

PUBLIC HEARING

before

New Jersey, Legislature.

SENATE JUDICIARY COMMITTEE

SENATE BILL 1780
(Casino Control Act).

Held:
March 2, 1977
City Hall
Atlantic City, New Jersey

New Jersey State Library

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ADVANCE COPY
SENATE, No. 1780

STATE OF NEW JERSEY

By Senator McGAHN

AN ACT authorizing the establishment of gambling casinos in Atlantic City and providing for the licensing, regulation and taxation thereof; creating the New Jersey Casino Control Commission, prescribing the powers, duties and functions thereof and making an appropriation thereto; supplementing Title 5 of the Revised Statutes.

1 BE IT ENACTED *by the Senate and General Assembly of the State*
2 *of New Jersey:*

CASINO CONTROL ACT

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ARTICLE 1.

INTRODUCTION AND GENERAL PROVISIONS.

- 1 1. Short Title; Declaration of Policy and Legislative Findings.
2 a. This act shall be known and may be cited as the "Casino
3 Control Act."
4 b. The Legislature hereby finds, and declares to be the public
5 policy of this State, the following:
6 (1) The tourist, resort and convention industry of this State
7 constitutes a critical component of its economic structure and, if
8 properly developed and fostered, is capable of providing a sub-
9 stantial contribution to the general welfare, health and prosperity
10 of the State and its inhabitants.

11 (2) By reason of its location, natural resources and worldwide
12 prominence and reputation, the city of Atlantic City and its resort,
13 tourist and convention industry represent a critically important and
14 valuable asset in the continued viability and economic strength of
15 the tourist, convention and resort industry of the State of New
16 Jersey.

17 (3) The rehabilitation and redevelopment of existing tourist and
18 convention facilities in Atlantic City, and the fostering and encour-
19 agement of new construction and the replacement of lost convention
20 and tourist centers in Atlantic City will offer a unique opportunity
21 for the inhabitants of the entire State to make maximum use of the
22 natural resources available in Atlantic City for the expansion and
23 encouragement of New Jersey's tourist and convention industry,
24 and, to that end, the restoration of Atlantic City as the Playground
25 of the World and the major tourist and convention center of the
26 Eastern United States is found to be a program of critical concern
27 and importance to the inhabitants of the State of New Jersey.

28 (4) The introduction of a small number of casino rooms in
29 major hotel and convention facilities, offered as an additional
30 element in the resort, convention and tourist industry of Atlantic
31 City, will facilitate the redevelopment of blighted areas and existing
32 hotel, convention and tourist facilities, and encourage the replace-
33 ment of lost facilities, attracting new investment capital to New
34 Jersey in general and to Atlantic City in particular.

35 (5) An integral and essential element of the regulation and
36 control of such casino facilities by the State rests in the public
37 confidence and trust in the credibility and integrity of the regula-
38 tory process. To further such public confidence and trust, the
39 regulatory provisions of this act are designed to extend strict
40 State regulation to all persons, locations, practices and associations
41 related to the operation of licensed casino enterprises as herein
42 provided. In addition, licensure of a limited number of casino
43 establishments, with the more limited law-enforcement supervision
44 attendant thereto, is further designed to contribute to the public
45 confidence and trust in the efficacy and integrity of the regulatory
46 process.

47 (6) Legalized casino gambling in New Jersey can attain, maintain
47A and retain integrity, public confidence and trust, and remain com-
48 patible with the general public interest only under such a system of
49 regulation as insures, so far as practicable, the exclusion from
50 participation therein of persons with known criminal records,
51 habits or associations, and the exclusion or removal from any posi-

52 tions of authority or responsibility within the casino gambling
53 industry and establishments of any persons known to be so deficient
54 in business probity, ability or experience, either generally or with
55 specific reference to gambling, as to create or enhance the dangers
56 of unsound, unfair or illegal practices, methods and activities in the
57 conduct of gaming or the carrying on of the business and financial
58 arrangements incident thereto.

59 (7) Restricting the issuance of casino licenses to major hotel
60 and convention facilities is designed to assure that the existing
61 nature and tone of the family resort, tourist and convention indus-
62 try in New Jersey and in Atlantic City is preserved, and that the
63 casino rooms licensed pursuant to the provisions of this act are
64 always offered and maintained as an integral element of such
65 resort, tourist and convention facilities, rather than as the industry
66 unto themselves that they have become in other jurisdictions.

67 (8) It is in the public interest, and determined as the policy of
68 the Legislature, that the institution of licensed casino establish-
69 ments in New Jersey be strictly regulated and controlled pursuant
70 to the above findings, and also pursuant to the provisions of this
71 act, which provisions are designed to engender and maintain public
72 confidence and trust in the regulation of the licensed enterprises,
73 to provide an effective method of rebuilding and redeveloping
74 existing facilities and encouraging new capital investment in
75 Atlantic City, and to provide a meaningful and permanent contribu-
76 tion to the economic viability of the resort and tourist industry of
77 New Jersey.

1 2. Definitions. As used in this act, the words and terms have the
2 meanings ascribed to them in sections 3 through 40 of this act,
3 unless a different meaning clearly appears in the context.

1 3. "Applicant"—Any person who has applied for or is about to
2 apply for a casino license or a manufacturers', sellers', distributors'
3 or servicers' license under the provisions of this act, or for approval
4 of any act or transaction for which commission approval is required
5 or permitted under the provisions of this act.

1 4. "Application"—A request for the issuance of a casino license
2 or manufacturers', sellers', distributors' or servicers' license, or
3 for approval of any act or transaction for which commission
4 approval is required or permitted pursuant to the provisions of
5 this act.

1 5. "Casino"—A single room of at least 15,000 square feet in which
2 casino gambling is conducted by a person licensed pursuant to the
3 provisions of this act.

1 6. "Casino employee"—Any person employed in the operation
2 of a licensed casino, including, without limitation, boxmen;
3 cashiers; dealers or croupiers; floormen; hosts or other persons
4 empowered to extend credit or complimentary service; machine
5 mechanics; security personnel or inspectors; shift or pit bosses;
6 supervisors or managers; and bartenders, waiters and waitresses
7 or other persons engaged in preparing or serving food or beverages
8 within the casino.

1 7. "Casino license"—Any license issued pursuant to this act which
2 authorizes the holder thereof to engage in the operation of a casino.

1 8. "Chairman" and "commissioner" or "member"—The chair-
2 man and any member of the Casino Control Commission, respec-
3 tively.

1 9. "Chief enforcement officer"—The employee of the Casino
2 Control Commission designated as the Chief Enforcement Officer.

1 10. "Commission"—The New Jersey Casino Control Commission.

1 11. "Director"—Any director of a corporation or any person
2 performing similar functions with respect to any organization.

1 12. "Equal employment opportunity"—Equality in opportunity
2 for employment by any person licensed pursuant to the provisions
3 of this act.

1 13. "Equity security"—(1) Any voting stock of a corporation,
2 or similar security; (2) any security convertible, with or without
3 consideration, into such a security, or carrying any warrant or
4 right to subscribe to or purchase such a security; (3) any such
5 warrant or right; or (4) any security having a direct or indirect
6 participation in the profits of the issuer.

1 14. "Establishment"—Any premises wherein or whereon any
2 gaming is done.

1 15. "Executive director"—The Executive Director of the Casino
2 Control Commission.

1 16. "Family"—Parents, grandparents, children, grandchildren,
2 siblings, uncles, aunts, nephews, nieces, fathers-in-law, mothers-
3 in-law, daughters-in-law, sons-in-law, brothers-in-law and sisters-
4 in-law, whether by the whole or half blood, by marriage, adoption
5 or natural relationship.

1 17. "Game" or "gambling game"—Any banking or percentage
2 game located exclusively within the casino played with cards, dice
3 or any mechanical device or machine for money, property, checks,
4 credit or any representative of value; including, without limiting
5 the generality of the foregoing, faro, monte, roulette, pan, twenty-
6 one, blackjack, seven-and-a-half, baccarat, chemin-de-fer, craps,

7 stud poker, draw poker or slot machine, but for the purposes of
8 this act, specifically not including the game of bingo or any deriva-
9 tive thereof, such as keno, or any betting of any sort upon any
10 sports event or any other activity not conducted in the casino.

1 18. "Gaming" or "gambling"—The dealing, operating, carry-
2 ing on, conducting, maintaining or exposing for pay any game as
3 defined in section 17.

1 19. "Gaming device"—Any mechanical contrivance or machine
2 used in connection with gaming or any game.

1 20. "Gross revenue"—The total of all sums actually received by
2 a licensee from gaming operations, less only the total of all sums
3 paid out as winnings to patrons.

1 21. "Hearing examiner"—Commissioner or other person autho-
2 rized by the commission to conduct investigative hearings.

1 22. "Holding company"—Any corporation, association, firm,
2 partnership, trust or other form of business organization not a
3 natural person which, directly or indirectly, owns, has the power
4 or right to control, or has the power to vote all or any part of
5 the outstanding voting securities of a corporation which holds or
6 applies for a casino license. For the purposes of this section, in
7 addition to any other reasonable meaning of the words used, a
8 "holding company" indirectly has, holds or owns any such power,
9 right or security if it does so through any interest in a subsidiary
10 or successive subsidiaries, however many such subsidiaries may
11 intervene between the holding company and the corporate licensee
12 or applicant.

1 23. "Hotel" or "approved hotel"—A single building, or physi-
2 cally connected buildings with a common lobby and common facili-
3 ties, under one ownership, located within the limits of the city of
4 Atlantic City as said limits are defined as of November 2, 1976, and
5 containing:

6 a. Not fewer than 400 sleeping units of at least 325 square feet,
7 including bathroom and closet space and excluding halls, balconies
8 and lounges, each such unit containing private bathroom facilities,
9 available and regularly used for the lodging of tourists and con-
10 ventions guests; and,

11 b. Not less than 25,000 square feet of enclosed public space,
12 available and of the sort regularly used for conventions, expositions,
13 meetings, banquets or similar functions, but not including space
14 regularly used as restaurants, parking areas, lobbies, bars, show
15 theaters, swimming pools or casinos.

- 1 24. "Intermediary company"—Any corporation, association,
2 firm, partnership, trust or any other form of business organization
3 other than a natural person which:
4 a. Is a holding company with respect to a corporation which
5 holds or applies for a casino license, and
6 b. Is a subsidiary with respect to any holding company.
- 1 25. "License"—A casino license or a manufacturers', distribu-
2 tors' sellers' or servicers' license.
- 1 26. "License fee"—Any moneys required by law to be paid for
2 the issuance or renewal of a casino license, or a manufacturers',
3 distributors', sellers', or servicers' license.
- 1 27. "Licensed casino operation"—Any casino licensed pursuant
2 to the provisions of this act.
- 1 28. "Licensee"—Any person to whom a valid casino license,
2 or manufacturers', distributors', sellers' or servicers' license has
3 been issued.
- 1 29. "Manufacturers', distributors', sellers', or servicers' li-
2 cense"—A license issued pursuant to the provisions of sections 85
3 and 86 of this act.
- 1 30. "Operation"—The conduct of gaming as herein defined.
- 1 31. "Party"—The Casino Control Commission, or any licensee,
2 or any person appearing of record for any licensee in any proceed-
3 ing before the commission, or in any proceeding for judicial review
4 of any action, decision or order of the commission.
- 1 32. "Person"—Any corporation, association, operation, firm,
2 partnership, trust or other form of business association, as well
3 as a natural person.
- 1 33. "Principal employee"—Any employee, who by reason of
2 remuneration, or of a management, supervisory or policy-making
3 position, or such other criteria as may be established by the com-
4 mission by regulation, holds or exercises such authority as shall
5 in the judgment of the commission be sufficiently related to the
6 operation of a licensee so as to require approval by the commission
7 in the protection of the public interest.
- 1 34. "Publicly traded corporation"—Any corporation or other
2 legal entity, except a natural person, which (1) has one or more
3 classes of security registered pursuant to section 12 of the Securi-
4 ties Exchange Act of 1934, as amended (USC Section 781), or
5 (2) is an issuer subject to section 15 (d) of the Securities Exchange
6 Act of 1934 as amended (USC Section 781).
- 1 35. "Respondent"—Any licensee or other person against whom
2 the commission has filed a complaint.

1 36. "Security"—Any instrument evidencing a direct or indirect
2 beneficial ownership or creditor interest in a corporation, including
3 but not limited to, stock, common and preferred; bonds; mortgages;
4 debentures; security agreements; notes; warrants; options and
5 rights.

1 37. "Slot machine"—Any mechanical, electrical or other device,
2 contrivance or machine which, upon insertion of a coin, token or
3 similar object therein, or upon payment of any consideration what-
4 soever, is available to play or operate, the play or operation of
5 which, whether by reason of the skill of the operator or application
6 of the element of chance, or both, may deliver or entitle the person
7 playing or operating the machine to receive cash, premiums, mer-
8 chandise, tokens or anything of value whatsoever, whether the
9 payoff is made automatically from the machine or in any other
10 manner whatsoever.

1 38. "Subsidiary"—

2 a. Any corporation, all or any part of whose outstanding equity
3 securities are owned, subject to a power or right of control, or
4 held with power to vote, by a holding company or an intermediary
5 company; or

6 b. Any firm, association, partnership, trust or other form of
7 business organization, not a natural person, or any interest therein,
8 which is owned, subject to a power or right of control, or held with
9 power to vote, by a holding company or an intermediary company.

1 39. "Work permit"—Any card, certificate or permit issued
2 by the commission, whether denominated as a "work permit,"
3 "registration card," or otherwise, authorizing the employment of
4 the holder as a casino employee.

1 40. Words and terms: tense, number and gender.

2 In construing the provisions of this act, save when otherwise
3 plainly declared or clearly apparent from the context:

4 a. Words in the present tense shall include the future tense.

5 b. Words in the masculine shall include the feminine and neuter
6 genders.

7 c. Words in the singular shall include the plural and the plural
8 shall include the singular.

ARTICLE 2.

CASINO CONTROL COMMISSION; ESTABLISHMENT AND ORGANIZATION.

1 41. Creation of Casino Control Commission; number of members.
2 The New Jersey Casino Control Commission, consisting of five
3 members, is hereby created within the Department of Law and
4 Public Safety.

1 42. Members of the commission; Qualifications and eligibility.
2 a. Each member of the commission shall be a citizen of the
3 United States and of the State of New Jersey.

4 b. No member of the Legislature, or person holding any elective
5 or appointive office in the State Government, or any officer or official
6 of any political party shall be eligible to serve as a member of the
7 commission.

8 c. No more than three members of the commission may be of
9 the same political affiliation.

1 43. Appointment and terms of commission members; vacancies;
2 removal; chairman. a. Initial appointments to the commission
3 shall be for terms as follows:

4 (1) One member for 1 year;

5 (2) One member for 2 years;

6 (3) One member for 3 years;

7 (4) One member for 4 years;

8 (5) One member for 5 years.

9 b. The term of each of the members first appointed shall be
10 designated by the Governor.

11 c. After the initial appointments all members shall be appointed
12 for terms of 5 years.

13 d. Appointments to the commission shall be made by the Gov-
14 ernor with the advice and consent of the Senate.

15 e. Appointments to fill vacancies on the commission shall be for
16 the unexpired term of the member to be replaced.

17 f. The Governor shall designate the member to serve as chair-
18 man, who shall coordinate the activities of the commission.

19 g. Any member of the commission may be removed for mis-
20 feasance, malfeasance or nonfeasance in office. Such removal may
21 be made after complaint instituted in the Superior Court by the
22 Attorney General.

1 44. Compensation of members. The compensation of the mem-
2 bers of the commission shall be established by law.

1 45. Organization and employees. a. The commission may estab-
2 lish, and from time to time alter, such plan of organization as it
3 may deem expedient, and may incur such expenses, within the limits
4 of funds available to it, as it may deem necessary.

5 b. The commission shall employ and fix the salaries of such
6 employees, or contract for the services of such professional, tech-
7 nical and operational personnel and consultants, as the execution
8 of its duties and operations may require, all without regard to the
9 provisions of Title 11 (Civil Service) of the Revised Statutes.

10 c. The commission shall make to the Governor and the Legisla-
11 ture a monthly report of all revenues, expenses and disbursements
12 for the preceding month, and an annual report, which shall include
13 a full and complete statement of revenues, expenditures and dis-
14 bursements, and shall also include such recommendations for
15 changes in this act as the commission deems necessary or desirable.

16 d. The commission shall report immediately to the Governor
17 and the Legislature any matters which in its judgment require
18 immediate changes in the laws of this State in order to prevent
19 abuses and evasions of this act or of rules and regulations promul-
20 gated thereunder, or to rectify undesirable conditions in connection
21 with the operation or regulation of casino gambling.

22 e. The commission shall carry on a continuous study and investi-
23 gation of the conduct of casino gambling, for the purposes of:

24 (1) Ascertaining any defects in this act or in the rules and
25 regulations issued thereunder by reason whereof any abuses in
26 the operation and regulation of such gambling or any evasion of
27 this act or the rules and regulations may arise or be practiced;

28 (2) Formulating recommendations for changes in this act and
29 in the rules and regulations thereunder to prevent such abuses
30 and evasions;

31 (3) Guarding against the use of this act and the rules and regu-
32 lations issued thereunder as a cloak for the carrying on of illegal
33 gambling or other organized criminal activities; and

34 (4) Insuring that said law and rules and regulations shall be in
35 such form and be so administered as to serve the true purposes
36 of this act.

37 f. The commission shall make a continuous study and investi-
38 gation, with a view to effecting changes that will tend to serve
39 the purposes of this act, of:

40 (1) The operation and administration of similar laws which
41 may be in effect in other states or countries;

42 (2) Any literature on the subject which from time to time may
43 be published or available;

44 (3) Any Federal laws which may affect the operation of casino
45 gambling in this State; and

46 (4) The reaction of New Jersey citizens to existing and poten-
47 tial features of casino gambling under this act.

1 46. Executive director; appointment; removal; qualifications.

2 a. The position of executive director of the Casino Control Com-
3 mission is hereby created.

4 b. The executive director shall be appointed by the commission,
5 and shall serve at its pleasure. He shall receive an annual salary
6 in an amount specified by the commission. No person shall be
7 eligible for nomination and appointment to the said office unless
8 he shall have had at least 5 years of responsible administrative
9 experience in public or business administration, or possesses broad
10 management skills.

11 c. Any vacancy occurring in the office of executive director of
12 the Casino Control Commission shall be filled in the same manner
13 as the original appointment.

1 47. Executive director; duties. The executive director shall be
2 responsible, under the supervision and direction of the commission,
3 for the administration of this act and for the enforcement of the
4 rules and regulations promulgated by the commission pursuant to
5 the provisions of this act. He shall be the secretary and executive
6 officer of the commission, and shall be responsible for certifying
7 and causing to be properly delivered to the appropriate licensees
8 all statements of sums due in fees or taxes pursuant to the provi-
9 sions of Article 9 (§§ 101-105) of this act.

1 48. Chief enforcement officer; appointment; qualifications.

2 a. The position of Chief Enforcement Officer of the Casino Con-
3 trol Commission is hereby created.

4 b. The chief enforcement officer shall be appointed by the com-
5 mission, upon recommendation by the Attorney General, and shall
6 serve at the pleasure of the commission. He shall receive an annual
7 salary in an amount specified by the commission. He shall be
8 selected with special reference to his training and experience in
9 the fields of investigation and law enforcement.

1 49. Chief enforcement officer; duties. The chief enforcement
2 officer shall supervise and direct the enforcement and investiga-
3 tive functions of the commission. He shall report directly to the
4 executive director and shall, from time to time, make such recom-
5 mendations to the executive director as he may deem necessary to
6 the improvement or the enforcement of the provisions of this act
7 and the rules and regulations of the commission.

1 50. Commission employees; employment full time; no political
2 activity; oaths.

3 a. Each employee of the ocmmission shall devote his entire time
4 and attention to the business of the commission and shall not pursue
5 any other business or occupation or hold any other office of profit.
6 Any person engaged by the commission as a consultant or inde-

7 pendent contractor to perform special services for a limited period
8 of time shall not be deemed to be an employee of the commission.

9 b. No member or employee of the commission shall be a member
10 of any committee of any political party or engage in any other
11 partisan political activities.

12 c. No person shall be eligible to serve as a member or as an
13 employee of the commission who shall have, within 3 years previous
14 to his appointment, been an owner of, or employed by, any gambling
15 establishment or any person engaged in any form of gaming, or
16 the operation of licensed parimutuel betting. During such person's
17 term of office or employment and for 5 years thereafter, such
18 person shall not be interested, directly or indirectly, as a share-
19 holder or owner, in any establishment licensed pursuant to the
20 provisions of this act, or be employed in any capacity whatever
21 by any person so licensed. Before entering upon the duties of
22 his office, position or employment, each member and employee of
23 the commission shall subscribe to the constitutional oath of office
24 and in addition shall swear that he is not pecuniarily interested in
25 any business or organization holding a license, or otherwise doing
26 business with any person holding a license issued pursuant to the
27 provisions of this act.

28 d. For all purposes of this act, the executive director and the
29 chief enforcement officer shall be considered as employees of the
30 commission.

1 51. Attorney General as legal advisor for commission.

2 The Attorney General and his duly appointed assistants and
3 deputies shall be the legal advisors for the commission and shall
4 represent the commission in any proceeding to which it is a party.

1 52. Meeting; quorum; investigative hearings.

2 a. Meetings of the commission may be held at the discretion of
3 the commission at such times and places as it may deem convenient.

4 b. Public notice of the times and places of all meetings shall be
5 given pursuant to the provisions of the Open Public Meetings Act
6 (P. L. 1975, ch. 231; C. 10:4-6 et seq.).

7 c. A majority of the full commission shall determine any action
8 of the commission, except that no license may be issued without
9 the approval of four members.

10 d. At least one member of the commission shall attend at all
11 investigative hearings conducted pursuant to the provisions of
12 this act.

1 53. Records of commission. a. The commission shall cause to
2 be made and kept a record of all proceedings held at meetings of

3 the commission, which records shall be open to public inspection.
4 b. A true copy of the minutes of every meeting of the commis-
5 sion shall be forthwith delivered, by and under the certification
6 of the executive director as its secretary, to the Governor. No
7 action, other than emergent action taken pursuant to section 59. c.,
8 taken at such meeting by the commission shall have force and effect
9 until 10 days, exclusive of Saturdays, Sundays and public holidays,
10 after the copy of such minutes shall have been so delivered. If,
11 in said 10-day period, the Governor returns such copy of the
12 minutes with veto of any action taken by the commission such
13 action shall be null and of no effect. The Governor may approve
14 all or part of the action taken at such meeting prior to the expira-
15 tion of said 10-day period.

16 c. The commission shall keep and maintain a file of all applica-
17 tions for licenses under this chapter together with a record of all
18 actions taken with respect to such applications, which file and
19 record shall be open to public inspection.

20 d. The commission shall maintain such other files and records
21 as may be deemed desirable.

22-24 e. All information and data required by the commission to be
25 furnished hereunder, or which may otherwise be obtained, relative
26 to the earnings or revenue of any applicant or licensee shall be
27 considered to be confidential and shall not be revealed in whole
28 or in part except:

29 (1) In the course of the necessary administration of this act;
30 (2) Upon the lawful order of a court of competent jurisdiction;
31 or
32 (3) To a duly authorized agent of the Federal Bureau of In-
33 vestigation, the United States Treasury Department or the Com-
34 missioner of Internal Revenue of the United States, pursuant to
35 rules and regulations adopted by the commission.

36 f. All information and data pertaining to an applicant's criminal
37 record, family, and background furnished to or obtained by the
38 commission from any source shall be considered confidential and
39 may be withheld in whole or in part, except that any information
40 shall be released upon the lawful order of a court of competent
41 jurisdiction.

42 g. Notice of the contents of any information or data furnished
43 or released pursuant to subsections d. and e. of this section may
44 be given to any applicant or licensee in a manner prescribed by
45 the rules and regulations adopted by the commission.

46 h. Files, records, reports and other information in the posses-
47 sion of the New Jersey Division of Taxation pertaining to licensees
48 shall be made available to the Casino Control Commission as may
49 be necessary to the effective administration of this act.

ARTICLE 3.

CASINO CONTROL COMMISSION; POWERS AND DUTIES.

1 54. Powers and duties of the commission. a. The provisions of
2 this act with respect to casino licenses and manufacturers', dis-
3 tributors', sellers' and servicers' licenses shall be administred by
4 the Casino Control Commission, which is hereby charged with
5 administering the same for the protection of the public and in the
6 public interest in accordance with the policy of this State. The
7 commission shall license, regulate and control casinos and casino
8 gaming pursuant to the provisions of this act. The commission
9 shall collect the taxes and license fees imposed by this act and the
10 regulations issued pursuant hereto, and enforce the rules and regu-
11 lations promulgated pursuant to the provisions of this act.

12 b. The commission shall:

13 (1) Investigate the qualifications of each applicant before any
14 license or permit is issued pursuant to the provisions of this act;

15 (2) Investigate the qualifications of each person for whom prior
16 approval is required pursuant to sections 69, 71, 91 and 97 of this
17 act; and

18 (3) Investigate the circumstances surrounding any act or trans-
19 action for which commission approval is required.

20 c. The commission shall continue to observe the conduct of all
21 licensees, persons for whom prior approval is required pursuant
22 to sections 69, 71, 91 and 97 of this act, and other persons having
23 a material involvement, directly or indirectly, with the licensed
24 casino operation, or the ownership thereof, to the end that licenses
25 or permits shall not be issued to, nor held by, nor shall there be
26 any material involvement, directly or indirectly, with a licensed
27 casino operation or the ownership thereof by, unqualified or dis-
28 qualified persons, or unsuitable persons, or persons whose opera-
29 tion are conducted in an unsuitable manner or in unsuitable or
30 prohibited places or locations.

31 d. The commission shall have the power and authority to deny
32 any application; limit, condition or restrict any license, permit
33 or prior approval; suspend or revoke any license, permit or prior
34 approval; and, impose a fine upon any person licensed, holding a
35 work permit, or who had previously been approved, for any cause

36 deemed reasonable by the commission pursuant to rules and regu-
37 lations promulgated thereby; except that:

38 (1) No such denial, limitation, suspension or revocation shall
39 be issued solely by reason of the fact that an applicant or licensee
40 holds any interest in, or is associated with, any licensed casino
41 enterprise in any other jurisdiction; and

42 (2) Any such denial, limitation, suspension or revocation shall
43 be based upon a finding that a specific person, location, operation,
44 practice or association is either a threat to the public interest or
45 to the effective regulation and control of licensed casinos, or an
46 unacceptable risk of such threat, based upon the prior activities
47 or experiences of such person, location, operation, practice or
48 association.

49 e. The commission and its agents, inspectors and employees
50 shall have the authority, without notice and without warrant,

51 (1) To inspect and examine all premises wherein casino gaming
52 is conducted, or gambling devices or equipment are manufactured,
53 sold, distributed or serviced, or wherein any records of such activi-
54 ties are prepared or maintained;

55 (2) To inspect all equipment and supplies in, about, upon or
56 around such premises;

57 (3) To seize summarily and remove from such premises and
58 impound any such equipment or supplies for the purposes of
59 examination and inspection;

60 (4) To inspect books, memoranda or documents, showing the
61 receipts and disbursements of a casino;

62 (5) To seize, impound or assume physical control of any book,
63 record, ledger, game, device, cash box and its contents, counting
64 room or its contents, or casino operations.

65 Any equipment, supplies, records or other objects or documents
66 seized, impounded or physically controlled by the commission pur-
67 suant to this subsection may be so held pending the filing and
68 disposition of a complaint, as hereinafter provided.

69 f. To insure compliance with the provisions of this act and the
70 rules and regulations of the commission, a member of the commis-
71 sion or its authorized agent or employee shall be present in each
72 casino during all hours of operation and shall certify the accuracy
73 of the daily count of moneys and vouchers of each licensed casino.

74 g. The commission shall have power and authority to issue sub-
75 penas and compel the attendance of witnesses at any place within
76 this State, to administer oaths and require testimony under oath.
77 Any process or notice may be served in a manner provided for
78 service of process and notice in civil actions.

79 h. The commission may appoint hearing examiners, who shall
80 have power and authority to administer oaths and require testimony
81 under oath.

1 55. Commission to initiate proceedings, actions or prosecutions;
2 referral to prosecutors, Attorney General. a. The commission shall
3 initiate and direct the proceedings and actions or prosecutions
4 instituted to enforce the provisions of this act.

5 b. The commission shall refer to the prosecutor of any county
6 or to the Attorney General the institution of such criminal pro-
7 ceedings as are recommended by the commission.

1 56. Commission may bring civil action for collection of fees, in-
2 terest, penalties or tax; limitation. a. At any time within 5 years
3 after any amount of fees, interest, penalties or tax required to
4 be collected pursuant to the provisions of this act shall become
5 due and payable, the commission may bring a civil action in the
6 courts of this State or any other state, or of the United States,
7 in the name of the State of New Jersey, to collect the amount de-
8 linquent, together with penalties and interest. An action may be
9 brought whether or not the person owing the amount is a licensee
10 pursuant to the provisions of this act.

11 b. If the action is brought in this State,

12 (1) A writ of attachment may be issued, and no bond or affidavit
13 prior to the issuance thereof shall be required; and

14 (2) The records of the commission shall be prima facie evidence
15 of the determination of the tax or the amount of the delinquency.

1 57. Commission's exercise of proper power or authority not
2 confined to powers enumerated in act. The commission may exer-
3 cise any proper power or authority necessary to perform the duties
4 assigned to it and is not limited to the enumeration of powers
5 specified by this act.

1 58. Costs of operation; how paid. The Legislature shall appro-
2 priate annually from the State Casino Revenue Fund the moneys
3 required for the costs of operation of the commission in adminis-
4 tering the provisions of this act.

ARTICLE 4.

CASINO CONTROL COMMISSION; REGULATIONS

1 59. Regulations; adoption, amendment, repeal; procedure; de-
2 claratory judgments. a. The commission shall, adopt, amend and
3 repeal regulations in accordance with applicable provisions of the
4 "Administrative Procedure Act" (P. L. 1968, c. 410; C. 52:14B-1
5 et seq.).

6 b. Any interested person may file a petition with the commis-
7 sion requesting the adoption, amendment or repeal of a regulation.
8 Such petition shall state clearly and concisely:

9 (1) The substance and nature of the regulation, amendment or
10 repeal requested;

11 (2) The reason for the request; and

12 (3) Reference to the authority of the commission to take the
13 action requested.

14 Upon receipt of the petition, the commission, shall within 30
15 days, deny the request in writing or schedule the matter for action
16 pursuant to this section.

17 c. In emergencies, the commission may summarily adopt, amend
18 or repeal any regulation, if at the time it files a finding that such
19 action is necessary for the immediate preservation of the public
20 peace, health, safety, morals, good order and general welfare to-
21 gether with a statement of facts constituting the emergency.

22 d. The commission or any applicant or licensee may obtain a
23 judicial determination of any question of construction or validity
24 arising under this act or any regulation of the commission by
25 bringing an action for declaratory judgment in the Superior Court.
26 Any question of construction or validity of this act or any regula-
27 tion of the commission shall be deemed a justifiable controversy.

1 60. Regulations; adoption, amendment, repeal authorized;
2 matters required to be included.

3 a. The commission is empowered to and from time to time shall
4 adopt, amend or repeal such regulations, consistent with the policy,
5 objects and purposes of this act, as it may deem necessary or
6 desirable for the public interest in carrying out the policy and
7 provisions of this act.

8 b. Said regulations, without in any way limiting the general
9 powers herein conferred, shall include the following specific
10 provisions:

11 (1) Prescribing the method and form of application which
12 any applicant for a casino license; approval pursuant to section 69,
13 71, 91 or 97; or a manufacturers', distributors', sellers', or ser-
14 vicers' license shall follow and complete prior to consideration of
15 his application by the commission;

16 (2) Prescribing the information to be furnished by any applicant
17 or licensee concerning such person's family, habits, character,
18 associates, criminal record, business activities and financial affairs,
19 past or present;

20 (3) Requiring fingerprinting of an applicant or a licensee or
21 employee of the licensee, or other method of identification;

- 22 (4) Prescribing the manner and procedure of all hearings con-
23 ducted by the commission or any hearing examiner, including
24 special rules of evidence applicable thereto and notices thereof;
- 25 (5) Prescribing the manner and method of collection of pay-
26 ments of taxes and fees, and issuance of licenses;
- 27 (6) Defining and limiting the areas of operation, games and
28 devices permitted, and the method of operation of such games
29 and devices;
- 30 (7) Defining and regulating the practice of extending credit to
31 patrons, including the authority to limit the circumstances and
32 amount of credit; said regulations shall prohibit extension of credit
33 by a licensee to any member of the State Legislature, any member
34 or employee of the commission or to any member of the family
35 of any such legislator, commission member or employee;
- 36 (8) Defining and limiting the hours of operation of all games,
37 which hours shall be uniform as to all licensees, and shall provide
38 for operation not more than 16 hours in any 24-hour period.
- 39 (8A) Prescribing grounds for revocation, conditioning, or suspen-
40 sion of licenses;
- 41 (9) Governing the manufacture, distribution, sale, and servicing
42 of gambling devices and equipment;
- 43 (10) Requiring any applicant or licensee to waive any privilege
44 with respect to any testimony at any hearing or meeting of the
45 commission, except any privilege afforded by the Constitution of
46 the United States or of this State; and
- 47 (11) Prescribing the qualifications of, and the conditions pur-
48 suant to which attorneys, accountants and others shall be permitted
49 to practice before the commission.
- 1 61. Regulations requiring exclusion or ejection of certain per-
2 sons from licensed casino gaming establishments; persons included;
3 duty of licensed establishment.
- 4 a. The commission shall by regulation provide for the establish-
5 ment of a list of persons who are to be excluded or ejected from
6 any licensed casino establishment. This list may include any
7 person:
- 8 (1) Who is of notorious or unsavory reputation;
- 9 (2) Who has been convicted of a criminal offense under the
10 laws of this State or the United States, which is punishable by
11 more than 6 months in prison, or any crime or offense involving
12 moral turpitude; or,
- 13 (3) Whose presence in a licensed casino would, in the opinion
14 of the commission, be inimical to the interests of the State of New
15 Jersey or of licensed gambling therein, or both.

16 b. Race, color, creed, national origin or ancestry, or sex shall
17 not be a reason for placing the name of any person upon such list.

18 c. Any list compiled by the commission of persons to be excluded
19 or ejected shall not be deemed an all-inclusive list, and licensed
20 casino establishments shall have a duty to keep from their premises
21 persons known to them to be inimical to the interests of the State
22 of New Jersey or of licensed gambling or both.

1 62. Regulations requiring exclusion or ejection of certain per-
2 sons from licensed casino gaming establishments; notice to person
3 whose name is placed on list.

4 Whenever the name or description of any person is placed on a
5 list pursuant to section 61, the commission shall serve notice of
6 such fact to such person by personal service, or by certified mail
7 at the last known address of such person, or by publication daily
8 for 1 week in a newspaper of general circulation in Atlantic City.

1 63. Regulations requiring exclusion, or ejection of certain per-
2 sons from licensed casino gaming establishments; hearings.

3 a. Within 30 days after service by mail or in person, or 60 days
4 from the time of last publication, as the case may be, pursuant to
5 section 62, the person named may demand a hearing before the
6 commission and show cause why he should have his name removed
7 from such a list. Failure to demand such a hearing within the time
8 allotted in this section shall preclude such person from having
9 an administrative hearing, but shall in no way affect his right for
10 judicial review as provided in paragraph (2) in subsection c. herein.

11 b. Upon receipt of a demand for a hearing the commission shall
12 set a time and place for the hearing, which shall be held in the
13 offices of the commission. Unless otherwise agreed by the com-
14 mission and the applicant, such hearing shall not be later than
15 30 days after receipt of the demand for such hearing.

16 c. (1) If upon completion of the hearing the commission deter-
17 mines that the regulation does not or should not apply to the person
18 so listed, the commission shall notify all persons licensed under
19 section 73 of this act of such determination; or

20 (2) If upon completion of the hearing the commission deter-
21 mines that the placement of the name of the person on the ex-
22 clusionary rejection list was appropriate, the commission shall
23 make and enter in its minutes an order to that effect. Such order
24 shall be subject to review by the Superior Court in accordance with
25 the provisions of section 82 of this act.

1 64. Regulations requiring exclusion, ejection of certain persons
2 from licensed casino gaming establishments; penalties for failure
3 to exclude or eject.

4 The commission may revoke, limit, condition, suspend or fine a
5 licensed casino or individual licensee, in accordance with the laws
6 of this State and the regulations of the commission, if such licensed
7 casino or individual licensee fails to exclude or eject from the
8 premises of any licensed casino any person placed on the list of
9 persons to be excluded or ejected.

1 65. Regulations concerning financial practices of licensees;
2 minimum procedures for control of internal fiscal affairs; internal
3 audits.

4 a. The commission shall by regulation prescribe minimum pro-
5 cedures for adoption by each licensee to exercise effective control
6 over internal fiscal affairs, which shall include but not be limited
7 to provisions for:

8 (1) The safeguarding of assets and revenues, and the recording
9 of cash and evidence of indebtedness, which regulations shall pro-
10 vide, inter alia, that no credit shall be extended on behalf of a
11 licensee to any patron except pursuant to a written memorandum
12 of credit, which memorandum shall be filed with the daily receipts
13 and preserved until satisfied or canceled pursuant to regulations;
14 and

15 (2) The provisions of reliable records, accounts and reports of
16 transactions, operations and events, including reports to the
17 commission.

18 b. The commission shall by regulation provide for the adoption
19 and use of internal audits, whether by qualified internal auditors
20 or by accountants holding a license to practice public accounting.
21 As used in this subsection, "internal audit" means a type of control
22 which operates for the testing and evaluation of other controls
23 and which is also directed towards observing proper compliance
24 with the minimum standards of control herein.

1 66. Regulations concerning financial practices of licensees;
2 periodic financial reports from licensees.

3 The commission shall by regulation require periodic financial
4 reports of each licensee and shall:

5 a. Specify standard forms for reporting financial condition,
6 results of operations and other relevant financial information;

7 b. Formulate a uniform code of accounts and accounting classi-
8 fications to assure consistency, comparability, and effective dis-
9 closure of all financial information; and

10 c. Determine the intervals at which such information shall be
11 furnished.

1 67. Regulations concerning financial practices of licensees; audits
2 of financial statements.

3 a. The commission shall by regulation require audits of the
4 financial statement of all licensees. Such audits shall be made not
5 less frequently than once each year, and whenever the ownership
6 of such licensee shall be changed.

7 b. The audits provided for in subsection a. of this section shall
8 be made by certified public accountants licensed to practice in the
9 State of New Jersey.

10 c. Regulations for such audits shall require, inter alia:

11 (1) The independent certified public accountant shall submit an
12 audit report which shall express an opinion or, if appropriate,
13 disclaim an opinion on the statements taken as a whole, in accord-
14 ance with the standards of the accounting profession established
15 by the rules and regulations of the New Jersey State Board of
16 Certified Public Accountants; but the preparation of statements
17 without audit shall not constitute compliance with the provisions
18 of this act; and,

19 (2) The examination and audit shall disclose whether the ac-
20 counts, records and control procedures are maintained by the
21 licensee as required by the regulations published by the commission
22 pursuant to this act.

1 68. Regulations concerning financial practices of licensees:
2 penalties for noncompliance.

3 The commission shall by regulation prescribe a scale of fines and
4 penalties to be imposed on licensees for noncompliance with the
5 regulations of the commission.

ARTICLE 5.

LICENSING, OPERATION AND SUPERVISION OF CASINOS; DISCIPLINARY ACTIONS BY COMMISSION.

1 69. License or approval required for certain activities.

2 a. It shall be unlawful for any person, either as owner, lessee or
3 employee, whether or not for hire, either solely or in conjunction
4 with others.

5 (1) To deal, operate, carry on, conduct, maintain or expose for
6 play in the State of New Jersey any game or slot machine as defined
7 in this act, or

8 (2) To receive, directly or indirectly, any compensation or reward
9 or any percentage or share of the money or property played for
10 keeping, running or carrying on any game or slot machine, without
11 having first procured, and thereafter maintaining in full force and
12 effect, all licenses required by this act and other applicable statutes.

13 b. It shall be unlawful for any person to lend, let, lease or other-
14 wise deliver or furnish any service, including service in managing
15 a casino, or any equipment for any gambling game, including slot
16 machines, for any interest or any percentage or share of the money
17 or property played for with respect thereto, or for any interest,
18 however defined, in the revenues, profits or earnings of the casino,
19 other than pursuant to the terms of a written agreement, which
20 agreement shall not be effective unless approved by the commission.
21 Under no circumstances shall any such agreement be approved
22 unless all parties thereto are themselves holders of licenses issued
23 pursuant to the provisions of this act, except that receipts of
24 percentage rentals or percentage charges between a corporate
25 licensee and another entity which is a holding company or inter-
26 mediary company with respect to such licensee shall be permitted.

27 c. Receipts, rentals or charges for real property, personal prop-
28 erty or services shall not lose their character as payments of a
29 fixed sum because of contract, lease or license provisions for
30 adjustments in charges, rentals or fees on account of changes in
31 taxes or assessments, cost-of-living index escalations, expansion or
32 improvement of facilities, or changes in services supplied.

33 d. The commission may require a licensee to present an applica-
34 tion for approval of any agreement regarding the realty of, or
35 any business or person doing business on the premises of, the
36 hotel which contains the casino, in order that the commission may
37 determine whether said agreement or person should be approved
38 to be associated with a casino enterprise in accordance with the
39 procedures set forth in this act. If the commission does not approve
40 such an application, the commission shall require the termination
41 of such association. Any agreement which entitles a business other
42 than a casino to be conducted on such premises shall be subject to
43 commission approval of the business or of any person associated
44 therewith. Every such agreement shall be deemed to include a
45 provision for its termination without liability on the part of the
46 licensee, if the commission shall disapprove of the business or of
47 any other person associated therewith, by reason of a finding that
48 said business or person is unsuitable to be associated with a casino
49 enterprise. Failure expressly to include such a condition in the
50 agreement shall not constitute a defense in any action brought to
51 terminate the agreement. If the application is not presented to the
52 commission within 30 days following the demand therefor, or the
53 disapproved association is not terminated, the commission may
54 pursue any remedy or combination of remedies provided in this act.

55 e. It shall be unlawful for any person to sell, purchase, lease,
56 assign, hypothecate, borrow or loan money upon, or create a voting
57 trust agreement or any other agreement of any sort with respect to,
58 a hotel, or any interest therein, wherein a licensed casino shall be
59 located, except in accordance with the regulations of the com-
60 mission.

1 70. Qualification for casino license. a. Any person owning 100%
2 of an approved hotel as herein defined shall be eligible to apply
3 for the issuance of a casino license, as hereinafter provided.

4 b. The commission shall grant a license to a corporate applicant
5 which is otherwise eligible as provided in the within act and which
6 has complied with all of the provisions of sections 87 through 100
7 of this act.

8 c. The commission may grant a conditional license to an applicant
9 who submits plans for the construction of a qualified hotel, provided
10 that:

11 (1) Construction plans have been approved by all local and
12 State agencies, and all necessary permits have been obtained;

13 (2) All approvals provided in sections 69, 71, 91, and 97 of this
14 act have been issued;

15 (3) Construction shall commence upon, and be completed within
16 dates specified by the commission; and

17 (4) No casino operations of any kind shall be permitted until
18 construction has been completed and the hotel has been certified
19 by the commission as complying with the requirements of this act;
20 except that if the plans relate to the expansion and reconstruction
21 of a hotel in existence as of the effective date of this act, the
22 commission may permit the operation of a licensed casino during
23 the construction period, provided that the hotel shall contain and
24 have available for use not fewer than 250 qualified sleeping units,
25 as defined herein, and shall, in all other particulars, qualify as an
26 approved hotel.

1 71. Individual approval; limitations on number of persons
2 financially interested.

3 a. No partnership, limited partnership, association, business
4 trust or organization, or any association of a quasi-corporate
5 character which is not in itself a corporation, shall be eligible
6 to receive or hold any license under this act unless each person
7 having any direct or indirect interest therein of any nature
8 whatsoever, including specifically a financial, administrative,
9 policy-making or supervisory interest, would individually be quali-
10 fied for approval as a licensee pursuant to the provisions of this act.

11 b. The commission may by regulation limit the number of per-
12 sons who may be financially interested, and the nature of such
13 interest, in any corporation or other organization or association
14 licensed pursuant to the provisions of this act, and establish such
15 other qualifications for licenses as it may in the exercise of its
16 discretion deem to be in the public interest.

1 72. Application for casino license; contents.

2 a. Application for a casino license or other commission action
3 shall be made on forms furnished in accordance with the regula-
4 tions of the commission.

5 b. The application for a license shall include:

6 (1) The name of the proposed licensee;

7 (2) The location of his or its place of business;

8 (3) The gambling games, gaming devices or slot machines to be
9 operated;

10 (4) The names of all persons directly or indirectly interested
11 in the business and the nature of such interest; and

12 (5) Such other information and details as the commission may
13 require.

14 c. The commission shall furnish to the applicant supplemental
15 forms, which the applicant shall complete and file with the applica-
16 tion. Such supplemental forms shall require, inter alia, complete
17 information and details with respect to the applicant's family,
18 habits, character, criminal record, business activities, financial
19 affairs and business associates, covering at least a 10-year period
20 immediately preceding the date of filing of the application.

1 73. Investigation of applicants; order approving or denying
2 license.

3 a. Within a reasonable time after filing of an application and
4 such supplemental information as the commission may require,
5 the commission shall cause to be made such investigation into,
6 and conduct such hearings concerning the qualification of, the
7 applicant in accordance with its regulations as it may deem
8 necessary.

9 b. After conducting such investigation, the commission may
10 either deny the application or, by approval of at least four mem-
11 bers of the commission, grant a license to an applicant who has
12 not been convicted of any criminal offense and whom it determines
13 to be qualified to hold such license.

14 c. The commission shall have the authority to deny any applica-
15 tion pursuant to the provisions of subsection d. of section 54 of
16 this act. When an application is denied the commission shall pre-

17 pare and file its written decision upon which its order denying
18 such application is based, setting forth with particularity the
19 reasons for the denial.

20 d. When the commission grants an application for a license,
21 the commission may limit or place such conditions thereupon as it
22 may deem necessary in the public interest. The commission may,
23 if satisfied of the necessity of such action, issue a probationary
24 license, conditioned upon compliance by the licensee with specified
25 terms and conditions.

26 e. After an application is submitted to the commission, final
27 action of the commission shall be taken within 180 days after
28 completion of all hearings and investigations and the receipt of
29 all information required by the commission.

30 f. If satisfied that an applicant is eligible to receive a casino
31 license, and upon tender of all license fees and taxes as required
32 by law and regulations of the commission, and such bonds as the
33 commission may require for the payment of license fees and taxes
34 and the faithful performance of all requirements imposed by law
35 or regulation or the conditions of the license, the commission shall
36 issue a license for the term of 1 year.

37 g. The commission shall fix the amount of the bond or bonds
38 to be required under this section in such amounts as it may deem
39 appropriate, by rules of uniform application. The bond so furnished
40 may be applied by the commission to the payment of any unpaid
41 liability of the licensee under this article.

42 h. The board shall be furnished in cash, negotiable securities or
43 by a surety bond guaranteed by a satisfactory guarantor. If
44 furnished in negotiable securities, the principal shall be placed
45 without restriction at the disposal of the commission, but any
46 income shall inure to the benefit of the licensee.

1 74. Limitation on number of licenses.

2 No more than one casino license may be issued with respect to
3 any approved hotel.

1 75. Posting and inspection of licenses.

2 a. Any licenses issued under the provisions of this article shall
3 be posted by the licensee and kept posted at all times in a con-
4 spicuous place in the establishment for which issued until replaced
5 by a succeeding license.

6 b. All such licenses may be inspected by authorized State officials,
7 who shall report in writing to the commission any and all games
8 and slot machines found to be operating without a valid license.

1 76. Renewal of casino licenses.

2 a. Subject to the power of the commission to deny, revoke,
3 suspend, condition or limit licenses, any casino license in force
4 shall be renewed by the commission for the next succeeding license
5 period upon proper application for renewal and payment of license
6 fees and taxes as required by law and the regulations of the
7 commission.

8 b. Application for renewal shall be filed with the commission,
9 and all license fees and taxes as required by law shall be paid the
10 commission on or before the date of expiration of the current
11 license.

12 c. Upon renewal of any license the commission shall issue an
13 appropriate renewal certificate or validating device or sticker which
14 shall be attached to each casino license.

1 77. Information to be furnished by licensee.

2 Every licensee shall at all times maintain on file with the com-
3 mission a current report, verified by affidavit, which shall set
4 forth such information as may be required by the regulations of
5 the commission.

1 78. Investigations; disciplinary proceedings; power of com-
2 mission.

3 a. The commission shall from time to time conduct investiga-
4 tions:

5 (1) To determine whether there has been any violation of this
6 act or any regulations adopted hereunder;

7 (2) To determine any facts, conditions, practices or matters, as
8 it may deem necessary or proper, to aid in the enforcement of the
9 provisions of this act or the rules and regulations of the com-
10 mission;

11 (3) To aid in adopting regulations; or

12 (4) To secure information as a basis for recommending legisla-
13 tion relating to this act.

14 b. If after any investigation the commission is satisfied that
15 a license issued or approval granted by the commission under the
16 provisions of this act should be limited, conditioned, suspended or
17 revoked, it shall initiate a hearing by filing a complaint as herein-
18 after provided.

19 c. After filing the complaint the commission shall conduct further
20 proceedings in accordance with section 79 and, after compliance
21 with the provisions thereof, shall have power and authority to:

22 (1) Limit, condition, suspend or revoke any such license or
23 approval; or

24 (2) Order a licensed casino to keep any individual from the
25 premises of such licensed casino, or prohibit the payment to such
26 individual of any remuneration for any services rendered or
27 distribution of any earnings and profits from the licensee.

28 d. If the commission limits, conditions, suspends or revokes any
29 license or approval, or imposes a fine with respect thereto, it
30 shall issue a written order therefor after causing to be prepared
31 and filed its written decision upon which such order is based.

32 e. Any such limitation, condition, revocation, suspension or
33 fine shall remain effective unless reversed or modified by a court
34 of competent jurisdiction, except that the commission may stay
35 its order pending a rehearing or judicial review, upon such terms
36 and conditions as it deems proper.

37 f. Judicial review of any such order or decision of the commission
38 shall be provided in accordance with the provisions of section 82
39 of this act.

1 79. Disciplinary action; complaints; notice of defense; hearings.

2 a. A complaint filed pursuant to the provisions of section 77
3 shall include a written statement of charges, which shall set forth
4 in ordinary and concise language the acts or omissions with which
5 the respondent is charged. It shall specify the statute or regulation
6 which the respondent is alleged to have violated and shall specify
7 the facts upon which the charges are based.

8 b. Upon filing of the complaint, the commission shall serve a
9 copy upon the respondent either personally or by certified mail to
10 his address on file with the commission.

11 c. Within 15 days after service upon him of the complaint, the
12 respondent may file with the commission a notice of defense, in
13 which he may:

14 (1) Request a hearing;

15 (2) Admit the accusation in whole or in part;

16 (3) Present new matters or explanations by way of defense; or

17 (4) State any legal objections to the complaint.

18 Within the time specified, respondent may file one or more notices
19 of defense upon any or all of the above grounds.

20 d. The respondent shall be entitled to a hearing on the merits if
21 he files the required notice of defense within the time allowed by
22 subsection c. of this section, and any such notice shall be deemed a
23 specific denial of all parts of the complaint not expressly admitted.
24 Failure to file a notice of defense within such time shall constitute a
25 waiver of respondent's rights to a hearing and judicial review of
26 any order of the commission, but the commission, in its discretion,
27 may nevertheless order a hearing. All affirmative defenses must be

28 specifically stated and unless objection is taken as provided in sub-
29 paragraph (4) of subsection c. of this section all objections to the
30 form of complaint shall be deemed waived.

31 e. The commission shall determine the time and place of the
32 hearing as soon as is reasonably practical after receiving the
33 respondent's notice of defense. The commission shall deliver or
34 send by certified mail a notice to all parties at least 10 days prior
35 to the hearing. Unless respondent consents, the hearing shall not be
36 prior to the expiration time within which the respondent is entitled
37 to file the notice of defense.

38 f. Prior to a hearing before the commission, and during a hear-
39 ing upon reasonable cause shown, the commission shall issue sub-
40 penas and subpenas duces tecum at the request of a party.

1 80. Disciplinary action; conduct of hearings; rules of evidence;
2 punishment of contempts; decisions; re-hearing.

3 a. At all hearings of the commission pursuant to this section:

4 (1) At least one member of the commission shall be present, and
5 shall exercise all powers relating to the conduct of the hearing and
6 shall enforce all decisions with respect thereto;

7 (2) The proceedings at the hearing shall be recorded;

8 (3) Oral evidence shall be taken only upon oath or affirmation
9 administered by the commission; and

10 (4) Each party to a hearing shall have the right to call and
11 examine witnesses; to introduce exhibits relevant to the issues of
12 the case, including the transcript of testimony at any investigative
13 hearing conducted by or on behalf of the commission; to cross-
14 examine opposing witnesses in any matters relevant to the issues
15 of the case, without regard to whether the matter was covered in
16 direct examination; to impeach any witness, regardless of which
17 party called him to testify, and to offer rebuttal evidence;

18 (5) If the respondent shall not testify in his own behalf he may
19 be called and examined as if under cross-examination;

20 (6) The hearing need not be conducted according to technical
21 rules relating to evidence in courts of law. Any relevant evidence
22 may be admitted and shall be sufficient in itself to support a finding
23 if it is the sort of evidence on which responsible persons are
24 accustomed to rely in the conduct of serious affairs, regardless of
25 the existence of any common law or statutory rule which might
26 make improper the admission of such evidence over objection in a
27 civil action.

28 (7) The parties or their counsel may by written stipulation agree
29 that certain specified evidence may be admitted, although such
30 evidence may be otherwise subject to objection.

31 b. The commission may take official notice of any generally
32 accepted information or technical or scientific matter in the field of
33 gaming, and of any other fact which may be judicially noticed by
34 the courts of this State. The parties shall be informed of any
35 information, matters or facts so noticed and shall be given a reason-
36 able opportunity, on request, to refute such information, matters or
37 facts by evidence or by written or oral presentation of authorities,
38 the manner of such refutation to be determined by the commission.
39 The commission may in its discretion, before rendering its decision,
40 permit the filing of amended or supplemental pleadings and shall
41 notify all parties thereof and provide a reasonable opportunity for
42 objections thereto.

43 c. If any person in proceedings before the commission disobeys
44 or resists any lawful order or refuses to respond to a subpoena or
45 refuses to take the oath or affirmation as a witness or thereafter
46 refuses to be examined, or is guilty of misconduct during the hear-
47 ing, or so near the place thereof as to obstruct the proceeding, the
48 commission may certify the facts to the Superior Court. The court
49 shall thereupon issue an order directing the person to appear
50 before the court and show cause why he should not be punished as
51 for contempt. The court order and a copy of the statement of the
52 commission shall be served on the person cited to appear. There-
53 after the courts shall have jurisdiction in the matter and the same
54 proceeding shall be had, the same penalties may be imposed and
55 the person charged may purge himself of the contempt in the same
56 way as in the case of a person who has committed contempt in the
57 trial of a civil action before the Superior Court.

58 d. Failure of a respondent to file a notice of defense or to request
59 or appear at the hearing shall constitute an admission of all matters
60 and facts contained in the complaint filed with respect to such
61 respondent. In such cases the commission may take action based
62 upon such admission or upon any other evidence, without any
63 further notice whatever to the respondent. In such cases the com-
64 mission shall prepare and file a record containing the evidence upon
65 which the action was based.

66 e. After hearing a contested matter, the commission shall render
67 a written decision on the merits, which shall contain findings of fact,
68 determination of the issues presented, and specify the fine or other
69 penalty or penalties to be imposed, if any; and shall thereafter make
70 and enter its written order in accordance with such decision. A
71 member of the commission who did not hear the evidence shall not
72 vote on the decision. Copies of the decision and order shall be
73 served on the parties personally or sent to them by certified mail.

74 The decision shall become and remain effective upon such service
75 and until the commission shall otherwise order.

76 f. The commission may, upon motion therefor made within 10
77 days after service of the decision and order, order a re-hearing
78 before the commission upon such terms and conditions as it may
79 deem just and proper, if a petition for judicial review of the
80 decision and order has not been filed. Such motion shall be granted
81 only upon a showing that there is additional evidence which is ma-
82 terial and necessary and reasonably calculated to change the
83 decision of the commission, and that sufficient reason existed for
84 failure to present such evidence at the hearing of the commission.
85 The motion shall be supported by an affidavit of the moving party
86 or his counsel showing with particularity the materiality and
87 necessity of the additional evidence and the reason why it was not
88 introduced at the hearing. Upon rehearing, rebuttal evidence to the
89 additional evidence shall be admitted. After re-hearing, the com-
90 mission may modify its decision and order as the additional evi-
91 dence may warrant.

1 81. Disciplinary action; emergency orders, hearing subsequent to
2 emergency order.

3 Notwithstanding any provisions of this article, the commission
4 may issue an emergency order for the suspension, limitation or
5 conditioning of any license or approval, or may issue an emergency
6 order requiring the licensed casino to keep an individual from the
7 premises of such licensed casino or not to pay such individual any
8 remuneration for services or any profits, income or accruals on his
9 investment in such casino, in the following manner:

10 a. An emergency order shall be issued only when the commission
11 finds that:

12 (1) There has been a violation of any of the provisions of
13 sections 115 through 119 of this act;

14 (2) Such action is necessary to prevent a violation of any of
15 the provisions of sections 115 through 119 of this act; or

16 (3) Such action is necessary immediately for the preservation of
17 the public peace, health, safety, morals, good order and general
18 welfare.

19 b. An emergency order shall set forth the grounds upon which
20 it is issued, including the statement of facts constituting the alleged
21 emergency necessitating such action.

22 c. The emergency order shall be effective immediately upon
23 issuance and service upon the licensee or resident agent of the
24 licensee. The emergency order may suspend, limit, condition or take
25 other action in relation to the approval of one or more individuals

26 who were required to be approved in any operation, without neces-
27 sarily affecting any other individuals or the licensed casino estab-
28 lishment. The emergency order shall remain effective until further
29 order of the commission or final disposition of the case.

30 d. Within 5 days after issuance of an emergency order, the com-
31 mission shall cause a complaint to be filed and served upon the
32 person or entity involved in accordance with the provisions of
33 section 79 of this act.

34 e. Thereafter, the person or entity against whom the emergency
35 order has been issued and served shall be entitled to a hearing
36 before the commission in accordance with the provisions of sec-
37 tions 79 and 80 of this act, and to judicial review of the decision or
38 order of the commission in accordance with section 82 of this act.

1 82. Judicial review. a. Any person aggrieved by a final decision or
2 order of the commission made after hearing or rehearing by the
3 commission, whether or not a petition for rehearing was filed, may
4 obtain judicial review thereof by appeal to the Superior Court in
5 accordance with the Rules of Court, except that a notice of appeal
6 shall be filed within 20 days of the effective date of the final decision
7 or order of the commission.

8 b. Filing of the petition shall not stay enforcement of the decision
9 or order of the commission, but the commission may grant a stay
10 upon such terms and conditions as it deems proper.

11 c. The reviewing court may affirm the decision and order of the
12 commission or may remand the case for further proceedings, or
13 may reverse the decision if the substantial rights of the petitioner
14 have been prejudiced because the decision is:

15 (1) In violation of constitutional provisions;

16 (2) In excess of the statutory authority and jurisdiction of the
17 commission;

18 (3) Made upon unlawful procedure;

19 (4) Unsupported by sufficient evidence; or

20 (5) Arbitrary or capricious or otherwise not in accordance with
21 law.

22 d. In order to protect the public interest and the regulatory
23 authority of the commission, any action by the commission taken
24 pursuant to the provisions of sections 61, 79, 80, 81, 83 or 84 of this
25 act shall not be subject to the injunctive authority of the Superior
26 Court prior to the exhaustion of the administrative procedures
27 herein specified, unless it shall appear evident to the court, by
28 clear and convincing evidence, that a manifest denial of justice
29 would be effectuated by the refusal to enjoin the contemplated
30 action of the commission.

ARTICLE 6.

EMPLOYEE WORK PERMITS.

1 83. Casino employees required to hold work permits; applica-
2 tions; hearing and review; confidential records. a. No person may
3 commence or continue in employment as a casino employee unless
4 he is the holder of a valid work permit issued by the commission
5 and is a resident of the State of New Jersey.

6 b. An applicant for a work permit shall provide the commission
7 with a full set of fingerprints and two suitable photographs in the
8 form required by the commission. The commission shall maintain
9 these records for identification, security, discipline and casino-
10 control purposes.

11 c. Application for a work permit shall be made to the commission
12 and may be granted or denied for any cause deemed reasonable
13 by the commission.

14 d. Any person whose application for a work permit has been
15 denied by the commission may apply to the commission for a hear-
16 ing. At such hearing the commission or any designated member of
17 the commission or an examiner appointed by the commission shall
18 take any testimony deemed necessary. After such hearing, the
19 commission shall review the testimony taken and any other evi-
20 dence in its files, and shall within 30 days from the date of the
21 hearing announce its decision, sustaining or reversing the denial
22 of a work permit. Such decision may be made upon any ground
23 deemed reasonable by the commission.

24 e. Any applicant aggrieved by the decision of the commission
25 may obtain judicial review of the decision pursuant to the provi-
26 sions of section 82 of this act.

27 f. All records acquired or compiled by the commission related to
28 any application pursuant to this section are confidential, and no part
29 thereof may be disclosed except in the proper administration of this
30 act or to an authorized law enforcement agency. All lists of persons
31 to whom work permits have been issued or denied and all records
32 of the names or identity of the persons engaged in the gaming
33 industry in this State are confidential and shall not be disclosed
34 except in the proper administration of this act or to an authorized
35 law enforcement agency.

1 84. Revocation of work permit; grounds; power of commission;
2 judicial review. a. If any casino employee is convicted of charges
3 of a violation of any provisions of sections 115 through 125 of this
4 act, or if in investigating an alleged violation of this act by any
5 licensee the commission shall find that a casino employee employed

6 by such licensee has been guilty of a violation of this act, the
7 commission shall, after hearing in accordance with the procedures
8 specified in Article 5 of this act revoke such work permit if the
9 result of such hearings confirms the existence of such conviction,
10 or sustains the allegation of any such violation.

11 b. The commission shall revoke a work permit if it finds that
12 the casino employee has failed to disclose, misstated, or otherwise
13 misled the commission in respect to any fact contained or required
14 to be contained within any application for a work permit; or that,
15 subsequent to being issued such a work permit, he has:

16 (1) Committed or attempted or conspired to commit any of the
17 acts prohibited by sections 115 through 125 of this act;

18 (2) Knowingly possessed or permitted to remain in or upon
19 any licensed premises any marked or altered cards, dice or mechani-
20 cal device, or any other cheating device whatever, the use of which
21 is prohibited by statute;

22 (3) Concealed or refused to disclose any material fact in any
23 investigation by the commission;

24 (4) Been convicted or pleaded guilty or non vult to any charge
25 of a violation of the criminal laws of the State of New Jersey or
26 any other state or of the United States, or of any offense involving
27 moral turpitude; or

28 (5) Engaged in any conduct inimical to the State of New Jersey
29 and the casino gambling industry.

30 c. A work permit shall not be issued to any person whose work
31 permit has previously been revoked pursuant to this section, or
32 who has been denied a similar permit in any other jurisdiction.

33 d. A casino employee whose work permit has been revoked
34 pursuant to this section shall be entitled to judicial review of the
35 action of the commission in the manner prescribed in section 82
36 of this act.

ARTICLE 7.

LICENSING AND REGULATION OF MANUFACTURERS, DISTRIBUTORS, SELLERS, AND SERVICERS OF GAMING DEVICES, EQUIPMENT AND MATERIALS.

1 85. Licensing of manufacturers, distributors, sellers, servicers
2 of certain gaming devices and materials. a. It shall be unlawful
3 for any person, either as owner, lessee or employee, whether or
4 not for hire, to operate, carry on, conduct or maintain in the State
5 of New Jersey any form of manufacture, distribution, sale or
6 servicing of any device, equipment, material or machine used in

7 gambling without having first procured a license for such manu-
8 facture, distribution, sale or servicing as provided herein. Any
9 holder of a casino employee work permit who shall, as a condition
10 of his employment, be engaged in the servicing of equipment in
11 the casino in which he is employed shall not be required to obtain
12 a service license pursuant to this section.

13 b. Application for a manufacturers', distributors', sellers', and
14 servicers' license shall be made to the commission, which shall then
15 make an investigation of the applicant pursuant to the provisions
16 of this act.

17 c. Any person determined by the commission to be a suitable
18 person to hold a license under the provisions of this act, shall be
19 issued a manufacturer's, distributor's, seller's or servicer's license.
20 The burden of proving this qualification to receive or hold any
21 license under this section shall at all times be on the applicant or
22 licensee.

1 86. Inspection of devices, machines, equipment and materials;
2 fees. a. The commission may inspect any device or machine used
3 in gambling and all other equipment or materials which are manu-
4 factured, sold or distributed (1) for use in this State, before such
5 device, equipment or materials are put into play; or (2) in this
6 State for use outside this State, before such device, equipment or
7 materials are shipped out of this State.

8 b. In addition to all other fees and charges imposed by this act,
9 the commission may determine, charge and collect an inspection
10 fee from each manufacturer, distributor or seller which shall not
11 exceed the actual cost of investigation and inspection.

ARTICLE 8.

LICENSING OF CORPORATIONS.

1 87. Qualification of corporation as casino licensee. a. In order
2 to be eligible to hold a casino license, a corporation shall:

3 (1) Be incorporated in the State of New Jersey, although such
4 corporation may be a wholly or partially owned subsidiary of a
5 corporation which is chartered in another state of the United
6 States;

7 (2) Maintain an office of the corporation in the premises licensed
8 or to be licensed;

9 (3) Comply with all the requirements of the laws of the State
10 of New Jersey pertaining to corporations; and

11 (4) Maintain a ledger in the principal office of the corporation
12 in New Jersey, which shall at all times reflect the ownership of

13 every class of security issued by the corporation, and shall be
14 available for inspection by the commission and its authorized
15 agents at all reasonable times without notice.

1 88. Articles of incorporation of New Jersey corporation; con-
2 tents; approval by commission.

3 a. No corporation shall be eligible to hold a casino license unless
4 the conduct of casino gambling pursuant to the provisions of this
5 act is among the purposes stated in its Articles of Incorporation.

6 b. The Secretary of State shall not accept for filing any articles
7 of incorporation of any corporation which includes as a stated
8 purpose the conduct of casino gambling, pursuant to the provisions
9 of this act, or any amendment thereto, or any amendment which
10 adds such purpose to articles of incorporation already filed, unless
11 such articles or amendments have been approved by the commission
12 and a copy of such approval is annexed thereto upon presentation
13 for filing with the Secretary of State.

1 89. Disposition of securities by corporate licensee ineffective
2 without advance commission approval; contents of certificate.

3 a. The attempted sale, assignment, transfer, pledge or other
4 disposition of any security issued by a corporation which holds a
5 casino license shall be ineffective unless approved in advance by
6 the commission.

7 b. Every security issued by a corporation which holds a casino
8 license shall bear, on both sides of the certificate evidencing such
9 security, a statement of the restrictions imposed by this section.

1 90. Registration of corporation with commission; required
2 information.

3 A corporation applying for a casino license shall provide the
4 following information to the commission.

5 a. The organization, financial structure and nature of all busi-
6 nesses operated by the corporation, including the names, personal
7 history and fingerprints of all officers, directors and principal
8 employees;

9 b. The rights and privileges acquired by the holders of different
10 classes of authorized securities, and the names, addresses and
11 amounts held by all holders of such securities;

12 c. The terms upon which such securities are to be offered;

13 d. The terms and conditions of all outstanding loans, mortgages,
14 trust deeds, pledges or any other indebtedness or security devices;

15 e. The extent of the equity security holding in the corporation
16 of all officers, directors and underwriters, and their remuneration,
17 if compensation for services, in the form of salary, wages, fees or
18 otherwise;

- 19 f. Remuneration to persons other than directors and officers
- 20 exceeding \$25,000.00 per annum;
- 21 g. Bonus and profit-sharing arrangements;
- 22 h. Management and service contracts;
- 23 i. Stock options existing or to be created;
- 24 j. Balance sheets and profit-and-loss statements, certified by
- 25 independent public accountants in the State of New Jersey, for at
- 26 least the 3 preceding fiscal years or, if the corporation has not
- 27 been incorporated for a period of 3 years, balance sheets from the
- 28 time of its incorporation; and
- 29 k. Such other information as the commission may require.

1 91. Individual approval of corporate officers, directors and other
2 persons.

3 No corporation shall be eligible to hold a license unless each

4 a. Officer,

5 b. Director,

6 c. Person directly or indirectly holding any beneficial interest
7 in securities issued by the corporation, other than a banking or
8 other licensed lending institution which holds a mortgage or other
9 lien acquired in the ordinary course of business;

10 d. Principal employee; and

11 e. Any lender, underwriter, agent or employee of the corpora-
12 tion whom the commission may consider appropriate for approval,
13 would individually be qualified for approval as a licensee pursuant
14 to the provisions of this act.

1 92. Restriction of security ownership.

2 a. If at any time the commission finds that an individual owner
3 of any security is unsuitable to permit the corporation to continue
4 as a casino licensee in this State pursuant to the provisions of
5 section 91, it may, pursuant to the provisions of this act, propose
6 any action necessary to protect the public interest, including the
7 suspension or revocation of the license of the corporation.

8 b. Commencing upon the date the commission serves notice upon
9 a corporation of a determination of unsuitability under subsection
10 a. of this section, it shall be unlawful for the named individual:

11 (1) To receive any dividends or interest upon any such securities;

12 (2) To exercise, directly or through any trustee or nominee,
13 any right conferred by such securities; or

14 (3) To receive any remuneration in any form from the corpora-
15 tion for services rendered or otherwise.

1 93. Termination of employment of unsuitable employees; li-
2 censing of successors.

3 a. If the commission finds any principal employee of a corpora-
4 tion which holds a casino license unsuitable to permit the corpora-
5 tion to continue to hold a casino license, the corporation shall,
6 within 30 days of notification by certified mail to the corporation
7 of such finding, terminate the appointment or employment of any
8 such unsuitable person.

9 b. If such corporation names a person to replace the person
10 found unsuitable, it shall promptly notify the commission of such
11 action.

1 94. Limitation of certain corporate powers after licensing;
2 commission approval for security transfers and changes of officers,
3 directors and principal employees.

4 a. After a corporation has been issued a license pursuant to the
5 provisions of this act, but prior to the issuance or transfer of any
6 security to any person required to be but not yet approved pursuant
7 to section 91 of this act, the corporation shall file a report of its
8 proposed action with the commission, which report shall request
9 the approval of the commission. The commission shall have 90
10 days within which to approve or deny the request. If the commis-
11 sion shall deny the request, the corporation shall not issue or
12 transfer such security.

13 b. After a corporation has been issued a license pursuant to the
14 provisions of this act, the corporation shall file a report of any
15 change of its corporate officers or director with the commission.
16 The commission shall have 90 days within which to approve or
17 disapprove such change, during which time such officer or director
18 shall not be entitled to exercise any powers of the office to which
19 he was so elected or appointed.

20 c. After a corporation has been issued a license pursuant to the
21 provisions of this act, the corporation shall file a report of any
22 changes of its principal employees with the commission. The com-
23 mission shall have 90 days within which to approve or disapprove
24 such change, during which time such principal employee shall be
25 entitled to exercise any powers of the office to which he was
26 appointed.

1 95. Reports, statements to be furnished by corporate licensee.
2 After licensure pursuant to the provisions of this act, a corpora-
3 tion shall:

4 a. Report to the commission in writing any change in corporate
5 personnel who have been designated by the commission as principal
6 employees;

7 b. Furnish the commission an annual profit-and-loss statement
8 and an annual balance sheet; and
9 c. Furnish the commission with a copy of its Federal income tax
10 return within 30 days after such return is filed.

1 96. Duties of holding or intermediary company when corpora-
2 tion applying for holding license is or becomes a subsidiary;
3 investigation.

4 a. If a corporation applying for a license is, or if a corporation
5 holding a license is to become, a subsidiary, each holding company
6 and each intermediary company with respect thereto must, as a
7 condition of acquiring or retaining such license, as the case may be:

8 (1) Qualify to do business in the State of New Jersey;

9 (2) If it is a corporation, register with the commission and
10 furnish the commission with all the information required of a
11 corporate licensee as specified in section 90; and

12 (3) If it is not a corporation, register with the commission and
13 furnish the commission with such information as the commission
14 may prescribe.

15 b. The commission may in its discretion make such investigations
16 concerning the officers, directors, underwriters, security holders,
17 partners, principals, trustees or direct or beneficial owners of
18 any interest in any holding company or intermediary company as
19 it deems necessary, either at the time of initial registration or at
20 any time thereafter.

1 97. Individual approval of holding and intermediary company
2 officers, directors and other persons.

3 No corporation which is a subsidiary shall be eligible to receive
4 or hold a license unless each holding and intermediary company
5 with respect thereto:

6 a. If it is a corporation, shall comply with the provisions of
7 section 91 of this act as if said holding or intermediary company
8 were itself applying for a casino license; or

9 b. If it is not a corporation, shall comply with the provisions of
10 section 71 of this act as if said company were itself applying for
11 a casino license.

1 98. Restriction of security ownership; termination of employ-
2 ment of unapproved employees.

3 a. If any holding or intermediary company required to comply
4 with the provisions of section 91 of this act shall not receive the
5 necessary approvals, then such holding or intermediary company
6 shall comply with sections 92 and 93 of this act as if said company
7 were itself applying for a casino license.

8 b. Every security issued by a holding company or intermediary
9 company which, directly or indirectly, owns, has the power or right
10 to control, or has the power to vote all or any part of the outstand-
11 ing equity securities of a corporate licensee shall bear a statement
12 of the restrictions imposed by this section on both sides of the
13 certificate evidencing such security.

14 c. A holding company or intermediary company subject to sub-
15 section a. of this section shall not make any public offering of
16 any of its securities unless the terms of such public offering have
17 been submitted at least 45 days in advance to the commission.

18 d. The commission may at any time, and from time to time, impose
19 upon any holding company or intermediary company, any require-
20 ments not inconsistent with the law which it may deem necessary
21 in the public interest.

1 99. Disciplinary action by commission for noncompliance by
2 corporate licensee or holding or intermediary company. If any
3 corporate licensee or any holding company or intermediary com-
4 pany with respect thereto, shall not comply with the provisions of
5 this act or the regulations of the commission, it shall be liable to
6 disciplinary action in accordance with the provisions of Article 5
7 of this act and the applicable rules and regulations of the com-
8 mission.

1 100. Publicly-traded corporation; exemption from certain require-
2 ments; documents to be filed with commission. a. The commission
3 shall exempt a publicly traded corporation from compliance with
4 the provisions of section 89 and subsection b. of section 98 of this
5 act.

6 b. The commission shall upon application exempt a publicly-
7 traded corporation from the requirements of subsection c. of
8 section 91 of this act, with respect to any person holding, directly
9 or indirectly, any beneficial interest in less than 5%, of any class
10 of securities issued by the corporation, if the commission is satis-
11 fied that the interest held by any such person is not inimical to
12 the public interest.

13 c. The commission may require a publicly-traded corporation to
14 furnish a copy of any document filed by said corporation or any
15 holders of its securities with the Securities and Exchange Com-
16 mission, or with any National or regional security exchange, or
17 furnished by it to any of its security holders.

ARTICLE 9.

1 101. Casino license fee. a. The commission shall by regulation
2 establish an annual fee for the issuance or renewal of the casino
3 license, which fee shall not be less than \$150,000.00 annually.

4 b. A nonrefundable deposit of at least \$25,000.00 shall be required
5 to be posted with each application for a casino license and shall
6 be applied to the initial license fee if the application is approved.

7 c. An original casino license or a conditional license shall be
8 valid for 1 year from the date on which the commission approves
9 commencement of casino operations by the licensee.

1 102. Manufacturer, distributor, seller and servicer license fee.
2 The commission shall by regulation establish an annual fee for
3 the issuance or renewal of a manufacturers', distributors', sellers'
4 or servicers' license, which fee shall not be less than \$2,000.00
5 annually.

1 103. Work permit fee. The commission shall by regulation
2 establish annual fees for the issuance and renewal of work permits
3 for the various classes of casino employees which fees shall be
4 payable by the employer licensee.

1 104. Tax on gross revenues; application of revenues. a. There is
2 hereby imposed a tax for each taxable year (which shall be the
3 same as the licensee's taxable year for State income tax purposes)
4 on the gross revenues, as defined in section 20 of this act, of each
5 casino licensee, in the amount of 8% of such gross revenues.

6 b. The commission shall prepare such forms and returns as are
7 necessary to effectuate the determination and collection of said tax.

8 c. The commission shall collect the tax imposed by this section
9 together with the license and other fees and penalties imposed
10 pursuant to this act and remit the same to the State Treasurer for
11 deposit to the credit of the State Casino Revenue Fund.

1 105. State casino revenue fund. a. There is created and estab-
2 lished in the Department of the Treasury a separate special fund
3 to be known as the "State Casino Revenue Fund" to be adminis-
4 tered by the State Treasurer.

5 b. Moneys in the "State Casino Revenue Fund" shall be appro-
6 priated exclusively for: (1) the expenses of the New Jersey Casino
7 Control Commission in administering the provisions of this act,
8 (2) providing reductions in property taxes, rentals, telephone, gas,
9 electric, and municipal utilities charges of eligible senior citizens
10 and disabled residents of the State as shall be provided by law, and
11 (3) repayment to the general treasury of the amount appropriated
12 to the fund by section 128 of this act.

ARTICLE 10.

MISCELLANEOUS PROVISIONS.

1 106. Declaration of State's exemption from operation of pro-
2 visions of 15 U. S. C. (1172).

3 1. Pursuant to section 2 of an Act of Congress of the United
4 States entitled "An act to prohibit transportation of gambling
5 devices in interstate and foreign commerce," approved January 2,
6 1951, being chapter 1194, 64 Stat. 1134, and also designated as 15
7 U. S. C. (1171-1177), the State of New Jersey, acting by and through
8 its duly elected and qualified members of its Legislature, does
9 hereby, in accordance with and in compliance with the provisions
10 of section 2 of said Act of Congress, declares and proclaim that it
11 is exempt from the provisions of section 2 of said Act of Congress.

1 107. Legal shipments of gambling devices into New Jersey.

2 All shipments into this State of gambling devices, including slot
3 machines, the registering, recording and labeling of which has been
4 duly had by the manufacturer or dealer thereof in accordance with
5 sections 3 and 4 of an Act of Congress of the United States en-
6 titled "An act to prohibit transportation of gambling devices in
7 interstate and foreign commerce," approved January 2, 1951, being
8 chapter 1194, 64 Stat. 1134, and also designated as 15 U. S. C.
9 (1171-1172), shall be deemed legal shipments thereof into this
10 State.

1 108. Severability.

2 If any clause, sentence, paragraph, subdivision, section, pro-
3 vision or other portion of this act or the application thereof to any
4 person or circumstances shall be held to be invalid, such holding
5 shall not affect, impair or invalidate the remainder of this act or the
6 application of such portion held invalid to any other person or
7 circumstances, but shall be confined in its operation to the clause,
8 sentence, paragraph, subdivision, provision or other portion thereof
9 directly involved in such holding or to the person or circumstance
10 therein involved. If any provision of this act is inconsistent with,
11 in conflict with, or contrary to any other provision of law, such
12 provision of this act shall prevail over such other provision and
13 such other provision shall be deemed to be amended, superseded or
14 repealed to the extent of such inconsistency or conflict.

1 109. Equal employment opportunity; requirements of licensee.

2 a. No license shall be issued by the commission to any applicant
3 who has not agreed to afford an equal employment opportunity to
4 all prospective employees in accordance with an affirmative-action
5 program approved by the commission.

6 b. Each applicant shall formulate and submit to the commission
7 an affirmative-action program of equal opportunity whereby the
8 applicant guarantees to employ members of minority groups in all
9 employment categories.

1 110. Equal employment opportunity; enforcement by the com-
2 mission.

3 a. The commission, in addition to and without limitations of
4 other powers which it may have by law, shall have the following
5 powers:

6 (1) To investigate and determine the percentage of population
7 of minority groups in the State or in areas thereof from which the
8 work force for the licensee is or may be drawn;

9 (2) To establish and promulgate such percentages as guidelines
10 in determining the adequacy of affirmative-action programs sub-
11 mitted for approval pursuant to the provisions of section 109 of this
12 act;

13 (3) To levy on licensees fees and charges found to be reasonable
14 and necessary to accomplish the objectives to this section;

15 (4) To refer to the Attorney General or his designee circum-
16 stances which may constitute violation of the Law Against Dis-
17 crimination, P. L. 1945, c. 169 (C. 10:5-1 et seq.); and

18 (5) To enforce in a court of law the provisions of this act or to
19 join in or assist any enforcement proceeding initiated by any
20 aggrieved person.

1 111. Early settlement dates and certain transfers of gaming
2 property prohibited.

3 When any person contracts to sell or lease any property or
4 interest in property, real or personal, under circumstances which
5 require the approval or licensing of the purchaser or lessee by the
6 commission, the contract shall not specify a settlement or closing
7 date for the transaction which is earlier than the ninety-first day
8 after the date of submission of the completed application for such
9 approval or licensing. Any provision of such a contract which
10 specifies an earlier settlement or closing date is void for all pur-
11 poses, but such invalidity shall not affect the validity of any other
12 provision of the contract.

1 112. Prohibited political contributions.

2 a. No applicant, licensee nor any officer, director, partner or
3 principal employee of any licensee, nor any member of the family
4 of any such officer, director, partner or principal employee shall
5 contribute to a candidate for nomination or election to any public
6 office in this State, or to any committee of any political party of this
7 State, or to any group, committee or association organized in

8 support of a candidate for nomination or election to any public
9 office in this State, a contribution in excess of \$1,000.00 with respect
10 to any such election.

11 b. Any contribution made to any candidate, party, group, com-
12 mittee or association by an applicant, licensee or an officer, director,
13 partner or principal employee of a licensee, or a member of the
14 family of such officer, director, partner or principal employee, shall
15 be reported to the commission by the contributor within 5 days of
16 such contribution.

17 c. Nothing in this section shall be construed to authorize a con-
18 tribution in any amount or manner otherwise forbidden by law.

ARTICLE 11.

CRIMES AND PENALTIES; AUTHORITY OF LICENSEES TO DETAIN OR QUESTION CERTAIN PERSON; EXEMPTIONS FROM CERTAIN

STATUTES.

1 113. Penalties for willful evasion of payment of license fees,
2 other acts and omissions. Any person who willfully fails to report,
3 pay or truthfully account for and pay over any license fee or tax
4 imposed by the provisions of this act, or willfully attempts in any
5 manner to evade or defeat any such license fee, tax or payment
6 thereof is guilty of a misdemeanor, and shall in addition be liable
7 for a penalty of the amount of the license fee evaded and not paid,
8 collected or paid over, which penalty shall be assessed and collected
9 in the same manner as are the other charges, license fees and
10 penalties established by this act.

1 114. Unlicensed casino gambling games unlawful; penalties.
2 a. Any person who violates the provisions of section 69 of this
3 act, or who permits any gambling game, slot machine or device to
4 be conducted, operated, dealt or carried on in any casino by a
5 person other than by a person who is licensed hereunder or an
6 approved employee of such licensee is guilty of a high misdemeanor.

7 b. Any licensee who places games or slot machines into play or
8 displays such games or slot machines in a casino without authority
9 of the commission to do so is guilty of a misdemeanor.

10 c. Any person who operates, carries on or exposes for play any
11 gambling game, gaming device or slot machine after his license
12 has expired, but prior to the actual renewal thereof, is guilty of
13 a misdemeanor.

1 115. Swindling and cheating; penalties. a. Any person who by
2 any trick or sleight-of-hand performance, or by a fraud or fraudu-

3 lent scheme, cards, dice or device, wins for himself or for another
4 money or property or representative of either is guilty of a high
5 misdemeanor.

6 b. Any person who entices or induces another upon any pretense
7 to go to any place where any gambling game, scheme or device, or
8 any trick, sleight-of-hand performance, fraud or fraudulent scheme,
9 cards, dice or device is being conducted or operated, or who while
10 in such place shall entice or induce another to bet, wager or hazard
11 any money or property or representative of either upon any such
12 game, scheme, cards, dice or device, or to execute any obligation
13 for the payment of money or delivery of property, or to lose, ad-
14 vance, or loan any money or property or representative of either
15 is guilty of a high misdemeanor.

1 116. Unlawful use of bogus chips, marked cards, dice, cheating
2 devices, unlawful coin; penalty. a. It shall be unlawful for any
3 person playing any licensed gambling game:

4 (1) To use bogus or counterfeit chips, or to substitute and use
5 in any such game cards or dice that have been marked, loaded or
6 tampered with; or

7 (2) To employ or have on his person any cheating device to
8 facilitate cheating in such games.

9 b. It shall be unlawful for any person, playing or using any slot
10 machine designed to receive or be operated by lawful coin of the
11 United States of America:

12 (1) Knowingly to use other than lawful coin, legal tender of the
13 United States of America, or to use coin not of the same denomina-
14 tion as the coin intended to be used in such slot machine, except
15 that in the playing of any slot machine it shall be lawful for any
16 person to use tokens or similar objects therein which are approved
17 by the commission; or

18 (2) To use any cheating or thieving device, including but not
19 limited to tools, drills, wires, coins attached to strings or wires,
20 or electronic or magnetic devices, unlawfully to facilitate the align-
21 ment of any winning combination or removing from any slot ma-
22 chine any money or other contents thereof.

23 c. It shall be unlawful for any person, except a duly authorized
24 employee of a licensed casino acting in furtherance of his employ-
25 ment, to have on his person or in his possession while on the prem-
26 ises of a licensed casino, any cheating or thieving device, including
27 but not limited to tools, wires, drills, coins attached to strings or
28 wires, or electronic or magnetic devices to facilitate removing from
29 any slot machine any money or other contents thereof.

30 d. It shall be unlawful for any person, except a duly authorized
31 employee of a licensed casino acting in furtherance of his employ-
32 ment, to have on his person or in his possession while on the
33 premises of any licensed casino any key or device known to have
34 been designed for the purpose of and suitable for opening or enter-
35 ing any slot machine or drop box.

36 e. Any person who violates this section is guilty of a high mis-
37 demeanor.

1 117. Cheating games and devices; penalty. a. It shall be un-
2 lawful:

3 (1) To conduct, carry on, operate, deal or allow to be conducted,
4 carried on, operated or dealt any cheating or thieving game or
5 device; or

6 (2) To deal, conduct, carry on, operate or expose for play any
7 game or games played with cards, dice or any mechanical device,
8 or any combination of games or devices, which have in any manner
9 been marked or tampered with, or placed in a condition, or operated
10 in a manner, the result of which tends to deceive the public or tends
11 to alter the normal random selection of criteria which determine
12 the result of a game.

13 b. It shall be unlawful to use or possess any marked cards, loaded
14 dice, plugged or tampered-with machines or devices.

15 c. Any person who violates this section is guilty of a high mis-
16 demeanor.

1 118. Manufacture, sale or cheating games, devices unlawful;
2 penalty.

3 a. It shall be unlawful to manufacture or sell any game or
4 games played with cards, dice or any mechanical device, or any
5 combination of such games or devices or equipment therefor, which
6 is in any manner marked, loaded or otherwise made so as to deceive
7 or defraud the public, or any bogus or counterfeit chip to be
8 used in the playing thereof.

9 b. Any person who violates this section is guilty of a high
10 misdemeanor.

1 119. Unlawful possession of device, equipment or other material
2 illegally manufactured, distributed, sold or serviced.

3 Any person who possesses any device, equipment or material
4 which he knows or has reason to know has been manufactured,
5 distributed, sold or serviced in violation of the provisions of
6 section 85 of this act, or otherwise violates the provisions of said
7 section, is guilty of a misdemeanor.

1 120. Employment without work permit; penalty.

2 Any person who works as a casino employee without obtaining

3 a permit pursuant to section 83 of this act is guilty of a mis-
4 demeanor.

1 121. Regulations requiring exclusion or ejection of certain per-
2 sons from licensed casinos; unlawful entry by person whose name
3 has been placed on list; penalty.

4 Any person whose name is on the list of persons promulgated
5 by the commission pursuant to the provisions of section 61 of this
6 act who enters the premises of a licensed casino is guilty of a
7 misdemeanor.

1 122. Gaming by minors prohibited; penalties; defenses.

2 a. No person under the age of 18 years shall be allowed to enter
3 a licensed casino.

4 b. Any licensee or employee of a licensee who allows a minor
5 under the age of 18 to enter a casino is a disorderly person; except
6 that the establishment of all the following facts by a person
7 allowing any such minor to enter shall constitute a defense to
8 any prosecution therefor:

9 (1) That the minor falsely represented in writing that he or
10 she was 18 years of age or over;

11 (2) That the appearance of the minor was such that an ordinary
12 prudent person would believe him or her to be 18 years of age or
13 over; and

14 (3) That the admission was made in good faith, relying upon
15 such written representation and appearance, and in the reasonable
16 belief that the minor was actually 18 years of age or over.

1 123. Prohibited political contributions; penalty.

2 Any person who makes or causes to be made a political con-
3 tribution prohibited by the provisions of subsection a. of section
4 112 of this act, or who files or causes to be filed any report of
5 political contributions which misstates or omits any material fact
6 with respect to any such contribution, is guilty of a misdemeanor.

1 124. Authority of gaming licensee and agents to detain or question
2 persons suspected of cheating; immunity from liability; posted
3 notice required.

4 a. Any licensee or its officers, employees or agents may question
5 any individual in the casino suspected of violating any of the
6 provisions of section 115 through 119 of this act. No licensee or
7 its officers, employees or agents shall be criminally or civilly
8 liable by reason of any such questioning.

9 b. Any licensee or its officers, employees or agents who shall
10 have probable cause for believing there has been a violation of
11 any of the provisions of sections 115 through 119 of this act in
12 the casino by any person may take such person into custody and

13 detain him in the establishment in a reasonable manner for a
14 reasonable length of time, for the purpose of notifying law en-
15 forcement or commission authorities. Such taking into custody
16 and detention shall not render such licensee or its officers, em-
17 ployees or agents criminally or civilly liable for false arrest, false
18 imprisonment, slander or unlawful detention, unless such taking
19 into custody or detention are unreasonable under all the cir-
20 cumstances.

21 c. No licensee or his officers, employees or agents shall be
22 entitled to any immunity from civil or criminal liability provided
23 in this section unless there is displayed in a conspicuous place in
24 the casino a notice in boldface type clearly legible and in sub-
25 stantially this form:

26 Any gaming licensee or officer, employee or agent thereof who
27 has probable cause for believing that any person is violating any
28 of the provisions of sections 115 through 119 of the Casino Control
29 Act, prohibiting cheating in gaming, may detain such person in
30 the establishment for the purpose of notifying a peace officer.

1 125. Other offenses; general penalty. Any person who violates
2 any provision of this act, the penalty for which is not specifically
3 fixed in this act or in commission regulations pursuant to this act,
4 is guilty of a misdemeanor.

1 126. Continuing offenses. Each day during which a violation of
2 any of the provisions of sections 113 through 123 of this act shall
3 be deemed to be a separate offense.

1 127. Exemption from gambling statutes. The provisions of
2 N. J. S. 2A:40-1, 2A:40-8, 2A:112-1 and 2A:112-2, shall not apply
3 to any person who, as a licensee operating pursuant to the pro-
4 visions of this act, or as a duly authorized employee thereof, or
5 as a participant in any gambling game licensed pursuant to the
6 provisions of this act, engages in gambling as authorized herein.

ARTICLE 12.

APPROPRIATION; EFFECTIVE DATE.

1 128. Appropriation. There is appropriated to the State Casino
2 Revenue Fund from the general treasury the sum of \$300,000.00
3 or so much thereof as may be necessary for the purposes of the
4 Casino Control Commission in administering the provisions of this
5 act for the period ending June 30, 1977, which sum shall be repaid
6 to the general treasury as soon as practicable from revenues
7 accruing to the State Casino Revenue Fund.

1 129. Effective date.

2 This act shall take effect immediately.

STATEMENT

This bill is intended to implement the constitutional amendment, approved by the people at the general election of November 2, 1976, authorizing the Legislature to provide for casino gambling in Atlantic City.

The objectives of the bill and the persons and localities affected are set forth in subsection b. of section 1 as a statement of findings and declaration of policy by the Legislature. Revenues derived from the taxation of casinos established pursuant to this act will be devoted, pursuant to the constitutional amendment and section 105 of this bill, to reduce senior citizens' property taxes, rentals and utility expenses.

SENATOR JAMES P. DUGAN (Chairman): The meeting of the Senate Judiciary Committee will come to order for the purpose of having a public hearing on Senate Bill No 1780, sponsored by Senator Joseph McGahn. We have distributed the agenda for our meeting. The Committee has tried to give preference to those who have certain other obligations that they have to meet - certain public officials that have conflicting schedules with what is going on today - and to accommodate people such as the Attorney General and the Prosecutor of your County, and so on. So, the early part of our schedule will be, for the most part, with elected and appointed officials who have jurisdiction over Atlantic County and the Region.

The first witness will be Senator Joseph McGahn from Atlantic County. Senator McGahn, are you prepared to give your statement?

SENATOR JOSEPH MCGAHN: Yes, I am. Thank you very much, Mr. Chairman and Senators. It is a pleasure to welcome you to Atlantic City in the pre-gambling era.

SENATOR DUGAN: May I interrupt you for one moment? Some of you may question who these people up here are, so I would like to introduce them to you so you know their identity. On my right is Senator Joseph Maressa from Camden-Gloucester. Next to me is Senator Martin Greenberg from Essex County. On my left is Gayl Mazuco, the Administrative Aide for the Judiciary Committee. On my far left is Senator Bill Musto from Hudson County.

Joe, with that, you may proceed. I am sorry for the interruption.

SENATOR MCGAHN: Thank you very much, again, Mr. Chairman. I would like to welcome you to Atlantic City and thank you for the opportunity of being able to testify before you. I realize it is an inconvenience for your Committee to come down here but we are certainly deeply appreciative of the fact that you did.

As you know, Atlantic County legislators have labored throughout our legislative careers for a Constitutional amendment which would authorize casino gaming in Atlantic City. Now, thanks to the people of New Jersey, such an amendment was approved on November 2nd, calling for legislation which would implement that authorization.

Because of that, simultaneous bills - A-2366 and S-1780 - were introduced in the Legislature. At the time we thought they were sufficiently responsive to the needs of Atlantic City and sufficiently protected the public interest of all New Jersey citizens and deserved the most immediate and the most serious consideration of both Houses of the Legislature, simultaneously. It was because of this that we did introduce those bills simultaneously, so that we could fulfill the responsibilities concerning casino gambling and have the Constitutional amendment, approved in November, hopefully implemented by law before June of this year.

But, being sufficiently responsive and sufficiently protective does not necessarily mean that A-2366 and S-1780 are perfect. Perhaps no piece of legislation in an area so potentially important in terms of revenues and controls and so definitely new to New Jersey could ever be perfect. There are, however, a few amendments that I believe would significantly improve the legislation we are considering today. These amendments do not affect the substance of the Casino Control Act. They will not, in other words, increase the number of permitted casinos nor decrease the significant powers of the New Jersey Casino Control Commission. They do, however, - at least hopefully - make this legislation more capable of leading to a rebirth, reconstruction, and redevelopment of Atlantic City and make the Casino Control Commission more free from the possibility of political influence and make

it even more clear that in this legislation the protection of the public interest and honest gaming is more important than the provision of revenues for the public purse.

In essence, the first of my amendments would make it perfectly clear that any new hotel casino construction in Atlantic City should be consistent with a comprehensive master plan and should be directly associated with provisions for parks and other recreational, cultural, and open space areas.

The principal point I wish to make in this context is, I know casinos will generate hundreds of thousands - if not millions - of dollars in revenues for the citizens and businesses of Atlantic City and the State of New Jersey. I know that. But, money is not enough. I want, and the citizens of Atlantic City and all of New Jersey deserve, an Atlantic City they can be proud of; a City with fine hotels, yes, but also with well planned, well designed, well constructed shopping centers, residential areas, industrial sites, and commercial districts; a City of sand, sun, and sea; a City with parks and open space areas which would make every city planner pleased and every city resident proud.

To accomplish these purposes, my amendments will add language to the public policy statement of Section 1 of the legislation which specifies that legalized casino gaming in Atlantic City has been approved by the citizens of New Jersey as a unique form of urban redevelopment in language which considers the casinos as the catalyst to stimulate the redevelopment of existing blighted areas, the refurbishing and expansion of existing hotels, convention, tourist, entertainment, recreational, and cultural facilities.

In addition, I am proposing an amendment which would increase the minimum size of hotels from which casinos could be operated from 400 to 500 rooms. The purpose of this amendment is to permit the comprehensive master plan for the development, redevelopment, and rehabilitation of Atlantic City to be based on a relatively small number of relatively large hotels rather than require a multiplicity of small hotels with literally dozens of gaming casinos. I am firmly convinced that a limited number of fairly large hotels make planning for open space, park, and recreational areas far more practical and feasible and that large hotels would make more efficient use of available land in Atlantic City.

These amendments were drafted one week after the bills were originally introduced and actually predate the recommendations that are being made by the interim report of the Governor's Task Force, because they have considered this also.

The next concern of my amendments is to eliminate to the greatest possible extent even the slightest suggestion of political influence in the operations of the New Jersey Casino Control Commission. I have come to believe that it is inappropriate for the Governor to exercise a veto over the minutes of the Casino Control Commission, as is now provided in Section 53 of S-1780. While it is certainly true the Governor has, at present, the veto power over the minutes of the Sports and Exposition Authority, the Turnpike Authority, and several other autonomous agencies of the State Government with substantial power to construct or undertake the construction of major State projects, I have come to believe the New Jersey Casino Control Commission is rather more analogous to the New Jersey Racing Commission than it is to the Sports and Exposition Authority or any of the others with the gubernatorial veto. I might also add that even the Hackensack Meadowlands Commission, which has extensive construction powers, does not possess a gubernatorial veto.

Because I do not want there to be the slightest suggestion of undue or improper influence in the decisions of the Casino Control Commission and because I feel it is essential for that Body to operate with the greatest political independence, my amendments will remove the Governor's veto power over the minutes of the Casino Control Commission. I do not, however, wish to deprive the Casino Control Commission of the advice and counsel of the Governor, the expertise of the various executive agencies with law enforcement responsibilities, or the views of private citizens. For this reason, my amendments propose the creation of a Casino Policy Committee to consider, debate, and study matters of casino gaming policy and to make recommendations thereon to the Casino Control Commission. As an advisory body, the recommendations of the Casino Policy Committee will, of course, be non-binding on the Casino Control Commission. It is, however, only to be expected that any such recommendations which are derived from a Committee with the following membership be given serious consideration: The Governor's Chairman; one member of the Casino Control Commission; the Attorney General, or his designee; the Superintendent of the State Police, or his designee; the Chairman of the State Commission of Investigation, or his designee; one representative of the gaming industry of Atlantic City; one representative of the tourist industry in New Jersey; and two citizens who are residents of New Jersey to represent the public interest.

I might say that this also is a recommendation of the Governor's Task Force.

The gaming industry, tourist industry, and public interest representatives of the Casino Policy Committee should be appointed by the Governor and shall serve at his pleasure.

The third concern of my amendments is to insure the maximum degree of honesty and integrity in the conduct of casino gambling in Atlantic City and to reassure the citizens of New Jersey and, indeed, citizens from all the states and nations who will visit Atlantic City to partake of its attractions, that corruption and vice will not be tolerated and that the most intensive law enforcement supervision will be maintained.

I seek to accomplish these ends by adding language to Section 54 which will make the officers of the New Jersey State Police the agents of the Casino Control Commission for the purpose of investigating any applicant for a license and for enforcing any of the provisions of law or the rules and regulations of the Commission concerning casino gaming.

An additional amendment to Section 58 will provide that whenever the State Police are used for any of the aforesaid investigatory or enforcement purposes, the Casino Control Commission shall reimburse the State Police for the cost of providing such services.

In addition, an amendment to Section 60 will provide that applicants to the Commission for licenses shall pay all or any part of the fees and cost of investigation of their application, as may be fixed by the Commission.

Further public protection is hopefully provided by making it a misdemeanor for any person to serve as a member or employee of the Commission within three years of any association with gaming or pari-mutuel betting, or for such a member or employee to be interested in any gaming establishment within five years after his term of office or employment.

To protect employees of the Casino Control Commission from retribution for any action performed in the course of their duties, I am proposing an amendment to Section 45 of this legislation to require the Commission to adopt by rules and regulations a comprehensive plan governing employment, job classification and

performance standards for the retention and discharge of employees to insure that action is not taken against such employees except for cause. Such rules and regulations shall include provisions for hearings in personnel matters and for review of any adverse actions taken with respect to any employee in any such matter.

An amendment in this group will provide for the Casino Control Commission to license, supervise and regulate all schools which purport to teach casino gaming or any aspect of casino gaming. These schools range from those which instruct pupils in the repair of casino equipment to those which instruct pupils in the art of dealing cards and spinning roulette wheels. These schools which instruct pupils in the art of gaming can be expected to proliferate in and around Atlantic City as soon as casino gaming becomes a reality. My amendments will make the Casino Control Commission responsible for the proper conduct and operation of these schools wherever they may be located in New Jersey. Through this provision not only will the consumer - the pupils of these schools - be protected but the citizens of New Jersey and whole other states and nations who engage in casino gaming in Atlantic City will be assured that the arm of the State regulation and control extends not only to the size, shape and types of games used in casinos but to the conduct of casino gaming itself, both by the operators of the games and the players.

As far as hours of operation, all projections made prior to this time - insofar as economic research associates and their reports are concerned - have been on the basis of 24-hour operation. While my amendments make this statement -- While this may not seem realistic, it is realistic. It may not be obtainable so, therefore, a compromise may have to be made in this particular situation.

The Section referring to conditional licenses shall be deleted. That is Section 70 c. 4.

All political contributions in Section 112 have been deleted. However, at the present time this is probably unnecessary because a bill, sponsored by Senator Dugan, has already passed the Senate and this would eliminate political contributions from any casino in the State.

Likewise, an additional amendment provides that the licenses are a privilege and not a right.

And, finally, if I may, I would like to make one point and that concerns the possibility of deriving some direct income from casinos, which we had not originally anticipated. Apparently, at the present time, there is a Federal Tax Stamp of \$250 placed on each of the slot machines in any casino. The way it is worked in the State of Nevada is simply that \$200 goes to the State and \$50 goes to the Federal Government. The \$200 that goes to the State is a matter of a tax credit against the tax revenue that is owed to the Federal Government.

Gentlemen, these are the amendments that I have proposed to that bill. I think they will actually help to strengthen it. A number of the areas that have been included in the Governor's Task Force concerning some of the things I am talking about have been reviewed and reviewed affirmatively. As I mentioned before, these amendments were drafted long before the Governor's Task Force Report came out.

Thank you. If there are any questions, I will be most happy to respond to them.

SENATOR DUGAN: Senator, I have just a couple of questions. What are the consequences of your recommendations about hours of operation for the casinos?

SENATOR MC GAHN: The consequences of hours of operation, as I have been apprised, are simply this: The gaming industry is such that they can make a predictable

estimate as to the amounts of revenues that could be derived from each eight-hour shift. Worldwide, approximately, the hours of noon to 8:00 P. M. account for approximately 40% of revenue. From eight P. M. to four A. M. accounts for an additional 40% of revenue. The graveyard shift, if you will, from four A. M. to noon accounts for approximately 20% of revenue.

Now, the dollar investment that the gaming industry is willing to make in any project into which they come will depend upon the hours of operation. That is one aspect of it.

The second aspect of it, of course, has to do with the labor force. As a 16-hour operation, you find yourself having two labor shifts of eight hours each. If that is extended from 16 to 21 or, for that matter, 24 hours, then you would find, from a labor standpoint, there are three labor shifts -- actually four. There would be three and a relief shift. So, you would actually be having four shifts as against the other.

It is my understanding, from communications I have received both from Nevada and other individuals, that the bottom line here - as I have mentioned - is, the amount of dollar investment will depend upon, to a large degree, the hours of operation.

One other factor I think is quite important to realize is, we are in a market. Atlantic City is within a two and one-half hour drive - or 250 miles - of approximately 1/3 of the population of the United States. As a result of this, with this labor intensive market, there is certainly an attractiveness as far as permitting 24-hour operation. If this is not an absolute possibility, then certainly there should be an extension of hours to that degree, at least on weekends and holidays, for the people that would be coming down for the expressed purpose of coming to Atlantic City, let's say, for gaming. We do not envision, however - and I think this is an extremely important point - the casinos themselves as the ultimate goal of Atlantic City. This is simply a tool to implement the development of Atlantic City.

SENATOR DUGAN: Let me ask specifically what is your recommendation about hours of operation?

SENATOR MC GAHN: My recommendation would be 24 hours.

SENATOR DUGAN: Seven days a week?

SENATOR MC GAHN: Seven days a week.

SENATOR DUGAN: The other question I have is, is there going to be no control over the Commission if we take away the Governor's veto, other than the legislative response to the bill? I think either the Legislature might have more involvement in the regulations or the Governor should have the veto. I am stating this hypothetically. I am a little bit troubled by the fact that your amendment would have the Commission act completely independent of any restraint. Would you comment on that?

SENATOR MC GAHN: The only thing I think we may have in the State of New Jersey at the present time is the Racing Commission and the Racing Commission, once appointed, does have the authority to carry out the function that is necessary in that respect. The Governor does not have the right of veto over the Racing Commission.

Likewise, the only other situation that exists in the country today is the one in Nevada. In Nevada, attorneys that I have spoken to who have been Members of the Board stated very specifically that the Governor there does not have the right of veto over the minutes and they consider this fruitful for the simple reason that there can be no political overtones. Once the Governor makes his appointment -- and, incidentally, under the legislation that probably will be enacted, the chances

are that the five-member Commission - four members will be part time, the Chairman will be full time - can probably be combined with the position of Executive Director. So, in essence, I think, in answer to your question, either the Governor may have more strict control over the Executive Director and the Chairman, or the Legislature may have oversight over the actions taken.

However, as I said, the reason for my asking for the deletion of the veto power of the Governor is because he does not have it over the Racing Commission and in Nevada the Governor does not have that right.

SENATOR DUGAN: Thank you. Senator Maressa.

SENATOR MARESSA: Just one question, Senator. I was wondering, have these amendments, that you told us about this morning, been prepared and distributed, and do they have any support whatsoever from the industry here in Atlantic City? Have you had occasion to go over these with the people you represent? Just for my own information, I would like to know what support you have for these amendments.

SENATOR MC GAHN: Senator, I think that one of the problems you will find articulated here today is that there will be a group who may feel that the performance standards that have been set forth for the suitability of an applicant for a casino license are too strict and too stringent, insofar as they will attempt to restrict certain hotels from actually obtaining a license because of not being able to meet the minimum requirements as far as room size and/or the number of rooms is concerned.

I think, as you probably know, one of the problems that we face at the present time is, there is no single, comprehensive bill that we can present to the Legislature. Hopefully, what would occur is this: Once the Governor makes his recommendations to the various committees as to the amendments he wants, then these can be printed as an advance copy of the bill, so that you are not going to be having a 65 page bill with amendments all over the place. It is a very difficult thing to read.

Then, of course, I think the Committee can then take and review that. As far as discussing this with anybody around here, probably the only area of contention would be the one concerning the number of hotel rooms and room size. I do not feel that there is anyone in this Chamber, or in Atlantic City, that does not feel the development here should be an orderly development and that it should be in conformity with an existing master plan.

I think Mayor Lazarow can address himself to that particular thing. If one anticipates there is going to be instant development in Atlantic City, or Atlantic County, this is not going to occur. We are talking about a phased-in period, over at least five to ten years time. The point may be, are we preempting local zoning? Are we preempting certain other things by making statutory requirements?

I think in answer to that I would like to state that at the time we were selling this in the State, we were selling this to rebuild and redevelop Atlantic City. We were selling this and using casinos as an instrument and not as an end in and of itself, to attract investment capital, to attract new investment, to get 10,000 first class hotel rooms by 1985 so that the faltering convention business could be reinforced and so that there could be increased job opportunities, there could be increased jobs and an attempt to cut down on the unemployment rolls in Atlantic City which, incidentally, is one of the highest in the State.

SENATOR MARESSA: Thank you.

SENATOR DUGAN: Senator Greenberg.

SENATOR GREENBERG: Senator, what is your view with regard to whether or not the Commission should have the authority to amend the statutory language and/or

regulations from time to time as it deems proper, rather than have the procedure come back to the Legislature with the time consuming problem that that involves? For example, let's talk about alcoholic beverages being served on the premises, in the casino, as opposed to what the Task Force indicates, where they should be served someplace else -- or the size of the rooms, or whether poker will be played, which was not suggested by the Task Force. If these subjects are dealt with in legislation initially - and I assume that they might be - what is your view as to whether or not the Legislature, or the Commission, should have the subsequent power and authority to modify them?

SENATOR MC GAHN: I would like to state for the record and for the people in this room that I did not discuss this with you beforehand and you did not discuss it with me because this is one bone of contention that I have. My initial response to a number of things is that certainly there should be a delineation between the statutory language and rules and regulations over which the Commission should have the right and the authority to modify, depending upon the impact of gaming in Atlantic City and the changing market conditions.

Yes, I do think that in those particular instances -- We must realize one thing: Starting out we will not have a perfect situation. I think we are going to have to forge the rules and regulations and we are going to have to forge some of the statutory language by trial by fire. I think you may find that there are certain things we have put in statutory language that simply is not workable. And, to go through the legislative process to amend or to repeal this will be a long procedure, as you well know.

I feel, personally, if we have enough confidence in that Commission, we can decide what the rules and regulations should be and they should have the authority, under the Administrative Procedure Act, to change those, depending upon the circumstances. I do share that feeling with you. I think some of these areas as far as hours of operation and the right to serve alcohol in the casinos and in terms of extension of credit, I think these are--

Certainly in areas such as tipping - without going into that - tipping happens to be an American custom and I think that while the Governor's Task Force Report makes some recommendations that are related more to the English system than to the American system, we must remember that we are in America and we must remember that the hospitality industry in America is completely different than in Europe and people are inclined to, when the service is proper, tip and tip accordingly.

SENATOR GREENBERG: So, your view is that there should be liberalized application of the rule-making power in the Authority?

SENATOR MC GAHN: Absolutely.

SENATOR GREENBERG: Even though the subject may be dealt with initially statutorily?

SENATOR MC GAHN: That is correct.

SENATOR GREENBERG: Okay. Just one other question. I hope - and I am sure you share this as the prime sponsor of this measure in Atlantic City - that it will result in increased employment in this area. Presently, as I understand it, Atlantic City is probably incapable of handling the housing needs of the additional employees that will seek and hopefully obtain employment in this new industry. What concepts, if any, do you have with regard to housing those employees and with regard to a more important question to me, and that is whether or not the licensees, whether they be hotels or other licensees, should have some obligation to make a contribution to the

solution of that problem.

SENATOR MC GAHN: I think that is an excellent question. As far as the solution to the housing problem is concerned, we do have witnesses who will testify today and they were asked specifically for that purpose, to address themselves to that problem.

Yes, I do feel that in keeping with the concept that we have articulated and the concept that we have projected, the developers - or the industry itself - should have some responsibility to better Atlantic City rather than simply their own interests. This has been one of the reasons why - as far as space requirements are concerned - open space in the hotels, casinos, and various other areas has been put in there. Therefore, under these circumstances we not only have casinos, we have a casino-hotel complex with entertainment facilities, something that has been sorely lacking. This then attracts not only the people who wish to gamble but you can attract, under these circumstances, - with preservation of open space and cultural facilities along with this - the family trade.

I would honestly anticipate that somewhere down the line - and I don't think this will be in the very beginning - probably like Nevada has at the present time, there will be a tiered-tax type of situation and this is allocated back either to the city, the county, or the convention bureau - as the case may be. When we realize our maximum potential as far as that is concerned, then I think under those circumstances there probably can be a different taxing system than we may be proposing in the beginning. So, part of the profits of this type of industry may be going back into bettering the cultural and recreational climate of this area and possibly helping to relocate people who may be dislocated by the impact of casino gambling in Atlantic City.

SENATOR GREENBERG: Thank you.

SENATOR DUGAN: Senator Musto.

SENATOR MUSTO: I just have one quick question, Senator. If the Commission was given the power to regulate the hours of operation - if it didn't have to go through the Legislature - and the availability of liquor at the casinos and credit, would you still favor taking away the veto power of the Governor?

SENATOR MC GAHN: That is a compromisable thing I think, Senator - the veto power of the Governor. I am not speaking about any particular Governor but I think the statement has been made, and I think you made it yourself on numerous occasions, that the Governor of this State is actually the most powerful Governor in the United States, with possibly one exception. I am talking, of course, about his ability and power to appoint people and, very frankly, his veto power over some of the Authorities. One cannot question the integrity of the present Governor in that particular respect. But, down the line, nobody knows quite what is going to happen. I would rather see a provision in there which gives the Legislature the right within a set period of time to either affirm or deny some type of action, rather than giving it to the Governor.

SENATOR MUSTO: I have no further questions. Thank you.

SENATOR DUGAN: I don't have anything else, Senator. Speaking for the Committee I hope that the aspirations you have for Atlantic City and the region come into being by reason of this bill and we hope to cooperate to get the industry in place properly and as soon as possible. We share your concern and your hopes for Atlantic City.

I would like you to come up and join us if you can, Senator.

SENATOR MC GAHN: Thank you very much.

SENATOR DUGAN: Mayor Lazarow. Mayor, before you start, do you have any comments either in support of or at variance with Senator McGahn's presentation? Perhaps we can address ourselves to that first.

MAYOR JOSEPH LAZAROW: Yes. We agree quite fully with Senator McGahn's recommendations. However, I am here speaking as the Mayor on behalf of the people and as Chairman of the Committee to Rebuild Atlantic City. We, of course, met with the three legislators and we worked out a consensus of our ideas about the enabling legislation. There are some other fields which I would like to address myself to first and then I will come to that consensus, if you don't mind.

First, I want to thank you, Senator Dugan, and Senator McGahn for arranging this hearing in Atlantic City and I would like to welcome all of you distinguished Senators to Atlantic City. I was somewhat concerned after the Assembly hearing on December 15th that the Legislature was going to take a two-month recess, from February 15th to April 15th, at a time when we so badly needed them. But, I am very happy to see that you are hard at work during this recess. We really appreciate it.

As I said, I am here as the Mayor, representing the people of Atlantic City and also as Chairman of the Committee to Rebuild Atlantic City, which sponsored the campaign to win the referendum for casinos and was asked to continue to work toward the second phase of our battle, that is to get proper, intelligent, and practical enabling legislation. I personally have no ownership interest in any bank, store, restaurant, bar or hotel. I have no interest whatsoever except the interest of the people of Atlantic City. That is what we are going to address ourselves to here, in order to get legislation for the long-term prosperity and benefit and well-being of the people of Atlantic City. We are not a large city. We are only some 3,500 buildable acres, three and one-half square miles and slightly over 40,000 in population.

But, I want to point out some facts that I think the Legislature should know because a question has come up as to whether Atlantic City is ready for casinos. I am just going to point out the facts to you and, of course, leave it to your determination as to what extent we are ready. I want to talk for a few minutes about the physical improvements that have been made in Atlantic City in the past five years. I think that has a bearing on some of the questions the legislators are asking.

Let me say, first of all, that during the past 5 years we have created 8 new, beautiful park playgrounds and tennis courts in various parts of the City. We have a beautiful new maritime park, known as Historic Gardeners Basin and there is nothing like that in the whole State of New Jersey.

We have spent about one million and one-half dollars lending out money at low interest rates to improve residential neighborhoods. We have spend over one million dollars clearing away the blight of abandoned properties which were a hazard and dangerous. But, by that we do not mean in any way to bulldoze or to push people out. We want to make provisions for all of those people - all of the people living in Atlantic City - to remain here and live in decent housing.

We now have two of the finest neighborhood schools in the entire country. One is the West Side Complex with an Olympic-size pool, laboratories, and many amenities, and we have the Madison Avenue Complex which will be completed in a few months. The West Side School is being used approximately 18 hours a day by everyone in the neighborhood. In the past 4 years we have built 863 new housing units. We have put up 1,638 new sodium-vapor lights on 58 streets and in parks. This is better and brighter lighting for aesthetic purposes and for a deterrent to crime. Many, many streets have been paved. We now have almost completed a brand new total

sewerage system which will accommodate all of the contemplated building. We have recently been awarded a grant for a \$5 million water filtration plant on which work will be commenced in just a few days. We have established a program for beautifying the store fronts in the center city and we have planted trees in the past year for about a 20-block length of Atlantic Avenue.

Under the guidance of the recently enacted Municipal Land Use Act, we have enacted an 80-page ordinance setting up new and modern planning and zoning boards. This ordinance for a sub-division review and site plan prohibits the submission of an application for development unless all taxes are paid and prohibits the sale of a section of property for approval until a sub-division is granted. And there has just been turned over to our Planning Board a comprehensive new zoning ordinance which will be placed before the public for enactment in a matter of days.

The Planning Board has practically completed their interview of some of the most noted master planners in the world, who consider the planning of Atlantic City a great challenge. So, within two weeks we will choose that master planner to do the master planning that is needed for Atlantic City.

We have many, many feasibility studies of all types, including transportation. I will appear in Washington this coming Wednesday for a meeting with ConRail and AMTRAK to provide some decent rail transportation, which we so badly need in Atlantic City. We have some good news for taxpayers concerning taxes. They may get some very surprising news about the 1977 tax rate. So, we have been able to hold taxes down and prevent the spiraling escalation of real estate taxes which has been so hard on the people and the businesses in Atlantic City. So, we have many, many improvements.

We have a rent control ordinance which is preventing the gouging of tenants and will enable the people in Atlantic City, many of whom are on low incomes or fixed incomes, to remain here in Atlantic City, which is just what we want.

Now, we have met on numerous occasions with this Committee to Rebuild Atlantic City, which represents many, many facets of Atlantic City. We have met with representatives of the hotels, motels, restaurants, banks, and so forth, and we have come to a consensus of what we feel the enabling legislation should contain. I would like to make that part of the record. It is the same consensus that we sent to Governor Byrne upon his request. I would like to just read what we have determined and I might say that this consensus of opinion was reargued again before the Committee just last week and the entire concept of our recommendation was ratified. There were no votes against this.

The Committee to Rebuild Atlantic City and the Legislative Committee of Greater Atlantic City Chamber of Commerce met on many occasions with our legislators and we have achieved the following consensus, which is based on our desire to provide maximum economic benefit to both the State of New Jersey and the City of Atlantic City, while at the same time providing an economically rewarding climate for the owners and operators of new hotels and casinos to do business.

Jobs must be created. Outside investment capital must be attracted. The recreational character of the City must be maintained while continuing to provide a competitive climate for convention business. To achieve all of these goals, we are agreed that the following basic essentials should be incorporated in the legislation and regulation thereof:

Conformity with the Atlantic City Master Plan - We are moving ahead with the updated zoning ordinance and a new master plan to insure orderly development of this city. They will include a resort-commercial area in which will be located

those properties that will be eligible for casino licensing.

Other aspects of the plan will include housing, parking, traffic control, construction specifications, local public services, and many other issues relative to the quality of life within the city.

Casinos should be located in properties having a minimum of five hundred hotel rooms of at least three hundred twenty-five square feet each, including bath and closet, with public space of no less than forty thousand square feet, of which fifteen thousand square feet may be used for the casino area.

We are dedicated to the philosophy of new construction and maximum rehabilitation of existing hotel properties. In stressing the family atmosphere, which the city desires to maintain, we feel that the physical layout of the hotel entrance should avoid immediate entry into the casino area. We feel that these specifications offer the most attractive inducement to financial sources and, yet, allow rehabilitated existing structures to qualify for licensing.

As to hours of casino operation, a great amount of time was given to the study of casino operations in other areas. The most successful of these provided unlimited operating hours in the casinos. However, in our desire to maintain a family quality of tourism in Atlantic City, we feel that some limitation in operating hours should be imposed at least during the normal working week. We also recognize that unreasonable restriction of hours of operation would not be economically beneficial to the casino operators nor the city and the state.

A reasonable middle ground would indicate operation of 18 hours, Monday through Friday, with extended hours on Saturdays, Sundays, and State holidays. A plan of this type would provide maximum utilization of the labor force by creating three or four shifts of work per day. It is recognized that casinos are private businesses and must maintain an operational flexibility to meet the needs of visitors to the city.

Such items as extension of credit and service of liquor in the casino area are used to attract customers and provide economic return to the operator. For these reasons we feel that their usage should be left to the casino operator, subject to reasonable control by regulatory authorities.

So, there, as I said, is the consensus arrived at by the Committee to Rebuild Atlantic City, together with a Committee of the Chamber of Commerce.

We know that you realize the necessity for action - and certainly you are taking that action today. As you know, in the wintertime we reach an unemployment figure of 26%. That cannot go on. Also there are developers actually waiting and they cannot make their plans and certainly they cannot put a shovel into the ground until they know the requirements of the enabling legislation.

We are ready, willing, and able for this legislation. We are very anxious for it. We really want it as of yesterday. So, we want to prevail upon you to do everything possible to get this enabling legislation enacted in the very near future.

SENATOR DUGAN: Mayor, you opened your presentation with posing the hypothetical, "Is Atlantic City ready for casino gambling?" I think you have answered that question very well.

On the question of hours of operation it seems to me, from your response to my question, that really what you want is a 24-hour a day gaming, is that right? Eighteen hours during the week just doesn't suggest to me anything but a token compromise. Am I correct in that?

MAYOR LAZAROW: In our study of the casinos throughout this country and the

Caribbean and throughout the world - I think that my wife and I have visited, in the past five years, at least 10 of them - economically they feel that 24 hours is a necessity for their operation. We know, as a matter of fact, that Governor Byrne has stated that he would veto a bill for 24 hour operation and we certainly don't want that to happen so, actually, this is a compromise that we are suggesting of 18 hours, plus extended time Friday night and Saturday night because that is when people will be coming in. We certainly want the casinos to succeed once they get here and we want to offer them the necessary rules and regulations so that they will come in.

Yes, we would like to see 24 hours, but we are using the 18 hour figure as a compromise.

SENATOR DUGAN: One other question that I have is, I gather from Senator McGahn's remarks that Atlantic City is not soliciting an expansion of casino gambling beyond the large hotels that are described in the legislation. Specifically I am talking about casinos that are not affiliated with hotels. You are not interested in this kind of casino operation at this time are you?

MAYOR LAZAROW: Senator, let me say this: We are interested in what is best for the people of Atlantic City. This particular issue has been looked into and discussed. There are some people in Atlantic City who feel there should be free standing casinos off of the boardwalk area. There are others who feel that these do not work - these would not work out for the best interest of the community. There are neighborhoods who feel that the casinos are not for the working man to be able to go next door.

SENATOR DUGAN: What is your judgment on that?

MAYOR LAZAROW: We feel that for the long-term benefit of all the people of Atlantic City, casinos should be limited to large hotels. We definitely need at least 15,000 first class hotel units to serve the convention business and the type of resort city that we are planning for.

SENATOR DUGAN: That's all I have. Senator Musto?

SENATOR MUSTO: No questions.

SENATOR DUGAN: Senator McGahn?

SENATOR MC GAHN: No questions.

SENATOR DUGAN: Senator Greenberg?

SENATOR GREENBERG: Tell me, Mayor, how many present structures are there with a minimum of 500 rooms in the City?

MAYOR LAZAROW: I don't know if there are any hotels that would presently qualify under these regulations without rehabilitation and the building of new rooms.

SENATOR GREENBERG: One more quick question--

MAYOR LAZAROW: I think the motel people, even though they will be here to present somewhat different viewpoints, will feel, as we do, that this plan - this desire for casinos - is dedicated to the rebuilding of Atlantic City and that each and every hotel should have a responsibility for rehabilitating those existing hotels and not just give casinos to the present structures as they exist. That would not be doing anything for Atlantic City.

SENATOR GREENBERG: Where do you expect to house the employees?

MAYOR LAZAROW: We will have to provide quite a bit of additional housing for the people of Atlantic City as well as the employees. There are some hotels that have special buildings for their employees in Atlantic City. That has been the

case from way back in the history of Atlantic City. We are having the master planner certainly plan for the housing of employees as well as the residents.

SENATOR GREENBERG: Do you expect there to be private support for the construction of new housing for that purpose?

MAYOR LAZAROW: Yes, I think there will be. We will need public and private support for new housing.

SENATOR GREENBERG: Thank you.

SENATOR DUGAN: Senator Maressa.

SENATOR MARESSA: Mayor, I want to congratulate you for all the work you have done in preparation for casinos. I was wondering, however, whether the opinions you have just expressed are your opinions or what input has there been, for example, from the people of Atlantic City, from the industry, and so forth? I don't think you really addressed yourself to that.

MAYOR LAZAROW: Well, I hope that I have. As I said, I have no special interest and I represent no special interest. I have met, of course, with the Committee to Rebuild Atlantic City for almost a year now. I have met with some 30 people, each of whom represents a different facet of Atlantic City, not only businesses but also fraternal organizations as well as the private homeowner and the housewife. We have had public meetings at which we have asked for the input of people many, many times. And, of course, there has been the talk shows on the radio. I have been around every bit of town for the past year to question, specifically, as to what the people want. I think we came to that consensus in the Committee to Rebuild Atlantic City, as I set forth here.

SENATOR MARESSA: I see. In other words, the views that you set forth are the views of the Committee to Rebuild Atlantic City?

MAYOR LAZAROW: Yes, they are.

SENATOR MARESSA: Just one additional question. Have the Commissioners in the various Departments of the State of New Jersey cooperated with you, Mayor, in whatever your endeavors are here in Atlantic City? Have you met with any resistance or delay at all from our State people?

MAYOR LAZAROW: Actually no. We were in Trenton and met with the Governor and Judge Handler and they have been very cooperative.

SENATOR MARESSA: Thank you.

SENATOR DUGAN: Thank you very much, Mayor.

Prosecutor Richard Williams.

R I C H A R D J. W I L L I A M S: Mr. Chairman, I want to thank the Senate Judiciary Committee for your invitation to appear today and to express my thoughts with regard to the subject matter of Senate Bill 1780.

The decisions which must be made in the period of the next few months will be of critical importance to the Atlantic City area and a subject of interest to the people across this Nation.

At the outset, we must clearly define and have an understanding of the goal we seek; that goal must be the rebuilding of Atlantic City. Gambling is not and must not be allowed to become an end in itself.

Throughout the election campaign the promise was made that gambling would not dominate this town but would only serve as a tool for revitalizing Atlantic City. That promise and that prospective must be kept by the legislation that you ultimately will adopt.

If this city is to be rebuilt, then we require some concept of what the final

product will be like. No one would construct a building without blueprints and plans. Yet, at the present time there is no one who can tell you what a rebuilt Atlantic City will be like because there has been no planning.

My concept of a rebuilt Atlantic City envisions a place not only attractive to tourists but a place where people can live and work and raise their children in a decent environment. Atlantic City must not be allowed to become either another Las Vegas nor another Disneyland. Without planning at the local level this could happen.

Gambling will bring numerous problems in the areas of land use, transportation, social services, and relocation of population, to name a few. These problems cannot be effectively met by reacting on a crisis basis. We must begin to plan for the solutions now. Therefore, I would recommend that your legislation mandate that the City of Atlantic City adopt a master plan and engage in a continuing, ongoing process of planning.

Consideration should be given to requiring the adoption of a master plan by Atlantic City and the establishment of an operating planning department before any casinos could begin operations.

Because of the critical decisions which must be made by government and the necessity to maintain the highest degree of public confidence in the regulation of casinos, I recommend that the proposed legislation be amended to allow for no political contributions on the part of any persons or their families connected with the ownership or operation of any casino.

On the part of public officials in Atlantic City, the highest ethical standards must be maintained. I recommend that the Committee consider legislative extension of the current Code of Ethics for state employees to cover all public officials in Atlantic City or, in the alternative, mandating the adoption of a Code of Ethics by the City of Atlantic City to cover all municipal employees.

As a prosecutor I am concerned with measures to prevent crime. Each of the aforementioned recommendations would be constructive steps toward establishing a healthy environment, thereby reducing opportunities for crime. There are other measures which can be taken as well and I would like to touch on a few, just briefly.

Regulation of services supportive of, or ancillary to, the operation of casinos is essential. Such regulation should be as broad as possible and, to the extent such does not conflict with Federal law, should be inclusive of labor unions.

Establishment of State approved schools for training croupiers and others who work in casinos should be accomplished.

SENATOR DUGAN: Let me interrupt you for a minute, Mr. Prosecutor. Specifically what do you mean by "regulation of services supportive of, or ancillary to, the operation of casinos is essential?" And also what is meant by this one: "Such regulation should be as broad as possible and, to the extent such does not conflict with Federal law, should be inclusive of labor unions?" What do you have in mind there?

MR. WILLIAMS: What I have in mind, Senator, involves the power that will exist not only in those who operate the casinos but in those who provide services for the casinos, whether those services be in the area of--

SENATOR DUGAN: Well, what should we in the Legislature do?

MR. WILLIAMS: Okay. I think in terms of what we are talking about -- By way of regulation, we are talking about where licenses would be required, for instance, to work in a casino. There should be some requirement of licensing with regard to supportive type services. As a prosecutor, one of the areas of concern we have - and

I must indicate that I do not have specific recommendations in this area - obviously is to protect against any type of racketeering and to maintain the integrity of the unions which we do have down here at the present time.

SENATOR GREENBERG: Well, how do you regulate them other than through Federal laws? What do you propose?

MR. WILLIAMS: I don't have a specific proposal with regard to how that can be accomplished. I think it is difficult because of the Federal laws. That is why I indicated "to the extent possible." I think that has to be explored. I think it has to be considered as to whether there are areas, particularly with regard to services in the casinos themselves.

SENATOR GREENBERG: Go ahead. I am sorry I interrupted you.

SENATOR DUGAN: So, you believe that the employees and those that render ancillary services to the operation of casinos should be licensed by the Commission?

MR. WILLIAMS: I believe there should be some type of licensing required, yes.

SENATOR DUGAN: Okay.

SENATOR GREENBERG: Have you seen the Task Force report on the language dealing with the prohibition of any union or its affiliates from receiving dues from casino hotel employees or administering pension or welfare plans for such employees if any officer, agent, or employee of the union has been convicted of a crime of moral turpitude or otherwise cannot meet the integrity standards for licensure of the employees they represent? Have you seen that?

MR. WILLIAMS: I have not seen that. I received a copy of that this morning and have not had an opportunity to review it yet.

SENATOR GREENBERG: Than it would be unfair for me to ask you your opinion. Go ahead.

MR. WILLIAMS: Thank you. I indicated, I think, that there should be state approved schools for training croupiers and others who work in the casinos. Unless these schools are operated by reputable people, there is a danger that such may become recruiting organizations and training organizations for the criminal element. I would recommend that any approved school be affiliated with an established, accredited educational institution.

The proposed legislation, as presently drafted, provides for prosecution of illegal gambling as a high misdemeanor. I believe that a more effective job could be done by providing for a range of charges including those at the disorderly persons level so that a prosecutor could use his discretion in choosing a charge most appropriate to an alleged violation. The present language renders the prosecution muscle-bound with an all or nothing approach.

Finally, with regard to all applications for licenses or matters of discipline, which must be decided by the proposed Casino Control Commission, I would recommend that the burden of proof be placed upon the applicant for, or the holder of, the license involved. There should be a heavy presumption of validity given to any decision made by the Commission which should not be overturned unless the party aggrieved by said decision can show by proof beyond a reasonable doubt that the action of the Commission was arbitrary or capricious to such an extent that it involved a denial of a fundamental constitutional right.

SENATOR GREENBERG: Do you have any problem with the constitutionality of that?

MR. WILLIAMS: Sure. I think as long as we are talking about arbitrary

or capricious to such an extent that it involves a denial of constitutional right, we have preserved the constitutionality.

SENATOR PARKER: You don't have any constitutional rights in licensing procedures, do you, Mr. Prosecutor?

MR. WILLIAMS: In deciding about the license, I think there may be a problem. Certainly, the action of any governmental body cannot be arbitrary or capricious.

SENATOR PARKER: I agree with that but liquor licenses, automobile licenses, all types of licenses are privileges of the State and constitutional rights don't apply to them, do they?

MR. WILLIAMS: With regard to suspension of those licenses there is a necessity for certain constitutional provisions.

SENATOR GREENBERG: Due process requirement is what you are talking about.

MR. WILLIAMS: Yes, due process.

SENATOR GREENBERG: Do you need the burden to be the criminal burden of the State, beyond a reasonable doubt?

MR. WILLIAMS: I believe the burden should not be the State's burden but should be the applicant's or the person who is charged. We are reversing by statutory presumption what the burden would be here.

SENATOR DUGAN: You have to prove your innocence beyond a reasonable doubt. That is a novel concept.

MR. WILLIAMS: Yes it is, but so is gambling. I think that is a factor that we have to recognize.

I have directed my remarks toward the proposed legislation because that is the immediate concern of this Committee. As a law enforcement official, however, I must point out that the adoption of sound legislation will not, in itself, be adequate response to potential criminal problems in the Atlantic City area. The coming of gambling very definitely will have a substantial impact on law enforcement agencies and will require substantial new resources for agencies at all levels. I say this because the public must be able to put the work of this Committee and the Legislature in proper perspective. You can adopt sound legislation but legislation alone is not the entire answer to a proper preparedness for the changes which will confront Atlantic City. The rest of the answer lies in the willingness of its citizens to assume the necessary responsibilities and bear the necessary burdens to rebuild this city.

Thank you for your consideration of my views.

SENATOR DUGAN: Prosecutor, some of the questions that we hear asked concern the ability of the State of New Jersey, with all of its law enforcement agencies, to respond to all kinds of dire consequences to the establishment of casino gambling, specifically the infiltration of organized crime and their propensity to try to affiliate with or be involved in this kind of activity. Do you think we have enough law enforcement agencies in place in this State to respond to that potential threat if, indeed, it is a threat?

MR. WILLIAMS: I believe it is a threat. I do not believe that it is the number of agencies. I think we have the agencies. I think that what we will need, however, are two things: One, additional resources for the agencies and, two, a coordination among the agencies to see to that there is cooperation, to see to it that duplication is avoided, to see to it that all the potential problem areas are covered. So, particularly with contemplation of the creation of a new agency - the Casino Control Commission - I think we will have adequate agencies. But, the problem is to give them the adequate resources and then coordinating what is done.

SENATOR DUGAN: Have you had any conversation with any of your counterparts in different jurisdictions that have casino gambling in place now?

MR. WILLIAMS: I have had conversations with some and have scheduled others - where I will be meeting with them. I assume you are talking about outside of the State of New Jersey?

SENATOR DUGAN: Yes.

MR. WILLIAMS: Yes, I have had conversations with persons in Puerto Rico. I have other conversations scheduled and I have had some of my staff personnel working on this.

SENATOR DUGAN: Do you have any deep concern about the bill we have before us? As you know, the area of discussion is narrowing and I think coming into clear focus now is, what kind of a bill are we going to have? There will be changes, of course, in response to these public hearings. But, are you satisfied that generally we are on the right track?

MR. WILLIAMS: I believe that basically the bill is a good bill and that basically you are on the right track. Obviously, there will be modifications. I might indicate that - and this is a little beyond your question, Senator Dugan - one of the primary concerns that I have as a law enforcement official involves matters outside the scope of the bill or outside the scope of the operations of the casinos themselves. We are talking about a tremendous growth in this area and some of the problems, crimewise, that can come from growth. That is why I indicated that the Legislature can do so much. You can give us sound legislation but that, in and of itself, will not solve all of the problems.

SENATOR DUGAN: Well, the implementation of municipal planning is really the responsibility - and rightly so - of the community. There is not much that we in Trenton can do to plan the city or the region, is there?

MR. WILLIAMS: I agree with you. I think what you can do, however, is provide a greater incentive for planning and provide that if this privilege is going to be given to Atlantic City to rebuild itself, that Atlantic City assume its proper burdens too in seeing that this planning is done.

SENATOR DUGAN: Senator Maressa.

SENATOR MARESSA: I have no further questions.

SENATOR DUGAN: Senator Greenberg.

SENATOR GREENBERG: Just one - from the point of view of the chief law enforcement officer in this county, what is your view as to what the hours of operation for the casinos should be?

MR. WILLIAMS: I speak for myself, obviously. I would not favor a 24-hour operation.

SENATOR GREENBERG: Why not?

MR. WILLIAMS: I believe that the hours - particularly at the outset - should be limited. With a 24-hour operation there is obviously going to be more activity. That is going to place some strain - particularly at the local police level - on operations and I believe that there should be, at the outset, some testing of the waters to see how it is going to operate under the presently proposed 16 hours and to see whether adequate law enforcement response can be given at that stage. If it can, then there may be consideration later on, obviously, toward change.

SENATOR GREENBERG: Is there a relationship in your mind between the black hours - whether they be from 4 to 8 in the morning or from midnight until noon the next day, or whatever - and the existence of increased criminal activity?

MR. WILLIAMS: I think there can be. Let me put it this way, increased

activity which would involve the services of police, some of it may be criminal and some may be non-criminal but it would still require services from the local law enforcement agencies.

SENATOR DUGAN: Senator Parker.

SENATOR PARKER: Just to pursue that for a second, what type of services would be required - additional police services - if you were open 24 hours instead of 18 hours per day? I understand you may have additional policemen on the street or something of that nature but--

MR. WILLIAMS: Well, I can think of one, for instance, in view of the recent changes with regard to the alcohol laws and drunkenness and the problems one is likely to encounter in the early morning hours and the burdens that will now place upon local police in seeing to it that proper handling of those matters occurs.

SENATOR PARKER: Don't most police officials - or police forces - have sufficient personnel on in the evening to control that?

MR. WILLIAMS: I think it would require additional men. Chief tenBrink can tell you better than I because he will be here this afternoon. My own viewpoint is that it will place an additional burden on the department, particularly in the early morning hours, which was referred to previously as the graveyard shift. That would conceivably pose some problems at that time.

SENATOR PARKER: What are the hours that liquor establishments are allowed to be open now in Atlantic City?

MR. WILLIAMS: I do not frequent the establishments but I believe there are no limits insofar as the hours they can be opened are concerned. Some places do close in certain parts of the city. I am not familiar with Atlantic City. I believe they may be going all night. I know when I come into work in the morning I frequently see people outside of some of these places and that in itself does not create a healthy environment, particularly for children on their way to school.

SENATOR DUGAN: Senator Musto.

SENATOR MUSTO: I have one quick question. Do you have any thoughts on the availability of credit, or the availability of liquor in the casinos? Have you given that any consideration?

MR. WILLIAMS: I have given that consideration. I don't know that I possess, at this point, the expertise to indicate that. I have my own personal view. I would be reluctant at this point to answer that. I am not certain, Senator, at this point, that my opinion in that area would be of assistance to the Committee.

SENATOR MUSTO: I have no further questions.

SENATOR DUGAN: Thank you very much.

MR. WILLIAMS: Thank you very much and thank you for scheduling me at this time.

SENATOR DUGAN: Senator Ammond. Before we hear from Senator Ammond, I would like to introduce a late arrival, a member of the Committee, Senator Parker, who is on my immediate left, after Gayl Mazuco.

Senator Ammond, it is a pleasure to have you here in Atlantic City.

SENATOR ALENE S. AMMOND: Thank you. Yesterday Senator Parker, Senator McGahn and I were holding energy hearings in Camden. It seems that is all we do these days.

SENATOR MC GAHN: We have to stop meeting like this.

SENATOR AMMOND: Why? If only this audience knew what I have to put up with in Trenton with you, Senator McGahn. (laughter)

SENATOR PARKER: We would like to have a full disclosure on that if we can.
(laughter)

SENATOR DUGAN: We will limit the hearing to the subject matter in the bill.

SENATOR AMMOND: Mr. Chairman and colleagues, members of the Judiciary Committee, I thank you for this opportunity. I don't have a prepared text. I am speaking mostly off the cuff and from my heart.

The Committee to Rebuild Atlantic City called me when they were involved in the gambling campaign and asked me if I would come down and talk to the businessmen and the housewives and everybody in this City to help them out. I did do that. For two weeks I walked around this City. I talked to businessmen. I talked to people from all facets of life here. The one thing that came out loud and clear was that many people in Atlantic City felt that the rest of the State did not relate to their problems, their serious economic problems, and that we were really insensitive to their needs.

Based on that, I went out and I campaigned for the gambling. I went all over the State. I debated on New York television with Jonathan Goldstein, as you probably well know. I understand I beat him on the gambling issue.

I am here to say I really feel we should not delay the process. The voter has spoken. They have voted two to one to begin gambling in Atlantic City. I think the prime reason to begin immediately is the obvious economic need, not only of Atlantic City but also in the areas from which I come in South Jersey. I have had phone calls from many people in labor unions, the construction trades, the hotel and restaurant workers union - people are out of work. To promise them a sirloin steak a year from now is not going to fill their stomach today.

I do not think there are any valid reasons for not starting immediately. It is a hard management decision. All we have to do is make the proper decision, pass the proper legislation, and move on. If we have to hire expert help to help us rise to the challenge, then we can do it; the money will be there.

I really feel that the crime problem can be handled with a vigorous law enforcement unit. If we are worried about it and if we are worried about duplication then we should put it in the hands of one agency, possibly the State Commission of Investigation, so that we won't have more than one law enforcement agency working at cross purposes with each other. Often, as we know, there is jealousy between law enforcement agencies and they tend not to cooperate. We can put it in one agency. We can fund the agency and let them hire expert help. With that and the F.B.I., which is now concentrating down in this area, I think we can rise to the challenge of the problem of the potential of organized crime.

With respect to the State and its ability to handle this, I would like to remind you that not too long ago some people brought to the attention of some State Legislators massive horse drugging in the racing industry. The Attorney General acted immediately. The Racing Commission reacted by changing the rules and in a national report it was reported that New Jersey was the only State that took decisive action with respect to this problem. So, we have proven we can do it. We have the tools and the competence and intelligence to do it and I see no reason for withholding the economic benefits to the people of South Jersey any longer.

That is all I have to say.

SENATOR DUGAN: Thank you.

SENATOR AMMOND: I will be happy to answer any questions.

SENATOR MARESSA: I have one question. Why would you recommend that the S.C.I.

handle this, rather than the Attorney General?

SENATOR AMMOND: I am not saying there is anything wrong in the Attorney General's office. I just think the S.C.I. is an independent agency, fairly divorced from politics. If they were given the money to handle it, they could do a competent job. I am not saying that the Attorney General's office is not able to handle it. But, often, what happens in law enforcement - and any law enforcement official will bear this out - is, if you spread it over too many agencies, you will find that they duplicate services; they tend to be jealous of each other; and they even withhold information from each other because each guy wants to look best. So, that is the only reason I chose the S.C.I. And, of course, the F.B.I. will be working on it as well. That is out of our hands.

SENATOR DUGAN: Senator, are you familiar with the staff report and their recommendations?

SENATOR AMMOND: Yes, I am.

SENATOR DUGAN: Do you agree or disagree with their recommendation about having a special division in the Attorney General's office to coordinate the law enforcement activities surrounding casino gambling?

SENATOR AMMOND: Well, you could do it that way as well.

SENATOR DUGAN: Do you endorse that recommendation?

SENATOR AMMOND: Yes, I will endorse that recommendation. I just think we have to be careful to avoid spreading it too thin over too many agencies. We have made very bad mistakes from that in the past.

There is one other thing. I understand from other states that it is important that casinos be allowed to fire employees based on suspicion of stealing. Now, the unions may not like that but there are certain inherent weaknesses with respect to the union problem. If the unions have a union shop and control the hiring and the firing of employees and take this out of the hands of the owners of the casinos, you might have a very dangerous proposition. Now, that can be handled by regulation by the Gambling Commission, or it can even be put in the legislation.

That is all I have to say. Thank you very much.

SENATOR DUGAN: Do you think there should be any restriction on the casino operators' hiring, restriction in the sense that membership in a union would be irrelevant?

SENATOR AMMOND: What do you mean by irrelevant, they should not have to, as a contingent of employment, belong to a union?

SENATOR DUGAN: Yes.

SENATOR AMMOND: Well, I am not going to go as far as to say that because if the unions want to organize, we have a collective bargaining process in the State of New Jersey and if they organize and they follow the NLRB and all of the other regulations, that is the way it is.

SENATOR DUGAN: Well, I--

SENATOR AMMOND: We don't have a Right to Work state in New Jersey.

SENATOR DUGAN: I was under the impression that you thought membership in a union would inhibit the casino operator from hiring and firing.

SENATOR AMMOND: No, only insofar as the dealerships are concerned, where a lot of money comes over a table and a dealer could be stealing and the casino owner may suspect that the person is stealing. Based on suspicion they might like to fire that person because the money changes hands too fast. The unions ought not to be allowed, under that circumstance, to have that kind of control over that situation.

SENATOR DUGAN: So, you are recommending that the casino operator be allowed to fire an employee, based on his suspicion that that person is stealing?

SENATOR AMMOND: Now, you can always have a hearing process set up for the employee at a later date. This should apply particularly where the dealerships are concerned. The rest of the operation is not as important as that - just the people who handle the most money.

SENATOR DUGAN: Your recommendation is that they should have the absolute right to fire on suspicion?

SENATOR AMMOND: Where the dealerships are concerned, yes.

SENATOR DUGAN: Senator Parker.

SENATOR PARKER: First of all, I agree wholeheartedly with your endorsement of getting this matter underway as quickly as possible. I think there has been, in all due respect, a little delay and I would hope that it wouldn't continue.

Second of all, as far as the union organization of dealers is concerned, are any of the dealers organized in the other states?

SENATOR AMMOND: No.

SENATOR PARKER: I know they are licensed. It will be a licensing process.

SENATOR AMMOND: There were some rumors. We have heard some rumors and to offset anything happening before it happens, I thought I would make that comment.

SENATOR PARKER: Well, do you think some form of employment guidelines or grievance procedures, or whatever you want to call it, should be written into the statute to guarantee that a management prerogative of the casino owner, in this case, can be exercised where he feels that the employee is not in the best interest of the casino and may be stealing, skimming, or whatever? Do you think that should be written into the legislation?

SENATOR AMMOND: Well, there could be a regulation set by the Gambling Commission. You know, on the race tracks, they will not employ, or they are not allowed to employ, people who have a criminal record. Now, I am not saying this never happens but for the most part in the State of New Jersey, it has worked very well at most of our tracks. I know the State Police have even recognized people and removed them from certain areas.

SENATOR PARKER: Just because of their consorting with known criminals?

SENATOR AMMOND: Well, if a person has a record they are not supposed to be working in the racing industry. It has worked well.

SENATOR GREENBERG: That is an objective standard. You either have a record or you don't have a record. But, if an individual has a suspicion which could come from any one of a number of sources, including the color of his hair or who he sees or who he dates, etc., you have no objective standard that you are dealing with. Are you proposing that the legislation prohibit the arbitration procedure and give carte blanche to the employer?

SENATOR AMMOND: No. In most states where casinos operate, and in most countries, where the dealerships are concerned, based on suspicion of stealing, I believe the owners have the right to at least fire the person or suspend them. Now, you could set up a hearing process later. There is a very serious reason for this. This is a very dangerous position. A person could steal quickly before you even knew what was going on. You can't allow outsiders to control a situation like that.

Now, it could be a matter of negotiation. I am not saying remove the right of the union member. They would have all other rights vested in them under the law.

SENATOR GREENBERG: You know the dealers are organized, or have been, in Puerto Rico. Are you familiar with the contract clauses there?

SENATOR AMMOND: No, I am not. I am just making an observation about New Jersey, to be very honest with you. New Jersey is New Jersey. The way other states and other countries operate is their business. We have to operate in the best way we know how.

SENATOR GREENBERG: Well, on the one hand you cite other authorities as having some precedence and significance--

SENATOR AMMOND: Because I have been told by casino operators in other areas that they do have the right to fire dealers based on suspicion of stealing.

SENATOR DUGAN: Specifically what casinos are you making reference to?

SENATOR AMMOND: In London, for instance, at the International Sportsmen's Club, which is a different operation. I understand the London operation is far different from ours economically. It is not an investment operation. It is not meant to attract tourists. They have some very strong restrictions in London which I don't feel are applicable here, like the 48 hour gambling rule and everything else.

But, as far as that is concerned, the London operation has some very, very strict rules and that is what I am referring to specifically.

SENATOR DUGAN: Well, do you think it is appropriate to incorporate the London rules into Atlantic City?

SENATOR AMMOND: No, not all of them. No. I think the 48 hour rule would discourage tourism. Londoners do not look for tourism. Gambling is a means of attracting tourists. It is really a rich man's sport over there.

SENATOR DUGAN: Senator Musto.

SENATOR MUSTO: No questions.

SENATOR DUGAN: Senator McGahn.

SENATOR MC GAHN: I think the nature of the profession - that is the croupier, pit boss, et al - is such that the employer should have the right to fire the individual. Other casino employees, however, are unionized. It is my understand that in Nevada they are not unionized and the casino operator has the right to fire them. I think that should be controlled.

Possibly what you may be referring to also is, there should be legislation referring to labor unions and the background of various individuals. Certainly, I think that the labor union representatives are here today and they can address themselves to that. They are not adverse to that concept.

SENATOR AMMOND: Thank you, Senator.

SENATOR MUSTO: Mr. Chairman, I have just one question. I would like to ask this question because I know we are all have one objective in mind and that is to get this program moving. We have a bill here that we are discussing. I would like to ask my favorite question, do you support this bill that we have here?

SENATOR AMMOND: Yes. I have had a lot of input in the bill. I gave Assemblyman Perskie and Senator McGahn many ideas for the bill and they have already been incorporated into it. I think it is a good strong piece of legislation and I wholeheartedly agree with it.

SENATOR MUSTO: With or without your present recommendations?

SENATOR AMMOND: Well, that is not necessarily a legislative matter. I brought that up because it is important with respect to control of organized crime through any outside organization.

SENATOR MUSTO: I bring that up because I too feel that there are many improvements to be made in this bill and we are going to have a lot of recommendations as the witnesses come before us to testify. As the witnesses come forward

it is important to know how they feel about the bill we are considering.

SENATOR AMMOND: Thank you very much.

SENATOR DUGAN: Attorney General Hyland. The witnesses to testify now are Attorney General William Hyland and to his left is the Special Assistant to the Attorney General, Robert Martinez and to the Attorney General's right is Captain Dintino.

General, I would like to welcome you to Atlantic City. We are very much interested in what you have to say about the bill that we have before us.

ATTORNEY GENERAL WILLIAM HYLAND: I want to commend the Committee for its wisdom in holding hearings here, in the city that will obviously be most vitally affected by all of this. I appreciate the opportunity to be here with you.

These hearings will provide the public with another opportunity to be assured that regardless of any individual viewpoints we have had about casino gambling prior to November's election, all of us are now committed to carrying out the will of the people.

My office, for example, has been committed to this from the moment the election results were tallied. We are determined to see casino gambling established in Atlantic City at the earliest possible date consistent with the determination all of us have to see that it is done intelligently and with a clear emphasis on the long-term success of the rebuilding of Atlantic City, which, of course, was a major objective of the proponents of casino gambling.

We have provided your Committee, previously, with copies of an interim report prepared by the Staff Policy Group on Casino Gambling and released by the Governor. That Staff Group is completing their work as rapidly as possible. Several specific--

SENATOR DUGAN: General, may I interrupt you at this point? There has been some concern about the speed with which we are moving - we, the Legislature and the Administration.

ATTORNEY GENERAL HYLAND: Yes.

SENATOR DUGAN: Can you give me some idea about when your final report will be filed?

ATTORNEY GENERAL HYLAND: Yes. I expect that the additional subjects the Governor asked us to address ourselves to will be in his hands within a week and perhaps sooner, not only the rationale for any recommendations that we are making but also the proposed amendments to the legislation itself which I think will facilitate the legislative process.

I think you realize, Senator and the other members of the Committee, that some people have suggested that a Casino Control Act should have been signed into law as early as January but to me these suggestions bespeak little respect or understanding of the legislative process, nor any appreciation of the difficulty of the subject matter. The National Gambling Commission, for example, took three years to come to a much more generalized conclusion in this and in related fields. The three or four months we have used and the time your Committee and the Assembly Committee spend are well worth it.

As this report amply demonstrates, our staffs have learned a great deal about the industry and thus are in a position to move swiftly to implement the legislation which will be passed. Many difficult regulatory matters have been tackled, particularly in the area of internal controls and drafts of various regulations have

been prepared. The staff has even completed a draft of a casino license application form. If part of the enforcement responsibility falls to my Department, as we have suggested, we will be prepared to move ahead with the necessary training and organizational steps and become at least semi-operational as early as June.

It is important to understand that the licensure process itself is a difficult one, both tedious for the licensing agency and for the applicant alike. It is also at the heart of the success or failure issue. We simply cannot break faith with those we have assured that this new venture will not be crime-ridden.

We have attempted to share as much of the information gathering burden with potential license applicants as is possible. We also have made arrangements to share information with licensing agencies in other jurisdictions in order to avoid any duplication of effort, where the information which we obtain is reasonably current and reliable.

But, the most difficult part of licensure is the initial process, whereby applicants unknown to this jurisdiction seek to establish their reputations and financial integrity and where we have no choice but to start from scratch. I would like to point out that in this respect we will be no different from Nevada. The casino licensing investigative process for one individual applicant, for example, costs over one-half million dollars in time and resources and the license process for a major manufacturer of slot machines costs over three-quarters of a million dollars. So, when I say this is costly, we are not dealing with estimates, we are dealing with the hard facts that we have gathered in our investigation.

Nevada officials have told us that an audit of corporate accounts, where a casino is involved, can run approximately 5,200 man hours. Gaming officials in other jurisdictions are aware of these and similar figures. The industry too is conscious of the cost and time which the licensure process entails and, indeed, have welcomed it since nothing can hurt their investment more than a bad reputation.

We share with the people of Atlantic City and New Jersey a desire and an enthusiasm to make this experiment in urban development succeed. We must not lose sight of the fact, which is apparent to other jurisdictions, that to succeed we must do the job correctly from the start. The steps we have taken, as witnessed by the report you have and the steps we are continuing to take, are clearly along the correct path.

Now, that isn't to say that all of us, or any of us, will necessarily agree with all of the recommendations. I have reserved judgment in some respects myself because what we are dealing with at this point is the report of a Task Force Committee assigned out of my Department and out of the Department of the Treasury. It reports, in turn, to the Governor and to the Policy Group of cabinet level, or division level, officials. So, I am not suggesting that everything that we have recommended is written in concrete. We are learning as we go along and I am sure there will be some modifications that we will support.

I want to publicly thank the members of that Task Force and Policy Group who have served with little relief from their regular assignments for doing the hard work which has brought us to this point.

I thank you for your time. Bob Martinez, who has headed up our Task Force, and Captain Dintino, of the State Police, who has been a member of that Task Force, along with myself, will attempt to answer any of your questions.

SENATOR DUGAN: Thank you very much, General. I would like to say, in the beginning, in response to the suggestion that the process of putting this industry in place by adopting legislation is not going as fast as some people would

like, that that is true. We would all like to have been able to adopt a bill and have everything set in place as early as the second week in January, but reality is that just can't be done. I commend your Task Force for what they have done so far, General. I think it has done an excellent job. I would just like to caution everyone about their concern for speed. I am sure we could act in haste and we the people of New Jersey and the people of Atlantic County and Atlantic City could then repent in liesure. I think it is important that we do it correctly but it is equally important that we do it properly. I think the June date that you gave us, General, is realistic and probably as fast as it could be done by anybody anywhere in the country. So, I want you to know that I completely agree with the timetable that you are adhering to and the procedure that you are following. As you know, this Committee sometimes take a different view of some of the recommendations.

ATTORNEY GENERAL HYLAND: Of course. Thank you very much.

SENATOR DUGAN: Mr. Martinez, would you tell tell the Committee about some of the principal changes that the Task Force is recommending, changes from the two bills, the Assembly Bill and the Senate Bill that you have had before us, and the reason for those suggested changes? Am I being too general?

R O B E R T M A R T I N E Z: No, Mr. Chairman, I think it is an appropriate question. Perhaps the major change, as emphasized in the interim report, is the more expansive regulatory scheme, which we believe should be put in place, suggested specifically in the pending legislation sponsored by Senator McGahn and Mr. Perskie. When I say more expansive, I should say that we are referring here to an effort to recognize that a State's interest in the operations of casinos extends more than simply to its interest in assuring that there is no criminal element sitting at a table or standing behind a table dealing cards. We are talking about a major economic force in this city, indeed that was the premise of the referendum. And, as a major economic force with considerable social impact as well as impact in the law enforcement area, we feel that the controls that should be in place and available to officials should be fairly broad without in any way, however, diminishing the work that was done by the sponsors of the legislation in their emphasis to keep the casinos clean. We would attempt to retain all of that and simply expand it in some other direction. I have to characterize that as the main new direction that the Task Force took.

Beyond that, there are a number of specific issues on which we have departed somewhat from the legislation. As you know, in the area of credit, in the area of requirement for capital investment, in the area of--

SENATOR DUGAN: Let's take some of them in order.

MR. MARTINEZ: Sure.

SENATOR DUGAN: Let us take them in the order of your statement. What about the area of credit? What is your recommendation and the reasons for that recommendation?

SENATOR PARKER: Can you refer to your report when you give them to us? Or, if you have an additional statement --

MR. MARTINEZ: I don't have a prepared statement but I would rely on the report in that respect. Credit is on page 34, Senator Parker.

In the credit area, we recognize that in casinos in Nevada a great deal of the play is what is known as marker credit, or house credit. While the exact percentage of that is difficult to pin down in some respects, I think there is general agreement between the industry and ourselves that it is somewhere between 50% and 65% of the total play at the table. It must be recognized that that credit is totally open-ended. In

almost all instances there is no interest charge for the loan of money for purposes of play. The legal terms of the debt are rather vague. Their enforceability is sometimes difficult to establish depending upon the supporting documents involved.

SENATOR PARKER: Incidentally, do we have to change our law to enforce a gambling debt?

MR. MARTINEZ: Yes, you do. You have to repeal the Statute of Anne.

SENATOR PARKER: Who?

MR. MARTINEZ: The Statute of Anne. That is one of those things we borrowed from the British long ago.

SENATOR PARKER: That's not all bad.

MR. MARTINEZ: There is - on the enforcement side - I might add, an anomaly. Right now someone incurring a gambling debt in Puerto Rico could be sued in New Jersey for it. But, if he incurs a legal gambling debt in New Jersey, he cannot be sued in New Jersey for it.

SENATOR DUGAN: The revision of the penal code will take care of that.

MR. MARTINEZ: I am sure it will, Senator. It will take care of a lot of things, I think.

In any event, notwithstanding what one could characterize as fairly heavy credit play in Nevada casinos, the English have experimented with an alternative system, one which in essence is a credit system but simply changes the format of the instruments, the underlying debt, and imposes somewhat more control over the carrying of that debt - if you can call it that. In essence, they utilize what we call checks, which are very similar to markers in character. The only difference is that they are made negotiable by virtue of being personal checks or counter-checks filled in with the necessary information to make them negotiable. I might also add that in Nevada the standard marker could be made negotiable. In fact, there are blank lines to fill in for that purpose but seldom are.

In the English system - I am not sure if you heard it described here earlier, stop me if I am repeating it - the negotiable instruments are drawn to a specific amount. They cannot be redeemed for cash from the operator who has cashed them. They cannot be consolidated with other instruments by the same maker. And, they must be deposited by the casino within 48 business hours of the time they were received.

Now, it is helpful in this area to compare some of the figures between England and Nevada. Although Nevada experiences 50% to 65% of play as marker play, England experiences a higher percentage of check cashing play, or check play we would call that. Their percentage can be anywhere upwards of 80% in a given casino. So, there is much heavier reliance on those credit instruments there than there is in Nevada.

Notwithstanding that, their collection experience in England is much better. In Nevada we have been told that with 30 days less than 50% of the outstanding markers are collected. It takes 60 days to get that figure up to 70% of the outstanding markers. So, a full 30% wait for collection beyond that point.

SENATOR DUGAN: Well, ultimately, what is collected in Las Vegas?

MR. MARTINEZ: I think the figures tend to vary somewhat from casino to casino but generally it is around 5%. I think that is a good rule of thumb.

SENATOR DUGAN: Five percent is uncollectable?

MR. MARTINEZ: It is uncollectable, yes.

SENATOR GREENBERG: Excuse me, Mr. Chairman and Bob, so that I understand the

reasons for the proposal, what is wrong with the Nevada operation?

MR. MARTINEZ: Okay, I was just going for one more statistic to round out that line of reasoning and then draw the point. The experience in England is a much higher rate of collection so that within the first initial deposit period you seldom experience a bounced check in excess of 10%. Their ultimate collection experience is roughly the same as Nevadas.

Now, what is wrong is that you have a situation where people are essentially open to compromise in a variety of ways. They are dealing in a house credit transaction in a Nevada-type system where they are aware of the fact that it will not go through normal collection practices. Their home bank will not necessarily find out about the debt. Their families will not necessarily find out about the debt. Their other creditors will not necessarily find out about that debt. As a part of a credit system, it runs counter to the normal credit system that we have here in that respect. It almost undermines it. Because of the looseness of the legal terms of the transaction, it has from time to time in the past, resulted in unfortunate - if we can call it that - if not downright illicit collection practices springing up.

In the English system - with some modification, I have to add, because it is somewhat unreasonable in our judgment - the check cashing system puts that debt right into the normal commercial collection practices by making the instruments negotiable and also makes it clear to the customer that he is dealing in something that his bank will find out about and that his family may find out about and that his creditors can find out about, if it bounces.

SENATOR DUGAN: Why necessarily is that desirable?

MR. MARTINEZ: It is desirable only because we want the casinos, like any other institution in New Jersey that is offering credit, to do so along commercially reasonable lines and in a manner that is recognizable to the people of this State as being commercial credit.

SENATOR DUGAN: Well, it is different. The operation of casinos is different from the other commercial undertakings that you are talking about.

SENATOR PARKER: Why is that so?

SENATOR MC GAHN: It is a risk venture.

SENATOR DUGAN: Yes, as Senator Mc Gahn prompted me, it is a very high risk venture going into a casino. In addition to that, I would imagine that having your gambling habits, or your occasional venture, part of your credit background would have a chilling effect on potential customers to the casinos in Atlantic City, is that right?

MR. MARTINEZ: To answer the second part first, the experience is just the contrary in England. There has been very little difficulty implementing the check cashing system. I might add that they went to that after having a marker system. People learn very quickly and there hasn't been much of a squawk about that aspect of it. There are squawks about other aspects of their check system but we have disassociated ourselves from that.

With respect to the former question - that it is risky going into the casino business - I just--

SENATOR DUGAN: No, I am talking about going in and shooting crap.

MR. MARTINEZ: Oh, I see, as a player you mean. All the more reason not to encourage people or confuse people when they begin to rely upon future income.

SENATOR MC GAHN: Bob, I think one must take into consideration the differences between the American gambler and the English punter, as Victor

Lowmes is likely to say, insofar as the casinos over there are private clubs. They are not associated with hotels. Consequently, the people who go to those casinos go for one specific purpose only, and that is to gamble. Most of these people are the aristocracy of Britain, the oil shakes of the Middle East, and millionaires or wealthy individuals from France and Belgium. Consequently, under those circumstances, in most instances, a number of these people do not have to pay income tax on their earnings, so therefore they are willing both to put a check down and accept their earnings by check as well.

I think, however, when we are really comparing the type of gambler that we find in the United States - as typified by Nevada or even possibly the Bahamas - you are dealing with an entirely different individual. Certainly, the American experience has been that the individuals who are really high rollers are those that are not carrying large amounts of money on them. Certainly, while they may have a financial background to support this, they oftentimes do not have a cash flow to meet this demand within 30 or 60 days. The responsibility, then, of course, is upon the casino not to extend them further credit until such a time as that debt - the initial debt - is made up.

I think this really, Bob, is mainly one of the things we have to take into consideration - there is a difference between the gamblers and their gambling pattern.

SENATOR PARKER: In reference to that if I may--

SENATOR DUGAN: Just one minute, Senator Parker. Do you want to respond to that?

MR. MARTINEZ: Well, I can if you wish, Senator.

SENATOR DUGAN: You can if you wish.

MR. MARTINEZ: Thank you, sir. I was ready to take on either or both. I have to say that I agree, we should be very conscious of the gambling markets that Atlantic City will appeal to and tailor our potential regulations, or statute, to what we can clearly anticipate there.

I have to disagree, however, with the characterization of the market as you suggested it to be, Senator, in the sense that there are going to be an awful lot of people cashing in their stocks or selling their real estate, or that type of thing, for the purpose of coming up with payment of gambling debts here. The typical high roller anywhere - if you really talk about the highest end of the market - is a fellow who has such control over his cash flow that he knows what he is doing and if he doesn't know what he is doing, he is pretty secure in doing it anyhow because the resources are there.

It is somewhat inconsistent to argue that the high rollers in England are so high that they don't have to worry about a check cashing system because it is no embarrassment to them at all and then to say that our high rollers are so high that they really need to cash in their stocks and bonds and, therefore, shouldn't have to deal with checks. The fact of the matter is that the high rollers in England and the medium rollers in England have all learned to accommodate themselves to a much more restrictive check cashing system than we are proposing here, without any indication that it has a negative impact on the market.

SENATOR DUGAN: Senator Parker, I didn't mean to interrupt you.

SENATOR PARKER: I was concerned with your comments in reference to the collection of these debts and the method of collection, which may be outside, I guess, the normal commercial channels but may be a criminal channel. Do you have any information, or do you have any concern - let me put it that way - concerning the method

and manner of collection if it is not done through the commercial channels and you don't have the right to go to the bank and go through those procedures?

MR. MARTINEZ: I am going to ask Captain Dintino to comment on that. I would say, as a general rule, that we are very conscious in New Jersey of what we consider to be the fact that less than desirable people are watching our credit policies very carefully. Captain?

SENATOR DUGAN: Captain, before you get to that I would like to ask Bob another question. The attitude I get - and the one that prompted some of these questions - is that you seem to be suggesting to me that it appears to be a cosmetic - perhaps an unnecessary cosmetic - and I am still puzzled to find the real reason to compel the Legislature to impose the credit restrictions that you are suggesting. Perhaps Captain Dintino can answer that.

SENATOR PARKER: Perhaps I ought to rephrase my question. My concern is, if you don't allow it or if you require it to go through the normal commercial channels-- And I understand the reason for not allowing it because a guy will gamble a heck of a lot more if his wife doesn't know about it. If it is in commercial channels, it would seem to me to be a good area, a good way to limit it and it might avoid problems of illegal enforcement - or strong-arming, or whatever you want to call it, harassment or that kind of stuff, which I find reprehensible.

Do you have any idea that will happen and, number two, if you do not, do you have any fears that it might happen and get out of control?

MR. MARTINEZ: In response to Senator Parker's question, which mainly was in the area of collection practices and what the experience might be with or without the controls we have--

SENATOR DUGAN: Well, that is something else.

MR. MARTINEZ: I realize that.

CAPTAIN JUSTIN DINTINO: Senator, yes, we have had a number of instances where residents of this State have been visited by members of organized crime to collect debts that they incurred in casino jurisdictions.

SENATOR PARKER: Well, if you can be a little more specific, Captain, I would appreciate it. I don't want people to get the impression that this may be a common practice and/or that organized crime is doing the collection of the debts. Has that been recently? Can you give us some time reference, or some frame of reference as to "this activity?"

CAPTAIN DINTINO: Yes, this has been an on-going thing. I don't say it is all that frequent that the information comes to our attention but it has happened in the past and it is happening now and it is tied into organized crime groups. Trying to trace it back, it seems that the casino industry in passing these debts off to so-called legitimate collection agencies causes, somehow, the strong-arm man to wind up knocking on your door, forcing you to come up with the money - pronto. We have had some assaults in that area.

SENATOR MARESSA: Have there been any prosecutions?

SENATOR PARKER: Excuse me. On that, we have controls, or we are in the process of going into controls on collection agencies. Do you think that should be included in some recommendations in this regard?

MR. MARTINEZ: Senator Parker, I think one of the most important aspects of our credit control suggestions here is the limitation on the manner in which collections can be made. Certainly, the legislation that you are referring to needs attention by the Legislature and must be of such a character as to be of general

applicability throughout New Jersey, regardless of whether the agencies are doing casino collections or not.

In lieu of that type of legislation, we have recommended specific strictures upon collection practices by casinos. Yes, I think it is very important.

SENATOR GREENBERG: On that subject, that bill that you are referring to is my bill and it has passed the Senate and it is pending in the Assembly, which has passed a different bill and they are sending that over to us. That is Ronnie Owens bill in the Assembly and mine in the Senate.

Regardless of the passage of that bill, and in the face of the adoption of the proposals that you recommend in the Task Force report, don't you still have the same problem? In other words, if a check bounces after 48 hours, aren't you going to have the same visitors? So, what do you accomplish other than to restrict the play?

CAPTAIN DINTINO: By our restrictions I think we accomplish a lot. The restrictions that I have in mind here are an inability on the part of the casino to sign over a check to anyone but a commercial bank for deposit. In other words, it can't be discounted and farmed out to an independent collection agency. That is not to say it can't be collected but the relationship between the agents who do the collection and the casino must be one of an employment relationship and those employees, under our proposal, must be individually licensed as part of one of the key areas of casino management.

SENATOR GREENBERG: If you did that and you individually licensed any "collector", don't you have the same effect and accomplish the same objective that you are talking about without the 48 hour rule?

MR. MARTINEZ: The 48 hour rule has a far different bearing. If you are talking about collection practices alone, just keep in mind the restrictions I just enumerated. The 48 hour rule is directed at an entirely different problem, namely that is the problem of over-extensions of credit, even if you had the best collection practices in the world.

SENATOR GREENBERG: Isn't the casino that advances the line of credit in Nevada, for example, an effective method of limiting play for a particular individual within the limits that the casino determines are applicable, based on a very effective, as I understand it, credit check? In other words, I am back to my original question, what is wrong with the Las Vegas method?

MR. MARTINEZ: The commercial reasonableness of individual credit checks varies considerably from casino to casino. Without mentioning any names, we have seen situations where a house has a very what we would call - even what they would call - conservative policy. They are very strict about it. They will only permit cashing personal checks up to a given dollar amount until they have accessed, individually, your own bank at home themselves.

Others rely upon a centralized credit checking agency. The bank of information, which it and other institutions like it have to rely upon, is, in our judgment, not the best. It does not access home records; it merely compiles individual casino experiences elsewhere.

SENATOR GREENBERG: Bob, you are not changing that because when I come into a casino in Atlantic City and I write a check, I know it is going to be processed in 48 hours but they are still going to have to determine whether to honor it or give me the chips or the play at that moment, or within a reasonable period of time thereafter.

MR. MARTINEZ: That's right. Therefore, we are not willing to rely upon

credit extension regulations or limitations or on the house's own policy in that respect to assure ourselves that there is not an abuse of the credit privilege.

SENATOR GREENBERG: What are you going to rely upon?

MR. MARTINEZ: We are going to rely upon the 48 hour rule and the knowledge that that check will be put into normal commercial collection practices.

SENATOR DUGAN: Well, Bob, the question - the ultimate question - that is suggested by Senator Greenberg, Senator Parker, and myself is, what are you really concerned about - the giving of credit or the collection of the debt arising out of the credit?

MR. MARTINEZ: Both, Mr. Chairman. The collection practices have their own restrictions.

SENATOR DUGAN: We can understand that and I think we can accept the writing into the bill checks on the collection of these debts and something that would take care of what I assume Captain Dintino will be talking about. But, tell me, why your concern about the giving of credit? Are you just trying to legislate the morality of the individual gambler or what?

MR. MARTINEZ: It is not a question of morality, Senator.

SENATOR DUGAN: Or his judgment on what he can afford to lose?

MR. MARTINEZ: It is not a morality question, first of all. As far as the judgment issue is concerned, you are dealing in transactions that constitute the loaning of money to the bet-back in the form of money, in a very liquid form, whereby there is no guarantee to the lender or to society as a whole that what they are getting as a result of permitting that loan is some substantial improvement in that individual's well-being.

SENATOR DUGAN: That happens all the time.

MR. MARTINEZ: Well, not necessarily. If you are a commercial lending institution and giving a loan to someone to buy a house, you are not going to let that money go until the house title has been passed, and so forth.

SENATOR DUGAN: Well, you are attempting to superimpose the State's judgment on the judgment of the individual who is making application for the credit. Is that what you are trying to do?

MR. MARTINEZ: We are not superimposing any judgment at all. We are making them think about it. In other words, we are saying you just can't go in there lightly and decide that you are going to go in over your head. You are at least being forced to recognize that it is a debt and that it will be collected. You can go in over your head; there is nothing to prevent somebody from cashing a check way over his head if the casino is willing and he is willing - fine.

SENATOR GREENBERG: But what you are going to have is an impact on the credit of that individual because while in Las Vegas he may know that he can meet that note in 30 days, let's say.

ATTORNEY GENERAL HYLAND: But if you don't encourage him to reflect carefully about how far he really can go, then there might not be any problem between the casino and the gambler and the collection of the money but the individual then may have to turn to illegal sources of credit in order to straighten out other affairs. I think this is, in part, what Captain Dintino is referring to as part of our concern over encouraging loansharking, not just to straighten out a casino debt, per se, but to rehabilitate the financial affairs of somebody who has over-extended himself.

SENATOR GREENBERG: Don't you do that when you buy a luxury car? We don't

impose any restrictions at all on that transaction.

ATTORNEY GENERAL HYLAND: Yes, but the car dealer, if he is doing it on an installment basis, is going to get a credit check and that credit check is going to show, basically, what obligations the individual has.

SENATOR GREENBERG: General, that is exactly my question, isn't that what the casino now does in Nevada?

MR. MARTINEZ: Let me say this: The guy who is selling a car - new or used car - has got something he can repossess - all right? He also has an interest in insuring his reputation in the field of collection and reasonableness and the like.

In a casino, the financial incentive runs in a very different direction. They can get as much - or almost as much - by writing off bad debts - much more so than a car dealer can. First of all, a car dealer, if he has a bad debt and it is uncollectable, has to repossess and offset his bad debt with whatever the value of the repossessed vehicle is.

In a casino there is no repossession. It is all gone when it is written off.

SENATOR PARKER: Yes, but you can't write it off until you go through the normal judgment process. You can't write off a bad business debt without making a diligent effort to collect it, in accordance with IRS rules, isn't that correct?

MR. MARTINEZ: That is correct.

SENATOR PARKER: Then I don't know that I follow you.

MR. MARTINEZ: What I am saying is, it is very easy to go through the motions of trying to collect, and if you do fine. But, if you don't you have at least a 50% write-off of it right there from your Federal tax let alone whatever your state tax is.

SENATOR DUGAN: I think we have covered this sufficiently. We could be here all day talking about the nuances of this one issue.

MR. MARTINEZ: Mr. Chairman, can I just close with one simple bit of information?

SENATOR DUGAN: You can and there will be no response from the Committee.

MR. MARTINEZ: Okay, it is not needed. We were very careful to attempt to get a broad brush set of interviews with various casino management people as far over the world as we could reach. On this issue, casino management is fairly evenly divided about whether it likes credit or not. Don't be fooled by anyone telling you that in the Americas it has to be credit because at least one-half of the people in Nevada said they would be far better off without marker credit and they don't think they need it and they wish they didn't have the headaches of it.

SENATOR MARESSA: Mr. Chairman, I would like to make a comment.

SENATOR DUGAN: Not on that subject, Joe. I would like to--

SENATOR MARESSA: Well, it is the Chairman's position that we should interrupt as we go along, as we have been doing? I have been reserving comment--

SENATOR DUGAN: No. At the end - after everything has been said - we will have further questions.

Bob, the hours of operation - what is your recommendation in that regard?

MR. MARTINEZ: The Interim Report suggests that--

SENATOR PARKER: What page, Bob?

MR. MARTINEZ: It is page 33A. Our recommendation has been there be, on the average, 16 hours of operation per day, with the flexibility to extend those hours on the weekend. The Governor has asked us to reconsider some of the figures we

utilize in there from an economic point of view and we are doing that now and reporting back to him. But, that is where the matter stands at the moment.

SENATOR DUGAN: Okay. Well, we will pass that then.

I will let the next subject matter be whatever you choose as far as highlighting what is at variance with your report and the bill as it is written.

MR. MARTINEZ: Our distinguished Attorney General is still here. How about we talk about alcohol?

SENATOR MC GAHN: What is the relation there?

SENATOR DUGAN: All right. We will all drink to that, Bob.

Okay, let's talk about booze at the tables.

MR. MARTINEZ: Booze at the tables has been one of the more misunderstood things, perhaps, and certainly one on which we have received an awful lot of citizen comment - both pro and con. Some have accused us of being much too liberal in letting anybody in a place as dangerous as a casino have any amount of alcohol at all. Others have criticized us as being ridiculous in drawing an arbitrary line somewhere.

The system that we have suggested is essentially the system that is in place in many European casinos. It says that you can have open bars and other facilities that dispense alcoholic beverages - when I say open I mean visible entirely from the casino and directly accessible from the casino - but that there is no tableside service of alcoholic beverages.

Our concern here is, admittedly and straightforwardly, for the players' health and well-being. I don't think anyone realizes that the philosophy about alcohol at the State level has been altered. We now consider it, when taken in excess, an illness rather than a crime. We now look at someone who has imbibed and is driving on a road not as someone who is to be locked up, but someone who is to be helped. But, we have also recognized that as a drug it can do very severe things to one's judgment. In driving here today, if I had, over a period of the previous four hours, imbibed four beers or taken four regular-sized drinks over a four-hour period, I would have doubled my chances of becoming a highway fatality - forget about injuries now, fatality. Now, if my rate of consumption had been twice that, if I had had roughly eight drinks over a four hour period, my chances of actually being killed on the way down here would have been multiplied by six.

I don't think very many people recognize how even a little bit really does something to one's judgment.

We are not opposed to an individual coming in and gambling, if he so chooses and recognizes that that is what he wants to do, bombed, impaired out of his mind.

SENATOR DUGAN: That is a puritanical view you take though - "You should be protected from demon rum."

MR. MARTINEZ: No, what I am saying is that they are going to be able to do that; in fact, if they want to.

SENATOR DUGAN: You are going to make a little more difficult.

MR. MARTINEZ: We are just going to make them pause if they want to continue in that state by moving away from the table to get yet another drink.

SENATOR DUGAN: Do you think it will work?

MR. MARTINEZ: Yes, I think it will make a very big difference. It does in England. It adds considerably to the decorum.

SENATOR PARKER: All European casinos are that way.

MR. MARTINEZ: Yes. Well, I was referring to the ones we saw.

SENATOR DUGAN: Some of the responses that you made, predicated on your experience, suggest that maybe the Committee should go to some of these places.

We will get to that at recess.

Okay. Bob, what next? Where are we at variance - or where is the bill at variance with your recommendations. Give us another area.

MR. MARTINEZ: Well, as long as we are talking about the atmosphere and the decorum maybe we could mention briefly the advertising and tipping.

In the area of advertising, again this is a matter of taste and decorum more than anything else. We have noticed in many respects that some of the advertising that is permitted in other jurisdictions would actually be violative of our Consumer Fraud Act here, forgetting anything we put in place. So, all we have suggested in here is that there be a great deal of flexibility in the Commission to define these things specifically but that consideration be given to restrictions on the type of advertising that tends to quantitatively compare odds with other houses or numbers of games and size and the like. Those are the areas we feel have been most frequently abused elsewhere.

SENATOR DUGAN: Do you think the odds should be consistent in every casino?

MR. MARTINEZ: Let me say this: The odds of the game are dependent totally upon the rules of that game and the manner of play. Every expert we talk to disagrees about the exact mathematical calculation of odds under a given set of rules. So, from that point of view alone it is incorrect and wrong to advertise that you have "x", "y", and "z" odds when the experts dispute about the proper way to calculate that.

On the tipping issue, which Senator McGahn mentioned, we have proposed that there be no tipping.

(Upon which the audience responds negatively to Mr. Martinez's remark)

SENATOR DUGAN: All right. Now, please, everyone will get a chance to be heard. Let's keep the responses to the questions and to the answers of the witnesses at a minimum.

MR. MARTINEZ: I can honestly say of the close to 100 management people in casinos that we have talked to - in England, the Bahamas, and in Nevada - only 3 said they thought they needed tipping. Now, again, these were all private conversations with people who were speaking as honestly as they could about what their headaches were and were not. This is one where, to them at least, it appears to be a headache.

Even if you have a pool tipping arrangement, the opportunities for collusion and peer pressure are tremendous. We have almost observed this happen on sight, where a couple of dealers would get together and the first question they asked one another was, "How did your table do in tips tonight?" The reason for that is, the figures in Nevada show that approximately one-half to one-third of the dealer's total income is tips and other gratuities. It is a substantial piece of change. When you consider salaries, they might run from \$10,000 to \$15,000 and you assume people are doubling that.

SENATOR DUGAN: Do you distinguish between tips for the croupiers and tips for the other employees, like the people who serve the drinks?

MR. MARTINEZ: No, I am sorry, we are dealing here, at the moment, strictly with the game operators.

SENATOR DUGAN: Okay.

MR. MARTINEZ: As I said, the opportunities for collusion - and if not collusion between players, then peer pressure from other dealers - are substantial and, in fact, occur.

The no tipping rule has been assaulted as being economically unsound on the

other hand. Those who are willing to argue with it, argue on this basis: The money that goes back into circulation at the table as a result of players not being expected to tip nowhere makes up in win to the house for that amount of money which the house must pay out in added salaries to make up for the loss, or the absence, of tips. That would be a compelling argument if we were in Nevada and changing from their permissive tipping situation to a no tipping situation. The fact of the matter is, we are in New Jersey where we have hundreds and hundreds of unemployed citizens who are going to be applying for jobs and who are available as a work force in these casino houses. There is no reason to assume that we have to compete with Las Vegas dealers here in New Jersey and that we have to pay those kinds of salaries to attract Las Vegas dealers. We can put our own people to work and make the thing economically viable.

So, I simply don't buy the assault on tipping, or the arguments behind that, as having any rational, economic basis at all. No one has been willing to make the argument that tipping does not lead to abuse. Therefore, we feel fairly strongly about that.

SENATOR DUGAN: Is there any other area, Bob, involved in this?

SENATOR MC GAHN: Bob, an area of concern as far as Atlantic City is concerned is performance standards as far as hotels are concerned in order for them to secure a license. In your report you come up with four different alternatives - medium hotel, large hotel, small type complex.

Likewise you make a statement - I think it is on page 17 - that not only had you come up with a minimum number of hotel rooms but - and I will quote - "The Staff Policy Group has examined the minimum square footage for hotel rooms in the pending legislation"- which, incidentally, is 325 - "and believes it to be conservatively small by modern standards, but acceptable as a minimum."

ATTORNEY GENERAL HYLAND: Senator, excuse me for interrupting your train of thought. I have to get back. Both Bob Martinez and Captain Dintino are able to stay here and obviously have the depth of knowledge that is really required by the Committee anyway. I wonder if I could be excused. If there are any other questions for me, I would be glad to answer them before I leave.

SENATOR DUGAN: Yes, General, please take your leave and leave these two able people with us. Thank you very much for coming.

SENATOR PARKER: I wanted to address maybe two policy questions to you. I assume you are speaking for yourself. You may be speaking for the Administration generally. We are talking about speed and trying to bring this thing to fruition as rapidly as we can and, yet, effectively and in the proper prospective. I have been concerned and Senator Ammond was concerned and I have discussed this concern with members of our Committee about the manner in which we have been proceeding.

First, why did you elect to proceed through "a political" as opposed to a non-political commission, as we did with the Lottery Commission? Why was that elective choice made? It is of some concern to us. It has been a concern to many people because it is starting to get into - or may be getting into - politics and I think it should be kept out of it. Why did you elect this form?

ATTORNEY GENERAL HYLAND: I think Bob can best answer that. Do you have another question that I can answer?

SENATOR PARKER: Well, that is basically it, General. Why didn't we go to a Commission form, like we did with the Lottery Commission, a bipartisan commission with public members that work full time in trying to develop what you are now doing and this

Committee is doing, as an arm of either the Administration - the Governor, if you will - and the leadership in the Senate? That would, number one, restore public confidence in the fact that it is completely open and above board, bipartisan, and with public participation on the Commission.

ATTORNEY GENERAL HYLAND: Are you talking about the work that we have done up to this point?

SENATOR PARKER: The work that you are doing and the work that this Committee is doing. Why did the elective process come first, letting the "Committees and the legislators and the Administration handle it" on that basis, as opposed to a bipartisan public commission like we have with the Lottery, which worked full time incidentally until it went into effect. They worked on a full time basis, daily.

SENATOR DUGAN: Do you understand the question, General? I am not sure that I do.

ATTORNEY GENERAL HYLAND: Yes. I think this grew somewhat like "Topsey." We were furnished with a copy of the proposed legislation in advance of the referendum with the suggestion that we ought to start looking at it. The obvious purpose for that was to give us a model to begin with and also to give us a head start on the deliberations that would be necessary in my Department. As we all know, the one real concern that people expressed about going to legalized gambling was whether or not we could control it from a law enforcement standpoint. So, our Department began to work well in advance of the election, within reasonable limits, not knowing what the outcome would be. We accelerated that work immediately when the referendum results were known so that we could prepare our reaction to the law enforcement questions.

Shortly after getting underway, we realized that some of the subjects that we would have to deal with had economic overlays and we invited the Treasurer's office to provide us with an addition to the Task Force Group which was provided largely in the person of David Beal, the Executive Director of the Treasury. We then began to enter into discussions with the committees that were possibly going to be dealing with the legislation when it was introduced in final form. That is the track it took.

There wasn't any conscious deliberation at any point on the question of whether we should convene a blue ribbon panel at some point - a bipartisan group or extrajudicial, extragovernmental group - but rather that we knew we would be under a lot of pressure to come up with what our observations would be just as soon as the legislation could be introduced. That is the way it developed and grew.

I can't say that the other way would have been better or worse. I do think these people have done a very thorough job. As I say, while we, obviously, are not going to agree with the rationale and the recommendations in all respects, I venture to say it is the most thorough study of casino gambling that has been done at any time in the world.

SENATOR PARKER: Well, I have not spoken out, obviously. I have voiced concern in the Committee amongst many of us. But, we didn't want to speak out and try to make any particular problem out of this issue. I just wondered why it was done this way.

In your opinion - and for the information of the people of this State - can our process be speeded up? The committee process, quite frankly, seems to be a little bit cumbersome in that one committee is having hearings and another committee is having hearings on two separate bills. I just wonder if the committee process

and the approval process were speeded up and put on more of a weekly or daily basis, if this would interfere with your work? We could than accomplish this, a little sooner.

If I recall correctly, the Lottery Commission was set up and they did, obviously, a fantastic job. It is the best Lottery in the country. They did this within a relatively short period of time with intensified study and pre-planning. Maybe that is what I am saying, can we intensify this, in your opinion, in any way and can we do it in a realistic way to bring it about a little bit sooner than we are?

SENATOR DUGAN: General, you realize you are getting an opportunity to comment on the legislative process. I want to advise you, you don't have to answer that question if you don't want to.

ATTORNEY GENERAL HYLAND: I was going to do that only in an indirect sense by saying, I think the pace from this point really depends upon how rapidly the Legislature can digest the problem and come up with a consensus. Most of our work is done and our people, in the course of doing that work, have acquired a knowledge that will make them useful to the committees as sounding boards, as reactors, and commentators on whatever variations of the bill and the recommendations should come forward.

There isn't much more that we really have to do except perhaps apply ourselves to some specific question that hasn't occurred to our group up to this point.

SENATOR DUGAN: We are looking forward to your final report. Thank you very much, General.

We will have one short question from Senator Greenberg.

SENATOR GREENBERG: General, before you leave there has been a suggestion made here today that the Governor not have the veto power with regard to the minutes of the Commission. What is your view on that?

ATTORNEY GENERAL HYLAND: Well, recalling that the Legislature has had the tradition in the last few years of establishing veto powers over autonomous authorities, it seemed to me that the Legislature and the Governor - now and in the future - would, in all probability, prefer to have that rather than fight over it at some time down the road. I think the original bills, as they went in, provided for that.

There is some concern about the extent to which that veto might be exercised. I am talking now about subject matter. It might be that you can carve out areas where veto authority would apply and areas where it would not. There should, I think, be gubernatorial power of veto over regulations because there ought be Executive Branch input into subjects like that. So, I think that perhaps we can delineate some areas where it would be applicable and some where it would not be applicable.

SENATOR GREENBERG: It would not interfere with the law enforcement process would it?

ATTORNEY GENERAL HYLAND: It would not.

SENATOR GREENBERG: Do you think it would be detrimental to the image in the public's eye of the impartiality and non-political atmosphere of the operation of casinos?

ATTORNEY GENERAL HYLAND: Well, we have all expressed concern, as citizens and legislators, over the years about authorities that get appointed and then seem to forget why they were appointed. I am not suggesting that would be the case here but I think that we all know instances where the power of veto has had a very useful

purpose and made it possible to bring a semi-autonomous, or autonomous, agency back into a line that is perhaps more consistent with the public interest.

SENATOR GREENBERG: The veto is usually used, General, to remind the members of the committee not why they were elected but by whom they were elected.

ATTORNEY GENERAL HYLAND: By whom they were appointed, yes.

SENATOR GREENBERG: Yes, appointed.

SENATOR DUGAN: Senator Maressa.

SENATOR MARESSA: General, I have just one short question. I would hope that we would not want people to gamble - both sides of the aisle - owners as well as players, who could not afford to gamble, who, for example, should not be gambling, and who are perhaps betting out of desperation or because of excessive intake of alcohol. Do you have a strong feeling as to whether or not the check cashing aspect would act as a greater deterrent factor as opposed to the markers?

ATTORNEY GENERAL HYLAND: Yes, I agree with the recommendations in that respect as the essence of a general observation about the difference in the location and the character of the operation in New Jersey as opposed to anything in almost any other part of the world. Las Vegas, quite obviously, is not in the center of a population megalopolis, as we are. The estimates are that we are within a market of some 40 million people who within automobile distance can be in Atlantic City. That isn't true in Las Vegas. That really means that we are going to get all kinds of people, not just the wealthy tourist or the people like you or I that go on government paid conventions now and then.

You know what I am saying. We have to think about all of the kinds of people that are in this market area and that has had a great deal to do with the fact that our approach has been a fairly conservative one.

Now, this doesn't mean that as time goes on if some of these regulations or policies are found to be so restrictive that there are a detriment to the success and the economic viability of the industry that they can't be changed. It is just very difficult to get more conservative as you go along if you have started off with policies that are too conducive to excessive gambling. Also, bear in mind - which would be unthinkable here - that in some parts of the world they don't let the local population bet in the casinos, in part to protect those who are in the lower areas of the economic ladder from going in and betting excessively.

SENATOR DUGAN: You are not suggesting we do that in New Jersey?

ATTORNEY GENERAL HYLAND: No.

SENATOR DUGAN: All right. With that, I would suggest, General, that you head for the door or we will keep you here all morning. Thank you again, very much, for coming.

SENATOR McGAHN: General, I would like to make a statement before you leave for Senator Parker's edification. The lead time between the passage of the Lottery and its implementation was 18 months.

SENATOR DUGAN: We have to keep reminding the Republican member of this Committee of facts like that, General.

Bob, you can continue in areas that you think would be of interest to this Committee.

SENATOR GREENBERG: Can I suggest an area to Bob, Mr. Chairman?

SENATOR DUGAN: Sure.

SENATOR GREENBERG: We had a conversation before you came in here with regard to the regulation controlling the employment relationship between the employer and the employee, dealing with discharge. The suggestion was made that the employer

have the right to - and the local union contract not prohibit - discharge on the basis of suspicion alone. First of all, do you propose that we get into that area in the statute or in the regulations promulgated by the Commission and, if so, what should that regulation be?

MR. MARTINEZ: I am not prepared to propose that at this point, Senator, or recommend it.

SENATOR GREENBERG: Okay. The other question I have has to do with the regulations themselves. Your report, if reduced to statutory concept, would be detailed in many areas. Do you think it is a good idea or a bad idea for the Commission, hereafter, to have the authority to modify portions of the statute dealing with such things as hours or room size or credit which ordinarily would be regulatory by nature but which, as I understand, you propose be statutory in the Administrative Procedures Act?

MR. MARTINEZ: We are reducing to written form the recommendations that are in here as amendments to the two bills that have been introduced. It will probably run 80 or more pages of interlineation just of statutory material. Most of the things that we have recommended here involve things we would recommend be in the statute.

SENATOR GREENBERG: So, for example, with regard to hours, if after six months of operation there is a general consensus that a limitation of 16 hours should be changed to a limitation of 20 or 24 hours, or whatever, you propose that then go through the legislative process?

MR. MARTINEZ: Yes, sir. Our experience with other areas such as the Racing Commission is that when you have something that the industry is requesting and which state and regulatory officials agree is in the best interest of the industry and the people of New Jersey, those kinds of things tend to move very quickly through the legislative process. It is always easier to loosen something up, legislatively, particularly in this type thing. That has certainly been our experience with the Racing Commission.

On the other hand, if you make the error of permitting something to happen that may be beneficial to the industry but not in the best interest of the State or a segment of the population, or whatever, and try to rectify it, it becomes a very difficult process, as you know. Therefore, our general feeling is that most of this should be in statutory form.

I might add that the Attorney General referred to the regulations we have been drafting. As you know, it was the Governor's announced intention that at least some of the more crucial areas that must eventually be treated by the Commission in regulation be fronted out early in the process. I would hope, at the time legislative drafting is done, to also have that available at the same time to help explain the concept.

SENATOR DUGAN: Does anyone else have a question? Senator Musto.

SENATOR MUSTO: I was just wondering why we haven't commented on the types of games we are going to have there. Would you care to comment on that?

MR. MARTINEZ: I will be happy to do that. Mr. Chairman, Senator McGahn asked a question before the Attorney General got involved in his farewell. As far as the games are concerned, we have attempted to select, certainly, the games that everyone expected would be in a casino - or everyone expects to be in a casino. To the extent that we have proposed that games be excluded, our reasons are fairly clear. For example, the three games that are very similar, baccarat, punto banco and chemin de Fer are played on a similar size and type table with similar personnel.

Their economics are somewhat different but they are roughly the same. They are often confused as games. In one of them, however, you lose in French and therefore we don't think we should have it here. Really, the real reason for that is, in one of them the house is not the bank or the bankroller of the game. That bank is bid upon and passed from player to player and thus, it is like poker in that players play against each other and not against the house. The economic experience with that game is also poor in the sense that while it has perhaps been more attractive to the highest of rollers, it has certainly failed to attract the middle high and the middle roller because you have to wait, as in a poker game, to get enough people to gather when you are playing against one another before you have enough of a stake to make it worthwhile. When you are playing against the house, of course the house bankroll is always available and you can play with fewer people successfully.

On the keno, be it race horse keno or the old style keno--

SENATOR DUGAN: You don't want to compete with bingo.

MR. MARTINEZ: We don't want to compete with bingo.

SENATOR DUGAN: What other games are you recommending not be included?

MR. MARTINEZ: Poker is perhaps one of the more noteworthy.

SENATOR DUGAN: Why?

MR. MARTINEZ: Partly because of the experience in many of the houses that have it - both in England and elsewhere.

SENATOR DUGAN: What is the experience?

MR. MARTINEZ: The experience is that it encourages disputes and puts the house in the position of having to either bankroll, in essence, those disputes or simply take a commission and leave everybody locked in a room until they get it straightened out. Decorum-wise it is bad news and it is a headache for management. Many of them told us they wouldn't want it. But, they would have to offer it if somebody else was offering it. You know, it is one of those things.

SENATOR MUSTO: Are these being recommended as legislative prohibitions?

MR. MARTINEZ: The keno prohibition, the poker prohibition, yes, and the chemin de Fer, yes.

SENATOR GREENBERG: What is wrong with treating that under the Administrative Procedure Act and permitting the Commission to regulate it? Isn't it awkward for the Legislature to get involved in that?

MR. MARTINEZ: I think not, Senator. I think it should be a legislative matter at the outset. Again, it is one of those things that can be changed if the demand is there and the public agreement is there.

SENATOR PARKER: On that point, should they be changed by Administrative Procedure once we set them up in the statute? The way it works is, they can go ahead and do it and change almost anything. Should we allow that and repeal the Administrative Procedures Act as it applies to casinos or not?

MR. MARTINEZ: Well, you need the Administrative Procedures Act for the general rule-making of the Commission. What we are talking about here is statutory prohibition that would take the Legislature to change.

SENATOR PARKER: No, they can do that by Administrative Procedure.

MR. MARTINEZ: No, not the way we would--

SENATOR MUSTO: You are not as concerned with the manner in which it done, you are more concerned with the prohibition, would that be safe to say? You are more concerned with it being prohibited and not the manner by which it is prohibited?

MR. MARTINEZ: Well, let me say this: If the Legislature wishes to make a judgment that poker ought to be permitted, then I think it ought to be among those

games whose rules and so forth are specifically mentioned as something to be done.

SENATOR GREENBERG: But the determination as to what games should be permitted and how and whether or not subsequent games ought to be authorized that are presently prohibited, you say, should be done statutorily?

MR. MARTINEZ: I say that at the outset the Legislature should say what games are permitted and explicitly prohibit all others. Now, if at some future date another game is desirable or desired, let the people who want it come to the Legislature for it. You know, the addition of a single game has a substantial economic impact on a casino. There are people who do not like particular games - I am talking about managers - and may not want it but who may be forced to offer it and even take a loss on it simply on the theory he is competing with someone down the street. We referred to the follow-the-leader attitude that we found very common.

SENATOR DUGAN: Is there another area where you are at variance?

MR. MARTINEZ: Senator McGahn had asked about the size of the rooms required.

SENATOR DUGAN: Of the casinos, yes. Why do you recommend double the size the bill calls for?

MR. MARTINEZ: I don't catch the reference, Senator -- double the size?

SENATOR DUGAN: The 15,000 limitation in the bill. Perhaps my memory is a little poor.

MR. MARTINEZ: That is a minimum size.

SENATOR DUGAN: And your recommendation was that the minimum size be 30,000?

MR. MARTINEZ: Oh, no. The minimum would still be 15,000 under our report. I think that is pretty clear. It is the maximum.

SENATOR DUGAN: It is on page 17. Oh, I see it.

MR. MARTINEZ: The intended minimum is 15,000.

SENATOR DUGAN: Then you are consistent with the bill?

MR. MARTINEZ: Yes.

SENATOR DUGAN: Okay.

MR. MARTINEZ: In that respect.

SENATOR DUGAN: Senator McGahn, did you have a question that hasn't been answered? Did you have a question that was lost in the recent colloquy?

SENATOR MC GAHN: Yes. I was wondering if Bob could explain their particular reasoning because there were four alternatives they came up with, most particularly concerning the statement you made here insofar as the minimum square footage of the rooms is concerned. You said you believed this to be conservatively small by modern standards.

MR. MARTINEZ: Yes.

SENATOR MC GAHN: Because this particular point happens to be a point of conflict in Atlantic City at this time.

MR. MARTINEZ: Well, the first part of Senator McGahn's question asks for some comment on the development alternatives and why we came to settle on what we did. This was the most troublesome and difficult area for us partly because as we got more experience with different types of casino operations and their economics and more of a feeling for the potential markets they could attract and successfully cater to, we recognized that as a tool, contrary to the findings of the National Gambling Commission of last year, we thought there was a lot that could be done there. I hate to make us sound as though we are professional social engineers but that is the role we have been case in and we have had to accept it.

Finding that flexibility inherent in casinos as a tool, we had to recognize that there are a lot of different things that could be done with and for Atlantic City. I think amongst all of the things we discussed and debated, those various alternatives posed the greatest difficulty for members of my group. There was an awful lot of soul searching about what ought to come first and what ought to come second. But, be that as it may, we finally reached a consensus that said that we must keep faith with the referendum. The referendum promised that casinos would be used as a tool for the development of the convention and tourist trade - that means hotels and it means larger hotels.

SENATOR DUGAN: Bob, I am going to interrupt at this time. You and Captain Dintino will be available to us in Trenton from now until we leave office, one way or another. For that reason, I am going to terminate your appearance here because the Committee will have access to you. We are way behind schedule.

I would like to break now for lunch but I would like to tell you before you leave that the first witnesses we will hear from when we return are those witnesses who appear on page 1 of the agenda. They are: Victor Lownes, Playboy International; Richard Lavin, Central Labor Council of Atlantic and Cape May Counties; I. G. Davis, Reorts International; Charles W. Davis, New Jersey Hotel-Motel Association; and Commissioner Colanzi of Atlantic City. I would like to request that those gentlemen return at the same time that we reconvene. We are going to reconvene now at 2:30 P.M. and we will stand in adjournment until that time.

(Lunch Recess)

AFTERNOON SESSION:

SENATOR DUGAN: If I can have your attention, ladies and gentlemen, we will reconvene. The hearing is now reopened, and let me say this at the outset: As Chairman of this committee, I have conducted a number of hearings over the past couple of years, and it hasn't been until this occasion that I had a hearing before an audience that was as apparently appreciative of testimony that is being given, and I have never met a group more responsive and courteous to the witnesses and to the Committee. I thank you very much for that.

In the ecumenical spirit, I am going to depart a little bit from the agenda that we have and I am going to call Rabbi Howard Simon, because he has a pre-existing commitment that he must apparently get to. Rabbi Simon.

R A B B I H O W A R D S I M O N: Thank you very much, Senator. Gentlemen, I speak to you today as Chairman for the Concerned Clergy for a New Atlantic City. It is our belief that the clergy of our community has both a moral and religious obligation to our people to assist in whatever way we can to insure the positive and productive growth of Atlantic City and her environs. We seek a community that will provide entertainment and relaxation for all who visit our shore and one that will maintain the vitality of life for all who reside here. The immediate concern is the enabling legislation that will be put into effect that will recognize the will expressed in the overwhelming support of the casino referendum on November 2, 1976.

We believe that this piece of legislation should be enacted in as speedy and judicious a manner as possible with maximum authority vested in the gambling commission that is to be established. We do not believe that it is prudent nor necessary that this issue become a political football to be kicked to death by those seeking either state or local elective office. What we wish to see is the legislature acting with an awareness of the needs of Atlantic City regarding incentives to developing new construction in our cities as well as providing equal inducement for those who presently own structures in Atlantic City to renovate their establishments so as to raise them to a standard of excellence that will please and satisfy all visitors to our area. Our desire is to upgrade all facilities within Atlantic City and to do so in a manner that will allow new and existing hotels, motels, and businesses to provide Atlantic City service to the public visiting or residing in our area. We urge this committee not to have undue delays placed upon the passing of the enabling legislation, because of special interest groups that may be voicing opinions that would benefit the few and not the many of our community and state. We further urge the legislature to hear those who would speak regarding the enabling legislation and then to make your decisions in as forthright and unmistakably clear a manner as possible. The clergy also wish to remind the Committee that the passage of the enabling legislation is but one aspect of the state's involvement in the concerns of Atlantic City and her development. We recognize that the strongest language that can possibly be found will be placed in this legislation to protect the State and the city from any criminal elements entering our community.

We applaud your actions and are most grateful for them. We further urge that once the enabling legislation is acted upon, and passed, that the necessary appointments to commissions or regulating agencies takes place in a speedy and judicious manner, so as to implement the will of the public. We also want to underscore our concern regarding the need for the state and our city to be vigilant with respect to attempts to restrain any element of organized crime to enter into the ancillary activities surrounding the operation of the hotel-casino industry,

concerns that might service the hotel-motel complex, or labor unions involved in working in these areas of endeavor. We do not charge that such a take-over in effect exists, but we urge the State and the city to take affirmative action now before the first casino opens to make it clear to those who would seek to undermine the moral and social fiber of our community and State that such actions will not be countenance either by the State of New Jersey or by the City of Atlantic City.

We would in conclusion urge the committee to constantly keep in mind that the main concern of our State and community must at all times be the welfare of those residing in the Atlantic City area and those who visit our shore community. Your efforts to enhance the proper growth and development of Atlantic City, keeping in mind the residential, business and recreational needs of our area are both desirous and necessary. As representatives of the religious community of our area, we have committed ourselves to the positive growth and development of Atlantic City. We further pledge to you and our community our continued support in all areas that represent the positive advancement of Atlantic City or the State of New Jersey. I thank you for the opportunity of appearing before you. If there are any questions, I would be happy to answer them.

SENATOR DUGAN: I have none, Rabbi, but I would like to state that the Committee fully intends to respond to your plea to act quickly and responsibly. I am sure the meeting that we had here today is a step in furtherance of that. Thank you.

Richard Lavin.

R I C H A R D L A V I N: Gentlemen, I am Richard, "Reds," Lavin, Director of COPE, the Committee for Political Education, for Atlantic and Cape May counties, representing over 43,000 AFL-CIO members.

I am also a charter member of the Committee to Rebuild Atlantic City, and I coordinated the statewide effort of organized labor on behalf of the casino referendum last November. Since I am here before you today to speak for the 43,000 working men and women in Atlantic and Cape May County that COPE represents, I think it is relevant to mention that I am, myself, an ordinary working man, a bartender by trade who resides in Atlantic City and a member of Local 54 of the Hotel and Restaurant Employees and Bartenders Union, AFL-CIO.

These are the things I am; now, here is what I am not. I am not a city planner or a zoning expert, a criminologist, a specialist in the drafting of enabling legislation or, even, a self-proclaimed expert on casinos - although I do know that, wherever they have casinos, be it Monte Carlo, or the Bahamas, London, Puerto Rico, Las Vegas, in order to operate successfully, they had to create the kind of environment in rules and condition that best fit the area and the clientele they can expect to attract.

Las Vegas would be worked out overnight, if they tried to run casinos London style like snobbish, ultra-exclusive private clubs designed to protect the upper class from any contact except on a master and servant level with their so-called social inferiors. The high rollers in Monte Carlo would be appalled by a penny arcade full of one-armed bandits Reno style or to be told at a certain hour to pick up his chips and go home, it's closing time, like in Puerto Rico. Atlantic City isn't London, and it isn't Reno and it isn't Puerto Rico. It is a city that was rapidly turning into a cemetery until the voters of New Jersey decided to save it by means of a casino referendum, and it must now gradually evolve its own style of operation that is best in keeping with the kind of clientele it can hope to attract. This cannot be done in a straightjacket of patchwork rules and regulations that were

made to order for London, Monte Carlo or Las Vegas. When the voters voted overwhelmingly yes last November, this did not in itself end the privations and poverty, the misery and the unemployment, the wretchedness and the want with which our jobless economy has afflicted us with ever increasing severity with each passing year. That referendum, expressing the will of the people of New Jersey, enabled you, the Legislature, to create the legislation that we need to enable us to become a great asset to the entire state instead of a financial drain.

I am here before you today, first of all, to plead that this be done quickly because any needless delay prolongs hunger, unemployment and desperation to no worthy purpose. And, I am also here before you today, when we suddenly find ourselves awash in the sea of "experts" - the London casino experts, and the Puerto Rico casino experts, and the Bahama casino experts, and even former NO DICE committee experts who have now become casino regulation experts--- One might tell you that casinos should only operate from 4 P.M. to 2 A.M., and another might say that patrons should all wear tuxedos and evening dresses and a third will demand the casino employees should not be tipped, and a fourth will add that there should be no alcoholic beverage, or entertainment, and who knows, a fifth might even want all customers to buy annual membership cards, or maybe to be mugged and then fingerprinted. If you heed all these expert-experts, you will cause the prudent investor to put his money back in his pocket and the prospective patron to take his business somewhere else, wherever a casino isn't run like the recreation room in a federal penitentiary, and our jobless and hungry people will be just as jobless and just as hungry.

I am not here before you representing some special vested interest. I am not here before you representing some well-fed group of fat cats. I am here on behalf of the skinny cats, 43,000 of them, underpaid, underemployed and unemployed, and I am here on behalf of the wives and children of these 43,000 skinny cats - wives with rotting teeth who can't afford a dentist, kids who went to school this cold, bitter winter in torn sneakers and threadbare pants, holding their books in gloveless fingers frozen blue. That is the vested interest that I represent, 43,000 decent, honest New Jerseyans and their families, my brothers and sisters in the AFL of Atlantic and Cape May Counties. It is on their behalf that I beg you, don't turn our enabling legislation into disabling legislation. Don't cause the people who would come to Atlantic City to enjoy our casinos to fly right over our heads to Vegas, to Puerto Rico, to the Bahamas and elsewhere instead. If, instead of enabling legislation, you, gentlemen, produce what looks more like a model code for a way-station for juvenile delinquents - the race will be on between New York and Pennsylvania to see which will be the first to profit from our insanity.

I beg of you once more on behalf of organized labor, on behalf of the 43,000 members that COPE represents, to whom the legislation that you are drafting now means the difference between work and want, enable us and don't disable us, and do so, I pray, with all due speed so that the hungry hands are not deprived of work and hungry bellies are not deprived of food. Thank you for this opportunity to speak, and I will be glad to answer any questions.

SENATOR DUGAN: Summing it up, Mr. Lavin, you want a lot of action.

MR. LAVIN: I certainly do.

SENATOR DUGAN: What would you have the committee do or not do, as far as imposing regulations on members of unions that will service the industry?

MR. LAVIN: Well, we promised the voters of New Jersey, and we asked them to pass the referendum to give us the opportunity---

SENATOR DUGAN: No, I want a specific answer to my question.

MR. LAVIN: What was your question, again.

SENATOR DUGAN: What would you have us do or not do, as far as members of your union are concerned who will be working in the servicing of this industry?

MR. LAVIN: Very realistically, 24 hours would provide many more hours of employment than 16 hours would. There are many areas.

SENATOR DUGAN: Well, tell us what they are.

MR. LAVIN: What we are mainly concerned about is these experts who are coming into town telling us---

SENATOR DUGAN: I don't want to hear about them, I want to hear from you, the expert in representing the people that you represent. What do you want us to do specifically?

MR. LAVIN: I tried to answer that. I am saying we need jobs.

SENATOR DUGAN: Okay, now, how do you want us to implement that?

MR. LAVIN: Draft the type of legislation necessary to attract the investor to come into town to build jobs for the construction people to provide jobs and service for the tourist industry.

SENATOR DUGAN: Okay, you want a twenty-four hour operation.

MR. LAVIN: We certainly do want a twenty-four hour operation.

SENATOR DUGAN: Do you want a regulation of employees that will be employed in the casinos or the ancillary service industries that service the casinos? Have you given that any thought?

MR. LAVIN: There are some regulations pending with it. Senator Ammond suggested that there be an ability for the employer to fire without cause on suspicion of it, and I am not in favor of that. I think that the Constitution has given us the right to be innocent until proven guilty and I think it should go without saying that it allows an employer or a straw boss that is working for the employer because he doesn't like the color of his hair or the person he is dating to fire a person without just cause to justify his action for being fired.

SENATOR DUGAN: That is the kind of specific reference that I was trying to elicit. Anyone else?

SENATOR GREENBERG: There is a section of the Task Force Report which reads as follows: "Policy group recommends a provision similar to that in the New Jersey Waterfront Commission Act prohibiting any union or its affiliates from receiving dues from casinos or hotels on behalf of the employees or administering pension or welfare funds for such employees if any officer, agent, or employee of the union has been convicted of a crime of moral turpitude or otherwise cannot meet integrity standards for licensure of the employees they represent." How do you feel about that?

MR. LAVIN: I don't know under the federal statutes how that can be implemented. If any union elects to office, whoever they elect to office, and they have a criminal record or a record for a crime involving moral turpitude--and I don't know what that means - if it is going to be that way, they can explain what the crime is, how is this person going to represent the employees?

SENATOR GREENBERG: He is not going to be able to represent employees who are employees of casinos, however you define moral turpitude and that language is broader than the present prohibitions under the Landrum-Griffin Act. He is not going to be able to hold that job.

MR. LAVIN: If it is the choice of the people who he represents and he is elected to office as you men have been elected to office to represent your

constituency, I think it is a conflict and I don't know how you are going to regulate that in view of the federal statutes. I am not an attorney, and I can't answer that question any better than I have there. I would hope that there would be some restrictions on it. I think there needs to be, but I just don't know how you are going to regulate that in that manner.

SENATOR PARKER: Excuse me, in that regard, the Pension Reform Act, as it applies to the pensions and welfare funds covers that. You are not allowed to be a union representative, officer, to handle those trust funds if you have been convicted of a crime.

MR. LAVIN: I think most pension funds you are not elected to. I am talking about the principle---

SENATOR PARKER: You are elected by your union representative to serve.

MR. LAVIN: Well, in the pension plans, I think most of the people are appointed by the elected official. They may be able to get around that. If a person is an elected official and they can't do it, they can appoint someone to do it in their place.

SENATOR GREENBERG: This is not going to have much impact in the pension area necessarily, but in your position, you are an officer of the union.

MR. LAVIN: Fine. This would be very good in helping us keep the criminal element from coming in and taking over our unions, and I agree with it, but I don't know how you are going to regulate it.

SENATOR GREENBERG: Do you agree with the fact that an individual who has been convicted of a crime 25 years ago involving moral turpitude should not be able to represent employees in the state?

MR. LAVIN: No, I do not.

SENATOR GREENBERG: That is what this says.

MR. LAVIN: Well, again, someone who has been arrested for a crime 25 years ago and has kept his nose clean--- I don't know what moral turpitude means. Moral turpitude could mean drunken driving in some areas; it could mean a young kid using pot, which many of our young kids do today, and if they have kept their nose clean for 25 years, I don't see any reason why they shouldn't be allowed to proceed and earn a living.

SENATOR GREENBERG: Thank you.

SENATOR PARKER: I have just one question to follow through on the representation or the organizing of croupiers. I assume that you want the ability or at least the right to have them organize and select their own bargaining representative? Is that correct?

MR. LAVIN: I think that they have a right to organize. I think they should have that right to organize and join any union, whether it be the ones that I represent or an outside one, it is up to us to do that. But they should have a right to representation.

SENATOR PARKER: Well, they recommend here that the dues not apparently be checked off by the casino operators. How can you effectively have a union organization or representation without some form of dues checked off?

MR. LAVIN: Well, there should be dues checked off. I am not in favor of that.

SENATOR DUGAN: Mr. Lavin, there are a number of things that the Committee would be concerned about. I think we have given you some indication of our concern, and some indication of the more specific information we would like from your group.

I would like, on behalf of the Committee, you to bring these matters to the attention of your membership at your next meeting in order to get specific recommendations to supplement the ones you just made. We would be very happy to entertain them at some time later, but we would ask you to act with all due dispatch.

SENATOR GREENBERG: On that subject, your particular union, the Hotel and Restaurant Employees may not in fact be the particular union that is interested in organizing coupiers, for example, but through the AFL-CIO in the State, I am sure you can help us by putting a position together for us.

MR. LAVIN: I will be glad to. Thank you.

SENATOR DUGAN: Thanks very much.

SENATOR PARKER: In that regard, I would like some comment on what the management prerogative is for hiring and firing and what should be eliminated, if anything, in your statement. You don't have to give it to us now, but I think you ought to address yourself to that aspect of it too.

MR. LAVIN: Okay.

SENATOR Mc GAHN: Jim, I think that basically this particular section refers to the fact that in the Nevada statutes there is a chapter that refers to gaming employee labor organizations. Of course, information concerning certain labor organization personnel to be furnished, grounds for disqualification of labor organization personnel, investigation of labor organization personnel, power of the boards, disqualification, I think this is basically it. I think that what they are really talking about, Reds, is the fact that a casino employee who is a dealer, a pit boss, or whatnot, because of the peculiar scope of his trade, is such that if he is cheating the casino, he can be fired summarily without going through the due process course, as far as you would find yourself, if you became involved in a labor-union situation.

I think if you review the situation in Nevada, and I wish you would do this and present this to this committee, we would appreciate it, I think then you may find yourself having a little bit of a different thought about what you are talking about.

SENATOR DUGAN: You can either use our offices, the Committee office, or through Senator Mc Gahn, or your other legislators to communicate that to us.

Victor Lownes. Mr. Lownes, you are President of Playboy International of London and other places. Welcome to the colonies.

V I C T O R L O W N E S: I am Senior Vice-President of Playboy Enterprises, President and Managing Director of their wholly-owned subsidiary, Playboy Clubs International, Incorporated, and Chairman and Managing Director of the Playboy Club of London, the Clermont Club, the Manchester Casino Club, the Portsmouth Casino Club, and Playboy Bookmakers, Limited. The first four of these English companies operate casinos, the first two in London, the latter two, as their names indicate, in Manchester and Portsmouth.

As you know, I appeared before Assemblyman Codey's Committee in December, and much of what I would say to you today would be repetitive of that testimony that I presented then.

SENATOR DUGAN: Well, let me ask you this, Mr. Lownes, before you get into your statement. Is Mr. Lavin's characterization of the people that frequent your establishment in London accurate, a bunch of aristocrats walking around majoring in gentlemanly fashion?

MR. LOWNES: England is today one of the leading socialist countries in the world, and I assure you they would not tolerate a situation in which the aristocracy

is yesterday's news. You would find everybody from a rich oil sheik to a waiter from a Chinese restaurant rubbing shoulders in London casinos today, and as a matter of fact, I intended to end my testimony by inviting this committee to visit London.

SENATOR DUGAN: Senator Parker moves to accept your invitation, and without polling the committee I think it will probably be unanimously agreed upon.

MR. LOWNES: I think it would be very instructive because I think that much in the English experiment is of value to any jurisdiction which is contemplating legalizing gambling, which is not to say that I would recommend that the adoption of all British casino methods or restrictions, but I do think that it is very important at this point that you put together a very good, tight piece of legislation, and I think you are well on your way to doing exactly that. I want to compliment both Senator Mc Gahn and Assemblyman Perskie on the work they have done which has brought you a long way towards that goal, and I think if you add to that some of the specific recommendations made by the Governor's Task Force, you will have yourself a piece of legislation which you will be able to be proud of for many, many years.

To sweep away the experience of other jurisdictions and to dismiss the problems of other areas where they have legalized casino gambling under the rug, I would think would be derelict in duty as far as you are concerned. So I think you should really study these things.

Now, I presented you with a lengthy paper which I won't go over with you now. Many of the points have already been covered ably today. I just want to say once again that I think it is very important that you adopt certain regulations which have been recommended by the Governor's Task Force and which have worked out so well in England. The prohibition against credit other than through the acceptance of checks, the question that Senator Maressa raised in response to Mr. Martinez's testimony this morning, I think, is extremely telling. He said, "Doesn't the fact that a person writes out a check deter him from going overboard. And doesn't this have some inhibiting factors on the players themselves." It is true, it does. A man thinks about a check. It is an item that he is used to dealing with in ordinary business in his day to day efforts, activities, and when he signs a check, he generally likes to think that he is going to be able to meet it immediately or liquidate readily realizable assets and meet that check, so he thinks twice in a way that he might not if after a few drinks he feels courageous and ready to really make this the big one. That is the cause of a lot of tragedies in gambling. When we started in gambling in England, in 1966, there was no restriction of the sort that was imposed by the Gaming Act of 1968, so we had four years of operation - the Gaming Act coming into effect in '70 - in which to operate without these kinds of restrictions, and we see now in the seven years that we have operated since the Act has come into force that this has been a very wise stricture. It has prevented the industry from having a lot of community backlash. That is one of the things that most concerns me. I am interested in an industry which not only operates profitably - and this is not just a hypothetical situation, as far as I am concerned, I am not coming over here to engage in intellectual discussion about the pros and cons of various aspects of casino gambling. We are on the verge of signing an agreement which would commit a sum in excess of the \$32 million that we spent in Sussex County when we built our resort in the northern part of the State. We are planning an investment in excess of that in Atlantic City, so I am talking as someone who is interested in making a profit.

SENATOR DUGAN: Are you at liberty to give us any of the particulars of that?

MR. LOWNES: No, I don't think this is the time. Actually, the papers are not all finally signed. We have been working on this for several months now, and I wouldn't want to jeopardize our negotiations at this point by being premature in making an announcement. But I tell you with sincerity that we are prepared to make a major commitment here and are on the verge of going forward with that.

SENATOR DUGAN: The perspective in which you put the question of credit and signing of checks is a very interesting one. Can you tell us, assuming that prospectively you are a licensee here and you intend to make that commitment and you follow it out, and when it comes to fruition that you are, your observation on the checks is very interesting.

Can you give us your perspective on what you need to make your operation sufficiently profitable to justify the kind of capital investment that you just made reference to, the \$32 million, and an ongoing amortization of that and a justification for that kind of investment in terms of return, specifically addressing yourself to hours of operation and the other things that we discussed?

MR. LOWNES: Yes, well, I have indicated before that I think we can do very nicely with an operation comparable to England where we operate from two in the afternoon until four in the morning on a seven day a week basis. I don't take great exception to the--- This is a destination resort and London is not a destination resort, although I operate in provincial towns like Portsmouth and Manchester, but I can understand the rationale behind permitting gambling to continue on into the early morning hours on Saturday morning when people don't have to go to work, and on Sunday morning when they don't have to go to work. I think it would be a mistake to permit gambling to operate all night on Sunday nights, because among other things, I think you would have a lot of people on the highways racing back to all parts of the State, trying to get to work on time on Monday morning at the same time the children are trying to go to school, for example, and I think you would have a lot of accidents and this would result in backlash. In terms of the casino industry, I don't think that is necessary. I could operate very nicely without that additional permission, but I think that would be a profitable addition if we could operate Saturday mornings and Sunday mornings, so I wouldn't hold up the legislation.

I want to make the point, incidentally, that I am very much in favor of getting the legislation shaped up as quickly as possible, and, personally, I don't think it takes any longer to put together a good piece of legislation than a bad piece of legislation, but then I am not a legislator. Maybe it is faster.

SENATOR DUGAN: Senator Mc Gahn gave his analysis or reported what the experience is in return during the eight hour shifts, and he said it was a forty-forty-twenty percent breakdown, with the twenty percent being accomplished between four in the morning and twelve noon. Now, my question is, let's assume that you didn't have that third shift between four and twelve noon. If you were making, theoretically, \$100 profit for a twenty-four hour period, would it be \$80 profit for the third shift, or would those gamblers get into that action in the other two?

MR. LOWNES: No, they come back the next day. A person budgets a certain amount of their discretionary dollars, so to speak, for gambling and that money is going to come to the casino operator one way or another. I think if the man feels that the community is doing something to protect him from himself he is more apt to come to your community in the first place. If he feels that he is not--- Nobody really starts out with the idea that they are going to gamble non-stop for twenty-four hours. I mean, people just don't function that way. They figure they are going

to catch a show and they are going to play a little golf, and they are going to go swimming in the ocean, and they get themselves involved in the gambling tables, and they just keep going. That is apt to happen. I think that it serves the community better if a person thinks before he arrives here that this is a place where he is somewhat protected, and his wife knows that too. She knows that Charlie isn't going to get himself down at the gaming tables and stay there when the kids want to go out on the beach, et cetera; she knows he is going to have a little enforced break which also permits a gambler to reason as to whether or not he wants to continue or whether or not he has gotten in over his head. I don't think when a man has been on his feet for sixteen hours gambling non-stop that his considered judgement is that he wants to continue, because I think after a rest, he will be able to think things over more clearly in the morning.

The same thing applies to serving drinks at the gaming tables, which I am very much opposed to. I think we run a much more orderly operation. I have been to Vegas and I think from the standpoint of casino controls - and when you have service of drinks at the gaming tables, there is a strong incentive for the casino to comp. the drinks, to give them away at the gaming tables and to keep the man drinking more and losing sight of his judgements. This isn't the way to run a respectable industry. I think this is counter-productive, and I think it is counter-productive, too, in terms of attracting people. Nobody says, "Well, I am going to go to the Bahamas or Nevada instead of Atlantic City, because in the Bahamas and Nevada I will be able to spend twenty-four hours a day standing at the gaming tables and I can drink myself silly at the same time." Nobody starts off with the idea that that is what their vacation experience is going to be like. And I think it is very negative to feel that you have to have these kinds of disruptive influences at work in order to make a casino profitable. I just think it is wrong and it gives the whole industry a black eye when you find these people who then find themselves in terrible shape economically and, well, I got drunk and they kept giving me drinks and so I lost the family fortune.

SENATOR DUGAN: That is the exception to the rule, isn't it?

MR. LOWNES: I should hope so. It certainly is the exception in England.

SENATOR DUGAN: Well, from your observations.

MR. LOWNES: I think you are dealing with a very highly volatile urge, the urge to gamble, which manifests itself in many different ways, and it is very dangerous. I have said this before ---

SENATOR DUGAN: Do you think the stimulation of just one or two drinks is something that should be discouraged?

MR. LOWNES: No. You see, in England, we have a nice compromise, which I think is fine, because you see drinking there is an alternative to the gambling. The drinking is in the same room, in the casino room. There is a dwarf wall, something like this, separating the gaming area from the drinking area. Once you pass this barrier, you are not allowed to bring the drink with you, and you are not allowed to be served a drink in this area. You can have coffee, soft drinks, sandwiches, refreshments of that sort in the gaming area, but you can't have hard liquor in the gaming area. That seems perfectly sensible to me. I am a casino operator. I am planning to invest over \$32 million in this area. I am not arguing about something counter-productive. I am arguing on something in which I am talking about making Atlantic City a model for other states that are planning to go into gambling, and at the same time preserve the community values and respectable decorum within the

casino. One other point that I brought up in my statement which has been discussed at some length here is the question of tipping at the gaming tables. I want to put the minds of the waiters, waitresses and bartenders and chambermaids at rest. We have no prohibitions against tipping away from the gaming tables in England. But since 1970, we do not have tipping at the gaming tables. I think that has been a very good thing.

Now, for one thing, the argument will be advanced, "Well, we have to attract trained croupiers and dealers from other areas to come here, and we won't be able to attract them unless they have this big pool of tax free monies that they can banty around in the shape of the tips." Now, you have to understand the economics of a tip. The casino is going to get that money one way or another. That money is going to go either into the fill or it is going to go into, partially, the tip box. A man can get up from the table after gambling for 10 hours and say, well, I have lost \$1000, when in fact he has not lost a penny. Every cent of that might have gone into the tip box. Because of velocity of the money and as he tips each time he has a winning coup, his losses may be constituted primarily by the tips.

SENATOR DUGAN: What happens to the tips?

MR. LOWNES: They are split up by the staff in a trunk system so it isn't even a payment for services, Senator Dugan, because it isn't going to the person who rendered the service. It is done without any administration or supervision whatsoever. And with a big wink, the operators in Nevada explained to me, of course, that way they beat the taxes. Now, that doesn't strike me as the kind of respect for the law and order that ought to be induced into the people operating the gaming tables. So what I would say is, and I must further point out as the state takes a percentage of the win and no percentage of the tip monies, the state is losing entirely that portion of a man's gambling money which has gone into the tip box. Mind you, when the man stands up, he doesn't say, "I tipped \$800 and lost \$800. He says, "I lost \$1,000." The money he budgeted for gambling may have gone into two pots, but in fact, it didn't. He doesn't think of it that way. He thinks of it entirely as a loss. Now, the main point I want to make here is, I don't think that you want to attract a lot of people from out of state to come here to be dealers and croupiers. I think you will have to have some higher level staff, but I think it is to the advantage of Atlantic City to have instead a croupier and dealing staff primarily recruited locally, and therefore, you don't want a big invasion of people from out of state.

You may say, well, the earnings won't be as high as they are in Nevada. The fact is the earnings will be very high compared to other comparable jobs in this area. They will be very high, and that is basically what you are concerned with, not as to whether or not people are getting rich on untaxed money, taken out of a pool in that way that it is done in other jurisdictions. So I see no advantage whatsoever to New Jersey or to Atlantic City to try to develop a scheme which will bring people in. Now, I would like to make some other points about the tipping, because this is very important.

The people who serve at a gaming table are in effect judges. They are arbiters. Disputes come up, disputes between players themselves - that's my bet; no, that's my bet - disputes come up between the house and the players. Now, where tipping takes place, there is a tendency for it to corrupt the judge. What happens is something like the old joke where the fellow says, I got \$100 from the defense, and I only have \$50 from the prosecution here for the plaintiff; so, if I have another \$50 from

the plaintiff, we will then hear the case on its merits. That doesn't happen in New Jersey courts, I'm sure.

SENATOR DUGAN: We hope not.

MR. LOWNES: That is a famous old story, but the fact of the matter is that tipping has become a hustle. If you have been to the tables in Las Vegas, you know the degree to which you are hustled into tipping. You are made to feel as if you are some sort of a social outcast if you don't, and indeed if a dispute comes up, you may very well find out that you are a social outcast.

If you will read a new book that has just come out, and is currently on the best seller list, called "Turning the Tables on Las Vegas," the writer tells how he uses tipping. He does it in the form of bets that he places for the croupiers and dealers, and he tells how he gets them "on his side." As he explains it, he is corrupting them. He is corrupting the employees. He says they show him what their hold card is---

SENATOR DUGAN: Well, that does help. (Laughter)

MR. LOWNES: But this is not the proper way to run the casino. And I think that tipping at the gaming tables should be prohibited. Personally, I think - and this is aside from the point - that tipping is an institution which is demeaning to the tip recipient. It results in a lot of forelock tugging.

SENATOR DUGAN: I tend to agree with your attitude, and I think most of the members do, that the tradition in this country in this area ---

MR. LOWNES: But you don't have gaming traditionally in this area and you have an opportunity to start out from scratch with a good set of rules. Now, in England, we had actually over 1000 casinos and we had a history of tipping at the gaming tables and we were able to wipe it away with the new legislation. There was no argument about it. Parliament put it into the legislation very wisely and it has worked out extremely well.

Now, from the standpoint of the gamblers and whether you will be attracting them to Atlantic City, don't you see that it is going to mean every time a person leaves the casino with a winning experience, it gives them a more favorable impression of that particular area, or that particular casino. They will want to go back there again. Now, the degree to which a person is able to gamble for a longer period of time, the degree to which his opportunity to actually come away a winner is enhanced, is a factor of eliminating all these things which takes his money away from him, like the practice of tipping. So, in truth, people will have the money to gamble with more, and you will have more winners, and you will have some more satisfaction.

SENATOR DUGAN: And when he says he lost \$1000, he really lost \$1000.

MR. LOWNES: He really lost \$1000 and the State got its share.

SENATOR DUGAN: Let's talk about the size of the casinos. I think some of the members of the Committee are familiar with your operation in London. How big --- I know it is on several levels.

MR. LOWNES: Yes, it is on several levels, and one casino in London which is the largest single casino in England, and which this year will have net profits of somewhat in the neighborhood of - well, actually, I shouldn't say because we are listed on the New York Stock Exchange - a lot of money. I can talk about last year. Last year our profits were \$14 billion pre-taxed. Now, we have 4,000 square feet of actual casino gaming.

SENATOR DUGAN: On how many levels?

MR. LOWNES: It is spread out over one, two, three levels. There is 4,000 square feet. That is not very much, and here we are contemplating a casino area

of something like 34,000 square feet. Of course, we have certain limitations which I think are a bit ridiculous. I mean, when we are only allowed two slot machines, for example. Slot machines are not a big part of our earning factor. I would be happy to answer any questions.

SENATOR DUGAN: It is a bit crowded in your London operation, isn't it? It is awfully crowded for the patrons.

MR. LOWNES: Yes, I think it is. We could use more space.

SENATOR DUGAN: Do you think that the recommendation of 15,000 square feet is a realistic figure?

MR. LOWNES: Oh, yes, especially--- I mean, you are actually using casinos here to encourage hotel development, which I think is a highly desirable goal, and I think that is another piece of the genius in the legislation which Senator Mc Gahn and Assemblyman Perskie have put together. I think it will achieve its goal. I mean, here we are with one experience in New Jersey which has not been entirely successful, although we are very optimistic about it, and we are prepared to go with another role of the dice, so to speak, in New Jersey.

SENATOR DUGAN: That is a nice way to end your testimony. Any other questions?

SENATOR MARESSA: I would just like to congratulate you on a very comprehensive and enlightening dissertation. Do you have it in printed form?

MR. LOWNES: Yes, I do. We have copies up there. I have amplified on these points. There is one other point that I would like to mention. I have spoken now about the prohibition against credit except through checks. I have spoken about the prohibition against tipping, which I feel very strongly about. I have spoken about the service of alcohol at the gaming tables, which I think is totally undesirable, and about the limitation on hours. I would like also to mention that I thought that the idea of a small admission charge to the casinos, which the Task Force, I noticed, doesn't agree with, still has a lot of merit.

I think you are going to have a small problem in terms of attempting to discourage people at the very lowest end of the economic strata on gambling on the thought that they can actually win. I can tell you right now, people do not actually win in the casinos. Over the longrun they lose their money. But this is something that a lot of people just don't really believe. They don't believe that until they find out the hard way. I thought it would be advantageous if you did have a small admission charge and perhaps if that admission charge were levied in such a way that the money was used to support something like the Atlantic Performing Arts Center, which I have heard quite a bit of talk about, something which would benefit all the people of the community. I think you are going to have a very serious problem especially at the outset --- Now, this is another point. I noticed some of the concerns that have been raised about the fact that you are going to have insufficient facilities to meet the casino gambling demand when you first open up here, and I am sure this is true, and that is one of the ways, I think, the admission charge might separate the men from the boys, so to speak, or the people who can afford to gamble from those who can't afford to gamble, and that money should be used to good advantage. If that wasn't working properly, you see, you could later do away with that.

At the beginning I would be more concerned that my tables would be overrun with small punters - gamblers, in England. I have lived fourteen years in England, Senator - that the problem will be for the operator to prevent overcrowding the casinos by people who can't afford to gamble, and the big gamblers being elbowed

aside and not having suitable facilities.

SENATOR DUGAN: That is a hazard that is pretty obvious.

MR. LOWNES: It is a hazard, and I think what you are really going to have, a lot of people don't realize the lure that casino gambling is in and of itself without Tom Jones or Sammy Davis, Jr. as frosting on the cake. Gambling in and of itself is a tremendous lure to people.

SENATOR DUGAN: Have you given us all your points now?

MR. LOWNES: Yes, I have.

SENATOR DUGAN: Senator Musto.

SENATOR MUSTO: Just what do you mean by a small admission charge?

MR. LOWNES: Well, I was thinking, for example, that people could buy an annual card that would entitle them to come in regularly for, say, \$25 a year. They could come in and bring six to eight guests with them on that one membership charge, so to speak, or admission card to that one casino. Otherwise you could buy a daily card for, say, \$1 and that would entitle you to go in and out of the casino all day long. In Monte Carlo they have such a charge at the casinos there, and it supports a tremendous program of cultural events in that small principality.

SENATOR GREENBERG: Can you keep people out for \$1?

MR. LOWNES: Well, yes, I will tell you who you will keep out. You will keep out somebody who has \$6 dollars left of their housekeeping money, and they really need \$10 to do the day's shopping and they think they are going to make the difference up, and if they know they have to stumble over that \$1 charge, and they will only have \$5 left to gamble, I think it would keep those people out.

SENATOR GREENBERG: Mr. Lownes, is there anything in the present proposed bill and the Task Force report that you find objectionable?

MR. LOWNES: No. There isn't anything in there that I couldn't live with.

SENATOR MC GAHN: Mr. Lownes, your experience in gaming has been particularly in England.

MR. LOWNES: Yes, it has, except as a gambler.

SENATOR MC GAHN: I think speaking for myself and each of the Senators up here, we are fully cognizant of the fact that as far as the racing situation is in New Jersey, those that are willing to spend the most amount of money would like to get passes to get in free, despite the fact that they could pay to get in, it is simply the principle of the thing. As far as that proposal, this certainly does run counter to the American gambler, or punter.

My second question is this, assuming that you have a desire to operate a casino in Atlantic City, which I think you have testified that you did, even if the conditions that you set forth were not met, would you then consider operating your casino under the English style rather than what is basically set down in the enabling legislation?

MR. LOWNES: In other words, what you are asking, Senator, is if, for example, the casino down the street is going to be permitting people to gamble on markers and IOU's and even verbal call bets, so to speak, would I restrict myself to only checks. No, I would be forced by competitive factors, and I am enough of a pragmatist to know that in order to get the business --- As a matter of fact, in England there are casinos which break that law to some extent, I am told, and there are customers whom I would love to have who are going elsewhere because they can't sign their markers, so to speak, in my casinos. So I know that one always has that problem, but I wouldn't break the law in order to compete with those people.

But here where you say you might make it the law that you have markers, you know, I heard you mention earlier, Senator, that in our country a lot of people don't have to pay taxes, even English people don't have to pay taxes on gambling winnings; therefore, they don't object to signing checks, or letting their bankers know about their business. But I don't think the state should participate in concealing monies that a person is gambling or in otherwise being a conduit for, perhaps, tax avoided funds, or in creating that record which is available for the authorities to examine. I think that the state shouldn't try to accommodate people like that.

SENATOR DUGAN: Anyone else.

SENATOR MC GAHN: I agree with you as far as that is concerned, but I think basically at the present time, anyone who wins \$600, a recording has to be made of that fact by the individual who pays it out.

My final statement in this respect, I understand, according to your presentation here which you didn't touch upon, you do not favor entertainment in your casinos. You eliminated that, so I don't know whether in the context now you still hold that opinion. The point I am really getting at is, since one of the requirements would be 40,000 square foot of space for that particular type of situation, would that change your thinking?

MR. LOWNES: Oh, yes. Well, as a matter of fact, I operate entertainment in a lot of my facilities outside of England, and in other areas. No, what I object to is the use of entertainment in such a way that it is a lure for casinos to get people to the gambling tables. I don't think it should be necessary, and in fact I think it should be prohibited for a person to walk through the casino in order to see the attraction. In other words, the casinos want to spend their money and subsidize entertainment for the community as a whole, the non-gambling as well as the gambling population, fine, but I think it is destructive of community values for the family, if they want to go see Tom Jones to have to go traipsing through a casino to get into the show room. I think that is an undesirable arrangement.

As you know, in Las Vegas whenever you want to see a show you have to go through the casino. Whenever you want to go to the lavatory, you have to walk through the casino, for that matter. To get to your hotel room, you also have to walk through the casino. Virtually all facilities are off the casino in Nevada. I think that is very undesirable.

SENATOR DUGAN: Thank you very much, Mr. Lownes. I. G. Davis, Resorts International. Mr. Davis is ably assisted by eminent counsel from Trenton, Joel Sterns. Welcome, Mr. Davis.

I. G. DAVIS: Thank you, Mr. Chairman, members of the Committee. We wish to express our appreciation for the opportunity to appear before this distinguished committee, and offer our views on the forthcoming legislation on casino gaming in Atlantic City. I have prepared a text of the statement which has been distributed, and I will attempt in the interest of time to summarize many of the points there and preclude the reading of it as quickly as possible.

My name is I. G. Davis, Jr., I am President of Resorts International, Inc., a publicly owned company on the American Stock Exchange. I would like to mention that not only have we made a commitment for a very sizeable investment of \$50 million on the uptown urban tract in the city, but we have also actually expended several million dollars in the community thus far in investments.

SENATOR DUGAN: Mr. Davis, as the bill is presently constituted and as you understand the parameters of what will in all probability be the law, you know

the margins that we are talking about, the legislative margins, and you are thoroughly familiar with your own commitment, how long would it be after the law was in place and a license granted, and let's hypothetically say you were granted a license, how long would it be before you were able to meet your commitment under the law and open your casino?

MR. DAVIS: I would say in keeping with the parameters that have been discussed here, I would like to mention first of all that even if the minimum is 500 rooms or even 400 rooms, we would have renovation to do to meet the requirements, but I would say 30 to 60 days we could be open after a license and permission were granted.

SENATOR DUGAN: That is very interesting to know that you are in a position to move so rapidly.

MR. DAVIS: I would like to also add that whereas that would take care of meeting the minimum requirements in the renovation plans of the Haddon Hall Hotel, we tend to far exceed the minimum requirements with an investment of a considerable amount of money in order to have the proper type of atmosphere and facilities that we think would do justice to the community.

SENATOR DUGAN: Yes, I understand what you are saying, you would be at minimum requirements within 30 to 60 days.

MR. DAVIS: Right.

SENATOR DUGAN: But thereafter continue the capital improvements of the hotel.

MR. DAVIS: Right.

SENATOR DUGAN: I didn't mean to interrupt you. I was interested in that time sequence that we are faced with.

MR. DAVIS: We would like to say that while there has been considerable diversity of ideas presented from various quarters on all aspects of the proposed casino operations, we have total confidence that the ultimate legislation and regulations will be designed to achieve the intended objectives of maximizing development and economic growth in the Atlantic City area, and helping Atlantic City to regain its position of leadership as a foremost convention and resort area. Equally important is the attainment of these achievements without jeopardizing in any way the security and safety of the community. In this regard, we want to make it absolutely clear that none of our commitments are aimed at the law enforcement or internal control aspects that have been proposed. We share completely the belief that owners and operators of casinos should be subjected to the most rigorous licensing and security procedures possible. So that the public can be assured of the integrity of the program.

Rather, our comments all focus on the business effects of casino operations, that is, those aspects which deal with the competition for investment dollars and for the attraction of players. In order to achieve the economic objectives, it will be necessary to provide a profit incentive which will attract the huge amounts of private investment needed to rebuild Atlantic City, which, neither federal, state, or local governments have been able to provide. While it has been stated in some reports that casinos are universally profitable, this does not necessarily hold where large amounts of investment are needed to qualify, as is being proposed in Atlantic City.

In Las Vegas, the 11 largest casinos realized a return on net fixed assets of 20% after income taxes last year. There have been many arguments

advanced in support of legislation which follows the so-called "English system" in preference to the procedures which are currently operative in other major gaming areas such as Nevada, the Bahamas and Monaco and other locations. The features of the English system, in our opinion, are totally inappropriate for Atlantic City.

In London where there are no investment requirements or development requirements---

SENATOR DUGAN: Mr. Davis, can I interrupt you? Would you give me the differences between the London operation which Mr. Lownes described and as we understand it, and the Bahamas operation. I understand that you have a casino there.

MR. DAVIS: First of all, with regard to credit, we follow the Las Vegas system of leaving it to the discretion of the casino operators to issue markers, and to collect the markers as best they are able to, using, I might add, completely legitimate means of collection. Also, we permit the serving of liquor at the gaming tables, and in fact we do give it complimentary at the gaming tables. We permit tipping of the dealers, and we are permitted to have a twenty-four hour operation.

SENATOR DUGAN: Do you in fact have a twenty-four hour operation?

MR. DAVIS: We do on certain games. Our slot machines are open twenty-four hours a day, and we vary the table games to the extent that the demand calls for it.

In one of the casinos in the Bahamas, twenty-four hours on a continuous basis for all games has been used from time to time. We have never done that in Paradise Island. I think those are the principal differences.

SENATOR DUGAN: How would you respond to the objection that Mr. Lownes had to tipping croupiers and dealers? Has it created much mischief in your experience?

MR. DAVIS: We have had no problem with tipping. I understand the economics of his argument, that it would go into the gross win of the casino rather than into the pockets of the croupiers. However, if the dealers did not receive tips, we would have to compensate them in some other way, because they would not work for their salary. As a matter of fact, we get all our dealers from London, and they seem quite anxious to come over because the compensation is considerably higher.

Now, in our opinion, compensating dealers well is an important security factor, because if they are not compensated well they will find other means to become compensated well, perhaps. I might also add that we require the total pooling of all tips, so that if one dealer is tipped --- All the tips are divided equally among all the dealers in the casino, so that tipping a dealer a large amount doesn't mean that he gets it, and therefore he is not inclined to bestow favors for that.

Secondly, we are rigid in prohibiting any supervisory personnel from participating in the tipping pool, and these are the men who make the decisions when there is a dispute. The dealers do not. The supervisory people do, and they are not a part of the tipping structure. I would also like to add that whereas there are no taxes in the Bahamas, it would be our suggestion that the tipping be set up as we use it in the Bahamas. We administrate the tips, so we know what they are. We hold the money for the dealers and count it out with them and apportion it, so I don't see any reason why it should be assumed that these are unreported earnings for tax purposes.

SENATOR PARKER: How about the favorability of one player over another by the croupier? Number one, what advantage is it if you pool the tips for the various individuals as opposed to you paying for it, and what disadvantages, and

aren't they the disadvantages that Mr. Lowmes testified to here in authorizing tips?

MR. DAVIS: I am not sure I understand.

SENATOR PARKER: What advantage do you get out of permitting the tips?

MR. DAVIS: Well, if the dealers are well paid.

SENATOR PARKER: Why don't you pay them?

MR. DAVIS: Well, because in the Bahamas it would cost us \$1.5 million more, and we estimate that the tips that will be received in our casino up here will be in the neighborhood of \$3 million a year. So if the dealers do not receive it in tips, we are going to have to pay a substantial part of that in increased salaries.

SENATOR PARKER: That is an advantage to you, because it saves the operator money. What advantage is it to the public who is playing the game, and is it going to lead to favoritism of one over the other?

MR. DAVIS: Not really, because the dealers do not make any decisions. The decisions in a dispute are made by the supervisory personnel at the tables.

SENATOR PARKER: How about flashing a card? There are a lot of ways they can favor somebody, isn't there?

MR. DAVIS: If they are going in for that degree of favoritism, the tips will be handled outside the casino, probably.

SENATOR PARKER: But wouldn't that obviate it if you did away with the tips?

MR. DAVIS: No, because if somebody is going to be dishonest and make an arrangement with a player, they will make the arrangement outside the casino.

SENATOR PARKER: Assuming they are not dishonest, aren't there other ways, just by the way you talk to people, relate to them, and so forth, that you can favor one over the other and create the---

MR. DAVIS: I am sure it is possible, but our supervisory personnel are very stringent in terms of permitting this sort of thing, and disciplinary action is taken if there is any such action or if there is any hustling going on for tips.

SENATOR PARKER: All right, now, how many supervisory personnel do you have in the gambling area overseeing these people? Is there a certain ratio that you have?

MR. DAVIS: Yes. We have at a dice table, two persons at each table, two supervisory personnel, plus, for every two tables there is an additional man going between the tables, and then for the entire pit, which is six or eight tables, there are two additional men.

SENATOR PARKER: What about for blackjack?

MR. DAVIS: We have one supervisory man for each two blackjack tables. We have in baccarat four to six supervisory people for one table, so that any dispute, the dealers have no say-so in it.

SENATOR DUGAN: If you are going to buy a dealer's favor, to the extent that might be suggested by Senator Parker's question, they are going to do that somewhere else, and secretly, whether you have tipping or not; is that what you are suggesting?

MR. DAVIS: That is our belief, yes, sir.

SENATOR DUGAN: Is it your experience that the tipping that goes on is overwhelmingly just the manifestation of just the natural inclination to tip, or is there any deviousness that motivates the tipping?

MR. DAVIS: No, I would say it is a very natural inclination. There is absolutely no pressure of any type put on anybody, spoken or indicated. And the

tipping is usually done by people who are winners when they walk away, rather than people who are losers, so I wouldn't quite agree with the statement that was made that a person is cleaned out and can be cleaned out by tips.

SENATOR MARESSA: You don't agree then with that \$1000 idea or maybe \$800 during the course of the day going to the tips?

MR. DAVIS: That is possible, yes, but I don't think it would be---

SENATOR PARKER: If I understand it, really, the biggest motivation for the tip is really that it is going to cost the casino operator less in the form of salaries, that there will be no benefit or detriment to the public or the consumer or the gambler?

MR. DAVIS: That is correct, sir.

SENATOR GREENBERG: What kind of numbers are you talking about? What do you pay a dealer?

MR. DAVIS: We pay a dealer \$25 to \$30 a day.

SENATOR GREENBERG: And what does he make in tips?

MR. DAVIS: He probably makes double that in tips.

SENATOR GREENBERG: Per day?

MR. DAVIS: Per day.

SENATOR GREENBERG: Another \$50?

MR. DAVIS: Yes.

SENATOR MARESSA: What do they pay in England?

MR. DAVIS: Well, Mr. Lowmes could answer that better than I could, but I understand that they pay something in the neighborhood of \$120 per week total.

SENATOR PARKER: What are the costs for licensing an individual that you use as a croupier?

MR. DAVIS: In the Bahamas?

SENATOR PARKER: Yes.

MR. DAVIS: We have to have work permits in the Bahamas which are quite excessive. The dealers themselves pay that. It is \$2500 a year.

SENATOR GREENBERG: Now, there are no other casinos around in New Jersey. What would you have to pay if tips were prohibited for a dealer?

MR. DAVIS: I would like to modify that, Senator Greenberg, by saying at present there are no other casinos in the neighboring states, but---

SENATOR GREENBERG: Everything we say here assumes that. If there are casinos in other states, we might have to take another look, but as of the moment.

MR. DAVIS: We would be competing, too, with dealers who might go to Las Vegas to work as well. Excuse me, what was your question, Senator Greenberg?

SENATOR GREENBERG: In the absence of tipping, what do you think the going rate would be for a dealer?

MR. DAVIS: I would think at least \$200 to \$250 a week.

SENATOR DUGAN: Did we interrupt your presentation, or did you cover the points you wanted to cover? I know we skipped all over the lot.

MR. DAVIS: I was just going on to say that I thought that many of the elements in the English system were inappropriate for Atlantic City, because, for one thing, in London to our knowledge, there are no investment requirements for casinos. It is merely the fixing up of space, whether it is leased or owned, whereas in Atlantic City, it is contemplated that a hotel complex with an estimated construction cost of over \$25 million will be necessary to qualify for a license.

Secondly, Atlantic City is a destination to which tourists must be attracted as opposed to having eight to ten million people in residence nearby, and also Atlantic City faces the direct competition of Las Vegas and the Bahamas where the restrictive operating procedures of the English system are not in force, and therefore, we would suggest that the legislation must not only attract players, but attract investment in the light of these elements.

Now, with regard to the extension of credit, I think Mr. Martinez in his testimony enumerated statistics which we are very much in agreement with, as to 50% of the total gaming play being on credit in Las Vegas and in our experience, and 50% of receiveables being collected in thirty days, and 70% in sixty days, and so forth. In our opinion, the effect of requiring payment within the space of a few days on a personal check would be to eliminate a substantial part of credit play and consequently produce an extremely negative impact on earnings, because big players who traditionally utilize credit facilities extensively will go to destinations which provide liberal credit facilities.

The time required by big players to make good on casino receivables is not due to a lack of solvency, necessarily, but rather they keep many funds in stocks, certificates of deposit, and other income earning investments that may require time to convert to cash in a current account. We would like to suggest that if the concern of credit is with the small player who may unwittingly extend his play beyond his means, that a \$1,000 minimum for the extension of credit be set and that personal checks be used for lesser amounts. Likewise, the concern is that malpractices such as skimming would be invited by the use of credit facilities. We would like to suggest that uncollected receiveables beyond an acceptable norm, such as 5% to 10% of gaming win, be subjected to the State Gross Revenue Tax.

In the end, the principal loser as a result of over-extension of credit is the casino operator, because the casino operator has given the opportunity to the player to win back what he has already lost by overextending credit and has not been repaid for the risk. It may very well also be necessary to utilize junket activities in connection with the start-up of casinos in Atlantic City, but without the ability to offer credit on competitive terms, junkets will not be economically viable.

With regard to hours of operation, we believe that because of the massive infusion of capital that will be required, investors will take a long look at the potential profit margins. Based on our own analysis, we would like to concur with the statements made by Senator Mc Gahn earlier, that the elimination of a third shift would reduce profits by 20%. And, therefore, we believe that a meaningful increase of hours beyond sixteen hours a day is desirable and necessary to attract investment and tourism and to maximize employment. Also, in determining operating hours, it is considered most important that casinos be permitted the flexibility to be open before noon, particularly on weekends, in order to encourage more overnight hotel stays and to cater to guests with morning checkouts.

On the subject of service of alcohol in the casinos, we favor the service of alcohol. We do so because of competitive reasons and also because in our experience we have found that it creates no problems. A person can become intoxicated prior to coming into the gaming casino, as well as in the gaming casino, and it has always been and we would recommend that casino operators be held responsible for removing intoxicated players from any games. Insofar as entertainment, we feel this is a highly desirable element to be encouraged and included in the Atlantic City formula. It is expensive and it often must be subsidized because it

is a losing proposition. But part of rebuilding Atlantic City into a world famous resort is to provide world famous entertainment competitive with any other market in the world. To limit the availability of this entertainment by saying it must have restricted access that doesn't come close to the casino and so forth, we think would be to restrict the encouragement of this type of entertainment subsidy by casino operators.

There are three items that I would like to touch on as being limiting or perhaps counter-productive to what we understand the intentions are, and one is the limitation of the maximum casino size. We think that there will be ample encouragement to build more rooms because the Las Vegas experience has indicated that even though there is no restriction, hotels keep outdoing each other in adding more rooms, because it is well known that the more people who stay in your hotel, the more business you will get from them, and we think that to limit the size of the casino would be to restrict comfort and would be counter-productive. Likewise, a suggestion was made that no casino open in Atlantic City until three casinos have qualified and been licensed. This could lead to a great delay and could also lead to collusion between the possible licensees, which we think would be inappropriate.

The third thing would be a suggestion that in order to qualify for a second license, an already licensed operator must wait for two years. Again, we think this might restrict and delay investment.

I would like to touch for a moment on the proposed tax structure which has not really been discussed in detail except that the proposal has been made that an 8% gross revenue tax be levied along with a license fee. Eight percent is roughly 50% higher than the similar tax in Las Vegas. But I think the more meaningful thing is that combined with other taxes of the state, an operation, according to Las Vegas figures, a similar operation in Las Vegas or in Nevada, compared to a similar operation in Atlantic City would net two to three times as much net profit because of lower overall taxes, once you combine the 8% with the real estate and the corporate income taxes and so forth. So I think we would just like to ask that that be considered in the final establishment of the tax rate.

Finally, in addition to the negative effect which restrictive operating procedures would have on potential profit, attraction of investment, and enjoyment of patrons, we would like to point out that the interest in casino gaming in neighboring states is picking up rapidly as witnessed by the fact that the Governor and the Mayor of New York and the Head of the Assembly just last week publicly endorsed casino gaming with the possibility of New York City locations, as well as resort areas.

We respectfully submit these thoughts in the interest of achieving the original objective of the optimum development of Atlantic City with positive economic effects throughout the State of New Jersey. Thank you.

SENATOR DUGAN: Senator Maresa.

SENATOR MARESSA: One question, Mr. Davis. How do you go about establishing the length to which you will allow a marker for an individual?

MR. DAVIS: Well, when an individual asks for credit, we first ask if he has credit in any other major casino, and if so, we verify that credit and what the experience has been with that particular individual. Often times, or most often, the person with credit or asked for credit has credit in, say, a Las Vegas casino, and the Las Vegas clearing house is open twenty-four hours a day and gives out information readily.

SENATOR MARESSA: What about a new fellow?

MR. DAVIS: A new fellow, we would ask for a bank reference, and before we gave him credit, we would check with the bank as to his ability to pay in regard to that amount. Now, as he returns, as a return customer, and pays off his original debt and asks for more, the next trip his allowance will be increased. In Paradise Island, we have a different approach than any of the Nevada casinos and actually operate on a loss of less than 2% of gaming win.

SENATOR MARESSA: One other question, do the hustlers, the girls, are they going to present a problem for Atlantic City do you think?

MR. DAVIS: Prostitutes?

SENATOR MARESSA: Yes.

MR. DAVIS: We don't envision any problem with that, Senator Maressa, because we ourselves police our own casinos in the Bahamas and we think the same can be done up here to be sure they are not present.

SENATOR MARESSA: Is there anything we should look for, any advice you want to give us in that respect?

MR. DAVIS: Don't, without incriminating myself. (Laughter)

SENATOR DUGAN: Anyone else?

SENATOR GREENBERG: Mr. Davis, you would intend to run junkets to your facility in Jersey if you receive a license, would you not?

MR. DAVIS: Well, we can't say for sure what the market need will be, but we would like to have the flexibility to bring in people from Atlanta, Chicago, and Dallas, and so forth.

SENATOR GREENBERG: Do you expect to draw people from Europe?

MR. DAVIS: Yes, we do, sir.

SENATOR GREENBERG: Along with the junket concept goes the complimentary shows and dinners and that type of activity; I assume you would plan on engaging in that?

MR. DAVIS: Yes, and we are in concurrence with the recommendations of the Task Force that junkets would be desirable under certain circumstances.

SENATOR GREENBERG: Those circumstances you have no problem with; the limitations on registration, licensing, et cetera, you subscribe to?

MR. DAVIS: Oh, absolutely.

SENATOR GREENBERG: I am confused, and I think probably many of the people here also might be; I don't understand the difference in views between yourself and the representative of Playboy. You are both in here to make a profit. They are talking about putting in a substantial amount of money, unlike their operation in England, for example, where you may not need a hotel, but they are talking about spending a lot of money, and they seem to be able to live with many of the restrictions, or all of them which have been proposed, and which do not necessarily reflect the views of the members of this Committee.

My question to you is, and it may be an unfair question, because I don't know whether you can answer it, why is it they think they can make a go of it, and you can't?

MR. DAVIS: Well, with all due respect, I don't think that the London casinos have competed as directly as we have for the American market against the Las Vegas system. And in our experience in the Bahamas, even with what we feel is a liberal credit system, we are constantly barraged with the fact that I can go to Vegas and I can get double this amount of credit, and I can get this service and that service and so forth. Even though we pattern ourselves after Las Vegas, I hesitate

to think that if we are more restrictive than that with the American gambler, particularly here in the United States, we would meet with even more resistance, and, secondly, I think that the experience with having to support a large investment with a casino operation is one which many London casinos have not had to cope. In Atlantic City, the present bill contemplates, as I mentioned, an investment of at least \$25 million to qualify for a license. So I think that the best way I can answer that is that the competitive aspects of the United States market are not as present in London as they will be in New Jersey.

SENATOR GREENBERG: So you would say Mr. Lownes is wrong in his ideas.

MR. DAVIS: I fully expect that when he has put his money on the table that his views will change. (Laughter)

SENATOR GREENBERG: Senator Maressa thought that the reason for the distinction between the two of you was the bunnies. I knew that couldn't be true.

SENATOR DUGAN: Anyone else?

SENATOR GREENBERG: Just one last question. You indicated that you weren't happy with the hours proposal in the Task Force Report, and you, I think, said you would like something more. Can you be specific so that we know what your views are?

MR. DAVIS: Well, to be perfectly honest, Senator Greenberg, we would like full twenty-four hour operation, but understanding, perhaps, the impracticality of achieving that desire, we would certainly like to have twenty-one hours, so that we could have the three shift basis.

SENATOR GREENBERG: Twenty-one meaning three seven hour shifts?

MR. DAVIS: Yes, sir.

SENATOR GREENBERG: And when would you close?

MR. DAVIS: We would probably close from 6 A. M. to 9 A. M. if we had our choice.

SENATOR GREENBERG: Is there a basis for the three seven hour shifts? Is that a labor oriented statistic? Have you talked to the unions about that, or where do you get that figure? You could have three shifts of less than seven hours, but I just wondered why you picked that number.

MR. DAVIS: Well, normally, the shifts are eight hours, and in the interest of maximizing employment, we would come down to seven hour shifts, but to come below that, to say six hour shifts, would be difficult economically. Because, for all practical purposes, you would be paying as much for a seven hour shift as for an eight hour shift.

SENATOR GREENBERG: Okay. Thank you.

SENATOR DUGAN: Senator Parker.

SENATOR PARKER: I gather it is six o'clock so everybody can go fishing here. (Laughter) On the taxes, you objected to the 8% gross. Would you prefer an excess profits type tax?

MR. DAVIS: Well, Senator Parker, I don't want to have my remarks interpreted--- Everybody objects to any tax.

SENATOR DUGAN: We are painfully aware of that.

MR. DAVIS: I would like to suggest that it be considered in setting the tax rate, that the total impact of taxes here be considered in their entirety, and I would like to make one other suggestion, that perhaps it might be practical to offer an incentive for greater promotional expenditure and thus higher gross win by offering a declining rate of tax as the volume of gross win goes up. Perhaps, at that same time, a slight increase in the license fee as the volume goes up, since

more administrative costs will be incurred. I think that where the tax is on sales that the more you can encourage promotion and higher volume, the greater the total would be for everybody involved.

SENATOR PARKER: What do they have in Las Vegas, as far as other than licensing taxes? The reason I ask that, maybe I am more accutely aware of some of the problems, especially with unemployment, workmen's compensation costs, and I know we are high in all these, and any margin of attracting new industry or any competitive advantage we have with our neighboring states, our corporate gross income is up to 7% now, so we have very little margin to attract, as opposed to our neighboring states, and I think we want to attract commercial, industrial and ancillary industries to come in, and if you can expand it, if you don't think you can live with this, vis-a-vis, Las Vegas or any of the others, I would like to know.

MR. DAVIS: Well, we did an analysis of the average of the sixteen largest Nevada casinos, and the net profit for the average of those sixteen casinos, after state and municipal taxes, and this is taken from the abstract of the results of all casino operations in Nevada, was \$6.3 million. Now, in New Jersey, provided the costs and expenses for the same to achieve the same volume as those sixteen and the investment was the same, the comparable profit would be \$2.6 million, or less than half, as a result primarily of higher real estate taxes, of corporate income taxes, of which there are none in Las Vegas, and those are the principal items. That is the principle.

SENATOR DUGAN: Will you make that available to us?

MR. DAVIS: Yes, sir.

SENATOR DUGAN: Do you have an extra copy of the Nevada gambling abstract?

MR. DAVIS: Yes.

SENATOR DUGAN: Anyone else? The only thing you didn't say in your presentation, Mr. Davis, was the issuance of an invitation such as Mr. Lownes gave to the Committee. (Laughter) So if you want to end on that note.

MR. DAVIS: I will be very happy to, particularly if you would like warm weather, because it is beautiful down there.

SENATOR DUGAN: Incidentally, how big is the floor space of your casino on Paradise Island?

MR. DAVIS: Seventeen thousand feet.

SENATOR DUGAN: That's over four times the size of Mr. Lownes'. I have been there, and that seventeen thousand feet is very large, and you can get around easily. It is fairly consistent with what the bill proposes. Do you think that is the minimum appropriate, the one that the bill proposes?

MR. DAVIS: Yes, sir, we do, and I think that is an excellent minimum. Again, I would like to say that while we agree with the density figures that were enumerated in the Task Force Report, depending on how you measure the maximum sizes they recommend, if they include the entire area, it could be restrictive, and discomforting.

SENATOR DUGAN: Thanks very much.

SENATOR MC GAHN: Senator Dugan, I think in relationship to that, I think that certainly the casino size is extremely small for a punter. I think certainly half a football field would at least be the minimum requirements.

SENATOR DUGAN: We are going to take a five-minute recess to give the court reporter an opportunity to refresh herself. Your County Executive will be the next witness.

(Whereupon there was a short recess taken.)

SENATOR DUGAN: We will resume the hearing. When you are all seated, we will resume and have the benefit of your County Executive, and a former legislative colleague, Chuck Worthington. Chuck, welcome to Atlantic City.

CHARLES D. WORTHINGTON: Thank you, Mr. Chairman. It is so pleasant to see so many Senators in Atlantic County, none of whom have announced they are gubernatorial candidates.

SENATOR DUGAN: The day isn't over yet, Chuck.

MR. WORTHINGTON: I think that is where Barry Parker is right now. I bring a different perspective here. I had testified before Assemblyman Codey's committee, with some specifics concerning what we would like to see in the way of legislation. Today's hearing had been advertised as a hearing trying to get some local input about fears and trepidations and plans and concerns.

I would like to illustrate some of our concerns and trepidations and hopes, as well with a little anecdote. There is a story told of a little place with no future and little hope, the Great Queen was old and barren, and thus could not provide an heir to recreate her once great traditions. Many opportunists took advantage of the queen's infirmities and many once-loyal subjects abandoned her, or spoke of her with cynicism and scorn. Then an oracle was discovered who told of one who would pull the sword from the stone and renew the hope and save the queen. Many came to this place to remove the sword, but all failed because alone none was strong enough or clever enough for the task. Tragically, the queen died, for the subjects realized too late that those who live by a myth also die by a myth.

Not long ago, the State of New Jersey had a great queen, sickly, old, and barren. But, unlike the subjects in the story, our citizens recognized that the solutions to complex problems can only be realized by collective rather than individual actions. The endorsement of the casino question has substantially increased the prospects that Atlantic City will again be the "Queen of Resorts."

Yet, caution must temper our enthusiasm. While our future is brighter than the present, we must recognize that for every silver lining there is a cloud. It is incumbent that we, the custodians of the public trust, identify the storm clouds that may accompany casino gambling, so that protection can be afforded to those who invested a vote for the future of Atlantic City.

It is at once apparent that people are the catalysts in terms of our future. Many more people will come to live and work here. Obviously, many more will come to visit and be entertained. Some will come out of curiosity, stay briefly and leave quickly, but all will touch us in some way. Our responsibility is not only to provide them with diversion, but also to assure the protection of their persons, health and property. Consider, for example, these concerns.

The law enforcement capabilities in Atlantic County are more than adequate to service our present needs. Yet, in the very near future investigative potential will need to be increased. By how much? Will there be a new emphasis on victimless crime or white collar crimes? How will we monitor the expected increase of marine traffic and perhaps the danger of smuggling? Transient visitors pose potential problems. What jurisdictional arrangements will be made in private security forces and public law enforcement agencies? A serious population problem currently plagues the county jail. This situation needs amelioration before casinos are in full bloom. But, what of the costs? Where will a new facility, if it is required, be located?

How will our highly respected judicial system, continually pressured by increasing caseloads, adjust to guarantee due process of law for all citizens, those who live here, as well as visitors?

In addition, community health services must be continually improved for the current population, with an eye on servicing thousands more very soon. How many more clinics and outpatient facilities will this area require? Where should they be located? How will we expand our services and still provide the invaluable care afforded citizens through home visitation, child health programs? What demands will be made on emergency facilities, hospitals, fire, rescue, ambulance squads? Of increasing and dramatic concern to us is the potential impact casinos will have on our present mental health capabilities. For the past six years, this county has led the state in patients committed to state institutions, and this budget alone in 1977, the cost to our taxpayers for this mandated function, increased \$500,000 over what was budgeted in 1976, and that figure, incidentally, may be on the low side. Neither we nor the state can allow this situation to persist in light of the challenge that lies ahead.

The provision of social services is government's greatest responsibility. Unfortunately, it is also an area of great cost. Our responsibility will be to guarantee an acceptable level of service at an acceptable cost. In this regard, we can learn much from Orlando, Florida, whose dramatic development resulted in mushrooming welfare costs. What steps can we take to prepare for or to avoid a similar phenomenon here? Our responsibility to our senior citizens is great indeed. We must never forget that their labors made today's standard of living possible for all of us. And while we do not anticipate an increase in the number of senior citizens in our area because of casinos, we need to create an environment hospitable to those here or those who may wish to come. Our commitment is to a maintenance of effort in Outreach, social and nutritional programs for this very special group of citizens.

Finally, in terms of social services we need to serve as genial and proper hosts for all visitors to our area. This implies that the responsibilities of consumer protection agencies will be greatly enhanced, but by how much? Certainly, it will be our responsibility to provide tourists and natives alike with information concerning the quality of various restaurants, hotels, clubs and other recreational facilities in our area.

It is the most valid assumption that with the dramatic increase of visitors to Atlantic City, there will be a massive increase in the generation of solid waste. The state has adopted a Solid Waste Management and Resource Recovery Act which designated each county as a solid waste management district. The Act charges each county with the responsibility of preparing a countywide solid waste management plan. We in Atlantic County have completed the initial two phases of our plan with our county funds. The State's Bureau of Solid Waste Management is in a position to grant the necessary monies to complete our plan, but the problem is that we have been on a very low priority in their funding schedule. Our low priority may have been justified before the passage of casino referendum, but our situation has changed. It will be most disastrous if our funding priority does not also change.

The increase of traffic in all modes to bring visitors to Atlantic City is also a most valid assumption, though at this time there is a lack of data which would enable a reasonable prediction of the volumes. It is a valid assumption that increased

traffic will cause a decrease in air quality. There must be a clear design of air quality standards and the articulation of alternative postures that will assure that no substantial deterioration of air quality will be tolerated.

The automobile has been isolated as the major contributor to air quality degradation. What we must have is a strong commitment from the State in pursuing and implementing strategies on mass transportation, in particular, the use of the Pennsylvania-Reading Seashore Line, as a direct link with the Philadelphia metropolitan area, and perhaps the Central New Jersey Railroad with the New York metropolitan area.

The water supply in this area, fortunately, is abundant. If managed properly and protected through sound, rational, environmental policies, it will be adequate to serve the needs of many people. We cannot afford to become the victims of standards that are much too stringent and designed with a zeal of high morality based on environmental protection by discouraging development; nor, can we afford a void of standards which will allow a laxity in control that would cause this water supply to become contaminated. In essence, a system of regulation must be set in place which is capable of responding when necessary, and when responding, it must be given in a timely fashion.

The City of Atlantic City will become the center of a regulations both State and Federal. Overlapping jurisdictions must be weeded out to enable a streamlining of the regulation process, which can take dreams and aspirations and either make them a reality or lose them in a labyrinth of regulations. Our mission is clear, we must not allow the new living theater in Atlantic City to become the theater of the absurd. The sticks and stones must be used in new buildings, not across the conference table during meetings of applicants with State and Federal regulatory agencies. It is a time to move quickly, yet cautiously. It is a time to discuss ideas and concepts, but we must speak easy so as not to drown out the sound of progress.

The point is, we, in Atlantic City and Atlantic County, know that a dramatic change will occur here. Unfortunately, we do not know how dramatic the change will be. It is imperative that the State, County, and our municipal governments work cooperatively in order to assure that development occurs at a manageable pace, so that the interest of our citizens can be protected. Locally, we need information in order to plan. For our part, we are initiating a comprehensive gambling impact study, the results of which can be used by all county departments to project future needs and/or growth.

We earnestly need the cooperation and knowledge available from the State and from other sources studying the casino phenomenon. Individually, none of us is strong enough to meet the challenge. Collectively, we are up to the task of rejuvenating the "Queen of Resorts." Mr. Chairman, thank you for this opportunity to come and share some concerns.

SENATOR DUGAN: They are very interesting observations, Chuck. The ramifications of what we are doing are as widespread as you suggest, and there are many problems that we can address ourselves to here and now in the legislature. There are others that will present themselves as we go along, and I suppose you as the County Principal Executive Officer will have your share of the burden, too.

It will be an ongoing thing, and we solicit the continued input from Atlantic County and Atlantic City officials in order to help us give you the tools that you need to meet the aspirations that we all have for the casino gambling.

MR. WORTHINGTON: Once again, I am glad to welcome you and thank you for coming down to our county and sharing our concerns.

SENATOR DUGAN: Are you going to ask us back again, as Mr. Lownes did and as Mr. Davis did?

MR. WORTHINGTON: Yes, but you are going to have to come either by rail or train or plane, at your expense.

SENATOR DUGAN: Okay, thanks very much, Chuck. Anyone else?

SENATOR MC GAHN: I think the presentation was excellent, Chuck. It certainly typifies a former school teacher. I think there is a morale to the story that you told in the very beginning, and that was simply as far as the Queen was concerned, it was too late that it was realized that the Queen didn't need a myth, but rather what she needed was a Mister. (Laughter) That would have made the situation a lot better.

In relationship to the point that you are making, I am glad that somebody brought up this type of testimony that was needed.

MR. WORTHINGTON: I think that is what you had asked for.

SENATOR MC GAHN: Yes, and I can say to you that certainly in the amendments that I proposed today, there would be a casino policy committee, and this was prior to the time I realized this staggering force which would coordinate activities between county, state and local government as far as the development of Atlantic City over a ten-year period is concerned. I think you can, in these circumstances, get maximum support from the State in that process.

MR. WORTHINGTON: I just touched on an issue here that perhaps ought to be explained a little bit more fully in detail. It seems to me that when we go to other areas of the country or other countries, as tourists, there is a system of rating scales by which hotels and restaurants are rated. This is something, Senator, that committee might want to get involved in or an agency ought to do that. It is an awesome task, but I think that is the kind of service that the government can perform for the people that we are trying to entice to come down and spend some of their money with us.

SENATOR DUGAN: Senator Maressa has volunteered for service on that restaurant evaluation committee.

SENATOR MARESSA: Chuck, I also want to congratulate you for a fine presentation. Of course, I think you addressed yourself to the increased county costs, traffic, law enforcement, so forth and so on. I was just thinking, some estimates of the amount of investment in the real estate around here is around \$200 million. What is the county tax rate?

MR. WORTHINGTON: The county tax rate this year is about 89¢ a hundred.

SENATOR MARESSA: So that if they do come through with that amount of rateables, there is at least a couple of million dollars that will go to the county?

MR. WORTHINGTON: But it is also a matter of when the rateables will come. It is a matter of front money having to be put up, plus the expanded types of services that we will give. You know, I am not here poor mouthing, but I am just saying, there are concerns that I think we have to realize and plan for. Without proper plans, even given the money, you can't spend money wisely unless you plan to do that. We are much involved in that process now, Senator.

SENATOR DUGAN: Thanks again, Chuck.

SENATOR MC GAHN: I have one other comment. Should the casinos, once they have reached maximization, as far as operation is concerned, be responsible to some degree for paying for basically the cost of benefits and improvements as far as the city is concerned. I think that is a reasonable concept and a reasonable

assumption and certainly when it gets to that particular point, some revenues that would not be taken from the gross revenue or the gross pay that is dedicated to senior citizens could be considered, or as it is in Vegas at the present time, where the sales tax goes to the convention bureau and the revenues from slot machines go for education.

MR. WORTHINGTON: I would just also like to give an additional welcome, while I have a minute here, to Senator Billy Musto, who is the father of the county optional charter law, and crusader for twenty some years for better county government. Billy, it is because of your effort that I am here where I am today. It is good to see you in Atlantic County.

SENATOR DUGAN: No more postscripts, Joe.

SENATOR MC GAHN: He is also the father of casino gambling, the lottery, and every other thing you can think of, as far as gaming in this state is concerned.

SENATOR DUGAN: You know, ladies and gentlemen, wherever I go with my distinguished colleague, Senator Musto, even when I go to the Senate with him, we are both from Hudson County, I am constantly exposed to this adulation of former and present legislators and people all over the state. I wonder whether or not he heard Chuck Worthington's comment about unannounced candidates for governor to stimulate Senator Musto's imagination in that regard. (Laughter)

But he is a distinguished legislator in that regard, and he has had an outstanding career of public service and we are honored by having him on the Committee. Commissioner Colanzi, with my apologies for skipping you on the list.

EDMUND COLANZI: First of all, Mr. Chairman, and members of the Senate Committee, thanks for coming to Atlantic City and giving these people an opportunity. I would like to commend you on the way that you have done this today as opposed to the previous meeting where you are questioning the people in the community and finding out how they truly feel. I think that is very healthy. It is taking longer, but it will truly give you a better perspective of what is happening here.

SENATOR DUGAN: That is what we came for, and we did it because we want that perspective, and because Senator Mc Gahn threatened us that we had better do it. (Laughter.)

MR. COLANZI: There are parts of my presentation that were printed but it is basically a renunciation of Mr. Lownes, Playboy, Great Britain, London, and the European concept completely, unless Great Britain is allowed to make the enabling legislation for the United States, because if the enabling legislation is to control the whole country, then the competitiveness that we all have to deal with would be identical. However, if we were to adopt, for the moment, those Great Britain regulations, and Delaware, Pennsylvania, New York and Connecticut will have casinos or gambling much closer to the type of Las Vegas in the next three or four years, you would find an Atlantic City that was temporarily built that would have no investors, that would have no casinos because the investor would go somewhere else. So that this basically would have been my presentation today.

SENATOR DUGAN: Do you think the legislation as it is fashioned is on the right road?

MR. COLANZI: I think the legislation that was presented to the people of New Jersey prior to the election was well on the right road. What bothers me is that I was in Trenton on December 15, and from the day that Playboy made their presentation I read in the paper, I hear on the radio, and I see on television more statements dealing with the Britain type concept. This seems to worry everyone.

I don't know that you can really legislate morality. But one thing I did put in here today that I think is important, today, yesterday, and tomorrow, before you get a chance to change the law, I can go out and gamble my total fortune in the State of New Jersey, and it is legal. I can bet everything I have this afternoon if it hasn't closed yet, across the counter or a table, and it is done everyday in this state, and the place you walk into is a brokerage, and the business is called a stock market. And there are not any laws in this state that stop me from doing it. In fact, I can walk in and they know me - in fact, if they know me, they are not going to let me buy any stock at all, because they will know I don't have the money to buy it---

SENATOR DUGAN: I thought you were suggesting perhaps casino gambling is already here in Atlantic City.

MR. COLANZI: No, it is all over the State, I am trying to say, and the strange part is if they know you, you don't have to come up with a copper penny. You could walk in and buy \$100,000 of North Pole Oil and they will sell it to you if you are dumb enough to buy it. And yet the same legislators 'don't try and control this because they think people are competent enough to know how we want to wager on the stockmarket, but they are being lured or enticed by some people who seem to want to make gambling as restrictive as it might be in Europe. Now, in Europe or in Great Britain specifically, I don't think they are looking at casino gambling or any form of gambling to rebuild great Britain, or London, and maybe they should, because I don't know that Great Britain has done that well in the last 200 years compared to us, but I do think that when we went to the people of New Jersey who reacted overwhelmingly to our request, we didn't want gambling. We made that clear in the beginning. We wanted gambling only as a tool to rebuild the City, to rebuild a convention industry, to rebuild and bring back jobs to the thousands of people who are without them.

You have in front of you a report from the Economics Research Associates, the latest one that came out, a feasibility study of what is going to occur here if this job is done properly by the State, by the County and by the City. They are telling us that we need 15,000 rooms by 1982 to take care of the people who are going to come to Atlantic City. They are telling us that we need 35,000 rooms by 1990. That is only 13 years away.

SENATOR DUGAN: Well, do you think--- During the break, or one of the breaks, I was queried by some of the reporters about the possibility of putting casino gambling or a casino in operation immediately, and they made reference to the requirement in the bill or one of the reports that there be at least three licensees before we open. Now, the ultimate question suggested by that kind of inquiry is, is Atlantic City ready right now to accommodate the opening of a gambling casino?

MR. COLANZI: The city is somewhat ready. Now, again, one of the problems that we have is the enabling legislation itself.

SENATOR DUGAN: Okay, here is the concern. Assuming it is adopted in the next few months, it is made a matter of law, regulations are established Atlantic City then ready to accept a gambling casino?

MR. COLANZI: Senator, I'm not trying to avoid your question, but it would be just as ready that day as it would be four years from now, because until somebody tells someone how many rooms are necessary, they don't know what to build.

SENATOR DUGAN: Okay, assuming we adopted the bill as it is presently drafted tonight could you be ready to go tomorrow?

MR. COLANZI: I think that you might find at least one place in Atlantic City opened by Saturday night, if not tomorrow.

SENATOR DUGAN: I am talking about you as one of the city fathers, do you think your city is in shape to accept a gambling casino?

MR. COLANZI: Yes and no, because in a sense it is not because the people who will operate the casinos are not here yet---

SENATOR DUGAN: Well, no, I am not asking you whether they are ready or not. There has been a lot of testimony today as to why we don't speed things up, and why don't we get things going. Now, if you are not ready, we should know that too. That is my ultimate question. Are you ready to go, you being Atlantic City?

MR. COLANZI: If the enabling legislation were passed tomorrow, we would be ready to go to prepare ourselves for the things in the legislation. It is very difficult to answer. It is very difficult to state. If I am not answering your question properly, I am sorry, but that enabling legislation is going to determine what the investors will do and who will be involved, so that they are not going to move and we will never be ready until they have a definite idea as to what the figures are.

SENATOR DUGAN: No, you don't understand my question. Or I am not articulating it properly.

MR. COLANZI: I apologize if I don't understand.

SENATOR DUGAN: It is probably my fault. Let's assume that we pass the bill as it is presently constituted, next week the Governor signs it, the appointments are made to the Commission, the investors do whatever they have to do, and everything is within readiness within a month; is Atlantic City ready to accept that kind of gambling operation?

MR. COLANZI: I think so, sir, because we will have the zoning that is needed, which is, basically, we would know the first stages, and before the week is out, we will have a consulting firm and I would assume, whichever one we pick out of the top ten, that we have interviewed in the last five days, they will be able to do a job that is second to none, because we are only talking to the best firms in the world. We will be ready in that respect.

Again, I understand your question. Maybe it is because of all the things that I have heard and I have seen in the last 120 days, how can you be ready to entertain nine million people? When you ask me that question, no, we can't entertain nine million people today. Is our law enforcement ready? Yes, our law enforcement is ready to put through those things that we have to do, because they have been working for the last six or seven months to prepare themselves, but, again, not for nine million people. So it is difficult to answer your question in that respect. I don't think the city is going to really be ready until the ground rules are set for the investors to build those things that are going to have to be built. So that becomes a problem.

SENATOR DUGAN: How quickly do you want us to act?

MR. COLANZI: I would like you to act as soon as possible. I would like to see the enabling legislation out of the way as soon as the two houses can meet again, because one of the problems--- We can in forty-five days completely know where the first sets of casinos will ultimately be allowed to go, and that will give enough construction to thousands and thousands of people to get them started. But, again, as you talk to investors, or you talk to the current hotel owners, they don't know what the ground rules are, so why would they start to remodel

when they don't know what specifications they will have to abide by, why should they do anything, when they may in planning not have a sufficient amount of, whether it be square footage of rooms or amount of rooms or casino space or open space. So that, again, one is very integral with the other, and that is making it difficult.

I would like to bring up a couple of points that were talked about today. Atlantic City is a community with a large minority group. Now, statistics show that when people are subjugated to a certain type of living, then crime comes out of that district. Thousands and thousands of people have been arrested throughout this country, and many times they are minority groups. They may be Puerto Ricans or Indians or Blacks, or when I was a child they were Italians and Jews, and people that had come here who could not get a job. Now, they did these things when they were young, and if someone is going to sit here and say that person can't be a bellhop, that person can't be a waiter, because when they were seventeen, eighteen, nineteen years old, they made a mistake, and their record of ten, fifteen, twenty years might show they are great citizens; America fortunately has had some great citizens come out of this country who lived in an atmosphere that was conducive for them doing things wrong. These are people who live in Atlantic City--- I'm sorry, I am not ashamed of them.

SENATOR DUGAN: I think you stated your case very well.

MR. COLANZI: I don't understand, when we asked for casinos to hand out jobs, most of these people won't be eligible. It is wrong.

SENATOR DUGAN: Well, I agree with you.

MR. COLANZI: It is just wrong, and I don't understand it. I am not saying we should bring all the criminals in the world to Atlantic City and put them to work here, but if in that enabling legislation there is some way to categorize the types of crime, that would be appropriate. How do you tell a man he can't have a job because he stole a bag of groceries, because--- Senator, I am sorry for being emotional, but there are so many righteous people in this world, and they have all the answers themselves, and yet they have silver spoons in their mouths, and I think it is unfair. You know, in the enabling legislation itself, we are restricted, because even the people of Atlantic City said we want it in the building, we want it in the hotel, we want that casino to be away from the lobby. We are not looking for Vegas style where you would have one-armed bandits all over the streets. We certainly want a neighborhood. In fact we are going to need the help of the Senators and the Assemblymen and the Governor and possibly Congressmen and possibly anyone who has any weight in the state to try and get back the 70% of Atlantic City that is under water. Over two-thirds of this City now sits in wetlands.

What's more important? Again, I would not like to see the relocation of people. In our planning, every consultant firm that has been here has made it very clear that the total picture of Atlantic City is one that you cannot look at or talk about any place in the world. This is the only city, as far as master planning is concerned, that will have what it is going to have, and with all their experience, they have never experienced anything like it in the world that they can even relate to. But they all talked about low, middle, and high income housing. They all understand and they want to give us, and we want to be able to have a community here that, first of all will be able to have jobs, so they can afford to live in the type of home we would like to see them live in, and be able to raise their children like everyone else. I wish I were first or last or didn't have to be here, because I get very upset when I hear Mr. Lowmes. I heard him in Trenton, and I heard him today, and

I said something in Trenton that I should repeat now. Two hundred years ago we celebrated freedom from Great Britain, and I will be damned if I will go back to it. That is the way I feel.

SENATOR DUGAN: You sound like an Irishman.

MR. COLANZI: He motivates me. In fact, I said in the back of the room, we would make two great candidates running for the same office, because the people would really have a choice between the two of us.

SENATOR DUGAN: I think you made your point very well, Commissioner.

MR. COLANZI: Before I was Commissioner, I was a union leader. So I believe that a lot of these people have a right to go to work, and I think that is what they are asking for. I don't know of some mistakes that wouldn't be related necessarily to their adulthood that might have been part of their young adolescent stage or their young teenage stage that should be held against them, whether it be for a job in Atlantic City or anywhere else. I believe in unions.

To answer a question that was asked much earlier, if it wasn't for the types of businesses that misused employees in this country and around the world, you would not have a union today. To say that unions don't have faults, there are a lot of union leaders in this room right now, and they will tell you that unions have faults. But you have to have the organization of people in order to fight independently wealthy groups. If those unions are being asked to have that type of leadership which is going to give a better image to Atlantic City, that, I would agree with. But I am talking about the average working man, and if those laws are going to be that explicit to include a man that is driving a truck and delivering something or the bellhop or the chamber maid, I really think that part is wrong. Again, I think Atlantic City is preparing itself the best way it knows how. I also believe in tipping. I believe if somebody was to come to work in Atlantic City for \$120 a week as a croupier, they better hire six people to watch him, because he is going to take the table away, the machine away, and everything else. Then I think you have enticed him to do something wrong rather than encourage him to do a good job, unless the enabling legislation would be prepared to start at a salary for someone who works in the gambling section of a casino at \$25,000 a year with automatic increases according to the cost of inflation, I think we should go with the American system with tipping, because it is here.

Again, I am really concerned about something. You have a report in front of you from the Economic Research Associates. This was really based on New Jersey having casinos and what the effect would be to Atlantic City. It did not entail what would happen if Delaware, Pennsylvania, Connecticut, Massachusetts and New York were to bring in casinos. I want to see enabling legislation that would force this city to have quality rooms, the right size, and things of that nature, so that within ten years we would still be a competitive resort and a first class resort, so that whenever another state puts in casino gambling or any other form of gambling, we would be more than competitive. I am totally looking for that kind of thing. But I don't want it to be so restrictive that the investors will decide not to go to Atlantic City in New Jersey, but let's wait until it comes through in New York or some other state. There are some resorts because of the nature of the way they are that could prepare themselves a lot faster than Atlantic City, and entice investors, because, again, you don't have to remove a blighted area, you don't have to buy something that is already down. So I am very concerned that in your enabling legislation, you make sure that the investor will invest. He is the first person who has to play this game. If he doesn't play the game, then what

we asked the voters for will not take place. The enabling legislation can be the most beautiful piece in the world to protect every player, but there won't be anywhere to play, because the man who is going to build that place to give us the jobs will not come to Atlantic City. And in a sense, maybe you should force those to build quality establishments so that what we ask the people for is not a five or ten year thing, that it will be something that will be competitive by the nature of how you set up the legislation. But please don't be that restrictive as to not want the investor to play the game, or this whole game has been lost.

SENATOR DUGAN: Thanks very much, Commissioner. That was a very eloquently presented statement on your position. I am much appreciative for your patience in waiting this long before you were called. Thanks very much.

SENATOR MC GAHN: Mr. Chairman, may I make a remark? Commissioner, let me put you at ease concerning the people about which you are talking. Casino employees required to hold a work permit is concerned only with those working within the confines of the casino itself, dealers and pit bosses, that type of individual. Anybody else working in the hotel is not covered under that provision. Now, not only that, but actually, any work application that is denied, there is an appeal process, through the Commission, and there is certainly specific language that if there has been any criminal offense involving moral turpitude that has been committed by any of these individuals, a work permit is denied. But even then they have due process through judicial approach.

This pertains only to the individuals who are actually working in the casino, the dealers, and so forth. It does not apply to bellhops. It doesn't apply to maids. It doesn't apply to truck drivers.

MR. COLANZI: Senator, I hope you understand something here, and again I didn't read my presentation, I am very concerned about the effectiveness that Mr. Lownes and the Playboy Club on the surface seems to have in New Jersey---

SENATOR DUGAN: Commissioner, you made that point and underscored it, believe me. There is no misconception about what you mean.

MR. COLANZI: Again, I am trying to explain the type of people who are here. They are not bad people. It is just that they have had their problems.

SENATOR DUGAN: Okay, thanks very much, Commissioner. Charles W. Davis. On reaching Mr. Davis we are at the bottom of the first page. I would like to tell the witnesses, please don't read your statements. Give us the benefit of a synopsis, because we would like to finish tonight if at all possible, and we have a long way to go. Mr. Davis.

CHARLES W. DAVIS: Basically, what I have to say today is somewhat contrary to what has been said thus far. We have heard that the industry, the hotel industry, the backbone of the tourist industry within the State and Atlantic City, has had substantial input into the drafting of the legislation. I do not believe this---

SENATOR DUGAN: Okay, that was not so. Forget about the procedural things. Tell us what the New Jersey Hotel/Motel Association wants.

MR. DAVIS: I think that we need primarily to give recognition to those properties that now exist in Atlantic City, those that have weathered the economic storms of the past decade.

SENATOR DUGAN: I take it then that you are talking about the size of hotels that qualify for licenses?

MR. DAVIS: I am talking about that, and I am talking about the size of

the rooms, the physical requirements for the casinos.

SENATOR DUGAN: Okay, well, let's talk about them specifically. What are your views?

MR. DAVIS: Okay, I think that--

SENATOR DUGAN: What about the size of the rooms?

MR. DAVIS: My concept of this would be to grandfather some of the existing properties that meet a criteria.

SENATOR DUGAN: At what level?

MR. DAVIS: I would say between three and four hundred rooms. There should also be a proviso that within a number of years they would indeed comply.

SENATOR DUGAN: What would be the size of the rooms?

MR. DAVIS: Within the framework of my testimony, which you have before you - the written testimony - I indicate that I have been in contact with all of the major corporations in the United States and in Europe who both own more than five properties, or franchise them. I find that by and large there is no corporation that is requiring minimum size anywhere near this.

SENATOR DUGAN: I think it comes out to about 16' x 20', or something like that.

MR. DAVIS: Yes. We are talking about an average of approximately 288 square feet.

SENATOR DUGAN: Yes, and the bill calls for 325. Yes, that is 16' x 20', something like that.

MR. DAVIS: In addition--

SENATOR DUGAN: That's too big to require, is that your point?

MR. DAVIS: For every room on the property it is. The concept of building any hotel is that you do not build all your rooms the same size because the traveling public - the vacationing public - does not all demand the same thing. Some want single rooms; some want double rooms; some want what we consider junior suites; and others want suites. It is simply an economic determination of the ownership or the manager of the property as to what he can sell. The same thing applies to requiring substantial amounts of public space. This is a management decision, based on, "What do I want to do with my hotel? Do I expect to be a convention hotel? Do I expect to bring in name singers and entertainers? Or, do I simply want to have a casino and have the reputation of being the place to eat in Atlantic City?"

SENATOR DUGAN: How many hotels and/or motels in Atlantic City would qualify if the criteria were 400 rooms?

MR. DAVIS: As of today?

SENATOR DUGAN: Yes.

MR. DAVIS: One, perhaps two - maximum.

SENATOR DUGAN: That is Haddon Hall and--

MR. DAVIS: And perhaps Howard Johnson.

SENATOR DUGAN: Howard Johnson?

MR. DAVIS: With some new construction.

SENATOR DUGAN: How about the Claridge?

MR. DAVIS: No, sir.

SENATOR DUGAN: How many rooms do they have?

MR. DAVIS: Oh, a little under 400.

SENATOR DUGAN: About 400?

MR. DAVIS: Yes.

SENATOR DUGAN: How about the Shelburne? Is that 400?

MR. DAVIS: Yes, but they could not-- You know, if we are talking about just rooms, yes. But, if we threw in all of the other criteria--

SENATOR DUGAN: No, I am just talking about rooms.

MR. DAVIS: Okay. If we are talking about 400 then perhaps there would be six.

SENATOR DUGAN: Well, if we were to adopt your recommendations, how many licenses would you expect would be issued? How many qualified applicants would there be?

MR. DAVIS: Within the framework of what exists today?

SENATOR DUGAN: No, what you are advocating.

MR. DAVIS: I would say between 6, 8, or 10, maximum.

SENATOR DUGAN: Okay. Go ahead, I didn't mean to interrupt you.

MR. DAVIS: I am sure that Senator McGahn and Senator Ammond reflected another concern when their energy meeting, held in Camden, was mentioned here before. One of the considerations that must be taken, I believe, since we have just gone through a horrendous exercise in lack of energy for not only our industry but for the entire State, is the energy problem. The energy that would be needed for this sized room is about 20% more than what the average is throughout the industry right now. This has to be a serious consideration.

SENATOR MC GAHN: I think the amendments to the Uniform Construction Code - that will most likely be passed prior to the time of construction - will simply negate that factor you are talking about. There will actually be energy savings as a result of the possible new building requirements, that I am sure will be enacted.

MR. DAVIS: We have said from the beginning that we did not want Atlantic City to be turned into a "honky-tonk" Las Vegas-type operation. We have cited Puerto Rico in a lot of our rhetoric. It has been very successful in Puerto Rico, as I understand it. Even in Puerto Rico, the physical requirements are almost non-existent. They have divided the Island into three separate sections - zone 1, 2, and 3. Zone 1 is San Juan itself. The investor has an option: He must have a minimum of 300 rooms or he must have a \$5 million investment. There are no requirements as far as I can find, and I have talked at length with people there as to what the size of the casino must be. They have averaged out, over the years, to be "x" number of square feet. These are determinants.

We heard today that a very small casino-- what do they have, 4,000 square feet in London?

SENATOR DUGAN: Yes.

MR. DAVIS: --was making \$14 million, gross. So, the size of it does not determine the income. My major concern, Senator, is that if we open the town with one or two casinos and if the projections of those who have testified before me about the masses of people that will be coming here just to "look-see" are accurate, we will drive them all away, never to come back again.

SENATOR DUGAN: Well, your caution to the Committee, then, is to look very closely at that requirement for size of rooms, number of rooms, and the other physical layout demands for qualifying hotels?

MR. DAVIS: And to add to that, I would request, respectfully, that members of the hotel industry who are vitally involved sit down with your Committee, or whomever, and discuss this in an intelligent manner.

SENATOR DUGAN: That is what we are doing here.

MR. DAVIS: But, with the industry itself having the proper input. We would talk about the high unemployment of all types of people within the City. If there is a grandfather clause written into this permitting some of the existing properties to start renovating - and I don't mean just a paint brush - we would put thousands and thousands of people back to work immediately.

SENATOR DUGAN: Okay. That was the objection that was brought to my attention. We don't come here having been insulated from the comments that have been made. Some of the reaction to lowering the standard was that a coat of paint and a couple of nails driven here and there would accomplish the kind of renovation that is needed. Do you think that is a fair comment?

MR. DAVIS: No. I think that is totally unfair and unrealistic. This industry responds very dramatically to the traveling public, to the tourist, to the total economic structure of our economy. You may be able to get a person into a hotel once but you can rest assured that he will never come back.

I think it has a ripple effect even down to the point that those who will never qualify, perhaps, unless they buy another parcel of land and build another property, will want to be in the mainstream and will be doing those things to attract people who do not necessarily want to stay in a property that has a casino, but who wants to be near it.

SENATOR DUGAN: Those are interesting observations, Mr. Davis. Senator Maressa.

SENATOR MARESSA: I have no questions.

SENATOR DUGAN: Senator Musto.

SENATOR MUSTO: No questions.

SENATOR DUGAN: Senator McGahn.

SENATOR MC GAHN: Mr. Davis, two years ago when the initial referendum to get casino gambling into New Jersey was attempted to be passed, it was supposed to be state owned and state operated.

MR. DAVIS: Yes, sir.

SENATOR MC GAHN: There was a proviso on the part of the Governor at that time that this would be in Atlantic City only. At that time there was no commitment to any hotel that they would get a casino, but rather it was the thought that possibly one hotel might get a casino on a lease basis from the state, or the state might actually build its own casino. At that time there was unanimous support from the hotel industry in town for that proposition because of the increased number of tourists coming to town and, therefore, with the increased number of tourists, the occupancy rate of the hotels would go up.

In September of this year, in response to critics saying there was no such thing as implementing legislation, a draft of this bill was presented. At that time, the minimum standards, as far as performance standards for an application from a hotel were concerned, were 400 rooms, 325,000 square feet per room, 15,000 square foot casinos, and 25,000 square feet of casino space. Mainly the reason for that was that we pledged to the people of this State that there would be a hotel-casino complex with provisions for entertainment.

My point is this: The Committee and the hotel-motel people of this town went out and sold that concept. There was not a single bit of criticism from the hotel-motel industry prior to November 2nd concerning those standards. Now, my question is, why now, since the referendum has been passed, and why when the legislators from Atlantic County, whose political credibility is on the line concerning this, is this being raised? We pledged several things: No free-standing

casinos; no slot machines on the boardwalk; no keno; no all sports betting. This was primarily for the purpose of rebuilding Atlantic City. Therefore, since the license is a privilege and not a right, there should be a commitment from the developers of these hotel complexes who want a license to come up with provisions for recreation and for other types of entertainment, other than the casino itself. If we limit or reduce that-- We had gone through a trying period during which time we considered grandfathering, and a certain amount for old and a certain amount for new hotels. We were told that probably on this basis it would be unconstitutional. We could not discriminate between old and new hotels. Therefore, one single standard would have to be set.

Now, after all of this time, we are now getting into the fact that they want the standards reduced. I can understand this. I have no problem with this whatsoever. That is a perfectly logical thing. But, in so doing, we are then focusing on one thing, we are focusing on casinos as being the goal rather than the rebuilding and the redevelopment of Atlantic City. Frankly, this is not what we were pledging during the campaign.

MR. DAVIS: I think the two will become a matter of fact simultaneously, Senator. As the industry prospers through casinos, not because of them but as an adjunct to all of those other things, the investor will say that they are serious there, they are drawing the crowds, and, yes, we will invest our money. I think if for no other reason it is just morally wrong to permit a piece of legislation to go through that will shut out 97% or 98% of those who have weathered the economic storms in Atlantic City and who have stayed in this community while others have gone by the wayside. Some of them do not have the physical land to expand.

If I am not mistaken the original concept was, "Yes, we will provide a provisional license if you give us the guarantee that within 'x' number of months - reasonable months - you will meet the criteria." Now, when we throw in the need to have 'x' number of square feet of public space and then the Governor's Commission comes back and says, "We think that is very low, we need another 40,000", in many instances, when you do that, you simply exclude all but one or two - and probably all but one.

SENATOR MC GAHN: I never favored the concept of conditional licensing for 250 rooms. That was put into the bill without my knowledge. Let me say this to you as an alternative: One thing I think there is a major reservation about is lowering the standards and permitting somebody to be eligible for an application for a license and then having that hotel owner sell the hotel. Would you favor the concept of those who cannot meet the performance standards that are set down in this bill to be issued a restricted type license with the provision that they cannot sell their property nor can they franchise the casino operation for a period of five years?

MR. DAVIS: I would see nothing wrong with that. I would have to look at the amendment to the legislation and look at the actual words, but I don't think the concept would give anybody a problem. What we need, I believe, gentlemen, is to get on stream, and you have heard this from everyone today, as soon as humanly possible. It would be economic chaos and it probably would do more damage to the City than it would ever do good if we go in with one or two or perhaps even three.

I am repeating myself but I just think that we need to involve those who have supported the community and who have believed in it and not take the attitude that we may love the new ones more than we love the other ones.

SENATOR DUGAN: I think you made your point very well and very eloquently, Mr. Davis. Thank you very much. You had some very interesting observations and we will take them into consideration.

MR. DAVIS: Thank you.

SENATOR MC GAHN: This is simply a statement. I think the ERA Study anticipated about 1.3 million visitors per year. There is a gentlemen in the audience, Dr. Larry Faulk, from the Office of State Economic Planning, who feels that is an extremely conservative estimate. They estimated that it would be double that amount. My point is this: I think with that number of visitors coming in, whether it be the lower figure or the higher figure, every existing hotel and motel and every business in town, either those existing or those that are going to be built, will actually be doing business. They will have a much higher occupancy rate than they have at the present time. Certainly, restaurants and everything else will be on a 52-week economy.

SENATOR DUGAN: Thank you very much.

MR. DAVIS: I have only one other parting shot.

SENATOR DUGAN: Please, everybody takes a parting shot and it prolongs this hearing. Thank you very much, Mr. Davis.

MR. DAVIS: I just thought maybe I could--

SENATOR DUGAN: No, that is one of the prerogatives of being a member of the Committee.

Mary Haynie. While Mary is walking to the witness chair, let me ask the rest of the witnesses to please telescope your testimony so that you give us what we can do something about. Try not to be repetitious of your own remarks or those remarks from preceding speakers because we would like to conclude tonight, if at all possible.

Mary, how are you?

M A R Y H A Y N I E: Senator, fine. Welcome to Atlantic City.

SENATOR DUGAN: Did you know that the bill provides, among other things, that by reason of your membership with the Democratic State Committee you will be ineligible to serve on the Commission?

MRS. HAYNIE: Isn't that great? I'll even have nerve to run again.

SENATOR DUGAN: Mary, can you tell us what concerns you about the bill?

MRS. HAYNIE: Yes. Well, first of all, I want to identify my position here. I am here in a voluntary position as a member and elected Chairman of the Atlantic County Council of the Health Systems Agency.

SENATOR DUGAN: Okay. Now, how does that affect what we are talking about today?

MRS. HAYNIE: Well, it affects us because the Federal Legislation - Public Law 93-641 - is saying that consumers, along with providers, are going to do the health planning in the United States of America today.

SENATOR DUGAN: Well, Mary, what do you want us to do?

MRS. HAYNIE: Well, first of all, I want you to be aware of a \$100 million industry in the County of Atlantic, which is the health care field.

SENATOR DUGAN: Mary, what do you want us to do by way of legislation?

MRS. HAYNIE: What do I want you to do by way of legislation?

SENATOR DUGAN: I don't want to keep narrowing the focus but I really--

MRS. HAYNIE: Well, I will narrow it.

SENATOR DUGAN: Okay.

MRS. HAYNIE: We have great concern in Atlantic County, specifically in Atlantic City, for this particular industry. It is often ignored and little understood that it affects each and every one of us, particularly in the area of the impact that casino gambling will make.

Presently, there are over 1,000 persons in Atlantic City in nursing home facilities, which have met all of the criteria for every inspection set down by the State, by the Federal Government, by OSHA, and by every other "Tom, Dick, and Harry" that can write regulations. In these very well-kept, well-regulated buildings that were formerly hotels, are now the poor, the infirm, the well-to-do infirm, and they are called nursing homes.

Our concern in planning is that if a man in business - and some of these nursing homes are very profitable - decides that he can make a greater profit by turning his very well kept property into a tourist establishment rather than housing a nursing home facility - which, as I say, is very restricted - and he decides to turn it back into a hotel - there are four very prominent properties right in Atlantic City that could very well do that - what are we to do with the 1,345, as of today, persons in those particular beds? It could very well happen. We want you to be aware of this impact since, for the past year in the Health Systems Agency, we have issued certificates of need for new beds in the County, not particularly in Atlantic City but out in the rest of the County where there are other nursing homes. We are being told by the Commissioner of Health that Atlantic County has an excess of nursing home beds and that over \$1,000,000 in new construction and new beds has been rejected by the Commissioner of Health. We think that this, added to the possible impact of the economics of the use of the buildings that these persons have, should be brought to your attention because certainly we need your help.

We are trying to plan and the Federal Government is going to assist us. The Federal Government is saying that this particular Health Systems Agency in this County will handle all of the regional medical programs and the Hill-Burton Fund. Decisions have to be made because the business is now back in the hands of the consumer. The consumer has been footing the bill and those with vested interests are going to find now that they have to talk to consumers before they move.

SENATOR DUGAN: Mary, what do you want us to do, legislatively?

MRS. HAYNIE: Well, as I said about the Commissioner of Health, I think you have to realize that we need your help in that area.

SENATOR DUGAN: Well, what do you want us to do with the Commissioner of Health?

MRS. HAYNIE: We want you to understand that we need her cooperation. We need everybody's cooperation because--

SENATOR DUGAN: Okay, we can easily accomplish that. But, as far as the bill goes, Mary, as it is drafted, how would you want us to deal with the substance of the bill?

MRS. HAYNIE: The bill is not an area that I would deal with directly myself, personally. But my--

SENATOR DUGAN: Okay. We are trying to limit the focus of today's hearing.

MRS. HAYNIE: Absolutely, and the focus is that the impact on people and persons who are right here in Atlantic City may be greater than you think. We have to give that some consideration in other areas, particularly in the health care field.

SENATOR DUGAN: Well, it is an on-going problem that we have, I suppose, and the concerns that you have will manifest themselves as we go along and we will have to take action as the problem arises.

MRS. HAYNIE: Well, I can't say that because we are planning now. We have appointed a task force to do this planning. The Federal Legislation requires this be in by June 1st and we are working at the same time that you are. It is necessary that we do know what impact you are going to make on the old hotels which you just discussed with Mr. Davis because there is this possibility.

SENATOR DUGAN: The possibility of what?

MRS. HAYNIE: Well, the possibility is that we have told folks all over the country that we were a health resort. In fact, Atlantic City was founded by Dr. Jonathan Pitney, a physician. I worked in an institution that was 104 years old and located on the ocean on Richmond Avenue. It was a positively magnificent property right on the boardwalk.

So, we have been telling folks that we live in a health resort and that it has been a family resort and a health resort. They believed us because they came here - and I have statistics to leave with you, which I gave your secretary, showing you that people from all over New Jersey believed that because they have come here. There are nursing homes here that were formerly boarding houses and they are licensed and unlicensed.

SENATOR DUGAN: Mary, that is something that is completely irrelevant to the bill. Now, stick to the bill. I know that this gives everybody an opportunity to talk about the peripheral issues. There is no one more concerned about those health problems than the Committee is but we have a certain jurisdiction and narrowness of focus that we have to accomplish in this hearing today.

If Commissioner Finely is not cooperating with you and if you are making that suggestion, I can assure you that this Committee will make sure that Commissioner Finely responds to every reasonable request you make, immediately. Because the Atlantic City problem is one that we are going to give immediate attention to - all aspects of it. Now, if that is the problem, you have made your point today and I can guarantee you that your complaint will reach her ears and something will be done about it.

MRS. HAYNIE: Well, I have faith in that. That is why I came.

SENATOR DUGAN: Okay. Mission accomplished then, Mary.

MRS. HAYNIE: Yes. Thank you very much. I will leave my material.

SENATOR DUGAN: That would be very helpful to us. Thank you.

William tenBrink, Chief of the Atlantic City Police Department.

W I L L I A M t e n B R I N K: I am Chief William tenBrink of the Atlantic City Police Department. I will try to keep my comments under three minutes in deference to the amount of material you must have received already.

SENATOR DUGAN: Chief, don't think because you have made that offer that you foreclosed yourself from involvement in this. We will make ourselves available to you for whatever information you want to bring to our attention.

CHIEF tenBRINK: We appreciate the opportunity and don't intend to add to the mountain of material you have already gone through and that you will go through before the enabling legislation is passed.

The only area that we are concerned with today and that we thought we would like to have input on, and perhaps make a recommendation to the Committee that they look into this - if they have not already done so - would be on the drinking aspect in casinos. The local department does not feel that in the other areas, such as tipping, credit, and this type of thing, we have the expertise to offer to the Committee at this time.

However, in the drinking area, during our research we found that perhaps an answer to the problem may be that since - as Senator McGahn stated earlier - the Gaming Commission license would be a privilege and not a right, it could be conducted along the same lines as the ABC presently issues liquor licenses and the Motor Vehicle Department controls drivers' licenses and that would be whether drinking be allowed at a separate bar or at the actual gaming tables. There is presently, in New Jersey, an ABC law--

SENATOR DUGAN: What is your preference?

CHIEF tenBRINK: Well, my preference would be either/or in this respect: At the present time there is a law in New Jersey that makes it a violation of the ABC Rules for a bartender to serve an intoxicated person in a bar.

SENATOR DUGAN: I don't know why that wasn't stated before.

CHIEF tenBRINK: We would advocate that this be in the Gaming Commission's regulations - to make it a violation of a casino license to deal to an intoxicated person at a table, whether it be black jack, craps, or roulette. We feel this is a much more logical way of controlling something that would be, no matter where the bar is located. In other words what we are saying is, if you get tanked in an adjacent room it is all right to lose your money. We feel as though we don't want anybody to lose their money because they are intoxicated. We would like to see it made a violation of the casino to deal to intoxicated persons. We feel that this would help alleviate the morality situation -- our moral obligation to protect somebody. We would just simply like to offer that suggestion to the Committee at this time and to answer any questions that the Committee may like to ask us.

SENATOR DUGAN: That is a Solomon-like suggestion. It is so simple that I am surprised that it wasn't stated before. I think you recognize the problem and the solution that you are offering is a good one.

Senator McGahn.

SENATOR MC GAHN: Bill, are you prepared, if casino gambling were a reality tomorrow?

CHIEF tenBRINK: Are we prepared?

SENATOR MC GAHN: Are you prepared as far as manpower is concerned?

CHIEF tenBRINK: We are prepared to this extent, Senator: I would not like to see casinos open tomorrow. Most certainly, we are prepared as far as the planning stages are concerned. We have to have time to implement those plans. We feel that we are -- We started in late August or early September with two alternate plans, one if casinos passed and one if they failed. I feel that we are probably about 70% along with the plan that was worked out if it passed. We still have to wait for the enabling legislation to complete our plans. But, we feel that in the same time it would take an applicant to receive a license, once the enabling legislation is written, we could summarize our plans and be prepared to go into action.

SENATOR MC GAHN: Bill, you can see no problem then with merging your own operations with either the county and/or the State?

CHIEF tenBRINK: No, at the present time that is exactly what we are doing. I may say, sir, that one thing casino gambling has done for the Atlantic City area is, it has brought law enforcement agencies closer together. I think the cooperation I have received in my Department, from the county, from the Sheriff's office, from the State Police, and from the Federal people, has never been closer than since November 3rd, to date. I just wish that all agencies could have the opportunity

to cooperate that we have had in the last six months.

SENATOR DUGAN: How about parking facilities, Chief?

CHIEF tenBRINK: Parking facilities at the present time would be a problem. The police department, unfortunately, does not create parking. That is up to the Parking Authority and up to the city fathers. We simply enforce those parking regulations.

We feel that additional off-street parking is needed. We realize the value of a limited amount of land to be allocated to parking. However, we feel that this is a high priority. Again, until the enabling legislation is passed and we know where the casinos are going to be, it would be foolish of us to spend the taxpayer's money devising traffic flow systems around non-existent buildings. Once we have the blueprints we can do it. We don't expect that a new casino will be built in 30 or 60 days. The average construction time is anywhere from one to three years. We feel that would give us adequate time to reconstruct our traffic facilities.

SENATOR DUGAN: The only thing that distresses me about your appearance, Chief, is that I really feel old when I see a police chief that is younger than I am.

CHIEF tenBRINK: That is only chronologically; the other way I am about 186.

SENATOR DUGAN: The years have treated you kindly then.

CHIEF tenBRINK: Thank you.

SENATOR DUGAN: Thank you very much, Chief.

William J. Downey.

W I L L I A M J. D O W N E Y: I have a statement, Senator, which I gave to the clerk. I will abstain from reading it.

Let me state briefly that I am Director of the City's Redevelopment Agency. We have engaged in the process of trying to secure development in Atlantic City over the course of the last 17 years, I believe.

In short, we agree in substance with every position of Senator McGahn. Briefly, that is our position. His refutation of Mr. Davis makes up a major portion of the testimony we would give here today. It is what we promised to the people of the State. I think our credibility is on the line. We promised to put people back to work. We have a tremendous unemployment problem amongst our building trades, not only here in Atlantic County and in Atlantic City but also in the State, as you know. That is the promise we made and we think our credibility is on the line, not only as elected officials but also anyone who participated in the campaign.

If I may, there are a couple of points relevant to the Task Force recommendations that I would like to briefly address myself to.

SENATOR DUGAN: Sure.

MR. DOWNEY: As a general concept, we think this-- We have found this out through conversations with developers and lenders. We have been in the marketplace, believe me. I am talking not only of public corporations here in the East and major construction outfits, but I am also talking about Nevada interests who have come to Atlantic City and who have assessed the situation. One of their major concerns is this: That we don't over-regulate. We subscribe to that opinion. If we over-regulate, or if we allow the law to involve itself in minute details, then I think we are going to frustrate the intent of what the original referendum envisioned.

If you recall, the referendum in 1974 was rejected by the people for State operation and control of the casinos. Now, if we attempt to do, through legislation, what the people rejected in 1974, I think we are being somewhat dishonest.

Second, I think that in our experience with developers, they know there are going to be other markets coming on stream. They know that this is not going to be the only marketplace on the East Coast. They are willing, and have the financial resources - I am talking about outside capital, primarily - to stand on the sidelines and say, "Let's see what happens." That judgment, and your judgment - that is, the Legislature's - is going to be critical in this whole effort, in terms of fulfilling the promise which was made to the people, namely that of the rebuilding.

With respect to the Task Force recommendation - and this is one element I would like to concentrate on, in brief, if I may - that there be no-- I will quote the correct wording: "Conditional licensing should not be permitted." I would ask you to consider the possibility - the difficulty if not the impossibility - of obtaining financing to build a major resort casino complex without the issuance of a casino license. It would be our suggestion to you, respectfully, that in order to assist a developer in obtaining his financing, some assurances be issued to him which would be satisfactory in order for him to obtain his financing - that is, once the Commission has analyzed the ownership documentation, the financing source, and the other requisite documentation that you would require, he should then receive some type of conditional commitment that would assure him of obtaining that license if all of these conditions have been met. The distinction that we are making is one that would not allow him to operate but would allow him, and assist him, to function in the financing circle.

I believe there are other elements that are tangential, in terms of our role, what the city is doing in terms of the planning that we are presently engaged in, etc. If you would desire to cover that at another time, we would be happy to meet with you at your convenience. I don't want to hold you up.

SENATOR DUGAN: Okay. We want to get the flavor of the attitude of the community today, but that doesn't preclude anybody from having further input on our deliberations. I will take you up on your offer to present further information to us a little bit further on down the road.

Thank you very much for your appearance here today and your patience.

MR. DOWNEY: Thank you.

SENATOR DUGAN: Pierre Hollingsworth.

PETER KARABASHIAN: My name is Peter Karabashian. Pierre Hollingsworth asked that I sit in for him. He actually relinquished his time today for the Atlantic City Planning Board to make a very brief statement. I will put the notes aside and make it a very brief statement.

SENATOR DUGAN: Okay. No more proxies though. That is one of the rules we are going to enforce. Either you are registered as a speaker or you will have to wait until all of those who are registered speak. So, will you please be brief?

MR. KARABASHIAN: Certainly. The point that I wish to make today - and I am speaking on behalf of the Planning Board, as a planning consultant - is that the Planning Board wishes to relay to this Committee that it has been actively engaged in developing the master plan process and the interim zoning process during the past several months. In fact, as soon as the legislation went into passage stage, the Planning Board started to interview and develop a program to hire a master plan consultant. This process has come to termination as of this Tuesday and

has evolved to the point that the Planning Board, after evaluating over 40 groups and 25 volumes of proposals, has narrowed it down to 10 proposals and now they think they are ready to make their final selection. This will either be a national or internationally-significant firm.

The point of the matter is, we wish to assure you that the City, through its Planning Board, is very concerned about the orderly growth and development of the community and will, in fact, do everything in its power to carry out this function in a very first class manner.

I think another very relevant issue here is, what about the interim zoning document to give you some short-range control while this master plan process is being developed? The Board, next week, will make the preliminary presentation to the City Commissioners and then make a recommendation to the City Commissioners for the implementation process. So, that document, in its preliminary stage, has been completed and can be made available to you.

SENATOR DUGAN: Okay. That would be very interesting if you could send us along a copy of that, please.

MR. KARABASHIAN: We certainly will. But, basically, this is what I have to say. We wish to thank you for this opportunity.

There is one further, very brief, comment that I would like to make. There are certain peripheral elements that the State could assist with in terms of various forms of legislation. One of them is in TDR, land use regulation.

SENATOR DUGAN: We are not going to get into the peripheral considerations today.

MR. KARABASHIAN: Okay. We will put that in writing and make that available to the Committee. Thank you very much.

SENATOR DUGAN: Okay. Thank you very much.

I see two representatives of the building trades are on the list, John Holzmer, President of Building Trades Council and John Rich, of the Bricklayers Union. Are either or both of you here? John Rich is here. Can you speak for the Building Trades Council? Is your position consistent with that of the Council?

MR. BRENNAN: My name is Brennan and I am the Secretary-Treasurer of the Council.

SENATOR DUGAN: Okay. You can both sit together and testify.

J O H N R I C H: My name is John Rich. I am the Business Agent for the Bricklayers Local 33, Atlantic City. I am also a member of the Building Trades. I am an officer of the Central Labor Union. I belong to any other organization that happens to be in the form of labor.

SENATOR DUGAN: Lay it on us, John. What do you want us to do?

MR. RICH: I formed three questions for myself that I hoped you would ask me.

SENATOR DUGAN: What is the first one I am going to ask you?

MR. RICH: The first one is, what is your view of hours of operation.

SENATOR DUGAN: What is your view of hours, John?

MR. RICH: I have always favored a 24-hour concept. Basically, my interest is in jobs. My interest has always been in jobs. When we worked so hard to achieve casino gambling--

SENATOR DUGAN: You don't think it will have any adverse social effect?

MR. RICH: Oh, no. In fact, what it will do is create shift work that we badly need, to employ people. One of the complaints that I have heard is, you wouldn't be able to police the casinos on a 24-hour basis. It stands to reason

if casinos are open for 24 hours, you are not dumping people out at a particular given time that would be known to anybody who might want to mug the people on the street.

SENATOR DUGAN: That makes sense.

MR. RICH: I don't know whether anybody here has done any gambling but I consider gambling not only a business that we are going to be into but also gambling should be fun and it should be made as fun. This is something that a lot of you have never heard anybody say here - about the people having a good time. I think that is what it is all about.

If you happen to be a guy that has a lot of money on the line and somebody says, "I'm sorry, it is 3:00 in the morning and we are closing the casino", you have two things you can do, you can complain bitterly and never come back because you didn't like it, or you can go find an illegal game, which will go against what we are trying to do here. And, there will be illegal games if they are not open 24 hours a day.

SENATOR DUGAN: You make your point, John. What is the second question I am going to ask you?

MR. RICH: My second question is, what effect do you feel too limited an operation of casinos will have on labor.

SENATOR DUGAN: My answer to that is we will have a very antiseptic operation but the patient will die.

MR. RICH: Okay. By limiting the operation, you are going to chase away investors. You have heard this from other people. We personally have seen the investors come and leave because we haven't put our act together. If they feel that they cannot make a profit here, they are going to take their money elsewhere. Nobody is going to spend \$50 million on a pig in a poke. They are going to want certain things.

We are in favor of tipping. We are in favor of drinks served in the casino. I am also in favor of Chief tenBrink's idea. I think it is wonderful. But, we feel that the business of running a casino should be left to the casino owner. If a man is going to invest that kind of money, I think he should have the say.

What this will do for labor is employ more people, which is right back in the same ball game that I am getting to every time. We are looking for jobs.

SENATOR DUGAN: What is my third question?

MR. RICH: The third question is, what type of casino-hotel operation is necessary for the success of Atlantic City. Now, we know that if Atlantic City had 10,000 first class rooms, we wouldn't need gambling. Gambling is a means to an end. It is a means to these hotel rooms, to revitalize Atlantic City. We have heard a lot of crys from the hotel owners who have said they are being precluded from casinos. If you own a business and you take everything out and you don't put anything back in, eventually they blow your buidling up and that is what has happened down here. If your place is shoddy, people won't come there anymore and you won't have the money to fix it up. That certainly isn't the fault of this Committee. I don't think that is what you are studying.

We pledged during the campaign to rebuild Atlantic City, not to repaint it.

I would like to say something, briefly, as far as unions in the casinos is concerned. We have heard a lot about this. First of all, I think -- Let's just say that the people who work the gambling room happen to get organized in Atlantic

City. I honestly believe that if there is a necessity to fire a man, this is something that is going to happen in an agreement between the casino owner and the union. It is not something that is going to need legislation.

SENATOR DUGAN: Well, don't you think that the State and the City and this Region and its governmental agencies have a legitimate interest in the honest operation of the casino by the employees who do that operating?

MR. RICH: Sure.

SENATOR DUGAN: And don't you think they should be involved in the disciplining of a dishonest employee?

MR. RICH: Absolutely. We have no objection to that at all. My thing is--

SENATOR DUGAN: I am saying involve it legislatively.

MR. RICH: I don't think you need it legislatively. I think that is something that should be worked out between the unions and the casinos. You are going to find out that we have offered all available cooperation to the casinos now as far as labor is concerned. We have the people. We have the know-how. We will build them. If you give us the enabling legislation, we will put them up and we will put them up fast.

In all other respects, I agree 100% with Joe McGahn's concept of the bill.

SENATOR DUGAN: Okay. Mr. Brennan.

JAMES BRENNAN: I don't have any questions, Senator, but I have a few answers. The things you read in the paper about the unemployment rate are totally inaccurate - totally. The building trades in Atlantic County, right now, average 90% unemployed, not 35% or 40% -- 90%. We haven't fallen below 70% in the last 18 months. I am the Business Agent of the Painters' Union in this county. Presently, I am 95% unemployed.

SENATOR DUGAN: No argument is needed, just a statement of the percentage of your unemployed speaks eloquently.

MR. BRENNAN: The original concept was to rebuild Atlantic City, as you heard before. That was the name of the Committee. I was also a charter member. It was the Committee to Rebuild Atlantic City. Everybody is using my line about one coat of paint won't do the job - that was my line - and it won't do the job. This town has to be rebuilt. I still live in Atlantic City. I don't live out of the County somewhere; I live in town. My children go to the public schools. Gambling is not going to be bad for this town, nor for this end of the State. It is going to be very good. But number one priority is jobs.

We are, at this point in time, 100% in favor of the Senator's version of the bill. We are unalterably opposed to a reduction in the numbers or the size.

SENATOR DUGAN: Okay. I would like to thank both of you gentlemen for appearing. This was the first duo that performed in furtherance of casino gambling. Thank you very much.

MR. BRENNAN: I would like to take this opportunity to thank you for your patience.

SENATOR DUGAN: Mrs. Charles Fischer.

MRS. CHARLES FISCHER: I appreciate the opportunity to be here to discuss the Atlantic Performing Arts Center with you. Atlantic City is facing very critical decisions. It must develop a balanced image to meet the needs of residents and to compete effectively for the tourist, convention, and future gambling market. It needs first rate tourist attractions, high quality entertainment suitable

for all ages, that will supplement that provided by hotels and night clubs and that will have the power to draw tourists from throughout the nation and the world.

Fortunately for the city, a project of the required dimension has already been developed and is ready to begin construction 90 days after funding is achieved. This project is the Atlantic Performing Arts Center.

The Center is a \$17 million complete year-around entertainment complex and a major new tourist attraction, planned to be situated on urban renewal land in Atlantic City. It will serve all of Southern New Jersey and bring many benefits to the entire State. It will help Atlantic City to retain its status as a wholesome family resort, return it to its former preeminence in the performing arts and attract many more tourists and conventions than those interested in gambling alone. It will be a key factor in the development of tourism, the area's leading industry. But, more importantly, it is the major and dramatic project which will be the vitally needed compliment and balance to casino gaming.

While legislative plans are being finalized for the operation of casinos, it is imperative that plans be created in the legislation to establish funding for the APAC Center so that the center, which will take 20 months to construct, can open approximately concurrently with gambling and the balanced image of the city will be assured.

Before I go further, I would like to briefly tell you about the Center, if I may, so that you know what I am speaking about. The Center has been developed over a 7-year period to have both financial stability and artistic excellence by the Atlantic Performing Arts Center Committee, a non profit, tax exempt corporation. We of this Committee have spent nearly \$100 thousand, mainly of private funds, to develop the finest possible center. We have found, and experts have confirmed, that only a new and large facility appropriate for all the arts will meet the long-standing entertainment needs of our residents and visitors. No facility exists in the area that can be satisfactorily remodeled. We have researched and visited other centers, begun programming of our own, which has been successful, and we have assembled an outstanding team of professionals to create the building.

Our theater consultant is George Eisenhower of Yale University, the foremost developer of the multi-purpose hall. Our architect is William Westly Peters of the Frank Lloyd Wright Foundation. Mr. Peters has successfully created 10 halls throughout the country. He has been under contract to APAC since 1973 and has developed brilliant plans for the APAC Center, one of which you see there.

Now, the main feature of the APAC complex is a theater-concert hall, seating 2,900 in continental seating, on two levels that can be reduced in size from 2,000 to less than 1,000. It has acoustics, site lines, and stage equipment suitable for the presentation of the entire spectrum of the performing arts. Further, there is lobby space and secure exhibition galleries in the two-ramped entrance towers, for the exhibition of the visual arts. There is a rehearsal and recital hall, a flexible space for a 300 to 800 seat experimental theater which will house a regional repertory company and a space for meetings and banquets. Various ancillary facilities have been included in the building to enhance its appeal as a tourist attraction and to increase its financial viability, including a 200-seat movie theater for the showing of films as to what there is to do in the area and an exciting and unique attraction--

SENATOR DUGAN: Mrs. Fischer, may I interrupt you?

MRS. FISCHER: Yes.

SENATOR DUGAN: We would like to get the concept of your proposal without the details.

MRS. FISCHER: I just would like to finish this and then I will get to it, if you don't mind. I just wanted to let you know what was included in the building. This final ancillary facility is a Miss America Pageant Hall of Fame.

Now, to return to the matter at hand. The Atlantic Performing Arts Center is the only currently-planned year-around project.

SENATOR DUGAN: Well, what do you want us to do about it? Do you want us to finance this?

MRS. FISCHER: Yes.

SENATOR DUGAN: Through the mechanics of the bill? How do you want us to do that?

MRS. FISCHER: Now, what I want you to do, if possible, is to establish within the enabling legislation an annual source of funds to provide specifically for the construction of the Atlantic Performing Arts Center.

SENATOR DUGAN: How do you propose we do that?

MRS. FISCHER: I propose that upon investigation perhaps some kind of fee or tax can be created which would supply a source of funds, which would be able to amortize the bonding of the center. Now, for example, there might be a resort tax levied as 1% of the payroll of non-gambling operations. Such a fee would pay for the amortization of the center and the center could begin construction promptly.

We feel that this fee would not deter potential investors to the area.

SENATOR DUGAN: A payroll tax of 1% on non-gambling operations?

MRS. FISCHER: Yes. I believe that the revenues from gambling - the use of that - would be prohibited. It is unconstitutional. So, the source would have to come - the source of funds - from something that would benefit from the gambling indirectly. In other words, those funds would be created by gambling but not be direct gambling revenue.

SENATOR DUGAN: Do you have any estimate of how much that would produce annually?

MRS. FISCHER: We have just begun to explore this, but we feel that it could be up to \$5 million once gambling was established in Atlantic City.

SENATOR DUGAN: Five million dollars a year?

MRS. FISCHER: Annually, yes. We feel that it is important that this center be constructed concurrently with gambling so that the city will have a balanced image right from the start. Also, there is a danger that if construction is delayed there will be a loss of perhaps tourists, conventions, and a loss of the center itself.

We have explored, throughout these 7 years, funding from all avenues and find no foreseeable immediate funding available for the center. We did apply, under the local Public Works Act and we will do so again, but it is very uncertain.

So, we feel that because the APAC Center is a vital compliment to casino gaming--

SENATOR DUGAN: Do you have any other suggestions about raising the necessary funds, other than a payroll tax?

MRS. FISCHER: Well, there are possibilities such as a room tax, such as perhaps the admissions tax that Mr. Lownes mentioned. There might be an extension of the luxury tax.

SENATOR DUGAN: Well, how much do you want, per year, to fund this and

amortize the construction cost and to operate it?

MRS. FISCHER: The total cost is \$17 million.

SENATOR DUGAN: That is the capital cost?

MRS. FISCHER: That is the capital cost of construction.

SENATOR DUGAN: Well, what are the amortization costs and the operating costs?

MRS. FISCHER: That, of course, would depend upon the size of the bond issue.

SENATOR DUGAN: Okay.

MRS. FISCHER: I have nothing more to say except that we hope this can be effected now because of the fact that we have no other source of revenue and this facility would bring many benefits to the area, economic as well as cultural.

SENATOR DUGAN: It is an interesting, imaginative idea you have. The payroll tax isn't but the--

MRS. FISCHER: Well, I am not experienced in these matters but I leave that up to you and your Committee to solve the problem.

SENATOR DUGAN: Well, we hesitate to get involved in tax matters on the Judiciary Committee.

SENATOR MC GAHN: Virginia, two questions. This is the total cost. Am I not correct in assuming that you did revise those figures downward, cutting out some of the facilities that could be phased in later?

MRS. FISCHER: Yes, we did.

SENATOR MC GAHN: And am I also not correct in saying that in the prospectus you initially put out, this could be to a certain degree self-sustaining as far as operating cost is concerned?

MRS. FISCHER: Yes. We did have a study on this project which shows that the center, because of its ancillary facilities could operate in the black if full funding were achieved. Now, of course, if you have a large bond issue, it could not operate in the black.

SENATOR MC GAHN: I think the payroll tax, particularly as far as non-casino gambling is concerned, would be totally unacceptable to the individuals involved, personally, and politically as well, very frankly. However, I do feel - and I made this statement before - that there should be certain commitments on the part of the gaming industry itself as far as coming up with facilities other than those related to casino gambling. This is one of the reasons why in the original legislation I put in cultural activities as well.

There are other mechanisms, of course, other than a tax upon earnings that one could think of or utilize here. For example, we had not anticipated, of course, a \$200 tax on slot machines. Actually, this is a tax on those machines. This is not percentage revenue from the casino's earnings. By the same token, there are other mechanisms as well that could be used. There could be an excise tax upon each of the games in the casinos.

However, I think to realize the maximum potential of that, you would almost have to find that maximization of casinos in Atlantic City would have to occur. That would not occur, probably, for five or ten years so that both of these would really not keep pace.

I honestly think we are going to be presented, by the Treasury Department, with possible alternatives to the taxing situation we have here. It may be in one of those. It can make some provisions, not necessarily specifically for this

because I don't think we can designate it for one thing. We could designate it for a specific purpose. That is something we should look into.

SENATOR DUGAN: Thank you very much, Mrs. Fischer.

MRS. FISCHER: Thank you

SENATOR DUGAN: Yes. We would appreciate that.

Richard Higgins.

R I C H A R D H I G G I N S: I am Richard Higgins. I am Vice Chairperson of the Atlantic County Inter-Agency Council.

SENATOR DUGAN: What is that?

MR. HIGGINS: It is a non-profit, voluntary organization representing 96 city, county, and State--

SENATOR DUGAN: Is it like the United Fund?

MR. HIGGINS: No, these are the agency people themselves. In other words, human services like Family Services and that type of thing.

I know we are pressed for time. You are tired and I am tired. So, I guess there is no purpose, really, of going through the human need services in Atlantic County, which the Inter-Agency Council, on many occasions, has indicated are inadequate in the area. Most of these agencies have the bulk of their office services here in Atlantic City.

Maybe this is not the scope of your Committee but for those of us who work in the Inter-Agency Council and are responsible for the problems that will result from not only situations connected with gambling but also the vast increase in population, it poses the threat of a potential problem. I think you have most of the statistics on the increase in the population that have been projected in a report to Mayor Joseph Lazarow. This was prepared by Robert Shawn, Vice President of the Economic Research Association. (See page 78x in the Appendix.)

I have an extended list of social problems that we, as a Committee, have indicated will be new and also will be increased because of the increase in population. I will leave that with you because we are pressed for time.

Our two recommendations are - and I think Senator McGahn said there is some freedom in the use of tax money that will come - that the legislative provisions be enacted to provide that a percentage of the profit from casino gambling be allotted for increased social, or human, services.

Our other recommendation is that the Inter-Agency Council be included in the preparatory and the on-going planning for the impact of casino gambling in Atlantic City. This planning should begin immediately. This effort would evolve into a local health, education, and welfare council being established and composed of social agency personnel, involved business persons, and dedicated and concerned citizens under the sponsorship of our two institutions of higher education, Stockton College and Atlantic Community College.

I would just like to say that, having attended a meeting the other night at Stockton, sponsored by the University Women's Group of Atlantic City, I feel that a great majority of our citizens do not realize that by introducing a larger increase in the population we are multiplying the human services that will be needed. These cost money.

I think we can take a good example from medicine where people feel that because we have become a more progressive and technological society, that our health needs will be reduced. It is just the opposite. We might take an example from Sweden, one of the most progressive countries in the world. Their tax rate

is high and the cost of social services is extremely high.

So, I just want to say that in addition to the two propositions I suggested, more people, more offices, more building, more progress, more technology to Atlantic City will not mean a reduction of human services, but an increase. Thank you very much.

SENATOR DUGAN: Thank you very much. Will you leave your statement, please?

William Eames.

W I L L I A M E A M E S: A quick summary, just to get to the point is, you have been adept and are to be commended for getting to the heart of the matter for the people.

I am the "Director of the Greater Atlantic City Chamber of Commerce, the chief administrative officer, as it were, for the Chamber. The Chamber has 447 businesses in Atlantic City as members, so it is business oriented.

The Chamber Board of Directors feels strongly that the question of the minimum number of rooms and square feet might be amended somewhat slightly, or somewhat in line with the expressed statements of the Hotel-Motel Association. Certainly we do not get to the "coat of paint" end but it is our belief that you can allow two or three or four or five hotels possibly to become eligible, drawing the line there. This would motivate the investors at that stage to put in the kind of money to those other two, three, or four that is being put into the Chalfonte-Haddon Hall by Resorts.

Our intent, again, is to continue a first-class, quality image but if at all possible to allow those people who have held on in Atlantic City to have the option to generate the money to modify and meet your qualifications and not simply be excluded because the property they now have is not large enough to expand to meet the criteria, if at all possible.

Again, we don't claim to be experts on this. We are hoping that such a change would create an almost immediate market for construction workers doing renovation work and by so doing, provide some immediate relief to the continuing desperate economic condition of Atlantic City and not create a delay on a large scale.

SENATOR DUGAN: Your position is that you don't want us to be locked in to what has been proposed by the legislation as far as numbers of rooms to qualify for a license?

MR. EAMES: We are hung up on the 500 room number. We are closer allied to the 400 room number that was originally proposed. But, we don't want to get hung up on the number. We feel that you have much more information at your disposal than we do. Our hope is simply to allow a few more hotels to possibly become eligible and build to the same quality first-class stature that we are looking for Resorts International and the others to do.

SENATOR DUGAN: Okay. Is that the thrust of-- Is that the bottom line of what you want?

MR. EAMES: No, there are two other angles to it, briefly. We also seek to have renovated establishments, if we can, open by as close to that late 1978 realistic target date as possible. We want to avoid the chaos of having just one casino open at an early point in time. With the permit requirements and construction delays of new hotels, we are afraid that if we need two new hotels to augment the Chalfonte-Haddon Hall, the time delay will go beyond late 1978 and we will have no economic impact when we expected, at that point in time. Well, we

feel that basically the renovation might speed up the starting date.

SENATOR DUGAN: You wouldn't want the Chalfonte-Haddon Hall to wait for other people to qualify would you?

MR. EAMES: If we can avoid the delay in the start of casinos, it will definitely help the economy. We have thousands of people whose jobs will not materialize if this is delayed.

SENATOR DUGAN: Do you want to delay it or not?

MR. EAMES: We do not support the opening of one casino alone.

SENATOR DUGAN: Why not?

MR. EAMES: We feel that the crowds that would be generated would create a situation that we could not handle.

SENATOR DUGAN: Well, maybe this is the afternoon attitude but I was under the impression from those who testified here this morning that everybody is anxious to get this on the way down here because of the pressure of potential competition from different areas surrounding the metropolitan area. They have the potential for preempting us on this.

MR. EAMES: I am sure that is true to an extent. But, I feel that the traffic created by one casino - if there were not more than one - would create a chaotic situation.

So, our concern is oriented toward enabling it to start as soon as possible with more than one establishment. I hope I haven't confused you with this. You look somewhat confused.

One point that hasn't been brought up is, a number of jobs were expected with off-shore drilling which would have an economic impact on Atlantic City. But, we are awaiting that court decision in the near future.

The Chamber of Commerce is attempting to gear up to service many types of crowds as soon as we can and we would offer any input we could give your Committee in the future. We hope to be able to provide that information to many different groups who are coming in and questioning us and asking for data. So, I would offer our services to you at any time.

SENATOR DUGAN: I am sure you will be in contact with Senator McGahn, who has an open door access to this Committee. So, feel free to speak to us through him.

SENATOR MC GAHN: Bill, as of the moment, there is no concrete evidence of what hotels actually want to have a casino license. We do not know how many rooms they have. We do not know how much renovation would have to be done on these hotels to meet the 400 or 500 room figure or whether it would be possible for them to do it within the constraints of the space they we have. When you talk about the size of rooms and the number of rooms, are you also protesting the lack of space?

When Mr. Davis was testifying, I read from his remarks that he thought the amount of space as far as entertainment was concerned was unnecessary. I think without hard data to know what is actually going on, there is no way this Committee can make any determination as to what is excluded. We were told before that grandfathering in existing hotels and then requiring larger performance standards from new hotels would be declared unconstitutional. That is the problem we are faced with in the very beginning.

We would also like to know, if these hotels so desired, what would be the capital cost of improvement? The sense of the Governor's Task Force Committee is - and I spoke to Mr. Davis about this before - there will be a strong commitment on the

part of these hotels to rebuild Atlantic City, and then, as I said to Mr. Davis, just the opposite of that will happen. These hotels might get the minimum number of rooms reduced only to apply for a casino license and then actually instead of operating these hotels for casinos, sell it to another individual coming in, therefore requiring less capital investment on the part of that individual. This is a fear that I think, frankly, has not been resolved.

MR. EAMES: I think this is well-founded. As far as the hard-core data, I apologize, we do not have it. I will attempt to obtain it for you. As far as the question of what hotels are specifically involved, we will attempt to get that hard-core data for you as well.

On the question of public space, the Chamber Board of Directors is not greatly concerned about the statistics as they stand at this time. The concern was, foremost, with the number of rooms, although 400 seemed to be an acceptable number and debatable upward from there. As far as the room space is concerned, there was no reservation on the Board, nor consensus that the current figures were wrong.

So, the major concern of the Board of Directors of the Chamber of Commerce was with the number of rooms. As far as the rest, we will attempt to get that data for you so you can have a better picture.

SENATOR DUGAN: We will look forward to receiving it. Thank you.

Harold Prosser.

H A R O L D P R O S S E R: As Chairman of the Atlantic City Parking Authority, we have about 1,500 parking spaces at the present time and our lots right now are not even making extensions; this is the three lots that we have.

Yet, in the foreseeable future, from what I have heard today, our estimate was about ten thousand spaces and that is very conservative. Yet, it takes approximately two years from the time we start a feasibility study until the first car drives up that ramp.

Now, hopefully, we will be building one multi-level garage after Labor Day, but it is going to take time. That is why as soon as we know what the enabling legislation is going to be and where the casinos are going to be we can locate where the space is going to be needed and start our construction.

SENATOR DUGAN: Okay. It is a very important concern. You don't want the streets crowded with cars. That is something I would like you to keep in close touch with Senator McGahn on. That is something we will keep our eyes on closely. Thank you.

Gerard Kauper.

G E R A R D K A U P E R: I am Gerard Kauper, President of the Atlantic City Convention Bureau. If it is all right with you, I will stick to my prepared remarks, which are quite brief.

SENATOR DUGAN: Proceed, Mr. Kauper.

MR. KAUPER: I am Gerard Kauper, President of the Atlantic City Convention Bureau, a private, non-profit and broad-based, membership-supported organization representing the business interests of Atlantic City. Our Bureau's function is to develop and garner convention business from the international, national, state and regional marketplace and to service that business while here in our city.

It is our Bureau's obligation to make a matter of public record a statement on the business being lost to Atlantic City as time passes prior to the approval of the gaming legislation in its final form.

Since November 2nd, many national convention-holding organizations have made decisions on convention sites in the late '70's and the early 1980's.

Just a few of these who were seriously considering Atlantic City and opted for another location for lack of hard information on projections for future developments in our city are: National Soft Drink Association, American Newspaper Publishers Association, Food Processors, Federation of American Societies for Experimental Biology, American Heart Association, American Association of School Administrators, National League for Nursing and the American Federation of Musicians.

These groups represent well over 16 million dollars in convention business lost over the past few months for years in the first phase of Atlantic City's Renaissance. These organizations continue to maintain a strong interest in the New Atlantic City, however, they are considering dates in mid or late 1980 instead of the late 1970's and early 1980's.

This situation will not abate until the legislation is approved, thereby allowing lending institutions, investment firms and their customers to evaluate the opportunities available in Atlantic City.

Until we are able to apprise our customers of the time schedules for construction of new facilities and rehabilitation of existing facilities, it will be most difficult to delay their decisions on future years.

A perfect case in point is the situation now surrounding the National Plastics Exposition, a major national industrial trade show which is now considering Atlantic City for 1982. This group which claims an impact of 20 million dollars to the host city within a 5-day period is scheduled to make a decision for 1982 at an executive committee meeting on March 10th. We have been told that the information we have at present in terms of hotel facilities that can be reasonably assured for 1982 is insufficient to allow them to decide in favor of Atlantic City. Our only hope of salvaging this convention lies in our ability to convince them to defer a decision on this matter.

The National Plastics Exposition shares with the other organizations mentioned, as well as a myriad of others, a strong desire to return to a northeastern location. They see a resurrected Atlantic City as their first opportunity to do so in over a decade.

The groups that have already made decisions will of course eventually return, but the impact of their business will be delayed by anywhere from 2 to 6 years.

My remarks are intended to underline the need for speedy and judicious approval of the casino gaming legislation for as we know, no major investor or lending institution will make definite plans until such legislation is approved.

SENATOR DUGAN: Was there anything said here today concerning whether alcoholic beverages should be served in the casino or about the hours of operation, or any of those nuances or incidentals, that would be inapplicable to you doing your job and that really don't have that great an impact on whether a convention comes here or not?

MR. KAUPER: Well, if those incidentals affect the town to a negative degree, obviously this would affect their decision.

SENATOR DUGAN: Well, has anything been said or proposed that would have a negative impact, in your judgment?

MR. KAUPER: Not that I have heard because what I have heard has not been geared to an outright Las Vegas situation. Las Vegas is now entering the convention business to compliment the already established casino business and they have been making a real entry into the national convention market in the past 10 years.

SENATOR DUGAN: Okay, we get the message. Thank you very much.

SENATOR MC GAHN: How does the hotel rooms in Atlantic City compare with other convention cities?

MR. KAUPER: We are the only city in the United State, if not the world, that has the ability to commit 100% of its hotel rooms during major convention seasons, which are the Fall, early Winter and Spring. In other words, if an association - we have 9,370 rooms in town right now - requires 5,300 of those rooms, they can take their choice of which 5,300 they want and we will get a commitment. Whereas, if this same association went to a city such as Las Vegas, where there is competition for room business, they may be successful in getting only 25% to 30% of the available inventory of a popular hotel in that town. This situation will change as Atlantic City begins to operate casinos. In other words, with the emergence of casino gaming projected for Haddon Hall, where they were formerly able to get 100% commitment, I would expect that we would be lucky if we got somewhere between 25% to 30% in the future.

SENATOR MC GAHN: What I really meant was in terms of first class hotel rooms in Atlantic City.

MR. KAUPER: First class is a relative term. When I am talking to the customers who are presently using Atlantic City - not the American Medical Association, and not the American Dental Association but let's say some other group, yes, they would consider that Atlantic City has 5,000 to 6,000 first class hotel rooms and they are very happy with them. The rates are in accordance with the facility and the service they are receiving.

If the Dairy and Food industry needs a northeastern location and can find no other city in the northeast who could offer them the necessary exhibit space to carry on their exhibition function, they will come to Atlantic City and tell their people, yes, we do have 3,000 or 3,500 or 4,000 first class hotel rooms. It is a very relative term.

SENATOR DUGAN: Thank you very much, Mr. Kauper.

Dudley Sarfaty and Dr. Harlan Baxter, both representing the New Jersey State Council of Churches.

D R. H A R L A N B A X T E R: I am Dr. Harlan Baxter from the United Methodist Church, representing Dr. Paul Stagg of the New Jersey Council of Churches. My first recommendation, or suggestion, has to do with S-1780, Article 9, Section 104 and 105 which set up the State Casino Revenue Fund which is to receive, as I understand it, funds from licenses and other fees and penalties as well as the eight percent of gross revenue tax. Section 105 states those areas for which this fund will go.

SENATOR DUGAN: What would you have us do?

DR. BAXTER: I would have you, in this section, state specifically a guarantee that the senior citizen shall receive the eight percent which they feel they were promised during the campaign, rather than have all of these monies coming out of one sum where the senior citizens apparently are the second priority. This means that if the first priority took all of the funds, what would be left for the senior citizens?

We would like to see in this legislation, a specific guarantee of if not eight percent then some percent of the gross revenue to go to the senior citizens which apparently is not stated here, unless it is stated elsewhere in the legislation which I have not yet found.

That is my first concern. My second concern has to do with Article 10, Section 109, the equal employment opportunity for minorities section. I would like the legislation to put some more teeth into Section 109 which seems to me to leave all of the work to the Commission. Any kind of affirmative action program apparently will be set up and conducted by a Commission. I would like to see the State put down some specific guidelines and perhaps put some teeth into the legislation which will guarantee the minorities of Atlantic City will receive their fair share of employment within the casinos and, if possible, in the construction field when these hotels are built, etc.

My third concern has to do with the fact that the U.S. Commission Study indicates that this type of revenue from casinos is highly regressive - it has a high degree of regressiveness - which means it hurts those most who can least afford it. I, and the Council of Churches, recommend that you consider, very strongly, the recommendations of the Task Force that were reported this morning, specifically those areas which will tend to at least limit the degree of regressivity of this type of tax and protect the people who, perhaps, have to be protected from even themselves by limiting the line of credit, the accessibility of alcoholic beverages at the tables, and one other thing - it has slipped my mind for the moment.

SENATOR DUGAN: Hours of operation?

DR. BAXTER: Oh, yes, exactly, hours of operation. I think the size of the hotel is also important - the Mayor mentioned this this morning.

These are my main concerns.

SENATOR DUGAN: I am glad they were voiced today, Dr. Baxter. We can't put this into place without taking the human factor into consideration. It will play a real part in our deliberations. Be assured that your concern is something we share.

Mr. Sarfaty.

D U D L E Y S A R F A T Y: I will give you a written comment without referring to it further. We would like the chance to speak to the interim report after we learn what the Governor is going to do with the legislative language that comes from it.

We very much appreciate your staying this long and also the courtesy of your staff in getting us here. Not to go into the details here, I would like to get a couple of items in that are of concern to us. I think your committee is going to have some very difficult problems, one of which I think is, it is going to be almost impossible for the licensee to pay the expenses that were referred to. I think they are going to be very high, especially if we start with three casinos. I don't know where the funds are going to come from and I really do not have any answer to give.

We feel very strongly that political contributions ought to be ruled out, as was stated by the County Prosecutor from Atlantic County, not just from the taxpayers but I am aware of the application of Title 19 through your own legislation. I think employees who were allowed to give up to \$1,000 each, as it says in the present legislation, could buy the State of New Jersey currently if they got together in ten casinos. So, we are very much concerned about that.

As I quickly try to shorten what I want to say, let me add that I appreciate the fact that the task is hard but I do believe, and your presence here indicates, that you feel the task of setting the standards belongs to the Legislature. I am very doubtful about taking the veto away from the Governor. If I had my choice, I

would rather see the veto in a Joint Committee of the two houses of the Legislature. I do not believe that any five men should be given all this authority, men or women, without that veto provision. It is a hard job but I think the citizens implied that when they voted for it.

SENATOR DUGAN: What we can do is respond to any inappropriate action of the Commission, legislatively. We can destroy them for that matter.

MR. SARFATY: I am not proposing that and I am sorry you used that phrase while we were speaking because we did oppose the referendum. We don't want to destroy the operation.

SENATOR DUGAN: I used that word for emphasis; we certainly wouldn't do that. But, the Commission can be expanded or changed. The jurisdiction can be limited. What they do can be overhauled legislatively. There is a legislative control that we will always have over this type of operation.

MR. SARFATY: I am not an attorney but I think it would be of value if it were spelled out in the legislation. The legislature, if not the Governor, should maintain some responsibility and the Commission should not be set loose to change the law.

SENATOR DUGAN: That is something you can be assured of will not happen.

MR. SARFATY: Let's hope not. I think it would be simpler to send a note to your staff dealing with some issues that we never dealt with.

SENATOR DUGAN: Please do not feel precluded from corresponding with us on your second thoughts about anything that was said here today.

MR. SARFATY: I appreciate that.

SENATOR DUGAN: Thank you very much.

I guess we have covered everyone. I very much appreciate the grace with which the people of Atlantic City have treated us. It was an experience that we will remember for a long time. Thank you for your courtesy and hospitality. This meeting stands adjourned.

(Hearing Concluded)

GENTLEMEN:

I AM RICHARD, 'REDS' LAVIN, DIRECTOR OF COPE, THE COMMITTEE FOR POLITICAL EDUCATION, FOR ATLANTIC AND CAPE MAY COUNTIES, REPRESENTING OVER 43,000 AFL-CIO MEMBERS.

I AM ALSO A CHARTER MEMBER OF THE COMMITTEE TO REBUILD ATLANTIC CITY AND CO-ORDINATED THE STATE-WIDE EFFORT OF ORGANIZED LABOR ON BEHALF OF THE CASINO REFERENDUM LAST NOVEMBER.

SINCE I AM HERE BEFORE YOU TODAY TO SPEAK FOR THE 43,000 WORKING MEN AND WOMEN IN ATLANTIC AND CAPE MAY COUNTIES THAT COPE REPRESENTS, I THINK IT IS RELEVANT TO MENTION THAT I AM, MYSELF, AN ORDINARY WORKING MAN, A BARTENDER BY TRADE, WHO RESIDES IN ATLANTIC CITY AND A MEMBER OF LOCAL 54 OF THE HOTEL & RESTAURANT EMPLOYEES AND BARTENDERS UNION, AFL-CIO.

THESE ARE THE THINGS I AM--NOW HERE IS WHAT I AM NOT. I AM NOT A CITY PLANNER OR ZONING EXPERT, A CRIMINOLOGIST, A SPECIALIST IN THE DRAFTING OF ENABLING LEGISLATION OR, EVEN, A SELF-PROCLAIMED EXPERT ON CASINOS. -- ALTHOUGH I DO KNOW THAT, WHEREVER THEY HAVE CASINOS, BE IT MONTE CARLO OR THE BAHAMAS--LONDON--PUERTO RICO--LAS VEGAS--IN ORDER TO OPERATE SUCCESSFULLY, THEY HAVE HAD TO CREATE THE KIND OF ENVIRONMENT AND THE RULES AND CONDITIONS THAT BEST FIT THE AREA AND THE CLIENTELE THEY CAN EXPECT TO ATTRACT.

LAS VEGAS WOULD BE WIPED OUT OVERNIGHT, IF THEY TRIED TO RUN CASINOS, LONDON STYLE, LIKE SNOBBISH, ULTRA-EXCLUSIVE PRIVATE CLUBS DESIGNED TO PROTECT THE UPPER CLASSES FROM ANY CONTACT, EXCEPT ON A MASTER AND SERVANT LEVEL, WITH THEIR SO-CALLED SOCIAL INFERIORS. THE HIGH ROLLERS IN MONTE CARLO WOULD BE APPALLED BY A PENNY ARCADE FULL OF ONE ARMED BANDITS, RENO STYLE, OR TO BE TOLD--AT A CERTAIN HOUR-- TO PICK UP HIS CHIPS AND GO HOME, IT'S CLOSING TIME; LIKE IN PUERTO RICO, ATLANTIC CITY ISN'T LONDON AND IT ISN'T RENO. IT ISN'T MONTE CARLO AND IT ISN'T THE BAHAMAS. IT IS A CITY WHICH WAS RAPIDLY TURNING INTO A CEMETARY UNTIL THE VOTERS OF NEW JERSEY DECIDED TO SAVE IT BY MEANS OF THE CASINO REFERENDUM AND IT MUST NOW GRADUALLY EVOLVE ITS OWN STYLE OF OPERATION THAT IS BEST IN KEEPING WITH THE KIND OF CLIENTELE IT CAN HOPE TO ATTRACT. THIS CANNOT BE DONE IN A STRAIGHTJACKET OF PATCHWORK RULES AND REGULATIONS THAT WERE MADE-TO-ORDER FOR LONDON, MONTE CARLO OR LAS VEGAS.

WHEN THE VOTERS VOTED OVERWHELMINGLY--YES--LAST NOVEMBER, THIS DID NOT, IN AND OF ITSELF, END THE PRIVATIONS AND POVERTY, THE MISERY AND THE UNEMPLOYMENT, THE WRETCHEDNESS AND THE WANT WITH WHICH OUR JOBLESS ECONOMY HAS AFFLICTED US WITH EVER INCREASING SEVERITY WITH EACH PASSING YEAR. THAT REFERENDUM, EXPRESSING THE WILL OF THE PEOPLE OF NEW JERSEY, ENABLED YOU--THE LEGISLATURE--TO CREATE THE LEGISLATION THAT WE NEED TO ENABLE US TO BECOME A GREAT ASSET TO THE ENTIRE STATE INSTEAD OF A FINANCIAL DRAIN.

I AM HERE BEFORE YOU TODAY TO, FIRST OF ALL, PLEAD THAT THIS BE DONE QUICKLY BECAUSE ANY NEEDLESS DELAY PROLONGS HUNGER, UNEMPLOYMENT AND DESPERATION TO NO WORTHY PURPOSE. AND, I AM ALSO HERE BEFORE YOU TODAY, WHEN WE SUDDENLY FIND OURSELVES AWASH IN A SEA OF 'EXPERTS'-- LONDON CASINO EXPERTS AND PUERTO RICO CASINO EXPERTS AND BAHAMAS CASINO EXPERTS AND EVEN FORMER 'NO DICE' COMMITTEE EXPERTS WHO HAVE NOW BECOME CASINO REGULATION EXPERTS--AND ONE MIGHT TELL YOU THAT CASINOS SHOULD ONLY OPERATE FROM 4 P.M. TO 2 A.M. AND ANOTHER MIGHT SAY THAT PATRONS SHOULD ALL WEAR TUXEDOS AND EVENING DRESS AND A THIRD WILL DEMAND THAT CASINO EMPLOYEES SHOULD NOT BE TIPPED AND A FOURTH WILL ADD THAT THERE SHOULD BE NO ALCOHOLIC BEVERAGES OR ENTERTAINMENT AND-- WHO KNOWS?-- A FIFTH MIGHT WANT ALL CUSTOMERS TO BUY ANNUAL MEMBERSHIP CARDS OR, MAYBE, TO BE MUGGED AND FINGERPRINTED!

IF YOU HEED ALL THESE 'EXPERT' EXPERTS, YOU WILL CAUSE THE PRUDENT INVESTOR TO PUT HIS MONEY BACK IN HIS POCKET AND THE PROSPECTIVE PATRON TO TAKE HIS BUSINESS SOMEWHERE ELSE-- WHEREVER A CASINO ISN'T RUN LIKE THE RECREATION ROOM IN A FEDERAL PENITENTIARY---AND OUR JOBLESS AND HUNGRY PEOPLE WILL BE JUST AS JOBLESS AND JUST AS HUNGRY.

I AM NOT HERE BEFORE YOU REPRESENTING SOME SPECIAL VESTED INTEREST. I AM NOT HERE BEFORE YOU REPRESENTING SOME WELL-FED GROUP OF FAT CATS. I AM HERE ON BEHALF OF THE 'SKINNY CATS'---43,000 SKINNY CATS--- UNDER-PAID, UNDER-EMPLOYED AND UNEMPLOYED. AND I AM HERE ON BEHALF OF THE WIVES AND CHILDREN OF THESE 43,000 SKINNY CATS--- WIVES WITH ROTTING TEETH WHO CAN'T AFFORD A DENTIST!--KIDS WHO WENT TO SCHOOL THIS BITTER, BITTER COLD WINTER IN TORN SNEAKERS AND THREADBARE PANTS, HOLDING THEIR BOOKS IN GLOVELESS FINGERS FROZEN BLUE! THAT'S THE VESTED INTEREST I REPRESENT---43,000 DECENT, HONEST, HARD-WORKING

NEW JERSEANS AND THEIR FAMILIES; MY BROTHERS AND SISTERS IN THE AFL-CIO OF ATLANTIC AND CAPE MAY COUNTIES.

IT IS IN THEIR BEHALF THAT I BEG YOU--- DON'T TURN OUR ENABLING LEGISLATION INTO DIS-ABLING LEGISLATION! DON'T CAUSE THE PEOPLE WHO WOULD COME TO ATLANTIC CITY TO ENJOY OUR CASINOS TO FLY RIGHT OVER OUR HEADS TO VEGAS, TO PUERTO RICO, TO THE BAHAMAS AND ELSEWHERE INSTEAD! IF, INSTEAD OF EN-ABLING LEGISLATION, YOU--- LADIES AND GENTLEMEN--- PRODUCE WHAT LOOKS MORE LIKE A MODEL CODE FOR A WAY-STATION FOR JUVENILE DELINQUENTS--- THE RACE WILL BE ON BETWEEN NEW YORK AND PENNSYLVANIA TO SEE WHICH CAN BE THE FIRST TO PROFIT FROM OUR INSANITY!

I BEG YOU ONCE MORE, ON BEHALF OF ORGANIZED LABOR, ON BEHALF OF THE 43,000 FAMILIES THAT COPE REPRESENTS---TO WHOM THE LEGISLATION THAT YOU ARE DRAFTING NOW MEANS THE DIFFERENCE BETWEEN WORK AND WANT, ENABLE US--DON'T DISABLE US!!! AND DO SO, I PRAY YOU, WITH ALL DUE SPEED SO THAT HUNGRY HANDS ARE NOT DEPRIVED OF WORK AND HUNGRY BELLIES ARE NOT DEPRIVED OF FOOD!

TESTIMONY OF
VICTOR A. LOWNES
PRESIDENT, PLAYBOY CLUBS INTERNATIONAL

presented to:

New Jersey Senate
Judiciary Committee

March 2, 1977

VICTOR LOWNES

Victor Lownes is the Senior Vice President of Playboy Enterprises, Inc. and President and Managing Director of their wholly-owned subsidiary, Playboy Clubs International, Inc. He is Chairman and Managing Director of Playboy Club of London, Ltd., The Clermont Club, Ltd., The Manchester Casino Club, Ltd., The Portsmouth Casino Club, Ltd., and Playboy Bookmakers, Ltd. The first four of these English companies operate casinos, the first two in London and the latter two, as their names indicate, in Manchester and Portsmouth.

In addition to his qualifications as the Managing Director of what is the largest single casino in Great Britain (the London Playboy Club), he is also a member of the Executive Council of the British Casino Association, to which the Gaming Board for Great Britain has, since its inception, looked for advice on every aspect of gaming control. He actively participated in the earliest discussions with the Home Secretary and the Home Office officials before the enabling legislation of 1968 was drafted. He and other leading members of the gaming industry were brought into discussions at all levels including meetings with the Minister to consider the objectives of the Legislation. Then, during the passage of the gaming bill through the House of Commons, and the Parliamentary Standing Committees, they were constantly consulted and one will find repeated references to the Playboy Club in Parliamentary and Committee debates published in the official reports. Playboy was the only foreign-owned casino operation to be granted a license in the United Kingdom when the act came into force in 1970. It maintains that unique position today.

In September, 1976 the U.S. Commission on the Review of the National Policy Toward Gambling invited Victor Lownes to participate in the Commission's final hearings in Washington. Lownes' paper, entitled, Casino Gambling: Britain's Lessons for America was welcomed by the Commission and many of its recommendations have been incorporated in the Commission's final report.

In addition, Mr. Lownes appeared before the Assembly Subcommittee chaired by Mr. Cody in Trenton on December 15, 1976, to present his views on the bill sponsored by Assemblyman Parskie.

As the only American operating a casino in the United Kingdom, I believe that I have a unique overview of what is generally considered to be the most well-conceived and best-regulated casino industry in the world. I do not think that any state contemplating the legalization of gaming can afford to ignore the example set by Great Britain.

After seven years of operation under the 1968 Act, I think the proven success of the British system rests on one fact:

The United Kingdom authorities put social values ahead of economic considerations.

Ultimately this has worked to the benefit of the gambler, the casino operator, and the state. By recognizing that gaming was in demand, and finding an effective, regulated supply to meet that demand, the British system has become a model.

Gaming in Britain has no deleterious effect upon social life. There is no evidence that it has disrupted the family or that it has contributed to crime. It has made a great contribution to the treasury via special taxation and has been a considerable factor in the growth of tourism with all its attendant advantages.

Applying this model to New Jersey, you might consider your social objectives as follows:

I). The State - Its Residents and Its Environment

- 1). Not to encourage local residents to lose their pay packets at the gaming tables.
- 2). To encourage a high standard of community social and cultural amenities for gamblers and non-gamblers alike (without allowing the amenities themselves to become a lure to the gaming tables.)

- 3). To prevent the concentration of so much economic power with casino operators as to discourage investment in other New Jersey and Atlantic City resort and entertainment facilities.

II). The Gamblers and Non-Gamblers

- 1). Not to encourage those who do not gamble to do so; i.e. not to lure non-gamblers to the tables.
- 2). To protect gamblers from oppressive house odds or "sucker" games.
- 3). Not to encourage people to gamble beyond their means.
- 4). Not to encourage people to gamble when their judgement is flawed.
- 5). To encourage repeat business.
- 6). To attract those who can best afford to lose large sums of money without hardship.
- 7). To require proper training and accreditation of all casino personnel.

III). The Law - Control and Enforcement

- 1). To discourage street crime particularly as it relates to casino operations.
- 2). To prevent infiltration of organized crime into casino operations and related activities.

- 3). To prevent corruption of casino staff.
- 4). To prevent tax evasion
- 5). To prevent unconventional methods of debt collection.

I think that you will agree that wherever feasible, legislation should attempt to construct a casino industry which serves these objectives.

The British experience offers many lessons which can serve you well in Atlantic City. And, I think that even the British system can be improved upon in some ways which I'll mention. Bear in mind, that I operated a casino in the U.K. before the 1968 Act was drafted and some of the very regulations which I recommend to you now, I fought when they were first proposed. Therefore, I speak from the experience of having operated without limited hours, without the restriction on credit and without the prohibition on tipping (just to cite some examples). I have had an opportunity to see the improvement that has taken place since these restrictions were introduced.

Here, then, are some of the statutory requirements that I think should definitely be made part of the act, together with my reasons for recommending them:

1). Limited Hours

The British statute permits gaming in London from 2:00 PM - 4:00 AM except on Saturday nights when gaming must stop by 3:00 AM. I think drafting the statute to limit gaming from 2:00 PM in the afternoon until

4:00 AM in the morning seven days a week without the special limitation on Saturday night-Sunday morning is desirable. Limiting the hours prevents people from gambling for such long stretches of time that their judgement becomes flawed, it encourages repeat business by giving people a more balanced vacation experience, assuring an opportunity to do other things, and it prevents the creation of a demi-world of night people whose living habits run counter to the rest of society. In other words, everybody gets a chance to go home and rest up, including casino staff, casino supervisors and the players themselves. After a good night's sleep, a person may look at his gambling losses or wins with an entirely different eye than when he is kept busy at the gaming table for unendurable stretches of time. Limiting hours also ensures that other businessmen in the community will have an opportunity to provide goods and services to people who might otherwise spend their entire visit at the gaming tables. There is even a road safety factor involved in limited hours, as gamblers who have been up all night without respite will constitute a hazard on the highways in the early morn.

2). Prohibit Gaming on Credit

As you know, British law permits gaming only on a cash or check basis. Admittedly the acceptance of a check is a limited form of granting credit but this has proven to be a most workable compromise in England. Under British law, checks given for gaming tokens are enforceable in the courts and a person thinks twice before giving a check which he cannot cover with readily realizable assets. There is some very interesting testimony in the U.S. Commission's hearings where the British concept was compared with the Las Vegas credit arrangements. The Las Vegas people continually maintained that there were people who did not want their accountants, their wives or their banks to see that they had written checks and that this justified credit on an I. O. U. or even called-bet basis. It seems to me that it is socially undesirable for a person to gamble when he is motivated to conceal his gaming activities from those persons who would ordinarily see his cancelled checks. Again, I can refer you to the British statute for guidance in drafting the proper regulation.

There is a flaw in that statute based on an interpretation which both the Gaming Board and the Casino Association of Great Britain agree is an error which should be rectified. The way the statute is currently being interpreted makes it impossible for a casino to allow a person to consolidate the checks that they have given in the course of an evening. And, it even makes it impossible for a man who has ended

up a winner at the end of the evening to redeem his checks. All checks paid in must be presented for payment within forty-eight hours. I think that it is fair for a person to be able to consolidate a number of checks into one check at the end of an evening and for him to be able to "net" his checks by getting back checks that he has given in to the extent that he is able to redeem them with chips or cash that he has on hand. This could even be extended to permit him to redeem them the following day and still maintain the requirement that the checks must be presented within forty-eight hours for collection.

From the standpoint of the state, casinos should be allowed to deduct worthless checks from their winnings before taxes are calculated or for tax credit. It is to the state's advantage for casinos to be as liberal as possible in granting check cashing privileges. The casino, obviously, does not wish to gamble against its own money so some caution will at all times be exercised. At the same time, you don't want the casinos to tighten up so much that they miss valuable taxable business. Nor do I think that it is essential to blacklist everybody who bounces a check in a casino. (Although, of course, casinos should be prohibited from taking additional checks from somebody who has already bounced one check until they have made good on the returned check.) These people should be allowed to continue to gamble on a cash-only basis. The continual contact with a person who has passed a bad check is in many instances a good thing as it assures ultimate payment of the bad check rather than a total loss of the money. Casinos should be prohibited from selling bounced checks to third parties; although, it might be a good idea to set-up a state agency that would do the collecting on a fee basis for the casinos. You don't want to have loan sharks in any way get their hands on bounced checks, as that would result in people having their legs broken or their families threatened in order to enforce payment.

3). Prohibit Tipping at the Gaming Tables or otherwise
in Respect of Gaming

Again, you can examine the British statute for a form on this and I think the British statute is air tight. This is a very important aspect of gaming control and one of the best lessons which can be learned from Great Britain. I believe that the prohibition on tipping is socially desirable in that it assures the equal treatment of all players at the table, discourages any sort of conspiracy, and allows the state to continually survey the real odds against the player in any given game. Where tipping is permitted, the attention of the staff is apt to be diverted from the proper conduct of the game itself toward an undue concern for gratuities. It further suggests that the highly trained, skilled and professional people who operate casino games are menials and detracts from their dignity and self-esteem.

It is very difficult for the staff to remain objective when a dispute occurs and I have a feeling that one would find that disputes involving tippers are more generally decided in favor of the player while disputes involving non-tippers probably tend to be in favor of the house. Anything which colors the objectivity of the dealers, croupiers and inspectors in dealing with disputes is certainly undesirable from everyone's standpoint.

Furthermore, the practice of tipping at the gaming tables is really an additional edge against the player. In Monte Carlo, it is referred to as the "extra zero" because every time a player hits on a number, he is expected to tip one unit from his winnings. This is the same as having another zero on the table and no tipping.

Bear in mind, also, that the amount that a gambler spends on tipping is not a separate amount from what he would have been willing to lose at the table. In other words, when a man gets up and says, "I've lost \$1,000", he doesn't differentiate between the money that went into the tip slot and the money that went into the chip rack. His "loss" includes the amount that he has tipped and it may, if he stretched his gaming out over a considerable period of time, represent the lion's share of his losses. None of that money is reckoned in the house's "win" on which gaming taxes are levied.

Furthermore, I'm reliably informed that the practice in Nevada is to step back completely from the accounting for the monies in the tip box so that one never knows whether the employees are even paying the proper income taxes on these monies. This, of course, leads to a general disrespect for the law by encouraging tax evasion. A prohibition on tipping will probably discourage a major immigration of casino staff from Nevada, and frankly, that is to the advantage of New Jersey residents. Even the Nevada authorities agree that they would not create the "tipping monster" if it did not already exist and you are starting from a point where you can prevent it by statute and prevent it by statute you must because otherwise there will be tremendous pressure by casino employees to introduce tipping.

4). Prohibit Live Entertainment on Casino Premises

This restriction as it is framed in British statute is going to be a particularly difficult one for a destination resort like Atlantic City to accept. I don't hold out much hope that you are going to be entirely successful in this but basically, there ought to be a way that people who want to see famous artists and top Broadway shows and colorful reviews can do so without being subjected to the temptation to gamble. In England, it is absolutely essential that there be a complete separation between the casino premises and any premises offering live entertainment. This means that anyone who wants to see a show and also gamble has to go outdoors and come in through a separate entrance into the casino without there being any communicating doors between the two attractions. I think this is very desirable from a social point of view as it prevents entertainment from being used as a lure to get people to gamble. I strongly recommend a restriction akin to the English system.

As a compromise, I would advocate the prohibition of the arrangement they have in Las Vegas where it is necessary to walk through the casino to get to your hotel room, to the restaurant, to all the entertainment attractions and even to the shops. This should not be necessary and in fact, the way this could be limited is to require that the casino have its own entrance off the hotel lobby and not be a gauntlet that people must negotiate in order to get to the various other amenities.

There is another reason not to follow the Vegas pattern and that is that by concentrating entertainment in the hands of the casinos, it puts ordinary entertainment entrepreneurs out of business. I, myself, feel the sting of Las Vegas; in that I can no longer afford to book certain acts into our Clubs & Hotels in other parts of the country because performers' salaries have been distorted as a consequence of Nevada casinos which are able to subsidize these attractions with gaming profits. They can do this because they use the attraction to lure people to the gaming tables. This is socially undesirable and is an issue which I think ought to be fought. At the same time, it is possible to make the restrictions on entertainment within the casino work in a way to improve the social life in Atlantic City generally. It would be possible to do as they do in Monte Carlo and use the proceeds from admission charges (more about this later) to subsidize cultural events held in buildings that are totally unconnected with the casino. This would bring people to Atlantic City and help fill the hotels and would not necessarily induce people to gamble because cultural events would be held in the convention center or in some other place removed from the actual casinos.

If you have seen the summer casino at Monte Carlo, you have also seen how it is possible to have a major showroom opening up off the lobby without it being necessary to go through a gaming area to reach the showroom. This is a pragmatic compromise between the English system and the Las Vegas system and it might be an ideal answer for Atlantic City.

5). Prohibit the Sale and Consumption of Alcoholic Beverages in the Gaming Areas

You will note that this restriction is imposed upon casinos in the U.K. although it is possible to have a restaurant where beverages are served immediately adjacent to a casino area, and in fact, in the casino room but separated by a "dwarf" wall. Patrons are not permitted to take drinks into the casino area and they are not allowed to be served drinks in the casino area; although they may enjoy soft drinks and sandwiches with the compliments of the house in the casino area; but no alcoholic beverages. This all relates to the social objective of not encouraging people to gamble when their judgement is flawed. I think it is essential that you introduce this in New Jersey. Again, I want to tell you from an operator's standpoint that it reduces problems in the casino area and assures that the people who are most "hung-up" with gambling are at least sober. Another sensible restriction which helps to avoid community backlash.

6). Establish by Statute Regulations Determining What Games May Be Played and Under What Rules

From both the standpoint of the casino and the state, it is best to limit games to those which have the least disadvantageous odds against the player. In other words, the classic games should be the only ones that are permitted - roulette, baccarat (which is called punto-banco in England), blackjack or "21" and craps. I think games like "wheel of fortune" are real bust out games which take advantage of what is referred to in England as the "mug-punter". The public deserves some protection, which assures their having more pleasant experiences in casinos and hence, assures their return more often. Also, as they go from casino to casino, they shouldn't be confronted with a whole lot of different games and different rules applying to those games but should always know what to expect in each casino. This also makes the job easier for the Gaming Commission's own inspectors. Also, it is important to specify how many square feet of space need to be allocated to each type of table to avoid overcrowding in the casinos.

On the other hand, there is a kind of limitation on gaming which I think is socially undesirable ; undesirable from the casino's viewpoint and undesirable from the state treasurer's point-of-view; and that is putting maximum limits on the amount that can be wagered on different games. I recommend permitting casinos to set their own minimum and maximum limits, which I would require be posted above each table and I would require also that the Gaming Commission be notified of any changes in limits before they go into effect, even on individual tables. Experienced gamblers know that they have a better chance to break even or win the higher the limits are and "High Rollers" will stay away from places like Puerto Rico where the state puts a low ceiling on the amounts that can be wagered. Unfortunately, putting a ceiling on maximum bets suggests to the public that the state is "protecting" the punters but the opposite is really true. The sooner you run up against a house limit, the less chance you have of recouping losses.

Permitting high limits attracts the kind of people who can best afford to gamble and it virtually has no effect whatsoever on the little fellow, as there is no danger of his being able to gamble at the high limits just because they exist. The more affluent punters like the Arab oil sheiks are attracted by the high limits and winning money from them is not regressive as is the case when you are taking money from people who can't afford to gamble. Don't drive away this kind of business by putting statutory limits on the maximum amounts of bets. Casinos, themselves, will put reasonable maximum limits on in order to protect themselves against being destroyed. (You realize, of course, that if there were no limits, a man with an infinite amount of money could always beat the casino by just doubling his wagers until he won, so the casinos will introduce their own reasonable limits.)

7). Prohibit Casino Employees from Gambling in Their Own or Other Casinos

In Britain, casino employees including management are prohibited from gambling in their own casinos in order to prevent the use of skills (which must be avoided in any event). Casino employees are not, by law, prevented from gaming in other establishments but most casinos include that prohibition in their contracts of employment. I think you would do well to include this additional restriction in your enabling legislation. As I said before, gaming casinos can be an extremely expensive and dangerous activity and there is no reason in the world why casino employees should be permitted to engage in this activity when it may very well lead to conspiracies and could very well corrupt an employee who "gets on over his head." Jockeys are forbidden to gamble on horse races in most jurisdictions so I see nothing preventing you from making a similar prohibition as

regards licensed casino employees with the sanction that they would lose their licenses if found gambling in any casino in New Jersey. I don't see any reason why they should be prohibited from gambling in casinos in other jurisdictions, because that's generally a holiday or vacation activity and is not apt to lead to continuing problems. You might wish to build in an exception that would permit casino security personnel the ability to gamble in other casinos when they are conducting surveillance work (for example, seeing if any of their own employees are gambling at this or that casino) and you might even want to make it possible for the casino itself to employ part-time licensed employees who would do surveillance work within their own casinos. However, it is very important that this be structured in such a way as to avoid creating shills, who would be people who pretend to gamble in order to get action going at one table or another.

8). Introduce Some Minor Barrier to Prevent Casual Introduction to Casino Gambling

I am a proponent of the British system which involves the "Club" concept and the 48 hour waiting period. However, this policy may not be feasible for Atlantic City, which is a destination resort and where most people would not plan on spending more than 48 hours for a start. I can accept this, but I still think there ought to be some kind of an admission charge, either on a one time or annual basis which would involve the casino visitor registering and giving such valuable information as his name and address on the occasion of, at least, his first visit to a casino. This would also help you enforce your black-listing regulations and give you some means of identifying individual customers. If you were to charge, say, a \$1.00 admission charge each time a person visited a casino, it would discourage those people at the very lowest economic level from utilizing casinos and these admission charges could be used to support some local civic cultural amenity. For people who intend to use the casino facilities on a regular continuing basis, an annual charge of, say, \$25.00 might be suitable and one time visitors would be charged \$1.00 on each visit. Not only does this concept prevent casual gambling by those least able to afford it but it also provides a substantial sum of money; which, for example, could give Atlantic City a major symphony orchestra or ballet or opera company. Alternatively, it might be used to subsidize major touring cultural attractions in Atlantic City.

I can't emphasize often enough the importance of structuring casino gambling in such a way that nobody can ever say that it destroyed the quality of life in Atlantic City, but rather that casino gambling enhanced civic amenities for gamblers and non-gamblers alike.

9). Casinos Should be Permitted to Pay Large Winners by Check

At the casino's option, it should be possible for casinos to pay out winnings in excess of \$1,000 by check rather than by cash. I feel that this is important if you don't want to increase the level of street crime in Atlantic City. If casinos are obligated to pay everyone, no matter how large their winnings are, in the form of cash, you are going to find burglars and robbers flocking to Atlantic City to prey on people whose pockets are stuffed with cash. In Britain, there is no problem on this and it is customary to pay all large winnings by check. Furthermore the records of check payouts, available as they are to law enforcement agencies, can frequently be useful in other matters of fiscal control. If the argument against paying by check is that some people might wish to conceal their winnings in some way, I should say that neither the casinos nor the state of New Jersey should be a party to such an activity.

10). Limit Slot Machines to Casinos and Insist on an 80% Pay Out by Statute

In Las Vegas, slot machines proliferate all over town. They are in every supermarket, drug store, bus station, etc. I think this is highly undesirable from the standpoint of community atmosphere and it also makes inspection and control more difficult. Slot machines, by virtue of their simplicity, appeal to people of all economic brackets and especially tend to prey on the poor and the young who are not aware of their predatory nature. Insist that slot machines be limited to casinos only and insist that they pay out at least 80% of their input as winnings. Make certain that the machines are individually licensed and regularly inspected to confirm that they are indeed set to pay out as they are required by regulation.

The above points cover virtually all of my concerns about your enabling legislation. I emphasize that the state can always change its regulations, if necessary, but if you don't start out with a framework that is strict enough, you will find it very difficult to tighten up after the fact. My recommendations are based on eleven years of experience in England operating under a gaming law which is generally regarded as the best conceived anywhere in the world.

It is important to everyone in the gaming industry that Atlantic City be a model of properly regulated and controlled casino activity.

I do not suggest we have all the answers. But, again, I commend the British experience to your attention. As I said at the beginning, the basic decision to give priority to social concerns has made British gaming work.

Any gaming policy that does otherwise is itself gambling against the odds.

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SENATE JUDICIARY COMMITTEE HEARING
Atlantic City, March 2, 1977

Gentlemen:

We wish to express our appreciation for the opportunity to appear before this distinguished committee and offer our views on the following legislation on Casino Gaming in Atlantic City.

My name is I. G. Davis, Jr., I am President of Resorts International, Inc., a publicly owned company on the American Stock Exchange and subject to the S.E.C. regulations governing all public companies in the United States. Our company is in the recreational resorts and leisure time fields and, in addition to owning the Chalfonte-Haddon Hall Hotel in Atlantic City, we own and operate numerous hotels and other resort facilities on Paradise Island in the Bahamas including one of the world's largest casinos, a theme park in San Francisco, Marineworld-Africa U.S.A., Chalk International Air Line which travels between Miami and the Bahamas and we are the principal owner of Intertel, a subsidiary specializing in the security consultant field. We have deep roots in New Jersey having originated our former paint business here and having operated, for a bried period of time, two hotels in Spring Lake, New Jersey. In addition, many of our management and directors have lived in New Jersey.

We would like to say that while there has been a considerable diversity of ideas presented from various quarters on all aspects of the proposed casino operations, we have total confidence that the ultimate legislation and regulations will be designed to achieve the intended objectives of maximizing development and economic growth in the Atlantic City area, helping Atlantic

City to regain its position of leadership as a foremost convention and resort area, and providing ancillary benefits to the rest of the State of New Jersey. Equally important is the attainment of these achievements without jeopardizing in any way the security and safety of the community.

In this regard we want to make it absolutely clear that none of our criticism is aimed at the law enforcement or internal control aspects that have been proposed. We share completely the belief that owners and operators of casinos should be subjected to the most rigorous licensing and security procedures possible so that the public can be assured of the integrity of the program. Rather, our comments all focus on the business aspects of casino operation; that is those aspects which deal with the competition for investment dollars and for the attraction of players.

In order to achieve the economic objectives, it will be necessary to provide a profit incentive which will attract the huge amounts of private investment needed to rebuild the city which neither Federal, State or local government have been able to provide. While it has been stated in some reports that casinos are universally profitable, this does not necessarily hold where large amounts of investment are needed to qualify such as is being proposed in Atlantic City. For example, in Las Vegas, the eleven largest casinos realized a return on net fixed assets after Federal Income Taxes last year of only 7.8%.

There have been many arguments advanced in support of legislation which follows the so called "English system" in preference to the procedures which are currently operative in other major gaming areas such as Nevada, the Bahamas and Monaco. The features of the English system are totally inappro-

priate for Atlantic City in many respects because:

- (a) The lack of competitiveness with other gaming resorts readily accessible to Americans would fail to produce profits necessary to attract the investment or tourism that is necessary to achieve the goals of the proposed legislation and rebuild Atlantic City.
- (b) Atlantic City is a destination to which tourists must be attracted whereas in London there are millions of residents and a built in tourist market available to casinos.
- (c) In London there are no investment requirements and all that is required for a casino operation is the fixing up of leased space, whereas in Atlantic City it is contemplated that a hotel complex with an estimated cost of over \$25,000,000 will be necessary to qualify for a license.
- (d) There is a huge employment market in London to draw from whereas in Atlantic City qualified employees will have to be induced to move by the attraction of favorable compensation.
- (e) Atlantic City faces the direct competition of Las Vegas and the Bahamas where the restrictive operating procedures of the English system are not in force as well as the advent of new nearby competition.

More specifically, the procedures with which we have concern are as follows:

1. EXTENSION OF CREDIT

In England, credit is restricted to the processing of personal checks which must be deposited within two business days. In contrast, in Nevada, the Bahamas and Monaco and other major gaming centers in the world, credit is left to the discretion of the casino operators.

An analysis of our own experience and statistics available from certain major luxury casinos in Nevada indicates that credit play accounts for approximately 50% of total gaming win. Moreover, experience shows that only one half of the outstanding receivables are collected within thirty days, and only 70% are collected within sixty days. The effect, therefore, of requiring payment within a space of a few days would be to eliminate a substantial part of the credit play and consequently produce an extremely negative impact on earnings because big players who traditionally utilize credit facilities extensively will go to destinations which provide liberal credit facilities.

The time required by big players to make good on casino receivables is not due to a lack of solvency, but rather that they keep most funds in stocks, certificates of deposit and other income earning investments that may require time to convert to cash in a current account. If the concern is with the small player who may unwittingly extend his play beyond his means, we would suggest a \$1,000.00 minimum for extension of credit, and that personal checks be used for lesser amounts.

Likewise, if the concern is that malpractices such as skimming would be invited by the use of credit facilities, we would suggest that uncollected receivables beyond an acceptable norm, such as 5 to 10% of gaming win, be subjected to the State Gross Revenue Tax.

In the end, the principal loser as a result of over-extension of credit is the casino operator who has given the player an opportunity to win, but has not been repaid for his risk. It may very well be necessary to utilize junket activities in connection with the start up of casinos in Atlantic City, but without the ability to offer credit on competitive terms, junkets will not be economically viable.

2. HOURS OF OPERATION

With regard to hours of casino operation, we believe that because of the massive infusion of capital that will be required, investors will take a long look at the potential profit margins. Based on an analysis of the experience of certain major existing casinos, the elimination of the third shift reduces profits by 20%. We believe that a meaningful increase in hours of operation beyond sixteen a day, particularly on weekends and holidays, will be necessary to attract investment and tourism, and to maximize employment. In determining operating hours, it is considered most important that casinos be permitted the flexibility to open before noon particularly on weekends in order to encourage more overnight hotel stays, and

to cater to guests with morning checkouts.

3. TIPPING

Tipping is universally accepted and practiced in practically all major casinos of the world except England, and tips are usually "pooled" in some fashion which eliminates the direct gain an employee might hope for in illegally assisting a player. The protection against loss of integrity or compromise by tipping is ensured by the fact that disputes at a table are settled by supervisory personnel who are normally prohibited from accepting tips.

4. SERVICE OF ALCOHOL IN CASINOS

Under the English system, the service of alcohol is prohibited at the gaming tables. At the same time, the serving of alcoholic beverages at gaming tables is an amenity found in most other casinos in the world and particularly those which will be most directly competitive with Atlantic City namely Nevada and the Caribbean. The permission to serve alcoholic beverages may seem like a small item as a inducement to potential players but it is an important one in our estimation in qualifying Atlantic City as a first class competitive gaming destination.

We would suggest that responsibility be put on the casino operators reinforced by the presence of law enforcement personnel to monitor the exclusion of any intoxicated persons from play at the tables.

5. ENTERTAINMENT

We foresee entertainment as a significant attraction in the new Atlantic City. We also anticipate that casino operators should and will provide and subsidize much of this entertainment which is commonly not a profitable situation and therefore must be subsidized by casino operations.

Any restrictions so far as entrance or accessibility of entertainment facilities from the casino would discourage operators from producing this amenity which we feel is so important for Atlantic City.

6. CASINO SIZE

At the outset, casino facilities in Atlantic City will be limited as a result of the minimum requirements for qualifications for licenses. It would seem therefore counter productive to put a restriction on the size of casinos but rather perhaps to require minimum amount of space for each table game.

7. NUMBER OF CASINOS REQUIRED TO OPEN

We are extremely troubled by a proposal that no one casino be permitted to operate until three casinos are ready to open. As potential applicants we welcome and recognize the need for numerous casino developments in Atlantic City however it would seem that requirements such as this would not only delay opening but would invite collusion and collaboration amongst potential operators to synchronize their activities. The State should recognize that every

day of delay in implementing the operation of casinos in Atlantic City reduces the time before Atlantic City will be facing direct competition from other nearby areas and most importantly diminishes the possibility of attracting legitimate investment.

8. NUMBER OF LICENSES PER OPERATOR

A requirement for a two year delay in the issuance of subsequent licenses to the same operator is directly in conflict with the expressed interest of attracting investment to Atlantic City. Further, to preserve the purpose of the referendum to create development, we agree with the proposal that in order to qualify for operation of a casino owned by another party, the operator must already be the owner of a qualified hotel.

9. TAXES

In arriving at an appropriate tax schedule, we urge that it be kept in mind that overall tax rates in New Jersey must be combined with the proposed casino tax in order to evaluate the impact on potential investors.

An analysis indicates that using the proposed 8% tax rate on casino gross revenues combined with other real estate and corporate income taxes in New Jersey, the net profit for a casino in Atlantic City would be only one third to one half of the net profit for a casino operation with the same revenues and other expenses in Nevada.

In addition to the negative effect which restrictive operating procedures will have on potential profit, attraction of investment, and enjoyment of patrons, we

also wish to point out that interest in casino gaming in neighboring states is picking up rapidly as witnessed by the fact that Governor Carey, Mayor Beame and the Head of the Assembly of New York State have just last week publicly endorsed casino gaming with the possibility of New York City locations as well as in resort areas.

We respectfully submit these thoughts in the interest of achieving the original objective of the optimum development of Atlantic City with positive economic effects throughout the State of New Jersey.

SENATOR DUGAN -- MEMBERS OF THE COMMITTEE -- I AM COMMISSIONER EDMUND J. COLANZI, COMMISSIONER OF PARKS & PUBLIC PROPERTY FOR THE CITY OF ATLANTIC CITY.

THE CITY OF ATLANTIC CITY, SINCE THE PASSAGE OF THE CASINO REFERENDUM, HAS PASSED AND IS PREPARING TO PASS ORDINANCES WHICH WILL HOPEFULLY ELIMINATE PROBLEMS WHICH EXIST IN NEVADA AND WHICH ALSO HELPED ATLANTIC CITY ATTAIN ITS UNENVIABLE POSITION AS A DECLINING RESORT AND CONVENTION CENTER.

WE, AS A CITY ARE CAPABLE OF HAVING SOUND ORDINANCES WHICH WOULD ELIMINATE SOME OF THE UNDERSIRABLE BUSINESS VENTURES WHICH DO EXIST IN NEVADA AND WE WILL HAVE A SOUND ZONING ORDINANCE TO MEET THE NEEDS OF A GROWING PROSPEROUS RESORT COMMUNITY. THIS CITY, HOPEFULLY WILL ALSO HAVE ORDINANCES PREVENTING MISLEADING AND/OR FALSE ADVERTISING.

IT APPEARS AT THIS MOMENT AN EXTERMELY COMPETENT TEAM OF CONSULTANTS WILL PROBABLY BE HIRED BEFORE THE WEEK IS OUT TO FORMULATE A "ONE OF ITS KIND" MASTER PLAN FOR THE NEW "QUEEN OF RESORTS".

WE THE PEOPLE OF ATLANTIC CITY FULLY REALIZE THIS MAY BE OUR LAST CHANCE TO REBUILD AND REVITALIZE OUR COMMUNITY. WE ALSO REALIZE THE PLANS, RULES, REGULATIONS, GUIDELINES AND CONCEPTS THAT WILL SEE ATLANTIC CITY GROW, MUST BE OF THE TYPE WHICH WILL MAKE IT ABOVE COMPETITIVENESS IN THE NEAR AND NEAR DISTANT FUTURE FOR ALL OTHER RESORTS WHO MIGHT WANT TO COMPETE WITH ATLANTIC CITY.

ANY OF THE FACTORS WHICH WILL EVENTUALLY GOVERN THIS CITY MUST BE OF THE NATURE TO ATTRACT, FIRST INVESTMENT INTEREST, WHICH THEN STIMULATES JOBS, WHICH THEN WILL STIMULATE AN UNPARROLLED VACATION AND CONVENTION CITY.

I BELIEVE THE PASSED AND PLANNED ORDINANCES AND THE FIRM HIRED FOR THE MASTER PLAN WILL ACCOMPLISH THOSE GOALS. THE ONLY AREA WHERE A QUESTION MARK CAN BE PLACED AT THIS MOMENT, IS THE TYPE OF ENABLING LEGISLATION THAT IS TO GOVERN ATLANTIC CITY'S GAMING.

ATLANTIC CITY PRESENTLY WILL PROBABLY HAVE CASINO GAMBLING ONLY. THOSE CASINO AREAS WILL BE HIDDEN FROM OUTSIDE OPEN PUBLIC VIEW. THE CASINOS WILL PROBABLY HAVE TO BE WITHIN A ROOM ACCOMODATION CENTER OF A REASONABLY LARGE, SPACIOUS SIZE WITH MODERN LUXURIES. I HAVE NO OBJECTION TO THIS CONCEPT, YET WITHIN ITSELF IT IS RESTRICTIVE AS COMPARED TO A LAS VEGAS STYLE GAMBLING OPERATION. WHEN OTHER STATES ADOPT GAMING THIS FACTOR ALONE MAY NOT BE OF AN ADVANTAGE TO ATLANTIC CITY.

DURING THE DECEMBER 15, 1976 HEARING, MR. VICTOR LOWNES OF PLAYBOY ENTERPRISES INC. FROM GREAT BRITAIN MADE SOME POINTS WHICH HAVE SEEMED TO BECOME POPULAR, UNFORTUNATELY, WITH TOO MANY JERSEY OFFICIALS, INCLUDING THE GOVERNOR, AND IT IS MY OPINION THIS TYPE OF THINKING WILL DESTROY ATLANTIC CITY BEFORE IT HAS EVER HAD AN OPPORTUNITY TO REBUILD ITSELF. REMEMBER IT IS DIFFICULT TO TOTALLY, EFFECTIVELY LEGISLATE MORALITY, ESPECIALLY WHEN YOUR NEIGHBORS ARE NOT GOVERNED BY THE SAME LAWS.

GAMING IN BRITAIN, IS JUST THAT, GAMING IN BRITAIN. THEREFORE AT LEAST THE WHOLE COUNTRY MUST LIVE WITH THE SAME RULES. IF GAMING WERE ELIMINATED FROM BRITAIN, ONLY A SMALL MINUTE SEGMENT OF A SOCIETY WOULD BE EFFECTED.

WHEN CASINOS OPEN IN ATLANTIC CITY, THE WHOLE COMMUNITY WILL ECONOMICALLY BE EFFECTED, EITHER DIRECTLY OR INDIRECTLY, BY THE INDUSTRY. WE ASKED THE PEOPLE OF NEW JERSEY FOR CASINOS SO WE MIGHT REBUILD A CITY AND ESTABLISH A HEALTHY JOB MARKET WHICH NOT ONLY WOULD EMPLOY LOCAL PEOPLE BUT OTHER PEOPLE FROM THROUGHOUT THE ENTIRE STATE.

WITHOUT SOUND, REASONABLE AND FLEXABLE ENABLING LEGISLATION ATLANTIC CITY MAY BE HANDCUFFED BECAUSE OF BRITISH CONSERVITISM SO THAT NEIGHBORING STATES WILL BE ABLE TO SEDUCE, ENTICE AND ENCOURAGE INVESTORS TO DEVELOPE THEIR AREAS AS OPPOSED TO OURS. THEY WILL BE ABLE TO SEDUCE, ENTICE AND ENCOURAGE VISITORS, TOURISTS, CONVENTIONEERS TO THEIR DOORS INSTEAD OF OURS.

SOCIAL VALUES ARE IMPORTANT, YET IF THEY ARE STRESSED MORE IN THE CASINOS OF ATLANTIC CITY THEN THE REST OF THE COUNTRY THEN WE WILL NOT BE EFFECTIVE. IF YOU TELL ME AT THIS MOMENT LET THE FEDERAL GOVERNMENT SET THE ENABLING LEGISLATION FOR THE ENTIRE COUNTRY, THEN I CONCEED, BUT IF YOU TELL ME ATLANTIC CITY MUST BE MORE RESTRICTIVE THEN OUR PRESENT AND FUTURE COMPETITORS THEN I TELL YOU ATLANTIC CITY WILL BE A FAILURE WITHIN FIVE YEARS AFTER THE PASSAGE OF YOUR LEGISLATION.

THERE ARE PEOPLE IN THIS STATE WHO DON'T WANT TO SEE DRINKING IN A CASINO, YET NEW JERSEY HAS ALCOHOL IN EVERY RACE TRACK AS DO MOST STATES. WHERE IS THE CONSISTENCY IN THIS KIND OF THINKING.

TIPPING IS PERMISSABLE AND ENCOURAGED THROUGHOUT THE STATE AND THE NATION, BUT THERE ARE THOSE WHO WANT TO PREVENT THE SAME ACCEPTED CONCEPT FROM HAPPENING IN ATLANTIC CITY.

MORE IMPORTANTLY LETS LOOK AT THE CONCEPT OF "CREDIT IN A CASINO". AT THIS VERY MOMENT I COULD GAMBLE MY ENTIRE WEALTH, ON CREDIT IN THIS VERY STATE. I COULD WALK UP TO A COUNTER OR TABLE AND "BET ON THE COME" MY TOTAL SAVINGS ON "A SURE THING" AND GET CREDIT FOR A WEEK. IN FACT, IF THE OPERATOR KNOWS ME I DON'T HAVE TO PUT UP ONE COPPER PENNY. THIS CAN BE DONE CURRENTLY ANYWHERE IN NEW JERSEY AS WELL AS OTHER STATES. THERE ISN'T ONE STATE LAW THAT PREVENTS ANYONE FROM DOING THIS AT ANY TIME, DRUNK, SOBER OR OTHERWISE.

WHETHER WE WANT TO ADMIT IT OR NOT IT EXISTS RIGHT NOW IN NEW JERSEY. THE GAMING ROOM IS CALLED A BROKERAGE. I REFER YOU TO THE STOCK MARKET AND ITS EXCEPTED METHODS AS GOVERNED BY "ENABLING LEGISLATION". WE COULD, ACCORDING TO THE STATE LAW BUY STOCKS REGARDLESS OF THE ANTICIPATED OUTCOME. WHERE IS THE CONSISTENCY OF THOUGHT IN ENABLING LEGISLATION BETWEEN THE STOCK MARKET AND CASINO GAMBLING?

MEMBERS OF THE COMMITTEE, THE ENABLING LEGISLATION SHOULD HAVE LIMITED SOUND REGULATIONS SO AS TO NOT ENCOURAGE GAMBLING IN EVERY NOOK AND CORNER OF THE COMMUNITY. ITS SOUND TO SAY KEEP "ONE ARMED BANDITS", SLOT MACHINES OUT OF CHURCHES, STORES, REST ROOMS AND CORNER STANDS, YET REMEMBER THE ENABLING LEGISLATURE WHICH WAS PUBLIC BEFORE THE NOVEMBER 2ND ELECTION DID SAY CASINOS IN A HOTEL, AWAY FROM PUBLIC VIEW, FROM NOT ONLY THE STREET, BUT THE LOBBY.

IT DID ELIMINATE KENO FROM THE FORMS OF GAMING. THIS I TRULY QUESTION IF WE ARE TO BE COMPETITIVE WITH THOSE OTHER STATES WHICH WILL UNDOUBTEDLY HAVE LEGALIZED GAMBLING IN THE NEAR FUTURE. YET WE MUST REMEMBER WHAT THE VOTERS OF NEW JERSEY OVERWHELMINGLY VOTED FOR ON NOVEMBER 2ND. WHO HAS THE MORAL RIGHT TO MAKE IT MORE RESTRICTIVE THAN THE VOTERS CONCEIVED WHEN THEY PULL^{ED} DOWN THE LEAVER.

WE ASKED NEW JERSEY VOTERS TO VOTE YES FOR CASINO FOR ATLANTIC CITY ONLY. THIS WAS NOT JUST TO ESTABLISH ANOTHER FORM OF GAMBLING IN THE STATE. WE ASKED OUR FRIENDS AND NEIGHBORS THROUGHOUT THE STATE FOR A CATALYST TO REBUILD A DYING CITY. WE ASKED FOR HELP TO FIND EMPLOYMENT FOR A BUILDING TRADES THAT WAS NINTY PERCENT UNEMPLOYED. WE ASKED FOR JOBS FOR HOTEL - RESTAURANT WORKERS WHICH COULD REACH FIFTY THOUSAND BY 1990 (E.R.A. REPORT JAN.77) AS OPPOSED TO SEVERAL THOUSAND TODAY. WE ASKED FOR THE CHANCE TO REBUILD WHAT WAS ONCE THE GREATEST AND BEST TOURIST AND CONVENTION CITY IN THE WORLD. WE ASKED FOR A CHANCE TO ECONOMICALLY REBUILD A PEOPLE, A COMMUNITY, AN AREA, AND YES EVEN A STATE.

NEW JERSEY, THANKS TO ITS LACKLUSTER LEADERSHIP THROUGHOUT THE YEARS, IS THAT PLACE BETWEEN NEW YORK CITY AND PHILADELPHIA. IT IS TRUE WE WERE ONCE A GARDEN STATE AND A CHEMICAL INDUSTRIAL GIANT. EVEN THAT HAS COME TO PASS.

I BELIEVE THE PEOPLE VOTED YES TO HELP US REBUILD A CITY AND ITS PEOPLE. GIVE US THE TOOLS IN THE ENABLING LEGISLATION TO MAKE IT POSSIBLE FOR US TO BUILD THE GREATEST CITY POSSIBLE.

SCREEN THE LICENCES AS MUCH AS YOU DESIRE. LEAVE THE NUMBER OF CASINO HOTELS UP TO THE DEVELOPERS AND LAND AVAILABLE. LET CASINOS HAVE CREDIT SO THEY MIGHT BE COMPETITIVE WITH THEIR COUNTERPARTS . LET TIPPING BE ALLOWED AS IN THE REST OF THE COUNTRY. ALSO REGULATE THE SIZE OF THE ROOMS AND HOTELS IN SUCH A WAY AS TO STIMULATE NEW MODERN CONSTRUCTION WHICH WILL MAKE US A VIBRANT, VIABLE RESORT AND CONVENTION INDUSTRY FOR YEARS TO COME. GIVE US THE HOURS OF OPERATION NECESSARY TO ALLOW THE FULLEST EMPLOYMENT POSSIBLE, WHICH HAS TO BE A MINIMUM OF THREE WORKING PERSONS SHIFTS. BE CONSISTANT WITH THIS LEGISLATION AS COMPARED TO OTHER STATES LEGISLATION FOR PRIVATE INDUSTRY. IF YOU WANT TO HELP KEEP OUT ORGANIZED CRIME THEN COMMON SENSE WOULD TELL YOU, LAW ENFORCEMENT WOULD TELL YOU, GIVE ATLANTIC CITY TWENTY FOUR (24) HOUR CASINOS.

MAY THIS TESTIMONY COME TO AN END WITH THIS LAST THOUGHT. THERE ARE THOSE PEOPLE WHO MAY NEVER HAVE AN OPPORTUNITY TO OWN A CASINO BECAUSE THEIR HISTORY NEVER MADE IT POSSIBLE OR AVAILABLE FOR THEM TO ACQUIRE THE FUNDS OR COLLATERAL NORMALLY NECESSARY TO BUILD A CASINO/HOTEL COMPLEX AS IS BEING ENCOURAGED IN THE ENABLING LEGISLATION. POSSIBLY THE STATE, THROUGH SEPARATE LEGISLATION COULD HELP DEVELOP FINANCING WHICH WOULD ENABLE THAT SEGMENT OF SOCIETY TO HAVE A PIECE OF THE ROCK. IF YOU COULD FIND A METHOD TO ASSIST THIS SEGMENT OF SOCIETY YOU WOULD HAVE PERFORMED A NEEDED, APPRECIATED SERVICE THANK YOU.....

TESTIMONY
BEFORE THE SENATE JUDICIARY COMMITTEE
MARCH 2, 1977
BY
CHARLES W. DAVIS, CAE
EXECUTIVE VICE PRESIDENT
NEW JERSEY HOTEL/MOTEL ASSOCIATION

My name is Charles W. Davis, and I serve as Executive Vice President and Chief Administrative Officer of the New Jersey Hotel/Motel Association with corporate office at 826 West State Street, Trenton, New Jersey. I have served in this capacity for the past ten years.

On behalf of our President, Richard Trifari, General Manager of the Clinton Inn Motor Hotel, Tenafly, New Jersey, our Board of Directors, and indeed, each and every member of the Lodging Industry, I would like to thank you for permitting me the opportunity to appear today.

Our industry association has been in support of Casino Gambling for Atlantic City since 1969, and I have testified on numerous occasions urging the amendment of our State Constitution to permit this. We agonized in November, 1974 when the voters of the State said, "NO." In turn we celebrated with the industry in Atlantic City on November 2, 1976, when our citizens said, "GO AHEAD!!"

I sincerely appreciate what the sponsors of the bill, and indeed the entire legislature, have done in making a dream a reality - for saving one of the major cities in our State from possible extinction.

It is significant, I believe, that Article I of the proposed "Casino Control Act" states that THE LEGISLATURE HEREBY FINDS, AND DECLARES TO BE THE PUBLIC POLICY OF THIS STATE THE FOLLOWING: (1) *The tourist, resort and convention industry of this State constitutes a critical component of its economic structure and if properly developed and fostered, is capable of providing a substantial contribution to the general welfare, health and prosperity of the State and its inhabitants.*

The State's second largest industry.....Travel/Tourism accounting for approximately \$7.5 billion of income in 1974, is being eroded yearly, almost in geometric proportions. Legalized casino gaming in New Jersey will undoubtedly reverse this dangerous trend but only if we begin operations in the very near future.

I have had an opportunity to read through the enabling legislation and the Governor's Task Force report. Both are basically well-conceived, containing the necessary safeguards which are absolutely mandatory. Ostensibly, we have no objections to the general controls; however, there are four areas which we feel, if not modified, will have severe implications on the existing hotels and motels in Atlantic City.

Primarily, the concern of the existing properties in Atlantic City and indeed the concerns of the entire Lodging Industry, is manifest in the requirement, which, if adopted, will exclude all but one or two properties from the possibility of securing a casino license. While we all recognize the need and the desire of many to build hotels and motels and other ancillary businesses in Atlantic City, and while we all eagerly anticipate the accompanying economic benefits to both the community and the State - I am unable to accept the rationale which would penalize those who have struggled against economic hardships, supported the excess tax structure, helped keep the economy of the city going when others were moving on to "greener pastures" - in favor of only those who will come in the future.

New construction has not in the past, nor will it be in the future, an easy commodity to come by. We have all read of the phenomenal increase

in property values which occurred after Election Day in 1976. We have all heard that every major hotel corporation in the United States was ready, willing and able to begin to build immediately. To trace just one corporation's near futile efforts to begin construction, tell in glittering detail the plight of all others. I refer specifically to the Hilton Inn which is slated to rise high above the existing skyline. The proposed property, located on one of the choice pieces of land adjacent to the Convention Hall, at least on paper, appeared to be the start of a long series of new building projects which would bolster the economy of the city. The road from conception to reality is long and hazardous. The ultimate fate of the Hilton Inn is very tenious at best. Time is running out - a final extension has been given and still the ability to secure financing is dubious. Thus, it will be with many others.

It is imperative that we recognize the vital importance of those facilities which are in existance using them as a framework for those new glamorous, superelegant properties which "may be built" in the future. If construction were to begin today on a new multi-room facility, it could not be ready to accept guests for at least 24 months, perhaps 30 months. We cannot wait that long to become operational.

The New Jersey and The Atlantic City Hotel/Motel Associations take exception to a number of Sections of the enabling legislation. Primarily we object to the suggestion:

1. That a property must have a minimum of 500-750 rooms if it is to qualify for a license.
2. That provisions of the suggested law which establishes the minimum size for all rooms to be 325 sq. ft.
3. That requirement which mandates a facility must have a minimum of 25,000 sq.ft. of public space.
4. That the casino must be a minimum of 15,000 sq.ft.
5. That the Governor's Staff Policy Group on Casino Gambling has suggested the total square footage requirements be increased by 40,000 sq.ft.

Most of the hotels' and motels' owners and operators in Atlantic City with whom I have talked since the November election, are buoyant and optimistic for the first time in over a decade. Most are planning, with the enthusiasm of a young child during the Holiday season, for the modernization and upgrading that they know their facility must undergo. The economic realities of business dictate that this upgrading must be done. Many plan to add additional rooms.

Regarding the requirement of each room - a minimum of 325 sq.ft., I submit that it is very rare, if indeed ever, you will find a lodging facility having all of its rooms of the same size and dimension; normally, there are, at a minimum, three classes of rooms in each hotel or motel.

This is done simply because the needs of the vacationing and traveling public vary dramatically. Some need no more than a single room, others need larger rooms; i.e., double rooms - others wanting more luxurious accommodations desire suites. It is unreasonable to force any property to have

a given number of rooms of the exact same size. This is an economic decision that can only be made by management. If the minimum room size requirement becomes law, Atlantic City will, in all likelihood, have the dubious distinction of having the highest room rate in the nation At least in those properties having a casino, IT CANNOT BE AVOIDED.

I have discussed the building specifications for new hotels and motels with a number of the major hotel corporations. None would ever build a facility with only one maximum size room. Based on my discussions, the average double room seems to be in the magnitude of approximately 288 sq.ft. - the average single room is approximately 228 sq. ft. The average room which the industry refers to as a junior suite is normally no larger than 312 sq.ft.

Attached as appendix A is a synopsis of the Minimum Standard Room Size Requirements. Attached as Appendix B is a copy of the Minimum Required Standards promulgated by Sheraton Inns, Inc.

The idea of mandatory guest rooms that are larger in Atlantic City than in any other sector of the lodging economy to induce the illusion of grandure, is certainly worthy of consideration, provided the regulations pertain only to those new properties which obviously will be built in the future. Provided also that there is no concern what the daily occupancy rate will be.

However, the concept of grandure becomes, at least in my mind, incongruous as a result of the nation's natural gas shortage. I do not believe that we can, knowing the facts of our nation's energy problems, support any proposition to create super-luxurious hotel and motel accommodations which would serve as a further drain on the limited energy resources of a state that currently has the dubious distinction of boasting over 380,200 unemployed, 40,000 to 45,000 of the total can be traced directly to the energy crisis.

It has been calculated by Robert Aulbach, Energy Consultant to the American Hotel and Motel Association, that it would require 20% to 25% additional energy to heat, ventilate and/or cool a room of 325 sq.ft, as opposed to the average 264 sq.ft. room. In a 500 room hotel this would be approximately the amount of energy required to heat and cool 16 average size private homes. As an additional consideration Mr. Aulbach stated that research has been done which indicates that the energy used to build the extra square footage for a 500 room (325 sq.ft) property would be equal to the amount of energy that the extra space would consume over the first 20 years of use.

I feel confident that you are all as interested in the ultimate success and prosperity of Atlantic City as we in the New Jersey Hotel/Motel Association are. I am lead to believe that there has been a tacit approval to amend Assemblyman Perskie's bill A-2366 and Senator McGahn's bill, to provide for a compromise to a minimum of 500 rentable units in order to qualify for a casino license. If this compromise is accepted as an amendment to the enabling legislation, it certainly will not be a resolution to the overall problem of permitting existing hotels and motels in Atlantic City to qualify for a casino license.

If the 500 room compromise is enacted, we will find ourselves with only two (2) properties eligible to be licensed by spring of 1978. Obviously, other new properties will follow in the years to come; but construction lag time precludes their being open prior to 1979-80. Two casinos in operation would be worse than no casinos irreparable damages would occur which

might never be repaired.

At the outset and all during the campaign process which led to the amendment of the State's Constitution, Puerto Rico was used as a model of what casino gambling in Atlantic City would be like.

Let us review for a moment what is required there! Puerto Rico is divided into three zones: namely, Zone One which is San Juan, Zone Two which is Pona Mayez and Zone Three which is the rural area.

The minimum requirements are as follows:

- | | |
|-----------------|--|
| (a) Zone 1 | 300 rooms or a minimum investment of \$5 million |
| (b) Zone 2 | 150 rooms or a minimum investment of \$2 million |
| (c) Zone 3 | 75 rooms or a minimum investment of \$1 million |

The only further restrictions placed on the hotel industry is that Zone 1 properties must have a swimming pool of 250 square meters, cabanas, and lockers. In Zone 2, the pool requirement is lowered to 200 square meters.

There is no minimum size requirement for the actual casino - however, the practice seems to be to build casinos from a minimum of 5,000 to 12,000 square feet. However, this is a management decision based on returns on investment.

The specifications of minimum square footage for public space also has no place in Public Law; rather, this is a decision that should be left in the hands of management - there are too many variables to be taken into consideration that only an owner can determine, such as:

1. Will the Hotel or the Motel house conventions?
2. Will it specialize in bringing into the property, the Stars of the stage and screen or the top recording artists?
3. Will it simply attempt to become THE Place to Dine in the City?

On balance it is accepted within the industry, to plan on approximately 20 square feet of public space for every room over 200 in the facility.

Serious reconsideration must be given to any legislative bill which would "shut out" 98% of the hotels and motels which are currently in business in Atlantic City. I urge that dramatic modifications be made!

The concept of changing the rules for those who have been losing all of these years, just when they are beginning to break even, is unconscious-nable. A formula must be developed which will allow a greater percentage of those who are currently in business, the opportunity to participate - a grandfather clause certainly is in order. The granting of a provisional license is certainly another worthy consideration.

I, like you, look with great excitement and anticipation to the day the wheels will begin to spin in Atlantic City - I'm excited about the size and the splendor of those new hotels which are sure to rise from the ashes.

I'm dismayed, however, that we may "love the new too much" and "forget about the rest too soon." In all good conscience I ask you not to let this happen! Amend the bill to allow those who have contributed to the economic well being of their City and State, even while their businesses were failing, to participate equally with those who are only now willing to invest.

In closing, I would like to state that to the best of my knowledge there is no legalized gambling law in the world which attempts to dictate room size or public space size - to be successful, management must retain the prerogative to make these decisions - to do otherwise is to court economic disaster. Those who administer the law in other areas recognize the importance of allowing management to make its own economic decision. New Jersey must do likewise!

A representative group from our Association stands ready, willing and able to meet with your Committee to discuss this matter in greater detail should you desire

I sincerely appreciate the opportunity you have given me today to appear at this public hearing. I thank you.

MINIMUM STANDARD ROOM SIZE REQUIREMENTS *

*Footage excludes bath & dressing areas (approx. 5' x 8') unless otherwise indicated.

DOWNTOWNERS/ROWNTOWNER MOTOR INNS

12' x 18' (216 sq. ft.)

DUTCH INNS

12' x 20' (240 sq. ft.)

HILTON INNS

13' x 17' (221 sq. ft.)

HOLIDAY INNS

1 Double Bed - 12' x 14' (168 sq. ft.)
2 Double Beds - 21' x 18' (216 sq. ft.)

HOWARD JOHNSONS

1 Double Bed - 14' x 19' 4" (266 sq. ft.)
2 Double Beds - 14' x 26' 4" (364 sq. ft.)
1 King Size Bed - 14' x 21' 4" (294 sq. ft.)

HYATT HOTELS

14' x 30' (420 sq. ft.)

MARRIOTT HOTELS, INC.

2 Double Beds - 12' x 15' (180 sq. ft.)

QUALITY INNS

1 Double Bed - 12' x 13' (156 sq. ft.)
2 Double Beds - 12' x 18' (216 sq. ft.)

RAMADA INNS

1 Double Bed - 12' x 14' (168 sq. ft.)
2 Double Beds - 12' x 18' (216 sq. ft.)

RED CARPET INNS

1 Double Bed - 12' x 14' (168 sq. ft.)
2 Double Beds - 12' x 18' (216 sq. ft.)

Minimum Standard Room Size Requirements
Page 2 - Appendix A (con't)

STOUFFER INNS

12' x 27' (324 sq. ft.) *

* This figure includes bath and dressing area.

TREADWAY INNS

Approx. 15' x 13' (200 sq. ft.)

MASTER HOST INNS

1 Double Bed - 12' x 14' (168 sq. ft.)
2 Double Beds - 12' x 48' (216 sq. ft.)

SHERATON MOTOR INNS
MINIMUM REQUIRED STANDARDS
and
RELATED SUGGESTIONS

RENTAL UNITS

- A. Guest Room Bedroom
- B. Guest Room Bathroom
- C. Corridors
- D. Elevator Lobbies
- E. Maids Rooms and Housekeeping Storage
- F. Mechanical Rooms, Maintenance and Storage

A. GUEST ROOM BEDROOMS

1. Special Requirements

a. Minimum Sizes (plus foyer and closet)

- 1. Single - one double bed 12'W x 14'L x 8'H - 168
- 2. Queen
Single - one queen bed 12'W x 14'L x 8'H - 168
- 3. King
Single - one king bed 12'W x 19'L x 8'H - 228
- 4. Double - two double beds 12'W x 19'L x 8'H - 228
- 5. Queen
Double - two queen beds 12'W x 20'L x 8'H - 240
- 6. Studio one double bed and one 6' sofa bed
- 12'W x 19'L x 8'H - 228
- 7. Queen Studio one queen bed and one 6' sofa bed
- 12'W x 20'L x 8'H - 240
- 8. Handicap Rooms - Suggest one (1) room per one hundred (100) rooms
connecting to at least one regular double room.

All other combinations will be based on the above proportions. Single or twin sized beds are not acceptable.

2. Relationships

a. Room Mixes:

- 1. Maximum of 50 percent singles
- 2. Minimum of 20 percent connecting
- 3. Suggest one, two bay suite per 50 rooms, if applicable to your location
- 4. Suggest ten percent studios if applicable to your location.

b. Foyer and Closet

- 1. Must have light fixture to provide adequate illumination for both areas
- 2. Must be carpeted
- 3. Closet 2'0" x 3'0" minimum
- 4. Shelf 16" deep with a 4" drop face. Suggest 64" from floor. Top and drop face must have a plastic laminated finish.
- 5. Rod 2'9" long, chrome finish to be mounted to the shelf and capable of supporting 250 pounds.

6. Robe hooks, one at each end of the closet interior
7. Hangers - Wood or plastic seven per room, non-slip with non-slip/non-snap pant bar.
8. In resort locations closets and rods must be five feet long and 4'9" respectively, plus have ten hangers per room.

March 2, 1977, Atlantic City, New Jersey; New Jersey Senate Hearings

I am Mary E. Haynie a voluntary member and elected chairman of the Atlantic County Advisory Council of the Southern New Jersey Health Systems Agency or HSA, Public Law 93 - 641 or the National Health Planning and Resources Development Act of 1974 . This law basically combines legislation for Comprehensive Health planning, Regional Medical Programs and Hill Burton Funds for Hospital construction. The act is divided into two sections: Title 15 "National Health Planning and Development" and Title 16 "Health Resources Development."

Three decades after Dr. Jonathan Pitney first came to Absecon Island an eight - ten mile wide sand bar separate from the mainland of what was Atlantic County in 1937, he headed up a group which began to bring the island's great resort potential into being. Dr. Pitney saw Atlantic City born when his group succeeded in persuading the Camden and Atlantic Railroad Company (later part of the Pennsylvania and Reading Seashore lines) to bring in a line from Camden in 1852-1853. The arrival of the first train in 1854 brought 600 passengers, many of whom dined at the first, still un-completed hotel. Atlantic City was incorporated in 1854. Mr. Richard B. Osborne, the engineer who laid out the city and named the principal thoroughfares, confidently predicted it would reach its manifest destiny as...and I quote..."the first, most popular, most health-giving and most inviting" of watering places and health resorts. Atlantic City's early appeal was great. It became popular as a winter resort due to its temperate winter climate as well as a summer spa.

In the world at that time, medical ferment and medical achievement were in process. Pasteur's work in the 1860's was followed by Lister's demonstration in 1865 of the principle of antisepsis. The United States Sanitary Commission during the Civil War years drew the Medical professions attention to the problems of the military and ultimately of municipal hygiene.

Back in the new health and family resort, Atlantic City, boarding houses were being constructed. There was still no sewerage on the island and rainwater was the drinking water everywhere on the island. Often collected in 20,000 gallon brick cisterns in the cellar of a structure and the water was forced through the building by hand pumps. Physicians came and established ~~the hospital in Atlantic City~~ ^{the hospital in Atlantic City} in 1883 water was introduced and in 1885 a drainage system was installed. At Ohio Avenue and the sea a Philadelphia physician and his friends founded Children's Seashore House in 1872 and since 1902 has been at Richmond Avenue and the sea. A Health resort that served even children, bathing them in the waters and giving them a fresh start after the hot crowded city debilitated them. The hospital has grown into today's Atlantic City Medical Center and Children's Seashore House still serves the health needs of children and their families. Testimony to the true nature of Atlantic City as a health resort.

With all the great history as a health conscious, health oriented family resort, what impact will the advent of casino gambling have on this great industry called health care?

more.....

MEH/edg Mrs. Mary E. Haynie

211 N. Washington Avenue, Ventnor 08406

res. (609)822-6487, bus. (609)8345-5191x232

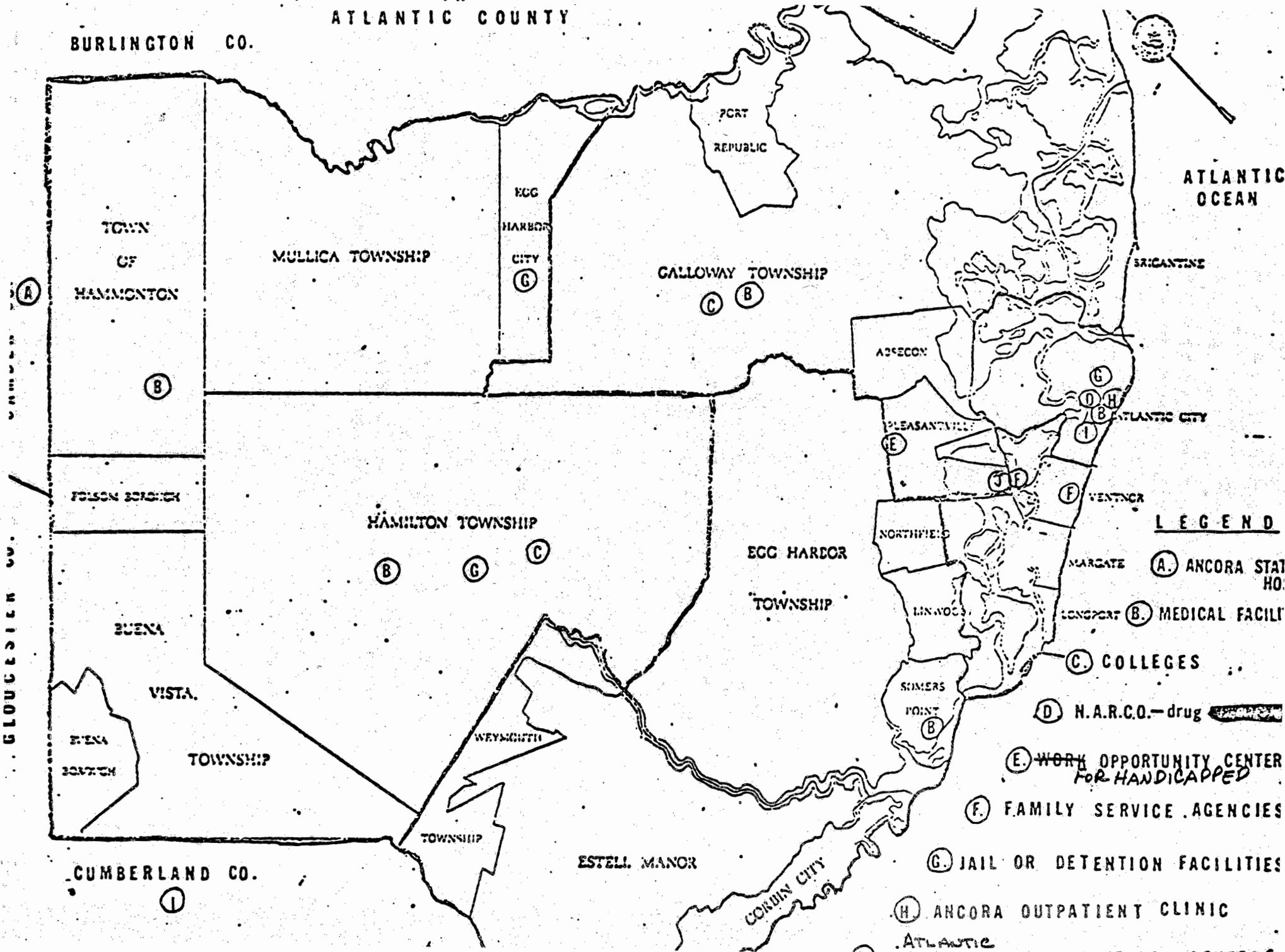
I started by telling you a bit about the HSA or Health Systems Agency and Title 15 which Federally mandated Atlantic County into Federal Health Region two and State of New Jersey Health Service Area 5 which is the seven Southern counties of New Jersey. There are many purposes and functions of the HSA, overall purposes are to improve the health of the residents....gambling casinos will triple the residents or even multiply them by five or six times the number we are planning on now...to increase accessibility, acceptability, continuity and quality of the health services... casinos will bring people and the greatest, the greatest need, as indicated in our Task Force study this past Spring was "access to services" or transportation. If an individual comes to visit us from a distant place with extensive services in medical, dental, physical care and he is taken ill while here HE EXPECTS service and third party insurance expects service for their client or patient. Quality has got to be good because the word gets around fast and it has taken us nearly two generations to stop our own citizens from going across the river into other states for Medical Care. We have finally convinced them but now can we assure our local folks of a bed or services with the influx to gambling? To restrain increases in the cost of health services is a most prominent purpose of HSA....we all understand the needs of the poor and indigent but what about our no-pay or check-bounce class of visitor who increases the cost for our and I underline OUR Medical Center? Lastly the HSA should prevent unnecessary duplication of health resources...services, manpower and facilities.

The Boarding houses that were popular for the folks coming to Atlantic City in the "good old days" are an attraction for the older, retiring population today. In the health care field these folks are a high risk population medically. They continue to come and they have believed us when we have said that Atlantic City is a health resort, the pace is slow, the boardwalk and beach are God's gift to you all, and you can drive by bus to the great city of Philadelphia in one and one-half hour or the Big Apple in 3. The economics behind a business man, who saw the nursing home business, in a beautifully free city a ^{very} profitable endeavor and kept the property up to pass State inspection standards, City inspection standards, Life Safety Code, OSHA (Occupational Safety Health) and all the other regulations that must be met and sees the advent of Casino gambling and has this terribly safe building...why not have it occupied by tourists instead of the old and infirmed? That leaves us in Atlantic County...not just Atlantic City...up a creek, with ^{over 1,000} ~~200~~ Nursing Home residents ^{in Atlantic City} and the ^{State} Department of Health has been insisting for well over a year that WE HAVE AN OVER ABUNDANCE OF NURSING HOME BEDS and have deferred the addition or building of any facilities in our County. We need help, to plan What about training Manpower for health care? WE WILL NEED THEM and our Community College has been pleading for help financially to do it since their excellent programs have long, long waiting lists. I have omitted the dollar figures of the health programs that are big industry in Atlantic City. ^(see attached ad and info) Medicare and Medicaid and other third party payments. Our long desired and dreamed of Health Maintenance Organization was scuttled by the Feds who claimed Atlantic City did not have the market for pre-paid health care. Yes, casinos will have an impact on the Health care delivery system but it hopefully will give us, the citizen, consumer majority of the HSA ^{the opportunity} to join with the providers of health care to work together to write a Health Systems Plan - a long range plan to carry out the purposes and to reflect public input and prepare an annual implementation Plan...this ability to implement is new because there are federal funds behind it. The impact will be great since we have some idea the effect the health care delivery system has on the population...the HSA will document all this. We ask individuals and public and private groups to work with us on our Task Forces to write a plan for Health to achieve the goals of HSA and soften the impact and deliver a truly real Health system for all who live or come to Atlantic City and Atlantic County for whatever reason they come....

Thank you.

ATLANTIC COUNTY

BURLINGTON CO.



LEGEND

- (A) ANCORA STAT HO.
- (B) MEDICAL FACILI
- (C) COLLEGES
- (D) H.A.R.C.O.—drug
- (E) WORK OPPORTUNITY CENTER FOR HANDICAPPED
- (F) FAMILY SERVICE AGENCIES
- (G) JAIL OR DETENTION FACILITIES
- (H) ANCORA OUTPATIENT CLINIC

BURLINGTON CO.
GLoucester Co.
CUMBERLAND CO.

I WOULD LIKE TO THANK YOU FOR THE OPPORTUNITY OF APPEARING BEFORE YOU TODAY. MY NAME IS WILLIAM DOWNEY. I AM THE EXECUTIVE DIRECTOR OF THE HOUSING AUTHORITY AND URBAN REDEVELOPMENT AGENCY OF THE CITY OF ATLANTIC CITY, AND I HAVE BEEN ENGAGED IN THE BUSINESS OF SECURING DEVELOPMENT FOR THE CITY DURING THE COURSE OF THE LAST FOURTEEN YEARS.

I WOULD LIKE TO SHARE WITH YOU SOME OBSERVATIONS AND SOME RECOMMENDATIONS RELATIVE TO THE ENABLING LEGISLATION FOR CASINO GAMBLING. THESE COMMENTS ARE BASED ON OUR EXPERIENTIAL KNOWLEDGE GATHERED OVER THE COURSE OF THE LAST THREE YEARS, THE ECONOMIC ANALYSIS THAT WE HAD PERFORMED CONCERNING THIS QUESTION, AND THE REPORT OF THE COMMISSION ON THE REVIEW OF THE NATIONAL POLICY TOWARD GAMBLING.

1. WE ARE TOTALLY SUPPORTIVE OF THE POSITION ESPOUSED BY SENATOR MCGAHN CONCERNING THE PROPOSED ENABLING LEGISLATION. WE BELIEVE THAT HIS VIEWS FULFILL THE PROMISES THAT WERE MADE TO THE PEOPLE OF THE STATE AND THE PEOPLE OF OUR COMMUNITY DURING THE CAMPAIGN FOR THE LEGALIZATION OF CASINO GAMBLING. YOU WILL RECALL THAT THE MAJOR THRUST OF OUR ARGUMENTS CENTERED AROUND THE ECONOMIC REVITALIZATION OF OUR CITY THROUGH THE REBUILDING OF FIRST-CLASS FACILITIES WHICH WOULD ENHANCE OUR CONVENTION AND TOURIST TRADE. WE PROMISED, FURTHER, THAT THIS WOULD BRING ABOUT IMMEDIATE EMPLOYMENT TO THE BUILDING TRADES WHICH ARE SO SORELY BESET WITH UNEMPLOYMENT DURING THIS RECESSION PERIOD IN OUR COUNTRY. WE FURTHER PROMISED THAT THE EMPLOYMENT OPPORTUNITIES ON THE OPERATIONAL END OF THE CASINOS AND NEW HOTELS WOULD BE EXTREMELY BENEFICIAL TO THE TOTAL ECONOMIC CLIMATE OF OUR AREA. WITH RESPECT TO THE NUMBER OF ROOMS THAT A HOTEL MUST HAVE IN ORDER TO HAVE A CASINO, IT IS MY OPINION THAT THERE IS NOTHING IN SENATOR MCGAHN'S PROPOSAL WHICH WOULD PRECLUDE THE POSSIBILITY OF EXISTING FACILITIES THAT DO NOT FULFILL HIS REQUIREMENTS FROM MAKING UP THAT DEFICIENCY THAT THEY HAVE IN ORDER TO BECOME ELIGIBLE

FOR A CASINO. OUR PROMISE TO THE BRICKLAYERS, TO THE ELECTRICIANS, TO THE CARPENTERS AND THE PLUMBERS, AND ALL THE OTHER TRADES WAS THAT "WE ARE GOING TO PUT YOU BACK TO WORK."

2. TO THE BEST OF MY KNOWLEDGE, WHEN OUR LOCAL LEGISLATORS FIRST FLESHED OUT WHAT THEY ENVISIONED THE ENABLING LEGISLATION TO CONTAIN PRIOR TO THE REFERENDUM, I DO NOT RECALL ANY SUBSTANTIVE OBJECTIONS TO THEIR COLLECTIVE POSITION. IT APPEARS ONLY NOW THAT WITH THE PASSAGE OF THE REFERENDUM THAT MANY MORE ENTITIES ARE DESIROUS OF HAVING CASINOS IN THEIR ESTABLISHMENTS.

3. ANY MEANINGFUL DISCUSSION OF THE ENABLING LEGISLATION MUST ADDRESS ITSELF TO THIS QUESTION: WILL THIS ELEMENT IN THE LAW OR REGULATORY CODEX HELP TO REBUILD ATLANTIC CITY? WE BELIEVE THAT TWO PRINCIPLES OF LAW MUST BE UPPERMOST IN YOUR MINDS AS YOU FRAME THESE REGULATIONS AND THESE PRINCIPLES ARE AS OLD AS THE CODIFICATION OF LAW DURING THE ROMAN EMPIRE. THE PRINCIPLES ARE:

(A) HE GOVERNS BEST WHO GOVERNS LEAST, AND

(B) THE LAW SHOULD NOT CONCERN ITSELF DE MINIMIS, WITH DETAILS.

WITH THESE PRINCIPLES IN MIND, AND ALSO FOCUSING ON THE INTENT OF THE LEGISLATION, IT IS OUR BELIEF THAT WE COULD SO OVERREGULATE THE INDUSTRY AS TO FRUSTRATE THE INTENT OF THE LEGISLATION AND MAKE IT UNPROFITABLE FOR A DEVELOPER TO CONSTRUCT ANY SIZABLE FACILITY IN ATLANTIC CITY. THIS IS ESPECIALLY TRUE WHEN ONE CONSIDERS THAT OTHER OPTIONS IN NEIGHBORING STATES WILL SOON BE AFFORDED TO THE INVESTMENT DOLLAR. LET ME DISPEL A COMMON MISCONCEPTION ENJOYED BY MANY: THAT THE OPERATORS OF CASINOS MAKE A FORTUNE. BOTH OUR OWN ECONOMIC ANALYSIS OF THE RETURN ON INVESTMENT CAPITAL AND THE REPORT OF THE COMMISSION ON THE REVIEW OF THE NATIONAL POLICY TOWARD GAMBLING DERIVED THE SAME CONCLUSION, NAMELY, OWNING A CASINO DOES NOT AUTOMATICALLY GUARANTEE A PROFIT. TO QUOTE THE NATIONAL COMMISSION'S REPORT, "AN INVESTOR LOOKING FOR GET-RICH-QUICK SCHEMES AND EASY MONEY IS BOUND TO BE DISAPPOINTED BY THE

REALITIES OF THE CASINO GAMBLING BUSINESS. ALTHOUGH THE SUCCESSFUL CASINOS PROVIDE A HIGH RATE OF RETURN ON THEIR INVESTMENTS, THE PROFITS OF THE INDUSTRY AS A WHOLE ARE LESS SPECTACULAR." (P. 206, CASINO PROFITABILITY, LINES 1-5). TO QUOTE THE ECONOMICS RESEARCH ASSOCIATES' REPORT: "ESTIMATED NET INCOME AFTER TAXES IS ABOUT 4.2 PERCENT OF REVENUES FOR THE LARGE CASINO HOTELS." THESE FIGURES CAN BE COMPARED WITH THE MEDIAN PROFIT MARGIN EXPERIENCED BY THE FIVE HUNDRED LARGEST INDUSTRIAL CORPORATIONS IN THE UNITED STATES, IDENTIFIED ANNUALLY BY FORTUNE MAGAZINE. THESE INDUSTRIAL CORPORATIONS SHOWED A MEDIAN PROFIT OF 4.3 PERCENT AFTER TAXES IN 1974. THE REPORT GOES ON TO SAY, "IT CAN BE SEEN THAT NET OPERATING INCOME AFTER TAXES FOR CASINO HOTELS DOES NOT SIGNIFICANTLY EXCEED THAT OF OTHER INDUSTRIES AND IN SOME CASES IS SIGNIFICANTLY LOWER."

4. GIVEN THE PRESENT RATE OF TAXATION IN THE CITY OF ATLANTIC CITY, WE BELIEVE THAT STATE TAXES IMPOSED ON THE CASINO OPERATIONS SHOULD BE SUBSTANTIALLY REDUCED AT LEAST DURING THE START-UP PERIOD OF NEW CONSTRUCTION IN ORDER TO ASSURE A MODEST RETURN OF INVESTMENT UNTIL SUCH TIME AS THE CITY'S TAX BASE WOULD EXPAND, THEREBY REDUCING THE REAL PROPERTY TAXES THAT WOULD HAVE TO BE PAID TO THE MUNICIPALITY. BLUNTLY, WE WANT THE CASINO HOTELS TO MAKE MONEY, WE WANT INVESTORS TO GET A FAIR RATE OF RETURN ON THEIR INVESTMENT. WE WISH TO HAVE THE FINEST FACILITIES IN THE WORLD AND THE ECONOMIC MULTIPLIER EFFECT THAT THESE RESULTS WILL PRODUCE IS SELF-EVIDENT.

5. WE ARE IN AGREEMENT WITH THE TASK FORCE RECOMMENDATION THAT CONDITIONAL LICENSING SHOULD NOT BE PERMITTED. HOWEVER, THE IMPORTANT POINT TO CONSIDER IS THE DIFFICULTY, IF NOT THE IMPOSSIBILITY OF OBTAINING FINANCING TO BUILD A CASINO HOTEL COMPLEX WITHOUT THE ISSUANCE OF A CASINO LICENSE. THEREFORE, WE WOULD RESPECTFULLY SUGGEST THAT IN ORDER TO ASSIST

A DEVELOPER IN OBTAINING HIS FINANCING, SOME ASSURANCES COULD BE ISSUED TO HIM WHICH WOULD BE SATISFACTORY, I.E., HAVING ANALYZED HIS OWNERSHIP DOCUMENTATION AND ALL OTHER INFORMATION REQUESTED BY THE COMMISSION, HE WOULD THEN RECEIVE A CONDITIONAL COMMITMENT FROM THE COMMISSION THAT WOULD THEN ALLOW HIM TO SOLIDIFY HIS FINANCING. THE DISTINCTION THAT WE ARE MAKING IS THAT THEY WOULD NOT BE ALLOWED TO OPERATE ON A CONDITIONAL BASIS, BUT THAT THEY WOULD BE ABLE TO PLAN AND FINANCE.

6. I THINK FOR THE STATE TO BECOME INVOLVED IN ARCHITECTURAL LIMITATIONS, ENTRANCE DESIGN AND PARTITIONING IS A VIOLATION OF THE BASIC LEGAL PRINCIPLE WHICH WE HAVE PREVIOUSLY SET FORTH. NAMELY, THAT THE LAW SHOULD NOT CONCERN ITSELF WITH DETAILS. THE VOTERS OF THE STATE IN 1974 REJECTED STATE OWNERSHIP AND OPERATION OF CASINOS. TO ATTEMPT TO ACCOMPLISH THE SAME OBJECTIVES THROUGH ENABLING LEGISLATION WOULD FRUSTRATE THE PRIVATE OWNERSHIP SECTOR WHICH WAS THE BASIS ON WHICH THIS QUESTION WAS PRESENTED TO THE VOTERS IN 1976. WE BELIEVE THAT THESE ARE MANIFESTLY MANAGEMENT DECISIONS.

7. ONE OF THE MOST DAMAGING RECOMMENDATIONS IN THE ENTIRE REPORT IS THAT NO CERTIFICATE TO OPERATE BECOMES EFFECTIVE UNTIL THREE CASINOS SO QUALIFY. THE INTENT OF THE REFERENDUM WAS TO REBUILD ATLANTIC CITY AND THE SOONER WE ARE ABLE TO OFFER FIRST-CLASS FACILITIES, BE THEY NEW OR REMODELLED, THE SOONER OUR TOURISM WILL INCREASE, THE SOONER OUR CONVENTIONS WILL EXPAND, THE SOONER OUR CITY AND STATE WILL PROSPER. IF WE WERE TO FOLLOW THROUGH ON THIS RECOMMENDATION, I BELIEVE THAT IT WOULD BE TWO YEARS BEFORE THIS CRITERION COULD BE MET.

8. WITH RESPECT TO ANCILLARY FACILITIES, IT WOULD BE OUR RECOMMENDATION TO STRENGTHEN THE POSITION OF THE TASK FORCE. NAMELY, THAT ALL THIRD-PARTY CONTRACTS NOT ONLY BE FILED WITH THE COMMISSION, BUT BECAUSE OF THE LIMITED NUMBER OF CASINOS THAT COULD BE EVENTUALLY DEVELOPED IN ATLANTIC CITY

BECAUSE OF OUR VERY FINITE LAND MASS, THAT FULL PUBLIC DISCLOSURE OF THESE CONTRACTORS ALSO BE FILED WITH THE COMMISSION. THIS IS TRUE NOT ONLY DURING THE OPERATIONAL PHASE BUT DURING THE CONSTRUCTION STAGE.

9. FOR THE STATE TO BECOME INVOLVED IN GAMES, PERCENTAGE OF FLOOR AREA, EXTENSION OF CREDIT, SERVING OF ALCOHOLIC BEVERAGES, IN OUR JUDGEMENT, IS TO INVOLVE ITSELF UNDULY IN THE INTERNAL MANAGEMENT OF THE CASINO. IN THIS CONNECTION, I WOULD LIKE TO CITE ONE EXAMPLE. I BELIEVE THE NATIONAL GAMING REPORT AND THE ECONOMIC RESEARCH ASSOCIATES' ANALYSIS THAT WE HAD PERFORMED, BOTH CONCLUDED THAT THE PUERTO RICAN EXPERIENCE WAS NOT PARTICULARLY SUCCESSFUL. THE PROGRAM THERE IS REGULATED BY THE GOVERNMENT IN VIRTUALLY EVERY ASPECT OF THE OPERATION. THIS EVEN INCLUDES THE HOURS OF OPERATION. IT IS REASONABLE TO CONCLUDE, THEREFORE, THAT THE LACK OF SUCCESS SUFFERED IN THE PUERTO RICAN EXPERIENCE IS IN DIRECT PROPORTION TO ITS OVERREGULATION.

10. THE CITY OF ATLANTIC CITY RECOGNIZES ITS RESPONSIBILITY TO THE MEMBERS OF OUR OWN COMMUNITY AND TO THE STATE AT LARGE. ONE MANIFESTATION OF THIS RESPONSIBILITY IS THE FACT THAT THE PLANNING BOARD AND THE CITY FATHERS WILL SOON BE ENGAGING A PLANNING CONSULTANT OF INTERNATIONAL REPUTATION TO REVISE THE MASTER PLAN AND ALL THAT THAT ENTAILS AND TO ESTABLISH NEW ZONING REGULATIONS. THIS PROCESS OF SELECTION AND REVIEW HAS BEEN ON-GOING SINCE RIGHT AFTER THE SUCCESSFUL PASSAGE OF THE REFERENDUM.

THERE ARE MANY OTHER AREAS THAT I WOULD LIKE TO EXPLORE WITH YOU, BUT THE CONSTRAINTS OF TIME MAKE IT IMPOSSIBLE. I WOULD BE HAPPY TO ANSWER ANY QUESTIONS THAT YOU MAY HAVE ON MY TESTIMONY.

My name is Richard Higgins and I am the vice chairperson of the Atlantic County Interagency Council. The Interagency Council of Atlantic County is a voluntary, non-profit organization representing ninety-six (96) Cities, County and State social service agencies. The Interagency Council concerns itself with the social problems and needs that exist in the community; the social services available to meet these needs; and the interagency cooperation to make these services more efficient and effective.

First of all, the Interagency Council wishes to go on record as not being opposed to the Casino Gambling referendum which was approved by the majority of New Jersey voters and which anticipates the rebirth of Atlantic City and the providing of an estimated 19,000 new jobs.

The Department of Social Services for Atlantic County is presently researching all the social agencies in Atlantic County. The study has not yet been concluded but the following estimated figures can be given:

- a. Number of agencies (most of which have offices in Atlantic City)
- b. Number of clients serviced by these agencies
- c. Number of employees in social agencies
- d. Overall cost of providing these social services

Notwithstanding the fact that there are a large number of social service agencies and staff personnel, the Interagency Council, on numerous occasions, has stated that the presently existing services are insufficient and inadequate to meet the current needs of county's 180 thousand residents.

If the present situation, prior to the advent of casino gambling, requires so many resources to provide for the social needs of the area, how many more in the area of social services and social service personnel will be needed upon the implementation of the casino gambling program.

In a report to Mayor Joseph Lazarow and the City Commissioners of Atlantic City prepared by Robert Shawn, Vice President of Economics Research Associates, the estimated number of visitors to Atlantic City for the following years are:

<u>Year</u>	<u>Number of Visitors to Atlantic City</u>
1982	4.8 million
1985	7.2 million
1990	9.7 million

In as much as the estimated visitor population for 1972 was 2 million visitors, by 1982 the number of visitors will doubled; by 1985 there will be four times the number and by 1990, five times the number.

Before we list the social problems (those new and those which will increase in number) that can be anticipated with the arrival of casino gambling, we should be aware that there will also be an increase in the problems among permanent residents as well as those brought in by a transient population. Oliver Gerland, President of the Family Services Association of Atlantic County, has obtained data from the Las Vegas Family Association which indicates that this has been the pattern in Nevada.

What are the social service programs that must be enlarged or begun in order to meet the social and human needs that will result from the increase in population?

- a. Housing - new residences for the present population who will have to relocate. It is suggest that integrated community living residential areas be planned.
- b. Shelter homes for stranded children and adults.
- c. A program to handle runaways.
- d. Travelers Aid.
- e. 24 hour child and infant care for those parents who will be working.

- f. Emergency medical and hospital facilities.
- g. Extended hot line phone service.
- h. Relocation of social service offices and personnel due to population shifts.
- i. Alcoholism - increased detoxification and follow-up services.
- j. Increased Hispanic population and a need for adult education and care of the elderly.
- k. Increase need for bilingual professionals and para-professionals.
- l. Additional classroom space for an increased school population and special education needs.
- m. Increase in all public health services.
- n. Increased need for legal services.
- o. Training, certification and control of casino related jobs.
- p. Emergency mental health services - 24 hour walk-in, beds, etc.
- q. Employment needs for:
 - 1. Local residents
 - 2. Ex-offenders
 - 3. Teenagers
 - 4. Handicapped
 - 5. Veterans
- r. Family Crises Intervention.
- s. Increase services connected with the Criminal Justice System i.e. more court personnel, more jail space, additional policemen and Detention facilities.
- t. Barrier-free design for all public facilities to aid the handicapped.
- u. Increased recreational programs for locals and visitors with special emphasis on the youth.
- v. Welfare and unemployment benefits.

If we concede that there will be an increase in the social problems in the community, what agencies will provide these services or what already

existing agencies will have to increase their staffs to meet the needs? What provisions have been made to allocate city, county and state monies to pay for these additional social services. The interagency council is not presently in a position to estimate the increased cost for these services but we can say that the cost will be enormous.

Therefore, we would like to make the following recommendations to the State Legislature and to the members of the local county and city governments.

1. That legislative provisions be enacted to provide that a percentage of the profits from casino gambling be allotted for increase social services.
2. That the Interagency Council be included in the preparatory and on-going planning for the impact of casino gambling in Atlantic City. This planning should begin immediately. This effort would evolve into a local health, education and welfare council being established composed of social agency personnel, involved business persons and dedicated and concerned citizens under the sponsorship of our two Institutions of Higher Education, Stockton College and Atlantic Community College.

Conclusion

There exists a fantasy among many of our residents that when more people come here and more money is spent and more homes are built and more businesses open up, there will be less need for social services. The contrary is true. More people, more business, more money, more improvements, more technology, etc., spells not less problems but more. And more problems mean more services to meet the problems and more services mean more money to pay for the services.

**GREATER
ATLANTIC
CITY**



CHAMBER OF COMMERCE

10 CENTRAL PIER • ATLANTIC CITY, NEW JERSEY • 609/345-2251

T E S T I M O N Y

ON BEHALF OF
THE BOARD OF DIRECTORS
OF THE

Greater Atlantic City Chamber of Commerce

OFFERED BEFORE

The Senate Judiciary Committee
of the New Jersey Legislature

RE: S-1780

(Casino Control Act)

March 2, 1977
Commission Chambers

City Hall,
Atlantic City, N.J.

GREATER
ATLANTIC
CITY



CHAMBER OF COMMERCE

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ORIENTATION:

The Greater Atlantic City Chamber of Commerce is made up of 447 business firms predominantly located within the municipal boundaries of Atlantic City. Hotel and Motel firms represent 11.2 percent of the membership by number of firms, and 10.7 percent of the membership by financial investment. Retail Merchants represent 20.7 percent of the membership by number and 14.0 percent by financial investment. The Chamber was incorporated in 1914.

Senator James Dugan, Senator McGahn, and members of the Senate Judiciary Committee:

On behalf of the Greater Atlantic City Chamber of Commerce, I thank you for taking the effort to come to Atlantic City to hold his public hearing on bill S-1780, the "Casino Control Act".

As the people of Atlantic City stated in our campaign to seek passage of the Constitutional Amendment to allow legalization of casino gambling limited to Atlantic City, our overall goal is to take this deteriorating city and renovate, or rebuild, it. We seek to create, using casinos as a catalyst, an economic environment here and in the surrounding area of such a nature that investors will be attracted, and encouraged to invest with an eye toward enduring quality.

We also seek an economic environment of such a nature that businesses already in existence within the greater Atlantic City area will be able to continue in business here, upgrade that business,

(more)

65x

Greater Atlantic City Chamber of Commerce
testimony 3/2/77 before Senate Judiciary Committee
on S-1780 (the "Casino Control Act")

- 2 -

and be able to put more people to work.

Gambling, per se, although it has been authorized by the voters, will not guarantee that we reach any of these goals.

Neither will the enabling legislation, per se, be able to guarantee or mandate investors to bring in their money to achieve the desired results. But wrong decisions in structuring the enabling legislation could well create an environment which investors view as prohibitive -- and by so doing effectively prevent our achievement of the stated goals.

Properly formulated, the enabling legislation can encourage present properties to renovate in grand style, and new developers to put together financial consortiums, to build the large-scale, "quality" resort complexes we all seek. Again, we need 10,000 "first-class" room accommodations -- at prices competitive with other convention areas -- to rebuild Atlantic City's on-going convention trade. It is this convention trade, augmented by casinos and the entertainment they will enable hotel operators to attract, which will give Atlantic City a continuing healthy economy when other states inevitably legalize gambling.

It is important to keep several factors in mind:

1. That our goal, while it is to "rebuild" Atlantic City, should not result in a structure that will effectively exclude existing hotel properties from being able to

(more) 66x

- 3 -

modify their properties to become eligible to apply for a casino license. In other words, the size requirements which are needed to give direction to the legislation and to give numerical guidance for creating "first-class" establishments should be very carefully analyzed. They should recognize that existing properties are tied in to physical ground restrictions and structural limitations that new structures will not face, or can overcome simply because they are being designed "from scratch". Simply because some structures are already here, does not mean they cannot be encouraged to invest the massive amounts which could result in renovation to make them comparable in quality with new facilities. It is here that we stress there may be reasonable grounds for lowering to some degree the currently-projected numerical standards...but only for pre-existing establishments.

Being "old" should not necessarily mean that it is impossible to upgrade to the quality standard we are projecting for the "New Atlantic City". The current numerical standards (i.e., 500 room minimum, 325 square feet per room, 40,000 square feet of public space) may make it ^{im-}possible for more than one current hotel to modify itself sufficiently to qualify. If slightly lowering the current standards would make it possible for a few more existing hotels to modify to qualify,

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then we would encourage slightly lowering the current standards.

2. Numerical standards which would prevent other existing hotels from realistically being able to modify to become eligible to apply for a casino license could create the unpleasant choice in late 1978 of either having only one facility ready to open (which would create utter chaos), or having to delay, possibly for another year or longer, the opening of that sole property until other casinos (built from scratch, and possibly delayed by the massive state permit bureaucracy and/or the ever present threat of construction strikes) are ready to "come on line".
3. It is critical to keep in mind that a very great number of businesses within Atlantic City proper and the surrounding area are right now in desperate financial condition, barely hoping to "hang on" for the next two years in the wake of a 27-percent municipal tax increase in 1976 and the very real possibility of another large tax increase (beyond the budget caps) this year, if city hall workers unions get their requested pay hikes.

Delays beyond the hoped-for start-up of casinos in late 1978 would see many of these businesses fall into bankruptcy, as a steady number of them are doing right now.

(more)

68x

Greater Atlantic City Chamber of Commerce
Testimony 5/2/77 before the Senate Judiciary Committee
on S-1700 (The "Casino Control Act")

- 5 -

Construction workers locally are presently facing the worst unemployment ever. If only new hotels are given the greater financial incentive of a casino license, renovations on our top few existing major hotels may be delayed considerably, resulting in continued unemployment of great numbers of workers for many more months. With a burst of renovation on these structures this June (projected if they could qualify for a casino), these workers could be put to work immediately.

The proposal which this Chamber supported in selling the concept of casinos to the voters of the state of New Jersey stipulated a 100-room minimum for hotels to qualify. This figure might be more appropriate to achieve our stated goals for existing properties.

A numerical standard which would allow a few existing hotels to modify to qualify might better generate immediate beneficial economic results here in Atlantic City -- the city we are trying to help. Immediate jobs would be created by renovations, and all businesses within this city and the surrounding area would get some immediate benefit. This is made even more important now that the courts have effectively blocked offshore oil drilling for at least a year.

It should be obvious that we do not subscribe to the theory of allowing existing structures merely to "slap on a coat of paint and thus qualify". But it should also be obvious that we feel that in
(more) 69x

Greater Atlantic City Chamber of Commerce
testimony 3/2/77 before the Senate Judiciary Committee
on S-1780 (the "Casino Control Act")

- 6 -

all likelihood there are more than one hotel which could, with the massive new investment for renovation an opportunity for a casino could encourage, upgrade their current condition to meet the standards for quality we are seeking long-range.

We also feel it is of paramount importance that the business people of Atlantic City -- hotelmen, restaurateurs, and Boardwalk merchants in particular -- be sought out by both this committee and the Assembly's counterpart, the State Government, Federal, and Interstate Relations Committee, and directly queried and allowed to comment on the impact the "cutoff" numerical standards (whatever they are finally set at) would have on them.

There is some evidence to suggest that these people, who would be most immediately and directly affected, have not had sufficient input, but instead have been told that "you'll have input later...". We would urge that this be done now.

In summary, the Board of Directors of the Greater Atlantic City Chamber of Commerce urges that every effort be made to allow more existing Atlantic City hotels to qualify as eligible to apply for casino licenses, and that quality of an establishment be stressed in considering whether a property should qualify for a casino license.

Submitted for the
Board of Directors by

William H. Eames,
Managing Director

Dudley Sarfaty, Secretary

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PROBLEMS IN A. 2366

DRAFT THREE

1. UNCONTROLLED CONTROL COMMISSION

The projected Commission is established with too few legislative guidelines and procedures. Legislature should set number of Casinos, standards for licensing and choosing among applicants etc.

2. HOTEL SIZE CUT

(page 28, section 70) The original promise of 1000 rooms was reduced to 400, and now is reduced to 250 without any clear standards to hold off operation until the additional construction is guaranteed, and with a sticker clause including only hotels certified as of the date of the act's adoption.

3. ELIMINATION OF CIVIL SERVICE

(21:58) Despite Civil Service' limitations, in this industry it would be a most important guarantee against fraud and political purges.

4. CREDIT

(23;7) Credit is the area in which families and individuals are hurt by persons gambling beyond their means. The legislature should set strong standards out where the public can observe. The present provision hardly limits credit at all, despite the promises that it would be a strong section. The New Jersey Edition of the New York Daily News of 12/7/76 included an ad for a junket to Nevada requiring taking cash or a Cashier's check for at least 2,000 dollars. Who may or not get credit is not the only element needing control.

5. SECRECY AND UNACCOUNTABLE POWER.

The New Jersey "Sunshine Law" applies to this Commission unless it is

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page two

specifically exempted. It would be even stronger for the legislature to specifically include this Commission and spell out what minute portion of information ought to be confidential. The income of the Casinos, the decisions and minutes of the Commission and its meetings should certainly be specified.

6. EVALUATION

The mandate that the Commission study the industry is utterly vague. It would be better to adopt a version of the suggestion of Time magazine of Dec. 6th, suggesting a separate .5% tax to hire independent, objective, and disinterested research into the impact of the industry on all phases of state life.

7. COMMISSION STRUCTURE

The legislature should set salary for seven full time members, requiring full time service, forbidding "moonlighting", requiring full financial disclosure of individuals and family, requiring that no person should "ferry" either into the Commission from public office, police responsibility or industry connection, or the hostelry business, for either five years before or after service on the Commission. A majority, not one member, as presently stated, should be present for the conduct of all business.

8. POLITICAL CONTRIBUTIONS

The present draft Sect. 112, p.47 allows some defined persons to give up to 1,000 dollars each to any candidate's election campaign. It sets no limit on contributions from other persons and no protection from "collections" from lesser employees. Since the use of money in influencing N.J. elections by the industry has already been established, the legislature should guarantee its own purity by prohibiting any political contributions by anyone within five years of their involvement in the industry.

page three

9. SOCIAL DAMAGE

To minimize "binge" gambling, and help support the tourist industry, the British system should be required by the legislature. This is a requirement that a person be in town a certain length of time before gambling.

10. HELPING THE TOURIST INDUSTRY

Since the proponents of Casinos have insisted that they want to help New Jersey's tourist economy, the legislature should require that the Casinos and the Commission spend only a given per centage of what the State spends on the promotion of its shore, lakes, mountains, and countryside, that amount now being disproportionately low, about 140,000 dollars.

11. MAJOR ENFORCEMENT GAP

Hotel employees are not included in any provisions of the present act unless they appear within the Casino. The legislature should define the group of persons both to be controlled and benefitted.

12. LICENSE APPLICATIONS

The Legislature, not the Commission should state reasonable, constitutional standards, avoiding vast injustice or litigation, for the granting of licenses amongst competing applicants who have clean criminal records.

13. COMMISSION AVAILABILITY

The legislature should require at least two stated meetings a year be held at set places, so that the public may more easily exercise its rights under the sunshine law.

14. ALCOHOL

The legislature should decide the hours of alcohol service, prohibit its free distribution; and otherwise hold the casinos to N.J. ABC standards. Especially, with respect to youth, their drinking and even presence in the Casino, the proposed provisions (page 51 Section 122 b) provides a series of excuses, not restrictions. The ABC provision of suspending operation of a violator is absent.

page four

This section is one dramatic example of how the draft law , almost without exception, holds the individual employee responsible for violations of regulations, and almost never the Casino Corporation. This makes the Casino itself non-responsible for what happens in its operation and too little responsible for its employees' behavior. It would also allow a license to come up for renewal without any record of misbehavior by the licensee, which had been corporately irresponsible over its license period.

15. UNCONSTITUTIONAL VIOLATION OF REFERENDUM ONE

(p. 21, Article 58) The proposed legislation raids the Senior Citizen and Disabled persons fund against the wording of the ammendment involved, and seeks to break the promise that "costs" would be paid from license fees.

16. STATE ATTORNEY GENERAL

The State Attorney General should be directly related to the Commission, as is current state procedure. The A.G. would be counsel to the commission, not private law interests. At the same time, provision should be made for the role of "legal adversary" to the Commission, so that the A.G.'s office does not have the expense and conflict of interest of both representing the Commission and seeking to correct its errors. (p. 21 55 b) et al.

17. STATUTE OF LIMITATIONS

Is paragraph 56 necessary? Does it not seem to set a standard for delinquency? In the establishment of a business, even at its difficult beginning days, taxes and fees are immediately due. Perhaps there should be no statute of limitation at all in an industry where misbehavior sometimes takes five years to unearth.

18. POWERS OF EXCLUSION

The legislature should spell out new pages 23 and 24. Are legal winners

page five

to be excluded from admission to the Casinos?

19. CONSTITUTIONAL RIGHTS

(p.29 5 c 18) The legislature should write standards on "family and character" for admission to the Casinos lest it turn out that discriminatory, and unconstitutional provisions cause this whole section to fail in court.

20. NO FAULT CASINO CORPORATIONS

The legislature should spell out the responsibility of the Casino Corporations for all misconduct on its premises and in its operations. At the moment, punishments are directed almost entirely at employees, and the management is without fault or responsibility. In ordinary corporations management is responsible for its operations, why not here?

21. SENATORIAL COURTESY

The proponents promised that there would be no Senatorial Courtesy. Now, (p 14, line 14) there is no such provision. Senatorial Courtesy could be a two edged sword; if it existed, it might help keep inappropriate persons from the Commission's membership. The legislature should consider this issue and establish appropriate safeguards.

22. UNAFFIRMATIVE ACTION

(p. 46 109) This proposal is worthy in its continuation of the Constitutional provisions of the Newark Plan, which would be strengthened by the Legislature's adoption. But there are no "teeth" to the general principles. The draft does not establish any "adversary" machinery to the Commission, which could likely be the very body which needs to be inspired to action. The promises of the recent campaign to minorities are here withheld from employees of the Hotels and the workers in the building and renovation of casino-hotel facilities.

23. MISREPRESENTATIONS

(p.17 c line 24). The legislature should see the pattern of A2366 in the

omitting of a penalty for misrepresenting ones financial interests. Such penalties as there are are very low. The legislature should establish the level of crimes for all of the conceivable forms of misbehavior by private persons and corporations under the provisions of the new penal code. This requires a full search of the legislation by skilled attorneys.

FURTHER WEAKNESSES, OMISSIONS AND
AREAS NEEDING FURTHER STUDY.

The legislature should act to limit slot machines. First promised not to be used at all, then only in the Casino rooms, A2366 is too silent. If Atlantic City is to keep "high roller" elegant, dignified gaming, slot machines must be rightly controlled, without the danger of slipping into greater and greater use.

p.17 52 c Legislature should write standards and procedures.

Sec. 52 a The AG's office should be one place of the availability of Commission records.

p.19 3 c If Nevada can restrict gaming to corporations operating only in its state. Even if these are wholly owned subsidiaries, the separate corporate existence would make the conduct of any corporation easier to police. See also p. 20, line 41 as denying N.J. this safeguard.

p.20 sect. 5 f. The Commission rep. ought to watch for all violations.

p.21 55 b. The A.G. ought to get all information ex officio, as counsel.

Sect. 56 b 2 Are Comm. records, as prima facie evidence reliable? What provisions, stronger than the above, should the legislature make available.

p.22 3c Are this and the other provisions for emergency action far too broad and too unaccountable?

p.28 e 55 Ought not the regulations of lines 59 and 60 be set by the legislature.

p.29 b of 71 Is this restriction required for the public good and is it unfair to the free operation of commerce?

p. 30 d. Seems poorly defined, arbitrary, and lacking due reliefs.

p. 31 78 Ought not the time to time investigations be made at least two, one during the middle of the license period and at least one other prior to license renewal time?

Skilled legal specialists should study for errors and gaps the procedures of at least p.26 Art. 5 on operation and p.32 sect. 79 on Discipline.

p.41 f \$25,000 is a very high figure to set for financial disclosure. A large and significant part of the industry will make less.

p.45 105 b is the place where the Sr. Citizen fund is robbed.

The legislature should seek the significant input of Gamblers Anonymous on at least Article 11 page 48 ff.

Article 12. There is no interest on this loan and no repayment date as there was in the draft legislation of the campaign.

MEMORANDUM

TO: Mayor Joesph Lazarow
City Commissioners of Atlantic City
Other Interested Parties

FROM: Robert B. Shawn
Vice President
Economics Research Associates

DATE: February 16, 1977

SUBJECT: Projected Visitation and Projected Visitation-Related
Employment in Atlantic City

As you know Economics Research Associates is currently completing a draft report and recommendations on an economic development program and strategy for Atlantic City. This study is being funded under a U.S. Economic Development Administration Technical Grant to Atlantic City.

Previously, Economics Research Associates has provided the members of the City Commission with an outline of the report that is being developed. Attached are the projections and documentation for visitation and visitation-related employment in Atlantic City through the year 1990. This material will form the basis for Section IV of our report as presented in our report outline.

Our findings in this regard indicate that visitation to Atlantic City due to the advent of legalized casino gambling will increase to a level of 9.7 million visitors in 1990, or some 24 million visitor days. This is almost a fivefold increase from current levels of 4.2 million visitor days. Requirements for the "hospitality - tourism - convention" industry to meet this visitation level will call for a hotel stock of 32,000 rooms (compared to an existing stock of some 9,000), employment of some 33,500 people (compared to a current level of employment of about 19,500) and a retail area, outside of the projected 12 casino hotel complexes, of some 1.5 million square feet of retail space within the City.

In addition to these projections of visitation to Atlantic City, Economics Research Associates also has completed an analysis of the feasibility of completing the specialty center aspects of historic Gardner's Basin as called for in Section VII of our report outline. Attached are statements as to costs, revenues and expenses associated with the acquisition and refurbishment of the Garwood Mills property for your review and comment. These statements will form the basis for application for financial assistance to EDA and other funding sources.

Enclosures
RBS:jk



ATLANTIC CITY, NEW JERSEY PROJECTION OF VISITORS AND VISITOR-RELATED EMPLOYMENT

A Summary Report

As part of ERA's analysis of economic development prospects for the City of Atlantic City, we have estimated levels of future visitation to the City and the impacts of such visitation on support services and employment through the year 1990.

At the present time, Atlantic City is about to conduct a master plan program which will provide basic land use parameters. At the same time, the State Legislature is considering details of the gaming enabling legislation for Atlantic City. We believe that the ERA projections of future visitation and supporting services will provide a significant basis for the preparation of the land use and other aspects of the master plan program. These projections will also be useful 1) to the Legislature in their deliberations on the enabling legislation and 2) to provide guidance to State agencies in capital funding and other projects related to Atlantic City.

The major findings from this analysis of the City's estimated visitation through 1990 are summarized below. Tabular materials documenting the research approach, assumptions, and data sources used in this analysis are appended to this synopsis.

ESTIMATES OF ATLANTIC CITY'S VISITATION POTENTIALS

1. Currently the total number of visitors to Atlantic City is estimated at approximately 2.0 million annually. This visitation level is below the estimated 2.2 million visitors who came to Atlantic City in 1972.
2. With the advent of casino gambling, the number of visitors to Atlantic City will increase dramatically. ERA estimates that the number of visitors will be as follows:

<u>Year</u>	<u>Number of Visitors to Atlantic City</u>
1982	4.8 million
1985	7.2 million
1990	9.7 million

3. The distribution of this visitation will be weighted toward those persons coming to the City because of casino gambling. The number of "gambling" visitors is estimated as follows:

<u>Year</u>	<u>Number of Gambling Visitors</u>
1982	2.5 million
1985	4.5 million
1990	6.0 million

4. Nonetheless, the level of non-gambling related visitation to the City will be increased because of the impact of casino gambling. The number of non-gambling visitors is estimated as follows:

<u>Year</u>	<u>Number of Non- Gambling Visitation to Atlantic City</u>
1976	2.0 million
1982	2.3 million
1985	2.7 million
1990	3.7 million

5. The distribution and impact of visitation to Atlantic City is best measured by examining the relative number of "visitor days" to the City. In 1982, there will be an estimated 11.2 million visitor days spent in Atlantic City. The distribution by type of visitor is presented below:

<u>Purpose of Visit</u>	<u>Number of Visitor Days (In Millions)</u>	<u>Percent Distribution</u>
Casino Gambling Visitation		
Overnight Visitor Days	5.4	48.2%
Day Visitors	<u>1.1</u>	<u>9.6</u>
Total	6.5	57.8%
Non-Gambling Visitation		
Overnight Visitor Days		
Tourists	1.6	14.8%
Convention Activity	<u>1.9</u>	<u>17.0</u>
Subtotal	<u>3.5</u>	<u>31.8</u>
Day Visitors	<u>1.2</u>	<u>10.4</u>
Total	4.7	42.2
Total Visitor Days	<u>11.2</u>	<u>100.0%</u>

6. The employment that will be generated as a direct result of the visitation and revitalization of Atlantic City is substantial. In 1982, the employment in the City which is related to this visitor activity is estimated at 33,500. The distribution of this employment is given below.

<u>Type of Employment</u>	<u>Number of Employees</u>
Retail Employment Directly Related to Visitation	1,700
Service Employment	
Hotel/Motel	21,200
Other Services	<u>10,600</u>
Total	33,500

By way of contrast, the total number of jobs in all sectors of the City's economy now stands at approximately 19,500.

7. The number of hotel rooms required to accommodate casino visitation is estimated at 9,700 by 1982. In addition, 4,800 rooms will be required by non-gambling visitors to the City. Given the present limited supply of quality hotel and motel rooms in the City, the potential exists for in excess of 5,000 new and/or refurbished hotel/motel rooms by 1982, increasing to 22,000 additional hotel rooms by 1990.

Table 1

DERIVATION OF TOTAL NUMBER OF VISITOR DAYS
ATLANTIC CITY, NEW JERSEY
1972

<u>Category</u>	<u>Measurement Technique/Source of Data</u>	<u>July and August</u>	<u>June and September</u>
Average Daily Non-Resident One Way Traffic Counts on Highways to Atlantic City	New Jersey Department of Transportation; based on analysis of market support for specialty shopping center conducted by ERA in April 1974	14,151	5,854
Average Number of Persons per Vehicle	ERA estimate, based on comparable experience <u>1/</u>	3.5	3.5
Average Number of Daily Tourists to Atlantic City	Average traffic times persons per car	49,500	20,500
Number of Days During Period	Calendar	62	60
Visitor Days During Each Period	Average daily tourists <u>times</u> number of days during period	3,069,000	1,230,000
Total Visitor Days During June to September Period	Sum of July/August and June/September figures	4,299,000	
Percent of Total Annual Visitor Days Occurring During June to September Period	ERA estimate, based on distribution of luxury tax receipts	90%	
Total Number of Visitor Days During Year, Atlantic City	June-September visitation divided by 0.90	4,777,000 say 4,800,000	

1/ Assumes vehicle counts include both cars and buses.

Source: As noted above; and Economics Research Associates.

Table 2
 DERIVATION OF NUMBER OF OVERNIGHT VISITOR DAYS
 ATLANTIC CITY, NEW JERSEY
 1972

<u>Category</u>	<u>Measurement Techniques/Source of Demand</u>	<u>Number</u>
Number of Hotel/Motel Employees in Atlantic County	U.S. Department of Commerce, <u>County Business Patterns</u>	3,192
Theoretical Ratio of Hotel/Motel Employees to Person-Nights (in Thousands)	U.S. Department of Commerce, <u>National Travel Survey</u> ; see Table A-1 for derivation of ratio.	0.53
Theoretical Person-Nights in Atlantic County	Hotel/motel employees divided by employment to person-night ratio	6,023,000
Adjustment for Utilization of Hotel/Motel Stock	Assumes 90% occupancy during June, July, August; 50% during shoulder months of April, May, September, and October, and 10% during remainder of year.	0.44
Estimated Actual Person-Nights in Atlantic County	Theoretical person-nights times adjustment factor	2,650,000
Portion of County Person-Nights Occurring in Atlantic County	ERA estimate, based on distribution of development activity within County	90%
Person-Nights in Atlantic City	County person-nights times portion occurring in County	2,385,000
Visitor Days per Person-Night	Estimated average length of stay of 2 nights and 3 days	1.5
Overnight Visitor Days in Atlantic City	Person-nights times visitor days per person-night	3,578,000 say 3,600,000

Source: As noted; and Economics Research Associates.

Table 3
 DERIVATION OF NUMBER OF OVERNIGHT CONVENTION VISITORS
 ATLANTIC CITY, NEW JERSEY
 1972

<u>Category</u>	<u>Measurement Technique/Source of Data</u>	<u>Number</u>
Number of Convention Delegates to Atlantic City	Atlantic City Convention Bureau	430,000
Average Length of Stay	International Association of Convention and Visitor Bureaus	2.5 nights
Person-Nights by Convention Delegates	Number of delegates times length of stay	1,075,000
Average Number of Persons	ERA estimate, based on IACVB Data	1.25
Person-Nights by Convention Delegate Groups	Delegate person-nights times average party size	1,344,000
Visitor Days per Person-Night	Estimated average length of stay of 2.5 nights and 3.5 days	1.4
Convention Group Visitor Days in Atlantic City	Person-nights times visitor days per person-night	1,882,000 say 1,900,000

84x

Source: As noted above; and Economics Research Associates.

Table 4
CALCULATION OF VISITOR DAYS GENERATED FROM CASINO GAMBLING
ATLANTIC CITY, NEW JERSEY
1980, 1985, 1990

Category	1982	1985	1990
Number of Casino Hotels	4-6	8-10	12
Square Feet of Casino Gambling Space	200,000	360,000	480,000
Gross Casino Revenues per Square Feet (from overnight visitors)	\$1,000	\$1,000	\$1,000
Gross Casino Revenues Annually	\$200,000,000	\$360,000,000	\$480,000,000
Average Casino Visitor Expenditures per Day	\$37	\$37	\$37
Number of Overnight Visitor Days Annually	5,405,000	9,730,000	12,973,000
Number of Day Visitors for Casino Gambling ^{1/}	1,081,000	1,946,000	2,595,000

1/ Estimated at twenty percent of overnight visitor days.

Source: "Impact of Casino Gambling on the Redevelopment Potential of the Uptown Urban Renewal Site and on the Economy of Atlantic City," Economics Research Associates.

Table 5

ESTIMATES OF VISITOR DAYS TO ATLANTIC CITY, BY PURPOSE OF VISIT
ATLANTIC CITY, NEW JERSEY
1972-1990

Purpose of Visit	Number of Visitor Days				
	1972	1976	1982	1985	1990
<u>Casino Gambling Visitation</u> ^{1/}					
Overnight Visitor Days	-	-	5,405,000	9,730,000	12,973,000
Day Visitors	-	-	1,081,000	1,946,000	2,595,000
Total	-	-	6,486,000	11,676,000	15,568,000
<u>Non-Gambling Visitation</u> ^{2/}					
Overnight Visitor Days					
Tourists ^{3/}	1,700,000	1,469,000	1,654,000	1,915,000	2,444,000
Convention Activity ^{4/}	1,900,000	1,692,000	1,905,000	2,536,000	4,084,000
Subtotal	3,600,000	3,161,000	3,559,000	4,451,000	6,528,000
Day Visitors ^{3/}	1,200,000	1,037,000	1,168,000	1,352,000	1,726,000
Total	4,800,000	4,198,000	4,727,000	5,803,000	8,254,000
<u>Total Visitor Days</u>	<u>4,800,000</u>	<u>4,198,000</u>	<u>11,213,000</u>	<u>17,479,000</u>	<u>23,822,000</u>

^{1/} See Table 4 for derivation.

^{2/} 1972 data derived on Tables 1, 2 and 3.

^{3/} Projected from 1972 to 1976 at same rate - 5 percent - of annual decline as experienced by hotel/motel luxury tax collections; 1976-1982 at 2 percent annual growth; 5 percent annual growth assumed after 1982, in keeping with Nevada experience.

^{4/} Projected to 1976 based on decline in convention delegates from 430,000 to 383,000; 1976-1982 estimated at 2 percent annual growth, 10 percent annual growth thereafter.

Source: Economics Research Associates.

Table 6

ESTIMATES OF NUMBER OF VISITORS TO ATLANTIC CITY
ATLANTIC CITY, NEW JERSEY
1982-1990

Purpose of Visit	Number of Visitors		
	1982	1985	1990
Casino Gambling Visitation			
Overnight Visitors ^{1/}	1,422,000	2,561,000	3,414,000
Day Visitors	1,081,000	1,946,000	2,595,000
Total	2,503,000	4,507,000	6,009,000
Non-Gambling Visitation			
Overnight Visitors			
Tourists ^{2/}	551,000	638,000	815,000
Convention Groups ^{3/}	544,000	725,000	1,167,000
Subtotal	1,095,000	1,363,000	1,982,000
Day Visitors	1,168,000	1,352,000	1,726,000
Total	2,263,000	2,715,000	3,708,000
Total Visitors	<u>4,766,000</u>	<u>7,222,000</u>	<u>9,717,000</u>

^{1/} Average length of stay estimated at 3.5 to 4.0 days, based on experience at other casino hotels; 3.8 assumed in this analysis.

^{2/} Average length of stay estimated at 3 days.

^{3/} Average length of stay estimated at 3.5 days.

Source: Economics Research Associates.

Table 7

ESTIMATION OF NON-HOTEL/MOTEL VISITOR EXPENDITURES
ATLANTIC CITY, NEW JERSEY
1982-1990

Purpose of Trip	Average Daily Visitor Expenditures	Estimation of Local Retail Sales (In Thousands)		
		1982	1985	1990
<u>Casino Gambling Visitation</u>				
Overnight Visitors	\$ 4.00 ^{1/}	\$21,620	\$38,920	\$51,892
Day Visitors	\$ 2.00 ^{2/}	<u>2,162</u>	<u>3,892</u>	<u>5,190</u>
Total		\$23,782	\$42,812	\$57,082
<u>Non-Gambling Visitation</u>				
Overnight Visitors				
Tourists	\$11.00 ^{3/}	\$18,194	\$21,065	\$26,884
Convention Visitors	\$23.00 ^{4/}	<u>43,815</u>	<u>58,328</u>	<u>93,932</u>
Subtotal		\$62,009	\$79,393	\$120,816
Day Visitors				
Total	\$ 5.50 ^{5/}	\$ 6,424	\$ 7,436	\$ 9,493
Total Retail Sales in the Local Economy		<u>\$68,433</u>	<u>\$86,829</u>	<u>\$130,309</u>

1/ Derived from Clark County, Nevada, experience; see ERA report on the impact of casino gambling for derivation.

2/ ERA estimate.

3/ Estimated based on overnight tourist expenditure studies in other states, and adjusted to Atlantic City market; distribution of daily expenditures is assumed as follows: food - \$5.00; entertainment - \$3.00; gifts and other retail services - \$3.00.

4/ International Association of Convention and Visitor Bureaus, "Delegate Expenditure Survey."

5/ Estimated at 50 percent of overnight tourist expenditures.

Source: As noted above; and Economics Research Associates.

Table 8

DERIVATION OF RETAIL EMPLOYMENT GENERATED FROM VISITATION
ATLANTIC CITY, NEW JERSEY
1982-1990

	<u>1982</u>	<u>1985</u>	<u>1990</u>
Retail Expenditures Generated by Visitation to City (in Thousands)	\$68,433	\$86,829	\$130,309
Sales Productivity per Square Foot	\$80	\$80	\$80
Square Feet per Employee	500	500	500
Number of Employees	1,711	2,171	3,258

Source: Economics Research Associates.

Table 9
**ESTIMATION OF TOTAL HOTEL/MOTEL ROOM DEMAND
 ATLANTIC CITY, NEW JERSEY
 1982-1990**

Category	1982			1985			1990		
	Casino Gambling Visitation	Non-Gambling Visitation		Casino Gambling Visitation	Non-Gambling Visitation		Casino Gambling Visitation	Non-Gambling Visitation	
		Tourists	Convention Business		Tourists	Convention Business		Tourists	Convention Business
Number of Visitor Days	5,405,000	1,654,000	1,905,000	9,730,000	1,915,000	2,536,000	12,973,000	2,444,000	4,084,000
Portion Staying in Hotels	0.95	0.70	0.95	0.95	0.70	0.95	0.95	0.70	0.95
Number of Hotel Overnight Visitors	5,135,000	1,158,000	1,810,000	9,244,000	1,340,000	2,409,000	12,324,000	1,711,000	3,880,000
Average Party Size	1.8	2.0	2.0	1.8	2.0	2.0	1.8	2.0	2.0
Room Night Demand	3,003,000	579,000	905,000	5,136,000	670,000	1,205,000	6,847,000	856,000	1,940,000
Annual Room Demand at 85% Occupancy	9,679	1,866	2,917	16,554	2,160	3,884	22,069	2,759	6,253

Source: Economics Research Associates.

Table 10
**DERIVATION OF HOTEL/MOTEL EMPLOYMENT
 ATLANTIC CITY, NEW JERSEY
 1982-1990**

Category	1982		1985		1990	
	Casino Generated	Non-Casino Generated	Casino Generated	Non-Casino Generated	Casino Generated	Non-Casino Generated
Annual Room Demand	9,679	4,783	16,554	6,044	22,069	9,012
Employment per Room	1.7 ^{1/}	1.0	1.7 ^{1/}	1.0	1.7 ^{1/}	1.0
Hotel/Motel Employment	16,454	4,783	28,142	6,044	37,517	9,012

^{1/} Assumes one-third of room night demand will be accommodated in casino hotels and two-thirds in non-casino hotels; number of employees per casino room is 3.0.

Source: Economics Research Associates.

Table 11
 RELATIONSHIP OF HOTEL/MOTEL EMPLOYMENT
 TO ALL SERVICE EMPLOYMENT
 SELECTED AREAS

<u>Area</u>	<u>All Service Employment</u>	<u>Hotel, Etc. Employment</u>	<u>Ratio of Service to Hotel Employment</u>
New Jersey	354.4	16.1	22.0
Atlantic County	12.0	3.7	3.2
Nevada	71.0	26.6	2.7
Clark County	44.1	22.5	2.0
Connecticut	180.7	7.1	25.4
New York	1,285.4	68.8	18.7
Pennsylvania	624.2	40.5	15.4
Maryland	201.4	8.3	24.3
Delaware	28.4	1.5	18.9

Source: U.S. Department of Commerce, County Business Patterns;
 and Economics Research Associates.

Table 12
DERIVATION OF SERVICE EMPLOYMENT
RELATED TO HOTEL/MOTEL GROWTH
ATLANTIC CITY, NEW JERSEY
1982-1990

	<u>1982</u>	<u>1985</u>	<u>1990</u>
Number of Hotel/Motel Employees			
Casino Generated	16,454	28,142	37,517
Non-Casino Generated	<u>4,783</u>	<u>6,044</u>	<u>9,012</u>
Total	21,237	34,186	46,529
Ratio of all Service Employment to Hotel Employment	1.5 <u>1/</u>	1.5 <u>1/</u>	1.5 <u>1/</u>
Estimated Total Services Employment	31,856	51,279	69,794
Non-Hotel/Motel Service Employment	10,619	17,093	23,265

1/ Based on ratios developed in preceding table, after adjustment for relative differentials in the proximity of alternative service opportunities.

Source: Economics Research Associates.

Appendix A - 1

RATIO OF HOTEL/MOTEL EMPLOYEES TO PERSON NIGHTS
UNITED STATES AND STATE TOTALS

<u>State</u>	<u>Hotel/Motel Employees</u>	<u>Person Nights (000)</u>	<u>Ratio</u>
Arizona	11,087	30,057	.37
California ^{1/}	14,466	41,717	.35
Colorado ^{1/}	6,208	20,797	.30
Florida ^{1/}	32,338	93,471	.35
Georgia ^{1/}	8,900	24,513	.36
Illinois ^{1/}	9,149	23,539	.39
Indiana	9,614	21,915	.44
Iowa	7,192	16,671	.43
Kentucky	9,286	23,474	.40
Louisiana ^{1/}	3,900	11,158	.35
Maryland	6,925	19,358	.36
Massachusetts ^{1/}	4,730	21,048	.22
Michigan ^{1/}	10,997	56,137	.20
Missouri ^{1/}	12,807	27,433	.47
New Jersey	14,225	26,960	.53
New York ^{1/}	19,043	41,938	.45
North Carolina	11,185	37,684	.30
Ohio ^{1/}	14,318	29,341	.49
Oklahoma	5,947	20,208	.29
Pennsylvania ^{1/}	17,404	39,782	.44
Rhode Island	1,242	3,651	.34
Tennessee	13,621	30,197	.45
Texas ^{1/}	21,072	69,709	.30
Virginia	16,677	33,730	.49
Washington	9,119	26,790	.34
Wisconsin	10,684	48,268	.22
West Virginia	3,790	13,909	.27
National Total	675,358	1,781,900	.38

^{1/} Includes state totals less SMSA's.

94x

Source: U.S. Bureau of the Census, County Business Patterns, National Travel Survey; Economics Research Associates.

**HIGHLIGHTS OF MARKET AND FINANCIAL ANALYSIS
GARDNER'S BASIN SPECIALTY CENTER**

1. Attendance potentials at the specialty retail center to be constructed within the existing Garwood Mills facility are estimated as follows:

<u>Year</u>	<u>Attendance Potential</u>
1980	556,000
1982	929,000
1985	1,350,000
1990	1,970,000

2. Based on projected spending patterns and sales productivity levels for the retail stores, ERA estimates that the following square feet of retail space are supportable on-site:

<u>Year</u>	<u>Supportable Square Feet of Specialty Retail Space</u>
1980	23,000
1982	39,000
1985	57,000
1990	83,000

The near-term (1985) potentials indicate that market support exists to develop the Garwood Mills facility to its full physical potential.

3. The proposed reuse program, then, for the Garwood Mills space is summarized below:

<u>Category</u>	<u>Square Foot</u>
Specialty Retail Space	52,475
Circulation Space	38,300
Public Use Space	14,400
Administrative Space	2,000
Miscellaneous	6,600
Total	113,775

4. The estimated development costs for refurbishment are as follows:

	<u>Costs</u>
Direct Costs	
Land acquisition	\$ 395,000
Building rehabilitation	1,520,000
Soft Costs	<u>333,000</u>
Total	\$1,853,000

5. For a typical operating year (1985), the operating revenues and costs are estimated below:

<u>Category</u>	<u>Amount</u>
Revenues	\$412,000
Costs	<u>132,000</u>
Net Operating Income	\$280,000

6. ERA examined capital funding alternatives for financing the specialty center. The resulting equity requirement and annual cash flow under each alternative is presented below:

<u>Financing Alternative</u>	<u>Equity Required</u>	<u>Annual Cash Flow</u>
Totally Private Financing	\$491,000	\$118,000
City Acquisition of Property/ Private Financing	392,000	150,000
EDA Grant Program/Private Financing	294,000	183,000
City Acquisition of Property/ EDA Grant Program	194,000	216,000
City Acquisition of Property/ City Bonding	0	280,000

Based on this analysis, ERA concludes that (1) the project is financially viable, and (2) the potential exists for the City to participate in the operating profit generated from the center. The extent and nature of this participation depends on the City's objectives and the funding techniques employed.

7. The center will employ approximately 120 persons, and therefore should receive strong EDA endorsement.

**GARDNER'S BASIN MARITIME PARK
1980-1990**

	<u>1980</u>	<u>1982</u>	<u>1985</u>	<u>1990</u>
<u>Resident Market Visitation Potential</u>				
Primary Market				
Population ^{1/}	193,000	201,000	213,000	230,000
Market Penetration (percent)	35%	40%	40%	40%
Visitation Potential	68,000	80,000	85,000	92,000
Secondary Market				
Population ^{2/}	604,000	626,000	660,000	724,000
Market Penetration (percent)	15%	20%	20%	20%
Visitation Potential	91,000	125,000	132,000	145,000
<u>Tourist Market Visitation Potential</u>				
Visitors ^{3/}				
Day	1,125,000	1,168,000	1,352,000	1,726,000
Overnight	530,000	551,000	638,000	815,000
Subtotal	<u>1,655,000</u>	<u>1,719,000</u>	<u>1,990,000</u>	<u>2,541,000</u>
Market Penetration (percent)	20%	25%	25%	25%
Visitation Potential	331,000	430,000	498,000	635,000
<u>Convention Market Visitation Potential</u>				
Convention Group Visitors ^{3/}				
Market Penetration (percent)	35%	40%	45%	45%
Visitation Potential	183,000	218,000	326,000	525,000
<u>Casino Market Visitation Potential</u>				
Visitors ^{3/}				
Day	- ^{4/}	1,081,000	1,946,000	2,595,000
Overnight	-	1,422,000	2,561,000	3,414,000
Subtotal	-	<u>2,503,000</u>	<u>4,507,000</u>	<u>6,009,000</u>
Market Penetration	-	10%	12%	15%
Visitation Potential	-	250,000	541,000	901,000
<u>Total Visitation Potential</u>	673,000	1,103,000	1,582,000	2,298,000

^{1/} Primary market consists of Atlantic County; projections are official State projections, adjusted upward by 10,000 in 1985 and 18,000 in 1990 to account for increase in development activity.

^{2/} Consists of Cape May, Ocean, Salem, and Cumberland Counties, and 10 percent of Burlington County.

^{3/} See ERA, "Projection of Visitors and Visitor-Related Employment, A Summary Report," February 1977.

^{4/} Not calculated as a separate market component, since casino operations will be only partially complete.

Table 2

VISITOR PARTICIPATION AND ATTENDANCE POTENTIALS
GARDNER'S BASIN SPECIALTY CENTER
1980-1990

	<u>1980</u>	<u>1982</u>	<u>1985</u>	<u>1990</u>
<u>Resident Market Potential</u>				
Primary Market				
Visitation to Park	68,000	80,000	85,000	92,000
Participation in Specialty Center (percent)	90%	90%	90%	90%
Specialty Center Attendance	61,000	72,000	77,000	81,000
Secondary Market				
Visitation to Park	91,000	125,000	132,000	145,000
Participation in Specialty Center (percent)	90%	90%	90%	90%
Specialty Center Attendance	82,000	113,000	119,000	130,000
<u>Tourist Market Potential</u>				
Visitation to Park	331,000	430,000	498,000	635,000
Participation in Specialty Center (percent)	75%	75%	75%	75%
Specialty Center Attendance	248,000	323,000	374,000	476,000
<u>Convention Market Potential</u>				
Visitation to Park	183,000	218,000	326,000	525,000
Participation in Specialty Center (percent)	90%	90%	90%	90%
Specialty Center Attendance	165,000	196,000	293,000	472,000
<u>Casino Market Potential</u>				
Visitation to Park	-	250,000	541,000	901,000
Participation in Specialty Center (percent)	-	90%	90%	90%
Specialty Center Attendance	-	225,000	487,000	811,000
Total Attendance Potential	556,000	929,000	1,350,000	1,970,000

Source: As derived previously; and Economics Research Associates.

Table 3

SUPPORTABLE SPECIALTY RETAIL SPACE POTENTIALS
GARDNER'S BASIN SPECIALTY CENTER
1980-1990

	<u>1980</u>	<u>1982</u>	<u>1985</u>	<u>1990</u>
Estimated Annual Attendance	556,000	929,000	1,350,000	1,970,000
Per Capita Expenditures	\$4.00	\$4.00	\$4.00	\$4.00
Total Gross Sales	\$2,224,000	\$3,716,000	\$5,400,000	\$7,880,000
Estimated Average Sales per Square Foot	\$95	\$95	\$95	\$95
Total Supportable Square Feet	23,000	39,000	57,000	83,000

Source: Economics Research Associates.

Table 4
 COMPONENTS AND SIZING PARAMETERS
 GARDNER'S BASIN SPECIALTY CENTER

<u>Space Category</u>	<u>Description</u>	<u>Square Feet of Space</u>
Specialty Retail	Basic store merchandising area	52,475
Corridors and Circulation Space	Mall space, interior walkways, arcade area, etc.	38,300
Non-Retail Public Use Space	Rentable space for nonprofit groups and public uses	14,400
Administrative Space	Offices	2,000
Miscellaneous	Includes mechanical and rest- room space	<u>6,600</u>
Total Building		113,775

Source: Community Housing and Planning Associates;
 and Economics Research Associates.

Table 5
ESTIMATED BUILDING COSTS
GARDNER'S BASIN SPECIALTY CENTER

<u>Category</u>	<u>Amount</u>
Paving	\$ 22,300
Walkways	25,700
Curbs and Gutters	20,400
Fencing	0
Demolition	20,000
Trees	10,000
Ground Cover	6,400
Planters	23,600
Irrigation	4,700
Lighting	20,000
Utilities	9,500
Exterior Renovation	131,900
Interior Demolition	25,000
Mall - Finished Floor	61,400
Shell Walls	101,100
Public Ceiling and Wall Finish	48,000
Plumbing, Heating, Air and Lighting	355,100
New Roof	34,100
Roof Glass	113,400
Sprinkler System	<u>91,000</u>
	\$1,123,600
	say, \$1,125,000

Source: Community Housing and Planning Associates; Martin Blumberg, AIA; Marshall Swift; and Economics Research Associates.

Table 6
ESTIMATED DEVELOPMENT COSTS
GARDNER'S BASIN SPECIALTY CENTER

<u>Category</u>	<u>Measurement Basis</u>	<u>Amount</u>
<u>Direct Costs</u>		
Land Acquisition	9-acre site	\$ 395,000
Building Construction/ Rehabilitation	See prior tables for detailed distribution of costs	<u>1,125,000</u>
Total Direct Costs		\$1,520,000
<u>Soft Costs</u>		
Architectural and Engineering Services	7 percent of building costs	\$ 79,000
Legal and Closing	Lump sum estimate	12,000
Insurance	Lump sum estimate	10,000
Leasing and supervisory fees	Lump sum estimate	80,000
General and Administrative	Lump sum estimate	40,000
Contingency	10 percent of building costs	<u>112,000</u>
Total Soft Costs		\$ 333,000
Total Development Costs		\$1,853,000

Source: Economics Research Associates.

Table 7
PRO FORMA INCOME AND EXPENSE STATEMENT
GARDNER'S BASIN SPECIALTY CENTER
 1985

<u>Category</u>	<u>Measurement Basis</u>	<u>Amount</u>
<u>Revenue</u>		
Specialty Retail Space	7.5 percent of gross sales for 52,475 square feet of GLA after allowance for a 5 percent vacancy factor	\$355,000
Cooperative Advertising	\$0.30 per square foot gross leasable area (GLA), based on 52,475 square feet	16,000
Non-Retail Space	14,400 square feet at \$2.50 per square foot for use by nonprofit corporations, etc., after allowing for a 5 percent vacancy factor	34,000
Kiosk and Display Space	Four kiosks and two display areas at \$100 per month	<u>7,000</u>
Total		\$412,000
<u>Expenses</u>		
Common Area and Open Space Maintenance	\$0.30 per square foot GLA	\$ 16,000
Building Maintenance	\$0.15 per square foot GLA	8,000
Insurance	0.2 percent of gross sales	10,000
Administrative Costs	4.5 percent of gross lease revenues	16,000
Security	Three 8-hour shifts per day at \$3.00 per hour for 365 days per year	26,000
Advertising and Promotion	Lump sum estimate	<u>50,000</u>
Subtotal		\$126,000
Contingency	5 percent of other expenses	<u>6,000</u>
Total		\$132,000
NET OPERATING INCOME		<u>\$280,000</u>

Source: Economics Research Associates.

Table 8

ILLUSTRATIONS OF IMPACT OF ALTERNATIVE FINANCING MECHANISMS
GARDNER'S BASIN SPECIALTY CENTER
1985

	Financing Alternatives				
	Totally Private Financing	City Acquisi- tion of Property and Private Financing	EDA Grant Program and Private Financing	City Acquisi- tion and EDA Grant Program	City Acquisition and City Bonds for Development ^{6/}
Project Costs					
Development Costs	\$1,853,000	\$1,458,000	\$1,124,000 ^{5/}	\$729,000	-
Construction Financing Costs					
Construction Loan Interest	95,000 ^{1/} _{2/}	95,000 ^{1/} _{2/}	47,000	47,000	-
Financing Fees	15,000 ^{1/} _{2/}	15,000 ^{1/} _{2/}	7,000	-	-
Total Project Cost	\$1,963,000	\$1,568,000	\$1,178,000	\$776,000	-
Permanent Loan	\$1,472,000 ^{3/}	\$1,176,000	\$ 884,000	\$582,000	-
Equity Requirement	491,000	392,000	294,000	194,000	-
Cash Flow/Yield on Equity					
Net Operating Income	\$ 280,000	\$ 280,000	\$ 280,000	\$280,000	\$280,000
Debt Service	\$ 162,000 ^{4/}	\$ 130,000 ^{4/}	\$ 97,000 ^{4/}	\$ 64,000	-
Annual Cash Flow	\$ 118,000	\$ 150,000	\$ 183,000	\$216,000	\$280,000
Return on Equity (before income tax)	24.0%	38.3%	62.6%	111.3%	-

^{1/} Based on 13 percent interest and 12-month construction loan for development costs, exclusive of land; average of one-half outstanding during year.

^{2/} One percent of loan amount of \$1,458,000.

^{3/} Permanent loan for 75 percent of project costs.

^{4/} Ten percent interest rate, with a 25-year loan term; amortization constant equals .110168.

^{5/} Assumes non-repayable EDA grant for 50 percent of non-land project costs; remaining 50 percent - plus land - assumed to be financed conventionally.

^{6/} Assumes acquisition costs absorbed by city; development costs recovered through a general obligation city bond issue.

Note: Analysis excludes local property taxes.

Source: As noted; and Economics Research Associates.

Table 9

ESTIMATED EMPLOYMENT RESULTING FROM DEVELOPMENT
OF GARDNER'S BASIN SPECIALTY CENTER

<u>Category</u>	<u>Number of Employees</u>
Specialty Retail Space	105 ^{1/}
Administrative/Support Services	5 ^{2/}
Public Use Space	5 ^{3/}
Maintenance/Security	<u>5</u>
Total	120

1/ . Based on one employee per 500 square feet of gross leasable area.

2/ Lump sum estimate.

3/ Includes non-profit membership organizations.

Source: Economics Research Associates.

GREATER ATLANTIC CITY HOTEL-MOTEL ASSOCIATION

EXECUTIVE

TESTIMONY

BEFORE THE SENATE JUDICIARY COMMITTEE

March 2, 1977

BY BERNARD A. SALZMAN

PRESIDENT



GREAT ATLANTIC CITY HOTEL-MOTEL ASSOCIATION

EXECUTIVE OFFICES

MY NAME IS BERNARD A. SALZMAN, PRESIDENT OF THE GREATER ATLANTIC CITY HOTEL-MOTEL ASSOCIATION. OUR INDUSTRY REPRESENTS BY FAR THE LARGEST GROUP OF TAXPAYERS OF ATLANTIC CITY. WE ARE THE DOMINANT FACTOR CONTRIBUTING TO NEW JERSEY'S SECOND LARGEST INDUSTRY ON THE STATE LEVEL.

THANK YOU FOR THIS OPPORTUNITY TO APPEAR TODAY. OUR INDUSTRY, TOGETHER WITH EVERY INDIVIDUAL IN THE STATE, SHALL REMAIN FOREVER INDEBTED TO THE MEMBERS OF THE LEGISLATURE THAT PROVIDED THE LEADERSHIP AND SUPPORT FOR THE SUCCESS OF THE CASINO REFERENDUM APPROVAL.

NOW A NEW ERA IS AT HAND FOR ATLANTIC CITY AND THE ENTIRE STATE. YOU HAVE, IN THAT REGARD, HEARD THE TESTIMONY OF MR. CHARLES DAVIS, EXECUTIVE VICE PRESIDENT OF OUR N.J. HOTEL MOTEL ASSOCIATION. HE HAS PROVIDED IN DETAIL THE COMBINED OPINIONS OF THE EXPERTS OF THE HOSPITALITY INDUSTRY AND IN THE INTERESTS OF BREVITY WE WILL NOT REPEAT THE PARTICULARS OF HIS STATEMENTS.

IT IS SUFFICIENT TO INDICATE THAT WE FULLY SUPPORT THE VIEWS EXPRESSED AS HIGHLY VALUED GUIDELINES.

ALTHOUGH, IN GENERAL TERMS, WE BASICALLY AGREE WITH THE SAFEGUARDS ACHIEVED BY THE PRESENT BILL UNDER CONSIDERATION BY THE LEGISLATURE, WE CONTINUE TO

GREATER ATLANTIC CITY HOTEL-MOTEL ASSOCIATION

EXECUTIVE OFFICES

EMPHASIZE THE INHERENT DANGERS WITHIN FIVE HIGHLY SENSITIVE AREAS:

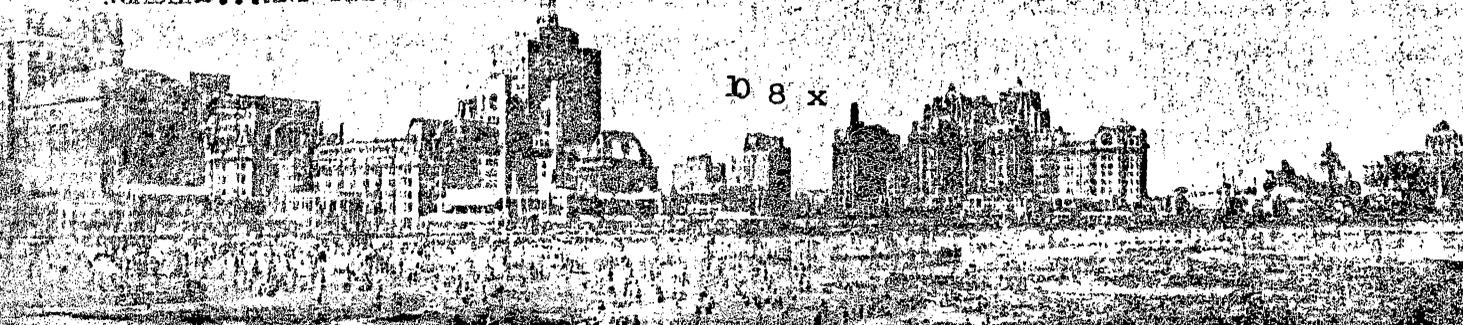
- 1- THE MINIMUM SIZE REQUIREMENTS
- 2- THE MINIMUM QUANTITY OF ROOMS
- 3- THE PUBLIC SPACE REQUIREMENTS
- 4- THE MINIMUM SQUARE FOOTAGE REQUIREMENTS FOR A CASINO
- 5- THE GOVERNOR'S STAFF POLICY GROUP ON CASINO GAMING SUGGESTION THAT SQUARE FOOTAGE REQUIREMENTS BE INCREASED BY 40,000 SQUARE FEET.

BRIEFLY, ALL OF THE PRECEDING FIVE SECTIONS CONTRADICT EVERY EFFORT ON THE FEDERAL AND STATE LEVELS REGARDING THE CRITICAL ENERGY SITUATION AND THE PRESIDENT'S POLICIES TO REMEDY THE MOUNTING PROBLEMS THAT WILL PLAGUE US FOR MANY YEARS. IN ADDITION, SUCH UNPRECEDENTED BURDENS TO OUR INDUSTRY WOULD RESULT IN AN IMPOSSIBLE ECONOMIC POSITION RESULTING ...ON THE BOTTOM LINE...IN ROOM RATES FAR ABOVE COMPETITIVE RESORTS ELSEWHERE.

ACCORDING TO THE LEADING ACCOUNTING FIRM OF THE HOSPITALITY INDUSTRY, HARRIS, KERR, FORSTER & CO., OF MEMPHIS, TENN., A HOTEL SHOULD CURRENTLY BUDGET \$700.00 PER ROOM PER YEAR FOR UTILITIES. THAT WOULD MEAN \$350,000.00 ANNUALLY FOR A 500 ROOM HOTEL. THAT FIGURE OF MORE THAN ONE THIRD OF A MILLION DOLLARS PER YEAR...JUST FOR ENERGY...IS THE PRESENT COST FOR UTILITIES...NOT THE SPIRALING FUTURE COST. CAN YOU IMAGINE THE AWESOME COST INVOLVED FOR THIS ONE ITEM ALONE IF THE MINIMUM REQUIREMENT IS 325 sq. ft. PER ROOM AS PRESENTLY SUGGESTED?

YET, BEFORE THIS, CONSIDER THE COST OF CONSTRUCTION BASED ON SUCH ASTRONOMICAL NUMBERS...AND THE RESULTING UNDESIRABLE REPUTATION OF THE VERY HIGHEST RATES FOR

10 8 x



LEADER ATLANTIC CITY HOTEL-MOTEL ASSOCIATION

EXECUTIVE OFFICES

-3-

HOTEL ROOMS IN THE WORLD. HARDLY ENCOURAGING TO THE INVESTMENT COMMUNITY THAT WILL BE SOUGHT TO PROVIDE THE FINANCING FOR THE NEW STRUCTURES. PART OF THE ANSWER...TO PROVIDE THE PROPER SPECTRUM OF RATE STRUCTURES... WOULD BE LEGISLATION DIRECTED TOWARD THE ENCOURAGEMENT OF RENOVATION OF PROMINENT HOTELS, WHICH STILL RETAIN AN ELEGANCE AND SPLENDOR OF A FORMER ERA.

ON THE SUBJECT OF THOSE HOTELS THAT REPRESENT LANDMARK LOCATIONS ALONG OUR BOARDWALK, EVERY EFFORT SHOULD BE MADE TO RETAIN THESE TREASURES OF ARCHITECTURAL SPLENDOR. IN THE ABSENCE OF MEASURES TO SAVE THESE FACILITIES, WE STAND THE RISK OF THESE HOTELS SINKING INTO BEDILITATED PROPERTIES TO THE DETRIMENT OF THE CITY'S IMAGE. FURTHER SUPPORT OF THIS POSITION CAN BE FOUND IN THE "RUDAT REPORT" THAT STRESSED THE IMPORTANCE OF PRESERVING THESE LANDMARKS.

EASING OF THE PROPOSED ROOM REQUIREMENTS WILL ENCOURAGE THE TRANSFORMATION OF SEVEN TO NINE POTENTIALLY ELEGANT PROPERTIES. THIS WOULD PROVIDE IMMEDIATE EMPLOYMENT FOR EVERY SECTOR OF THE LAEBOR FORCE BY THE PROMPT UPGRADING PROGRAM AIMED TOWARD FIRST CLASS FACILITIES AT EVERY LOCATION. ON AVERAGE, SEVEN MILLION TO NINE MILLION DOLLARS PUT INTO THE RECONSTRUCTION OF A LANDMARK STRUCTURE THAT IS WORTH SAVING WOULD PRODUCE A HOSPITALITY FACILITY THAT COULD NOT BE DUPLICATED FOR FORTY OR FIFTY MILLION DOLLARS. IT WOULD CREATE AN INSTANT SURGE OF UPGRADING THROUGHOUT THE CITY.

GREATER ATLANTIC CITY HOTEL-MOTEL ASSOCIATION

EXECUTIVE OFFICES

-4-

BY RESPONDING TO THE IMMEDIATE ECONOMY NEEDS OF OUR CITY, THIS WOULD PROVIDE THE STIMULANT FOR THE MAINTRUST OF INVESTMENT OF GIGANTIC PROPORTIONS IN THE ESSENTIAL NEW CONSTRUCTION AS DEMONSTRATED BY THE BASIC BUSINESS LAWS OF SUPPLY AND DEMAND.

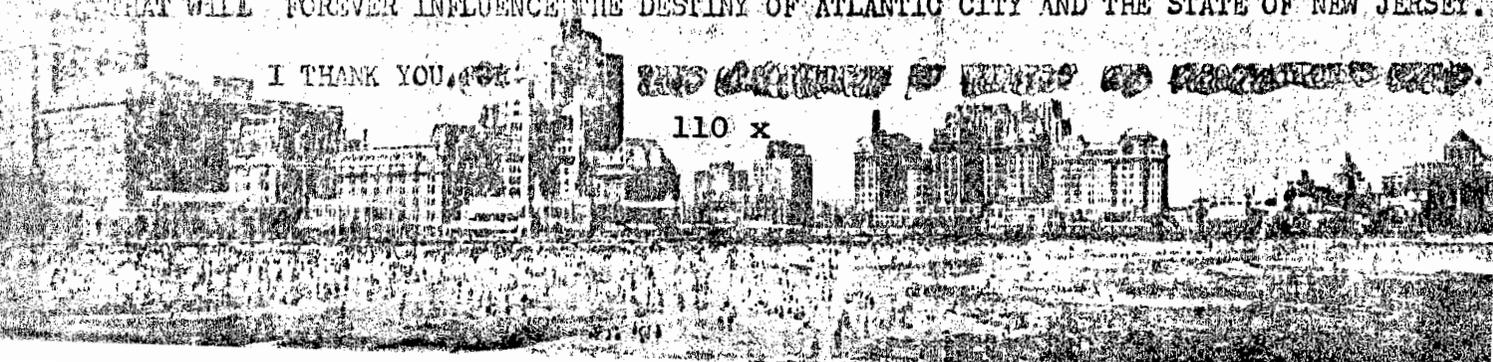
BEAR IN MIND THAT NEW CONSTRUCTION REQUIRES ACQUISITION OF SITE, ATTRACTION OF VAST MILLIONS IN FUNDING, ARCHITECTURAL PLANS, LOGISTICS OF A MAZE OF EQUIPMENT AND BUILDING MATERIALS, APPROVAL OF FEDERAL, STATE AND CITY AGENCIES AND THE VARIOUS LEVELS OF CONSTRUCTION, PROVIDED THAT NO PROBLEMS ARE ENCOUNTERED ALONG THE WAY FROM ENVIRONMENTAL AND ENERGY SOURCES. THIS CAN REQUIRE A TIME LAG FROM THREE TO SIX YEARS TO START INDICATING ANY DEGREE OF OBVIOUS CHANGE IN OUR ECONOMY. DURING THAT TIME OF TRANSITION, OUR LEGIONS OF UNEMPLOYED COULD BE WORKING WITHIN FACILITIES CAPABLE OF TOP QUALITY UPGRADING.

IN SHORT, WE FULLY ENCOURAGE THE BUILDING OF NEW FACILITIES COMPATIBLE WITH THE MIXTURE OF RENOVATIONS IMMEDIATELY. WE MUST RETAIN THE STATELY CHARM OF THE OLDER PROPERTIES WHERE POSSIBLE, PROVIDED THAT UNDER NO CIRCUMSTANCES SHOULD LESS THAN FIRST CLASS FACILITIES BE PERMITTED.

FINALLY, BECAUSE THE HOSPITALITY INDUSTRY IS THE FOUNDATION OF TOURISM, THE EXPERTS OF OUR NATIONAL, STATE AND CITY HOTEL-MOTEL ASSOCIATIONS STAND READY AND AVAILABLE FOR YOUR COMMITTEE'S CONSULTATIONS BEFORE CONCLUDING DECISIONS THAT WILL FOREVER INFLUENCE THE DESTINY OF ATLANTIC CITY AND THE STATE OF NEW JERSEY.

I THANK YOU,

110 x



ATLANTIC CITY IMPROVEMENT ASSOCIATION

INCORPORATED

ROOM 22, CENTRAL PIER, BOARDWALK AT TENNESSEE AVENUE
ATLANTIC CITY, N. J. 08401



FOUNDED 1879

March 2, 1977

TRUSTEES

MORRIS BATZER
ALFRED BIBEAULT
RUDOLPH J. BUSHELL
WILLIAM G. CARRINGTON
GEORGE FIELDHOUSE
WILLIAM A. GEMMEL
FRANK P. GRAVATT
ALBERT B. JOHNSON
RODNEY S. KREISCHER
HOWARD LYNDE, JR.
GARY MALAMUT
JOSIAH WHITE IV

RODNEY S. KREISCHER
PRESIDENT
FRANK P. GRAVATT
VICE PRESIDENT
WILLIAM G. CARRINGTON
VICE PRESIDENT
ALFRED BIBEAULT
SECRETARY
JOSIAH WHITE IV
TREASURER
MICHAEL M. LAND
SOLICITOR

Senator James P. Dugan,
N. J. Senate Judiciary Committee

Re: Senate Bill S-1780
Casino Control Act

This Association, the oldest independent, non-partisan organization in Atlantic City, representing a broad cross-section of the areas business, professional and civic spectrum, dedicated to a singular purpose....improvement and planning for the common good of Atlantic City, desires to submit the following testimony for the record.

1. Minimum Room and Size

We conclude the purpose and intent of the act must be to upgrade, renovate and develop new, as well as established hotel/motel rooms and facilities to improve a competitive plateau for our resort and convention business on a year-round basis.

Accordingly, if constitutionally sound, our first recommendation would be that all major beachfront hotels/motels meeting a minimum room schedule, and certainly less than the considered 500 room standard, with 325 sq. feet size, be given the opportunity to qualify for a Casino license, providing they meet the strictest of "quality" regulations.

New hotel/motel developers be required to meet requirements of a higher nature, i.g., 700-1000 rooms, each with minimum size, facilities, etc.

Our conclusion is based on the simple, moral fact that our existing major hotel/motel properties have been carrying the existence of our resort/convention business through the trying years. Most had reached a "bankruptcy" position. They deserve the opportunity.

Further, it is our older hotels that represent a "priceless" architectural splendor that should be preserved at all cost. If somewhat less room numbers and size, with the benefit of a Casino, is the answer to their plight, this deserves and warrants every consideration.

2. Atlantic City Image

The broad majority of our people have expressed sincere desire that Atlantic City principally remain a family resort and convention city. All agree a strong 52 week economy is our primary objective. Casino gambling should be the new entertainment and impetus for new development and renovation of Atlantic City. However, to provide the services and entertainment to the visitor who does not seek "gambling", consideration should be given to supporting businesses - retail merchants, restaurants, clubs, entertainment and amusements - as viable "people" needs.

3. Gimmick Advertising and Promotion

The strictest control and prohibiting regulations for gimmick advertising and promotion, designed to attract visitors into Casinos, capture and keep them there, is strongly recommended.

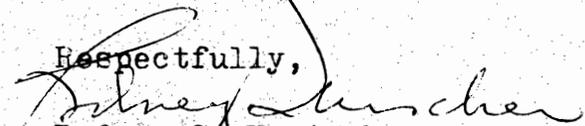
This conclusion is predicated on the fact that it would lead to "give away" war between Casinos. It would be unfair to our visitors who "can't or don't want to enter Casinos" and unfair to local business establishments who couldn't compete.

4. Casino Gambling Commission

While we recognize this Commission will be appointed by the Governor, we take this logical opportunity to recommend that at least one of the Commissioners be from the Atlantic City area. We are convinced there are people of impeccable character and ability who could lend valuable expertise and input to the Commission, and who know the area and its overall needs.

We appreciate the opportunity of presenting these positions.

Respectfully,


Rodney S. Kreisler,
President

STATEMENT by MYRON KAMINSKY, PRESIDENT OF ATLANTIC CITY MERCHANTS ASSOCIATION
ATLANTIC CITY HEARING ON GAMBLING ENABLING LEGISLATION - MARCH 2, 1977

AS PRESIDENT OF THE ATLANTIC CITY MERCHANTS ASSOCIATION, I AM THE SPOKESMAN FOR APPROXIMATELY 150 BUSINESSES IN ATLANTIC CITY AND MY STATEMENT IS MADE AS A RESULT OF LENGTHY DISCUSSIONS AND CAREFUL CONSIDERATION OF THE PROPOSED ENABLING LEGISLATION.

WE FEEL THAT EVERY EFFORT SHOULD BE MADE TO ENABLE MORE OF THE EXISTING HOTELS TO PARTICIPATE IN THE CASINO BUSINESS. STRESSING QUALITY IS THE PRIMARY FACTOR TO BE CONSIDERED IF WE ARE TO ACHIEVE THE IMAGE WE SEEK AND BY SOME RELAXATION OF THE PROPOSED LEGISLATION SOME OF OUR LARGER HOTELS COULD BEGIN OPERATION FAIRLY QUICKLY. THIS WOULD HAVE AN IMMEDIATE FAVORABLE IMPACT ON EMPLOYMENT IN THE AREA OF BOTH CONSTRUCTION AND HOTEL SERVICE PEOPLE AND THUS WOULD BOOST THE ECONOMY IN THE ENTIRE CITY, BEGINNING NOW.

WHILE WE AGREE THAT NEW HOTEL CONSTRUCTION IS IMPERATIVE, THE PRESENT FINANCIAL PICTURE AND THE TIME REQUIRED FOR SUCH CONSTRUCTION PLACES THESE KINDS OF FACILITIES TOO FAR INTO THE FUTURE. WE ALSO FEEL THAT THE PRESENTLY PROPOSED LEGISLATION WOULD, OF NECESSITY, RAISE ROOM RATES IN THESE HOTELS TO LEVELS BEYOND THE PAYING ABILITY OF MANY VACATIONERS AND CONVENTIONEERS AND WE HOPE TO REMAIN A CITY WITH UNIVERSAL APPEAL.

FOR THOSE WHO FEAR THE KIND OF SHODDY OPERATION THAT HAS HURT OUR CITY'S IMAGE, AS BUSINESSMEN, WE KNOW THAT FREE COMPETITION WILL DICTATE THE QUALITY OF SERVICE, ACCOMODATIONS, AND ROOM RATES. TO WAIT UNTIL QUALIFYING HOTELS, UNDER THE PRESENTLY PROPOSED REGULATIONS, ARE BUILT WOULD BE FOLLY SINCE WE DO HAVE FINE HOTELS NOW WITH MARVELOUS POTENTIAL THAT HAVE BEEN SERVING OUR CITY AND THE PUBLIC WELL FOR MANY, MANY YEARS. IT WOULD BE DIFFICULT TO BELIEVE THAT THESE HOTELS WOULD LOWER THEIR STANDARDS OF SERVICE AND QUALITY AT THIS POINT IN TIME. WE SHOULD PROVIDE AN INCENTIVE FOR SOME OF THE EXISTING HOTELS TO BEGIN THE KIND OF CONSTRUCTION THAT WILL MAKE THEM ELIGIBLE FOR CASINO OPERATION. THIS CONCEPT MAKES IT CONCEIVABLE THAT WE WOULD BE ABLE TO OFFER OUR VISITORS ADDITIONAL QUALITY ROOMS EVEN BEFORE THE ACTUAL OPERATION OF CASINOS.

A MIX OF AFFORDABLE PRICED HOTEL ROOMS IS ESSENTIAL FOR REPEAT BUSINESS OF THE FAMILY AND CONVENTION TYPE, WHICH IS THE TYPE OF BUSINESS ATLANTIC CITY HOPES TO CONTINUE TO ATTRACT.

Building Trades Employer's Association

ATLANTIC COUNTY

Representing

CONTRACTORS
SUB-CONTRACTORS
MATERIAL DEALERS

Office of Secretary
DELAWARE and ADRIATIC AVES
Atlantic City, N. J. 08401
345-0174
345-0174

March 1, 1977

Senate Judiciary Committee
State of New Jersey

Gentlemen;

The Building Contractors Association of Atlantic County, an affiliate of the Building Contractors Association of New Jersey, the New Jersey Building Chapter of the Associated General Contractors of America, represents the most substantial contractors employing the largest number of organized building construction people.

We are concerned about the large unemployment, the depressed economy and the necessity of starting construction as soon as possible. Not only will the local economy be stimulated by immediate building but the state thru sales and income taxes will also show improvement.

This unemployment and depressed economy were the leading factors for the support and passage of casino gambling. We do not profess to be experts concerning the size and number of rooms required for success of hotels with casinos. We do feel however that there are many other elements which should be taken under consideration.

In this most complex decision making process our association stands everready to volunteer its expertise to assist your committee in the difficult road ahead to bring about the critically needed renaissance of Atlantic City.

Very truly yours,
Lawrence Peterson
Lawrence Peterson



ATLANTIC CITY RENAISSANCE

POLICY STATEMENT REGARDING THE IMPACT OF CASINO

GAMBLING UPON THE PLANNING PROCESS AND THE QUALITY OF

LIFE OF RESIDENTS AND VISITORS

ATLANTIC CITY RENAISSANCE, a non-partisan tax exempt citizen's corporation founded in 1975, is actively engaged in raising the funds necessary to staff a professional Planning Advocacy that will provide sensitive linkages between people and government.

We are aware that this process has been effective elsewhere and are confident that it will assure a rational impact upon the planning and implementation of changes that will attend the advent of Casino Gambling.

We have lots of folks who have a lot to say that ought to be heard, but there isn't time. We speak for them.

We are a small town, but also a microcosm of a big city.

We are Down-Jersey folk, Blacks, Italians, Irish, some Germans, Greeks, Jews, Latins and lots of others. We are jitney men, baymen, hotel people, city workers, retired folk, clam-diggers, shop-keepers, students, professional people, fisherman and lots more. A few of us are well off, lots of us are poor, and most of us are inbetween. We know our roots and our values.

We do not wish to disappear in the shadow of financial giants who will ravage our beautiful island as others have done before, to abandon it in a shambles.

We hold that the people of New Jersey and its State Government do not clearly understand the spectrum of social, political, and economic problems that characterize the greater Atlantic City area.

We perceive Atlantic City as New Jersey's only store window to the nation and to the world.

We see our City as the heart of the New Jersey Coastal Resort area, in itself the major neglected and unplanned economic resource in the state.

We recognize that Casino Gambling promises renewed economic activity and a rise in employment.

We believe that our City will achieve unprecedented visibility and attention during this period of redevelopment.

We are concerned to have that visibility reveal a socially wholesome, healthy, and vital quality of life for our residents and our visitors.

We maintain that without careful planning closely assisted and coordinated by the resources of our State Government, the human and material resources of our area are as yet insufficient and inadequately mobilized to deal with the unpredictable changes that are anticipated.

We agree that the enormous economic and physical impact upon South Jersey by these events will shape our destiny and that of the entire State for many years to come.

We conclude that the State has an urgent obligation to prepare for this experience not only thru legislative, regulatory, and financial support, but also thru scrupulous review and reorganization of its own planning and administrative capabilities so that efficient coordination between the City-County axis and State planning processes can be implemented.

We insist that investment in Atlantic City be regarded as more than an opportunity, that it be treated as an obligation to dignify the Atlantic City Experience.

Victor A. Bressler, M.D.
President - ATLANTIC CITY RENAISSANCE

VAB/g1



ATLANTIC CITY RENAISSANCE SYMPOSIA

Quality of Life for the Residents and the Visitors

Casino Gaming Legislation
Transportation
Hospitality and Public Relations
Health Care
The Elderly Citizen and the Elderly Visitor
Housing
Job Opportunity and Employment
Youth
Culture and Recreation
The Suburban Metropolitan Experience
Our Environment and the ATLANTIC CITY Scene
Law Enforcement
Summing Up

WEEKLY WORKSHOPS

MONDAYS 7:30 P.M.

1st. Monday - Children's Seashore Home.
2nd. Marlboro-Blenheim
3rd. Art Gallery Gordon's Alley
4th. Westside School Complex

MEMORANDUM

January 14, 1977

TO: Senator Joseph Mc Gahn
FROM: I. G. "Jack" Davis, Jr.

In reply to your questions regarding actual games and amounts of equipment, I would offer the following suggestions:

1. REQUIRED GAMES

Craps, Twenty-one, Roulette, Baccarat, Chemin de fer, Poker, Slot Machines and other, Big Six (money wheels) and other mechanical devices (twenty-one, poker, etc.) represent the principal games that are necessary. Provision should be made for the popularity of new games however since ten (10) years ago Baccarat was not even in existence in Las Vegas and now it is probably the biggest volume table game.

2. PROPOSED EQUIPMENT LAYOUT

In a fifteen thousand foot gaming area we would estimate that the following amounts of equipment would be required:

8 craps tables
40 black jack tables
7 roulette tables
3 baccarat tables
4 big six wheels
500 slot machines

Needless to say this relationship and amount of equipment would vary depending on the type of play and in a larger casino room more of each type of equipment would be required for example if the casino room were to be thirty thousand square feet, perhaps double this equipment would be required.

3. PLAYING ODDS

(1) CRAPS

Odds on the craps tables vary according to which type of bet is placed.

The lowest odds are on the Pass Line and return 1.41% to the house. If a back up bet is made at true odds of equal amount, the percentage to the house is reduced by .83%. This represents the most popular bet on the craps table. The same holds for the Come Line.

Various other bets on the craps table return varied percentages to the house with the highest being about 17%.

On the average the return to the house on the craps table is 4 to 5%.

(2) TWENTY ONE

Odds on twenty one vary depending on the cards which have been played out of the deck and remain in the deck.

On the whole it is felt that the house has an advantage of about 3%. This advantage is greatly diminished by "counters" who accelerate their bets as the odds in the remaining cards improve.

(3) ROULETTE

The odds on practically all bets are 5.26%

in favor of the house. This is based on the American style roulette with zero and double zero.

The European style roulette with one zero is less than half the odds of American roulette and is highly undesirable for the American style casino.

(4) BACCARAT

As in twenty-one the odds vary depending on the cards played and the cards remaining in the shoe.

On the overall it is determined that the odds in favor of the house are approximately 1 1/4 to 1 1/2%.

(5) SLOT MACHINES

The return on slot machines can be adjusted by the type of reels that are installed.

Most of the biggest hotels in Las Vegas and Paradise Island Casino set the slot machines to return about 85% to the player leaving 15% profit for the house.

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