor Control Board, our own Motor Vehicle Department where, from time to time, we find that some of our employees are taking money in order to circumvent the inspection or the licensing requirements of the law. So, merely to say that the State will run and operate this is to provide us with no absolute safeguard against the intrusion of organized crime into the venture.

I can tell you, gentlemen, that for every 24 hours you spend thinking about the problems of the State and how to combat organized crime, these men are spending a month figuring how to get around it. They are very resourceful

and very clever.

Now, on casino gambling specifically, I think that this is the most objectionable of all. There is a fever associated with casino gambling. If you've been to Las Vegas, as I have, you probably have stood at the tables and watched people get caught up in the emotion of betting and perhaps go into the casino with the idea of spending \$100 or \$200 and find that they've been hooked for considerably more than that.

I had the experience, last fall, of standing at the check-out counter at the Desert Inn and hearing a man plead with some individual behind the counter - I don't know whether he was the manager or what he was. This gentleman had a \$2500 line of credit at the casino and the evening before he had lost \$10,000. The big mystery was how he was able to do it when he was supposedly limited to a \$2500 line of credit. But he managed to lose \$10,000. Now, let's think for a moment. Where is this fellow going to get the money to bail himself out of a problem of that kind? Well, perhaps he'll mortgage his home; perhaps he has the money in the bank; but very often these people then turn to the loan sharks, and I have felt that this was the most profitable part of organized crime. Any time you can lend money and make 100%, 500%, 5000% interest on what you've loaned, this is a pretty good business and it flourishes. It flourishes in this State. It flourishes any place where people spend more money than they can afford for something and they have to turn to the unconventional sources of credit to bail themselves out.

So what it comes down to, I think, is, what can we really afford to have? how much gambling can we afford to have in this State if it isn't the moral issue? And, as I say, at least I don't consider it to be that. And I think that question should be decided very deliberately and very cautiously. If we're talking about the revenue-raising aspects of it, then I suggest that the State Tax

Policy Commission, and other groups of that kind that are specifically constituted for the purpose of deciding how revenue should be raised, ought to be part of the deliberations.

You know, they have Aloholics Anonymous, they have a drug group that I think is called Addicts Anonymous, and more recently I've heard advertised on the radio, particularly from the New York-North Jersey area, Gamblers Anonymous. I hope that we don't contribute to the need for a Gamblers Anonymous in New Jersey by just running pell-mell into the enactment of all of these varied kinds or forms of gambling without the careful thought and deliberation that it requires. When we take these steps, I am sure there is no turning back, and we want to be satisfied that the decisions that are made today, by this Committee, by the Legislature and by the people themselves, are not going to contribute to a story of tragedy that we will all look back upon with great sorrow ten and fifteen years from now.

Thank you very much.

SENATOR SEARS: Thank you, Commissioner.

Do any members of the Committee have any questions?

SENATOR McDERMOTT: Yes, I have some.

You referred in your opening statement to SCR-44 of the year 1968. To refresh your recollection --

MR. HYLAND: You were one of the sponsors, Senator, --

SENATOR McDERMOTT: That's right.

MR. HYLAND: -- and I don't know what's happened to you since, Frank.

SENATOR McDERMOTT: Well, I'll refresh your recollection before I say what I'm thinking of you.

Out of that Commission, of which I was not only a sponsor but a member, I sponsored Statewide grand juries; the SIC, of which you were one of the initial members; a loansharking bill with very stringent penalties that was vetoed by then Governor Hughes and as Majority Leader I got the votes to override his veto; full-time prosecutors;

50 additional State Troopers; wiretapping bill; - all of this occurred in the year 1968.

You just made a statement that loansharking flourishes in New Jersey today. How is that possible?

MR. HYLAND: Because people aren't obeying the law.

SENATOR McDERMOTT: It isn't because we haven't been giving law enforcement officials the proper tools, is it?

MR. HYLAND: Well, it may be too early to evaluate the present statute. Sometimes devices are created by the Legislature to meet a problem and they have to be improved upon. Maybe it's time for us to take a look at the loanshark statute and see if it's really doing the job it should.

SENATOR McDERMOTT: Well, in your opinion, are the men who enforce the law doing their job?

MR. HYLAND: By and large, I think so. I think we need more of them. I think they have to be better trained. This is part of the problem.

SENATOR McDERMOTT: Well, based on your experience with the SIC, do you have any recommendations for this Legislature so that we can improve upon what we did in 1968, so that we can get these men to do the job, and to get people to obey the law? Do you have any suggestions?

MR. HYLAND: Well, I'm here today to talk about casino gambling and I have suggested that if the Legislature were to embark upon the kind of studies that are in Senator Kay's resolution and the resolutions of Senator Hauser and Senator Musto, I think this would be doing the right thing.

SENATOR McDERMOTT: Don't you think, though, that it's an indictment of our present system of law and also of our law enforcement officials to say that they can't handle casino gambling?

MR. HYLAND: No.

SENATOR McDERMOTT: You don't think it is?

MR. HYLAND: No, I don't think it is.

SENATOR McDERMOTT: No further questions.

SENATOR SEARS: Any other questions?

SENATOR WOODCOCK: Commissioner, I was a member of that Commission you spoke of earlier and I was sponsor on some of the legislation that Senator McDermott referred to, and I would like to know, sir, as Chairman of the SIC for some 18 months whether or not you feel that the State of New Jersey has made much progress with respect to fighting organized crime.

MR. HYLAND: I don't think there is any question about that. I tried to make that clear in my affirmative presentation, Senator. Yes.

SENATOR WOODCOCK: I would then believe that it would be your considered opinion that putting the casino gambling in Atlantic City or elsewhere in the State of New Jersey would be inviting organized crime to come back in to the State of New Jersey?

MR. HYLAND: I think it would be kind of a signal to the people of the State that we've forgotten the lessons of the last several years, and I think it would be a signal to them, if the rumors that I have heard had any foundation, and this is what they're waiting for. They think that there are ways that they can get some part of the action here. I'm not sure of that. Maybe they can. Maybe State ownership is one of the ways to try to discourage it. But I am familiar with their resourcefulness and I think eventually we would regret it.

SENATOR WOODCOCK: And isn't this basically the experience that they've had in other countries and in other states where they allow casino gambling, that while it may start off as a very harmless and profitable experiment it winds up in the hands of the wrong people?

MR. HYLAND: I think we have a way of letting down over a period of time and losing some of the alertness and vigilance that we have when we create these programs. This is not only true in law enforcement but in all kinds

of governmental programs. They have a way of experiencing an attrition of effectiveness over a period of years. So I would agree with the inference of your question that, if we start it off on the right foot, it would be just a period of time before we stumble.

SENATOR WOODCOCK: Now, Commissioner, you didn't cover it in your remarks but do you have any idea about the amount of money that might be raised from casino gambling here in New Jersey? Senator McDermott has put forward the figure of \$200 million to the State and we've been using that as a focal point in our discussions as to what is a reasonable figure that we could expect here in the State of New Jersey. Do you have any opinion as to that?

MR. HYLAND: Well, I read the estimate of \$200 million and knew that the take from gambling of every kind in every community, all throughout Nevada, was in the area of \$35 million. I had to write off that estimate as being absurd. When you think of Las Vegas, not only with the -- Nevada, rather, not only with the number of communities in which gambling goes on but the literally thousands of slot machines that are in the airports and the restaurants and almost every place you turn - every place but the funeral parlors, I guess, - it's difficult for me to see how in one community in this State, notwithstanding the fact that we are part of an urban area, that we can hope to raise anything approximating the \$200 million estimate. I don't think you can go simply by the population of Nevada because we all know that the influx of people from all over the country is tremendous and probably greatly in excess of the year-round population of the State itself.

SENATOR WOODCOCK: And if I got the thrust of your message, Commissioner, it was to the effect that even if we were able to generate millions of dollars by way of casino gambling that, on the other side, the invitation to organized crime to come into New Jersey would outweigh whatever monetary advantage to the State from that casino gambling. Is that



correct, sir?

MR. HYLAND: Not only that. I think it would certainly raise our costs of law enforcement. We, obviously, would have to beef up the State and the county law enforcement agencies in order to cope with this problem. But I wonder if anybody has tried to put a number on the other costs, the indirect costs. For example, if my premise is correct that people have a tendency, if gambling is available to them, to gamble more than they can afford to. I think there is going to be a direct relationship between the amount of money spent on gambling and the amount of money that we spend on welfare.

SENATOR WOODCOCK: And then, of course, isn't it so, too, Commissioner, that there would be no way of assessing the misery, from a personal standpoint, that we would be inflicting upon some of our less strong-willed citizens of this State and elsewhere?

MR. HYLAND: Some very tragic things come out of excessive gambling.

SENATOR WOODCOCK: I have nothing else.

SENATOR WHITE: Commissioner, at one of the prior hearings a witness pointed out the fact, in answer to a question from me, that if we were to go through with this and put it on the ballot and it were to be approved by the voters, that the next logical step beyond casino gambling would be off-track betting. Would you have any comment on that?

MR. HYLAND: Well, I don't know whether there is necessarily any logic to it. I've expressed myself, in the past and while I was on the Commission, about gambling generally. I had some quarrel with the frequency of the State lottery, as it was proposed. I think that we're going to have an opportunity over the next 12 months or so to see whether the frequency and the amount being bet, the price for the tickets, and so on, was a wise choice or not. I have no quarrel with it at the moment. I think the

Committee did an excellent job and the Commission has been doing a good job in trying to run this intelligently. I don't feel as strongly about off-track betting and some of the other kinds of legalized gambling that have been suggested. I'm willing to keep an open mind and benefit from some of the studies that I think ought to be made. But I am satisfied, as I said before, that the fever that's associated with casino gambling is not good for this State, the people who live here and the people who come here. And if this is the way that we have to support our schools and build our roads, then I think that we've shown a tragic lack of imagination.

SENATOR WHITE: Well, would you - again, not to pin you down but would you have any opinion that if this were to be approved that we can reasonably look for off-track betting in the very near future?

MR. HYLAND: Well, the proponents of legalized gambling today make the argument that respectable businessmen gamble every day in the stock market; that you can go to the track and bet; and this seems to be a logical prelude then to their conclusion that they ought to have the right to do it if they don't care to go into the stock market or don't care to go to the track. And I think it's going to be very difficult to tell the people of Newark or Trenton or Camden or other cities that have problems that they can't have casino gambling. If it's good for Atlantic City, I'm sure they're going to say it ought to be good for them. I think you are going to have difficulty telling an individual in Newark or Passaic, or some other place, that gambling is legal if I have the money and the time to go to Atlantic City but if I place a bet with my corner newspaper store that I'm breaking the law. So it would seem to me that inevitably this would lead to a broadening of the base and the State would be pressured into authorizing many forms of gambling that we don't have now. That's why I object to this piecemeal look at the problem. And that's why I would

much prefer to see a broad extended expert study made of all kinds of gambling and what they do for us and what they do that isn't so good for us.

SENATOR WHITE: Well, isn't it one thing for a person to have to get into his car, drive to a race track, pay the admission fee, and so forth, in order to place a bet at a track, as opposed to picking up the telephone and calling whoever you would call and saying "I want to place \$5.00 on the nose of number 4 in the third race," or something like that? There's a big difference, wouldn't you agree?

MR. HYLAND: Yes.

SENATOR WHITE: But the point, again, that I'm trying to get to, and just to crystalize whatever opinion you might have, would you reasonably look for off-track betting to follow casino gambling if casino gambling were approved?

MR. HYLAND: I think that it would open the door, yes, to many other forms of gambling.

SENATOR WHITE: And, again, not to drag this out but I'm thinking, as you mentioned, Trenton, Camden, Newark, whatever other large city in the State you might want to mention, perhaps they do not have the tourist trade and, therefore, the casino gambling would not be beneficial to them, but would you have any opinion as to whether it would be logical for them to then come in and say, "Well, look, we can't have casinos, we don't have the traffic, and so forth and so on, but give us off-track betting."

MR. HYLAND: I think it would be a very logical thing for them to say.

SENATOR WHITE: Thank you.

SENATOR SEARS: Anything else, gentlemen?

SENATOR LYNCH: Except to commend Commissioner Hyland for a great presentation.

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

MR. HYLAND: Aren't you going to join in that,

Senator?

SENATOR McDERMOTT: I always join in. We have always had different points of view, even on the reapportionment.

SENATOR SEARS: I am going to change signals on our schedule so that we can accommodate people who have said that they had to get away before lunch. And since the Attorney General is coming in at 1:30 instead of 2:00, I think, gentlemen, that we will work until at least a quarter of one to try to accommodate those that have to get away.

I apologize to Assemblyman Littell who has a witness who has to catch a plane to Chicago. We will take him next and then go on to the others.

You will introduce the witness, Assemblyman?

ASSEMBLYMAN LITTELL: Yes.

SENATOR SEARS: Assemblyman Littell is from Sussex County.

ROBERT E. LITTELL: Gentlemen, thank you for the courtesy. I would just like to say something at the outset. I hadn't planned on saying anything but I stood back there and listened to a lot of testimony and I think I better set the record straight as to my position. And I would like to say that I have consistently supported the concept that the people of New Jersey are entitled to vote on the question of legalized gambling in casinos. And I base this position on the fact that we require in our Constitution that the people vote on bonded indebtedness and, if we can require them to vote on bonded indebtedness, we also ought to be allowed to let them vote on the method of payment to pay that indebtedness back.

It's a pleasure for me, as a representative from the land of "Milk and Bunnies" to come here today and introduce Mr. Victor Lownes, Vice President of Playboy Clubs International, Inc., promoters and operators of the Playboy Clubs. He is also Vice President of HMM Publishing Company, Inc., publishers of Playboy Magazine.

He is Managing Director of the European activities of Playboy Enterprises. He is also Chairman and Managing Director of the Playboy Club of London Ltd. This company, a wholly owned subsidiary of Playboy Clubs International, Inc., operates a casino club in London, England, and is in the process of opening a second Playboy Casino Club in Manchester.

In addition to his qualifications as Managing Director of what is probably the largest single casino in the United Kingdom, Mr. Lownes is a member of the Council of the Casino Association of Great Britain, to which the Gaming Board of Great Britain has looked for advice on every aspect of gaming control.

Gentlemen, I give you Mr. Lownes.

SENATOR SEARS: Welcome, Mr. Lownes. I gather that your only exhibits will be those that can be placed on an easel, is that right?

V I C T O R     L O W N E S: Yes, that's true, I'm sorry to say.

I have requested this opportunity to address this Committee because it is my belief that if gaming comes to New Jersey and is limited to Atlantic City, or any other single municipality, it will fail to accomplish the purposes which, it is my understanding, you wish to achieve. I would agree that if legalized gaming is to be permitted it should properly be planned so as to supplant any illegal, untaxed gaming operations. If there is to be legalized gaming it should be planned so as to encourage investment in hotel and resort facilities throughout the State. If there is to be legalized gaming, it should be conducted by financially responsible people of the highest degree of probity; and it should be developed in such a manner as to ensure for the State the greatest possible degree of benefit from increased tourism and gaming tax revenues.

If there is to be legalized gaming, it should complement other touristic attractions, it should be one form of entertainment amongst others and not dominate the recreational facilities of any area. I believe New Jersey would want gaming on a quiet, dignified basis as it exists in England and on the continent, not on the brash, high pressure scale that exists in Nevada.

I submit that if legislation is passed to legalize gaming just in Atlantic City it will fail to achieve the desired purposes in at least three important respects:

- 1) Gaming confined to Atlantic City will discourage investment in new hotels and resorts elsewhere in the State, a State that abounds with vacation amenities.
- 2) Gaming confined to Atlantic City will not result in eliminating the possibility of illegal and untaxed gaming activities in other parts of the State, and this in itself will lead to more general crime.
- 3) Gaming confined to Atlantic City will create a Las Vegas or Reno situation where gaming dominates everything and ferocious competition between gaming establishments creates a brash, neon-bright atmosphere destructive of all other touristic values.

I would like to take up the first point, that legalized gaming in Atlantic City will discourage new investment in hotel and resort facilities in other parts of the State. And here I can really speak as an expert.

As you may already know, Playboy Clubs International Inc. is now in the process of building a 700 room Playboy Club Hotel in Sussex County at a cost of more than \$20 million, a lot more than \$20 million, I'm afraid it is turning out to be. This project, when completed in early 1972, will provide 600 to 900 jobs year-round for residents of the area, and will attract hundreds of thousands of out of State visitors to New Jersey each year.

It is at this point that I would just like to show you my little kit of visual aids here.

This is a photograph of an artist's model of the hotel and resort facility that we're building.

Now on this sheet here, I have mounted just some of the promotion materials which we are already putting out throughout the country. Some of these items, for example, are advertisements from our own magazine, which has a circulation, monthly, of over 6 million copies and is already promoting the Playboy Club at Great Gorge, New Jersey. So we feel we are already, even though we're not finished with the project yet we're already doing a big job in creating a good tourist and tourism image for the State.

These are additional promotion materials, articles that have appeared in our magazine.

And here, of course, we cite the fact that we're investing \$20 million, plus.

SENATOR SEARS: Don't keep that Garden of Eden in the Garden State hidden now.

MR. LOWNES: That's what we said, a Garden of Eden in the Garden State - apparently one of the brilliant concepts our promotion department has come up with.

This shows that we're anticipating annual revenues

of between \$12 million to \$18 million dollars. And here we show that the annual payroll will involve 600 to 900 employees with wages between \$4.5 million and \$5 million.

We estimate that we will be purchasing locally food in the area of \$980,000 worth; \$420,000 in beverages; and other supplies between \$1,050,000 to \$1,400,000 a year.

We figure that we will be paying, annually, taxes on this one establishment in the area of \$1,680,000.

And now for the punch line. Had we known that there was going to be a bill which would legalize gaming in Atlantic City, and Atlantic City alone, we would never have gone forward with this plan.

We selected the Garden State for our fourth major hotel-resort complex after lengthy deliberation and consideration of many other sites in several other states. We finally decided on a site in Sussex County because it seemed to us to combine all of the ideal factors we sought, - proximity to major population centers, magnificent landscape with perfect terrain for both summer and winter sports, ample supply of skilled indigenous labor, and enthusiastic community and state support for new recreation and vacation facilities.

We made our decision, and we felt it was a right decision - that the Sussex County Playboy Club Hotel would be the biggest and best of our new resort developments. It would proudly join our family of hotel-club-resorts in Jamaica; Lake Geneva, Wisconsin; and Miami Beach, Florida. The State Legislature of New Jersey passed a resolution warmly welcoming our new enterprise into the State. We began construction confident of its future success.

Now, like a thunderbolt, comes the news that New Jersey is considering legalizing gaming in one single area of the State. We now feel that our whole enterprise is imperilled. A resort complex the size of ours depends on convention business, and we know that where gambling exists the convention business goes. If this legislation



passes in its present form we will lose a substantial amount of business to Atlantic City which, all else being equal, we could have expected to attract.

When Dr. Horace DePodwin - who is apparently employed by this Committee to make a study of gaming in other areas, and who through the Gaming Board of Great Britain was introduced to our establishment in London and studied our gaming operations there - gave his statement before this Committee last December, he stated:

"Even during the relative decline of the area as a tourist attraction in recent years, Atlantic City has hosted about 600 conventions with about 500,000 attendees each year. These figures could very well increase if the city could offer a complete entertainment package that included casino gaming."

We agree with him that these figures would increase, and they would increase, at least in some degree, at the expense of other resort areas in the state.

Dr. DePodwin further stated:

"Atlantic City's ability to attract conventions and vacationers will depend on the scope and quality of its lodging, entertainment and meeting facilities. Substantial investment in improved facilities would be made only if potential income is greater than now seems possible under present laws.....other communities have found that as the number of visitors and conventions increases, so do income and employment opportunities in hotels, restaurants, casinos and all the supplying and related industries."

Dr. DePodwin is quite right, for we know from actual experience that with gambling a hotel can offer entertainment which without gambling is far more difficult to provide. With gambling a hotel can offer rooms, food and beverage at prices that make no sense without gambling, and we know that gambling itself is a form of entertain-

ment that exercises a strong attraction to conventions and individual vacationers. The single locality offering gaming will also attract the best available skilled personnel experienced in hotel and catering work, being able to afford higher wages than those without this facility can afford to pay.

I can tell you now with absolute certainty that had this legislation been an accomplished fact when we were making our plans we would not for a moment have considered Sussex County for our \$20,000,000 investment. We might have considered Atlantic City itself; we might have decided to join 'em but we would never have tried to beat 'em.

We regard the proposal to legalize gambling in Atlantic City, and only Atlantic City, as highly discriminatory legislation. We would never have proceeded with our plans for New Jersey had we had an inkling of this proposal, and we ask you how many other investors will also reconsider their plans should you proceed along these lines? How many have perhaps already reconsidered?

None of this is to suggest that we are opposed to legalized gaming. In fact, as I stated, we operate what is probably the most successful casino in Great Britain today. Last year alone, our corporation taxes in one club in London amounted to over \$1,250,000, and in addition we paid a special gaming tax of \$240,000. This year, by the way, our gaming excise tax will increase to \$633,600 but thanks to an increase of overall volume we expect our corporation tax to equal or exceed that of last year.

Legalized Gaming in One Area of the State Will Not Eliminate the Possibilities of Illegal, Underground, Untaxed Gaming in Other Areas

The growth of legalized gaming in Great Britain and the problems which this growth generated for statutory and administrative control provide a number of lessons which ought not to be disregarded by any state contemplating the legislation of gaming within its own jurisdiction. I can speak with some knowledge of the development of ideas with regard to gaming control as experienced in Great Britain because I took an active participation in the very earliest discussions with the Home Secretary and the Home Office officials long before the amending legislation of 1968 was drafted. I and a handful of other leading members of the gaming industry in Britain were brought into discussions at all levels including meetings with the Minister himself to consider the objectives of the legislation. Then, during the passage of the Gaming Bill throughout the House of Commons and the Parliamentary Standing Committees, we were constantly consulted, and one will find repeated references to the Playboy Club in Parliamentary and Committee debates published in the official reports. In fact, we are the only foreign owned casino operation to be granted a license in the United Kingdom.

In my view, the system by which operating licenses are awarded in Great Britain incorporates a combination of elements which are manifestly desirable. The object is to eliminate uncontrolled illegal underground gaming by providing carefully supervised controlled

legalized gaming where sufficient demand exists. In a country only seven times the size of New Jersey - interestingly enough, both with regard to population and geographically, seven times in each respect, - an enlightened Gaming Control Authority considered it advisable to start off with 31 approved areas in which approximately 150 casinos are currently licensed. There was considerable demand for the Gaming Board to approve additional areas, and recently four additional areas have been added. The Gaming Board has indicated that they will in due course introduce new regulations again increasing the number of gaming areas, for they operate on the theory that illegal and untaxed gaming cannot thrive where the demand for gaming is met by legitimate operators.

Under the British system there is no monopoly, the evils of which are self-evident. In Austria, where there is such a monopoly, there was a recent scandal involving fraud and corruption on so wide a scale that when we ourselves were approached with a view to our taking over the concession we felt that our reputation would be irretrievably damaged by inheriting the aftermath of the scandal.

In the United Kingdom, before anyone can apply for a license he has to pass a very elaborate screening process. For this purpose the Gaming Board thoroughly investigates each applicant. The Gaming Board is appointed by the Home Secretary and comprises persons who have distinguished themselves in private life. The full-time Chairman, Sir Stanley Raymond, has devoted his life to public service. The other members of the Board are persons who serve as part-time members and each receives a small honorarium. One of them is a celebrated actuary, Chairman of the Prudential Assurance Company. Another is a solicitor who has throughout his life devoted himself on a voluntary basis to

local affairs -- that is to say, local government and social services. A third has been a prominent Chief Constable, and yet another member is a gentleman from a notably aristocratic family -- coincidentally, the family of the Earl of Jersey.

I do not think that any law-making state contemplating the legislation of gaming can afford to ignore the example set by Great Britain. In my view, gaming in Britain has had no deleterious effect upon social life. There is no evidence that it has disrupted family life or that it has made any contribution towards crime. It has, however, made a great contribution to the treasury via special taxation and has been a considerable factor in the growth of tourism with all the attendant advantages.

But to concentrate gaming in one area -- Atlantic City for example -- will not suffice. It will not accomplish the purpose of supplanting underground illegal gaming with legally controlled and taxed gaming. People are not sufficiently mobile to go to one point in the state whenever they wish to participate in this form of entertainment and the illegal operators may still find a ready market elsewhere in the state.

Legalized Gaming in One Area Will Create a Neon Jungle Where Fierce Competition Among Gaming Establishments Will Obscure the Touristic Advantages of Other Parts of the State and Even of the Gaming Area Itself

The British system avoids a flamboyant concentration of gaming.

No garish, brightly lit "strip" exists because gaming is fairly distributed throughout the country and throughout major cities within the country. Tourism is not drawn just to one major centre where gaming is permitted and there is none of the frantic competition that means casino competing with casino to provide additional diversions to the point where non-gaming areas cannot compete in attracting even non-gaming tourists. Nor is there the high pressure neon competition which has become our image in Nevada, because in Britain casinos are not lined up side by side to shrilly compete for passing trade.

How much more desirable is the situation in Britain, where casinos are intelligently distributed to meet demand and where no concentration of casinos exists to overshadow all of the other touristic amenities.

#### Suggested Amendment

I believe that the negative consequences which I anticipate will follow from the proposal can be avoided by a simple amendment to the projected legislation. I suggest that the legislation not be adopted unless it is amended so as to make it possible for casinos to be licensed anywhere in the state, provided that the casino be situated in a hotel containing for example 300 rooms or more and be run by the hotel owners and operators themselves. I do not suggest that any hotel containing 300 or more rooms be permitted to operate a casino, but only such hotels as could meet other

qualifications required by the state. For example, the controlling authority would want to satisfy itself that the owners and operators are persons of the highest degree of probity. It might further be left to the discretion of a local licensing authority or a referendum to decide whether or not legalized gaming would be of a benefit to their particular community.

The operator of the hotel would have to convince the Gaming Board of Control that suitable facilities existed within the hotel for a properly run and supervised casino. All personnel working in gaming in such a casino would undoubtedly have to be individually qualified and licensed.

The amendment that I suggest would encourage rather than discourage investment in many different vacation areas. It would also ensure that there would be sufficient gaming facilities distributed in such a manner throughout the state that there would be no demand for illegal gaming. It would prevent Atlantic City from becoming a neon jungle which would drain the rest of the state of qualified catering and hotel personnel and upset the balance of tourism throughout the state. It would assure the state of substantial additional revenues, far more than would be received by concentrating gaming activity in one single municipality.

In short, I believe that the sort of amendment that I suggest would prove far more beneficial to the State of New Jersey than the legislation projected in its present form.

I will hold myself at your disposal to appear before this Committee to elaborate on this statement or upon any other fact or theory relative to gaming within the range of my experience which I would hope to convince you is not inconsiderable. I will be happy to answer any questions on any specific gaming problems, whether or not I have touched upon them in this statement.

Thank you.

SENATOR SEARS: Thank you, Mr. Lownes, for a very complete presentation.

I want to point out that Senator Kelly of Hudson County has joined us. He is also a member of the Judiciary Committee.

Any questions, gentlemen? (No questions.)

I think that probably attests to the completeness of the job.

MR. LOWNES: Well, there are a couple of points that I might like to make, in addition.

For one thing, I noticed earlier in the discussion you were discussing the difference in figures regarding gross handle, gross win, and net profits, etc., to get some idea. I can really give you some interesting guidelines on this point because, of course, we have very detailed figures. For example, our gross handle - and the handle can be very deceptive because the handle is something that can be handled in so many different ways at a table or in a casino -- for example, in some casinos they permit a man to throw money on the table. Let us say that the man wins the wager. That money would not even enter into the handle figures of the casino. That's one of the reasons - now, we don't allow that in our casino and, as a matter of fact, under the regulations in Great Britain there are various things that control factors such as this.

Somebody else raised the point -- at any rate, because of the confusion in that respect, gross figures can mean one thing say in Porto Rico and another thing



in Las Vegas, and another thing entirely in Great Britain. However, we do have a system whereby we count - a man purchases chips and at the end of the day's gaming we are able to total up exactly how much is wagered in that manner. Realize, of course, that a man might buy chips, putting up money that goes down into the box. He may then redeem those chips and get money for the chips. He may then go back to the table and buy more chips. So the same money is counted twice in the gross handle. So basing figures on gross handle would have very little significance.

But our gross handle, which involved the purchase of chips, amounts to something like \$2.5 million a month. Our gross win on that amounts to approximately \$500,000 a month. We are paying a tax now, a gaming tax, which, incidentally, is based on other factors rather than the amount of our win but happens to work out to \$53,000 a month.

The British didn't want to get involved in having to count the take every night in order to establish the tax. This is a very interesting system. And what they have done is based on the particular kind of an establishment that is what you would call here the property taxes; in other words the property tax is being placed on the particular casino. They've established a scale which then applies to the number of tables. One man, because he's in a very modest establishment, may only be paying 1,000 pounds a year per table. On the other hand, in our particular class we pay 10,000 pounds, or \$24,000, a year per table. This works out to, interestingly enough, slightly more than 10% of the gross win. So that we are paying - and this has nothing to do with corporation taxes, I'm talking strictly about the special excise tax placed on gaming -- we are paying \$633,000 a year now in a special excise gaming tax and our gross win is in the neighborhood of \$6 million. So that works out to about 10% of our gross win, before any other expenses.

Now our net profit, after paying that tax and after paying all of our other expenses but before corporation tax, works out to approximately \$250,000 a month, which is not inconsiderable considering the fact that we have an initial investment there of a million and a half dollars. And it is that money that we're plowing into Great Gorge, New Jersey. But I just thought you would be interested in that.

And another factor, somebody raised the question about a lottery - if you're trying to develop a lottery and you feel in some ways legalized gaming casinos would compete with the lottery, it's a different person entirely. Of course, as you know, in England we have a national lottery, our premium bond scheme, so that that exists. Then we also have the football pools which are an enormous amount of wagering. But the people who patronize the casinos are not really the same people - the standards of dress required in casinos and the kind of places they are. Actually the question is, casino gaming seems to attract the upper income element in the community, it does not attract the people who are betting on policy or the numbers, so to speak, or the people who bet on pools in Britain. So the question comes up as to the kind of distinction that you seem to be making in the State, or some of the objectors to this legislation are making - I object for special reasons to its limitation, but you're making a distinction that the rich have the right to wager their money away - I mean, the poor do, but the rich don't have that right, in making that kind of distinction where casino gaming is illegal but lottery tickets, pools, and that sort of thing are legal.

So, I just wanted to make those two points.

SENATOR SEARS: Well, what would you have to say as to the proposition that the State might operate casinos on some kind of concession basis, from the point of view of the hotel business?

MR. LOWNES: Well, of course, you know in

Austria, you see, where this tremendous scandal existed, it was a state operation. I have seen state operations - of course, living in England, as I do, where we are presently in the process of denationalizing things like Cooks Tours and other things, it has not been my experience that bureaucratic operation of something like gaming or of industry is the best. I think it can lead to corruption, for one thing. Secondly, I feel that what is involved in gaming is a tremendous degree of close supervision, I mean in order to keep gaming honest and proper. I think that an owner with a vested interest in the operation is more apt to be able to do that than state employees who are themselves salaried, who have no real basic interest in the ultimate results. I mean, the temptation and the opportunity for theft in gaming among the employees is incredible. It requires incredibly close strict supervision. I don't think you want to go into the gaming business. My own belief is that you want people of high reputations and high standards and also people who have a tremendous investment in gaming to be running the gaming and then you want to tax the hell out of them. And that's the way I believe you control. And I mean, I said that in England too. We're not a company that's - I mean, this is our only gaming operation.

I could talk to the Committee at some length as to why we never went into Las Vegas, for example. This is our only gaming operation anywhere in the world and we operate 20 clubs. We have four hotels and are planning additional ones. But the point is that, if you look at the situation in Great Britain, as Dr. Horace DePodwin, who has been making this study - incidentally, when Dr. Horace DePodwin came to the Club in London, Peter Sellers happened to be there and I introduced him to the Actor-Comedian Peter Sellers - here is Dr. Horace DePodwin who is investigating - and he kept wondering and stating, this is Peter Sellers, "What does the Horse Department have to do with legalized gaming?" You see, he didn't understand my

American accent. But the whole thing turned into a comedy sketch that sounded like something out of a Peter Sellers' movie with Peter, himself, staring in the role.

I think that Dr. DePodwin will tell you that he really was very favorably impressed with what he saw in Britain.

SENATOR McDERMOTT: Mr. Lownes, how many casinos does your Company operate in England?

MR. LOWNES: One, at the present time, but we have now received a certificate of consent and are proceeding to build a second casino in Manchester, England.

SENATOR McDERMOTT: Out of this one casino, your company pays direct taxes on gambling to England in the amount of \$633,000 a year?

MR. LOWNES: Yes, sir.

SENATOR McDERMOTT: Out of one casino?

MR. LOWNES: One casino.

SENATOR McDERMOTT: There are 130 and some casinos?

MR. LOWNES: 150 casinos.

SENATOR McDERMOTT: What is the total revenue that goes to England?

MR. LOWNES: Well, I don't have those figures but I should point out to you that we are the largest and we do pay more than anyone else, I think, than any other single casino.

And I would also like to point out to you this fact, that every casino in Great Britain is a club. It must be a private club, you see, which is not the situation which exists elsewhere. So you don't have impulse gaming. In other words, a person must join the club first before he can gamble. And this also prevents it from becoming - this has, you know, certain desirable factors to it. But I don't think that our operation, as big as it is, as far as the U.K. is concerned, is a fraction of what one of the major hotels, for example, in Las Vegas, makes in gaming or has in gaming turnover.

SENATOR McDERMOTT: You mean, you make less per casino than you think they make in Nevada?

MR. LOWNES: I think so. Yes, I think that ours - I mean, as big as it is, it's still relatively modest. I have 25 tables and I think I've seen casinos -- oh, another thing, incidentally, speaking of the proliferation of slot machines, in Britain one is limited to having only two slot machines to each club. And non-gaming clubs can also have these. Slot machines that pay out money can only be used in clubs and there is a limitation of two machines and the maximum stakes in those machines are one shilling, which is equivalent to twelve cents, a twelve cent stake.

SENATOR WOODCOCK: Mr. Lownes, just a few questions.

You indicated that the people who are involved in casino gambling - I'm talking about the customers now - are different from the standpoint of money that they have available. You made that point, I believe. Now for that reason, therefore, I would assume they are limited, in other words there would be a limited number of people who would be attracted to casino gambling. Would you say that that was so?

MR. LOWNES: Yes, I think that is true. I think that the standards of dress that are required in a properly run and operated casino, and I think that you would not find people who are on welfare, for example, strolling in to wager a bob or a few dimes and nickels on the gaming tables. I think not only that but people have to have some knowledge of how to play the games. I think this is information which - even in Las Vegas, I think you're talking about middle income and upper income people, you're not talking about lower income people being involved in casino gaming, it doesn't appeal to them. The other expenses attendant to becoming involved or to taking part in casino gaming, that is having to dress up and to go for a night out, to go to a resort facility, to check in a hotel, or to go to a place of this sort, just doesn't seem to attract people of lower income.

Now, at the same time, you legalize lotteries which have very little appeal to upper income people. So what you are doing is, you are making the kind of gambling available to lower income people, who can least afford to gamble, whereas in the upper strata it's illegal.

SENATOR WOODCOCK: Then let me ask you this. If we had in the State of New Jersey a casino at Great Gorge and a casino or casinos at Spring Lake and Atlantic City, that basically those three areas, or more areas, would be competing for the same fund of people.

MR. LOWNES: Yes, but they would be bringing people in from all over the eastern seaboard. I would like to make this comment that I think in a society which begins to lose interest in the concept of legislating morality, as it were, it is only a matter of time before people who wish to gamble will have the right in some state on the eastern seaboard, as they do in Nevada, to gamble. Now New Jersey, it would seem to me, has an opportunity to be in the forefront and to seize that opportunity before anyone else does and to call attention, by virtue of intelligently distributed, properly run, properly supervised and highly taxed casinos properly distributed throughout the State, to call attention to its many entertainment areas and facilities. Now, Atlantic City won its great fame because of its beautiful beaches, the boardwalk, and so on, and I don't think you want to make gaming so heavily concentrated in Atlantic City that the whole world's image of Atlantic City and vacations in New Jersey is this great big gaming strip like they have in Las Vegas. And it would seem to me - I mean, I don't live here so I'm just expressing what I would imagine your thoughts would be - that you would still want the beaches. I mean, you don't think of London, for example, - if you think of visiting London it isn't the gaming in London which is attracting you, you're not going there because London is a place that has 40 or 50 casinos well distributed - well, not that many, I think in all of London there may be 30.

I mean, there's still the changing of the guard at Buckingham Palace and the crown jewels and the Tower, and things of that sort that you still think of. We have not allowed, in Britain, gaming to overshadow other touristic amenities. And that is why I would say, gaming ultimately is going to be legalized (a) and (b) it should be done in such a way that it doesn't overshadow other things.

SENATOR WOODCOCK: I just have some difficulty with your point, that, if we just make it exclusively for Atlantic City, we would give Atlantic City a rather bad reputation as being a casino city, when if we put it throughout the State I think we would give the entire state a bad reputation as being a casino state.

MR. LOWNES: No. Listen, I'm not saying that gambling in Atlantic City is going to give Atlantic City a bad reputation. I said, a big garish strip - if that is the name of that street in Las Vegas with one casino cheek by jowl with another casino, with enormous signs, where they are each ferociously competing with one another, attempting to attract the available business, all of which is all gambling business. I mean, you know there are other things in Nevada aside from gambling but no one would know it. They have wonderful ski resorts, they have dude ranches, and they have many other touristic advantages. But they have permitted this thing to become such a monster, a neon jungle, that it overshadows all of the other advantages of the State. What I'm suggesting is that if I were in your shoes, Senator, I would be taking my example from Britain where they are giving the people the freedom to enjoy this kind of entertainment at they are enjoying the benefits of it, but they are not doing it in such a manner that it overshadows all of the other amenities of the country.

SENATOR WOODCOCK: But if we were to proliferate the number of casinos throughout the State of New Jersey and had one in Great Gorge and had one in Spring Lake and

another in Atlantic City, and wherever else in the wisdom of the people controlling it would decree, would that not also generate the kind of ferocious competition, which you spoke of, with respect to having it concentrated in Atlantic City?

MR. LOWNES: No, it wouldn't. Well, France is a wonderful example. Virtually every spa and every resort in France has a casino. Do you think of France as a Nevada? I mean, there is one in Devonne, there is one in Tourcoing, there is one in Deauville, - I mean, they are all over. There must be at least fifty or sixty casinos distributed around France but it hasn't hurt France's image. Yet these casinos attract basically well-to-do people, I mean people of upper income and it's an opportunity for them to allow themselves to be taxed because of their enjoyment of that kind of entertainment. Now, that's my belief.

SENATOR WOODCOCK: Then my last question would be, since the introduction of casino gambling in Great Britain, has the introduction of casino gambling in any way affected the mounting tax burden that the people in Great Britain have had to shoulder?

MR. LOWNES: Well, I can only answer your question in this way. The Tory Government, which is now in power, has announced that they're reducing income taxes. So maybe the answer is yes.

SENATOR WHITE: How long have you had this in Great Britain?

MR. LOWNES: We've been operating since July, 1966.

SENATOR WHITE: Prior to that time did you have any problems whatever in Great Britain with organized crime?

MR. LOWNES: When I say "we," I mean Playboy has only been operating since July of 1966. A very interesting thing, the development of gaming in Great Britain came about because of a new gaming act which was introduced



in 1960, which was original referred to as "The Vicar's Charter" because it's ideal was to legalize whist parties and bingo games and things like that to be conducted by churches and other establishments like that. But there happened to be so many loopholes in the law that you could drive a truck through that would-be casino operators readily saw the opportunity of introducing casinos or casino gaming in some form. And there was a tremendous proliferation. No licensing. No special taxation. And there were, at one time in Great Britain, before the new act came in - the new act is the 1968 act -- there were at one time approximately a thousand places operating one or another form of casino gaming somewhere in the United Kingdom. Now, with the new act that came in, this was completely wiped away. A new form of licensing came in. But there was no great proliferation of organized crime. As a matter of fact, I don't know whether you're aware of this, at one time the British Government - something you can't do in a State like this but the Home Office threw out of the country a number of American citizens who were resident there who were involved in gaming. Included in that group was George Raft, the Actor. I don't know whether it was association with what was obviously suspected to be organized crime or whether it was his having played gangster roles so many times in the movies that led to that decision. But he also was barred from the country. They have done a very good job, I would say, an excellent job, a perfect job, of keeping organized crime out of gaming.

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

There are three witnesses that I really promised to get on and we must reconvene at 1:30. It's going to make a short lunch break. Senator Parsekian.

I don't want to unduly cut anybody short but I would like to be able to break here by one o'clock and I have Mr. Watson and Mr. Alden, both of whom I promised we would get on. I'm sorry for the delay, Senator.

N E D J. P A R S E K I A N: Mr. Chairman and members of the Committee: New Jersey has its share of problems, among them the traditional tax inadequacies. We've always been low man on the escalator on taxes, not that we don't get there, we eventually will get there. We did on the sales tax and we will on the income tax in due time, comments notwithstanding from both parties, or elections of a particular year notwithstanding. But while we're getting there, we keep mortgaging our future in various ways, either in interest rates or in inadequacies in our school system or inadequacies in mass transportation or inadequacies in health services to save that dollar for the moment while the escalator rides. Others are well ahead of us, taking care of needs as they arise and we wait. That's one of our problems.

Another problem in the State has been organized crime, and we've built up an unenviable reputation, as my predecessor on the stand, Dick Hyland, a respectable observer and worker in the scene, testified that around the country New Jersey crops up in its reputation for being a haven for organized crime.

Now here there is a proposal to solve or salve the tax problem by embracing casino gambling, which is the source of cash and power and the source of national and international crime. If we do bring an amalgam of the two problems, it would seem to me that we will neither solve the tax problem nor could it by any stretch of the imagination solve the problems of organized crime to brace a system and some of the personnel at the top.

In 1970 Las Vegas gambling paid in taxes a total of \$58.4 million. That was just Las Vegas, Nevada, and to all taxes, federal, state and municipal.

In 1969 Nevada, all points, geographically, paid \$39.4 million in state taxes on a gross intake reported of \$543.7 million from their gambling enterprises. So about 7.4% of the take went to government.

Now in New Jersey, if we recouped a comparable amount of money, \$39 million or \$40 million, we would have netted to the people of the State about \$5.00 per person. New Jersey's per capita income is about \$4,000, which means that we would net 1/800 or 2/10 of a percent of our per capita income in revenue if we matched Las Vegas and Nevada in gambling take in state taxes.

Now it isn't unfair at all to compare what the prospects are in New Jersey for taxes from gambling as against Las Vegas. We are in relatively the same position. It may be that Nevada has a sparse population but Nevada is situated as a neighbor to the largest in population state in the country, California, and it draws on California's millions, it draws on millions from Oregon and Washington, and it certainly draws nationally and internationally the airplane and tour services to Las Vegas and many hundreds of thousands of other people who are specifically interested in gambling. So it would be fair to say that you can expect a like take in taxes in New Jersey, as you would in California.

One of the problems, of course, that gambling would bring to the State would be the question of "skim", the money that's skimmed off the top in cash to further illegal enterprises all over the country and to serve as an intrusion into legitimate business. Crime fighters, with national knowledge and reputation in the field, have for decades been warning that the skim from gambling in Las Vegas is the foundation of illegal enterprises all over the country and all over the world. And we're saying to that type of operation, come to New Jersey as we will net \$5.00 per person per year in income in this great state of 7.5 million people.

It wouldn't be too difficult to expect that the mob would run Atlantic City and New Jersey, and that our Atlantic City would vie with Las Vegas to be capital of the criminal elements of the country. And it wouldn't be too difficult to surmise that we would hire people from organized

crime to be the consultants or the experts for government, as is done in some lotteries, because they know how to run it. It becomes legitimate to gamble, legitimate to have casinos and those that run it thereby gain a legitimacy and thereby become part of government.

On October 10 of 1970, Steven V. Roberts wrote an article in the New York Times entitled The Other Las Vegas. He wrote about Las Vegas' 20% of unemployment, its slums, its unrest and its poverty. They had just witnessed, a week before in Las Vegas, race riots and looting, and it was described in the article.

If the monies from casino gambling on the large scale that is handled in Las Vegas couldn't offset some of those problems in that sparsely populated state, how would we expect those same monies to affect our social problems in New Jersey with its 7.5 million people? It isn't realistic to expect it.

Make no mistake about it, that the cash and the skim from casino gambling would be available, if there were casino gambling in Atlantic City, to be used in businesses other than casino gambling and its furtherance - in legitimate business, in illegitimate business, in government, and in politics. Would the parties and the personnel of the parties presently running the parties still retain control over choosing the candidates for high office, or would that power shift if the cash were about and handled by the elements that usually handle casino gambling.

The history books are full of discussions about the effects of gambling when organized and permitted by state or national governments. There is no substitute for prosperity and for solving problems of a state or nation for productive labor or ingenuity or legitimate hard work or using the resources of your community to solve the problems of the community.

It has been said that there is no moral issue involved here. I hear that all the time. And maybe there

isn't a moral issue as to the person who places the bet - I don't see anything immoral about a person putting a dollar down to see if his number will come up - but there certainly is a moral issue for those of us who are going to make the decision as to whether casino gambling should be invited to New Jersey because that decision will affect so many people and their lives and their wellbeing for many future decades. So there is a morality involved insofar as those making these decisions are concerned. We can't turn our backs on what current history tells us about the effects of gambling in Las Vegas or in the Bahamas, or what the history books tell us has been the results of organized, legitimized gambling in other states that has since constitutionally abolished it.

The strength of our state will not lie in obtaining monies through taxing casino gambling but will lie in our ingenuity and exploiting the intelligence of our people and the excellent geographic location that we enjoy in the center of finance and commerce. I don't think New Jersey has anything to be afraid of about its future. It has the people, it has the strength, it has the opportunity to solve its problems. But if it were to take as an assist the very area of society that has been a problem for our state, we may well be quite concerned years from now about that decision. I would hope that this Legislature would not permit that question any possibility of being answered in the positive for casino gambling.

Thank you.

SENATOR SEARS: Thank you very much, Senator.

Any questions, gentlemen? (No questions)

Thank you very much for taking the time to be with us. We appreciate having the benefit of your views.

Mayor Masciarella, would you come forward, please.

Mayor Masciarella of Wildwood advises me that he has a prior commitment on TV back home, so we will put you on now.

C H A R L E S     J.     M A S C I A R E L L A: Thank you, Senator. My statement today is in no way to be construed as offensive to Atlantic City. I do not advocate legalized gambling and I am certainly not opposed to it. I am merely interested in any bill that might be ready for introduction or proposed that might give Atlantic City legalized gambling exclusively.

Gentlemen, I am most grateful for the opportunity to appear before the distinguished members of this hearing on the subject of proposed legalized gambling in the State of New Jersey, and particularly the concept of it being centered in Atlantic City exclusively. There are many important aspects to this over-all issue, such as social values, and the question of public versus private operation of facilities, but I intend to concentrate my attention on the hard, cold, economic realities that would face the Wildwoods and Cape May County, should Atlantic City become the sole gambling mecca on the Jersey shore.

I make these remarks after very careful consideration and many thoughtful discussions with members of my administration, and social, civic, and business leaders from Cape May County. There are five basic considerations that I would like to present to you.

1. The Wildwoods are the second largest resort area in New Jersey, second only to Atlantic City. However, while this seems good, it falls into perspective when we add that it is almost a completely seasonal prosperity, with very little to sustain it the other nine months of the year. It also points out the delicate position it is in, should anything happen to its summer income. Federal and State statistics show that Cape May County has the largest unemployment rates, 17%, in New Jersey, almost double the next closest county, which would be Atlantic County, 8.8%, and triple the State average of 5.9%. Add to this the fact that the per capita County debt is the highest in New Jersey, and you see the distressing economic picture that we in the Wildwoods would

have.

Many of our businessmen here operate on a marginal profit. A loss of 10 to 20 percent of gross income, because of proposed gambling attraction in Atlantic City, would cause severe economic hardship, and bankruptcies to many of our businesses and the people they employ.

It would seem only fair and reasonable that we, as a city, should be able to meet this competition if need be, and, therefore, protect our vital interests. Each community should have this basic right to decide for itself whether it wants or needs gambling. The community's decision could be made by referendum.

2. Exclusivity destroys the competitive balance of any city. Gambling itself is not the only advantage Atlantic City would enjoy by having a monopoly. At first the hotels and motels would have higher occupancy levels, and then higher rates would be charged. Then these would give way to glittering new buildings, probably the best available. The increased revenue would spill over into the restaurants and night clubs, and the calibre of talent and accommodations would be so good that no other resort area could possibly compete.

The competitive danger I mentioned is compounded by the geographic closeness of Atlantic City to the Wildwoods, only 30 miles down the coast. It is 50 miles from Asbury Park, the other large resort complex to the north. Gentlemen, New Jersey is a small state. The entire coast line, from Sandy Hook down, is about 100 miles.

Now, comparison with Las Vegas locations. Mileage: Comparing New Jersey resorts with one another to that of Las Vegas, we find that Las Vegas is not competing with any immediate state neighbor for the same basic business, and it is also far from any major city. It is over 250 miles away from Carson City, Nevada; it is over 200 miles away from Phoenix, Arizona; and it is over 200 miles away from Los Angeles, California.

Now the size of Nevada is 14 times the size of New Jersey. Nevada has 110,000 square miles; New Jersey has 8,000 square miles.

Other basic differences: Nevada has no shore line at all; Nevada has approximately a half million population; Nevada's basic industry is mining and farming.

Important: It is our considered opinion that Atlantic City would take away a material portion of Wildwood's business, and we must be in a position to respond promptly, without the need of seeking an amendment to the law after the law has passed, and the subsequent time of loss, if ever permitted.

It would be naive to think that once gambling was successfully entrenched in a financially impregnable position in Atlantic City, that these people would support the extension of the gambling principle into nearby Wildwood, or any other competitive area, such as Asbury Park. One can already hear the type of arguments Atlantic City interests would foster. They come easily to mind. For example, typical arguments:

Why dilute the State income to several areas?

It will be harder to administer, and more expensive.

Let's give it more time and study expansion.

Gentlemen, if the Wildwoods are faced with a drop in income for any period of time, it would destroy our economy and create an impossible situation. The important thing here is the time factor. These things must be thought about or amended before they're introduced, if they are going to be introduced.

Municipal option - the best answer for sound reasons. Actually a broader approach to legalized gambling is a sound one for the following reasons:

A. It will permit each municipality to decide for itself - a far more democratic process of life.

B. It takes away the possibility of severe economic dislocation in nearby, competing resort areas.



C. It will provide for the balanced development of the entire New Jersey coast and, therefore, deliver the greatest benefit and income to the State, which I think we can all realize - if I can ad lib for a moment - that in any one concentrated area you couldn't possibly do the volume of business that you would do if it was in expanded areas of the State. There would have to be a larger volume. So to speak, we will be splitting the peas up in more than one pod. But I think that the State would derive more benefit from this if it did happen and it wouldn't be a discriminatory act, it would be an act that would be for justice and justice for all who would decide to have it, if the people in that particular community wanted it.

D. Growth will be slower in all areas that elect gambling, and will afford a better opportunity to control it and direct its future.

E. It will keep the gambling smaller in each individual area so that it will not become the predominant influence in any one area and, therefore, find its proper level as an adjunct to the area economy and not its dictator.

Atlantic City already enjoys many advantages, gentlemen. It receives these economic boosts:

1. It keeps the 5% sales tax it collects, called Luxury Tax. No other city in New Jersey gets this opportunity.

2. The Atlantic City Race Track - flat and now harness racing.

3. The Atlantic City Expressway enters in Center City.

4. The South Jersey College is being built in Atlantic County, not far from Atlantic City, which is called the Stockton College.

And it may receive the High Speed Rail Line Extension from Lindenwold, New Jersey.

It has accomplished: Mayor Somers stated that despite the above advantages, Atlantic City has its worst

financial crisis since 1929. That was quoted in the Atlantic City Press the week of February 4th.

Gentlemen, if Wildwood had only the advantage of having the Sales Tax receipts that it collects, it might not have to levy any additional taxes.

One wonders why Atlantic City should receive a gambling monopoly on this record. This is not to imply that they do not have a serious financial crisis to deal with. But, gentlemen, so does every other municipality in New Jersey today. If gambling revenue can help defray our rising budget costs for education, welfare, and payroll, then every city should have the right to participate.

Indirect participation, such as a return of part of the revenue to each county, for example the State Sales Tax, does not work for us. The Wildwoods collect hundreds of thousands of dollars during the course of the summer in State Sales Tax. The State returns to Wildwood \$19,000 of these receipts based on a population formula. The amount returned to Cape May County is also negligible.

Observations regarding legalized gambling in New Jersey:

New Jersey enjoys perhaps the most strategic location in the U.S.A., nestled between the giant cities of New York, Philadelphia, Baltimore and Washington. It is within a 24 hour drive of 30% of the total U. S. population.

New Jersey resorts have a short season, ranging approximately three months. They have steadily lost volume to the warmer climes, as air travel became safer and cheaper. Some of the older resorts are deteriorating.

The high density of population has moved education, welfare, and payroll costs of cities to unbearable levels. Most cities are in desperate financial difficulty.

Gaming or gambling has become a basic part of our cultural fabric, via race tracks, lotteries, and the more moderate form of bingo. Everyone seems to want to take a chance on having a better future. It is here, so why not

turn part of its revenue to meaningful uses.

Public versus private operation of gambling requires extensive study before reaching a decision.

Finally, I believe the revenue from gambling on a controlled basis will be gratefully received by an already heavily taxed public.

The main thrust of my testimony today, gentlemen, is to bring home to you the absolute necessity for a gambling law that allows any city the right to elect to use it. In my opinion, the economic fallout of exclusive Atlantic City gambling on other New Jersey resort business areas will be immediate and direct, and the impact severe. In fairness to my constituents in Wildwood, and the people of Cape May County, I am compelled to convey to you the serious implications of this course of action, and the deep concern of our people.

Gentlemen, in my closing remarks, I would like to humble myself and request that you give very serious consideration to our position and thereby provide the same opportunity to the Wildwoods and other resorts so that they may elect to have legalized gambling if the need is required and leave it to the choosing of our citizens.

And what I mean by this, if I can ad lib just for another thirty seconds, is, I think that the problem that Atlantic City is having financially - and we all have a problem with our financial structure today, in each municipality, - we all need some help and, if legalized gambling is going to be some help in return from the State and its revenue, then I think we should all share it since we all carry the burden and we all have the same common problems. I think every municipality in the State of New Jersey, if there are any exceptions at all, has some kind of tax problem and has financial problems. With the increase in salaries to your police, your firemen, your educators, your teachers, your administrators, it became astronomical for any city to keep a tax structure that is sensible. So

we're all looking for relief, we're all looking for the same relief. We have the same common problems and, believe me, I am not opposed to legalized gambling but if it's going to be, we want to be a part of it, and Wildwood wants its fair share of any revenue that might be derived from the State.

Thank you very much, gentlemen.

SENATOR SEARS: Thank you very much, Mayor.

Any questions? (No questions)

Thank you very much, Mayor, we appreciate having the benefit of your views.

Mr. Watson, would you come up for just a minute, please?

Mr. Watson will be the last witness before we break. When we break, we will return at a quarter of two, at which time the Attorney General is scheduled.

T H O M A S     W A T S O N     J R.: My name is Thomas Watson, Jr., President of R.E.A.C.T. Organization, a newly formed organization dedicated to reach an early abatement in crime and taxes. We feel Senator McDermott's bill to legalize gambling casinos in Atlantic City will speed the deterioration of our State. We oppose any gambling which is not owned and operated by the State of New Jersey. Licensing gambling casinos, even with State regulation, will not stop an organized crime takeover in the South Jersey area.

If this bill is passed, we are leaving a legacy of complete corruption to our children, we owe them better than this. It is for these reasons we implore Senator McDermott and his colleagues to reconsider and table or withdraw this bill altogether. A committee should be formed to study the effects and consequences this may have on our State. There are many pertinent questions to be asked, the following are but a few:

At present, in view of a recent article in Readers Digest, how free of organized crime, graft and corruption

is Atlantic County presently?

Since the inception of Senator McDermott's bill, how much land speculation has existed and who is fronting for organized crime special interest groups?

How many businessmen will renovate and expand and be forced to deal with organized crime due to inadequate legitimate financing?

How can we hope to realize two to three hundred million dollars when Las Vegas only received \$36 million?

How, when a man such as Howard Hughes, will all of his resources, could not keep the criminal element from infiltrating his enterprises, - how can we expect businessmen in Atlantic City to withstand their influence?

6. Since this is specialized legislation, how much will the State receive from Atlantic City and how much revenue will be lost from other resorts?

Will we not, in effect, be destroying a majority of our resort areas for the benefit of Atlantic City?

These are but a few questions that beg for answers in the interest of the resident of the State of New Jersey. Organized Crime should not be taken lightly, for, at present, they control 20% of our gross national income. This amounts to \$200 billion a year. Of these monies, approximately \$2 billion a year is used to buy them political favor. Prosecutor Lordi of Essex County has estimated that one faction of organized crime in his County realized over \$50 million a year. In past years, the Kefauver Committee uncovered in Philadelphia alone, a single gambling ring was paying \$2 million a year in bribes.

We must compete with organized crime, not allow them to run gambling casinos. We must combat and destroy the cancer that is eating at the very foundation of our State. This can be done by legalizing numbers and off-track betting and betting on sporting events, State owned and operated with a constitutional amendment that 65% of all monies derived is returned to our 21 counties for the express

purpose of lowering real estate property taxes.

Only then will we say with pride that we are well on our way to defeating organized crime in New Jersey. The R.E.A.C.T. organization is preparing to oppose this bill in every county in the State, and also hope to oppose any candidate regardless of party who advocates passage of this bill.

Once again, we of R.E.A.C.T. ask for the withdrawal or rejection of this bill.

I would like to add that we have a bill drawn up for the legalization of numbers and off-track betting and betting on sporting events. We do lack a sponsor for this bill and would be very happy to have any one of you gentlemen sponsor it.

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

Any questions, gentlemen? (No questions)

All right, we will break for lunch and we will resume at a quarter of two and continue until such time as everyone has been heard.

(Recess for lunch)

(Afternoon session)

SENATOR SEARS: The hearing will be in order.

Our first witness this afternoon will be Attorney General Kugler. General, will you come forward, please.

All right, sir, when you are ready, we would like to have any direct statements that you care to make on the subject of this legislation, SCR-74, following which members of the Committee may have questions to ask of you.

G E O R G E F. K U G L E R, JR.: Very well, Senator Sears. I thank you for allowing me to appear here today. I, at first, didn't know whether I should appear in my green eyeshade with garters around my arms or wear a tuxedo. I guess it depends on which way this gambling operation is going to go. But I am happy to be here and contribute whatever I can to this Committee's deliberations.

I would first like to direct myself to a letter which you sent to me, as Chairman of the Judiciary Committee, in which you asked me to investigate some statements made by Gary P. Malamut, Chairman of the Board, New Jersey Hotel-Motel Association, when he appeared before this Committee at a prior date. You called this to our attention and asked me to check into it. We have had the matter investigated and I would like to read this very brief report from Sergeant Dentino of the State Police:

"On January 27th, 1971, accompanied by Detective Sergeant Robert Winters, we interviewed Mr. Gary P. Malamut, President of the National Inns, Inc., Chairman of the Board, New Jersey Hotel-Motel Association" - this is just an introductory paragraph and I won't bother reading that. I will file it with the Committee later.

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

"Mr. Malamut stated that for the past two years the news media has continually taken potshots at the State of New Jersey, and more particularly Atlantic City, in regard to organized crime and official corruption, which has resulted in a poor image of New Jersey and Atlantic City. He mentioned specific articles concerning organized crime and official corruption in Atlantic City that have appeared in the Philadelphia Inquirer, the Atlantic City Press, the Wall Street Journal, Fortune Magazine, Philadelphia Magazine and, more recently, the Readers Digest, which has blasted Atlantic City as a haven for organized crime and corruption. Mr. Malamut feels that this attack on Atlantic City by the news media has coincided with the first bill presented to the Legislature approximately two years ago concerning legalized gambling in Atlantic City. Mr. Malamut feels that this seemed to corroborate his theory that pressure was being put on by organized crime in Nevada and Bahama gambling interests to tarnish the image of New Jersey and more particularly Atlantic City so that the Legislature and public would not be susceptible to legalized casino gambling in Atlantic City. Mr. Malamut made it clear that he has no evidence, witnesses, or any tangible or pertinent information that any of the aforementioned statements were factual. He emphasized that the statements he made before the Senate Judiciary Committee were only his opinion and belief."

We felt that there was no reason for any further investigation, that there was no way of confirming this opinion of his and we felt that it was highly unlikely that such activity was occurring.

I want to say next to this Committee, Senator Sears, that I am definitely opposed to casino gambling of any kind in New Jersey.

I think that the whole way that the promoters of this type of operation are attempting to sell this to the public is an important thing that we should look at.



Number one, it is said that this type of legalized gambling will deal a blow to organized crime. Now it seems to me that this is a ridiculous position because there is no organized casino gambling in New Jersey at the present time. And what we do in connection with casino gambling will have no effect on what organized crime does in the area of casino gambling because they don't conduct any such type of operation in the State.

The next proposition is, well, people will gamble anyway, why not let them do it legally? why not take our cut from that? why not get our tax revenues? Well, of course, this is always the proposition that's raised when you try to legalize a condition in society which is difficult to enforce and difficult to prevent.

I say that we have now legalized the lottery, we have legalized racing to a limited degree. This year there is a suggestion to go to more racing. I say that we should look at that, watch that, get our revenues from there and see where we go from there. That's enough gambling for a while.

History has told us, and it seems that we never learn from history, that every time we try casino gambling or any gambling to a great extent, legalization, - and this is the history of the United States - that the criminal element moves in. It has never failed to this date. As a matter of fact, one of the toughest statutes that we have had to get around in the question of a lottery is the Federal statute of 1890 which prevents the advertisement of lotteries. This is one of the things that I had to advise the Lottery Commission on. And whether or not we could put our checks in payment of the lottery winnings in the mail, whether that violated federal law. I checked in to where that statute originated, why do we have such a statute on the books, and it resulted from the famous New Orleans lottery scandal of the 1800's, in which this country was literally in the grip of criminals to the extent

that it became a part of a presidential campaign and to the extent that it prompted congressional legislation against lotteries.

Now controlling a lottery is an entirely different proposition from controlling casino gambling.

Some of the proponents of this bill seem to be trying to sell this proposition based on some wild guesstimates of what the revenues will be to the State of New Jersey. We are all concerned with revenues to the State of New Jersey. We are all desperately seeking new ways of finding revenues to support the very needed things that everyone knows are needed, that is, housing for the aged, help to the cities, education, law enforcement, but to base this type of an operation on something like casino gambling is fiscal irresponsibility at its worst.

Now these estimates that have been made - I have read all of the testimony that has been presented to this Committee up to today and I am literally amazed at some of the testimony. They talk about Las Vegas gambling and they take their estimates of what we might expect in New Jersey, if we go for this type of gambling, in one breath, interpolate that into a hundred or two hundred million dollars - and, incidentally, they can't even use proper arithmetic, as I note in the testimony, one person appeared before this Committee and said that in Las Vegas they were losing \$32,000 a day because of a strike of the casinos out there, that is, the State was in revenues, so he interpolated that into a hundred million dollars a year - of course, that doesn't go anywhere near that, it goes into ten million dollars a year - and then they project these huge revenues to make the people feel that it's going to be a panacea for everything. Then in the next breath they say, well, we don't want a Las Vegas type operation, we want a nice, clean, high-class operation such as appears in the Bahamas or in San Juan or one of those places.

Well, let's look at that for a moment. In Las

Vegas, where you get substantial revenues -- but, incidentally, their total gambling revenues pale by comparison to our own revenues from gambling in this State just from horse racing -- but, let's look at their operation for a moment. They bring people by the busloads in from California to play the slot machines, by the busloads, gentlemen, and they have 35,000 slot machines in Las Vegas alone, 35,000 of them. The next thing they do, to get the high roller, they have free trips and the free drinks, the free airfare, free hotel accommodations. The entertainment capital of the world is now in Las Vegas. This is how they lure the high roller to Las Vegas. They give them substantial amounts of credit. These people don't come to Las Vegas with a bankroll on them, you know. They're cleared for credit ahead of time.

Do we want New Jersey to get into the business of granting credit to gamblers? This is where the skimming takes place, the credit operation. The checks are drawn -- and, incidentally, the revenues are figured in the statute on the gross income which is defined as that income after losses including bad checks. They figure their losses including these bad checks and then they send collection people out to the other states to collect these bad checks. And just threat of disclosure of a huge gambling loss while you're on vacation many times brings a settlement. This is the type of skimming that goes on in Las Vegas. We know what kind of a honky-tonk atmosphere that is.

I don't have any objection to the person who wants to do that willingly, who wants to go to Las Vegas and do that. That's perfectly all right. If he wants to engage in that type of gambling, that's fine. I don't have a moral compunction or religious conviction against gambling. I don't think that's the point. The point is that New Jersey is a family type, in some areas a bedroom type community. Fine families live in this State. And our tourist population, for the most part, at the seashores is made up of families coming to enjoy our fine beaches and our fine facilities at

the seashore. How is any type of casino operation going to attract that type of clientele? In other words, it may even affect them and drive them away, if we get into a casino type atmosphere in New Jersey.

Now, if you don't go the Las Vegas route - and that's the route that has proven to be most lucrative to the states - if we don't go that route, let's go to the Nassau or Bahamas. I don't know whether it has been mentioned before to this Committee but in Nassau the residents of the Island are forbidden to gamble. It is illegal for the residents of Nassau to gamble at all. In other words the Nassau and Bahama governments think it's all right for the tourists but they don't want to get their citizens involved in anything like that, and they enforce it very strictly. I have a letter from their Prefect of Police which shows the number of arrests that they have had and he says that they make the gambling and casino operators responsible to see, on pain of losing their license, that no local residents of the Bahamas engage in gambling activities.

Now there is a very obvious reason for that. They cater to the tourist. That's an entirely different setting from Atlantic City. In Nassau, the place that I visited with the State Bar Association, their island casino, Paradise Island, was completely isolated from the mainland. They had a guard at the gate on the bridge which could very easily check on everybody that comes over. It's a very small population and they can watch everybody that comes into the casino or wants to gamble, and determine whether he is a resident or not a resident. I doubt very much if we could have that kind of control, if, indeed, that's what this bill calls for, in Atlantic City. I don't think there is any law enforcement agency that can control such a thing in this type of arrangement in Atlantic City.

In Nassau you have an expensive plane fare and you have hotel accommodations which are fairly expensive to

start with. Only that type of people that can afford those accommodations, in the first place, will appear in those gambling casinos. You have a natural check there.

Now, I haven't seen any testimony on the revenues from the type of gambling that occurs in Nassau. I don't know what it is. Very interestingly, it just hasn't appeared in the testimony here. I don't know what we can expect from that type of gambling but I suspect that it's not very much at all.

The President of Resorts International appeared before this Committee and made quite a play about all of the former Organized Crime Task Force people and the FBI people that he has employed with INTERTEL. He testified about the security arrangements. I have to tell you, gentlemen, these men aren't being hired by Resorts International to help the State, they are there to protect the stockholders from their own employees and the defalcations that might occur, and they have to have a huge security organization. They know the problems.

In Great Britain, which has legalized gambling, let me read you a short excerpt from an article that appeared in the Economist on June 17, 1967, - how well is it working over there. This is called, Controlling Casinos and the subhead is; "What is Mr. Jenkins going to do about casinos, repeat Mr. Butler's mistakes? And they are having a very serious problem in England with the casino gambling.

"Although no precise figures of membership are available, the probability has to be faced that over a million Britains have in some degree got the casino gaming bug. The Government is naturally very concerned about this for two reasons. One is that this large new commercial gaming industry has grown up out of a law in the mid 1950's which was originally not intended to allow any such thing, indeed it was a by-product of a bill that aimed principally at getting rid of the bookies' runner." This is the same thing we are opposing here - I say that parenthetically.

"The other, and even more serious, cause for worry is that, as the Home Secretary has said, there is undoubtedly a 'close and growing connection between gaming clubs and organized crime.' This has been highlighted by the discovery off the Sussex Shore of the bullet-ridden body of a gambler called Buggy, a man openly described in the newspapers as a collector of protection money from gambling clubs and presumptively a victim of some Chicago style gang war in England. Mr. Jenkins has, therefore, indicated that a new bill may be introduced in the next session of Parliament to try to rectify this alarming state of affairs." And then they go on to discuss what type of control they should have, further controls that they should put on their organized casino gambling, which is legalized.

Great Britain is obviously having a lot of trouble. I am sure that you gentlemen all remember the scandals in the Bahamas in the 1960's arising out of casino gambling. It's well documented in issues of the Saturday Evening Post, the issues of Time and News Week and the Wall Street Journal. I can give you references to all of these magazines, if you so desire. They had very, very serious difficulties when they got into the business of legalized casino gambling.

There is great danger even, I think, that this type of gambling will attract all sorts of hustlers, con men, pimps, prostitutes, burglars. These people follow this type of operation.

Now to talk about putting a casino gambling enterprise in Atlantic City or any other place in New Jersey is entirely different from talking about putting it in Las Vegas, which is isolated in the desert, which is only accessible, for the most part, - it's a long way from the vast majority of citizens and most of the people go there by air except those that they bus in from California to play the slots. And we say we don't want that type of operation anyway. It's different from Porto Rico where there is, incidentally, a limit on the gambling, on the

amount that can be bet; it's different from the Island of the Bahamas where they can strictly control it. To plunk a gambling casino or many of them down in the middle of an urban-suburban community, like New Jersey is, is an entirely different proposition. How can you keep the little people from gambling and destroying themselves? How is it possible in Atlantic City?

The literature that is passed out by the groups that are supporting this type of legislation talks about they want a high type individual there. One of the answers to the question, How would the casino work? - and this is called A Primer on Casino Gambling put out by the Tourist Development Council of Atlantic City, Convention Hall. They say that the Atlantic City casino operation would stress sophisticated entertainment in an elegant setting with an enforced code of dress and hours of play limited to the evening.

What does that do for us? Does that tell us that we are not going to let the wage earner gamble in Atlantic City? Does it tell us that we keep him out? Does it tell the people who are on welfare in Atlantic City that they can't gamble in the casinos?

We're close, gentlemen, to a huge population center, New York, Philadelphia and all of our surrounding communities, Wilmington, Delaware, and all of our citizens here in New Jersey, and these people will have ready access to Atlantic City. In one breath they tell us, we don't want them to gamble; in the other breath they use that type of a come-on to indicate we're going to get huge revenues from this type of an operation.

Every gambling resort that I have ever heard of or seen or had any connection with, that I have seen or visited, always has a learner's table for the crap table; they have learner's classes in roulette. Now I suppose the next proposition that's going to be advanced is that we teach roulette playing or dice throwing in our schools.

This is the way you attract it, this is a pie-in-the-sky attitude, this is the something-for-nothing attitude that I say we just don't need in New Jersey. We can control the lottery. Let's watch the off-track betting experiment in New York, which is not off the ground. Let's see how that does. Let's see what problems that creates for them.

You know this gambling and this tax resources from gambling is fast reaching a point of no return. Everybody is getting on the bandwagon. A case in point is the Atlantic City Race Track, gentlemen. They did a good job. They're a fine plant down there. They got a lot of revenue and they made a lot of money. But this year they're in saying they are not making any money. Why is that? Because of the competition from Delaware Park, because of the competition from Philadelphia, Pennsylvania. Everybody is getting into the act and we're all competing and it's a very precarious base on which to base our future needs for revenue.

The race tracks were in here this year, in before the Racing Commission and in before this body asking for more racing days, for winter racing, they're even studying night racing. The point is they're not making out as well as they did because of the competition from other states driving them into doing things that we thought they wouldn't be doing before.

We all know that there is a saturation point to gambling and I don't think that we want to encourage any more of it at this time. I think we have enough problems. And I say that we ought to keep things the way they are in this connection.

Thank you.

SENATOR SEARS: Thank you, sir.

Before we open it to the rest of the Committee, you've been given some additional tools in the fight against organized crime and crime of all sorts within the last couple of years. You expressed some real concern here



about the results of this kind of operation in Atlantic City in terms of law enforcement's ability to cope with it and to keep it clean, so to speak. Would you care to enlarge on that in terms of whether you would think you would need new tools or whether you think you would need more manpower and how successful you might be, assuming this were approved?

MR. KUGLER: Well, if history is any demonstration or any base, Senator Sears, I don't think we will be very successful in controlling the crime that would follow casino gambling. I think we would all find out later that we would have to repeal the act, and we would be the sadder and the wiser for it. But I don't know why we can't learn from history.

Yesterday the State Police made raids on gambling activities in two areas of the State. In one area they arrested two police officers who were involved in the gambling activity. We recently indicted mayors, we have recently indicted other police officers. Now we all know, in spite of legalized horse racing, in spite of legalized lottery, that illegal gambling is going to exist in spite of the best law enforcement effort because gambling and the lure of the easy dollar is corrupting in itself, and it's a very, very difficult thing to control. I think we can control what we've got but I have great doubt about whether we can control any more in the wide open type of gambling that casino gambling brings to a state.

SENATOR SEARS: Assuming that casinos could be operated by the State, for the State, with all of the revenue to inure to the State - and I'm not so sure it could be, incidentally, but let's assume, hypothetically, that it could be, - would that have any influence on your judgment in terms of the use per se and bringing it into the State?

MR. KUGLER: Assuming what, Senator?

SENATOR SEARS: Assuming that it could be operated

and were to be operated by the State, not by private enterprise, would that have any effect on your judgment in these areas?

MR. KUGLER: It depends how big an operation it would be, Senator Sears. I think that if we had one casino somewhere - I don't know why we'd want one casino, it isn't going to help anybody, it isn't going to resurrect any hotels, it isn't going to help the State of New Jersey revenue-wise, but suppose we had one or two casinos, I think it's feasible that the State could operate such a thing. I don't know whether it's desirable. I don't know whether as a State we want to get into the business of granting credit to gamblers, of enticing them into New Jersey by airplane and giving them free hotels to gamble at our casinos. I don't know whether we want to advertise to encourage our citizens to go to the gambling casinos. I don't know whether we, indeed, want to be a party to their losing their paychecks and their homes. I don't know whether we want to get into that. I say no, but I think it could be done on a very limited scale.

SENATOR SEARS: You spoke of the satellite type of operations that follow this kind of gambling and you talked about the attraction of pimps, prostitutes, burglars, and other occupations, if you can call them that, - the fact that the State might be operating the use would not particularly affect that, would it? they would still come, wouldn't they?

MR. KUGLER: They certainly would. They always have in the past. They have everywhere that the state has conducted the gambling operations. I can give you the historical documentations on that.

SENATOR SEARS: I have a feeling Senator McDermott may have a question or two.

MR. KUGLER: I sort of have that feeling too.

SENATOR McDERMOTT: Well, Senator Sears asked my usual questions that I presented this morning to witnesses

such as yourself, General.

General, I must compliment you, You certainly are a very devoted Attorney General. You read the record of the previous hearings so that you came here well prepared. And I compliment you, as I said. I suggest, however, that you read the record that occurred this morning. You couldn't possibly have been here. There were some estimates on revenues by Mr. Glaser, or rather he gave a factual presentation of revenues received in Nevada and I gave an extrapolation of them as applied to New Jersey, that I commend to your reading.

MR. KUGLER: I have Sidney Glaser's statement. I have read it. I studied it last night.

SENATOR McDERMOTT: Right. And also, you mentioned that in England - you read a 1967 article. There was a gentleman here by the name of Victor Lownes and he operates the Playboy Enterprises throughout the world. He came here and he gave us a very experienced type of presentation. He did not share your feelings about crime. He did make mention, though, about revenue. I asked him the question: What does his casino produce a year in revenue paid to England. His casino, as he put it, has 25 tables. He also mentioned in other testimony that private clubs are allowed only two slot machines each. So I presume that his club over there has two slot machines. So, with 25 tables and 2 slot machines, he makes enough money that he pays England each year the amazing sum, out of one casino, of \$633,000 in taxes. I commend that to your reading, General.

MR. KUGLER: Does he take that from the tourists, Senator, or does he take it from the citizens of Great Britain who could be spending it elsewhere?

SENATOR McDERMOTT: He indicated that you have to be a member of these clubs in order to get in, so I would presume that probably the vast majority of people - it's only a presumption on my part - are probably British, but I presume that other people go there. In fact, there is

one statement that he made that I am sure you are going to be very interested in because of your remarks regarding - are we going to prevent people on welfare from gambling? are we going to prevent the middle income people from gambling? He said that experience has shown that the lottery, such as we have in New Jersey, is for the low income groups, and casino gambling is strictly for the upper income groups. And he even made the observation that maybe we're discriminating in New Jersey. We're letting the little income guy throw his money away and we're not taking money away from the upper income group. I really commend it to you. I think it's a very worthwhile presentation.

There was a gentleman here this morning who differed on my proposal but only in one respect, that it was not extended to his community. That was Mayor Masciarella of Wildwood. And he concluded his remarks - and, by the way, he listened all morning to people say that casino gambling can bring the wrong kind of element to any community, but he wants it in Wildwood or he wouldn't be here asking for an amendment. He made a statement that I would like you to express your opinion on. He said, when all this is said and done, why don't we leave it to the choice of the citizens. How do you feel about the referendum?

MR. KUGLER: Senator, I'm glad you raised that point. I think the citizens should be able to vote on this type of thing also, if this body itself in deliberation with all of the facts has made up its mind that it would recommend it to the citizens. I think that's the first step.

The second step is that I think the citizens ought to know what they're voting on. I don't think it should be promoted on the basis of projection of income revenues on a Las Vegas type operation, as it is being done now, and then in the next breath, in the pamphlets that we hand out, say that we don't want a Las Vegas type of operation. If we want a narrow type operation with one or two casinos in

Atlantic City, where the citizens are not allowed to bet, as the example that is used in the pamphlet, the Nassau, then that's one thing. We ought to tell the citizens that's what they're voting on so they will know whether they want to have that type of gambling and whether it's worth the problems, whether that's what they want to vote on.

If the other proposition is that you're going to have casino type gambling and wideopen gambling, such as exists in Las Vegas, then they ought to be told that also.

I say this bill does not tell them that and the hearings to date don't tell the people that, so that they can have an intelligent vote.

SENATOR McDERMOTT: Well, General, you're familiar with the fact that our Constitution can only be amended by the people in a popular vote, and the Constitution so provides for its own amendment. All that this resolution does is, it asks the people if they wish to have the Legislature make the necessary implementing legislation. If this resolution passes both houses with the necessary constitutional majority, three-fifths, it doesn't require the signature of the Governor, it would then go on the ballot this November. The people, this November, would then say, yes, we want casino gambling, or, no. Chances are, from the way public opinion has been going, it would pass. Then it would come back to this Legislature, the group that you talked about, the group that has the knowledge, the group that can study the problem, the group that can get the expertise moreso than anybody on the street, and then this Legislature, or rather the next one, would make all of the implementing laws, or the Legislature might decide that it is not going to implement the will of the people, and it doesn't have to, it doesn't have to at all. And I give you a perfect example of that. In the year 1947, when our Constitution was passed, we put an article in there to give public employees the right to be represented by unions, 1949, Article I, paragraph

19, and not until the year 1968 did we pass a law, known as PERC - Public Employment Relations Commission. Some 21 years passed before the Legislature acted on it.

I submit that that's all we're asking here, that we let the people vote on it and then the Legislature can take its due time and pass the kind of implementing legislation that will be proper and will be concerned with the interest of all in New Jersey.

SENATOR SEARS: Do you understand the question, General?

SENATOR McDERMOTT: It was really a statement.

MR. KUGLER: I understand the statement, Senator Sears, and I don't agree with it.

SENATOR McDERMOTT: General, you opened up your testimony today with regard to an investigation by one of the State Police Sergeants?

MR. KUGLER: Yes.

SENATOR McDERMOTT: And it had to do with a statement that was made at the first public hearing regarding rumors.

This morning, former Commissioner Hyland made a statement as to rumors that he had heard. He stated for the record that over 18 months ago, as the rumor goes that he heard, in Chicago there was a meeting of high members of organized crime syndicates who at that time were meeting for the express purpose as to how they were going to implement casino gambling in Atlantic City. Has Commissioner Hyland ever told you about these rumors?

MR. KUGLER: Has Commissioner Hyland ever told me about them?

SENATOR McDERMOTT: Yes, Commissioner Hyland.

MR. KUGLER: No, he has not.

SENATOR McDERMOTT: He has not? May I suggest, as was suggested in the previous hearing, that an

investigation be made just as it was made of the previous witness who proposed such a rumor?

MR. KUGLER: Investigation of what, Senator?

SENATOR McDERMOTT: Of the rumors that were the knowledge of Commissioner Hyland. Commissioner Hyland stated flatly for the record that he had heard these rumors and I believe, at the time, he was on the SIC, and I was wondering whether or not he communicated them to you. You say, no, for the record. May I suggest that --

MR. KUGLER: Well I was only Attorney General for a short time while he was Chairman of the SCI. He may have given the information to someone at the time, before I got here, but I will be happy to talk to him about it, yes.

SENATOR McDERMOTT: I would appreciate that. Thank you.

MR. KUGLER: Do you want me to report back to you, Senator?

SENATOR McDERMOTT: To the entire Committee.

MR. KUGLER: Thank you.

SENATOR SEARS: I was just going to say, General, that perhaps Commissioner Hyland's remarks, if they are to be understood in their complete context, should be, as I asked before, transcribed and delivered to you so that you could have the benefit of not only what he said but the qualifications that were stated and the context of how he said it. So that, if you would do that, we will ask the stenographer to supply that to you and, following that, if you would confer with former Commissioner Hyland, we would appreciate it.

MR. KUGLER: I would be very happy to do so, Senator.

SENATOR SEARS: Do any other Committee members have any questions?

SENATOR WHITE: General, I ask this question, I believe, every time we have a public hearing, at least the times I've been here. In your opinion - and if you can answer the question - do you believe that, if this resolution were to be approved and adopted by the people and implemented by the Legislature, the next logical step would be off-track betting?

MR. KUGLER: I believe that it may come eventually. It depends on how long you wait. I think if you wait a matter of two or three years, you will probably do away with all legalized gambling because I think it will be a disaster.

SENATOR WHITE: However, if within a year or so after this were to be adopted, if it were to be adopted, would you have any opinion as to whether or not this couldn't quite naturally lead to off-track betting in New Jersey?

MR. KUGLER: Certainly. Gambling stimulates the desire for other gambling. There is always a large number of people in any community who will not do something simply because it's illegal - believe that or not, it's true. There is also another large group of citizens in any state or community that will not engage in an activity because it's inconvenient to do so. If you make it both legal and convenient, then you are going to draw from that group of people who would otherwise not gamble. The more gambling you have, the more desire there is to have more gambling. And I think that would be a natural trend, just like the people in charge of the state gambling in Las Vegas are recommending now legalized prostitution. And, according to the UPI report, that's based on the fact that they think it will do away with rape, burglary, venereal disease, I believe the statement is.

Now, I don't know. One thing seems to lead to



another, historically.

SENATOR WHITE: Would you have any opinion as to whether, were this proposal to be adopted by the voters and implemented, loansharking, in particular, would become quite rampant throughout the State?

MR. KUGLER: Well, I think that Colonel Kelly can give you the benefit of his experience in that regard better than I can, and also concerning his visit to Las Vegas and the other areas that he knows about. I really would not be qualified to answer that question.

SENATOR WHITE: Thank you.

SENATOR SEARS: General, just one opinion, if I might elicit from you. If we were to take the figures that Senator McDermott accurately quoted from Mr. Lownes this morning, with regard to the operation of his Playboy Club in England, wherein he stated \$600,000 a year from that one casino went to the government by way of taxes - if we had a hundred such casinos here in New Jersey we would get \$60 million a year as a result, if we are to use these figures, and I know of no others to use. Would you find that attractive from the standpoint of the revenue structure of the State?

MR. KUGLER: I certainly would not, Senator. Assuming that Atlantic City used a Las Vegas type operation or a Britain type operation and made \$100 million a year or \$200 million a year, the only way they could do it would be by huge numbers of people coming in there from this highly urbanized area within 200 miles. Now, the first thing that would happen, if they got a lot of revenue, is that Philadelphia would put one in and then New York would put one in and then Delaware would put one in and then we would be vying with each other for each other's citizens to gamble. I think it's just a pie-in-the-sky type of thing and I don't think it's any sound way on which to base our future revenue needs.

SENATOR SEARS: Gentlemen, any other questions?

SENATOR WOODCOCK: General, you indicated that even if it did generate \$60 million a year you would not be in favor of casino operation - I believe you used the word "Nevada" operation. Now, do you conceive of any operation of casino gambling that would generate \$60 million that you would be in favor of?

MR. KUGLER: There's none that I know of. I, of course, would be happy to go to England if Senator McDermott would consent; if I wouldn't step on his toes, in fact, I'd go with him and we could come back and report to the august group on what we find out.

I don't know whether these areas of Britain, to be very frank with you, are honky-tonk in their atmosphere. I don't know. And I don't know what their revenues are but I suggest that we look into them very, very carefully. They are very deceiving, these statistics that are being thrown around in this testimony.

This man that appeared before you from the Bunny Club, I might suggest to you, had an axe to grind. He had a stake. He's what I'm sure Senator McDermott knows about as a very able lawyer - he's a witness that has an interest. And he would like to put a gaming casino here in our nice State, I'm sure, and he's going to paint a picture just as nice as he can paint it. I don't know whether these figures are accurate. If we could find some type of very narrow casino operation where everybody attends in tuxedos and they're all rich, so that they don't get hurt when they lose their money, and it doesn't attract hangers-on and con men and riff-raff and burglars and that type of thing, and we could get \$60 million a year in revenues, I would be, I think, for that. I'd like to try it but I don't think there is such a thing.

SENATOR WOODCOCK: General, assuming for a moment that the Legislature in its wisdom were to decide to submit this question to the voters for their approval, do you think that it would be proper to limit the places where the casinos

could operate - in other words, as this one is drawn - to Atlantic City or one location, or do you think that it would be better to have several locations, or do you have an opinion with respect to that?

MR. KUGLER: From what type of standpoint do you mean? Do you mean from a constitutional standpoint or a revenue standpoint?

SENATOR WOODCOCK: No. From a law enforcement standpoint, from a policy standpoint, do you think, if we decided that we should have it, we should have it limited to one location, several locations, unlimited?

MR. KUGLER: Well, of course, it's a little unfair. All of these people that appeared here, the Newark Assemblyman, I believe, and these people from Asbury Park, the people from Wildwood, are having very serious fiscal problems, as is Atlantic City. There's no question about that. And I think it's a little unfair just to limit it to Atlantic City, my own opinion is, if we're going to do this type of operation. But, of course, the more you spread it out, the harder it is to control it. That has to follow necessarily.

SENATOR WOODCOCK: Then if we were to have an operation at Great Gorge, where the Bunny Club is going, and we had one in Atlantic City and Wildwood and Spring Lake, from a law enforcement standpoint it would be more difficult. Is that correct?

MR. KUGLER: Oh, I think there's no question about that, yes.

SENATOR WOODCOCK: And would that circumstance also act as a more fertile breeding ground for organized crime than if you severely limited the locations? or wouldn't it make any difference?

MR. KUGLER: I couldn't address myself to that. I think that would be just guessing. I'm not as much concerned about organized crime, to be very frank with you, Senator, as I am the impact on our own citizens. I think

that's the thing we have to address ourselves to.

SENATOR WOODCOCK: And, lastly, there has been testimony before this Committee, on other occasions and today, with respect to organized crime's interest in the casino operation here in New Jersey. The people from Atlantic City apparently feel that organized crime is trying to keep it out; Commissioner Hyland indicated that they're trying to bring it in; and I was just wondering whether or not you have any information in your office that would indicate that there is anything but speculation and rumor with respect to organized crime's activity in this area.

MR. KUGLER: I have nothing but rumor, at the present time; nothing but speculation that I wouldn't even bore the Committee with at this point. I only suggest to you that, as past history has demonstrated, the criminal element, whether you call it organized crime or whatever you call it, does not care or worry itself one bit over whether an activity is legal or illegal. If they think they can make a lot of money from it - and that's what you can make from gambling - they're going to try to move in. And this is what has been demonstrated in the past. Whether it means buying politicians, buying police officers, corrupting the State, that makes no difference. If they have to do it illegally, they'll do it illegally. That has been our history and we ought to learn from it. I don't know whether they're trying to move in here or not. I can't tell you that.

SENATOR WOODCOCK: I have no further questions.

SENATOR SEARS: Any other questions of Senator Kugler, gentlemen? (No questions.)

We thank you very much, sir, for coming and giving us the benefit of your views.

Our next witness will be Colonel David Kelly, Superintendent of State Police.

SENATOR WHITE: Mr. Chairman, before Colonel Kelly begins, through you may I ask one question of Senator McDermott?

SENATOR SEARS: Certainly.

SENATOR WHITE: Senator, you indicated that, even if this is approved by the Legislature and goes on the ballot and is approved by the people, the Legislature then would not have to implement it if it didn't want to. Is that the statement that you made?

SENATOR McDERMOTT: That's possible. They don't have to. When you amend the Constitution or you have a constitutional remedy, some of them are not self-implementing, they require legislative approval. And you and I have been in this Legislature eight years and you know that there are many areas that we haven't legislated in.

SENATOR WHITE: Even after a referendum, statewide?

SENATOR McDERMOTT: Referendum, statewide, merely amends an existing constitution. And even the Constitution itself, if that's the same sort of situation, is a mandate for us to do all of this legislating but we don't always do it.

SENATOR WHITE: But, as a matter of practical government, don't you think that once the voters of the State of New Jersey would give, if they would give it, sanction and thereby approve the constitutional amendment that the Legislature would be duty bound to go ahead and implement that proposal?

SENATOR McDERMOTT: That's absolutely the case. I feel that the Legislature is duty bound to implement all of the provisions of the Constitution, whether they were put in originally or by amendment. And I submit to you, it took us one full year to implement the lottery.

SENATOR WHITE: Well, yes. Of course, that had a lot of bugs in it, I think, and a lot of problems to be resolved before they could implement it. But wouldn't you agree, Senator, - and here again, I do not mean to put you on the spot - that if the voters were to approve this that the Legislature would be practically duty bound to implement what the voters said they wanted?

SENATOR McDERMOTT: I think that's absolutely the case. I think they would be. As to how they would do it, would be, as General Kugler said, - it would be left up to their wisdom, up to their study of the problems, up to further hearings, such as this here, on how they would implement it, how it would actually operate. That would be the legislative function. Moreover, Senator White, there is a further safeguard, and that safeguard is Governor Cahill, who sits in the front office. And Governor Cahill is not going to sign any piece of legislation without making absolutely certain that it's in the favor of the people of the State of New Jersey. He would call in Attorney General Kugler; he would call in Colonel Kelly, if we were able to pass a bill a year or so from now and all of us were still here, and he would ask them their opinion. And I am certain, from Governor Cahill's record, that if he had any concern at all about a deleterious impact on the State of New Jersey, its image and its people, he would veto that bill.

SENATOR WHITE: Thank you.

SENATOR SEARS: I guess, Colonel Kelly, with that conclusion that if the people pass it and we don't implement it, we're in trouble, you can go ahead.

D A V I D B. K E L L Y: Thank you very much, Senator.

First let me start off by saying, I reflect and I concur in what the Attorney General has said. We're in complete accord, we've discussed this and I concur with what the Attorney General said.

We're kicking figures around, whether they be accurate or inaccurate, and one of the figures that we kick around is that the high amounts of money estimated and the net profits taken in by illegal sources, - we estimate that between \$7 million and \$8 million a year are the net profits. Whether this be a fair evaluation or estimate, this we feel is, this is as close as we can come to it.

SENATOR SEARS: May we understand, Colonel Kelly? You said \$7 million to \$8 million?

COL. KELLY: Illegal.

SENATOR SEARS: In New Jersey.

COL. KELLY: No. Throughout the country.

SENATOR SEARS: Throughout the country?

COL. KELLY: Right.

But the main source of this income, I'd like to state is from numbers play and bookmaking and shylocking.

SENATOR SEARS: So that I may understand, did you say seven to eight billion or seven to eight million?

COL. KELLY: Billion.

SENATOR SEARS: Oh, all right.

COL. KELLY: So whatever we do, whatever impact we have on casino gaming, if we legalize it in the State of New Jersey, I do not feel that organized crime will be hurt one bit because we are not striking in the areas that they're affluent in.

The General has stated these things and I, again, repeat, I am in complete accord with what he said.

Today I would like to talk about - and I'm not an authority on legalized gambling, I'm probably more of an authority on illegal gambling. But through our knowledge of organized crime in the New Jersey area, the New York area, and generally throughout the country, we have gathered information through cooperation and consideration and personal association and assistance over the years with other law enforcement agencies, we have come up with some questions with regard to gaming. And I will have to assume - and when we drew up this little document that I have here, I am assuming that, if gaming is permitted in this State and legalized, you, the Legislators, and the people, would want first freedom from organized crime influence, you would want honest gambling that would not cheat the public, and you would want a minimum of increased collateral law enforcement problems - shylocking, narcotics, prostitution, blackmail, burglary, robbery, extortion, and, I might add, breaking and entering. I would also have to assume that the

primary objective of legalized gaming in Atlantic City is to provide the State with substantial additional monies as a tax relief. I have heard, again, between \$200 million and \$500 million mentioned as possible return to the State from this proposed gaming legislation.

If this assumption is proper, I envision millions of gaming people in Atlantic City. The State of Nevada -- and I was in Nevada, for the record --

SEN. McDERMOTT: So we heard.

COL. KELLY: The State of Nevada had twenty-two million visitors in the year 1970, with a total of \$39.3 million collected from all sources by the Nevada Gaming Commission. This included revenue from slot machines. How many? 34,243; 1,677 casino gaming tables; 134 poker tables; and \$6,041,000 from casino entertainment tax. That is from the Nevada Gaming Commission Report that I think you all have.

If we continue with the assumption that legalized casino gambling in Atlantic City would generate over \$200 million per year, which is at least five times the Nevada revenue, we would have to have five times the amount of annual visitors to the State or 110 million people, 170,000 slot machines, 9,000 gaming tables, and collect \$30 million a year in casino entertainment tax.

If we assume that the higher revenue figure would be more accurate, then all of the other figures naturally would be proportionate.

I mention these figures only to illustrate the vast scope of an operation of this type and to raise questions of ownership and control, which I am primarily concerned with.

The first possibility is private ownership, as is the system in Nevada, Porto Rico and the Bahamas.

The second possibility is state ownership.

With private ownership, the problems of keeping organized crime and criminal elements out of legalized gaming, operated by private or corporate ownership, are many and



varied and complex. And even if they are kept out, if the gaming operation is financially successful, the operators would exercise then what you all know is economic influence affecting government, affecting officials and affecting people.

These are the questions and some of the things - and most of the things I'm talking about were developed while I was in Nevada and talking with the Nevada people. And primarily, the people I spoke with were in the enforcement field and in the gaming control.

Let me suggest some of the problems that can result if an element, primarily organized crime and the other criminal elements became involved in private ownership.

The General spoke of skimming, and this occurs at every level of operation. Skimming is simply stealing. The two bad effects of skimming are: one, if it is taken off the top it reduces the state tax revenue; two, it changes gambling profits to black money and can be used to finance illegal enterprises such as narcotics, and it can be used also to corrupt officials. They can use it to change dirty money into clean money. They can operate games in a dishonest way and defraud the public. And if it's dishonest, and we talked to some of the pit bosses, it's dishonest because the operators want it dishonest. They can use the market or the casino as a marketplace for organized crime enterprises. They can use their legal enterprises through illegal money as a market for service industries, such as controlling the linens, the provisions, the food, the liquors and labor. They can use credit. And credit is probably one of the biggest problems that they've incurred and a situation that is now quite the concern of the Nevada industry. They skim through credit.

To give you an example, you know and I know, I don't believe any of us are that fortunate that we can go to Las Vegas or anywhere else with \$50,000 in our pockets, and no one goes with \$50,000 or \$100,000 or \$40,000. They go

on credit. And your credit rating is established prior to your going there. There is a card on practically everyone who went on a junket. We looked at the files - we didn't look at the files but we saw the file system - and they are voluminous with the thousands and thousands of people that go there on credit, on junkets.

What happens is that an individual could conceivably lose \$50,000 or \$100,000 by check, go back to wherever he came from and then renege on the check. There is no way of collecting this. Gaming debts are not collectible. But what it has done, it has deprived the state of a tax on \$100,000 or \$50,000.

They have told us that now the operator of the industry will meet the man who owes the money and in turn collect portions or part of it. They gain in two ways. First, it's off the top, they do not have to pay tax on it; and, second, they get the money under the table.

Another way and another method is by blackmail because, if you're on credit, as a reputable citizen you may lose money and may not want anyone to know about it, but the blackmail that follows you, if you don't pay may embarrass you or your family.

We were told of situations where they infiltrate the legitimate businesses. A man who owned a bakery lost \$150,000. He, in turn, lost his bakery which now became operated by the operators of casinos, probably.

One of the things that we must be aware of are the junkets, be they by airplane or be they by bus.

Now the Attorney General has talked a little bit about bringing in people by bus. In the northern section of Nevada, in the lake regions, the bus traffic is quite heavy, thousands of buses in the course of a day, and these are junkets, advertised, \$7.50, \$6.50 with an inducement. The inducement would be a meal, travel free, plus they will give you a dollar to match the dollar that you will play in the casino. This is an inducement for the poor people.

One of the second inducements that I noticed was, Cash your check here and get a free spin. This is the inducement.

The people that come on the buses are generally middle income or poor people, and generally their play is the slot machine, and there are enough slot machines, as I told you before.

Now, I'm not proposing any solutions to these situations but what I am trying to do is ask the same questions that were asked of us when we were there. The first question asked was: What standards are you going to set in your state through licensing and post-licensing controls? Are we prepared to accept persons with criminal records to work in the casinos? How far are we prepared to go to investigate financing of casinos, to keep mob money out? Can we deny a license on source of financing? That is in the private ownership.

Let's go to the corporate ownership and the question they asked: Should we permit publicly traded corporations to own gambling casinos? Naturally there is much pressure to permit this because it provides a broader base of financing.

The problems, as you understand, in stock interests require investigating and licensing. One of the things, how do you determine who in fact owns the stock? Is it another corporation? Is it a pyramid of corporations? Are there foreign corporations where bank and secrecy laws prevent the determination of true ownerships? Are there personal nominees? How do you follow changes in public ownership of stock? How do you fix corporate responsibility within a publicly traded corporation? These things, I would assume, could be worked out with the proper legislation and the proper rules.

With regard to the post-licensing, the police problem at the ownership level, how do you audit a system where there is no product and no inventory, only loose cash? There are no invoices, no checks, no credit cards, just money, and there is no way of accounting.

How are services and supply companies controlled? How many licenses will any single owner be permitted to have? What kind of a monopoly situation is to be permitted?

When the monopoly situations enter into it and we permit, or when they permit one single owner to operate seven, eight or nine casinos, they felt that an economic power was committed, the state was affected by an economic squeeze.

The next question is: Will persons or corporations having licenses in other countries or foreign countries be permitted to be licensed in New Jersey? They do not permit you to be licensed outside of the state.

What happens if the owner of a share of a publicly owned corporation gets convicted of a crime of moral turpitude in a foreign out-of-state jurisdiction?

These are the questions that were asked, that they posed that we should look into.

Now, let's talk about state ownership. They were very specific in this regard that they ran into problems early in the 1930's and in 1931 when the gaming law was enacted. They were very specific in stating that a bureaucracy was created when they permitted the municipality, the county and the state to have control. And this is why they came out with the State Gaming Commission. It is not on a county option or a county basis, nor on a municipal basis, it is state controlled.

One of the things we're asking, if it's state ownership, is the state prepared to build casinos? Is the state prepared to take care of those people who are going to come in and possibly, after losing money, stay? What will our relief rolls be in these particular areas? Is the state going to compete for the high roller business? If they are, are they willing to provide free transportation, complimentary rooms and meals, and are they going to compete with Nevada where in numerous counties prostitution is legal? Are we going to make, or is the state going to make decisions

on extension of credit. As I said before, the high rollers do not carry large sums of money in cash on their person. Is the state capable and willing to get the file credit and is the state going to collect money on the credit system? Is the state willing to accept employees with criminal records? We must acquire people with expertise to run this gambling operation.

It is noted that people without experience in casino management have gone broke in casino operations. I think that a lot of you people have read about this and if you do not have the expertise you're going to lose. Do we have this expertise in the state? Are we willing to train them, run schools for them? We would have to train casino managers, credit managers, shift bosses, pit bosses, dealers, security men. Can we train them? Are we willing to train them? This is a state problem.

One of the things that was quoted to us was that as of June 30, 1970, the 34,243 licensed slot machines in the State of Nevada produced a gross revenue of \$180,500,000. That was one-third of the gross receipts of all licensing. So what I am saying to you is, if we're looking for the high roller, we're going to have to get an awful lot because one-third of that \$30 million or \$39 million that was turned over to the State of Nevada came from slot machines, and slot machines are not considered in the class with high rollers, I understand.

Continuing, is the state prepared to sponsor bus trips from surrounding urban areas with inducements to attract low income players? If we are, we have to get more slot machines.

Nevada expects - and this came from a gaming operator - a \$35.00 loss per person on a bus junket. Welfare checks and pension checks are cashed.

These are the questions that you gentlemen will probably have to answer if this comes into being.

If we're talking about and pursuing some of the

State's problems with regard to operation, - if we do this, are we willing to trade character and reduce expertise so that the customer can be better able to cheat the houses?

I would like to tell you this, that cheating is in all levels, with the dealer, with the operator, with the owner. Employees can steer other criminals to potential customers. Picture a State employee in this position. And the potential customers could be prostitutes, burglars, blackmailers, and other people of ill repute.

Is the State willing to provide comp privileges? Comp privileges are those complimentary - as you all know, and none of you, I assume, have had this experience, but it does result in a legal laxity in enforcement because what it does do is corrupt and demean security officers and also legal officers.

Loansharks. The loansharks that we are talking about prey on the employee who gambles with a possible compromise to the employee's confidential source. It has been told to us and has been repeated by John Scarne that 40% of the employees lose gambling money at the casino where they are employed.

A few more problems that we are going to have to take into consideration, be it on a state owned level or be it on the corporate level or a private level: Is the State prepared to screen prospective casino employees and, if so, to what level of employment?

You must prepare yourselves to give us the effective screening process - fingerprints, work cards. Every employee in every casino in Las Vegas is fingerprinted and a card, a work card, is provided.

Is the State prepared to provide a summary license revocation procedure as a law enforcement technique and on-the-spot ejection or revocation of work privilege? I don't know the legal aspects of this.

Can a legal casino license be revoked on the grounds of dishonesty of the employment or management?

The same thing affects our present ABC laws.

The big thing is the sufficient number of state inspectors to monitor the cash flow. This seems to be the big problem.

Nevada operates on a spot check. I don't think the State, whether it be operated by state or private, could afford this type of operation. You must be prepared to have auditors, checkers, security people and governmental employees to check.

It has been mentioned that conceivably this operation in New Jersey would be on a part-time basis, as opposed to a 24 hour basis. The hours of operation would normally be in the night and include the late night and early morning hours. With this thought in mind, it brings about restructuring of police situations, problems, reorganizations, restructuring of police patrols, police shifts, and I think one of the big problems would be how do we keep control after the closing hours, four o'clock or three o'clock. We have tools, we have weapons, but do we have enough people?

Assuming that a man lost a great deal of money and it's four o'clock, would he stop gambling? Assuming that the operation lost a great deal of money at four o'clock, would they stop operation?

These are the things that we must consider. Would we now be in an illegal operation that may overshadow the legal operation?

Additionally, an increased problem with pickpockets, strongarm men, robbers, prostitutes, muggers, panhandlers, drunks, suicides, credit card violations, thieves and users of stolen cars, hustlers who set up illegal games when the casino is closed, confidence men, hotel room burglars, loansharks, bad check passers, all of these things can be anticipated.

The State of New Jersey and the Legislature gave us, three years ago, the uniform crime reporting system in the State. This probably is one of the better tools that

has been given to us. We do have documentation on crime. We do have documentation on results of crime. In Nevada there is no centralization, it's by county and it's by municipality.

We went to the State Prison and we found that 55% of the inmates of State Prison are out-of-staters.

One of the problems that is anticipated is the unionization of dealers and people on the floor level. Where will the loyalty be? to the owner? to the union? This was a question that was raised. I am not that fluent nor am I prepared to even visualize such a thing.

We all said, and the Attorney General said, and we know that gambling in casinos has a history of attracting notorious organized crime figures. Gambling has a tendency, specifically casino gambling to draw cheats, both the pros and the amateurs, and the pro dice mechanic who spent his life learning the trade to cheat. And I'll say this, some of the situations that they portrayed to us were, not only is the organization conceivably cheating but the people that are playing are cheating, the customers. We have to be aware of the customers, should we make this a problem of the State, to see that there is no cheating on the part of the customer.

I haven't the answers to these questions. Maybe I will have to try to get some of the answers to these questions, if this is passed. But one of the problems that was pointed out to us, or one of the situations that they developed for us was - we asked them what their big problem in crime was and they said bookmaking. Bookmaking is legal in the shops, you can legally make book, but it's the off-premises bookmaking, the telephone calls. This is where we are making our big dent in the State of New Jersey.

As you know, in the last year or two we have made great inroads into bookmaking, in shylocking, but they haven't. It's telephone calls from this State or any other state into a hotel room or to an individual in Las



Vegas who, in turn, will convey it.

These are the problems, gentlemen. I don't have any ready solutions for these problems. But let me give you a few more local problems. Let's talk about the traffic flow that will be generated by the increase in visitors that will affect persons in surrounding communities. It will affect their ability to get to work, to get home, find parking. And you will find that the regular shore visitor is going to be impeded from getting to and using our shores.

I can envision, if this be the case, the traffic flows, the additional road construction. If we make the amount of money that's anticipated, this can be done, I would assume.

I can tell you that the people in the surrounding communities can expect a rising crime problem, and I have mentioned the police before. And these are in the street crimes, the narcotics, prostitution.

It has been estimated that if this proposal is effected, the Atlantic City Police Department would have to double, the State Police investigative force would have to double, and I am assuming that the surrounding or adjacent municipalities, their enforcement or their problems would increase, and this is their estimate that it would double.

I am talking again from the enforcement viewpoint. There are many psychological factors that we deal in that are ours because they do affect society. But I think, from what I've just said to you, that I am not going to get into the philosophy of it but I do repeat that I feel that casino gaming at this time is not within the wishes of mine. I think that if we have to go anywhere, we should give the lottery a chance and find out the results.

And to make an observation, we've had a feeler out through our sources to ask what impact the lottery had on gaming and other lotteries and we find none. What we feel we've done and what they feel has been done is that we've just created some more new gamblers. And I don't

know whether we want to create any more new gamblers in the State of New Jersey or not.

Gentlemen, I am going to close by saying that in our organization we are raiding at the rate of two raids a day. We are putting gamblers in jail, we are putting people in jail. I think that you have given us the laws, you have given us the tools, you have given us many things that we need. We don't need anything else. What we do need is time, time to work on the people that are violating the laws.

I think, and I will repeat what the General said, we can control a gaming house but we can't control a hundred and ten million people that would come into this State, and the volume would come in if that's the anticipated revenue.

Thank you very much.

SENATOR SEARS: Colonel Kelly, did I understand you to say that in Nevada, which legalizes most forms of gambling including, as I understand it, off-track betting, they consider illegal bookmaking to be their number one problem?

COL. KELLY: Yes. This is their problem. I asked them about prostitution and it's not a problem. I asked them about lotteries, it isn't a problem. Their problem with organized crime would be in the bookmaking.

SENATOR SEARS: You suggested, in discussing possible state operation, a number of questions that we should ask ourselves. I gathered, from the way you posed those questions, many of which I think were probably rhetorical, that your opinion probably is that state operation is not practical or feasible. Would you care to comment on that?

COL. KELLY: Senator, again I am going to say what the Attorney General said. We can operate a house but we can't take care of the numbers of people, volumes of people that would come into this state to draw the necessary revenue for the state. Yes, we can have a Paradise operation, we can control that type of thing. We can do that. But if

we're talking about dollars in volumes of thousands of millions of dollars, we're talking about more people. We can do it if you can give us thousands of people too to control it.

SENATOR SEARS: Gentlemen, any other questions?

SENATOR McDERMOTT: Yes. Colonel Kelly, you mentioned the fact that bookmaking is a problem here in New Jersey but you've been working on it with the tools that were given to you by the 1968 session of the Legislature. What kind of income group people play numbers in New Jersey?

COL. KELLY: What kind of income?

SENATOR McDERMOTT: Yes. I mean, poor people, low income people, people on welfare, all of them?

COL. KELLY: O.K. You can start from the low income people, you can start with the pensioners, and go all the way up to the degree that you care to go. And it all depends on the section of the State that you're in, as to how it affects.

In Nevada they don't have this type because they haven't been subjected to this type of operation. But in some of our northern counties, as opposed to some of our southern counties it flourishes more. It all depends on the geographic location.

SENATOR McDERMOTT: You also mentioned - from your sources, I'm talking about your informants within organized crime areas - that your opinion is that the lottery is creating a whole new class of gamblers. Isn't that right?

COL. KELLY: This is true.

SENATOR McDERMOTT: Well, aren't some of these new gamblers in the same class of people as the people who play numbers? You talk about people on welfare, poor people as well as rich people?

COL. KELLY: Sure.

SENATOR McDERMOTT: Do you think we should repeal the lottery?

COL. KELLY: No. No, I don't. I think it good because a lottery operation is entirely different than casino operation, even than slot machines. How many tickets can you buy? two, three, four, five? This is what we're talking about, the expenditures of \$2.00 or \$3.00, possibly they can afford this. If they can't afford it, it's not going to hurt them that much. But you put a man at a slot machine or a lady at a slot machine, where they provide chairs for you to sit down and pull with both hands, if you so desire, I think there is quite a difference.

SENATOR McDERMOTT: Colonel, you made mention of the fact that one of the problems out there was the fact that the Nevada State Inspectors only make spot checks. That's frightens the life out of me.

COL. KELLY: I can only report to you what they said to me.

SENATOR McDERMOTT: Did they indicate to you if this was a loss of revenue to the State of Nevada, as a consequence?

COL. KELLY: They didn't indicate it to me, no.

SENATOR McDERMOTT: Well, would you think that there was a loss of revenue to the State because they only have spot checks?

COL. KELLY: Let me say, I don't think that the owners of the operation are that clean.

SENATOR McDERMOTT: What I'm really asking you, is the State losing revenue because of its poor system of spot checks?

COL. KELLY: I don't know. I would not care to comment on the functions of the State.

SENATOR McDERMOTT: Now back to New Jersey.

Colonel, is there a high incidence of crime at our New Jersey race tracks?

COL. KELLY: High incidence of crime? You mean crime committed on the track or at the track?

SENATOR McDERMOTT: Or in connection therewith.

Is there a crime problem associated with our New Jersey race tracks?

COL. KELLY: We have each year arrested, not only for ourselves but for Internal Revenue, the FBI, all of the governmental agencies and other municipalities, hundreds of people each year that frequent the tracks. This is where they go.

SENATOR McDERMOTT: Are the tracks privately operated?

COL. KELLY: Yes.

SENATOR McDERMOTT: Do you think we ought to go to State operation of tracks?

COL. KELLY: I can only handle one thing at a time, Senator. You gave me this one.

SENATOR McDERMOTT: You're in good form today, Colonel.

Well, do you think we ought to get rid of race tracks because there is crime associated with them?

COL. KELLY: I don't think it's crime at the track, I think it's people that go to the tracks. And that's what I'm talking about. I think we can control that because it's localized, we have four tracks and they're operated during the daylight hours, and we can control that. But I think that the policemen - and we know that the chiefs of police in the neighboring towns surrounding these tracks have problems, more problems during the racing season than they do in the off-season.

SENATOR McDERMOTT: But they still haven't shut down the race tracks.

COL. KELLY: Obviously.

SENATOR McDERMOTT: Right. Don't you think that same sort of reasoning would apply to casino gambling?

COL. KELLY: No.

SENATOR McDERMOTT: You don't think so.

COL. KELLY: No.

SENATOR McDERMOTT: Colonel, earlier I asked

General Kugler about whether or not Commissioner Hyland had reported to him the rumor that he expressed to us this morning, that some 18 months ago he heard rumors that in Chicago there was a meeting of members of organized crime syndicates plotting ways as to how they were going to operate in Atlantic City. Had Commissioner Hyland ever transmitted this information to you?

COL. KELLY: Not to me personally, but it may have been transmitted - let me explain something to you about rumors and about false information. If we had to trace down all of the rumors and all of the false information that concerned all of the people that we hear about, we would be quite concerned about what our people were doing. We have to sieve, evaluate. Whether Mr. Hyland told us or not, the point is I don't think that the organized crime people are sitting on their hands and not thinking about New Jersey or New York or Florida or anyplace else. It has been proposed in Florida; it was defeated in Florida. And I would assume, just assume, - I haven't any information - that organized crime was looking pretty close at that too. So, whether he did say it or whether it was repeated - again, I repeat, rumors, he may have heard that rumor. There are many thousands of rumors. When he was in that job, we talked many times, he had many thousands of rumors and I guess you would know this.

SENATOR McDERMOTT: Right. I just felt that when the Commissioner felt strongly enough about that rumor that he repeated it this morning before this Committee that he probably transmitted it to somebody in officialdom.

Thank you, Colonel.

COL. KELLY: Thank you, Senator.

SENATOR SEARS: Any other questions, gentlemen?

Thank you very much, Colonel Kelly.

COL. KELLY: Thank you.

SENATOR SEARS: Is Mr. Ernest Alden still here?

(No response)

SENATOR SEARS: Mrs. Hawkins.

Mrs. Hawkins, you've been here all day and I am sure you know our procedure.

MRS. HAWKINS: Yes.

SENATOR SEARS: Without desiring to limit in any way the witnesses that have yet to come, if you do put in a written statement, of course, it will be made a part of the record. If you would care to summarize that statement, we would be glad to have you do that, but, of course, you are free to read the entire statement, if you wish.

M R S.     A R T H U R     H A W K I N S: Well, it's not very long and I think I will read it. I had planned to quote figures of a study that was made in 1964 and I will just quote some of them because you have had so many figures and things today.

My name is Mrs. Arthur Hawkins. I am a Legislative Consultant to the New Jersey Council of Churches Office of Government Concerns, 176 W. State Street, Trenton, New Jersey.

SCR 74 proposes a constitutional amendment to authorize the conduct and operating of gambling games in Atlantic City.

First let me spell out the position of our office on the question. The New Jersey Council of Churches is a denominational organization and, therefore, we have a diversified membership. We have members who believe that gambling is a matter of individual conscience; we also have members who believe that gambling is a violation of the Christian ethics because it is a waste of money earned by the sweat of one's brow and should be used toward the benefit of one's family or for the poor or other distressed persons of which there are always many. They consider that any other use is immoral as long as there are people in want in the world, therefore we consider this a moral question. In this statement we are talking about state permission for public gambling establishments, not the enjoyment of small wagers on private games in the company of friends.

At a conference on this subject in 1964, we covered every aspect of the problem of legalized gambling. From the point of view of the New England Citizens Crime Commission, Interstate Gambling Unit of the Department of Justice having to do with organized crime, a medical doctor and psychologist, a Circuit Court Judge, all felt that gambling was not in the best interest of the State. The crux of the question was that there would not be any need for legalized public gambling unless there was a lack of public money and all other means to raise it had been exhausted. So let us look at legalized public gambling as a source of revenue for the state.

The most highly publicized legalized gambling in the United States is in the State of Nevada, and I realize you have all heard a great deal about this today. But this was a very profound study made by Professor Ruben Zubrow, Professor of Economics at the University of Colorado. He presented a paper of considerable length, about that length (indicating) that compared the incomes of comparable states of the Union with that of Nevada. At that time, the increase in costs of state government had risen to several times higher than it was during the period immediately after World War II. All states searched for new means of revenue to pay for necessary services. They hoped to be able to find means to increase their income without having to impose new taxes. According to Zubrow's figures, gambling, with its consequent need for more security forces and constant vigilance, amounted to 19% of the income of the State of Nevada - See my testimony, Department of Christian Social Relations, Episcopal Diocese of Newark, in 1966 on Resolution SCR 7. I am going to give you all of this. You can get it from the State Library but it's far better to have it handed to you, I think. This, of course, was with the whole State of Nevada figures included. The proposal here would permit the addition of gambling games only in Atlantic City and on the Boardwalk. There is already a Game of Chance Commission in the State. Should this



referendum pass the electorate to change the Constitution, it would in essence mean that the whole State of New Jersey would be open to legalized public gambling. Not only of games of chance but of all kinds because of the change in the Constitution.

What we have to face here is, would we like to have New Jersey be like the State of Nevada? I have not been all over the State of Nevada, but I have been to two places there, Reno and Las Vegas. To my mind a strip like Las Vegas is to be avoided at all costs. The proliferation of gambling houses in Reno is depressing, so are the rows of men and women working the slot machines, 25¢, 50¢ and \$1.00, silver dollars.

We all have had moments of desperation in our lives, when money was not forthcoming when we needed it. For the poor such moments come more often and more desperately. The temptation to take the milk money or the rent money, always with the intention to gain rather than to lose is to many people irresistible. This is the great temptation of legalized public gambling.

Nobody really knows how many compulsive gamblers there are. Six million is one estimate - is an estimated number, I should say, not an estimate in that sense. One of the reasons for this is that we have not had the opportunity to find out because we have not had legalized gambling. They have in England and the increase in the number of people gambling has tripled. With legalized gambling many more people would be exposed to the compulsion to win back money lost or to make a killing. It is easy to argue that more people are exposed to alcoholic drinks than they were during prohibition and therefore more have become alcoholics. This may be true, but in that case widespread violation of the law and the increase in organized crime, plus the bad quality of bootleg liquor and corruption all conspired to bring about repeal. In this case legalized gambling would have an opposite effect.

It would increase public corruption and play on two psychological weaknesses of the public, and would encourage organized crime as such permission has encouraged it in the Carribean. Even in Nevada there are suspicions that the proprietors of gambling houses take the cream off the take before reporting it to the State. However, they can't prove this. There is much temptation for the professionals to move in and take over, as happened in Maryland, which finally repealed its gambling law.

What happened in Maryland was that at first local gas station owners, lunch counters, etc. had a few slot machines to be played on their premises. It added additional revenue and gave the state a small revenue from the income. Then the professionals moved in. One after another the gas station at the crossroads was not owned by Joe Carter who had been there for years, or his father before him, but a man from Detroit, a member of the mob. Joe sold out because he didn't want trouble, it wasn't worth trouble. It took Maryland five years to repeal the State law because the mob had gotten to some important people. The mob, incidentally, was from Detroit after that city had made it hard for them to thrive there after the police scandle. We would not like to see this happen in New Jersey, even in one town in New Jersey.

The argument usually is that why should we let all of that money go over to Philadelphia, Puerto Rico or New York. Besides most of the people in Atlantic City are people from out of state who pay their taxes elsewhere so it would be a gold mine and wouldn't hurt anyone. The other argument is that why should we let all that money go to organized crime. The answer is that the games run by organized crime are now illegal and can be stopped when discovered. The owners can be fined, put in jail, or whatever. If we made it legal, as long as there was no open crime, the games could go on, could be owned by the mob.

There is always a very fine line between what to control and what not to control. Most activities that have an element of danger or harm to the individual have controls of some sort, be it a license, a test to pass, an outside accounting, by-laws and the extreme controls of prohibition. One has to count the cost of extra police, the possibility of corruption, the high juvenile delinquency rate - Nevada had the highest in the country in 1964 - and the change in neighborhoods where gambling is allowed. Nevada had a difficult time attracting businesses and factories because neither the principals or the employees wanted to rear children in the climate that gambling casinos brought with them. So the money brought by legalized gambling may not be worth the problems it can bring with it. We believe it would be a mistake to change the Constitution of the State of New Jersey, considered one of the best in the country and certainly one of the most modern, 1947.

There was an outcry of anger in New Jersey when we were accused of being a haven for organized crime a few weeks ago. Does anyone seriously believe that organized crime would stop whatever illegal games they have now if gambling were legalized in Atlantic City. More likely they would have a place in Atlantic City where it had all been made easy for them.

Aid to the cities will have to count and should count in such a way that it does not corrupt them further. Certainly legalized gambling in Atlantic City would not help the reputation of the State, would not help the State to solve the problem of the cities. This resolution would not only permit Atlantic City to have legalized gambling, but sooner or later other cities would ask to have it too. Why should Atlantic City be the only one? Can the Constitution be changed to favor just one city?

State revenue can be raised by better means. The State can call a tax convention with both political parties, and interested persons. They could decide what New Jersey

needs in the way of revenue, could then modernize our tax structure, from a land based one to a more equitable structure, fairer to all and with no damage to either party. We have watched each Governor have to budget each year the increasing costs of administration and government services, institutions and inflation with an increasing population. We believe that such a convention would be a responsible act on the part of this Legislature to solve the hard fiscal needs of the State. Furthermore, we will do all in our power to help the people of the State to understand that such a convention should be held.

We deplore the attempt to void a provision of the Constitution of New Jersey that was put there to protect the people of New Jersey. A referendum on this Constitutional Amendment might pass simply because the consequences of this resolution will at first only affect the people in Atlantic City. We do not consider this a resolution that only affects Atlantic City. A constitutional amendment affects the whole State of New Jersey. It cannot be disguised. Camden was affected by the State referendum to allow a race track in that city. Camden voted against the referendum, the rest of the State voted for the referendum. The Camden citizens had a race track even if they didn't want one. Now its citizens have to cope with higher welfare costs, delayed bill collection shortly after the race track opens each season, as well as high traffic costs.

This resolution will affect the entire State of New Jersey and we would hope that it would be the considered judgment of the Committee that its effects would be bad for Atlantic City and New Jersey. We hope that the Committee will have the wisdom to protect its citizens from this kind of exploitation. In the Principality of Monaco, the citizens are prohibited from entering the gambling casino except as employees. If gambling were beneficial, one would think that there would be no need for this prohibition.

We oppose this resolution and ask, with all due

respect, for the attempt to solve a problem that we believe can be solved by far better and less destructive means.

Thank you for your attention.

I would also like to put in here the figures on Nevada that Professor Zubrow had gotten together. This was, of course, 1964 figures, which is six or seven years ago, but he did it by percentage. And I would like to add this to the quotes on other Nevada figures.

First, Nevada is not a one-tax state. On the state level, gambling taxes provided less than one-fifth of the total state tax collection and only 13% of the total state revenues. This is for the whole state.

Grants and subsidies received from the Federal Government account for 27% of Nevada's total general revenues, or more than twice as much as its gambling revenues. Moreover, if we consider taxes alone, abstracting the Federal grants and other non-tax revenues, we would find that Nevada actually relies more on general sales and excise taxes than on gambling taxes. For example, the fiscal year of 1964, Nevada's general sales tax alone accounted for 34% of its total tax collection, and its excises on tobacco and liquor and gasoline and insurance accounted for 28%.

In contrast, gambling taxes accounted for only 19% of the total. Nevada does not use either income or inheritance taxation and the detail of State tax collections for the fiscal year 1964 was as follows: General sales taxes - I'll give the percentages because the figures would be obsolete now - - General sales taxes percent distribution, 34.4; excises, tobacco, liquor, gasoline, insurance, 28.4; gambling taxes and licenses, 19.0; licenses, motor and other, 14.0; property and all other taxes, 4.2; total, 100% distribution.

With regard to the effects of Nevada's allegedly favorable tax climate on business location and the ability of the State to attract new industry, it may be noted that the number of manufacturing establishments in Nevada,

according to the U. S. Census of manufacturers was exactly the same in 1904 and 1954. In other words, after a half century of a favorable tax climate based on taxation of legalized gambling, Nevada has not been able to attract any basic new industry into its state, notwithstanding the widely held belief that state taxes significantly affect business location and decision making.

Of course, it then goes into the close proximity of California. And then it also goes into details which you have heard today, already, about the Nevada State gambling taxes mainly are in the form of gross winnings taxes, graduated rates from 3 to 5.5%. There are about a thousand licensees but only some 2% of these, about 20 casinos, account for approximately 70% of the gambling revenues and taxes. These might be characterized as large supermarket casinos.

Then there was another aspect of this on the local government revenues the revenues are obtained from licensing fees imposed by counties and cities and in recent years has averaged about \$4 million annually, or about 16% of the total local taxes, but only 7% of the total local government's revenues.

Net result, when one compares Nevada's tax structure with that which characterizes the nation as a whole, the following picture emerges: One, on the State level, Nevada's sales and excise taxes are relatively about the same as the national average, but its gambling taxes, which are about 13% of its total revenues, may be thought of as a substitute for the income tax which averages about 13% in other state tax structures.

Two, on the local level, Nevada's ratio of total taxes to total revenues, 55%, is about the same as the national average. However, its local gambling tax take, which comprises about 7% of the total local revenue, is roughly equivalent to the amount by which its property taxes are below the national level, e.g., property taxes represent 39% of the total local revenues in Nevada, about

48% for the nation as a whole.

In conclusion, it appears that notwithstanding Nevada's unique history, resources, climate and geographic proximity to California, gambling taxation by itself has not been able to solve all of the state's fiscal difficulties; instead, Nevada also has to rely on a broad base sales tax which includes food, extensive non-gambling excises, and property taxes, to meet its financial obligations on both a state and local level. With regard to the rest of the nation, it should be patently clear that if the legalized gambling tax take were to double or even triple, amount to \$1 billion, it still would only represent the very minor source of additional revenue relative to the magnitude of the fiscal needs of the state and local jurisdictions, which it must finance, and ever-expanding volume of public services in an increasingly urbanized and economically affluent society.

I would like to read a few more statistics --

SENATOR SEARS: Mrs. Hawkins, may I interrupt just a moment. I really have a problem because we have ten more witnesses registered. That is a record of a hearing, is it not?

MRS. HAWKINS: Yes.

SENATOR SEARS: Could we not save some time by separating that by reference?

MRS. HAWKINS: Yes. I will.

Three things, Nevada has the highest crime rate in the country, at least it did in 1964. Reno and Las Vegas have police forces three times that of other communities their size. Las Vegas suicide rate is the highest in the world, 30.1 per 100,000, as opposed to a national average of 1.9. Prostitution in Las Vegas is second only to gambling in income. Nevada's juvenile delinquency rate is twice the national average.

So, here is my testimony and thank you for listening.

SENATOR SEARS: Thank you.

Senator McDermott, do you have a question?

SENATOR McDERMOTT: Yes. Mrs. Hawkins has your Council previously opposed other amendments to the Constitution regarding gambling, such as lottery, race tracks, bingo?

MRS. HAWKINS: Yes.

SENATOR McDERMOTT: You opposed them totally?

MRS. HAWKINS: Lottery, yes.

SENATOR McDERMOTT: What about race tracks?

MRS. HAWKINS: Yes, usually.

SENATOR McDERMOTT: In other words, your opposition is not based on casino gambling, it's against gambling itself.

MRS. HAWKINS: It's against any kind of gambling for the simple reason - except for, you know, a card game at home, a bridge game, or something like that, but public gambling, no, we do not like public gambling.

SENATOR McDERMOTT: Does your Council also take the position that we should repeal existing forms of public gambling?

MRS. HAWKINS: I think eventually you will. I mean, I think you will have to try it. I think sometimes people have to do things to find out that they don't want them, just as they did in Maryland. But I do believe that of these things, the casino gambling is, I think, one of the most tempting, for the same reasons that Mr. Miller said this morning. He said, all right, how many lottery tickets can you buy, but you can lose your whole shirt in a casino.

SENATOR McDERMOTT: Thank you.

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

Are Mrs. Hospodor and Mrs. Ammond both here?

Are either of them here? Rose Marie Hospodor and Aline Ammond? (No response)

Beryl Kutrieb.



M R S.     B E R Y L     K U T R I E B: Mr. Chairman and members of the Senate Judiciary Committee, I am Mrs. Beryl Kutrieb, Legislation Director of the Women's Christian Temperance Union of New Jersey, which has local groups throughout the State. I reside in Hamilton Township in Mercer County New Jersey.

For many years gambling was a violation of our laws and offenders were prosecuted. However, the State has legalized many exceptions to that basic law and now is considering casino gambling as a further means of taxation. But we believe that the lawmakers should exercise their power to encourage economy in government and to raise revenue through honest taxation. Must we continue to encourage people to spend vast sums of money on gambling which could be much better spent for improving their family lives? Must we take advantage of the weaknesses of our people? Legalization of gambling in any form starts more people in the habit of gambling. Gambling does have a demoralizing effect upon people in that it encourages them to try to get something for nothing or much for little, with the end result that most of the people get nothing for something. Gambling can destroy personality and moral strength. It does weaken character. The gambler places his confidence in luck or chance. He becomes eager to get rich without labor. Men and women find themselves fiendishly addicted to gambling, as can be verified by the existence of organizations such as Gamblers Anonymous. Gambling substitutes private gain for public service and it subverts respect for law and order. Basing financial structure on the weaknesses of the people is surely not profitable.

Gambling stifles business and industry and at the same time serves no community need. Gambling with its artificial risks does not house, feed, nor finance any enterprise that adds to our gross national product. It adds no new wealth and performs no useful service. The money gambled is actually taken from the goods and services

produced by our residents. Because of gambling, vast amounts of money are squandered instead of being invested in developing productive enterprises that would ultimately raise the standard of living for all. Industrialists consider that legal gambling areas provide an unfavorable atmosphere for plant locations because gambling attractions create a great deal of absenteeism and unfavorable economic situations for management and employees. Nevada, for example, had exactly the same number of manufacturing establishments over a fifty year period.

Perhaps it is time for our law makers to determine how the continued increase in public assistance has been effected by our extension of gambling. Many families are left destitute by gambling losses.

Some may contend that some gambling is recreation. However, it is quite another matter to legalize something that has the potential to bankrupt the family. It has been established that if the gambler plays long enough, he can't win and the operator can't lose. Mercer County Welfare Director Raymond Dougherty has recently stated that one out of every thirteen people in New Jersey will be on the welfare rolls this year. It certainly is time that the State take some positive action to properly and truly help the poor by removing forms of gambling that contribute to poverty rather than adding new forms of gambling. Gambling is discriminatory because it taxes the poor, those least able to pay, and those addicted to gambling. Thus gambling paradoxically serves to weaken the economy of the State by simultaneously burdening that segment of society which the State should seek to assist the most. The State, if it continues to legalize gambling, increases the gap between the rich and the poor.

New Jersey has received so much adverse publicity that charges the existence of corruption and implies that some public officials

have been associated with criminal elements in our society. The State as well as the United States Attorney have already brought some violators to justice. Certainly there is still more to be done. We must never forget what the late Robert Kennedy said when he was Attorney General, "American people, through gambling...are putting up the money for the corruption of public officials."

New England's famed Citizens' Crime Commission found that, "Legalized gambling cannot be controlled." It always gives way to illegal operations. Furthermore, legalized gambling does not decrease illegal betting; it encourages it. Once a gambling habit is developed, a bookie is often much nearer than the casino. To legalize gambling is to increase gambling and to foster more crime. Any advantage from gambling is more than offset by the great expense to control the additional crime and criminals and the welfare payments. These additional expenses must be paid through even higher taxes. Former Senator Alexander Wiley of Wisconsin said, "Every dollar raised from (legalized gambling) means five dollars spent in higher police costs, higher court costs, higher penitentiary costs and higher relief costs." United States Circuit Court Judge and Former Detroit City Mayor, George Edward said, "Rather than getting rid of crime by legalizing gambling, you put organized crime in charge in an ever bigger way." Let's not multiply our problems by encouraging a new form of gambling in New Jersey. To legalize more gambling is to take a step closer to the complete bankruptcy of our already floundering city economies and to add to the growing woes of our State and Nation.

We are educating and encouraging more and more people to gamble. It almost seems that our law makers want to gamble on gambling as the way to solve our State's economic woes. There are always more

losers than winners in gambling and if we follow this dangerous, risky course we may be pushed into economic chaos as have many other nations that have followed this path.

The responsibility of government is to provide for the general well being of the people. Our Constitutional heritage under God has provided that all men should be free. This includes freedom from the tyranny of being possessed by their indulgences for which the State has a public responsibility. If New Jersey is to rise above its present economic and social problems; if our State is to be a credit to our Nation and a commendable example for her sister states, then its leaders must refrain from approving that which can be a problem for many. The economic future of this State lies in the spending and saving habits of its people. You, our elected leaders, are entrusted with the responsibility of exemplifying to our citizens, through sound legislation, the wise usage and investment of our resources. To further embrace gambling is to regress from progress and enlightenment. More gambling will serve to divert people from the greater issues and values of life which must be vigilantly observed if the greatness of this State is to be preserved. We must encourage our people to SAVE and not to gamble; to live by INDUSTRY and not by luck.

Gentlemen of the Committee, upon your shoulders lies the future of this State. We respectfully urge you to defeat SCR 74 and any other resolution or bill that would further extend legalized gambling in New Jersey. Thank you.

SENATOR SEARS: Thank you very much.

Any questions, gentlemen? (No questions)

Thank you for your views.

Mr. Crowell will be next.

J O H N B. C R O W E L L: I am John B. Crowell, President, the New Jersey Christian Conference on Legislation, and a Trustee of the Lord's Day Alliance of New Jersey.

I have put in your hands my statement. I am not going to read it all. I will mention two or three items in it which I would like to emphasize. (Statement - See p.151)

On page 1, Assemblyman Ralph Caputo, as you know, has introduced ACR 2004, which would extend the privilege of casino gambling, plus the legalization of betting parlors, to the City of Newark. And you have heard enough today to know that the tendency is to involve many other cities in addition to Atlantic City.

Then, in a report in the New York Times which made quite a study of gambling in Nevada, not many years ago, are these quotes: "Some of this money went from Las Vegas by couriers to men in Florida and New Jersey." "...The recipients are professional criminals, leaders of criminal organizations." "...It is fed directly into criminal activities. It may buy heroin or bribe a public official, or hire a killer."

Then, we've heard a great deal from former Attorney Frederick B. Lacey and he has shown the criminal elements have purchased police and judges, business men and union leaders, all over New Jersey, and has declared, "We are in danger of being taken over." With the additional sums that wide-open gambling would pour into the hands of the crime syndicate its power to buy its way into control of the State would be enhanced. And I would remind you that back in the 1890's the gamblers controlled the New Jersey Legislature. Let not this happen again, please, Senators.

I have also said quite a bit about the cheating that goes on, but you've heard a lot about that today. I

will skip it. And then I want to conclude by pointing out, on page 4, this:

"For the State to put its stamp of approval on gambling dens would be another step in the modern erosion of ethical standards. It cares not whether a person is urged to waste his time and money seeking something for nothing, and is debased or destroyed in the process. It says, in effect, that any tax can be justified so long as it helps to fill the coffers of the State, that the end is revenue and that the means are relatively unimportant. Whatever produces more revenue is all right. But such an approach is all wrong. We obviously need laws to protect us from ourselves. It would be most unfortunate if, in the name of liberty, unlimited license were to be given to commercialized gambling. He who would prey upon my purse or my person surely must be restrained; the professional gambler does both."

So the New Jersey Christian Conference on Legislation and the Lord's Day Alliance of New Jersey respectfully urge you to hold in Committee SCR 74.

SENATOR SEARS: Thank you, sir.

Any questions? (No questions)

All right, we appreciate having the benefit of your views and those of your organization.

The next name that I have, in the order in which they registered, is M. Curtis Younh, President of the Chamber of Commerce of Atlantic City.

M. C U R T I S Y O U N H: Thank you. My name is M. Curtis Younh. I appear before you today wearing two hats. First, I am President of the Greater Chamber of Commerce. As such, I am concerned with the welfare and economy of the people in our County. Secondly, I am President of the Allegheny Commuter Airline operating between Philadelphia and Atlantic City Bader Field, the nation's first airport. I also hold the operations franchise in modern Atlantic City Jetport at Pamona, located 13 miles from the Boardwalk. The Atlantic City Municipal Terminal is now operated in

conjunction with the FAA installation known as NAFC, or the National Aviation Facility Center. I think you will agree that the combination of these two airports gives Atlantic City some of the finest air facilities in the world. The Municipal Airport is capable of handling all modern jet aircraft, including the new 747, and there isn't another airport in New Jersey that can handle the 747.

This, coupled with the new passenger buildings made available, made travel to Atlantic City a real pleasure. Bader Field, with its unmatched proximity to the center of the City, allows executives' smaller aircraft to land within five blocks of the beach, the hotel complexes, the Atlantic City Convention Hall.

In addition, the airport facilities, the Atlantic City Expressway, the Garden State Parkway, and other major roads are more than adequate to handle the millions of anticipated guests entering our City, should we be permitted to have casino gaming as it is proposed.

In addition to those arriving by air and automobile, there is an excellent express bus service from Philadelphia, New York and Washington. This, plus the proposed extension of the Lindenwold High Speed Rapid Transit Line, offers rail service to our City and will bring untold millions of visitors from out of State whose spending at casinos, entertainment, will offer very substantial income to our State and to our present area.

Speaking of income, I think you will agree that the need for more money to operate our State is more critical now than ever. It's difficult to find new sources of taxes; everyone is being taxed to the limit of his capabilities. We have financial troubles in our municipalities just as we have financial problems in the State. Unemployment is a very high point and so are prices and taxes. More money is needed for all of these items.

I hate the thought of a State income tax, but I

would just wonder how long it will be before this will become an absolute necessity if new sources of revenue, such as those derived from casino gaming, cannot be found. We must find these new sources of revenue or tax our businesses out of existence. There are those who do not feel that casino gambling in our State would be the answer to our financial ills, but I think you will agree that this would be a giant step in bringing additional revenues into the State. I say, let the people of our State have the final word.

Although we salute those who speak honorably and objectively, fulfilling their responsibilities as elected officials, for those who feel that gaming would bring an undesirable to our State may I say that I personally have resided in Washoe County, Reno, Nevada, and saw more community spirit there and more evidence of home life than I have seen in any other place I have lived. Frankly, I felt more comfortable walking the streets of Reno than I do in most cities that I have visited. And I will agree that any city has a small majority who operate outside the law. Even our respected SIC finds plenty of conditions to investigate in affairs far removed from legalized gambling.

I am not happy to see the figures of seasonal unemployment. They are shocking and sad. Let's do something about it and now see how big the returns can be to our State with legalized gambling. Let's see how many jobs can be created, how much merchandise, food and other consumer goods, can be moved by the new people visiting our State. But, above all, let's remove time-worn notions or Damon Runyon images that may be lingering in our minds. Let us look realistically, optimistically, at steps that are honest, bold and rewarding. Let's put the issue of legalized gaming before the people of New Jersey, not in the future, not after New York, Pennsylvania and other states take action on the issue; now is the time to let the people of New Jersey decide. Thank you.



SENATOR SEARS: Thank you, sir.

Any questions? (No questions)

We appreciate having the benefit of your thoughts.

MR. YOUNG: Thank you.

SENATOR SEARS: Mr. Malamut. I assume, sir, that what you have to say will be by way of supplement to what you gave us at the first hearing, because --

MR. MALAMUT: Yes, sir, but not as vitriolic.

SENATOR SEARS: -- this is the same hearing.

MR. MALAMUT: I believe this is the third hearing, sir.

SENATOR SEARS: I say, this is the same hearing. This is a continuation of that hearing. So that what you said at that time is already in the record and I can only ask that you not repeat yourself, to the extent that that's possible.

GARY P. MALAMUT: Yes, sir. My name is Gary Malamut and I am Chairman of the Board of the New Jersey Hotel Motel Association.

The publicity accorded the question of the social propriety of casino gaming in Atlantic City has created an emphasis that obscures what I believe to be the more important issue of economics. In a certain sense, it is academic to argue for or against the principle of legalized gambling in New Jersey. That question has received repeated public and legislative approval with the sanction of pari-mutual racetrack betting, the legalization of various games of chance and raffles and, most recently, the highly-successful introduction of a State Lottery. As a result of this considerable involvement in legalized gambling, the State of New Jersey currently realizes \$35.3 million annually in tax revenues. The real question, then, is not whether the State can endorse the principle of legalized gambling, but rather how would the State replace the more than \$35 million it receives from a practice that it not only endorses but, in the case of the State Lottery, a practice in

which the State itself has become an active entrepreneur. It might be well at this time to clear the air, as it were, and direct some attention to the economic issues involved -- revenue for the State and prosperity for Atlantic City -- which were the original inspirations for the casino gaming proposal.

I hardly need to remind this hearing that the State of New Jersey finds itself in a growing fiscal bind. And, without indulging in an economic report to defend my argument, I think that we can all accept the premise that the demands being made upon the State's revenue producing apparatus will increase rather than diminish as time goes on.

If the State is to continue to fund basic facilities and services for its 7 million citizens, then additional tax revenue must be generated; that is obvious. There are three avenues available for that generation; a broad base levy, which would certainly be a personal income tax; increases in existing taxes, or the utilization of new and as yet, untapped sources of revenue.

I am no fortune teller. It may well be that the future will reveal New Jersey being forced to accept the imposition of more than one of these tax plans. but, at the moment, it seems obvious that the most desirable of these alternatives is the third avenue, which finds its practical expression in Senate Concurrent Resolution #74, the proposal calling for a public referendum on the

issue of casino gaming in Atlantic City.

The raising of additional, necessary revenue by casino gaming would not be a new statewide tax, nor would it call for increases in existing levies. Rather, it would permit the State to retain the maximum flexibility in approaches to future revenue needs. In the happy event that the persistent inflationary spiral now troubling our economy can be brought under restraint, we may even be spared the need for further increases in present taxes or the imposition of an income tax. But relief such as this can only be had by the ready application of off-setting revenue-producing sources for the needs are real and will not be denied. I submit that casino gaming represents an ideal model for a source of additional revenue of the type that I have just described. The taxes collected on casino gaming operations are completely discretionary in nature, being levied only upon those who make use of the casino facilities. Further, these taxes are dedicated to three of the State's most pressing needs -- provisions for senior citizens' housing, improvement in the operations of municipal police and fire departments and a program of business incentives in areas of higher unemployment concentration.

In addition to the economic importance of this matter as it relates to taxation, there is the equally legitimate concern of Atlantic City as the foremost resort and convention community on the New Jersey coast. The advent of modern jet travel has compressed time for the traveller while increasing competition among those who would serve

him. Journeys that formerly took days and weeks are now made overnight. The exotic has become the commonplace and a trip that would have cost a king's ransom just a few years ago is now available to a young secretary on her first two week's vacation.

What this means for a resort like Atlantic City is that we must compete effectively. Unless we can bring to the New Jersey shore some of the advantages for which people are traveling to the Caribbean or to Europe, then we must face the real possibility of a massive, continuing drain on the traditional tourist and convention business that is the lifeblood of Atlantic City.

Naturally, it will take money to develop the kind of facilities we wish to offer visitors to Atlantic City. Those of us engaged in this project have no illusions about the fiscal problems involved. And we see in casino gaming the best possible opportunity to realize our goals. With casino gaming, Atlantic City could in one stroke enhance the entertainment package we can offer to visitors, thus immediately competing with newer, sophisticated resorts, and, at the same time, provide the dollar influx to finance the creation of a new Atlantic City.

The peaks and valleys of seasonal employment have long bedeviled the Atlantic City economy. In a very real sense, the community has been denied reaching its fullest

potential because of the chronic problem of unemployment directly attributable to the rise and fall of tourist and convention activity. The institution of casino gaming would be a godsend to our residents. It would mean a steady, predicatable flow of salary-generating capital into the community and would be the best possible remedy for much of Atlantic City's economic problems.

In addition to the resort itself, the economy of New Jersey would be a principal beneficiary of casino gaming in Atlantic City. Dollars attracted to casino gaming would turn over as payment for increased services, equipment, more tax revenues, and other facilities. A score of New Jersey industries would share in the bounty generated in an Atlantic City revitalized by casino gaming. The question might be raised at this point of how sure we are that casino gaming would stimulate the kind of tourist and convention traffic we have been mentioning.

In 1971 the following conventions will be held in Las Vegas. These are only the larger conventions consisting of a minimum of 1,000 delegates.

1. Independent Drive-In Operators of America
2. Association of Operating Room Nurses
3. National Asphalt Pavement Association
4. American Society of Clinical Pathologists
5. Equitable Life Assurance Society
6. Young Presidents Organization
7. National Assn. of Building Service Contractors
8. National Institute of Drycleaning
9. American Institute of Laundering
10. American Drive-In Operators Assn.
11. Association of Western Hospitals
12. American Urological Association

13. Variety Clubs International
14. Automatic Car Wash Association
15. American Research Merchandising Institute
16. Mass. Retailing Institute
17. GUIDE
18. American Society of Medical Technologists
19. Lions International
20. Alpha Kappa Psi Fraternity
21. National Apartment Assn.
22. Amalgamated Transit Union
23. American Academy of Ophthalmology
24. National Water Well Association
25. Survival and Flight Equipment Association
26. Aircraft Owners and Pilot Association
27. American Supply Association
28. American Mining Congress
29. National Hardware Convention
30. U. S. Civil Defense Council
31. National Electrical Contractors Association
32. Alliance for Engineering in Medicine and Biology
33. Fall Joint Computer Conference
34. National Council of Teachers of English
35. Skat Clubs International
36. National Aviation Trades Association

OVER 35 LARGE MEETINGS ARE REPRESENTED  
IN THE PRECEEDING LIST.

This is not a bad record for a community that was nothing but desert a mere 20 years ago. There is now a permanent population of 125,000 people. In Nevada there are 75,000 people employed in tourism and this is expected to double in the next ten years. Nevada currently employs 4% of the total number of people in the tourism field.

A related economic benefit is the airline industry.

McCarron Field in Las Vegas is in the top 30 of all airports in the United States. Not bad for a city with 125,000 population.

In summary, the question of casino gaming in Atlantic City is one of economics, not one of propriety; New Jersey has made its decision to recognize, legitimize and, indeed, even participate in gaming enterprises. Further, to raise the question of surveillance and sinister influence,

which is a natural extension of the issue of propriety; if New Jersey can attest to honesty at the racetrack, fairness at the raffle board and integrity in the lottery, then surely it can promise confidence in the casino. I respectfully urge that this Committee give SCR-74 every sympathetic consideration. I ask that you permit the electorate to make the final decision on whether casino gaming should be permitted in Atlantic City. I ask this because, gentlemen, it is the same citizens who will pay in increased or new taxes the very revenue that will be lost if their right to a referendum on Senate Concurrent Resolution No. 74 is denied.

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

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

May I ask you if you have any feelings about the provision in this Resolution that we limit casinos to Atlantic City?

MR. MALAMUT: No, sir.

SENATOR SEARS: In other words, you would have no objection to other parts of the state or other resort areas qualifying?

MR. MALAMUT: If the public referendum and the people should decide, I think so.

SENATOR SEARS: In other words, you have no objection to the question being framed in that way, so that it would not, when put to the people, be limited to Atlantic City?

MR. MALAMUT: Not at all, sir.

SENATOR WOODCOCK: Well, would you then think that the great benefit that you described that would come to Atlantic City as a result of casino gambling would be lessened?

MR. MALAMUT: No, Senator Woodcock. It's the opinion of the people that reside in the Atlantic City community that the beneficial aspects of casino gaming would be prevalent for the convention trade, the convention industry, moreso than the resort and family trade. We find

that the convention delegate is the one that wants the entertainment package moreso than the family-oriented tourist who already has the beach and boardwalk and race tracks and the steel pier, movie theatres, etc.

SENATOR WOODCOCK: But if you were to take and put, for instance, a casino in Wildwood and you had one in Spring Lake and you had one in Great Gorge and you had one in Newark or Jersey City, you still would say that the benefits that you say would accrue to Atlantic City would still be there despite the proliferation of casinos throughout the State?

MR. MALAMUT: Yes. But I don't believe - I believe that the program at the very inception should be limited to resort areas at the experimental stage and perhaps implemented or supplemented in the future.

SENATOR WOODCOCK: Well, in that regard then, sir, how would you so limit? In other words, taking Atlantic City as being the biggest resort city, how would you then limit what other resort city is allowed to have casino gambling and which resort city is not?

MR. MALAMUT: Oh, I am sure there could be certain criteria established. An example would be fourth class cities.

SENATOR WOODCOCK: I'm sorry, I didn't get that.

MR. MALAMUT: An example would be fourth class cities.

SENATOR SEARS: You mean, limited to fourth class cities?

MR. MALAMUT: As one criteria. That's only a suggestion, sir. Or, as the gentleman this morning from England mentioned certain tax assessment criteria or number of properties. I am sure that the Legislature could establish criteria that would be acceptable to the general public after it were approved next November.

SENATOR WOODCOCK: Well, since New Jersey is such a compact and small state, would there be an absolute number



that you would consider as the absolute limit for casinos in the State of New Jersey, or have you no idea with regard to that?

MR. MALAMUT: I would say that the Gaming Commission would establish the rules, the same as the Lottery Commission established the implementation of the lottery plan.

SENATOR WOODCOCK: I have no other questions.

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

Mrs. Fox.

M I L D R E D F O X: Thank you, gentlemen, for the opportunity to be heard. My name is Mildred Fox. I am President of the Atlantic County Women's Chamber of Commerce that was organized, chartered and recorded by the State of New Jersey twelve years ago for the sole purpose of trying to legalize gambling in New Jersey and especially in Atlantic City. The officers and board members have periodically met ever since for the prime purpose of being sure that the only way to legalize any games of chance would be for the State to control them, and the state, county, and cities of New Jersey to share the profits.

We also went on record to state that each municipality be given the opportunity to vote on a local option on whether or not the people of their particular municipalities want gambling in their communities. At no time did we want gambling to be legalized to issue licenses to make it legitimate for the persons that are now involved, as we did with prohibition.

Our main purpose is to tap a source of revenue that everyone knows exists in every community. We all know how costly it is to the state and local governments to try to enforce the law. And what an insult to the intelligence of the people to have raids every now and then on some minor operators while the big operators and the powers behind them still are left untouched to dominate our politics, our people and our economy.

Gambling in New Jersey today is a billion dollar industry and the entire amount going to illegal professional gamblers and racketeers. What easier and less painful way is there than to tap this tremendous resource of funds which all of us know exists, and has made a certain few persons in every community the Czars with enough money to dominate and monopolize the very economy of our people.

We owe this to the people of this State and we also owe them a future free of indebtedness rather than one that is dominated by taxation for the rest of their lives. Let's make it possible to pay as we go rather than accumulate such an indebtedness which will take generations that will be taxed to the hilt to make it possible to accomplish the many necessary problems confronting our municipalities and State. I, being a mother of four children and a grandmother with eleven grandchildren, sure object to leave them such a legacy of indebtedness because we could not look ahead.

If the people of New Jersey are sincerely interested in helping themselves, they can stop this treacherous gambling situation that exists today. For only in legalizing gambling will we do away with the hoodlums, racketeers and criminals that are so objectionable in our society.

The key to this very serious problem is state controlled and supervised gambling with a local option. The ordinary bettor will thus be protected in a way that he is not today and the hoodlums, racketeers and criminals will disappear like a foul disease which has been cured. And the State and municipalities will have the necessary funds needed in their budgets to progress with the times and make living in our respected communities worthwhile, without any forms of additional taxation to the people or industries of our State.

Let's stop the apathy and hypocrisy in this wonderful state and give our Legislators the necessary tools to work with. If the State of Nevada is realizing \$42 million for 1970 on just tax revenue from gambling and the State of

New Jersey has realized \$2,910,000 in just five weeks of the State Lottery, can you imagine what the State of New Jersey would receive from profits as well as taxes from this very lucrative business of gambling.

We are very much in favor of legalized gambling but let's be very careful to make the people of New Jersey the stockholders and the State, counties, cities and municipalities receive all the dividends.

Let's not legalize gamblers; let's legalize gambling. Let's place this referendum on the ballot and let the people of New Jersey make the decision and decide their own destiny.

Thank you, gentlemen.

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

Any questions? (No questions)

Is Mrs. Struhl here?

D O R O T H Y     S T R U H L: I am Dorothy Struhl. Gentlemen, I have no written statement. I just want to speak to you as a mother, grandmother, greatgrandmother, businesswoman, and a very active civic worker. I am President of the Chelsea Sisterhood consisting of over 400 members. I am Past President of the American Medical Center of Denver that has over 100 auxiliaries and a membership in Atlantic City of 500. I am Vice President of Atlantic City Chapter of B'Nai Brith. I am also Recording Secretary for B'Nai Brith Council for the Third District, Southern New Jersey, consisting of maybe close to 2,000 women. I am a businesswoman for 45 years.

SENATOR SEARS: The only thing I find difficult to believe is that you're a greatgrandmother.

MRS. STRUHL: Well, it's true, sir. I'm 68 years old. I don't mind saying that I am. And I have been very active all of my life, and with the public, and, therefore, I think I can speak to you as an active layman. And having the concensus, the feeling, close contact with as many people as I have, I know their feelings and I know their reactions. And I was sitting here listening to a good many speakers previous to me and wondering where their imagination is. We

don't have any crime; we don't have any prostitution; we have everything wonderful except if we get gambling then it's going to be a different story. I would like to know what city in New Jersey doesn't have prostitution or gambling.

I, myself, am not a gambler. I don't even have a weekly game. But I do know that in my travels - I have been to Las Vegas, I make a yearly trip to Hot Springs, Arkansas where they have beautiful casinos, and I am not tempted to gamble. Oh, I've lost \$2.00 on the machines. That's as far as I'll go and I have a lot of fun on that. But I take advantage of the very nice meal that I can get very reasonably and the wonderful show that I can see very cheaply. But it hasn't stopped me from observing that the habitual gambler is going to find a way to gamble and, if it's not going to be legal, that poor person is going to be taken over the hurdles by this very mob that you say is not in existence now but will become very active. And our police, who are needed to protect our citizens - right now, I have difficulty in holding meetings because my women are afraid to come out at night, they won't go out at night unless I have a pool of cars, a transportation pool, to take them to the meeting. That's how safe our streets are now without the legalized gambling.

Now, I do think, if our police were released from babysitting and watching the gambling places that are hidden, - I know, where you read in the paper, it takes months and months of surveillance of that place and then they make a raid and they take in these gamblers, then our courts have the case that has to have time for these people - and they are fined and they are out again. And it still goes on, repeating itself. I mean, if we have it legalized, and I know that you gentlemen have enough experience in investigating and finding out what is the proper way. When you take temptation away - the youngsters think it's cute to gamble because it's not allowed but if it is permitted there won't be the challenge there. We have that with narcotics, we have that

in everything else. You take the challenge away from it and you will be able to do much more in safeguarding our children and safeguarding our citizens.

And, as I said, we can't be ostriches and hide our heads. The gambler will find a way to gamble unless you are going to make nature over, and I don't think any of us can be the God to make people over.

Thank you, gentlemen.

SENATOR SEARS: Thank you very much.

The last witness I have registered is Mr. Keels. Is he still here?

Mr. Keels, you are a resident of Atlantic City, I believe?

MR. KEELS: Yes, I am, sir.

SENATOR SEARS: Will you state your full name for the record, please.

W A S H     E D W A R D     K E E L S: My name is Wash Edward Keels, Jr., of Atlantic City. I did not come prepared to speak but I sat here all day and at the previous hearing listening to testimony from various people opposed and those that were for this proposed amendment.

I would like to echo some of the sentiments of some of the people that realize the possibility of this proposal and the little people that don't have anyone to speak for them, who echo their sentiments on the street on in some restaurant.

Although you are elected officials, it seems as though the little people don't have no voice no more. I mean, it becomes so, apparently, when it comes to the Legislature they make all the decisions whether the people want it or not. So I was just thinking that I would like to say something for the little people, like I feel I am, that we should be able to make the decision. In other words, this bill, with all of the pros and cons, you're putting the horse before the cart. If people decide they want it, they should be the ones to say so, then it comes

back to you people to make the decision as to how it is to be run or who is to be licensed and whether the State should take it over or not. But all of the sentiment one way or the other - I feel that the little people are being ignored and I feel that they should make the ultimate decision. And the process of legalizing things today seems to be so slow because in the Legislature it takes so long for it to come out. And today's economy doesn't stand and wait for the Legislature to make it; the problems crop up every day.

We have situations in our county right now that need to be dealt with right away, not in November or not next November, they need to be dealt with now. The people are overtaxed because it's the criteria of today because today's taxes - everything is higher, people need higher wages, the cost of living is higher, so today is today, you must do it today, not tomorrow, you should have done it yesterday.

I don't want to say too much more because I wasn't prepared to speak, as I say, but I would just like to speak for the little people. We feel as though we should make the decisions.

Thank you very much.

SENATOR SEARS: Thank you, sir.

That's the last witness we have registered.

SENATOR McDERMOTT: For the record, could I merely convey a brief communication from a Mr. Ernest Alden who had signed up to be a speaker but couldn't stay this late. He is President of the Bloomfield Senior Citizens Association, some 1300 members; and of the Retired Members Council of Local 416 of Westinghouse, which has 350 members. He had hoped to speak in support but was unable to stay for the session. He and 49 other senior citizens from Bloomfield attended the morning session to indicate their support for SCR-74 and for the principle that the public should be able to vote directly on this matter. He urges the Legislature to approve the referendum proposal.

Then I have for the record, two communications, one is a Resolution from the Town of Irvington, New Jersey, in Essex County, and on behalf of the President of the Council, Mr. Alexander A. Trento, I am introducing a Resolution in support of SCR-74. (See p. 155)

And I am also introducing a similar resolution in support of SCR-74 which was passed by the Union County Board of Chosen Freeholders. (See p. 156)

Thank you.

SENATOR SEARS: Before we close, I just have one other item for the record. Rev. David Mellon, Executive Director of the Council of Churches of Greater Trenton, was here this morning and left a note indicating that he couldn't stay. He said that he would mail his testimony in. When his statement is received, it will be made a part of the record. (See P. 159)

If there is nothing further, gentlemen, we will declare the hearing closed and thank those who are still here who came to participate. And thank you, gentlemen.

SENATOR McDERMOTT: Thank you, Mr. Chairman.

(Hearing concluded)

Statement of:

Rev. John B. Crowell, D.D., President, the New Jersey Christian Conference on Legislation; and Trustee, the Lord's Day Alliance of New Jersey  
before the Senate Judiciary Committee Public Hearing, Wednesday, February 10, 1971, at the State House, Trenton, New Jersey  
in Opposition to  
SCR 74, introduced by Senator Frank X. McDermott of Union County, to amend the State Constitution to legalize the conduct and operation of all kinds of gambling (casino gambling) at Atlantic City, New Jersey

The successful passage of this resolution and the amendment of the State Constitution to permit wide-open gambling would indeed make Atlantic City the Las Vegas of the East, as has been held out as a desirable prospect. But this is just a beginning. Already Assemblyman Ralph Caputo has introduced ACR 2004, which would extend the privilege of casino gambling, plus the legalization of betting parlors, to the City of Newark. And other shore resorts and other municipalities might clamor that they also be included, if they were convinced there would be another source of taxation income, or of business profit, in such legalization.

But before we get carried away by the rosy prospects which have been painted concerning all the advantages in the legalization of wide-open gambling in the way of business revival for Atlantic City, and a cornucopia of tax money flowing from the casinos operating around the State, let us take a look at Las Vegas itself.

What beautiful hotels, golf courses, swimming pools, there are! What bright lights! What entertainment by the stars of stage and screen! And what money losses to 99% of the people who patronize the Strip. And they get nothing in return for the money they spend, but the excitement offered by the futile hope of winning more than they lose. Senators, do you think the State should further exploit the weakness of gamblers by tempting them to spend more great sums of money so that the State can collect more gambling taxes, on top of the \$32,000,000, or thereabouts, which the State gathers in from horse-racing? Should government seek more advantages from a dirty business?

Yes, look at Las Vegas! It is, in spite of outward appearance, a dirty business. In November, 1963 the New York Times printed a series of five articles on Las Vegas gambling. It pointed out that it was very difficult to find out the



profits of the casinos, for those profits were skimmed off the top each day. Neither the State of Nevada, nor the federal government can secure any tax money on the skim. I quote, "Some of this money went from Las Vegas by couriers to men in Florida and New Jersey."...."The recipients are professional criminals, leaders of criminal organizations."...."It is fed directly into criminal activities. It may buy heroin, or bribe a public official, or hire a killer." Such names are included among those who have had an interest in the casinos at various times as Bugsy Seigal, removed from the management of the Flamingo Club by murder, Meyer Lansky, Little Augies Casano, Frank Costello, Joe Adonis, Frank Erickson, Longie <sup>Joe</sup> ~~Z~~-Willman, Greasy Thumb Guzik, and Lucky Luciano. Many of those are now dead, but their ilk have carried on.

Of course, Atlantic City, at present, isn't much better, according to the article in the February, 1971 issue of Readers' Digest. I quote - "Rackets - controlled by Angelo Bruno and veteran mobster Herman (Stumpy) Orman - flourish. Policemen complain that they are not allowed to enforce the law against major gamblers and racketeers. ....The public-safety commissioner meets regularly with ex-convict Paul (Skinny) D'Amato, whose 500 Club is described by federal agents as the local headquarters for Bruno's Cosa Nostra family."

But, Senators, because that sort of situation exists now, certainly is no justification for allowing increased corruption which must occur if wide-open gambling is legalized in Atlantic City. Former U.S. Attorney Frederick B. Lacey has shown that the criminal elements have purchased police and judges, business men and union leaders, all over New Jersey, and has declared, "We are in danger of being taken over." With the additional sums that wide-open gambling would pour into the hands of the crime syndicate its power to buy its way into control of the State would be enhanced. Back in the 1890s the gamblers controlled the New Jersey Legislature. Let not that happen again, Senators.

And think not that if the casinos were run by the State this situation would not arise. It wouldn't - immediately, but sooner or later officials would succumb to the large bribes that the underworld syndicate would offer.

Richardson Dilworth, former mayor of Philadelphia, made this statement, "I

was District Attorney of Philadelphia for three years before I became Mayor. My experience in that office confirmed <sup>my</sup> belief that organized gambling cannot be tolerated in any large city.

"It is true that a substantial number of our citizens enjoy gambling in some form or other, but to legalize gambling would neither eliminate racketeers nor make them respectable; nor would it bring honest or respectable men into that occupation.

"The voice of organized gambling is that it involves so much money and such a tremendous profit that it puts into the hands of racketeers enormous sums of money with which to corrupt the community.

"I do not say that even the most vigorous law enforcement will ever end organized gambling, but, if such enforcement were abandoned, the racketeers, would soon make honest and decent government in our big cities impossible."

Another thing I would point out and I haven't heard this from other sources on this current matter, is that the opportunity for cheating the players in cards, dice, roulette, slot-machines, etc. is limitless. The "House" must win. Naturally, the House can't leave everything to the fickle whim of Lady Luck, even though the odds are in the favor of the House because of its staying power. None ever broke the bank at Monte Carlo, and none has at Las Vegas. The big houses keep \$500,000 in reserve on week-ends. And the temptation to cheat for a bigger profit is very great. Some years ago Michael Mac Dougall wrote a book "Gamblers Don't Gamble". He was a card detective. He said, "There are hundreds of ways of manipulating cards....A good mechanic can deal anybody any hand he likes at any time, or stack the cards so his opponent will deal him the card he wants." In his own position as a card-detective he had to be able to tell by the mere feel of a deck that its edges had been microscopically shaved off so that the pattern on the back isn't quite the same in all the cards. He wrote, "I must catch the lightning-flicker of a card dealt from the bottom. I must be able to detect the odor of wax which has made a "slick ace" ready for slip-cutting". And on and on he offered fascinating explanations of methods of cheating, for what can be done with cards can also be done with dice,

- 4 -

the roulette wheel and slot-machines. These last are usually set to make a 70-30, or 80-20 return to the House.

You have yourselves refuted the fantastic claims of \$200,000,000 in tax revenue that Atlantic City wide-open gambling would bring. And of the amount that would be realized, instead of going mostly for old-age housing, public safety, and business incentives, as the resolution calls for, much would be needed for increased welfare costs and crime prevention.

In last Tuesday's New York Times (2/2/71) is a letter to the Editor written by Rev. William H. Hudnut, interim pastor of the Brick Presbyterian Church of New York. The Editor entitled it "Casino Gambling Evils." He showed that economically, legalized gambling simply served to involve and impoverish more people. He pointed out that the legalization of gambling does not make it law abiding. I wish to quote what Dr. Hudnut wrote concerning its moral effects.

X "For the State to put its stamp of approval on gambling dens would be another step in the modern erosion of ethical standards. If reverence for the individual is right, if it matters whether private persons are hurt by public policies, if concern for human welfare is indeed to be placed above financial profit, then state-sponsored commercialized gambling is wrong, for it contravenes all the above principles.

"It cares not whether a person is urged to waste his time and money seeking something for nothing, and is debased or destroyed in the process. It says in effect that any tax can be justified so long as it helps to fill the coffers of the State, that the end is revenue and that the means are relatively unimportant. Whatever produces more revenue is all right.

"But such an approach is all wrong. We obviously need laws to protect us from ourselves. -- It would be most unfortunate if, in the name of liberty, unlimited license were to be given to commercialized gambling. He who would prey upon my purse or my person surely must be restrained; the professional gambler does both.

The New Jersey Christian Conference on Legislation and the Lord's Day Alliance of New Jersey respectfully urge you to hold in Committee SCR 74 or any other resolution of its kind which may be later introduced.

# Resolution of the Town of Irvington, N. J.

No. MC 71-0112-1

Date of Adoption 1-12-71

TITLE

Approved as to Form and Legality on Basis of Facts Set Forth

Factual contents certified to by

Corporation Counsel, Date

Title

Councilman Trento Presents the following Resolution Seconded by Councilman Galluzzi

WHEREAS, the State of New Jersey has created a very successful Lottery which should substantially reduce the tax burden of the Citizens of the State of New Jersey; and

WHEREAS, Senator Frank X. McDermott of Union County has introduced legislation before the legislature of Trenton, New Jersey to permit legalized gambling in Atlantic City, which legislation should further reduce the tax burden on all the Citizens of the State; and

WHEREAS, the legislature has not acted on Senator McDermott's Bill to permit legalized gambling in Atlantic City; and

WHEREAS, the Municipal Council of the Town of Irvington recognizes the plight of the taxpayer and is in favor of granting the taxpayers of the State of New Jersey as much relief as possible and further recognizes that the State's Lottery appears very successful and the Municipal Council has every reason to believe that legalized gambling in Atlantic City would also be very successful; and

WHEREAS, the question of legalized gambling is so vital that the issue of legalized gambling should be submitted to the Citizens of the State of New Jersey in the form of a public referendum to be decided at the November 2, 1971 General Election;

NOW THEREFORE BE IT RESOLVED BY THE MUNICIPAL COUNCIL OF THE TOWN OF IRVINGTON, NEW JERSEY that the Legislature of the State of New Jersey prepare a public question to decide whether or not legalized gambling should be permitted in Atlantic City, which question should be submitted to the Voters at the November 2, 1971 General Election.

BE IT FURTHER RESOLVED that a copy of this resolution be sent to the Legislature of Essex County, Senator Francis X. McDermott and Governor William T. Cahill.

DO NOT USE SPACE BELOW THIS LINE

## RECORD OF COUNCIL VOTE

COUNCILMAN	YES	NO	N.V.	A.B.	COUNCILMAN	YES	NO	N.V.	A.B.
BLASI	X				SKIRBST	X			
GAAL	X				SMOLEN	X			
GALLUZZI	X				TRENTO, Pres.	X			
MEAD	X								

X—Indicate Vote

A.B.—Absent

N.V.—Not Voting

X.O.R.—Indicates Vote to Override Veto

January 12, 1971

Adopted at a meeting of the Municipal Council of the Town of Irvington, N. J.

Alexander A. Trento  
President of the Council

Town Clerk

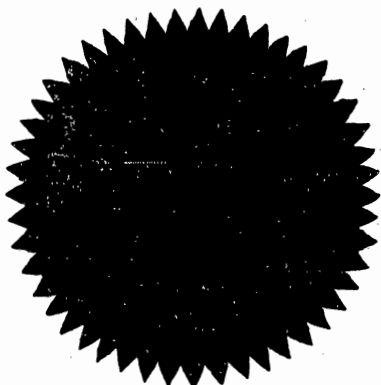
This Resolution when adopted must remain in the custody of the Town Clerk. Certified copies are available.

## Board of Chosen Freeholders

Union County, Elizabeth, New Jersey

I, IRVING VELINSKY, Clerk of the Board of Chosen Freeholders of the County of Union, do hereby certify that the annexed is a true copy of a Resolution, passed at a .....**regular**..... meeting of the Board of Chosen Freeholders, held on the .....**28th**..... day of .....**January**....., **1971**.....

In Witness Whereof, I have hereunto set my hand and the seal of the County of Union, this .....**29th**..... day of .....**January**....., **1971**.....



*Irving Velinsky*  
.....  
Clerk of the Board.

RESOLUTION BY FREEHOLDER DIRECTOR TILLER FOR COMMITTEE OF THE WHOLE

WHEREAS, New Jersey Senate concurrent Resolution No. 74 proposes to amend Article IV, Sec. VII, paragraph 2 of the Constitution of the State of New Jersey to enable the Legislature to authorize gambling in this State where the specific kind, restrictions and control thereof have theretofore been submitted to and authorized by a majority of the votes cast by the people at a general or special election; and

WHEREAS, said proposed amendment also provides that certain organizations, clubs, fire companies and rescue squads shall be permitted to conduct the game of chance known as bingo or lotto under restrictions and controls prescribed by the Legislature, in any municipality in which a majority of the qualified voters voting thereon at a general or special election have authorized the same; and

WHEREAS, said proposed amendment also provides that certain organizations, clubs, fire companies and rescue squads shall be permitted to conduct the game of chance known as raffles under restrictions and controls prescribed by the Legislature, in any municipality in which a majority

of the qualified voters voting thereon at a general or special election have authorized the same; and

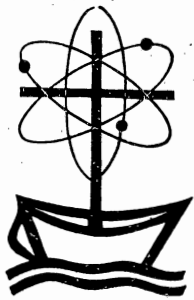
WHEREAS, said proposed amendment provides that it shall be lawful for the Legislature to authorize the conduct of State lotteries where the net proceeds of such lotteries shall be for State institutions and State aid for Education; and

WHEREAS, said proposed amendment also provides that the Legislature may authorize the conduct and operation under State control of gambling games in the City of Atlantic City, the net revenue thereof to be appropriated by the State exclusively for State aid to municipalities and other public purposes specified therein; and

WHEREAS, said proposed amendment also requires the approval of a majority of the qualified voters of the City of Atlantic City voting thereon at the election approving said proposed amendment;

NOW, THEREFORE, BE IT RESOLVED, by the Board of Chosen Freeholders of Union County, that it go on record approving and supporting said New Jersey Senate Concurrent Resolution No. 74, which will permit the people of the State of New Jersey and of the respective municipalities of this State to determine for themselves whether gambling as described and established in said proposed amendment shall be legalized in the State of New Jersey;

BE IT FURTHER RESOLVED, that a copy of this Resolution be forwarded to Honorable William T. Cahill, Governor; the Clerks of the New Jersey Senate and House of Assembly; the members of the Union County Legislative Delegation and the New Jersey Association of Chosen Freeholders.



# COUNCIL OF CHURCHES OF GREATER TRENTON

1235 GREENWOOD AVENUE ... TRENTON, NEW JERSEY 08609

Telephone (609) 396-9166 and 396-9167

STATE OF N.J.  
LEGISLATIVE  
SERVICES

February 11th, 1971

The Honorable Harry L. Sears  
714 Main Street  
Boonton, New Jersey 07005

Dear Senator Sears,

The following is my testimony for your Commission on casino gambling. I trust that it will be included in your records and shared with the other members of the Commission.

"I am the Reverend David D. Mellon, Executive Director of the Council of Churches of Greater Trenton. We have approximately sixty Protestant member churches with around 30,000 members.

I do not pretend to speak for all 30,000 Council of Churches members, but I would claim that I could speak for a substantial majority.

I am opposed categorically to the State of New Jersey permitting casino gambling in Atlantic City, Newark, Trenton or any other city or municipality in this State.

My reasons for opposing legalized gambling are in part as follows:-

1. This kind of situation is an open invitation to some undesirable persons and criminal elements. Nevada, which might be considered as a model, ranks fourth among states in number of major crimes per 100,000 population (1968), i.e. 3,020.8 crimes per 100,000. New Jersey by comparison ranked tenth with 2,437.6 crimes per 100,000.

A corollary is the amount spent by state and local governments for police protection. Nevada ranks first with \$33.75 per capita. New York is second with \$29.64, California \$25.21 and New Jersey fourth with \$21.75. If one might compare and project, it would seem that a part of the anticipated tax revenue would be needed to pay for increased police protection, plus the placing of additional strains on our already overtaxed judicial and penal systems.

I am also concerned about the influence of open, legalized gambling and the persons drawn to same, on the children and youth in the target and adjacent areas. This kind of negative influence is difficult to measure, as is the effect on relief roles and the draining off of funds from some community businesses and services. I am in a sense, raising the moral question in the broadest and deepest sense.

2. Secondly, it is claimed that anticipated tax revenue would help alleviate the money shortages for the obvious needs of state government. At best, the tax yield would not be sufficient. Again using the Nevada model and the income from their amusement taxes we discover the following:

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Executive Director

Mrs. Mittie B. Snell  
Coordinator-Youth Counseling

Mrs. Evelyn Newman  
Secretarial Assistant

Rev. Fred Berkobin, M.A.  
Chaplain, Trenton State College

John Robison  
Chaplain, Rider College

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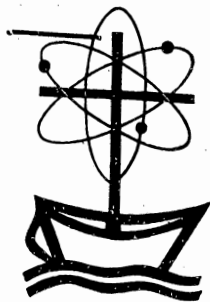
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The Honorable Harry L. Sears

- 2 -

February 11, 1971

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Mercer Hospital

	<u>1969</u>	<u>1970</u>
Gambling	\$ 26,955,000.	\$ 27,538,000.
Casino Entertainment	<u>5,347,000.</u>	<u>6,041,000.</u>
Total	\$ 32,302,000.	\$ 33,579,000.

New Jersey parimutuals bring in \$35,348,000. (1969). New Jersey sales tax yields \$100,000,000 for each 1%.

At best, tax yields from gambling would only briefly postpone the real financial needs currently confronting our state.

3. I'm wondering what can be done to assure the citizens that the intended legalized gambling can be stopped if it proves to be a disaster

'In 1960, Britain authorized legal gambling and set off a boom in which billions of dollars changed hands - most of it finding its way into the pockets of betting shop owners and gambling house proprietors.

With the boom came an influx of criminals, including members of the Mafia, either acting on their own or observing the gambling scene for possible large-scale investment by foreign organizations,

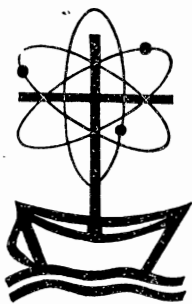
Now in 1967, worried by reports of protection rackets and other violence the British government is preparing legislation intended to restrict profits in such a fashion as to eliminate - or greatly diminish - the attraction to crime syndicates.

This "pathetic" act, the Betting and Gaming Act of 1960, as one commentator called it - was designed to head off illegal gambling by authorizing clubs to stage games in which all players theoretically had an equal chance and where the "house" did not hold the bank but only took a fee for providing the premises and paraphernalia.

At first, cautious gambling house operators permitted only chemin-defer in which each player takes the bank in turn. Then some clubs stretched the law a bit adding roulette along with an invitation to a player to take the bank if he could afford it. In practice this meant the house kept the bank all the time.

Craps soon followed as did blackjack and baccarat. About 1,000 clubs opened, a deluge that astonished legislators. Some of the highest stake gambling in the world went on nightly in stately homes converted into luxurious betting clubs.

In the last two years the size of the play has declined partly because the clubs have skimmed off much of the spare money around and the state of the economy is not conducive to extravagances. But there are still big profits, virtually no government control or inspection or veto by



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The Honorable Harry L. Sears -3- February 11, 1971

the police over people working in gambling establishments.'  
Information from Newark Sunday News. Revisions in 1968 have  
partially corrected some of the problems.

As all know it is notoriously difficult to stop something  
that is once started and permitted and I am certain this  
issue would be no different.

In conclusion, I would urge the New Jersey state legis-  
lature to not permit legalized gambling in any of its mun-  
icipalities.

Sincerely,

David D. Mellon

DDM:en

cc: The Hon. William T. Cahill  
Mr. Sam Alito ✓