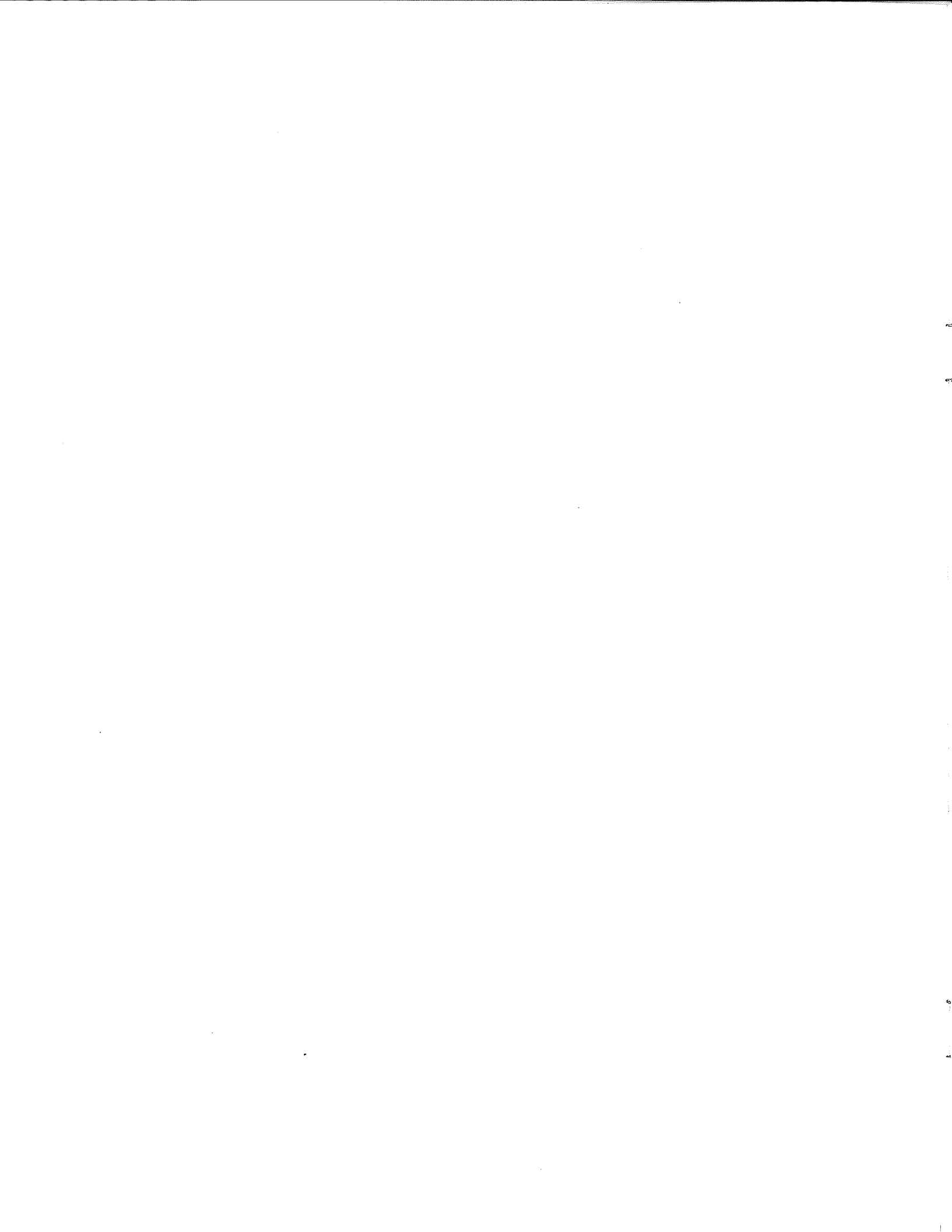
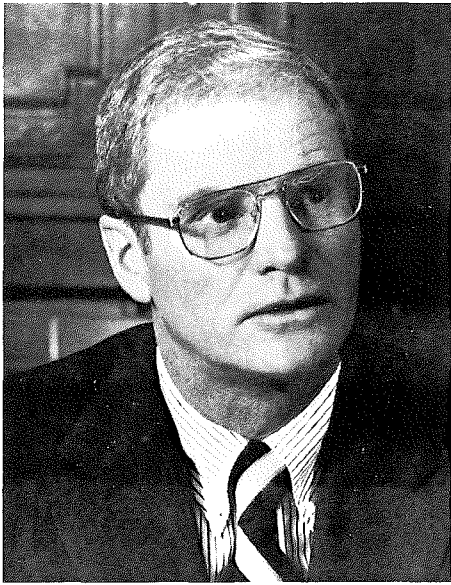




**NEW JERSEY  
CASINO  
CONTROL  
COMMISSION**

**ANNUAL REPORT  
JUNE 30, 1980**





**GOVERNOR BRENDAN BYRNE**

*The Annual Report of the New Jersey Casino Control Commission is submitted to Governor Brendan T. Byrne and to the Members of the New Jersey Legislature.*

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New Jersey Casino Control Commission  
379 West State Street  
Trenton, New Jersey 08625  
Tel. 609-292-7730

Tennessee Avenue & Boardwalk  
Atlantic City, New Jersey 08401  
Tel. 609-348-3700

**NEW JERSEY CASINO CONTROL COMMISSION**

**JOSEPH P. LORDI**  
Chairman

*Newark, serving since September, 1977; term expires July, 1981*

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**ALICE D. CORSEY**

*Westville Grove, served October, 1977 to August, 1980*

**PROSPERO DeBONA**

*Rumson, served October, 1977 to August, 1980*

**KENNETH N. MacDONALD**

*Haddonfield, served September, 1977 to February, 1980*

**ALBERT W. MERCK**

*Mendham, served September, 1977 to July, 1980*

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***Full time Commissioners sworn into office on August 28, 1980:***

**MARTIN B. DANZIGER**

*West Trenton, term expires August, 1985*

**DON M. THOMAS**

*Orange, term expires August, 1984*

**CARL ZEITZ**

*Bordentown, term expires August, 1983*

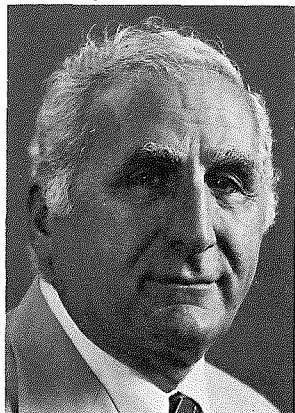
**MADELINE H. McWHINNEY**

*Red Bank, term expires August, 1982*

NOTE: This Annual Report covers the period of July 1, 1979 to June 30, 1980. However, since the full time Commission came into existence on August 28, 1980, their names are also included. The financial information in this report, for the convenience of readers, includes in some instances both fiscal and calendar 1980 totals.

**MESSAGE FROM  
JOSEPH P. LORDI, CHAIRMAN  
NEW JERSEY CASINO CONTROL COMMISSION**

From its creation in September, 1977, through the end of the first full fiscal year, June 30, 1979, the New Jersey Casino Control Commission was occupied with the launching of the state's newest industry.



**JOSEPH P. LORDI**

During that initial period, Atlantic City's first two casinos opened their doors. Resorts International opened its casino on May 26, 1978 and Caesars Boardwalk Regency opened June 26, 1979.

In the fiscal year which followed, July 1, 1979 through June 30, 1980, Bally's Park Place received a temporary license and opened its doors on December 29,

1979.

If the first year marked the "launch" of casino gaming in New Jersey, the subsequent fiscal year has to be classified by the Commission as the "Year of Shaking Out the Bugs in the System."

During this time the Commission refined many of its regulations.

The Commission issued its definitive policy statement on the city's Master Plan, making it very clear that it would not approve casino licenses for hotels which are not built in the areas originally zoned for casino hotels.

The Commission faced some very tough legal and technical questions including the blackjack card counter experiment in December, 1979. The Commission also adopted the regulations for and started its Exclusion List.

We addressed such diverse regulations as those relating to child labor and surveillance room employees. A post-employment restriction was adopted to prevent surveillance room employees from taking casino positions for at least one year.

As a result of its continuing review the Commission insisted that Resorts International further upgrade its hotel facility, at a cost of \$27 million, before allowing the final expansion of that casino to 60,000 square feet.

But most importantly, it was the year in which hearings were held on the question of casino dominance. How many casino hotels should be permitted in Atlantic City?

A series of a half dozen hearings were held which examined the impact of casino hotel development on housing, transportation, utilities and social services.

The transcripts of those hearings and the ac-

companying documentation are being reviewed by staff and we expect to submit a report and recommendation to the full Commission in the early part of 1981.

Resorts International and Boardwalk Regency Casino Hotels were open during all of Fiscal 1980. Park Place was open for the final six months of the fiscal year.

The three casinos grossed \$481.4 million during that period and paid a tax of \$57.8 million to the State's Casino Revenue Fund.

Money in the Casino Revenue Fund is authorized for use by the Legislature to pay for the "Lifeline" program which provides \$125 credit to eligible senior citizens and disabled persons on their utility bills.

Money from the Casino Revenue Fund is also used to pay property tax rebates to senior citizens, thereby freeing up money in the general treasury to help pay for the prescription drug program for eligible senior citizens. The tax rate was 12 percent during all of Fiscal 1980.

There was a definite decline in the percentage of patron complaints during Fiscal 1980. This is based, I believe, on the experience gained on the job by the staffs of the casinos, as well as on the expertise gained by Commission and Division of Gaming Enforcement personnel assigned to the casinos.

Another factor contributing to fewer patron complaints is the growing gaming sophistication of regular visitors to New Jersey's casinos.

The most positive aspects of the casino gaming experiment have been the way it put people to work and the financial aid the state's senior citizens and disabled persons have gained through the Casino Revenue Fund.

The first three casino hotels employed more than 13,000 individuals. This is in addition to the thousands of others employed in related service industries and construction work.

The rehabilitation of Atlantic City as a convention and resort center has a long way to go, but in Fiscal 1980 many of the problems were defined more precisely, and the short range prospects are very encouraging. If construction schedules can be met, there will be nine casino hotels in place by the fall of 1981.

This will give Atlantic City nearly 5,000 first-class hotel rooms, allowing it to compete for a much larger share of the convention market.

During Fiscal 1980, a total of 19,710 employee applications were filed with the Commission and 14,731 licenses were issued. The Commission and Division staffs have continuously reviewed

*(Continued on Page 6)*

## THE CASINO CONTROL ACT

Legalized casino gaming was authorized in New Jersey by the enactment of the Casino Control Act, *N.J.S.A. 5:12-1 et seq.*, (hereinafter referred to as the Act), effective June 2, 1977. The Act has been amended and supplemented by a variety of legislative enactments since that time.

All of the subsequent enactments were intended to further the goals and purposes of the original Act, *i.e.*, to foster the redevelopment of the tourism, resort and convention industries in Atlantic City, New Jersey, provide new jobs, and generate tax revenues, all for the betterment of the general welfare, health and prosperity of the State of New Jersey and its inhabitants.

The first major amendment to the Act occurred in March, 1978. In recognition of the need to initiate casino operations, the Act was supplemented to allow casinos to open under a temporary casino permit which could be issued by the Casino Control Commission upon satisfaction of certain criteria designed to balance the significant law enforcement interests with those of stable and continuous casino operations.

Provisions for voting trust agreements and conservatorship were added to insure continuous casino operations in the event that continuing investigations of casino applicants revealed derogatory information concerning any applicant, or individual connected with any applicant, who was required to be qualified under the Act. This amendment also introduced New Jersey residency requirements for various casino and casino hotel employees.

A September, 1979 amendment revised various fee and tax provisions, the most notable of which called for a special assessment against hotel casinos in operation or with applications pending. The purpose of the special assessment was to repay to the New Jersey General Fund those monies appropriated to the Commission and the Division of Gaming Enforcement for initial expenses, thereby making the regulation of the casino industry a self-supporting operation.

The most comprehensive changes to the Act came with the passage of an omnibus bill, effective January 9, 1980. The Act was amended in many particulars, so that:

1. Variations or composites of the permitted games (blackjack, craps, roulette, baccarat, big six wheel and slot machines), were authorized subject to Commission approval.
2. All licensed casino employees were required to report any violation of the Act. Any reprisals against anyone making such a report were specifically prohibited.
3. Major changes to the provisions governing persons eligible for a casino license were made to permit more flexibility between and among landlords and tenants.
4. Qualifying space requirements for approved hotels were altered to permit more flexibility in the marketing of casinos.
5. The provisions governing disqualifying criteria for casino license applicants and employee license applicants were substantially revised. The list of offenses, conviction of which requires automatic disqualification, was completely rewritten to take into account the recently adopted Code of Criminal Justice, and to more justly achieve the goal of *per se* disqualification. The automatic disqualification provisions were limited to those convictions which occurred within a 10-year period immediately preceding the application for licensure. Further provision was made to permit casino employee and casino hotel employee applicants, who had been convicted of disqualifying offenses to demonstrate rehabilitation, and thereby avoid automatic disqualification.
6. Provisions for temporary employee licenses were added in recognition of the industry's pressing need for licensed employees pending completion of the extensive mandatory background investigation process. With the exception of temporary licenses for casino hotel employees, the Commission's authority to issue such temporary licenses will expire in July, 1981.
7. The Commission was authorized to permit gaming related service industries to do business with casino operators on an individual transaction basis.
8. The Commission's ability to exempt non-gaming related services from licensure requirements was expanded.
9. The duration of licenses was extended from one year to two years for casino employees whose work is related directly to gaming and from one year to three years for casino employees whose work is not related directly to gaming, casino hotel employees and non-gaming related service industries. Licenses for casino key employees and gaming related service industries remained valid for the limited period of one year.
10. Penalties for cheating and swindling were

(Continued on Page 6)

## THE ROLE OF THE CASINO CONTROL COMMISSION

The Casino Control Commission has continued to take an active role in assuring both the spirit and letter of the Casino Control Act are observed in the implementation of casino gaming in Atlantic City. The Commission is aware, however, of the evolutionary status of the casino industry in this state, and of the need for a continuing assessment of the nature and scope of those statutory and regulatory provisions which govern the industry.

The Commission has utilized the valuable experience it has acquired in the regulation of casino hotel development and operations to advise the Legislature of necessary revisions to the Casino Control Act. Substantial amendments of the statute have been thus enacted in such areas as license eligibility, hearing procedures and investment tax incentives.

The Commission makes a continuing effort to balance the competing goals of maximum participation of casino patrons with the vitality of casino operations. For example, the Commission has engaged in a unique effort to discover a means by which professional card counters may be permitted to play blackjack without seriously eroding the economic return from the game for the casino operators.

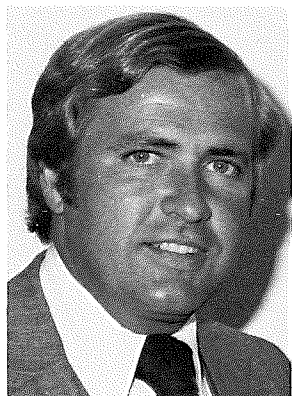
The Commission has also undertaken a comprehensive review of its application forms as a result of a broad constitutional challenge to their validity by several applicants. Although the Commission has found, after extensive hearings, that its application forms pass constitutional muster, the aforementioned review has been initiated to minimize the burdens placed upon applicants for employee licenses where appropriate.

The Commission has been sensitive to social problems associated with the advent of casino gaming in Atlantic City. The Commission has asked the Legislature to consider enacting legislation to provide for an investigation of the problem of compulsive gambling in New Jersey, and to authorize the New Jersey Department of Health to create a State Center for Compulsive Gamblers.

The problems of the hard-core unemployed remain a prime concern of the Commission. The Commission has played an instrumental role in the establishment of the Atlantic Construction Training Program, a non-profit corporation whose purpose is to provide for the training of minorities and women in the construction trades in Atlantic City.

### DIVISION OF GAMING ENFORCEMENT

The Division of Gaming Enforcement was created by the Casino Control Act to serve specific regulatory functions within the general legislative scheme. The Division is organized within the Department of Law and Public Safety and is under the immediate supervision of a Director who, in turn, serves under the direction and supervision of the Attorney General.



**G. MICHAEL BROWN**

The Director of the Division of Gaming Enforcement is G. Michael Brown. Director Brown assumed his position on July 3, 1980, succeeding former Director Robert P. Martinez. Director Brown had previously served as Deputy Director of the Division of Criminal Justice, and had been Chief Trial Counsel in many of the major criminal prosecutions brought by that

Division during the past few years. He also served as Chief Trial Counsel in the course of the hearing on the application of Resorts International Hotel for a plenary casino license.

The Division presently employs approximately 450 persons. Of these persons, 118 are State

Police personnel assigned to the Division on a full time basis.

The Division of Gaming Enforcement is delegated the responsibility to investigate all applications for licensure, enforce the provisions of the Casino Control Act and any regulations promulgated thereunder, and prosecute before the Commission all proceedings for violations of the Act or any regulations promulgated thereunder.

The Division is also responsible to provide the Commission with all information necessary for all licensing actions, and for all proceedings involving the enforcement of the provisions of the Act and the regulations promulgated thereunder.

In order to best accomplish these objectives, the Division is itself organized into nine sections corresponding to the functional responsibilities of the agency. These sections include the Service Industry Licensing Section, the Casino Licensing Section, the Casino Investigations Section, the Employee Licensing Section, the Audit Section, the Casino Operations Section, the Inspections Section, the Central Records Section, and the Administration Section.

Each of these sections falls under the supervision of one of two Deputy Directors. Guy S. Michael serves as Deputy Director of Operations, and Robert B. Sturges serves as Deputy Director of Investigations.

## CASINO REVENUE FUND

An annual tax on gross revenues is imposed upon operating casinos in Atlantic City. Monies collected as a result of this tax are deposited in the Casino Revenue Fund.

Pursuant to the constitutional amendment authorizing casino gambling in New Jersey, monies in the Casino Revenue Fund may be used exclusively for reductions in property taxes, rentals, telephone, gas, electric and municipal utilities charges of eligible senior citizens and disabled residents of New Jersey.

It is up to the Legislature to decide how this money is to be expended. To date, the Legislature has established two programs. Some money in the Casino Revenue Fund is used to pay for property tax (homestead) rebates for senior citizens, thus freeing up other money in the general treasury to pay for the prescription drug program for eligible senior citizens.

The second program in operation is "Lifeline." This provides a yearly \$125 credit on utility bills to eligible senior citizens and disabled persons.

To be eligible, a person must be a senior citizen or disabled under the Social Security definition, pay his or her own utility bills, and earn less than \$9,000 a year if single, or less than \$12,000 a year if married.

The same income eligibility requirements apply to the state prescription drug program, although it is only for senior citizens.

The New Jersey Department of Human Services administers both programs.

From the inception of casino gaming in New Jersey through June 30, 1980, a total of \$20,930,931 has been spent on the Lifeline program, while \$28 million was disbursed for property tax rebates.

During Fiscal 1980, the Commission collected \$58.1 million for the Casino Revenue Fund. Since the inception of casino gaming in New Jersey through June 30, 1980, the Commission collected \$77.9 million.

A total of \$48.9 million was expended on the Lifeline and property tax rebate programs, leaving a surplus of \$28.9 million as of June 30, 1980.

## CHAIRMAN'S MESSAGE

*(Continued from Page 3)*

the application and investigation process, seeking ways to improve the system.

It was a dream in 1975, a reality by referendum in 1976 and legal with the signing into law of the Casino Control Act in 1977.

New Jersey's first casino opened in 1978 and now two years later I can report that the State's newest industry is well-established in Atlantic City and well-regulated by the Division of Gaming Enforcement and the Casino Control Commission.

## CASINO CONTROL ACT

*(Continued from Page 4)*

broadened to include attempts to cheat or swindle.

11. The Commission was vested with authority to review affirmative action efforts undertaken by developers in the construction of a casino-hotel facility prior to the filing of an application.

In May 1980, the Act was amended to permit non-corporate applicants to apply for a temporary casino permit. In addition, the Commission's authority to issue such permits was discontinued after July 1, 1981, provided that certain applicants, who had previously obtained financial commitments in reliance upon the temporary permit provision, could obtain a permit no later than December 31, 1981.

Though not effective until after fiscal year 1980 ended, several other bills amending the Act were introduced in 1980 which warrant comment. The most significant is that which reconstituted the Commission from a body composed of one full-time Chairman and four part-time Commissioners to a five-member, full-time Commission. Many of the ministerial functions performed by the Chairman under the prior law were transferred to the Commission as a whole.

Another amendment concerned specific provisions to be included in the Codes of Ethics which govern the Commission and the Division. Complimentary services which casinos may provide to certain state and municipal employees were limited to those available to the public generally. In addition, reporting requirements were imposed concerning the extension of credit by any casino to any state employee and certain municipal employees.

Lastly, the Act was amended to incorporate conflict of interest provisions, which place restrictions on certain state employees regarding employment in or by a casino-hotel, and on their obtaining an interest in a casino-hotel.

As time passes and more experience is gained, further amendments to the Casino Control Act undoubtedly will be required. The Commission is engaged constantly in the process of reviewing the Act and recommending such changes as it deems necessary to perpetuate and pursue the goals and purposes of the original Act.

## ORGANIZATION OF THE CASINO CONTROL COMMISSION

The Casino Control Commission consists of five\* members appointed for staggered fixed terms by the Governor with the advice and consent of the Senate. By law, Commission members may not engage in any other business, occupation or gainful employment during their term in office. The member designated by the Governor to serve as Chairman is the chief executive officer of the Commission. A Vice-Chairman is chosen annually by the Commission from among the other members.

The Commission is authorized by the Casino Control Act to employ such personnel as it may deem necessary. As of June 30, 1980, the Commission employed a staff of 293 professional and clerical personnel. Commission members and employees are subject to comprehensive employment restrictions, not only during, but prior, and subsequent to their actual terms of office or employment.

As indicated in the following table of organization, the Commission's staff is divided into four divisions: Legal, Financial Evaluation and Control, Licensing and Administration. The functions of these four divisions are described briefly below.

Unlike most New Jersey administrative agencies, which are represented by the Attorney General in legal matters, the Commission is authorized by the Casino Control Act to employ its own independent legal counsel. The Legal Division of the Commission's staff is headed by General Counsel R. Benjamin Cohen. The Legal Division performs three primary functions. First, legal opinions are prepared on various issues of law. These opinions may be informal, i.e., non-binding opinions issued directly by the staff, or formal, opinions reviewed and voted on by the Commission. Second, Commission regulations and suggested statutory amendments are prepared and reviewed by the Commission's attorneys. Finally, the Legal Division represents the Commission in all actions to which the Commission is a party.

The Financial Evaluation and Control Division, under the supervision of Director Francis X. Fee, is responsible generally for the regulation and analysis of the daily operations of casino licenses and permittees. In meeting this responsibility, the Commission's accountants evaluate the adequacy

of each casino's internal control system, and perform statistical analyses of actual casino operations. Commission inspectors continuously monitor gaming operations and the effectiveness of the casinos' internal control systems to determine compliance with Commission regulations. The Financial Evaluation and Control Division is also responsible for the assessment and collection of all casino related taxes and licensing fees.

The Licensing Division is headed by Joseph A. Fusco, Special Counsel for Licensing. This Division is divided into four sections which reflect its four primary areas of responsibility. The Casino Section reviews and analyzes casino license applications, evaluating both the suitability of proposed facilities and the entities and persons required to be approved as part of the license applications. The Employee Section processes all employee license applications and makes an initial determination whether an applicant's experience qualifies the individual for a particular position. The Enterprise Section is responsible primarily for the processing of all applications for casino service industry licenses, contract approvals and labor organization registrations. Finally the Affirmative Action Section reviews and evaluates affirmative action programs, which must be submitted by all applicants for a casino service industry license, and supervises the affirmative action requirements of the casino hotel construction workforce.

The Administration Division, under the direction of Executive Secretary William F. X. Band, provides administrative support for all activities of the Commission. In addition to providing normal administrative services to the Commission and its staff, this division responds to public and industry inquiries, and coordinates the dissemination of public information to the media. The organization of, and preparation for Commission meetings and hearings, and the maintenance of the official records of the Commission are other responsibilities of this division.

*\*(Originally, the Chairman was full time and the other Commissioners served in a part time capacity. In July, 1980, the Casino Control Act was amended to make all five Commissioners full time.)*

**CASINO CONTROL COMMISSION  
CASINO REVENUES AND TAX SUMMARY  
INCEPTION—DECEMBER 1980**

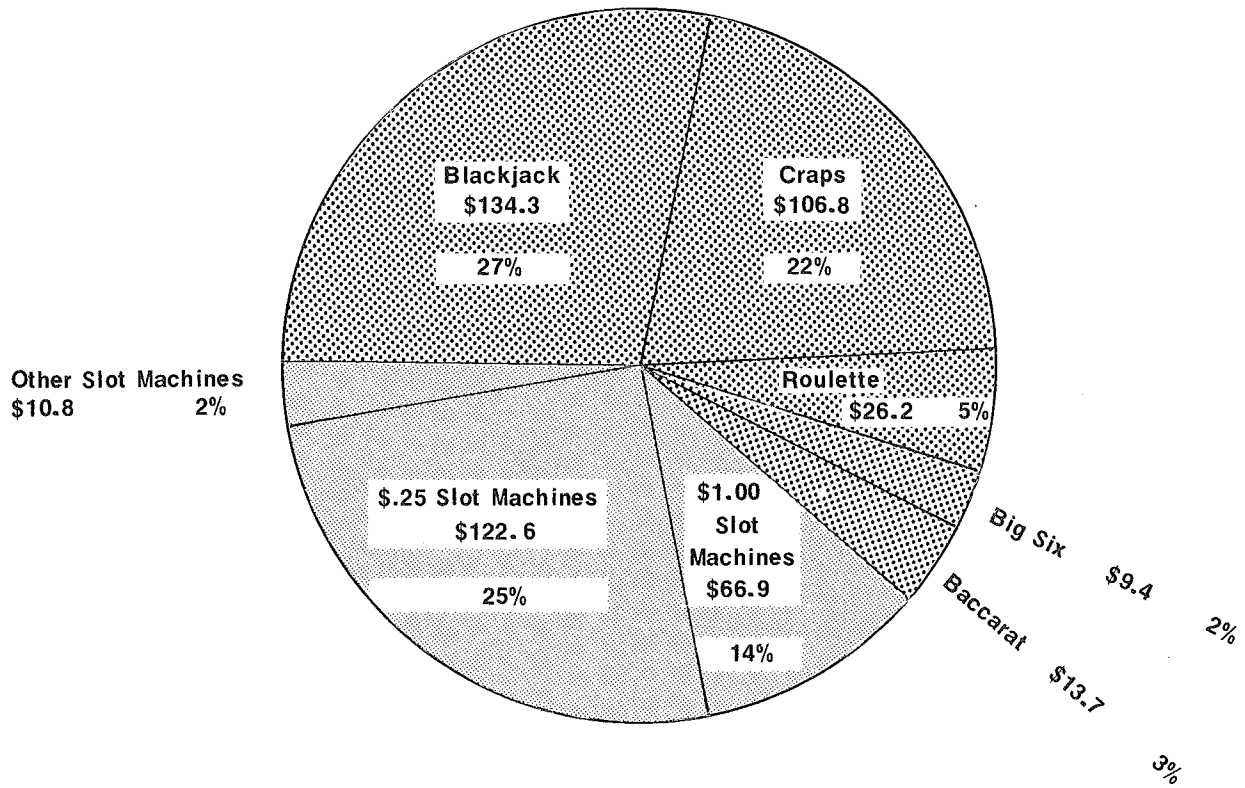
		<b>Gross Revenues</b>			
		<u>Resorts</u>	<u>Regency</u>	<u>Bally</u>	<u>Brighton</u>
Inception of Casino Gambling to July 1, 1979		<u>\$247,041,445</u>	<u>\$ 821,090</u>		
<b>1979</b>					
	July	24,876,788	10,563,149		
	August	23,825,295	18,440,595		
	September	19,558,839	16,658,477		
	October	18,311,317	14,911,724		
	November	18,226,073	15,820,889		
	December	15,179,436	14,067,299	\$ 1,251,559	
	Subtotal	<u>119,977,748</u>	<u>90,462,133</u>	<u>1,251,559</u>	
<b>1980</b>					
	January	15,375,616	14,214,314	9,386,669	
	February	15,786,922	14,815,774	10,247,840	
	March	18,052,161	16,695,444	13,107,311	
	April	18,728,654	16,205,488	13,438,215	
	May	19,296,682	17,071,008	15,438,806	
	June	18,126,703	17,226,909	15,775,394	
	Subtotal	<u>105,366,738</u>	<u>96,228,937</u>	<u>77,394,235</u>	
Total for Fiscal Year 1980		<u>225,344,486</u>	<u>186,691,070</u>	<u>78,645,794</u>	
<b>1980</b>					
	July	22,888,060	22,274,334	20,183,878	
	August	24,270,041	24,835,328	22,891,768	\$ 4,901,518
	September	16,944,674	16,647,829	15,970,857	5,754,637
	October	16,474,495	18,347,373	17,594,302	6,321,953
	November	15,829,311	18,716,497	16,234,517	6,752,138
	December	10,543,854	11,718,016	11,254,587	3,567,940
Total for Six Months Ended December 31, 1980		<u>106,950,435</u>	<u>112,539,377</u>	<u>104,129,909</u>	<u>27,298,186</u>
Total		<u>\$579,336,366</u>	<u>\$300,051,537</u>	<u>\$182,775,703</u>	<u>\$27,298,186</u>

<u>Harrah's</u>	<u>Golden Nugget</u>	<u>Total Gross Revenues Per Month</u>	<u>Adjustment for Uncollectable Patron Checks</u>	<u>Revenues After Adjustment</u>	<u>Tax on Gross Revenues Per Month</u>
		\$ 247,862,535	\$ 550,000	\$ 247,312,535	\$ 19,785,003
		35,439,937	—	35,439,937	2,835,195
		42,265,890	100,000	42,165,890	3,373,272
		36,217,316	—	36,217,316	7,450,311*
		33,223,041	199,163	33,023,878	3,962,865
		34,046,962	17,279	34,029,683	4,083,562
		30,498,294	544,466	29,953,828	3,594,459
		<u>211,691,440</u>	<u>860,908</u>	<u>210,830,532</u>	<u>25,299,664</u>
		38,976,599	125,000	38,851,599	4,662,192
		40,850,536	251,191	40,599,345	4,871,922
		47,854,916	744,741	47,110,175	5,653,220
		48,372,357	3,876,802	44,495,555	5,339,467
		51,806,496	1,355,867	50,450,629	6,054,076
		51,129,006	2,040,069	49,088,937	5,890,672
		<u>278,989,910</u>	<u>8,393,670</u>	<u>270,596,240</u>	<u>32,471,549</u>
		<u>490,681,350</u>	<u>9,254,578</u>	<u>481,426,772</u>	<u>57,771,213</u>
		65,346,272	2,904,529	62,441,743	7,493,010
		76,898,655	2,124,359	74,774,296	8,032,763
		55,317,997	1,227,557	54,090,440	5,409,044
		58,738,123	1,695,190	57,042,933	5,704,293
\$1,931,540		59,464,003	1,013,000	58,451,003	5,514,543
<u>5,874,166</u>	<u>\$4,950,788</u>	<u>47,909,351</u>	<u>1,777,366</u>	<u>46,131,985</u>	<u>3,690,212</u>
<u>7,805,706</u>	<u>4,950,788</u>	<u>363,674,401</u>	<u>10,742,001</u>	<u>352,932,400</u>	<u>35,843,865</u>
<u>\$7,805,706</u>	<u>\$4,950,788</u>	<u>\$1,102,218,286</u>	<u>\$20,546,579</u>	<u>\$1,081,671,707</u>	<u>\$113,400,081</u>

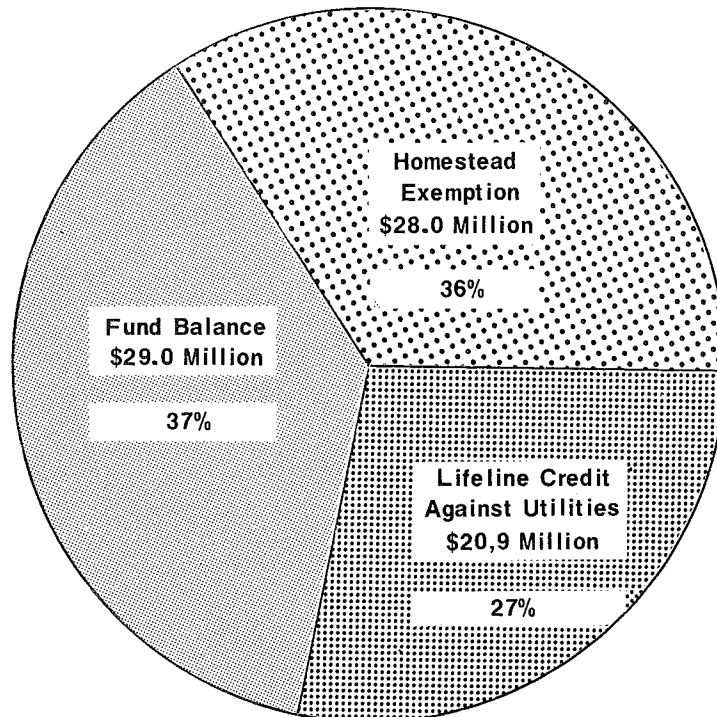
\* Assembly Bill No. 3602, signed on September 18, 1979, calls for an effective tax rate of 12% when two or three licensed casinos are in operation, 10% when four licensed casinos are in operation and 8% when five or more licensed casinos are in operation. The September tax reflects an adjustment of \$3,104,233 which is the retroactive 4% increase for the months of July and August.

\*\* Gross casino revenue or "win" represents what the casino wins from the patrons before taxes and expenses are deducted.

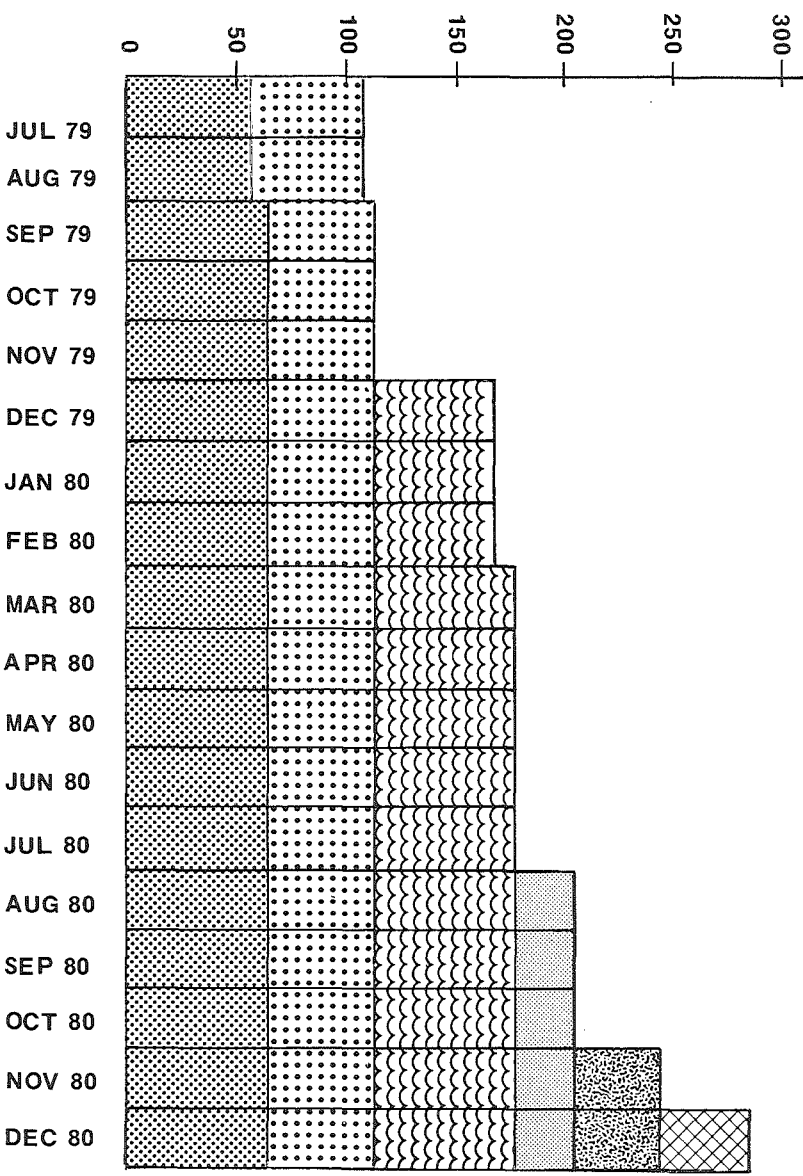
**GROSS CASINO WIN  
FOR THE FISCAL YEAR 1980  
\$490.7  
(\$ in Millions)**



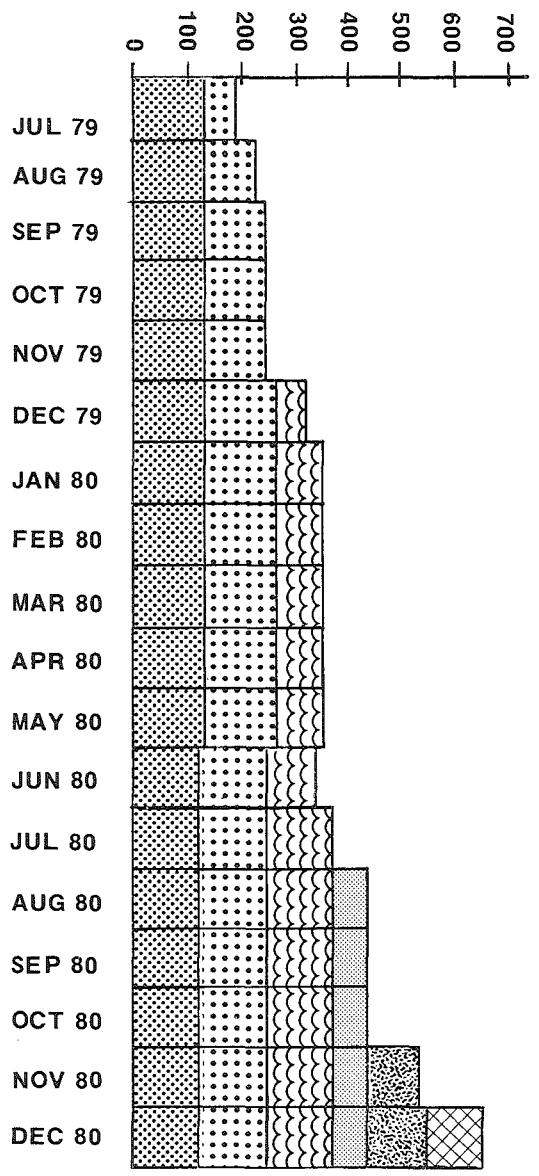
**GROSS REVENUE TAXES AND DISTRIBUTION  
INCEPTION TO JUNE 30, 1980  
\$77.9 Million**



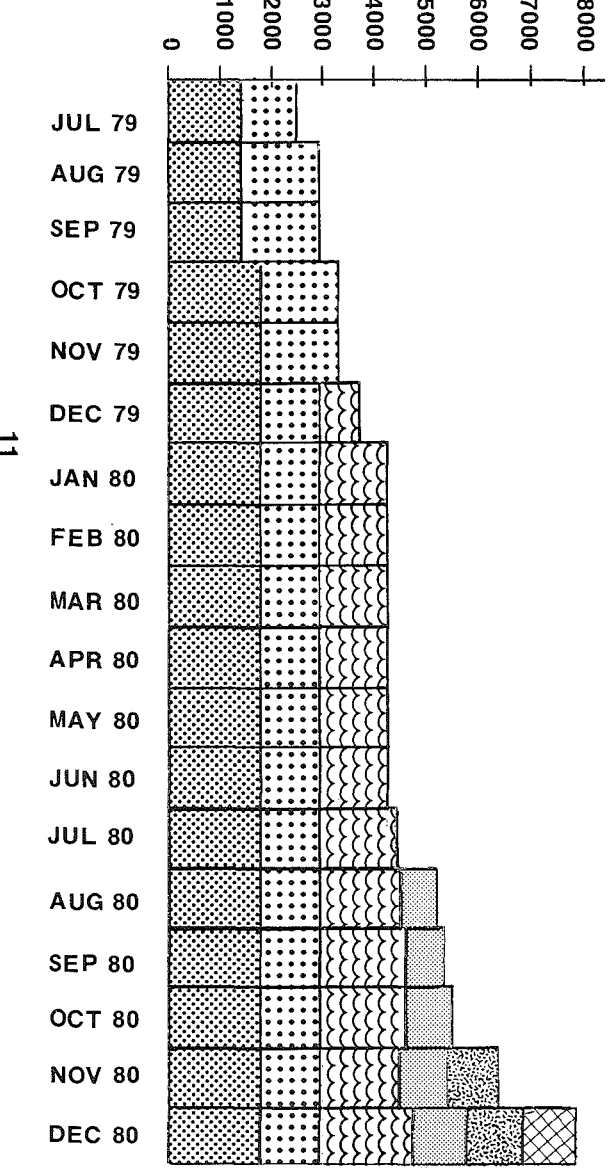
CASINO SPACE  
(square feet in 000)



NUMBER OF  
TABLE GAMES



NUMBER OF  
SLOT MACHINES



**CASINO CONTROL COMMISSION  
LICENSING STATISTICS AS OF JUNE 30, 1980**

**CASINO HOTELS**

	Fiscal '80	Inception Through June, 1980
License applications filed	7	19
Temporary casino licenses issued	1	3
Casino licenses issued	0	1
Casino licenses renewed	1	1

**CASINO SERVICE INDUSTRIES**

Contract approval forms filed	2,733	4,264
Firms permitted to conduct business	2,540	4,071
Contracts approved	674	1,162
Service industry license applications:		
Gaming-related firms which applied	5	28
Gaming-related firms licensed	4	8
Gaming-related firms denied	0	0
Non-gaming related applications	217	642
Non-gaming related licenses approved	117	187
Non-gaming related licenses denied	1	1
Exemption requests received	3	65
Exemption requests accepted for filing	3	28
Exempted by Commission	0	8

**GAMING SCHOOLS**

Applications filed	0	11
Schools licensed	0	4

**LABOR ORGANIZATION REGISTRATIONS**

Labor organizations registered	2	13
Processed by Commission	0	0

**EMPLOYEES**

Casino Key employees		
Applications filed	746	1,222
Licenses issued*	341	483
Casino Employees		
Applications filed	10,126	19,819
Licenses issued	8,786	12,361
Gaming School Employees		
Applications filed	117	337
Licenses issued	74	163
Casino Hotel employees		
Applications filed	8,721	15,887
Licenses issued*	5,530	9,189
Total employees		
Applications filed	19,710	37,265
Licenses issued	14,731	22,196
Position additions processed	2,607	3,475
License renewals processed	2,861	4,413

\*Does not include temporary casino hotel employee or temporary key casino employee licenses issued.



## CASINO CONTROL FUND

### New Jersey State Legislature

OFFICE OF LEGISLATIVE SERVICES  
DIVISION OF STATE AUDITING  
STATE HOUSE, SUITE 232  
TRENTON, NEW JERSEY 08625  
TELEPHONE (609) 292-6430

February 6, 1981

TO: Honorable Brendan Byrne  
Governor of New Jersey

Honorable Joseph P. Merlino  
President of the Senate

Honorable Christopher J. Jackman  
Speaker of the General Assembly

Executive Director  
Office of Legislative Services

Gentlemen:

We have examined the balance sheet of the Casino Control Fund of the State of New Jersey as of June 30, 1980, and the related statement of revenues, expenditures, and changes in fund balance - budget and actual, for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

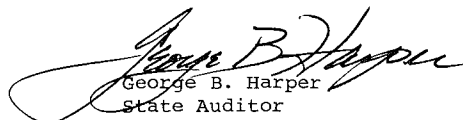
The statements previously referred to reflect the activities of the Casino Control Commission (Department of the Treasury) and the Division of Gaming Enforcement (Department of Law and Public Safety). Expenses of both agencies are appropriated and paid from the Casino Control Fund. As more fully described in Notes to the Financial Statements 3, the fund changed certain of its financial accounting and reporting practices during Fiscal Year 1980 to more closely conform to generally accepted accounting principles. The statements for Fiscal Year 1979, although unaudited, have been restated to reflect the changes set forth in Note 3.

"Statement 1 - Governmental Accounting and Financial Reporting Principles" (Statement 1), published in March 1979, sets forth revisions in generally accepted accounting principles (GAAP) and is effective for fiscal years ending after June 30, 1980. Early application of these principles by the fund for the Fiscal Year ending June 30, 1980 results in two existing practices which, while in conformity with previous principles, does not fully comply with Statement 1. These practices are the recognition of encumbrances as expenditures and the classification of encumbrances as a liability on the balance sheet.

The information presented for Fiscal Year 1979 has been extracted from fund records without examination by us, and accordingly we do not express an opinion on them. In our opinion, except for the effect of accounting and reporting practices as set forth in the preceding paragraphs, and subject to final disposition of certain litigations (see Note 7), the accompanying statements present fairly the financial position of the Casino Control Fund as of June 30, 1980 and the results of operations for the year then ended, in conformity with generally accepted accounting principles as set forth in Statement 1.

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

Respectfully submitted,

  
George B. Harper  
State Auditor

**STATE OF NEW JERSEY  
CASINO CONTROL FUND  
BALANCE SHEET  
FISCAL YEARS ENDED JUNE 30, 1980 AND 1979**

**EXHIBIT I  
(in \$000)**

	<u>June 30, 1980</u>	<u>June 30, 1979</u> (Unaudited)
<b>ASSETS</b>		
Accounts Receivable	\$ 1,283.4	\$ 378.5
Less Allowance for Doubtful Accounts	<u>241.2</u>	<u>55.5</u>
Net Accounts Receivable—June 30	1,042.2	323.0
Due from General Fund	<u>3,225.0</u>	<u>2,410.8</u>
Total Assets	<u>\$ 4,267.2</u>	<u>\$2,733.8</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts Payable	\$ 2,584.4	\$1,503.8
Encumbrances—Current Year	1,035.1	887.0
—Prior Years	647.7	343.0
Due to General Fund	<u>8,004.4</u>	<u>4,687.0</u>
Total Liabilities	12,271.6	7,420.8
Fund Balance—Unreserved	(8,004.4)	(4,687.0)
Total Liabilities and Fund Balance	<u>\$ 4,267.2</u>	<u>\$2,733.8</u>

( ) Denotes minus amounts

SEE NOTES TO FINANCIAL STATEMENTS

**STATE OF NEW JERSEY  
CASINO CONTROL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE—BUDGET AND ACTUAL  
FISCAL YEARS ENDED JUNE 30, 1980 AND 1979**

**EXHIBIT II  
(in \$000)**

	Fiscal Year Ended June 30, 1980			Fiscal Year Ended June 30, 1979		
	<u>Budget</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)	<u>Budget</u>	<u>Actual</u> (Unaudited)	Variance- Favorable (Unfavorable)
<b>Revenues:</b>						
Licenses						
Casino	\$ 7,600.0	\$ 6,148.8	\$(1,451.2)	\$4,700.0	\$4,811.4	\$ 111.4
Casino Employees	550.0	2,280.6	1,730.6	402.0	1,559.3	1,157.3
Slot Machine	2,000.0	1,944.6	(55.4)	305.0	255.6	(49.4)
Casino Service Industry	200.0	698.3	498.3	597.0	322.0	(275.0)
Alcoholic Beverage	200.0	316.8	116.8	82.0	167.0	85.0
Work Permits	350.0	669.5	319.5	339.0	351.6	12.6
Other Revenues	100.0	484.0	384.0	—	519.3	519.3
Total Revenues	<u>11,000.0</u>	<u>12,542.6</u>	<u>1,542.6</u>	<u>6,425.0</u>	<u>7,986.2</u>	<u>1,561.2</u>
<b>Expenditures:</b>						
Casino Control Commission						
(Schedule I)	4,755.0	4,945.4	(190.4)	2,500.0	2,414.2	85.8
Division of Gaming Enforcement						
(Schedule I)	11,775.0	11,014.2	760.8	6,700.0	6,846.2	(146.2)
Total Expenditures	<u>16,530.0</u>	<u>15,959.6</u>	<u>570.4</u>	<u>9,200.0</u>	<u>9,260.4</u>	<u>(60.4)</u>
<b>Other Increases:</b>						
Cancellation of Prior Years Obligations	—	99.6	99.6	—	39.7	39.7
Excess of Revenues and Other						
Increases over (under)						
Expenditures	<u>\$(5,530.0)</u>	<u>(3,317.4)</u>	<u>\$2,212.6</u>	<u>\$(2,775.0)</u>	<u>(1,234.5)</u>	<u>\$1,540.5</u>
Fund Balance—July 1		<u>(4,687.0)</u>			<u>(3,452.5)</u>	
Fund Balance—June 30		<u><u>\$(8,004.4)</u></u>			<u><u>\$(4,687.0)</u></u>	

( ) Denotes minus amounts

SEE NOTES TO FINANCIAL STATEMENTS

**STATE OF NEW JERSEY  
CASINO CONTROL FUND  
EXPENDITURE DETAIL**

**SCHEDULE I  
(in \$000)**

Fiscal Year Ended June 30,

<u>Expenditures</u>	<u>1980</u>		<u>1979</u> (Unaudited)	
	<u>Casino Control Commission</u>	<u>Division of Gaming Enforcement</u>	<u>Casino Control Commission</u>	<u>Division of Gaming Enforcement</u>
Salaries	\$2,866.8	\$ 5,296.5	\$1,421.0	\$3,860.2
Payroll Taxes and Employee Benefits	496.8	1,285.9	259.7	577.9
Printing and Office Supplies	99.2	375.3	41.7	226.9
Travel	57.2	47.2	54.3	35.8
Telephone	83.9	266.8	47.3	131.7
Legal and Investigative	202.1	619.7	59.4	466.8
Rent—Facilities	157.5	177.3	83.7	116.3
Rent—Automobiles	28.4	228.8	18.7	170.3
Rent—Other	13.5	148.1	17.1	55.2
Professional Fees	97.6	886.8	38.1	55.5
Staff Training	1.8	168.1	.3	296.8
Office Equipment	133.4	653.0	55.1	319.6
Vehicular Equipment	18.9	280.8	.1	57.4
Other Expenditures	124.4	153.9	40.0	54.9
Indirect Costs (Note 4)	246.4	426.0	91.5	420.9
Interest (Note 5)	317.5	—	186.2	—
Total Expenditures	<u>\$4,945.4</u>	<u>\$11,014.2</u>	<u>\$2,414.2</u>	<u>\$6,846.2</u>

SEE NOTES TO FINANCIAL STATEMENTS

**STATE OF NEW JERSEY  
CASINO CONTROL FUND**

**NOTES TO FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 1980**

**NOTE 1—Plan of Organization**

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

Pursuant to the "Casino Control Act" P.L. 1977, c. 110, the Casino Control Fund was established in the Department of the Treasury as a separate special account wherein all fees, fines and penalties collected or accrued by the Casino Control Commission are recorded. Fees have been established by N.J.A.C. 19:41-9.1 et seq. based on the cost of investigating and processing license applications along with the cost of maintaining control and regu-

latory activities contemplated by the "Casino Control Act". Fines and penalties are assessed by the Casino Control Commission pursuant to the authority granted by the "Casino Control Act". Moneys in the Casino Control Fund are appropriated exclusively for the operating expenses of the Casino Control Commission and the Division of Gaming Enforcement.

Taxes on gross casino revenues are accounted for through the Casino Revenue Fund and are not reflected in the accompanying financial statements.

**NOTE 2—Summary of Significant Accounting Policies**

The accounting policies of the Casino Control Fund conform to generally accepted accounting principles as defined by Statement 1, except as noted below. Statement 1 sets forth revisions in Generally Accepted Accounting Principles (GAAP) and is effective for fiscal years ending after June 30, 1980. Early application of these principles by the Fund resulted in two existing practices which, while

in conformity with previous principles, does not fully comply with Statement 1. These practices are the recognition of encumbrances as expenditures and the classification of encumbrances as a liability on the balance sheet.

The State of New Jersey, Department of the Treasury, maintains a central accounting system on a modified accrual basis, through which all revenues and expenditures of the Casino Control Fund are processed and recorded. Under this modified accrual basis, revenues are recorded as received in cash, except for those revenues susceptible to accrual (measurable, available and material). Expenditures are recorded on a modified accrual basis wherein prepaid items, inventory items and fixed assets are considered as expenditures at the time of purchase, and therefore are not included on the accompanying Balance Sheet.

Other significant accounting policies are described in Notes 3 through 6.

### **NOTE 3—Changes in Accounting Principles and Statement Presentation**

The format and classification of the accompanying financial statements have been revised from previous years' statements to conform with generally accepted accounting principles as defined by Statement 1.

The data in the Statements of Anticipated Revenue, Appropriations and Expenditures, and Changes in Fund Balances presented in the State of New Jersey Financial Report for the Fiscal Year ended June 30, 1979, have been summarized and are presented in the accompanying Statement of Revenues, Expenditures, and Changes in Fund Balance—Budget and Actual.

The accompanying financial statements contain prior year adjustments (revenues \$323,000; encumbered expenditures \$845,000; and accounts payable \$126,000) to present more fairly the revenues and expenditures in the periods to which they pertain.

The first Annual Report of the Casino Control Commission presented results of the Casino Control Fund's revenues and disbursements for the 22-month period ended on June 30, 1979 on the cash basis of accounting.

In order to conform with Statement 1, the following

changes in the current Annual Report have been effected:

- a. A change from the cash basis to the modified accrual basis of reporting;
- b. Inclusion of a balance sheet in the financial statements; and
- c. The summarization and reformatting of the statement of revenues and disbursements.

### **NOTE 4—Indirect Costs**

The Departments of the Treasury and Law and Public Safety annually allocate a portion of their expenses (based on services provided) to the Casino Control Commission and the Division of Gaming Enforcement.

### **NOTE 5—Interest Expense**

The General Fund charges interest to the Casino Control Fund for disbursements made in excess of revenues collected. During the Fiscal Years ended June 30, 1980 and 1979, interest was charged at an annual rate of 8%.

### **NOTE 6—Subsequent Events**

Pursuant to *N.J.A.C. 19:41-9.1* a special assessment of \$8.0 million was made to casinos in operation or with applications pending as of July 1, 1980. Approximately \$7.2 million of the \$8.0 million liability to the General Fund as of June 30, 1980 has been repaid from this special assessment.

Effective July 1, 1980, the General Fund will charge interest to the Casino Control Fund at a rate equal to the month-end New York Federal Reserve Discount Rate charged to banks. In no event will the annual interest rate be less than 8%.

### **NOTE 7—Contingent Liabilities**

Various casinos currently in operation, or with applications pending, have paid the special assessment referred to in Note 6 under protest. The amount of protested payments total \$7.2 million. Since formal legal action has not been taken by any of these operators or applicants, the ultimate disposition of these matters cannot be predicted.

