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P U B L I C H E A R I N G

before

ASSEMBLY INDEPENDENT AUTHORITIES AND COMMISSIONS COMMITTEE

on

THE IMPACT OF CASINO GAMBLING ON ATLANTIC CITY AND THE SURROUNDING AREA

Held:

March 17, 1982

Room 206, City Hall Commission Chamber
Atlantic City, New Jersey

MEMBERS OF COMMITTEE PRESENT:

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Assemblyman Dennis L. Riley
Assemblyman Wayne R. Bryant
Assemblyman S. M. Terry LaCorte
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ASSEMBLYMAN BUDDY FORTUNATO (Chairman): Good morning. Yesterday we heard testimony about the problems that have resulted from the establishment of casino gambling in Atlantic City.

This morning we are going to hear from the casino industry, which in many ways is the source of those problems but which also is and has been the source of many benefits to Atlantic City. Moreover, the casino industry is probably going to be the source of the solutions to existing problems, for as the casino industry prospers, so should Atlantic City and the surrounding area. But to ensure that happens, it is going to be necessary to channel that prosperity so that happens. It is going to be necessary to channel that prosperity so that the benefits are not confined to a few people, but rather are far-reaching and result in the improvement of the lives of all the citizens of this area.

The challenge before us is finding out how to promote the prosperity of the casinos without compromising the tough and necessary standards of law enforcement and how to enable the industry to make the management decisions it feels necessary for its effective and profitable operation without forgetting that the casino industry is not simply to be an end in itself but is to serve as a means for transforming and revitalizing a community and its people.

I hope that the industry in its testimony today will be offering some ideas and suggestions to accomplish those goals.

I understand we have an adjustment in the speaker's list.

MR. DOWNEY: I will still go first, Mr. Chairman. Mr. Gilman will be second.

ASSEMBLYMAN FORTUNATO: Mr. William Downey, the Executive Director of the Atlantic City Casino Hotel Association.

W I L L I A M J. D O W N E Y: Mr. Chairman, members of the Committee, I would like to introduce Matthew Boylan who is the attorney for the Association. He has joined me here this morning.

I am Executive Director of the Casino Hotel Association, which is made up of the nine operating casinos and nine involved in various stages of planning and development. It is our understanding that the purposes of your hearings are to determine the current condition and future prospect of casino gambling in Atlantic City.

With respect to the present conditions of the industry in Atlantic City, I believe that it would be helpful for you and the Committee to have, by way of backdrop for your present study, some idea of the fulfillment of the promises or projections made concerning the industry at the time of the referendum in 1976. Let me state categorically that in less than four years this infant industry has met or exceeded all of the promises projected in 1976. This fact is not an idle boast of the industry but was corroborated by a recent independent report prepared for the Federal Reserve Bank of Philadelphia, a copy of which is attached to my testimony. Let me summarize those futuristic hopes and present realities. I am paraphrasing the impacts of casino gambling from the economic research report prepared in 1976.

1. ERA projected that six casino hotels would be operating in Atlantic City by 1985. Presently there are nine operating casino hotels.

2 In the area of jobs, the report projected that between 22,000 and 29,000 jobs would be created within the casino hotels by 1985. Today,

approximately 27,500 persons are employed at the nine operating casino hotels. Of those jobs, 12,500 (45%) have gone to women and over 7,500 (27%) have gone to minorities.

3. For 1976, the New Jersey Department of Labor and Industry reported an average annual Atlantic City area labor force of 81,300 of which 9,900 or 12.2% were unemployed. For the year 1981, the Department's figures show an average annual labor force of 114,300 of which 9,492 or 8.3% were unemployed.

4. The ERA report projected a maximum industry payroll of \$284 million annually by 1985. In 1980, total industry wages alone exceeded \$200 million and in 1981 our employees wages, including fringe benefits, exceeded \$480 million. It should be noted that three of the nine casino hotels opened during 1981. Consequently, it is estimated that 1982 industry wages and benefits will approach \$600 million.

5. ERA projected that by 1985 between \$437 and \$698 million would be spent to construct hotel rooms. Presently, the construction investment by just the nine operating casino hotels approaches \$1.5 billion which has resulted in the creation of about 4,800 first class hotel rooms within the facilities.

6. The report showed that in 1972, Atlantic City's net taxable valuation was \$334 million. By 1975, that figure had declined to \$319 million, despite a substantial rate of inflation over the period. The 1982 taxable valuation of Atlantic City exceeds \$1.5 billion dollars of which \$907 million represents that taxable valuation of casino hotel properties will pay approximately 60% of the total Atlantic City property tax.

7. ERA estimated that by 1985, the State of New Jersey would receive approximately \$31 million annually from the casino revenue tax. However, from the opening of the first casino hotel in May 1978 to February 28, 1982, the total casino revenue tax paid to the State exceeds \$215 million. Just for 1981, the State received \$86.5 million from the casino revenue tax. This tax, as you know, is used to fund programs for senior citizens and disabled persons. The industry is aware that much criticism has been leveled at the State for its failure to distribute the tax revenues realized to the senior citizens and disabled. But, that is a matter for you to handle.

8. The ERA report verified that prior to the first casino hotel opening, visitation to Atlantic City had stagnated, traffic counts along the three major arteries into the city showed no increase from year to year since the late 1960's. In fact, during the latter years, the figures indicated a decline in visitor traffic. Based on official traffic counts and charter bus figures, Atlantic City had 13.8 million visitors during 1980 and 19.1 million visitors for 1981. The number of visitors for 1981 makes Atlantic City the most popular resort destination in the country.

9. As stated earlier in this report, ERA found that Atlantic City luxury tax collections declined from \$3.38 million in 1970 to \$2.84 million in 1975. The 1981 sales and luxury tax revenues are estimated at \$7.8 million compared to 1980 revenue of \$5.8 million. The growth in sales/luxury tax revenues is consistent with continuing increases in volumes of visitors. Presently, in excess of 60% of the total sales/luxury taxes are generated by the casino hotels.

Additional noteworthy economic impacts are:

1. The New Jersey Department of Labor and Industry reported that for 1979, that is the latest available report, the Atlantic City labor area reported the greatest percentage increase in the nation for average annual wages, 16.4%, and total personal income, 20.1%.

2. The State of New Jersey receives substantial personal income taxes from casino employees. The State also receives corporate taxes, unemployment and disability taxes, slot machine and miscellaneous taxes from the casino-hotel companies. We estimate that the total 1981 State taxes derived from this industry exceeded \$117 million. This fact will be elaborated upon by future testimony.

With this recitation of facts, you can readily see every one of the goals set forth in the preamble of the enabling casino legislation has been met in full or part measure. I do not know of another piece of legislation of this magnitude that has, within four and one-half years of enactment, achieved that degree of success.

With respect to the future prospects of the industry, we have attached to the testimony a list of specific legislation changes we would recommend and my colleagues will be testifying to specific issues that must be addressed by the legislature to bring this fledgling industry to full maturity. Central to all of these considerations, however, is the need to restore these facilities as profit centers and thereby encourage future development which in turn will provide the base of the economic pyramid upon which all the other building blocks will rest. It is in this fashion that we will attain the apex of the pyramid which is the total redevelopment of the city.

Let me touch on this aspect of redevelopment, because you recall also in the much used and therefore abused words of the Act, this experiment was to be "A unique tool for urban redevelopment." We have discussed this goal among ourselves and with the leaders of government and business and the broader community in our city, and those dialogues continue. While much has been accomplished, much remains to be done, and as you look around the city, and as you heard yesterday, many are mindful of that fact and so are we. But keep in mind that the proponents of casino gaming never said that this industry would be the panacea for all our problems. And from the brief recitation, which I gave you earlier, the goals that we established were, on reflection, fairly modest. The historical revisionists would have you think that we promised more - a review of the materials used by the proponents of legalized gambling will reject that thesis. I have many of these materials in my possession and I have made them available to the Control Commission and would certainly do so for you if you desire them. But let me pose a question to you which we have asked in our conversations with local government, business and community leaders. "Is there any goal that you could conceive of for our city that the industry would not desire?" Catalogue your list - a vibrant, vital, refurbished retail district - so do we - quality schools, clean beaches, adequate parking, urban beautification, better traffic flow, good homes, the first goal of all government - security of my person - and so on down the list. You want them; we want them, and every family in town wants them. We are in "union with" one another - we are, all of us, community. There is, you see, no diversity

in any of our perceptions, there is identity. So when the question is posed: What is the perception of the casino's role in Atlantic City - the answer is, simply, your perception is our perception and our perception is the community's perception.

Well, you ask: Since we have identical goals, how do we achieve them? Let us look at the givens and how we translate those givens into our mutually desired goals.

The casino industry has provided a new-found tax base by means of our billion and a half dollar investment in our city. As you know, our bonding capacity in the city is a function of our tax base -- We have now unparalleled opportunities for a bona fide capital improvement program. How will that money be spent? What is the hierarchy of capital improvements that all segments of the community deem necessary to bring about the full revitalization of our city? The urban revitalization of a city is a complex process and a lengthy process. Four years in a life of a city is nothing. Look at the great redevelopment successes of the eastern seaboard - Boston, Philadelphia, Baltimore. In these communities, it has taken over a generation to accomplish their achievements. Our entire city represents a small neighborhood in their redevelopment plans. Isn't this a cause for optimism? We touched on our new found tax base. What about the personal income generated by this new industry? This year, our annualized income in the casino industry will be over half a billion dollars. That is over 500 million dollars paid directly to the employees of the casino industry. We did not have this income four years ago. You heard testimony yesterday that speculated upon the number of casino hotel jobs that have gone to local residents. This isn't a matter for speculation. Since the Atlantic City Casino Hotel Association along with the New Jersey Department of Community Affairs and the Atlantic County Division of Planning undertook a "Casino Hotel Employee Housing Needs Survey" which was made public March 1, 1982, we know, therefore, that over 75% of the recipients of this income live in Atlantic County and 23% of this number live in Atlantic City. The retail merchants have to seek to capture this new-found purchasing power.

Let me ask you to reflect on another given: The amount of goods and services that we purchase each year in each casino hotel - a purchase, which I might add, that was not here four short years ago. Each facility spends on the average of \$30 million a year. Aggregately that would amount to \$270 million. Seventy percent of that amount is spent in the State of New Jersey. Those numbers have to impact on the total state economy.

Let me close on this note. We have, within our combined abilities, the wherewithal to bring about the greatest urban revitalization in the history of our country. And, that is not hyperbole; that is fact. We believe that we have an administration and a legislature in Trenton that recognizes that the first ingredient for the economic success of the area is the economic success of the industry. We have, among ourselves, the recognition that whatever success the industry would enjoy would be a hollow victory, indeed, if that success did not include the broader community in the fruits of that victory. We are extremely proud of our record of accomplishment that our industry has made in the business, social, charitable and religious fabric of our community. We know that to be a good neighbor is to be a good businessman.

Mr. Chairman, we are deeply grateful to you and the members of the Committee for the opportunity to present our views.

ASSEMBLYMAN FORTUNATO: Thank you. Are there any questions, gentlemen?

ASSEMBLYMAN BRYANT: Yes, through you, Mr. Chairman, I noticed that you outlined some of the goals of Atlantic City and you are saying they are the goals of the casino industry. I note that number one was retail number two was parking lots and number three was education. And, numbers four, five and six have to do with housing, and there was never a mention of unemployment. I am wondering whether that was put in as a priority in terms of how the casino industry views them.

Number two, you spoke of a lot of goals. Goals can be everlasting, and priorities of those goals are those that are most meaningful. What does the casino industry believe are the most pressing problems facing Atlantic City? Maybe you are not the right person, but you should be able to give me some answers. Has the unemployment picture in Atlantic City changed since casino gambling? I know in Las Vegas it is about half of the national average. I understand that Atlantic City is concurrent with the national average. Even though it has created about 35,000 new jobs, there seems to be something wrong.

The significant difference that I see between Las Vegas and Atlantic City is that you have a higher minority population consensus-wise than you might have in Las Vegas. But that, to me, should not be a factor in unemployment.

MR. DOWNEY: You asked a number of questions, and I will try to take them as I recall the order. There was no hierarchy established in the goals that we established. I think that was your first question in the report, and they were stated in no particular order. I abide by whatever you said that my statement indicated.

With respect to the unemployment situation, we are below the national average. In fact, we are below the state average. There are no numbers, Assemblyman, for Atlantic City. The only numbers that you can get are from the SMSA, which happens to be congruent with the County. I think you will find that number is below the state average and below the national average.

If you are asking, is there still unemployment in the city, the answer is, categorically, yes. What those numbers are, I say to you, no one knows. We have tried again and again through the New Jersey Department of Labor to get those figures. They don't break them down that way. In our most recent discussions with the Commission, they will be entering into a contract with an outside consultant. This is a point of information that we asked them to include in the scope of services for that contract. You know, we could get a handle on that number.

I point this out to you: The industry has been active - and I am talking locally - both in the private investment council and we have been active in terms of funding directly job opportunity programs in the construction trades industry, which program has now been transferred from private, non-profit development corporation, and we put it under the auspices of the Atlantic Community College, because we felt that the Board felt that would be a better vehicle by which to accomplish this.

Again, if I understood the general tenure of your remarks, we readily admit that the class is not full, but it is a heck of a long way from empty.

ASSEMBLYMAN RILEY: Bill, there are several questions. Basically, I think I indicated yesterday and obviously in our conversations before, I think there is a general overview in the legislature in Trenton of "The boogie-man lives down here." It may sound trivial, but could you give your background, for example, of someone in the casino industry. What was your background prior to coming to Atlantic City, Bill?

MR. DOWNEY: Prior to coming to Atlantic City? Well, I was in the redevelopment process. I was Director of Redevelopment in West Orange, New Jersey. Prior to

that I was a Jesuit Scholastic. I taught down at Georgetown. I got my degrees in Classics and in Philosophy, both graduate degrees. I spent a lot of time studying during those years.

ASSEMBLYMAN RILEY: I knew the answer, but the reason I am asking is because I wanted to show that the people in the casino industry is across the board and is very good. I would like one of the people from a corporation to really maybe give an example of what you have to do for the top licenses, what type of a background check is involved. I think that would be very beneficial for us to know.

Bill, just one other question. As far as the Casino Control Commission and their responsiveness to problems in the industry, could you just sort of give a general idea as to how they have been responsive, and, secondly, do you think they have taken too much work underhand? Do you think they should have everything they have now, or should they be split in some way to take some of the burden off them, so that maybe they can put two licenses in the hands of people in 1982, rather than still trying to deliver 1980 licenses, and things like that. Can you respond to that?

MR. DOWNEY: Let me say, first of all, if I can give you some historical perspective on that. I think that an honest assessment of the work of both the Division and the Commission - when you take the enabling legislation coming into being in 1976 and to have us at the point where we are today, and I am talking about the industry and look at the structuring of the whole regulatory process, all the reviews and all the licensing, I think it is probably one of the unparalleled records in governmental service. I am talking about the original commission and I am talking about the present commission as point number one.

Secondly, I think, Assemblyman Riley, that given the time that they had to devote to the start-up, there were a lot of things that go out of control. And, I think in the beginning, the original Commission - and I am stating my opinion, now, since that is what you asked for - realized they were erring and they were in virgin territory and they would rather err by excess than defect. Those on the Commission, who have now since left, realized that it went to excess, and then Abscam hit, and I think that at just about the time they were ready to address these problems, where they realized they had nothing to do with the regulatory process or integrity issues, they would have come down on that. I think they would have granted us that relief. Okay, so we had a hiatus while the Abscam hit and the reappointment and the new Commission, and I think the job that Danziger, and the present work under the present Commissioner Thomas is by and large outstanding. I think if you looked at the relief that we have gotten in the last ten months, we have made some giant steps.

With respect to their workload, we looked at their budget and we looked at the number of employees, roughly 450 with a budget somewhere in the area of \$28 million, I think, for the next calendar year, or aggregately would be \$35.1. I don't recall the exact breakdown. I don't know whether that is something that we should properly address, because I don't know what their internal workload is. Some conversation came up from the Public Advocate's Office by Mr. Rodriguez, but again, if I can just touch on one aspect of some of the things he said yesterday, anybody who thinks the inlet section of Atlantic City was the Garden of Eden before casino gaming wasn't here. And, let me give you two simple examples. I think this puts it in bold relief.

Assemblymen, in 1965, when I was Director of Housing and Redevelopment, we filed a federally assisted code enforcement program for the area surrounding

the uptown area. So, to put it in some geographical perspective for you, it would be the area between Virginia Avenue, Main Avenue, which is the inlet, between the ocean and the bay. Keep in mind this was 1965 when this program was first initiated. The Federal Government turned down the application. Do you know why? They told us that the area is not economically feasible to rehabilitate and to put money into code grants. Again, in 1972, we filed a Neighborhood Development Program. That was a new program that was introduced with the new administration in Washington, and they turned us down. If you looked at the surveys we conducted that time as to the number of vacancies, the number of major structural problems that existed out there, I don't know how I could describe what it looked like in those days, because there has been an awful lot of demolition, and an awful lot of the properties have come down that were vacant and vandalized. That is a very long answer to your question, but I think it is important to get that on the record.

ASSEMBLYMAN FORTUNATO: I have a few questions, Bill. Do you think the Casino Control Commission would really be the right group to handle that, or do you think maybe another group should be involved with that? And, even more specifically, do you think that casinos should be made a part of that new group?

MR. DOWNEY: Yes, sir, in answer to your first question, I would be against structuring another level of government at any time. Philosophically, that is antithetical to my way of thinking and it would be antithetical to the thinking of our organization. There is, and there can be a mechanism by which those monies can be channeled that would not be in the realm of the government. For example, a non-profit community development corporation would be one mechanism. Now, we discussed this with the Commission, and I would not underestimate the knowledge that Commissioner Mc Winney brings to this issue, and Commissioner Thomas. These are Commissioners with whom I have had personal conversations, also Commissioner Zaiss. I don't want to overlook anybody. They have been looking at this. I think if we are all patient--- This has been going on for only four years.

I worked on the Society Hill projects in Philadelphia. Believe me, we are much further along at this stage of planning and development than those successful projects were, Assemblymen. I know it is tough to preach patience when an individual is hurting.

ASSEMBLYMAN RILEY: Bill, I couldn't agree with you more. In 1976, on the walk through the city if anyone ever said that we were going to have swimming pools on the top of skyscrapers five years hence, they would have said you were crazy.

MR. DOWNEY: No doubt.

ASSEMBLYMAN La CORTE: We don't question the fact that casino gambling and the industry has been successful to the state and to the people. I think the thrust of this Committee is to put an emphasis on Phase II, which is the urban redevelopment. And, as mentioned yesterday in the report, I think we wanted to put an emphasis on the Phase II. It is our understanding in the legislature and the people in this community are concerned about that, and we want to put the full thrust behind urban redevelopment. We know nothing is built in a day or four years, but that this is the next phase of what has to be done.

One of the issues that was brought up by a number of people who testified yesterday, and the feeling I gained from the people of the community, was that they were not getting a piece of the action, and we are talking about employment. It was stated that they were not being employed, that outside people were coming in, and in some cases they were coming in from out of the state, and sometimes out of the

country and not enough percentage are being employed from the immediate area. We never had a handle on that yesterday. In your testimony today you said that 75% of the recipients of income live in Atlantic County, and 23% live in Atlantic City, but of course there is a residency requirement once you are employed, so that statistic doesn't really tell us what we are looking for.

I think what the people in this area would like to see is that the people of the Atlantic City region, or the southern part of the state, are being employed by this casino industry. I think we all understand that you need a certain amount of professionals to get anything off the ground, and that necessarily isn't here in the State of New Jersey. You have to go out and seek that. But, there are certainly supports that keep a casino going, or this hotel service industry alive, which isn't just special to any particular vocation, and I think that is why the people of this area are upset.

The other area about which the Chamber testified, and I would like you to address that, if you would, was the retail merchants themselves. You indicated the amount of income that was available. They feel that there wasn't enough activity. I really don't understand - with this income and this amount of people who are living in this area - why there can't be a retail grocery store, or a movie theatre if we have these people actually living in the community.

MR. DOWNEY: Let me go back on your expression of concern about the testimony that was given yesterday with regard to employment. With respect to employment, we realized a weakness there, but I think that one of the facts that corroborates the position that most of these people were here prior to the referendum is the housing crunch which the DCA and the Department of Planning with the county thought was really existing out there is non-existent. There is a problem, obviously, with delapidated housing in our community but our one ray of optimism - I think the redevelopment potential we have here will exceed the first explosion that took place in 1978 after Resorts opened. That is, I don't think there is anything that would deter development here that a reduction in the interest rate will not automatically cure. I sit on the board of one of the largest S and L's in town. I am a resident of Atlantic City, and we have not approved a mortgage in six months and the reason being, who can afford it? I think that a lot of the flat ground that you see out there now, obviously, is not the highest and best use for that ground and I think that development will be forthcoming, once that rate were to stabilize, unlike a lot of other communities.

With respect to the employment itself, again, I can only draw from my own experience. We had a PTA meeting of the curriculum committee, some 12 people sitting around that table in the local parish rectory here in town, and every one of those people were employed by the industry directly or indirectly. So, one of the problems is that the people who are working for the industry in town would not be here to testify. I am not saying that there is not still unemployment here. There is. And, we are working to see if we can get a handle on that, where they are and what we can do for them.

ASSEMBLYMAN La CORTE: What is the industry doing or your association doing to emphasize the hiring of local residents. What kind of programs do you have and what kind of criterias have you set up?

MR. DOWNEY: Well, we have already indicated that we have been engaged in an actual training program. We have in-house training programs for upward mobility. We have participated in the funding of the Atlantic Construction Training Program.

That is for people getting into the construction industries. We are participating actively with PIC. We have worked with the handicapped departments. The record there is incredible. I hope we will get some testimony to that effect. The number of people we have been able to employ that were physically handicapped has been very good. Our program is one of commitment for that purpose of hiring local people. I think our record is one that we are very proud of.

On the other issue with respect to the merchants, I think one of the real serious problems on that issue - and we have testified to this before - is that we were mandated under a cap requirement to put out employees' parking in these satellite areas - for example, on the Parkway. On the Expressway coming in, if you noticed, there is the parking between the medial strips. It is our perception, and we manifest to the Department of Environmental Protection, that the employees are transported from those lots into the facility and from the facility back to the lots. We think that cuts down substantially on that access to that buying power from our local merchants. We have looked for some relief there, and we hope that we can make some---

ASSEMBLYMAN La CORTE: You mean people who live in Atlantic City would not be using that lot.

MR. DOWNEY: No, sir, I doubt it. They would probably take public transportation.

ASSEMBLYMAN FORTUNATO: Thank you. Mr. Richard Gilman from Bally.

R I C H A R D G I L M A N: Mr. Chairman, thank you for this opportunity. Members of the Committee, I would like to introduce Redenia Gilliam who is our Vice President in charge of Governmental Planning. I think Bill Downey has covered the area very well and has really told you much about what we really have accomplished in very good form. I have before me some of the many speeches I have made to Committees of this nature over the last four or five years, and I won't bore you with a large and wordy testimony based on where it has been and where it is going and where it is at. I might suggest that inasmuch as the things that I have said on a structured basis have really not come to fruition, I would like to speak today on an extemporaneous basis, and maybe something more important might happen, and we are hopeful that this Committee could effect those changes.

I did say at a meeting of the Zaiss-Thomas hearings over a year ago that my role in part there at that time was to constructively try to convince that Committee that a major philosophical change in the regulatory environment must change. Atlantic City could not achieve its goals and could not be fully developed unless we have a change of attitude. I might just read to you what he said in his final report to the Commission. This is from Commissioner Carl Zeitz, February 23, 1981: "The casino gaming industry in this state is not a house of cards, but a house built on a solid foundation of strict compliance with rigorous standards of personal, business and financial integrity. Should the foundation crack, the house could tumble. The public confidence would be breached and the security of the very substantial investments made by the industry would be jeopardized." I suggest, as I did at that time, that it is almost inextricable that the profits of any industry, any business, are linked with future growth and advancement. While it seems at certain times that it is a dirty word to talk about profits, we basically came here as a public company because we thought that the business climate in New Jersey would be excellent, that we obviously could make some money, and could contribute to the revitalization of Atlantic City, and I believe in that context, we felt very humble. However,

we did not play any part in the enabling legislation, per se; that when the drafters of the act decided to direct the results, the tax, if you will, of the industry to senior citizens, that was fine with us. I think to that degree Bill told you \$200 million has been so directed, and we think that we should be applauded for that. However, there are other social ills and socio-economic problems. We concede to them; we understand them, and we respect them. We talked about urban redevelopment and housing and jobs. We understand that there is a responsibility on our side as well as the state's side to really accomplish something to benefit all the people in the State.

However, in my five years here, sometimes logic is defied. In business we can only give to the State and to these people what, in effect, is our maximum contribution. Last year, after all taxes were paid, federal, state, et cetera, there was \$23 million of after tax profit. Obviously, we could have only given up the rest of that money, the \$23 million, to solve all of these ills. That is the maximum amount, otherwise we would be in deficits with no ability, really, for deficit spending, no ability to tax, no ability to ask our shareholders to contribute more money. It would seem logical to me that one has to suggest that the viability and the panacea that Bill Downey already talked about for this industry and for this State and for the benefit of these people can only be benefitted if we are successful. And, all we have asked for here in New Jersey is a fair return on our investment. But, regardless of what we want, it is more important what you want and what the citizens want. And, frankly, the better we are, the more they will get and the more the State will get.

Unfortunately, there was a period here probably in the first full year of Resorts' operation where they made what was termed unconscionable profits. We in business don't really think of things like unconscionable profits, okay. They are to make as much money as we legally and legitimately --- But, nevertheless, much of what we have today on a regulatory basis was really conceived out of what that profit to Resorts contributed to that company. Obviously, if those profits keep up and we were all making those kinds of returns today, we would probably have no need for this meeting, because we could sustain an investment, such as the reinvestment tax; other housing problems can be solved by just a magnitude of the profits. But, since that time, Resorts' own earnings have declined year after year. Their stock, which is their only method and our only method, of reinvesting in Atlantic City, inasmuch as institutional capital, is not available to us, so we have to finance our businesses, basically by our own means, by our own capital, by our own liquidity, and as you can see today, the stocks of most of the casino gambling housing and corporations are at their lows. It is very difficult now for us to reinvest. The attitude that I think is perceived is very important. I think there is an attitudinal problem that, in effect, when you leave Atlantic City the very essence of what Bill talked about, the accomplishments of the industry, are lost, certainly, in the north. It is very difficult for us on any meaningful basis - whether it be public relations or good advertising - to suggest all the things that Bill suggested to you today. And, I think the accomplishments are real, and they are important.

But, we cannot solve all the ills of New Jersey. When a deficit was apparent in any area, the most logical place to really recover those deficits was the casino industry. Business looks for stability and continuity. When we came here there was an act that suggested that our tax was 8%, which is substantially higher in Nevada, as you know. Within a very short time, the tax was 14%. It has since receded back to the 8%. I think that to do the things that the people asked you to do yesterday,

jobs, housing, it is imperative that we are very, very profitable and very successful. I can tell you today in my calculations of some of the facilities open today that some hotels, maybe two, have never turned a profit since the day they opened, that many are marginal and that some obviously are more profitable. So, when we look at the future, logic must dictate that without the catalyst and without the industry, without the reinvestment, how can we accomplish the task that you so readily asked us to do and the citizens of this community so readily need? I suggest that in the thinking we tend to think short-term; when we talk about governmental planning, we talk about revitalization, and we look at it as a long-term project. We do not see any way of solving all the ills of Atlantic City and Atlantic County or the State overnight. It is just a physical and monetary impossibility. The cart - in my experience in Atlantic City - has always come before the horse.

When we talk about the convention facility here - we all agree, as Bill said, that we need a new convention hall and we would like it. We think it would be good for the State. The question is, can we afford it? And, the answer is, at this point, we cannot afford it unless we get help from the State, a \$200 million investment. However, we can afford something less. Now, the question is, and I think it is a question for you, what can the industry really do for the citizens of this city, county and state? I think that is all borne out in the viability and the vitality of the industry itself. So, we need some revision. I suggested a year ago and I suggest today that the thing I think this Committee could best do for the citizens as well as the industry is that we need a revision. We need a revision of the act. Things have changed since the enabling legislation. I suggest that it is no rebuke of the original drafters of the act and it is not revolutionary in any way to revise an act. It is not really consistent with the problems that we are experiencing today. If we can solve some of those problems, and I suggest that we meet in a workshop session with the legislature or this committee and tell you where we can give more jobs, be more profitable and thereby give to this community better opportunities than we have already supplied. I think that is the single most important thing that this committee can do.

We talked and we heard a lot about housing. Just to show you - because I remember that you said while you were here you would like to learn - we at Bally may anticipate the housing problems and the responsibilities of a company of this size - donated, gave free of charge, two acres of land in Atlantic City. Because of the statements that land is too expensive and you cannot build on it, I gave to Redenia Gilliam the charge of giving to the City of Atlantic City, the Improvement Authority, what have you, two acres of land. I must say that I would like Redenia to address that, because it may give you a better insight as to the problems. Even if you give something, there has to be a better way of handling these situations, because the emotional involvement of the people wanting those things is real. We understand that. But, there has to be a business-like, effective way of creating some method to effect housing here.

So, Redenia, I would like you to tell the Committee in effect what we did and what has happened.

R E D E N I A G I L L I A M: Good morning, members of the Committee. As Vice President of Governmental Relations and Planning at Park Place, it is my responsibility to represent Bally at any governmental agencies, be they local bodies, planning boards, or state bodies, of course, in liaison with our attorneys.

Assemblyman Riley, just to answer the question you gave to Bill Downey in terms of background, I am from Atlantic City. I presently live in the inlet

and have lived there all my life. I have been in Atlantic City since moving from Newark in '59 at the age of ten and worked as a chamber maid for a couple of summers at the age of twelve and thirteen. I made thirty rooms a day with two double beds for \$32. I worked as an elevator operator during the 1964 Democratic Convention, which is now the site of the Tropicana. I have been actively involved in Atlantic City. I say that by way of background. I came to Bally as a Professor of City Planning and Regional Development at Rutgers in New Brunswick, and having grown up in Atlantic City, many of us who came from this area, particularly, were weaned on the idea of going away from home. In the final analysis, I am saying to you that it was a very difficult task to return to Atlantic City having worked in several arenas. There have been many inferences to Baltimore. I have worked on some of the projects there, in that development in the harbor, but that took twenty years to come to fruition. That did not come within a short period of time. There was a lot of struggling and decisions that had to be made. Additionally, the city of Baltimore gives land to developers and gives them a period of time with which to return it to the tax roles. At the same time, they assigned staff people to each individual project in order to work through and try to consolidate any of the bureaucracy that is necessary for approvals. I think that we are talking about a difference in terms of structure.

When I came to Bally, the one concern that I had among others was coming back home and being able to have some impact working for this corporation in terms of the problems in Atlantic City. You see on the easel to your immediate right a rendering of Jacobs family terrace development. This is named after the late Judge Jacobs who was a local judge here in Atlantic City. The site is approximately two blocks from this building in the middle of the center of the city. I came to Bally at a time when there were five people. I was a planning consultant. We began to talk about the aspect of housing. From Bally's perspective, that of being the third project to come on board, there were several concerns that we had. One was the number of people who were going to be relocated from Nevada. We have to admit that the regulations of the Casino Control Commission in terms of experiential and licensing requirements for supervisors and the casino was such that there was no pool in New Jersey. We are talking about anywhere from three to seven years' experience which was required for licensing in managerial positions.

What Bally had done in recruiting Nevada was identify approximately 200 people and at the same time use all of the means that were in Nevada to locate minorities to come to the east. We worked with the local NAACP and a lot of other groups that were there. We gave packages to the people that we anticipated coming to Atlantic City requesting that they leave their families and not come with everything packed up but wait and get a feeling for this city. We were very much concerned with the acuteness of the housing needs, and we did not want to add to that. We additionally leased a couple motels - several thousand dollars that would then be available to these people until they became ready to move into housing. We also entered into a purchase of the Warwick at that time which had a large number of vacant units and which, at the same time, I came here to Freeholder Bryant who is also with the landlord and tenants' relation department here and asked her to introduce Bally to the tenants in that building so that they knew what this entity was.

Mr. Gilman asked me to get a feel for what was in the building and I devised a questionnaire which was distributed to all the tenants asking them what they thought about the maintenance and security. Was it good, fair, poor, whatever? We went back to another meeting and gave them the results of that survey and explained to

them what their priorities were, and we gave 24 hours security. They were concerned about the plumbing in the building, that in order to fix one part, the entire building had to be turned off. That was changed. The rec room and the lobby - there were a lot of things they were concerned about. But, more so than that, they wanted to be able to stay in Atlantic City. Mr. Gilman, along with Mr. Weinberger, made the statement that anyone who is presently living there could live there the rest of their lives and they have been doing that. Even though the building has now turned to a condominium, they are still renting. I feel as though in that instance we contributed to maintaining existing housing stock, and with the Las Vegas transition, we did not exacerbate the need in the area additionally.

More so than that, we began to look at a contribution to housing, in terms of the need in the area. Mr. Gilman and myself visited with several contractors. I have witnessed him actually asking some to leave, because they talked about the quality of housing that you put in a city area as opposed to a suburban area, and this was before I came with Bally. I was still a consultant.

You have to recall that this housing issue has been evolving. It is not something that was needed just with casino gaming. Atlantic City was basically a city with frame houses. This was a summer place. This was not a place for year-round living, so when you look at the history of Atlantic City, there are a lot of frame buildings in fact that are deteriorating. There have been many projects of federal government origin, like the model cities program. Many of you come from cities that have had the same experience as Atlantic City. But, there began to be a need to try and find some area of having an impact on change.

We proposed the two-acre site at New York and Baltic Avenue, and I talked with Mr. Gilman and at that time we were most interested in making that housing for purchase. Because, as you will recall, people were complaining about being moved out of Atlantic City, and we felt if they owned the unit then they would be here within the city for a period of time. That configuration went and was approved at the Planning Board in December of 1979. We received CAFRA approval in February of 1980. In February of 1980, also, interest rates began to go very high. The way we had configured the project was such that the people who we wanted to get in would not be able to get in if they had to pay anywhere from 25% to 35% downpayment in order to get the mortgage for the housing. That configuration of housing was 28 townhouses, three stories, which there would be 28 people purchasing and we had included a third story rental apartment in order to help the person defray the cost of the mortgage. Well, there were a lot of problems with that.

One, it was an innovative concept and it has been used in Long Island and various other parts of the country. But, when you talk locally, or statewide, about this kind of concept it is new to institutions. But, more so than that, the interest rate is much too high. The requirements we had for this housing was, one, a family would have to have lived in Atlantic City before 1972. Once they met that general criteria, we gave priority and selection to people who are presently living in subsidized housing and over-income. Because Atlantic City has a large number of people who are middle income living in low income housing.

So, I suggested to Bally that we not produce more low income housing but that we produce middle income housing in order to bring people back into the city, but to free up the units for low income dwellers. Having to abandon the sales concept and also the 2% investment tax did not give credit for sales housing, and I will distribute to you a copy of our comments which were initially prepared in March of 1980, addressing what we felt needed to be done in the 2% investment tax structure.

But, it did not give credit to sales housing, so the land that Bally would give to any entity we could not get the credit for that. We pointed that out, saying that housing should be given credit, not just rental or sales. But, we had to abandon that.

About March of 1980, the Atlantic County Improvement Authority received the capacity to bond for housing. Bally, along with the community groups, went to the Improvement Authority and asked them to consider this project as one of their projects for funding. Since April of 1980, until today, that project has not broken ground. Part of it has to do with the interest rates. But, a large part of it has to do with the difficulty of moving a project by a casino entity. We feel that because we are a casino entity and are offering land to an individual governmental authority, then we should be seen as the contribution that we are given.

For example, just by comparison, there is a project that is in the bonding package of the Improvement Authority that is for profit. That particular project has an average monthly rental of \$733. Bally's project would have an average monthly rental of \$504. They are both a little under two acres with Bally's project being a little larger. Clearly, with already existing high-rise developments on the adjacent sides, we could go high-rise and be very profitable in making money for middle income housing developments, but it was our interest to provide housing for families. This project only has two and three-bedroom units. But we did not abandon the land to the Improvement Authority and just give it and wash our hands of it. We have concerns in it. One, that when the residents look down Ohio Avenue and see Bally's \$300 million building, they can also feel that they are living in something that is comparable to the kind of style that Bally likes to project. We have skylights in them; we have washers and dryers in each unit so there are no clothes hanging on the outside. There are breezeways. We have put in a lot of amenities which we have refused to compromise in terms of the bonding for this particular project.

Additionally, the other project will receive \$616,000 in luxury tax monies, and Bally's will receive \$150,000. I am bringing this to your attention to say that the value of this contribution is anywhere from one estimate of \$950,000 to \$1.8 million if Bally were to use it for the highest use of that land. That is just one aspect of housing.

I wanted to make one comment in terms of the discussion on employment. There were many questions about unemployment in terms of the number of people and why they are unemployed. I think there are some things that need to be taken into consideration. One, we must understand that there have been Federal, State and local cutbacks that have impacted upon the local poverty program here in Atlantic City, and a lot of other places where professionals are now unemployed. That number is increasing. Additionally, we have people who have moved to Atlantic City from other jurisdictions with no promises of jobs, but just in terms of a rainbow type of belief that if I get to Atlantic City and I read all of this, I will be able to be employed. These people are now added to our unemployment rate. We cannot overlook the fact that this is a seasonal industry, still, without a convention facility and the ability of year-round competition with other cities such as Dallas and Chicago and Florida. We are still a seasonal business. We cannot employ people when we do not have people coming in. Additionally, there are experiential requirements that are mandated not only by the industry but by licensing of the Casino Control Commission, and then there are the licensing questions themselves. Being from Atlantic City, there are people who do not want to put down who their child is by, when many

times other people do not know, or they do not want to waive their rights to search and seizure. Some of them do not want to work weekends. They do not want to work shifts. They have tenure. There are different reasons why people are not working, and sure there are some who are now unemployed and who are looking for positions. So, I think it is incumbent, maybe, upon the Department of Labor and Industry to stratify through some kind of an interview in the employment office exactly who the people are who are here, and not have us come to the conclusion that these are the same people who have always been unemployed for the last four years.

There needs to be innovative thinking in terms of the use of facilities. We have had petitions of our employees asking for day care centers. It has been the philosophy of Bally not to create a mini-city within a city. We have had petitions for church services within our hotel. We feel that employees should be encouraged to be a part of the community, so we make lists of church services and distribute them, and encourage them to be a part of the community. We do not have day care inside our hotel. But, we have supported community efforts to have day care centers in local schools, because they are closed from seven until the next morning and they want twenty-four hour day care. So, why build a new facility. Use one that is already in existence. But, that ran into problems with the Department of Education. We need innovative thinking.

In the area of health I personally have been the Chairperson of the Minority Community Appeals Committee and we raised over \$40,000 for the Atlantic City Hospital. We have been very active in getting them to expand their facilities and to remain within the city. We have worked with the Minority Entrepreneurship Development Corporation. Bally was instrumental in getting the Private Industry Council to fund the stationary training program for stationary engineers, which gave national attention to Atlantic City in the use of CETA funds. We have instituted the slot training curriculum, and there have been many other projects in which we have been a part. But, we do believe in the partnership of the private industry and corporation. Being a city planner by profession, I feel there is no other city comparable in this country that has the ability to realize a lot of the revitalization of center cities as Atlantic City, given the time and the ability to do it.

ASSEMBLYMAN FORTUNATO: Thank you for your testimony. Mr. Gilman, earlier you indicated that you wanted to meet your responsibilities in Atlantic City. You also indicated that you would want to contribute to the State, if need be. I think the State has done pretty well with your industry's presence here.

We are more concerned with meeting the responsibilities of Atlantic City and Atlantic County and I wouldn't expect you now to give me your solutions in meeting responsibilities. But, what I would like to encourage is your suggestion of a workshop with this Committee. At that workshop, we should discuss not only revisions to the act, but also how to meet the responsibilities to this area. You know that I feel that your industry has at times been wrongly criticized, but I also encourage the participation of your industry in solving some of these problems that exist down here, because I think your industry has the benefit in the long-run, and I think you indicated that.

You also indicated that the act needed a review. I think that there should be a review periodically. I am sure you do it with your business. We have to do it in the Legislature. It is healthy to do it in the Legislature, because we find out the mistakes we have made. But, I think that in the beginning, with all good intentions, there had been some direction laid down, legislation laid down, and

you may have outgrown some of those directions. Maybe those directions were not well-founded at the time. But, I take Commissioner Zeitz's suggestion and your opening statement to heart. I think that the restrictions and the careful legislation that had been enacted originally should be maintained.

I wanted to stress that fact. I know that you have another appointment, and our schedule will be juggled somewhat here. If I can indicate to you, we are going to go right through without a lunch break, as we had taken yesterday. I will man the ship. But, so the other Committee members can get a bite to eat, I wanted to make that statement. And, also, I wanted to indicate to the audience that they can move in and out, but to expect that we are going right through, because we do have a full schedule. We have one or two people from yesterday who we have to squeeze into this schedule. I wanted to let you know that. I want to encourage that workshop, either through Mr. Downey or through a group from your industry, and I am sure this Committee would be very receptive to that. I encourage doing that soon.

MR. GILMAN: Well, I think that is probably one of the most constructive statements made within this industry, since I have been here in Atlantic City. As I suggested, the benefits develop from that kind of workshop. Again, they are inextricably linked to both sides of the benefits of the industry as well as the community. We have called for this for a long time, and we think it would be productive. The better we really achieve our own goals, I think, the goals of the county and the city will be achieved to a greater extent.

ASSEMBLYMAN FORTUNATO: I look forward to hearing from a representative of your industry soon. Hopefully, it will be this week or early next week. Mr. Riley.

ASSEMBLYMAN RILEY: Thank you, Mr. Chairman. Initially, I could not agree any more. I had several suggestions that I would like to make regarding the revisions. But, I think the idea of a workshop is a terrific idea, and I think that would be a better forum than today's forum, and I strongly welcome that. I think it is a tremendous idea, and I really would encourage it.

There is just one thing I would like to have you both address. Obviously, your testimony was eloquent. I think, showing you were from Atlantic City and worked in the old Atlantic City and you are now working on the professional level in the new Atlantic City, that alone really brings out what I was trying to say - as far as it being a new city. In order to revitalize the city, you came back to Atlantic City, and I congratulate you for that. I think it is encouraging.

But, I would like you to touch on the licensing procedure today. Obviously, we have close scrutiny on the top. There is no question about that. But, I would particularly like to know whether you believe the present licensing procedure is a hindrance to employment and maybe it is even a deterrent to people who have been trying to apply for those jobs. I am sure I am not the only one who has heard of stories of people having to pay for the '82 license and go through all the licensing procedure and they haven't even gotten their '81 license yet. Maybe you can elaborate on that licensing procedure itself.

First, can you describe at the upper echelon what the close scrutiny is to assure that the people in this industry at your level is the best that can be obtained and the State and everyone is protected, and, secondly, on the other hand, can you describe what you feel would be the ramifications of the present licensing procedure and maybe the deterrent effect of it?

MR. GILMAN: Well, we have said consistently that we have no argument with those issues that deal with integrity, suitability. The tough licensing in this state is not a concern of ours. We willingly submit to that on every level, and more certainly at the higher levels. We did think that the licensing procedure for, say, hotels, number four licenses, was addressed recently and eliminated, so to speak, from our administrative people. What we have today in place of the hotel and number four license is a permit, which in effect is more expensive and more time consuming than what we had before. So, many times the drafters and legislators, if you will, of an act without oversight developed regulations that are not consistent with what your concepts were. So, they become more cumbersome as the regulations are developed and we testified many times that regulations are inhibited, self-defeating, and do not attend to integrity items, and are very costly and we maintain at least at Bally that it costs at least 40% more to operate a casino hotel in Atlantic City than Nevada. We see that those things could be eliminated and there would be greater incentive for people to enter the industry if there wasn't such a cumbersome licensing procedure. For example, a dealer on the floor who would have a number two license is also demanded the requisite of extensive investigation.

Now, someone working in maintenance, just sweeping the floor, which may mean in fact a very transient job, also needs a number two license. It is hard for us to see quid pro quo between that job and the dealer's license and the integrity issue is lost as far as we are concerned demonstratively. It doesn't make any sense to us. I think you will find in going through the act page by page instances of this kind. I think they are self-defeating and we would see higher unemployment if jobs were easier to get. Administratively they could be processed quicker and faster. But, as you say, some people do not have their licenses from a year ago.

We understand that this is not a very easy task. It is very complex and we are not in any way degrading the administration for the way they license people. But, I think integrity and security can only carry you so far. Then there has to be a business concept that makes sense. The cure may be worse than the disease. If you are in the department store business - and I understand there is theft and shoplifting, et cetera - and you put a security guard behind every counter, the cost of security is worse than the theft. So, there are business concepts that make sense for us as well as you and the integrity issues are important. But, you can carry them much too far. We think they have been carried way too far.

ASSEMBLYMAN FORTUNATO: Mr. La Corte.

ASSEMBLYMAN La CORTE: In your testimony before us, you mentioned the convention center, and you felt that it was going to cost \$200 million?

MR. GILMAN: Well, the popular number is somewhere between \$150 million to \$200 million.

ASSEMBLYMAN La CORTE: It has been the charge of the Improvement Authority, I believe, to basically build that. You also stated that you felt that the State had to make a commitment to that. What type of commitment are you talking about when you talk about the State?

MR. GILMAN: Well, I look at the convention facility maybe somewhat differently because of my background than most people within the industry, per se. But, I believe you can build what you can afford without the full faith in credit of the State, without the state's commitment that a convention center in Atlantic City would benefit the entire state, the turnpike, the parkway and the people up north, having patrons come to Atlantic City and having a first rate competitive convention center is something that is in the interest of all, such as the Meadowlands. I think we cannot afford to build \$150 million or \$200 million convention center regardless of the

fact that we need it and we want it. The luxury tax, as I see it, in the short-term cannot service the debt for that kind of commitment. So, again, emotions sometimes dictate. We want things and we think they are necessary, and they are not contentious, but can we afford them? We spend a great deal of time trying to convince ourselves that is what we need, but very little time as to how we are going to fund them. I look to the State to make a commitment to Atlantic City to the entire state itself to suggest that the convention center would in fact benefit all the citizens of New Jersey.

ASSEMBLYMAN La CORTE: Part of the luxury tax was also to be directed towards housing in this area, and redevelopment and a real thrust for dollar income towards urban redevelopment which has been a basic discussion today and yesterday. Did you say it would be impossible for just the operating cost to be sustained by the luxury tax, and how can there be any dollars left over for urban redevelopment and housing that is needed in this area?

MR. GILMAN: Well, I think you are on the right track. There is a certain pool of available dollars that has to be committed to whatever the priorities are, housing, convention facilities, whatever. Beyond that pool of dollars, we cannot spend and we have to establish what are the real priorities, where are they coming from, what the city, state's and county's commitment is to those achievements. It seems to me that the casino industry looks like a bottomless pit, that if you need money for anything, you just tax it in the very way we report our gross sales. By using the term WIN, many people assume those are profits. In the last two years, for example, Bally's gross sales revenues were over \$400 million. We have left for our shareholders less than \$5 million after the \$450 million. So, you can see, we want to do a lot of things in Atlantic City. We want to expand and we want to build a new tower, health club, retail facilities, but it is very difficult to explain to our shareholders how we can build, for example, a health facility which might cost somewhere between six and ten million if we made less than that in two years.

So, I believe in this workshop. We can sit down and exchange ideas and exchange information that we have and that you have on a less emotional basis and a more logical and practical and business-like basis and in effect see your efforts in streamlining the act, so we can make more money to contribute more money, then the luxury tax in a period of time, obviously, could afford the convention center. But, we probably would need several more casinos and maybe ten to twenty thousand more rooms. It is a matter of timing. I am trying to convince you, and I guess anyone who will listen, that the commitment to Atlantic City is a long-term approach. There is no way we can cure all the ills in this small, very marginal industry in two or three years, and you have to dedicate yourself to a long-term commitment of change in Atlantic City. It took Nevada and Las Vegas, for sure, some forty to forty-five years to get where they are. We can't emotionally want the tree to grow right after we plant the seeds. We might want it, but it is going to take a long time to build the redwood, and that is where we are going.

ASSEMBLYMAN La CORTE: What would be the reaction of the Association if those dollars from the luxury tax were redirected towards the urgent needs of housing? We were told yesterday from all different sources that there is an urgent need of at least 1500 units right now projected all the way down the line. If that money is redirected toward the housing units, and the luxury tax, then the convention center may be put on the back burner---

MR. GILMAN: Well, I must say that good master planning and good governmental planning would dictate the direction of those dollars. Obviously, in the long-run it would probably benefit Atlantic City to put the horse before the cart, and

develop the profit center to develop the housing. You might have housing and if this industry does not succeed, no people to live in it, then you might get Atlantic City back to where it was when we first came here.

ASSEMBLYMAN La CORTE: Are you telling me that the convention center is the cart?

MR. GILMAN: Well, I think at this point the one important factor that we all agree on - and I think it is those people asking for housing, as well as people in the industry, as well as the government here - is the convention center is the catalyst for a successful tourist market in Atlantic City. Again, can you solve all the problems at one time? My answer is, no, you cannot solve all the problems at one time. But, you have to solve the core problems that will eventually get you where you want to go. But, if you circuitously take a route that inviolates the need and the demand for profits to achieve the goals, then I feel that you will not achieve anything and if these companies are in deficits and they cannot reinvest in Atlantic City, obviously, once the slide, the domino theory works in reverse.

If a new market opens, New York, wherever, and people see a better investment climate, we will be sliding backwards. The result will be the State of New Jersey will be looking toward the survival of Atlantic City, and then the monies will have to come from other sources, not ours, because we could not sustain ourselves.

I think there is a whole measure of important business concepts and factors that must be addressed and addressed logically and business-like, and I believe in the long run you are going to see a very successful Atlantic City. I think you will see what you obviously would like to see today - maybe five, maybe ten, maybe twenty years hence, but we have to keep going forward to achieve those goals, or else the basic foundation will be destroyed. I think that would be counter-productive for those people who very understandably want those things today. They did not have them before we were here. And, I understand they want them now. But, the industry is such that they can only afford to do so much in a given period of time.

ASSEMBLYMAN BRYANT: Could you please explain to me what your view is on reinvestment tax?

MR. GILMAN: I don't think anybody understands it. I think Redenia worked with it as much as anybody else, and maybe it would be better if she answered that.

MS. GILLIAM: First of all, Assemblyman Bryant, I think there needs to be an understanding of the term. We talk about a 2% reinvestment tax, and many times that gets connotated throughout the community as being a contribution. In fact, there is an ability for people - meaning casinos - to make money. I mean, there is no reason why they could not make a profit on some of the things they are doing.

The main problem that we have had, and which I will disseminate to you, because this was prepared in a line by line review of the 2% investment tax in 1980, just by way of an example, casinos are prohibited from purchasing bonds, municipal bonds, any kind of bonds, utility bonds, and if you wanted to contribute and invest in a major redevelopment of a city that might be in need of housing bonds, or whatever, you are precluded from doing it presently, and you of course would be buying bonds in order to eventually get some kind of return on your investment. But, that is precluded. Right now, it is more advantageous to try and deal with the particular aspects of the act, which in here it talks about a separate entity to approve a

project before a casino hotel begins with it. For example, the project that we are moving along now does not have approval, because there are no regulations in place. In a way, we are moving out and looking for a ground breaking this spring. I would hate to think that someone would come behind us and tell us that this housing project is not eligible, because we didn't first go and get the approval and then get the amount that this project is valued at from the State Department of the Treasury. I think there is an extra layer there. But, I would just like to leave this with each one of you as an explanation of what our concerns have been.

MR. GILMAN: I think you will be disappointed that we in the casino industry are not developers. If you leave housing to us, you might get anything from instant ghettos to disaster. We are operators of casino businesses. The money could be well directed, but if you left it to our device, we have given the charge to Redenia to do that, and we hope we will do it well, but that is not our business. And, I don't think you will be pleased over a long period of time, if you have casino developers developing housing. I don't think that is in good stead.

ASSEMBLYMAN BRYANT: Let me state that I think this presentation by both of you was excellent today. The problem I have is, what Bally might be doing might not be a coordinated effort in terms of impact in any particular social area that is in need. That is the problem I see.

The legislation talks about social impact before we have a license. I think everybody agrees that the industry has been good to New Jersey in terms of the kinds of funds they produce. But, I am also hearing today that possibly that legislation is ill-conceived to think that there can be prosperity in the industry, and at the same time quickly do anything in terms of social impact.

MR. GILMAN: I hope you didn't hear that.

ASSEMBLYMAN BRYANT: That is my understanding from the testimony--- You see, what I think people worry about is the theory - and I guess I have coined the phrase, "The trickle down." Okay, we developed casino gambling laws in order to bring the industry to impact our state, and now all of a sudden we are going to get a convention center to further the impact of casinos, to help them make profits. Hopefully, some day this is going to get down to you, those who are still suffering.

We have had people come forth and say they are suffering. I think a legitimate interest of government is to deal with suffering. I think part of the total casino issue was sold on the belief that it was going to give immediate relief to an area. From listening to the testimony yesterday, that relief isn't there. What I am hearing today is, don't expect that relief, but give us some more opportunities to make funds or produce income and possibly somewhere down the line it will reach those in need.

My problem is, and the way I have always tried to work with problems is, maybe before we give any further relief to anybody, we in some way should look in the direct relief with what is happening at the other end of the spectrum. Maybe in this workshop we can devise laws which will say, if you accomplish "x" through the law, then we will give you "y." Because I find that people have an ability to perform and they bring their expertise out much better when they are going to get a gain at the end of the road by their performance.

Other than that, it seems to me when you say "redevelopment," we have redeveloped fourteen blocks with big hotels, but yet it seems with vast technology in space, we can't put bricks and mortar on a piece of ground. It befuddles the market to build housing, to deal with the least of us. That befuddles the greatest

minds in this country. It seems to me that legislators now have to devise a way for those who shall make money shall also have some way of lobbying in their ability to give freedom for those funds for creating a better environment for all - through basically trigger effects. I think then those minds that have the ability to make those funds or profits will also make life a little better for the rest of us. That is the kind of dollar I would like to have if in fact we can devise some kind of performance guidelines.

MR. GILMAN: I think we have a problem sometimes in pinpointing the casino industry per se. As you know, housing starts are at the lowest level since World War II at this point. It is not just something that is in Atlantic City; it is nationwide. I appreciate your position on trickle down, but I think, as Bill Downey said, many of the people who have benefitted by the casinos being here are not here today. Somehow we do not do a good job bringing in those people who had no opportunity, no housing and no future and sit them before you and say, "They did a marvelous thing for us." Usually, those issues are emotional issues, as I suggested.

I think it has been more than a trickle down theory. Even in the area of the hospital, when we first came here, we said we wanted to be part of the community. We are concerned that the facilities of the hospital may not be adequate. Between several hotels, certainly including Resorts International, who made a tremendous donation and has had many affairs, and our own Billy Lynberger who asked Frank Sinatra to have one of the biggest benefits to be had in Atlantic City in many years have contributed more money to the hospital as I know it in the last few years, and Redenia could better address that than ever before. That was not a trickle down theory. We were not even opened. Bally did not open the door and turn one dollar when Frank Sinatra was here. I think we amassed some \$600,000 to go to the community. That benefitted everybody - the people in the inlet, people all over the city and county. That hospital was benefitted with a huge amount of money. I know Resorts contributed something like \$1 million to that hospital. There are wings dedicated to Crosby and Sinatra.

I think, truthfully, there has been more than a trickle down thesis here. It just is not identified, maybe, to our best benefit. But, I can tell you in many other areas the contribution by the casino industry in my opinion has had a major effect in Atlantic City. Sure we would like to do more. We conceded all the time that we would continually do more, and the suffering is something that I am sure you have to deal with.

In our own facility, for example, we spend an enormous amount of money on the quality of life of our employees. For example, just to understand what we stand for in our own corporation, we have just budgeted an enormous amount of money for our own cafeteria, so our employees can be better benefitted in our facility, so they can enjoy their job. There are so many examples of what the casino industry has done, and maybe not documented or depicted in a way that would suggest that it is more than a trickle down theory. But, I do think, if anything, the workshop concept would be extremely productive for both of us.

ASSEMBLYMAN BRYANT: Mr. Gilman, thank you. May I ask Ms. Giliam one thing. Do you happen to know Lorenzo Giliam?

MS. GILLIAM: He is my brother.

ASSEMBLYMAN FORTUNATO: We have someone who was left over from yesterday. I would like to ask him to step forward now. Mr. William De Jesus who is a member of the Atlantic City Congress of Community Organizations.

W I L L I A M D E J E S U S: Good morning, honorable members of the Assembly Committee. Because my predecessors have stated their backgrounds, I feel forced to state mine.

I have a Doctorate degree in philosophy and modern language from the Universita de Roma, 1969, with a specialization in romantic languages. I have a Master's degree in Italian from Middlebury College in Vermont, 1973. I am the founder and Executive Director of the Latin Organization of Atlantic City, and second Vice President of the Atlantic City Congress of Community Organizations.

According to the feasibility study conducted in the year of 1979 by the New York City planning firm of Abeles, Schwartz, Haeckel and Silverblatt toward a housing project to the south inlet area, approximately 25 years before, a few Hispanic families arrived in the south inlet of Atlantic City. Their reasons? They were American citizens with all the rights and privileges that implies. As Americans they left their island under contract to farmers in Pomona, Egg Harbor, Hammonton, Camden County, Vineland, et cetera. On their days off and holidays they used to come to Atlantic City where they discovered the boardwalk near the sea and the permanency of the merry-go-round and the amusements and they were impressed because in P.R. they used to see and enjoy these things only once a year during the annual festivities of the Patron Saint of their town. So, as soon as their contract ended, they moved into the city to find work in the hotels. Some of the apartments were furnished and cheap; the rent was only \$150 (utilities included); their jobs were neater than those on the farms, so they decided to establish here with their families. Most of the residents came in the late 1960's and early 1970's - some directly from Puerto Rico.

They left largely to get away from the extreme poverty there and find better lives here. They didn't think about their inability to express themselves well in English and this unawareness led them to terrible misunderstandings with the English speaking world outside their neighborhood. They have been described as intruders, foreigners, that their crime ridden slum was infested by lazy freeloaders who just came off the boat from Puerto Rico and so far have managed to destroy what was once a nice neighborhood, but what nobody wants to recognize is that when these people came here, the area was like an old fashioned railroad station that had seen too many passengers and these people were the last through.

Immediately after the gaming referendum the housing problem got worse. It was due to rampant land speculation which brought housing demolitions on a grand scale to the south inlet. Speculators descended on the area with the intent of turning a fast buck in the casino land buying spree. They cared nothing about building maintenance. To them the tenants, who by law had to be given year-long eviction notices, were just an annoying obstacle to quick property resales. Utilities were shut off on purpose - no heat, no water, no electricity. This action drove many tenants out without the need of eviction notices, and when this didn't happen, there started an epidemic of nightly fires of suspicious origin driving out the residents to other areas in the city or elsewhere. Some had to go back to Puerto Rico with less than they had brought when they first came. The biggest speculator in the inlet is Resorts International. They themselves owned buildings with tenants who had been without heat or other essential services. The Casino Control Commission knew all this and has yet to do anything to stop it. Resorts has made empty promises to spend millions on housing but has only spent it for housing the well-off on the mainland. Nothing has been done for Atlantic City. Nothing has been done for the low and moderate income people.

The Casino Control Commission has done nothing. In the first 120 days of 1981, the 20 block area of south inlet was victimized by 117 building fires, 105 of them considered suspicious according to the fire department. this means that 20% of all the fires in the city and 61% of all the suspicious fires occurred in this small area occupying about 3% of the city land mass.

Of the 7,000 Hispanics estimated living in the inlet two years before the casino referendum, there were 4500 in 1977 when the referendum was approved. These numbers came from a survey conducted for LOAC by Dr. Ivette Puerta from Rutgers University.

1981 Census stated that actually there are 2323 Hispanics in the city but the figures are only illustrating those who filled the forms, and not the rest who didn't because of the negative publicity given to the census and heard by radio and T.V. Our actual estimate is that about 4000 Hispanics are living in the city, half of them in the north and south inlet areas, and the other half in the inner city. Why are these Hispanics still here? Some because they are people with no better place to go, others by choice, resisting the strong pressures pushing them out because of their strong faith in the promised and proposed Villa Santa Rosa project - a housing project with Spanish flavor named after St. Rose of Lima, the patron saint of the poor.

This project was proposed since 1977 and was planned to be in the heart of the south inlet bounded by Atlantic and Oriental Avenues and Connecticut and Vermont Avenues - six blocks proposed by the Hispanics to serve as a complement to the casinos to be a showcase of the Puerto Rican heritage with ethnic craft shops, groceries, restaurants, gift shops and nightclubs. We wanted to attract the people that usually come to the city but do not like to gamble in the casinos.

But no matter what the City administration paid \$40,000 for the study of the project, it seems it didn't cost too much for the city to keep it in a drawer while complaining it cannot be done. The project is well alive in the hearts of our Hispanics no matter if it appears doomed due to the unexplained reluctance of the City administration changing the zoning recommended in the Master Plan to high rise development in the six-block area due to the millions of dollars it would take to buy up the land, due to the reductions in federal funds for rent subsidies to low income families and especially due to the reluctance of the Casino Control Commission to put its whole weight behind it. At this juncture our planners are waiting for authorization from the city commissioners to have the ACIA review the possibility of supporting the Villa Saint Rosa project.

The ACIA could float bonds or use luxury tax money to underwrite the land, but by law the authority can only consider projects referred by municipal governments. Also, at least the Casino Control Commission could force Resorts International to show its good faith toward the south inlet neighborhood by starting to donate the million dollars on its possession toward the buying of the land for this project or to stop building outside city limits and start to take care of the neighborhood it is affect most.

But it is not only in housing in which the Hispanics are not receiving fair attention, but also in employment, the second bait offered to us when casino gaming was proposed to our community.

When our people voted for casinos they voted for eviction. When they voted for casinos to get the better jobs offered to them, what they got was more dishes to wash and more toilets to clean. Where is the betterment in employment?

Those who were imported from other states were the only ones who got the better jobs, not us. Same as in the circus. When the circus comes to town, it comes with everything from animal tamers, clowns, dancers, trapezists, to the most inferior of the beasts, but what remains for the people in town? Spend the money, give food to the beasts and clean the cages. The Hispanic community working force has most of the menial jobs in the casino industry. We can say the casino industry has its base on our community. Have you ever thought about what would happen if some day all these Hispanics would stop all the activities in all the kitchens of the casinos' hotels? Then why is it so hard to be fair with this community? Why not help this community to grow in education, in experience of their jobs?

Why not try to understand their Hispanic culture, involuntarily complicated because of the influences of two different countries, Spain and the United States. The misunderstandings of our culture and the language barrier is the base of all the problems Hispanics have been facing since their arrival to this city - supervisors harrassing employees, terminating employees only because they hate Hispanics, et cetera. The cases are innumerable and unbelievable. Hispanics are shy and timid by nature. They hate to sign complaints against companions and bosses. They are well aware of the adverse atmosphere they are working in and the desires of his supervisor to get rid of him because he is not white or black. The Hispanic refuses to visit the affirmative action officer because he doesn't believe he will be fair enough to solve his problem without hurting his position. Sometimes the Hispanic preferred the termination notice and would move to another casino before signing any complaint. If he complains to the union he will not be satisfied because Hispanics always lose their causes in the casinos. Something should be done to protect minorities from these situations that most of the time are happening in the casinos, and the higher levels never get to know because the lower supervisory body covers up the whole situation. Our community would be happy to know that this Committee will do something in these matters.

Because it seems that the affirmative action officers of the Casino Control Commission have purposely made these matters an oversight, we kindly request from you a special investigation on the status of our Villa Santa Rosa project and on the sophisticated discrimination used with our people in all the casinos of this City.

Thank you for your kind attention, and please invite representatives of the communities such as the Congress of Community Organizations to your workshop on revitalization. Thank you.

ASSEMBLYMAN FORTUNATO: Mr. De Jesus, thank you very much. Your point is well taken. I think that when we get back to Trenton and we begin to go over the testimony, some of the points you brought out will be addressed by the Committee and hopefully alleviate your problems.

ASSEMBLYMAN RILEY: Very briefly through you, Mr. Chairman, earlier I asked about the possibility of the complicated licensing procedure being a deterrent in the process. Has the Hispanic community in particular found this to be the case in regard to the licensing process, the applications, et cetera? Do you think that has been a deterrent to your community?

MR. DE JESUS: Our community feels that they don't know really enough information about their families, and---

ASSEMBLYMAN RILEY: That is specifically what I am asking you. Someone had indicated that yesterday. Thank you.

ASSEMBLYMAN FORTUNATO: Thank you. Peter Boynton, Caesars.

P E T E R B O Y N T O N: My remarks will be brief, because I know you are pressed for time. I am also aware of the topics to be covered by the other members of the industry, so I am comfortable in that you will get a fair representation of issues from the industry.

I would like to confine my topics this morning to the subject of twenty-four hour gambling. I believe it is important, because twenty-four hour gambling has a lot of impacts, both financial and social. The concept of unlimited hours, as you know, is contained in the act. At the present time casinos are opened from ten in the morning until 4 A.M. during the week, and from ten in the morning until 6 A.M. on weekends and holidays.

I can only surmise that the intent of the legislation was in several areas; one, to eliminate to some degree the propensity people have to gamble to somehow cure the concept of the twenty-four hour wide-open town. I also feel that perhaps an intent was to provide an accounting control or a cut-off so you have a starting and a stopping point. I think in view of that, what the framers of the original act probably felt was that the earning power or the patron levels were probably the least heavy during those hours of 6 A. M. to 10 A.M. or 4 A.M. to 10 A.M.

Recently there has been a lot of discussion from elected representatives and people in the community that the concept of twenty-four hour gambling may well solve some of the social ills that exist. The problem of seasonal lay-offs, which we are all aware of, may in some way be mitigated by additional hours being open and additional earning power of the casino. I think that in many cases there would be some benefit from this. But, I think we have to look at the total picture. We have to look at the very complex, stringent requirements of staffing that are imposed by the act, and we have to weigh those in view of the possible good that may be derived and the potential financial disaster that may derive to the industry.

We have heard from people in the community that with twenty-four hour gambling you may have a mitigating effect on the environment. You may have less people getting out in concentrated periods, less traffic accidents. We know that when people leave the casino at 4 A.M. and at 6 A.M. in many cases they are tired. They have been there a long time, and the mass exit at one time, certainly, could contribute to some congestion problems as well as public safety.

We have also heard that it may be mitigating in terms of crime patterns, because people who cash out of the casino at a specific time have a predictable behavior pattern and it may give rise to minor non-violent crime such as pickpocketing, room thefts and the like.

We also have heard from some people that we should be competitive with Las Vegas, although in my opinion, I don't think that is a legitimate concern at the present time. I think that people who come here during the week and on weekends may well in fact go to Las Vegas, but the convenience "buy" factor of Atlantic City in relationship to our market is one that is paramount in their minds, and will go to Las Vegas if they decide that is their vacation destination, in any event.

I think everybody has good intentions on twenty-four hour gambling. But, I think you as legislators, when this subject comes up --- I would like to add that the subject has not come up from the industry itself. In fact, I think we have been relatively quiet and have not had a position on it. There is a reason for that. We look at the staffing requirements in the area of box persons, floor men, pit bosses, shift managers, security, surveillance, and the ratios that we

are required to have as to the extent that we have tables open. Those could absolutely eat us alive financially. Twenty-four hour gambling in Las Vegas at the present time is a very minor activity. At any given time, in the large casinos on the strip, you may find six or eight tables, maximum, open. We could conceivably have a situation without legislative relief where we would have considerably more employees on the floor of the casino than we would have patrons. This would be beneficial - twenty-four hour gambling - during the holidays, the weekends, and the summer season, but we in industry know that we are dealing here with a very heavy traffic flow approximately 100 days of the year. The other 265 days of the year we have relatively quiet periods, and we have to provide some sort of balance there.

We also have to look at the gaming climate in Atlantic City. We are not a destination resort. Last year there were some 19 million visitors to Atlantic City, which was about 6 million more than to Las Vegas. It was a dramatically different behavior pattern. In Las Vegas, the average room stay runs very close to three days. In Atlantic City currently it runs somewhere between 1.4 to 1.7 days. People who come to Atlantic City come primarily for the day. Certainly the hotel business is strong in season, and in the off season we are required to promote very heavily and subsidize visits on vacation plans and tour plans, so that we don't have the same character in Las Vegas. We don't have people who are staying overnight in the hotels. And, yes, twenty-four hour gambling may be a tool to help develop that, but we also have to look at other regulations, regulations that affect junkets. Because if you have that casino open in the off hours, and you have enormously high fixed costs, you have to provide patrons, and with the current limits on junkets which will be covered by others later, it is virtually impossible to bring the people in the next day because of the price of rooms and the price of the foods and the beverages and the considerations that are given to them.

You have to look at other regulations and you have to analyze them, and perhaps amend them to make it a viable option. Regulations such as changing the cards and the dice at the end of each shift are very expensive. Again, we are going to make the assumption that the patron level in those twilight hours are going to be relatively low, and certainly they will be higher than Las Vegas, but they will be low in comparison to the times that we have gambling in Atlantic City.

We have to look at regulations relating to the transfer of the boxes from the tables to the cage after each shift. We may well find in analyzing it that the industry has done some homework in this case, that it will not produce additional jobs and because of the vagaries of the scheduling process and you are putting this into a nice, neat eight-hour shift, three shifts a day, rather than the present two shifts, we may well find that it will have the opposite effect, that there may not be as many jobs.

What I am saying today on twenty-four hour gambling is, as it keeps up and the issue apparently is heating up from many sources outside the industry, that we would like to work together with the industry and you on this. We would like to tell you what our thoughts and feelings are, and we would like to tell you what we believe the benefits would be. We would also like to provide an assessment of what we feel the true cost would be. The industry is not fully convinced; there is no concensus on this issue. Some would rather not have twenty-four hour gambling at all, unless there were some rule changes. I think we are all in agreement that we would not want it unless there were rule changes. But, even if there were rule changes, we would like to know pretty much in advance what those rule changes might

be, so that we could assess the impact financially. Again, it is a classic case of having an issue that is heating up. I think if we could work together and through the medium of some form of interchange, as Mr. Gilman suggested, we could educate you as to what the real reasons for twenty-four hour gambling are before it is forced down our throats, because it could well mean a financial disaster. Thank you.

ASSEMBLYMAN FORTUNATO: We will be conducting that workshop and encourage your input with members of your industry. This is an area that we will be addressing. We should be addressing along with the junket area, also. The Committee has spoken about that in Committee and also informally. It is an area that we will be addressing. I also would like to say that your point is well-taken, that any direction or any action taken by the Committee should be after hearing the industry's opinion of it, so we will know the effect it could have on your industry, and whether it be pro or con, we can come back to you afterward or you will be able to turn to us afterward, too. But, your point is well taken.

Are there any questions by any member of the Committee?

ASSEMBLYMAN RILEY: I think in regard to the twenty-four hour gambling, everyone on this Committee, and everyone in the industry, knows that we cannot deal with anything in a vacuum anymore. The initial legislation may have, but now we are dealing with realities and experience. Obviously, there are many rules that have to be changed, and already legislation is pending and introduced with regard to that.

As far as the twenty-four hour gambling, isn't a lot of that incentive and the push coming from dealers also because of the situations you described earlier. With the two-shift situation right now, I have spoken to many dealers on the floor and off the floor and quite frankly they are very, very enthusiastic about the idea of the three-shift situation. So, I think that may be where the answer lies.

MR. BOYNTON: Very definitely. There is a push from the dealers, their perception being that it will provide additional hours for opening, additional earning power and additional gratuities, so there is some degree of self-interest there.

ASSEMBLYMAN RILEY: When we do have this workshop, I heard a lot of comments of dealers regarding the tip boxes and the present tote situations. If possible, I would like to have some comments from industry, and obviously from the dealers also. The dealers generally were saying they didn't like the present system of the total general share, which is statutorily agreed, and if possible may we have some suggestions on sharing on a shift type of situation. Maybe there would be more congeniality generated by the dealers if they thought they had some direct bearing on the tote situation. Can we have some input on that at the workshop?

MR. BOYNTON: I think it could be very therapeutic, and I think it would cover a lot of specific ground, so that we can put these issues in perspective and we would be very, very happy to serve on that Committee.

ASSEMBLYMAN RILEY: Thank you.

ASSEMBLYMAN FORTUNATO: Mr. John Chiero, Tropicana.

STEVEN BOLSON: Mr. Chairman, members of the Committee, my name is Steven Bolson. I am Vice President, Legal and Corporate Affairs for the Tropicana, and I will be here speaking on behalf of Mr. Chiero. I will be brief in my comments as Mr. Boynton was, and I will be directing my comments primarily to the question of revisions in the statutes that we believe are necessary - the regulations and casino access in particular.

To start, I am a lifelong resident of New Jersey and I have been involved as an Attorney and an executive in the casino industry since July, 1979. I have been a Deputy Attorney General in the State of New Jersey and have been associated with regulated industries in a legal capacity since 1971. Since becoming involved with casino gaming I have worked closely with the staffs of the Casino Control Commission and Division of Gaming Enforcement as well as the Casino Control Commission itself. I have found that the staffs of these agencies, as well as the Commission, to be generally able and cooperative in attempting to advance the best interests of the New Jersey Casino Gaming Industry without compromising in any way integrity issues.

However, based on my legal and business experience to date it is my opinion that the New Jersey casino industry in the Tropicana's opinion is presently over-regulated in many areas based on provisions of the present Casino Control Act, the regulations promulgated pursuant to the act, as well as the general administrative practices on the part of the staffs of both the Casino Control Commission and the Division of Gaming Enforcement.

I believe that while great strides have been made to date, and amending the act and the regulations, more flexibility in management prerogatives must be returned to the management teams of the various casinos in order to make them operate more efficiently and be more profitable. I believe that these changes can be accomplished in many areas without impinging in any way on those provisions of the Act or the regulations which affect integrity issues.

As one example - that I wish to point out today - since the inception of casino gaming in New Jersey, those persons who have been licensed and now registered as hotel employees have been denied access to the casino floor for any purposes during the hours of employment. In other words, the great majority of our employees lacked the access to the casino public areas, not the pits and not the cage areas, and not areas where money is transferred - they cannot set foot on the casino floor. That is less access than a member of the public has walking into our casino who has not been subjected to a background investigation, who has not been registered with the Commission or the Division, or who has not been licensed. This has existed again since the inception of casino gaming. It is extremely burdensome. It is extremely expensive to our hotel casino.

As an example, for a purchasing employee to bring a package to the cage in our casino, that person is denied access to our casino floor. The only way for that person to gain access to our casino to perform his function, or a mail room delivery person who is a number four licensed individual, is to change the licensure of that person from a number four license or registration, which is a \$10 cost to the individual, to what is deemed a number twenty-two license or a non-gaming casino license, which is presently issued at a cost of \$195 per license for a three-year period.

In an effort not to expend the cost of these licenses, and many of these individuals cannot pay for these licenses themselves - they don't have the funds - we have been forced to bring security officers to the doors of our casinos to walk packages across the floor or to use cage personnel to deliver mail and other packages. This problem exists for bar porters; it is a frustrating experience, and yet this one provision in the Act has existed now again since the inception of casino gaming. It is interesting to note, however, that when a contractor is employed to do work for a casino, the contractor himself or his corporation is licensed as a vendor, but not the employees of that contractor. Consequently, the employees of a contractor

doing business in a casino have more access to a casino public area than do the licensed employees, hotel employees, of a New Jersey casino. This is one small area of our statute that I, as a house counsel to casinos now for the past two and a half years, have experienced a major frustration over. It is an area that you don't read about in the papers, and it is an area that has not been ballyhooed in the industry. It is not as important to the industry as junkets. Basically, changes in that area are important in promoting the marketing and the profitability of our casinos in New Jersey. But, it is the type of statutory amendment that in my opinion is desperately needed. It indicates the type of regulatory overhaul which is needed in order to allow management of our casinos the flexibility to properly manage their casinos, again, without in any way impinging upon integrity issues. We welcome at the Tropicana cooperation and participation in your workshop. We would like to work with the Legislature and the Division of Gaming Enforcement and the Casino Control Commission and hopefully streamline the Casino Control Act once and for all. We would like to streamline the regulations and also streamline some Division of Gaming Enforcement and Casino Control Commission staff practices, which will enable us to operate more efficiently and more profitably - again without impinging on integrity issues. Thank you.

ASSEMBLYMAN FORTUNATO: Thank you. Mr. Bolson, give my best to Mr. Chiero, please.

Steven Norton, Resorts International.

STEVEN NORTON: Good morning. As other members of the casino industry know, they can be brief, but unfortunately, I can't. I have three areas that I would like to cover today, the industry's profitability, or lack thereof, junket regulations and I would also like to make some comments on the Public Advocate's statement to you yesterday. If you would like, I am also available to answer some questions about Resorts' housing commitments and convention hall, since I sit on that blue ribbon panel.

The perception that the casino industry in Atlantic City is still ultra-profitable prevails even though the performance in the industry has steadily declined since Resorts International opened the first casino four years ago. As recently as last week, the Newark Star Ledger, a very prominent paper in this state, declared in an editorial the casino business is booming with most of the casinos solidly in the black. Atlantic City is a solid winner. But, I would question that optimistic assessment, at least the first part, about most of us being solidly in the black. A great deal of the perceptions about the health of the industry come directly from the monthly reports on casino gambling win, which is revenue, not profit. The four-year climb in our revenues has been astounding. It commenced with Resorts' win for seven months in 1978 of \$134 million, increasing the following year to \$323 million with two casinos operating for a total of nineteen months. It went even further to \$641 million for six casinos open a total of forty-seven months in 1980 and finally last year a very impressive \$1.1 billion in win. Total revenues of \$1.4 billion for non-casinos operating a total of eighty-seven months. However, revenues are not the primary concern of an investor, profits are. And, this is the side of the story that the general public does not hear. The after-tax profits of Resorts, International, Inc. for seven months in 1978 were \$41 million, or \$5.9 million per month. In '79 Resorts and Boardwalk Regency had after-tax profits of \$81 million or \$4.3 million a month. In '80, however, the profits for the industry as a whole dropped \$50 million to \$31 million as four new casinos went into

competition with Resorts and Caesar's. The after-tax profits per operating month dropped from over \$4 million in '79 to \$700,000 per month in 1980 and declined even further to \$270,000 per month in 1981, for a total of \$23 million for the entire casino industry.

Or, to put it another way, the nine casinos operating in Atlantic City during 1981 as an industry earned less than one-third of Resorts' International's earnings in 1979, which was \$75 million. \$23 million was not a satisfactory after-tax profit on total revenues of \$1.4 billion, or total investment which also is approximately \$1.4 billion. This represents after-tax profits of only 1.7% of our revenues and compares very unfavorably to other major New Jersey corporations like Merck Pharmaceutical which has not earned less than 15% after tax in any of the past 20 years, yet we are still called greedy by some, and gloom and doom prognosticators by others. I am sure that some of you will immediately raise questions about our operating efficiency when we are earning only 1.7% of our revenues or only less than a quarter of the average strip casino in Las Vegas.

This raises an obvious question. If the casino owners don't get a good slice of that \$1.4 billion, where did it go? \$362 million was raised or paid in taxes and fees to all levels of government. Just last year with over \$200 million going to the State of New Jersey, \$37 million went to Atlantic City and county for local property taxes. Approximately \$30 million went to the State for oversight of the casino industry, a figure that exceeds our net profits by 30%. Approximately \$86 million was paid into the state coffers as casino win taxes, to benefit the senior citizens and elderly and the disabled in New Jersey. Another huge slice was the \$480 million that went in wages and benefits to our employees, twenty times what we actually earned in after tax profits as an industry.

Last fall at a seminar of casino industry analysts, I gave my personal estimates that I felt the industry would start experiencing an improvement in the bottom line commencing in the second quarter of '82. I am not predicting a satisfactory level of profitability this year, but with a minimum of two years to consolidate our markets before experiencing any new competition, we could reach that enviable position in 1983 or 1984. But, I hope we can at a minimum convert the four properties that lost money in 1981 into the black this year.

The fourth quarter results are now trickling in, and it appears six of our nine operators lost money for those last three months of '81 and the industry's total loss was \$6 million more this fourth quarter than the previous year. This January produced red ink for six properties, but a strong February saw that number reduced to only three that were losers.

I stand by my earlier predictions that the second quarter will be better than '81 but the industry still needs a lot of help to develop a level of earnings that will encourage new casino hotel construction. Thirty-nine firms over the past four years have bought or optioned property, designed facilities, sought financing, or announced their plans to open a casino hotel in Atlantic City. We are now down to one serious contender, the Trump organization. The euphoria that caused the initial rush to enter the casino business was Resorts International's incredible initial revenues and earnings. But, competition quickly reversed this position, as Resorts net profits declined from \$75 million in '79 to \$31 million in '80 and \$20 million last year, but it should be noted that most of Resorts' hotel improvements were financed out of our initial profits. We have no interest expense that has saddled so many other competitors here in Atlantic City.

The profit potential of the industry was enhanced last year by several Casino Commission decisions which occurred primarily in the summer - one, to ease entertainment and advertising requirements; two, eliminate the surrender option in blackjack which gave a mathematical edge to the player; three, to remove regulations that required loss leader, \$2 minimum blackjack games; four, to ease certain staffing mandates. But, we still need help, not only from the Casino Control Commission, and Division of Gaming Enforcement but from the Legislature through action hopefully by your Committee to enhance the industry's financial position.

I would like to address in detail the regulation and law concerning casino air tours, or junkets, as they are referred to in the Casino Control Act, and changes that we would like to propose that will make them work. The regulation of junkets in New Jersey reflects the negative connotation that the word junket portrays. Junkets are governed by the most stringent portions of the Casino Control Act, and extensive regulations. This massive governmental intrusion into what is simply a casino marketing tool has no basis in the New Jersey gaming experience. Rather, it is founded entirely upon the activities that some independent Nevada junket representatives engaged in prior to that state's regulation of the practice. Moreover, the New Jersey regulatory approach to junkets ignores complementary provisions of the act which nullified the causes which the junket section is purportedly set to guard against. Indeed, the Director of Gaming Enforcement, Mickey Brown, recognized this fact in remarks he made yesterday to the Golden Nugget Gaming Conference.

In addition to being unnecessary and duplicative, the existing junket provisions are primarily responsible for the absence of any meaningful casino tour activity in Atlantic City. Until they are altered, Atlantic City will not experience any significant amount of promoted high roller activity and the activity that is generated will not develop a satisfactory level of profitability.

Determining the appropriate means of regulating junkets requires examination of the goals of the Casino Control Act and the ills that Legislature sought to address in the junket sections of the statute. A fair question is whether the junket provisions promote the goals and erases the potential abuses. A close examination of the statutory framework demonstrates that they do neither. Junkets certainly have a role in reaching the goal of economic revitalization through the casino industry. The Atlantic City casinos have not yet overcome the boom and bust cycle that is characterized the business since its inauguration. Summer profits are rapidly eroded by off season losses, leading to tepid annual reports. The dilemma is easily stated, yet difficult to resolve.

An acceptable return on investment can only be generated if the casinos become year-round resorts. In order to do this, the casinos must attract conventions, tours, or other overnight business to fill our rooms off season. Junkets are one effective way to break this dismal cycle and they can be implemented with much less lead time than the three to five years needed to sell a city-wide convention. The purpose of a casino junket is evident, to bring high betting gamblers to the casino. Once they are into the casino, and betting, the house odds will, over a statistically significant period, assure the casino a certain amount of revenue and provide the casino operators - providing we have developed a sensible program - hopefully a reasonable profit after covering all comp. costs, employee wages, and the 8% casino win tax.

Obviously, successful junkets could help to offset the casino's seasonal deficit and help to reduce the industry's problem of seasonal layoffs. The junket participant is, however, desirable for other reasons. In many cases he is a gambler

from a distant city who would not have casually traveled to Atlantic City were for it not for an air tour. He is a new customer many times. Further, he is by definition a person who frequently gambles and is affluent enough so that he can afford to do so. In short, the junket patron is a desirable to both the state and to the casinos. Indeed, Nevada regulations recognize this desirability by declaring the operation of junkets is economically beneficial to the state. The junket patron's contribution to the casino and thereby state well-being is not likely to be debatable. However, the presumed baggage the junkets carry is the subject to a great deal of discussion. The problems generally cited in conjunction with junkets can be characterized under the heading of credits, collections, and consumer protection.

However, as Director Brown acknowledged in his remarks yesterday, junkets in this state are totally divorced from credit and the collection of casino debts and consumer protection is adequately addressed in a separate section of the Act. Casino credit is often sited to be the major factor that may be abused by junket representatives. The expressed fear is that somehow junket representatives and junketeers will misuse the credit system to defraud the casinos. How this fear is related to junkets is not stated. Indeed, it bears a relationship. By law, credit transactions in New Jersey are performed exclusively by licensed casino employees with functions unrelated to junkets. Junket representatives are strictly forbidden from any role in the credit decisions of the casinos.

Finally, the extra scrutiny given to patrons by casino management which is invested in the junket player should act as a deterrent to any potential scam. In sum, junkets are the least likely vehicle for a credit scam.

A second area of concern often cited as justification for the extraordinary regulation of junkets is debt collection. Junkets, it is said, somehow lead to improper collection of casino debts by intimidation, invite fraud from junket representatives who collect debt and fail to report the collection to the casino, or encourage the proper deviation of funds. The above concerns ignore the provisions of the Casino Control Act that make such activities virtually impossible. Apparently, the fears are rooted in the Nevada experience. There, unlicensed, independent junket representatives are authorized to collect casino debts, a practice that could lead to the expressed concern. No such practice exists in New Jersey. Debt collection activity and junket activities are totally segregated by the act. The Casino Control Act regulations in unmistakable terms limit collection activities to licensed casino or casino key employees or attorneys. Thus, the stated fears have no special relationship to junkets.

Hypothetically, assuming the junket representatives were allowed to engage in debt collection, the failure to report the full amount collected would be discovered by casino management as they pursued normal collection procedures, only to discover that a patron has already paid his debt. If a casino employee were in league with a collection agent to refrain from recording money received from debt collection, that scheme would not go unnoticed, since the regulations require at a minimum that before any check may be written off as uncollectible, the chief executive officer, casino managers and controller must concur. Furthermore, all such bad debt accounts must be maintained by employees of the accounting department with no compatible function and must be available for inspection by the Division and Commission for seven years. In short, the spectre of improper debt collection is just that, an imaginary evil that evaporates when the checks and balances of the Casino Control Act are applied.

The final area of express regulatory concern is consumer protection. Both of the Advisory Boards that assisted the Legislature in drafting the Casino Control Act noted that in other jurisdictions unscrupulous junket promoters had misrepresented the term of junkets and thus stained the Resorts reputation. As with the other expressed evils, the New Jersey statute addresses the possibility of fraudulent or misleading junket promotions. Section 102 of the Act holds the casino licensees, not the junket representative, responsible for any violation or deviation from the terms of a junket. To enforce this provision, the Commission is given authority to implement a variety of remedies including ordering restitution to a defrauded patron to the prohibition of future junkets by that operator. Deviation from accepted commercial practices can therefore be effectively controlled under the Commission's consumer protection authority.

The junket provisions of the statute are more procedural than substantive. Indeed, of the massive regulatory provisions directly governing junkets, two procedural requirements have created the most obstruction. Those provisions require that each person who is responsible for or directly engaged in the creation, organization, or operation of a junket must be licensed as a casino key employee, and, two, all of the elements of each junket must be reported in advance of its arrival. A change in those provisions could greatly enhance the ability of New Jersey casinos to operate casino tours without reducing the integrity of the substantive provisions of the act. Licensure as a key casino employee is a massive undertaking requiring the completion of an application of close to 100 pages and an average waiting period of over one year, plus a significant financial expenditure. Many small tour operators who could send a few junket patrons to Atlantic City are unwilling to expend this time and money on such a limited venture.

The second debilitating provision is the section that mandates advanced reporting of the origin, date and terms of any junket but most burdensome of all, the name of the participants fifteen days in advance of the tour. The fifteen-day notice provision is both unrealistic and unnecessary. Although casinos can and do plan junkets in advance of their arrival, special events such as the signing of a prize fight often call for less lead time. Often casino operators possess only a handful of names fifteen days prior to the plane's scheduled departure and many of the advanced registrants will cancel their trip within the fifteen day period, leaving empty seats, unless a less onerous regulation allows last minute replacements or standbys in airline jargon.

In addition to being a nuisance, the prevailing requirements are of dubious value. Any fraud concerning the establishment of false credit lines would require several visits to a casino. Review of guest manifests after the junket has arrived would therefore provide adequate notice to prevent consummation of any fraud. The pre-filing of junket names does little more than generate paper lists. Nevada has recognized this reality by requiring reporting on junkets only quarterly.

We have a proposed change. First, in recognition of the distinction between traditional junkets and the Atlantic City version, the term junkets is abandoned in favor of the neutral term, "casino tours." That designation more accurately reflects the nature of the transaction and eliminates the negative bent given to the word "junket." Like the existing statute, the proposal fixes a threshold amount which must be present before the provisions are invoked. The present figure of \$200 of retail value is utterly unsupportable. It is so low that every trip to New Jersey from out of state could qualify as a junket. A transaction of \$200 in a New Jersey casino that annually processes over \$150 million in gross gaming

revenues is hardly worth the time the State expends on its control. A \$1000 threshold based upon cost, not retail value, is suggested. As for the previously noted aspects of licensure filing, the state could be fully protected by a registration system similar to that adopted to monitor the activities of other vendors transacting business with casinos. Any deviation from the strict New Jersey standards of conduct would result in an immediate suspension from the approved list or even permanent removal. The proposed amendment would require that a potential junket representative file a license form with the Commission prior to engaging in any tour activity, a safeguard that exceeds Nevada's current system.

Under the proposal, each casino would have to employ at least one casino tour representative licensed to the key standard. This is to insure that one person is responsible for and knowledgeable of the regulations and requirements for casino tours. The interim procedures rectified that illogical situation. However, the Commission continues to mandate that any person who refers a potential junket participant to a casino must hold a key license. The proposed amendments places independent junketeers and employees on the same footing, treating both functions as sales representatives that can be licensed to a hotel license standard.

The reporting section of the act amended under the proposal to provide a reporting the guest manifest upon the day of arrival of the junket flight. Nevada law, providing for quarterly filings has worked well. Daily filings will certainly meet all of New Jersey's legitimate law enforcement needs. While affecting the above procedural changes, the proposal amends maintain all of the substantive provisions of the existing law. Casino tour operators may not engage in credit or collection activities and casinos continue to be responsible for all casino tours set for their facility.

The suggested changes to the act would meet the requirements of the various law enforcement agencies while relieving the casinos of much of the burdensome paperwork now associated with junkets. They would assure the State of control over casino tours and at the same time, not discourage such tours as do the present procedures. Implementation would speed the recovery of Atlantic City, especially in the traditional slow period and in no way threaten the integrity of casino gaming.

Yesterday, the Public Advocate had a chance to address you and I have a great deal of respect for his position, which is a very difficult one, and obviously, we recognize that he is representing a different position than we do. But, I think there are certain things in his testimony yesterday that should be brought out that we feel are either inaccurate or misleading.

One, he refers to a 60% drop in population between 1970 and 1980. I think if people will research the records, you will find that the great majority of that population loss occurred before the opening of the first casino in Atlantic City and the great majority even before the referendum was passed in November of 1976. The problem existed long before the casinos came to Atlantic City. In fact, if anything we feel that the problem will turn around.

Another comment he made was that residents are being forced out before they are burned out. I contend that buildings housing these referred to residents were being burned or condemned long before our industry got here. The problem continues and may not turn around until interest rates become compatible for housing development. This problem is not unique, however, to Atlantic City. I imagine you will find the same problems in Newark and Trenton of poor housing and nobody at the current time being willing to invest in housing.

In another area he suggests requiring that casinos invest in housing. In the case of Resorts, the Casino Control Commission has already done this. They asked us several years ago to invest \$5 million in the region because of a lack of suitable finance, however, instead of investing \$5 million Resorts has already invested \$13 million in providing affordable housing in the region. It is all in the county with the exception of maybe \$300,000 that we spent in Atlantic City or \$400,000, but we contend that affordable housing, which was our mandate, cannot be built currently in Atlantic City unless somebody subsidizes the value of land or gives it to a builder. We don't believe that is an appropriate role for private enterprise. We think if we took that position, some of our shareholders might rightfully take us to task for giving away their earnings.

We now have two projects that are opened, and in operation. One is 200 units and the other is the beginning phase of about 380 units. However, because of the costly regulatory process in this region, the units are winding up costing considerably more than we had originally hoped, and Resorts stands to lose a considerable sum, unless financial status of the housing industry turns rapidly and interest rates substantially decline.

Perhaps we should ask those governments that got \$362 million out of the casino industry last year to help us in that investment problem of housing in Atlantic City. The state took in over \$200 million which includes the money spent in Atlantic City and county and the federal government, about \$160 million. We think we are pretty good neighbors when you compare that \$360 million to our profits, which is only one-fifteenth of what we contributed to governments.

There is one other comment of his that I think needs special mention. That is, his comment without direction from the Casino Control Commission. We can expect spectacular profits for the casinos while those directly victimized receive little or nothing in the way of benefits. This comment, more than any other, highlights our problem in the casino industry. People still believed that the industry is spectacularly profitable. It might have been when Resorts had a monopoly in 1978 and when there were only two people in competition in 1979. But, that is light years away from where we are in 1982. The industry is unsatisfactorily profitable. Four out of nine members lost money last year. The Commission and the State get copies of their statements, so this is very easily substantiatable. We could have two or three still operating in the red for the entire year. I am optimistic, as I said earlier. I think the industry is going to turn around this year. But, I believe that the general public still perceives our industry to be much more profitable than it is.

When someone like the Public Advocate asks Resorts International and the casino industry to build housing in Atlantic City, I say, where are those requests made to other New Jersey firms? Merck Pharmaceutical earns \$300 million to \$400 million after taxes. They employ over 20,000 employees like the casino industry does. Has anyone asked them to build housing in Trenton or wherever in the State of New Jersey? I contend that is not the responsibility of the private sector. We pay enormous taxes, fifteen times more than our earnings. Let's use those to redevelop Atlantic City. We certainly support the concept of housing in Atlantic City. But, as I mentioned, I resent the implication that the burden falls solely on our shoulders.

Thank you for giving me a chance to join you on your soap box.

ASSEMBLYMAN FORTUNATO: Thank you. Mr. Bryant.

ASSEMBLYMAN BRYANT: I just have one comment for Mr. Norton. It does seem incredible to me that possibly the State Legislature through some err encouraged the investment of over \$12 million in a region when the hardest impact area is the City of Atlantic City by accepting casino gambling, by going through a Constitutional amendment in this state. I think that probably places some of the reasoning why this special attention to casino gambling, and special rules that might not apply to other industries.

I guess my biggest problem is that maybe people need to teach me how - if I granted all those requests, so we can increase profits, we can do everything with junkets - we tie those in to making sure there is some performance at the bottom of the spectrum. I think we should be able to do that. What I am saying is that maybe I could be very, very supportive of all those things for the industry if I knew there was some relationship between that relief and the relief at the bottom.

MR. NORTON: I think there are two points to be made here. One is, when we increase our revenues - and hopefully our profits - we are increasing the State's takes. They are getting that 8% sales tax on the casino win. They are also getting other benefits, because if we are more profitable, they are getting the 9% corporate tax. If we are getting more business, we are employing more people who are paying more in income tax to the State of New Jersey. So, the state has many ways. There are more people coming in; there is more luxury tax; there is more sales tax to the state and the county and the city.

I think with regard to the question on the housing, most industries help in the providing of housing because they are paying their employees a fair wage. I think if you will take note, Atlantic County had the highest increase in per capita income in the entire nation in 1980, which is an indication that this industry has done a great deal to raise the level of the earning potential of the employees of its industry.

Normally, a person finances his housing out of his wages. The employer, unless he is in a unique situation in the middle of nowhere with a coal mine or something, he usually is not involved in having to build housing for his employees. This is a unique situation. The problems in Atlantic City are here because the city was dying and was falling apart before casinos came. This was a way to possibly turn the tide. Well, we have turned the tide in creating jobs. We have created about 30,000 jobs as a result of this industry so far. But, because this was a statewide referendum, a lot of those jobs were offered to people outside the Atlantic City area. I mean, people in Trenton and Newark voted for casino gaming. They have the same right to expect employment from it as anyone in Atlantic City has. I think we have forgotten that.

I contend that the housing problem is not as bad as some people portray. There were an awful lot of people that had homes in the area that were seasonal homes. Most of those have now been converted to year-round. I mean, the person that paid \$5,000 for a summer home finds it difficult to hold on to that house if the value of it is now \$50,000 to \$100,000. The tendency is to sell it and invest that money somewhere else, to take the windfall. I agree with you. There has been a dislocation among the subsidized level. But, I think we must remember that Atlantic City had the third highest number of subsidized units in the entire United States, second to Chicago and Newark. We were the third. We need more subsidized units, or some affordable units, where people who are now in subsidized units shouldn't be, can be upgraded. From what I understand there are probably 400 units in Atlantic City now where people are living in subsidized units and may be earning as much

as \$30,000 a year and living in subsidized housing because there is no affordable unit to move them to. I agree with you. There is a need. I believe there is also a need in other cities, and I believe that housing needs to get reasonable interest rates and needs to get funds being diverted. I mean, so much money now is tied up in certificates of deposit, so much potential investment money, because why take any risk when you can earn 17% or 18%. If that comes back down to reasonable levels of 7% or 8% or 9%, then you may see people investing in savings and loans who support housing or in other forms that support housing. Maybe our municipal bonds that we can float here in Atlantic City will be floatable at a realistic interest rate, rather than the 15% that it looks like we are going to have to pay now.

ASSEMBLYMAN La CORTE: Mr. Norton, you just stated what was concerning me in your testimony. The gaming industry cannot be treated like any other industry, whether it be a Merck Pharmaceutical or the chemical industry. You are here basically to help revitalize the community of Atlantic City. But, at the same time, I think it is a very narrow viewpoint if the industry takes the view that they are just another industry in the State, because you are here for the one purpose that I think you have succeeded at. It is more than just the development of the boardwalk. It was the development of Atlantic City and the Atlantic City area. That is what I think we have to address.

I have no difficulty - when we talk about revisions of the Casino Control Act, because I believe at any time before five years it should be reviewed. Some of the points that you make about junkets and access to the floor seem reasonable to me. I think a workshop would accomplish some of those things. Review is healthy even if there were no changes.

MR. NORTON: We certainly agree with you that we want to see a redevelopment of Atlantic City. Where we differ is, I have not been able to find, in the Act, where it says the casinos should do this, that and the other thing. We have a 2% reinvestment credit that I agree needs to be determined, so we can work on it. We have been investing all this money in housing presuming that it will qualify for the reinvestment.

ASSEMBLYMAN La CORTE: I don't think anyone has stated - unless I heard testimony yesterday differently - including the Public Advocate that we are asking industry per se to invest in housing. They are talking about tightening up the 2% reinvestment. They are talking about having it more tight so that you are not taking over the entire town. And, there should be the ability to get more involved in the urban renewal.

I don't believe that the Casino Control Commission or the State wants the casinos to build the housing. I think it is up to a community group to do that, or whatever organization is best appropriate. That is the point that has been addressed today while we have been here. There has to be a tightening up of the 2% reinvestment credit.

MR. NORTON: I couldn't agree with you more there. But, I did read in the Public Advocate's comments that he was stating the Commission should be making the casinos build housing. Maybe I misread it. I hope I did.

ASSEMBLYMAN BRYANT: I think that there is a fair interpretation dealing with the social impact that the Casino Control Commission through its regulatory ability could possibly enforce that kind of idea if the Public Advocate had it in his statements. Assuming that it could deny the granting of licensing if in fact it felt that the social impact was necessary for improvements in housing before granting a license.

MR. NORTON: Well, I am not going to argue with you, before somebody comes in. But, once somebody has invested \$300 million to then have somebody from the State come out and say, "Oh, we forgot to tell you; there is another \$50 million we want you to put here." Now, if you tell somebody before he spends that money and invests in that, "We are going to require you to do this in order to have this special license." That is another matter entirely.

ASSEMBLYMAN BRYANT: I think that is one of the questions concerning the Casino Control Commission, have they used that portion of their act to really analyze the social impacts and require anything upon this new industry in terms of meeting that impact.

MR. NORTON: Well, I think their requirements of Resorts are a step that way. In saying to Resorts we want you to build housing, they have not told anyone else to build housing in Atlantic City, because I think they saw the decline in the profitability and that it would have been ludicrous to ask a casino that is making \$2 million a year on a \$300 million investment - as was the case with Bally in their first two years of full operation - to put \$5 million or \$10 million in housing.

ASSEMBLYMAN BRYANT: That is my question to you. Assuming we did what you asked, and it increased their profitability, do you think it is fair for legislation to also hook into that, some way of making sure that profitability portion goes to making sure the lower end of the spectrum is benefitted directly?

MR. NORTON: Well, I still say that you have in the law the 2%. You have the ability to direct how that 2% is invested. But, I still contend that the industry believes we should get a fair rate of return on that investment, whether it is buying municipal bonds at a 15% tax free rate, or whatever. I think we should be allowed to get a fair rate of return.

I don't think that new mandates should be placed on the industry. I think that the normal system in America - where an employee earns a certain amount--- Once interest rates come down, the qualification for a person to buy a home will halve. I mean, a person that cannot even buy a \$60,000 home on a \$50,000 income--- You know, that is going to change. Somebody with a \$25,000 income will be able to afford a \$50,000 or \$60,000 house or apartment once interest rates come down. But, right now with interest rates as they are it doubles the earning level of a person to qualify for the same unit, and that is causing a problem that is not unique to Atlantic City.

ASSEMBLYMAN FORTUNATO: Mr. Norton, I have studied the Atlantic City situation since the advent of casino gambling. I am also very familiar with the positions you have taken in the past. I commend you, because most of them have been right on target.

I think that when you do speak you are coming from a position of credibility. I think it is important that the Legislature listen and that others listen. Let me make this suggestion to you also: I am not saying there should be mandates. I have a problem with mandates. I also have problems with games that have constant rule changes once you get into the game. Because, then I would like to play by my rules, too. I can appreciate your position and where you are coming from. But, I would like to discuss the method in which your industry can participate. I don't want to talk about specific companies or corporations, which happen to have their home office in New Jersey, and are possibly not governed by the same rules your industry is governed by. But, I can make specific note of specific instances where

those companies do participate in the well-being of the community in which they live. That is all I am talking about. You have heard me speak. I am on the record, and I refer to that. But, I think you know from where I come when I talk about participating in the well-being of the community, of the county, of the area of Atlantic City. The workshop would be a good vehicle for us to participate jointly. But, I want to emphasize, if the area benefits, you benefit. I agree with that. The more you benefit, the more the area will benefit. I appreciate that 360 degree circle, that catch-22, but again, I want to break it some place and begin to deal with it. Maybe the workshop is the way we can. I hope so.

I think it is important - I would like to refer to you as the leader or the spokesman, more or less, for your industry because you have been down here the most, and because I think from what I have been able to determine, and from what I have been able to read, your comments come from a very credible position. I think that if you really put your mind to it, you can come up with the solution to these problems, not being mandated, not being forced, but through concerted effort - in concert, if you will. I hope that we can get together and resolve some of the problems, not all of them, but some of them - the legislature, the industry, the local government. That is all I would ask as Chairman and as a member of the legislature.

MR. NORTON: I think we have shown by our own investments that we are ready to participate in anything that is economically viable. You know, that includes housing. We believe that it can be done in Atlantic City. But I think there are a number of problems in Atlantic City that need to be addressed that have caused the inaction in housing. It is not just the high interest rates. There are other things that have delayed the development of Atlantic City.

The casino industry construction - we are through with phase one. Now we all have to look at how we can benefit the area and how we can improve it. We have the same interest that the residents have in making Atlantic City a more livable place. It is better for our customers. It is better for us. It is better for our employees. Many are living in Atlantic City, and we look for state and county and city cooperation in doing that.

ASSEMBLYMAN RILEY: I think, first, in regard to rule changes, I absolutely agree with you. I think the surrender rule should be kept. But, in any case, I think we are now dealing with an experienced factor. I think the Chairman is absolutely on point. The Bureau probably wanted more notable spokespersons for the industry, and rightfully so. The Chairman is right. You have really been on point. A lot of things that have come before the State Government Committee, you were right about.

But, now we have an experience factor. By using it together, the Legislature with the industry, I think we can raise your profits which on the investment are miniscule and also raise dollars for the State of New Jersey without hurting anybody. I think that can be done. But, would you say that it would be fair to say the industry would probably be ecstatic to see housing come into Atlantic City? The basic point everyone is going around is, you are in the gaming and entertaining business, not in the business of contracting. You will be happy to pay your dollars to the State to let us do it, and the municipalities do it, and the 2% fund, but you are not a developer.

MR. NORTON: Well, I think the question there is, if we have employees living in Atlantic City, we don't have to subsidize transportation; we don't have to pay \$2 or \$3 for employees to park on the Expressway if they live in Atlantic City. There are a lot of savings to the casino industry if more of our employees live in the city itself. We agree with that.

What has always astounded me is that a casino industry that has no experience basically in providing affordable housing is made to compete with the private sector. I mean, how many other developers may have been scared out of Atlantic City because they knew a casino had to build housing regardless of whether they were profitable or not, and that is very unfair competition for the industry. I mean, we had to build housing whether the timing was right, whether interest rates were right, whatever. Build housing in Atlantic City - that was the mandate to Resorts. And, we wound up spending \$13 million where we had only promised to spend \$5 million because we couldn't find suitable financing. And, we will probably take a loss on those units, which is unfair competition to another developer, a housing developer, who properly belongs in that business and shouldn't have unfair competition coming from an agency like us or the state subsidizing units to compete directly with somebody else.

ASSEMBLYMAN RILEY: I personally believe that maybe the industry is being blamed for a supply and demand situation which is not your fault. The people of the State of New Jersey voted for it - and maybe Absecon Island, and maybe Atlantic County and south Jersey in general may not have been ready from a housing standpoint. I think we are all too familiar with the situation. Here on Absecon Island you can't rent a two bedroom apartment for under \$600. I think your industry has to obviously pay wages commensurate with that type of situation. So, maybe the direction should be, "Let's work together."

MR. NORTON: Chuck Worthington has addressed that point very adequately and I think it could be reinforced. That is, the State itself in the past has not been working together. The different agencies come out with projections that are completely different. I remember one state agency was projecting the population in Atlantic County by 1990 at 500,000. Another state agency at the same time was projecting population in Atlantic County at 1990 at 200,000. Now, obviously, if you are coming that far apart you are going to have incredible differences in approaches to how you should do things. Then you have another agency like the Pinelands taking 80% of the developable land in Atlantic County and saying, "You can't develop here." Resorts has a third project that we were interested in, 1870 acres. When we took the property, the township was recommending two or three units per acre. The Pinelands came in and said, "We only want you to put one unit for every 39 acres."

Now, if you take a look at the land costs when you go from three units an acre to one unit for every 39, you find there is just no project that can be done. So, you have frozen that land. With the Pinelands saying, "This is the area we want to see developed," all of a sudden you have made a windfall for the people who happen to own that property. Here is a State agency saying, "Build here." Now all of a sudden, that land has gone up in value and the possibility of anybody putting affordable or low income units there is further diminished because the land value has gone up arbitrarily by a state agency.

I just want to say that there are a lot of problems that have been created by our own government in the past in dealing with development here. You have CAFRA pushing you in and you have Pinelands pushing you out. And I guess what we are going to wind up with is a lot of floating homes in the bay, because CAFRA doesn't want you building here, and Pinelands doesn't want you living there. But, I agree with some of the ideals of the Pinelands Act. I mean, in the core I certainly support what they are trying to do, but I think that those acts have to relate more and take into account the feelings of the local communities as well.

ASSEMBLYMAN La CORTE: I have one question on profitability. I don't know if I have my notes right on this. You mentioned that the entire industry had a \$23 million profit?

MR. NORTON: After tax profits. Now, six of the operators were profitable, three were unprofitable last year.

ASSEMBLYMAN La CORTE: Of the \$23 million---

MR. NORTON: Four --- You are right. That is the fourth quarter, six---

ASSEMBLYMAN La CORTE: So, the entire industry had a profit after taxes of \$23 million. And then you stated that Resorts had a profit of \$20 million. You are saying the other eight casinos had a profit of \$8 million?

MR. NORTON: Well, you had several losers and you had several other profitable ones. Golden Nugget, I think, had \$17 million in profits. Caesar's was in the black. You know, several of the properties who have already announced their earnings for the year were in the black. Resorts had 20 and I think Golden Nugget had 17, so that was \$37 million. So, there are some in the black.

ASSEMBLYMAN La CORTE: Was Resorts the highest?

MR. NORTON: We had the highest after tax profit last year. But, you have to remember in looking at Resorts' numbers, though, there is no interest expense there. If you look at Bally's statement, you will see \$20 or \$30 million in interest expense annually that they have to pay. But, because Resorts was the first here - took a lot of risks, was able to build more quickly and more cheaply than other people that followed us and were able to acquire our property for much, much less than subsequent entrants--- I mean, we took our risk before the referendum. So, we did get a windfall as a result of that. We were able to open our casino hotel with an investment of somewhere around \$30 million or \$40 million, which we have now increased to \$120 million. But, we have been able to do that out of profits. The first seven months we earned \$41 million after taxes. The next year we earned \$75 million after taxes. So, basically, our first nineteen months in operation in Atlantic City covered our total investment in the Resorts International hotel.

When you look at Bally, they invested \$309 million on their property. They had interest rates a year or so ago that were up in the high teens. It doesn't take much to figure what they are paying annually in interest when you are figuring 15% or 16% interest. Now, they have renegotiated their financing through the parent company and I think their interest expenses are not as great. But, I think it is very interesting to note in Bally's case, of their earnings last year, more than half of their after tax earnings came from the conversion of a condominium in Atlantic City. They had \$200 million in revenues last year, yet the casino operation, I think, only earned \$3 million. And, the year before that, on the \$200 million in revenues last year, yet the casino operation last year only earned \$2 million. They had a 1% return on the revenues and less than 1% on their \$300 million investment. That is just not satisfactory.

ASSEMBLYMAN La CORTE: Thank you. Thomas Farrell.

T H O M A S D. F A R R E L L: Mr. Chairman, my name is Tom Farrell. I am Vice President and General Counsel of Harrah's Marina Hotel Casino.

Mr. Chairman, I have given the staff copies of my prepared testimony. I will summarize it for you where it is duplicative of what has been mentioned this morning.

I would first like to respond to Assemblyman Riley's request for a brief background of the witnesses for the industry today. I am a life-long resident of New Jersey. I did a thesis at Princeton University about eight years ago - twelve years ago, I guess it was - on political and social impacts from legalized gambling that we could expect. I served as counsel to the President's Commission on Gambling in Washington in the mid-'70's. I worked as a federal prosecutor in California before coming back to my native state to participate in this great experiment in urban revitalization.

Atlantic City today is a watershed. For the first time in five years, there are no new casino hotels under construction. Yet we all know that if this great experiment in urban revitalization is to succeed, additional hotel casino development will be necessary to secure this city's destiny as a world-class resort. You cannot legislate such facilities into existence. You can only create conditions in which developers are willing to venture the enormous capital outlays necessary to enter this market. And you must do this in a way that does not jeopardize the underlying integrity of the State's regulatory structure; for, if that should fail, all of our efforts to redevelop this community will fail with it.

We submit that there is an opportunity now for the Legislature to significantly improve the investment climate in Atlantic City without undercutting the integrity of gaming operations and regulation. The Casino Control Commission has already begun to address this challenge. Last February, its permanent Committee on Regulations and Legislation held hearings on the need to reform the Casino Control Act and Regulations. The Commission's response to the testimony presented at those hearings has been truly remarkable. In one year, it has removed arbitrary limits on minimum wagers, eliminated the need for nightly entertainment in empty theatres, repealed unconstitutional residency requirements, eased burdensome advertising regulations, greatly reduced unnecessary staffing, and substantially modified the rules of the games. All of these steps have demonstrably improved the financial health of the gaming industry, and demonstrated the open-mindedness and technical competence of the Commission and its staff. We have not gotten all of the relief which we believe to be necessary and appropriate. We have had our disappointments and much remains to be done. But we have made a start and have been afforded a responsible forum for the presentation of our views.

Shortly after the Commission held its hearings on regulatory reform, a Committee of the State Legislature received testimony on the same issues. Among the witnesses was a member of the Casino Control Commission who recommended several amendments to the Casino Control Act. The Committee was told that necessary reforms could not be effected by the Commission alone and would require legislative action. Almost a year has passed since that hearing, and much of the testimony presented then has not been heeded, although I must insert here that the Assembly's passage on Monday of legislation to streamline liquor licensing and reduce advertising regulations is a tremendous step and we salute for your leadership in taking that position.

We recognize, sir, that the successful development of Atlantic City will be a continuous, on-going and evolutionary process. And we submit that five key reforms are necessary now.

First would be the elimination of licensing for nongaming casino employees. This is directly responsive to Assemblyman Riley's questions about licensing. This was endorsed by the Attorney General at the Assembly Committee hearings last year. Section 90 of the Casino Control Act presently imposes burdens and costs upon the nongaming employees, the casinos, and the regulatory agencies, with no corresponding law enforcement benefit to the State. The Legislature has taken a giant step by eliminating licensing for hotel employees, which was also recommended by the Commission and Division. We commend you for taking that step and urge you to complete the job by exempting bartenders, waiters, waitresses, and cleaning personnel whose duties take them onto the casino floor from the licensing process. This dovetails with Mr. Bolson's testimony on access to the floor. It should be part of your package.

The second would be modification of the restrictions on junkets. Although well intentioned, experience has demonstrated that the present statutory controls on junkets are clearly overdrawn. It is interesting to look back when the Casino Control Act was drafted and read the Second Interim Report of the Staff Policy Group on Casino Gambling which anticipated that "junket operators. . . will be representing a reconstructed Atlantic City to potential visitors around the world. . ." The sad and indisputable truth is that the present restrictions on junkets have prevented Atlantic City hotel casinos from competing for international, much less out-of-state, visitors. We recommend that you modify the prohibitory terms of the present regulatory framework so as not to choke off this element of our business. You will improve the State's balance of trade by doing so, and it can be done in a manner that does not jeopardize integrity, as Director Brown testified to yesterday. I think Mr. Norton's comments along this line were very positive.

The third comment in my prepared testimony is to streamline alcoholic beverage licensing and that appears to have been attended to.

Fourth, 24-hour gaming, which was addressed by Mr. Boynton very eloquently - we strongly support the movement for continuous gaming operations. We respectfully submit that the limits presently imposed by Section 97 of the Act are creating rather than solving law enforcement problems for the city, by evacuating the island at a pre-dawn hour when police protection is at a minimum. We believe that 24-hour gaming would be a tremendous attraction to our customers and could be successfully undertaken if we are permitted sufficient flexibility in staffing our casino. We do recommend that you retain the provisions requiring advance notification of any changes in a casino's hours of operations. Each casino hotel should be free to set its own hours, depending upon its own marketing philosophy and the Commission and the public should have sufficient notice of each casino's schedule of operations.

The fifth recommendation which again directly addresses the concerns expressed by Assemblyman Riley is that temporary licensing be undertaken immediately for part-time and seasonal casino employees. Both the Division of Gaming Enforcement and the Casino Control Commission have asked the casino industry to advise them of the number of additional casino employees who will be necessary to permit effective operations this coming summer. It is conservatively estimated that approximately 900 new casino employees will be required in three months' time to staff gaming operations, and it is uniformly acknowledged that this mass of new applicants will impose a severe licensing crunch upon the Commission and the Division. We strongly recommend that you immediately amend Section 90 of the Act to permit temporary licensing for these part-time and seasonal casino employees. Such temporary licensing is already available for casino key employees who supervise casino employees and for nongaming casino employees; and was recently extended by the Legislature indefinitely in recognition of the overwhelming need for it. The demand is no less great for

temporary licensing for gaming-related casino employees. And we urge swift action to meet this need. It will greatly minimize the seasonal layoffs of these employees which would otherwise occur at the end of every summer. I understand that Director Brown also spoke to this issue and endorsed temporary licensing for these employees. Nothing you could do would improve the problem of seasonal layoffs than swiftly taking action in this regard and we strongly urge you to consider it immediately. The time is at hand because we are talking about 900 or so employees in less than three months' time - a critical need.

In addition to the five key issues which we have just addressed, other modifications will continuously become necessary as gaming in Atlantic City evolves, and we do not intend to minimize them. In particular, we have not commented upon the investment alternative tax embodied in Section 144 of the Act, as it is presently the subject of intense scrutiny by members of the Legislature and the Commission staff; and we await the results of your findings. We observe here that Atlantic City's redevelopment can best be fostered by harnessing the engine of casino development to create jobs, generate taxes, and stimulate tourism, and not by deflecting it into areas in which it has no expertise or which have been traditionally governed by the public sector. We will cooperate with you in easing the growing pains of Atlantic City's redevelopment, but we cannot solve all of the attendant consequences of the economic growth which we have helped make possible.

We also wish to make brief reference to two proposals embodied in Assembly Bill 163, presently under consideration by the Legislature. Although this bill has much to recommend it, we take strong exception to its blanket prohibition against excluding card counters. The courts, the Casino Control Commission and the gaming industry are all trying to find a responsible solution to this problem, and the proposed legislation would only hamstring these efforts. Declaring open season for card counters would seriously jeopardize the revitalization of Atlantic City.

Second, we respectfully oppose the dictation of an arbitrary number of minimum stakes table games. This would not only be bad for the casino business; it is simply not good government to fix the rules of the games in the Casino Control Act. As the Commission on the Review of the National Policy Towards Gambling observed in its final report, "Such restrictions should take the form of regulations rather than statutory provisions. Regulations having the same force as statutes have the advantage of being easily amended should the need for change arise. State policy in such areas must be kept flexible and adaptable so that state officials can regulate the impact of casino gambling and respond to changes in market conditions."

Permit me to close with one additional observation. Atlantic City is at a watershed, not simply because of what is happening in New Jersey, but because of what might happen in neighboring, or even faraway, states. Do not for a moment forget that Atlantic City is being keenly watched by your counterparts in other state legislatures. If this experiment is to succeed, it is absolutely essential that Atlantic City arrive as a year-round destination resort before competing states divert capital and interest away. The reforms which we have proposed today do nothing to lessen the integrity and fairness of gaming operations in New Jersey; to the contrary, they do much to ensure its success. It would be tragic if casino gaming were denied its full potential to assist in this city's development because the Legislature was unwilling to permit its evolution into a successful and competitive industry. Thank you very much for the attention you have given my testimony.

(Complete written statement submitted by Mr. Farrell can be found in the appendix.)

ASSEMBLYMAN FORTUNATO: Mr. Farrell, thank you.

Mr. Glenn Casterline of the Claridge. Is there anyone here representing the Claridge? (No response.)

All right, William Weidner of the Sands. (No response.)

Shannon Bybee of the Golden Nuggett.

S H A N N O N B Y B E E: Mr. Chairman, top o' the morning to you.

My name is Shannon Bybee. I am the President of the Golden Nuggett of Atlantic City and I am pleased to have the opportunity to spend a few minutes with you and tell you some of my views. I think most of the views I have are shared by those who have previously addressed you and I am not going to replot the same ground. I do wish, however, to address two areas of concern to kind of underline them. One relates to the issue of minimums and maximums of tables being regulated by the State. I am concerned there because of the bill that Assemblyman Riley introduced after the Commission removed the regulations specifying the minimums and maximums. My concern in that regard is that this goes to the heart of management of a business operation because this, in effect, regulates the price at which we sell our product. You have the situation here where the State requires certain standards - requires a substantial investment in order to conduct a casino operation. You have to build a hotel at least 500 rooms, with a specified public space. It is all necessary in order to operate a casino. To turn around then and legislate the minimums that you can provide on the tables, in effect is like requiring General Motors to build a Cadillac and sell it at a Chevette price. We need to have flexibility in order to adjust those minimums and maximums to the business needs and the market and not have that determined by a legislative direction without regard to the effect on profitability. The original regulations didn't relate to profitability, but required an expensive and time-consuming process which would create uncompetitive situations because every place doesn't have the same profitability. So it doesn't make sense then to try and have a distinction between the locations based on profitability. The only way it really can be handled is by staying out of it altogether and leaving it to the marketplace to determine the minimums and maximums.

I speak from the base of probably being the only casino which still offers two dollar games. This winter, we have had numerous days in which we have two dollar games available the entire hours that the casino has been open. And, last summer, in the submission we had to prepare for the Commission, we surveyed our operation and we were providing something like 700 hours a week of two-dollar table action, and this was in the height of the summer season. So we believe there are going to be ample variations of minimums available to the public even in the summer season by leaving it to the marketplace to make those decisions, rather than becoming a price-setting body to limit, if you want, the price at which our service can be sold to the public. As I say, I think this is crucial to the success of an entrepreneurial enterprise. To try to regulate it sends out a signal as well to prospective developers that they are going to be required not only to spend large sums; but once they spend those sums and get the operation built, the State may regulate the amount of revenue that they can derive from that operation and prevent profitability. That to me is one of the key issues before the Legislature: the attempt to legislate the table minimums.

The other area of concern that I would underline that relates to development is the issue that has been addressed - and I won't dwell on it too long - and that is the coordination between agencies, things like CAFRA. It takes about 4 months now to get through CAFRA, which makes it difficult to timely make changes necessary to adjust to seasonal developments when you need to expand, and obviously is a problem for any future development coming in, trying to get the various agencies to coordinate their

needs. The conflicting goals and purposes of various agencies have already been pointed out. One of the things that I think has affected development in Atlantic City is the decision that was made, I believe, by CAFRA to limit parking to one space per hotel room and to require the employees to be bussed in from off the island. Certainly, 30,000 employees now have little opportunity to shop in Atlantic City because they have to be bussed off the island to their parking lots. If parking were provided for all those people in Atlantic City, there would be people available to shop in merchants' stores before and after their working hours.

That is one of those policy issues in which the desire to control traffic has had the unexpected problem of reducing the ability of people to shop in Atlantic City, a large group of people with money, and that is the casino employees. Those are areas I think the Legislature should review with the various agencies and make sure they don't have conflicting goals and purposes that run counter to the overall desire of the Legislature, as expressed in the Casino Control Act, to make gaming a catalyst to provide for the redevelopment of Atlantic City.

With that, I will close my testimony and I would be happy to answer any questions you might have.

ASSEMBLYMAN FORTUNATO: Thank you. Your points are well taken.

Any questions? (No questions.)

Mr. Steven Batzer, President of the Greater Atlantic City Chamber of Commerce.

S T E V E N B A T Z E R: Gentlemen, good afternoon.

I don't have any formal presentation prepared. I would like to make a few comments if I may. I am President of the Greater Atlantic City Chamber of Commerce. In order to develop some credibility about financial remarks that I make, I will tell you that I earn my living as Chairman of the Board of Bayly, Martin and Fay of New Jersey, which is the local subsidiary of a national insurance brokerage firm. I mention that only because we too are faced with the problem of trying to convince a Board of Directors in Los Angeles that some of the things I do or say in Atlantic City make sense. As to my educational background, I have a Bachelor of Science degree in Economics from the Wharton School and an MBA from Wharton also.

I think that perhaps the fact that we are here today shows that we are well on our way to solving the problems that exist. I think one of the things that we often say is once we recognize we have a problem, the solution is well underway. I think just the fact we are having this sort of a dialogue is very, very important and it is something that hasn't taken place before. Some of the largest problems we have run into as far as the redevelopment of Atlantic City is that we have seen a lot of knee-jerk legislation. We have seen reactions to all sorts of things within the Control Commission, within the Legislature and within the entire government. Now, at the point when an investor is considering investing two hundred million in anything, he likes to feel there is some stability he can look forward to. Whether some of the things be right or wrong, I don't think, one, an investor got the feeling there was stability in the State of New Jersey, vis-a-vis the gaming industry, and the regulation thereof.

I think when you look at a two hundred million dollar investment in days where money is costing you 18 to 21 percent, stability is certainly an essential criterion that would be considered before one would want to make that sort of an investment.

If I may, I would like to address a comment that I think was made by

Assemblyman Bryant and Assemblyman LaCorte, relating to the treatment of the gaming industry as something other than just another industry. I believe we have a problem there. My feeling, as a businessman, is that when we come to regulating the industry it is different because of the problems and questions of integrity. I think from that standpoint, yes, we must regulate it carefully. Anything dealing with the integrity of the operation has to be looked at carefully and should be regulated by government. I think once you get out of the realm of integrity, it then should be treated like any other business because, in fact, they are here as profit-making organizations. Unless they can look at a bottom line profit, people are going to make decisions not to invest. And I would suggest the short-term gains we can make in additional taxes and things like that of the existing casinos probably cost us more when someone makes a decision not to invest in another casino. Each single casino generates significant tax dollars, a significant number of jobs, and significant improvements, as far as I am concerned, in the community. Although we may gain something by increasing the taxes or something of this nature on the existing body of casinos, I think we need to present a picture to potential developers that makes them want to come in.

I think this has been lost sight of. We have significant problems in the city, in the State and in the federal government right now. We have a tendency to look at short-term answers to problems that have taken literally generations to develop. Certainly the decline of Atlantic City took generations. We are not going to solve these problems in four years. We have a brand new industry. The first couple of years, you had companies that were in the process of being licensed. You had several situations where there were major shakeups in ownership and management of gaming companies. I think it is rather difficult for us to assume that while all of that was going on within the industry that these people are going to have a lot of time to devote to worrying about some of the local problems that are important to all of us. It just wasn't in the cards.

I think now, as Steve Norton pointed out, they are no longer in their infancy. They are part of the community. They are participating as part of the community. I am on the board of the Boy Scouts and one of the things I like to point out is that four or five years ago when we had the annual Boy Scout dinner, we would get between 125 and 150 people out. We now have 400 people at the dinner. And most of the tables that are purchased are purchased by people in the gaming industry, people who were not in Atlantic City five years ago.

The Atlantic City Medical Center Foundation - I am on the Board of the Foundation - five years ago, we were giving serious consideration to closing the emergency room because there were not adequate funds to operate the place. Within the last several years, they had a benefit, which I think was at the behest of Bally, where Frank Sinatra performed at Convention Hall. Jim Crosby made a personal gift to the Medical Center of \$600,000. Then there was a dinner to honor Jim Crosby for that and I think we raised an additional \$120,000 or \$150,000 at that.

So, in the course of several years, casino gaming provided \$1,200,000 or \$1,300,000 to the Atlantic City Medical Center.

These are things that do not show up in the tax reports. They don't show up in some of the formal discussions that are had with the Casino Control Commission and others. But there are a lot of things that the gaming industry is participating in and is participating in to a greater extent every year within the community that is helping the members of the existing community that I think just get lost. They are not mentioned at all.

I think probably the most important thing, if we are to succeed - and what is interesting is that everyone here seems to agree that the gaming industry

so far has been a success in starting to turn Atlantic City around and I don't think anybody disagrees with that - is that we through cooperative ventures, such as this hearing and sitting down with the Casino Control Commission, come up with programs that will work. I think the industry does want to support the city. I was asked the question: Is the business community against housing? I said, well, let's assume the business community only acts in its own selfish interest. Let us take that as a given. The business community of Atlantic City is dying because there are no residents in Atlantic City. There are no people walking the streets to buy things in the stores that are here. From a purely selfish interest, we want to see affordable housing in Atlantic City. We want to see the downtown business district refurbished. Certainly the gaming industry does. They talk about crime in the streets. If people are living here, people are going to be concerned about the streets being clean and free of crime; therefore, it will improve the climate for everyone. So, I suspect that the goals of everyone are pretty much the same and that with a cooperative effort, which I think is what you gentlemen are bringing to us today, we can solve most of the problems.

What happens when you have six different committees, each one of them trying to solve a problem - I think Shannon Bybee talked to this --- You have the State, the county and local governments, all dealing with all sorts of things and, within those governments, various committees, bureaucracies, etc., also dealing with problems; you end up getting seven different approaches to the same problem. When you are sitting here trying to run a business, staying on top of what all the various bureaucrats and government people would like you to do on any given day, it gets rather difficult to run a business. We should have some coordination of efforts within the government, for instance, a place of conversation where the gaming industry and the business community or whoever can sit down and converse with government. Then when you get an answer, you know that is the answer. It is not that is the answer from DEP, but tomorrow the Casino Control Commission will come and say, "I am sorry, but that is not acceptable." I have run into that with developers that our firm insures in other parts of the country. They come in and ask, "Who can you talk to to really get the answer?" I have been here my whole life and I just give them a blank stare. I really don't know. It is a two-year project just to figure out who to talk to, and then you are not really sure what answers you have.

If there is a significant problem that we are dealing with right now, I think that is it.

I know the super agency has been mentioned and it is something which I think people in government certainly hate. Any business person will tell you he does not want another layer of bureaucracy to deal with. But there has to be some sort of coordination among all the various people we have to deal with because without it we just spin our wheels. I fail to see how any significant progress can be made without it. We are dealing with very, very complex problems. Nobody can wave a wand and make the housing problem go away; nobody can wave a wand and enable more casinos to be built; nobody can solve the transportation problem or the Convention Hall problem in a simplistic way. They didn't happen in a simplistic way and they are not going to go away in a simplistic way. Unless a way can be found to have a truly coordinated effort to deal with these problems, they will never get solved. Everybody is going to come up with a different idea and everybody is going to say, "This is really terrific," and you will never make any progress. There has to be some mechanism to coordinate the solutions to the problems we have.

That is my speech for the day.

ASSEMBLYMAN FORTUNATO: Thank you. Are there any questions?

MR. BATZER: Question: I have brought a package of some of the things that the Chamber has submitted. Do you have a place where this should go?

ASSEMBLYMAN FORTUNATO: Just put it here.

ASSEMBLYMAN LaCORTE: Can I ask a question?

MR. BATZER: Sure.

ASSEMBLYMAN LaCORTE: What is the Chamber doing on Atlantic Avenue? Have they any program scheduled?

MR. BATZER: The Chamber of Commerce has talked with the city and we are involved with the city hiring and Ethica, Moore and Longigren who are supposed to be doing a study of the redevelopment of the downtown business district, which is fine. We are very, very interesting in the refurbishing of the downtown business district.

We believe that the refurbishing of the downtown business section is somehow going to have to go hand in glove with the development of housing in Atlantic City. We are reasonably convinced at this point that visitors to the casinos will probably not to a significant extent shop in Atlantic City off the boardwalk. Maybe some day they will when we have a well developed convention community. But for the immediate foreseeable future, the residents are really going to have to be the people who turn Atlantic City around.

Again, getting back to what I was saying before, in order to solve little bits and pieces of the problem and in order to solve the problem of the downtown business district, you have to build houses. And in order to solve the housing problem, you are going to find the mechanism to build affordable housing. During this time period in the United States, no housing is being built. Nobody can afford to build them. Very little development, in fact, is taking place anywhere in the United States. So, if nothing else, Atlantic City is doing a hell of a lot better than anywhere else, although we certainly have problems.

When you start talking about the complexity and the interrelationship of solving these problems, frankly, it is well beyond the ability of the Chamber of Commerce or its own, or the Casino Hotel Association on its own, or I suggest any individual committee, commission, or whatever, of government, to really deal with it. I can give you all kinds of terrific ideas. But we don't have the power to sit down and try to bring the forces together to do anything about them. This, I think, has really been the problem. In the last couple of years, I have heard all sorts of good ideas. The Chamber has come up with terrific ideas. But sooner or later, somebody has to figure out a way to pay for them. I know you gentlemen in government right now are dealing with a problem very similar to that. Somebody gave you however many billion dollars you have to spend and you are short a couple of hundred million. That is exactly what we are faced with here. We have a hell of a lot of good ideas. We have to figure out some reasonable way to pay for them without taking the gaming industry and the business community and taxing them to death to the point where they go down the tubes. Then we have our wonderful community, but no one will be left to enjoy it.

ASSEMBLYMAN LaCORTE: Well, if you do have a tool, which seems to be the luxury tax, and you have a choice between a Convention Center and building houses, which you say will revitalize the commercial district, on a priority scale - and we have heard from other testimony here today that it can't really be both at the present time - what would be the priority of the Chamber?

MR. BATZER: Well, first of all, I have not seen the figures. I am going to dodge that question. If you think I am going to get in the middle of that, you

are crazy. It's fine for you guys who run for office. But I really don't know the answer.

ASSEMBLYMAN LaCORTE: You are not running for office.

MR. BATZER: That is what I say, I am not running for office. I am not going to get in the middle of that. I have not seen the figures on Convention Hall. I have seen proposals for all sorts of things. But I have yet to see somebody come up with a recommendation saying this is what we think should be built. I understand that the Blue Ribbon Committee has just completed that. But, at least to my knowledge, that has not been made public. Until I see that and see what the projected luxury tax figures are and how all that would set in vis-a-vis housing, it is difficult to make that decision. It is my understanding from the discussions I have had with Steve Perskie and Bill Gormley and Mike Matthews that the way the thing is structured, we will have the use of the luxury tax dollars to develop a revolving fund for approximately, I think, three or four years. The luxury tax dollars will be available to use for housing. And if the luxury tax dollars will not be diverted to the carrying of the Convention Hall bonds for three, four or five years, something like that - I am not sure - we don't, in fact, have to make an absolute choice. There will be dollars available for housing.

Additionally, and this is something that we are dealing with and has been discussed before, there is an absolute need to do something with the 2 percent re-investment tax. In the discussions I have had, everyone says it is just unworkable as it exists. It is my understanding that the Casino Hotel Association is having discussions with the Casino Control Commission and I am sure with some of you people as to how that can equitably be reformed and put into some workable fashion. That would certainly provide significant dollars that I think could be used for housing or for redevelopment of the downtown business district.

When you look at the tax dollars that are generated out of Atlantic City right now from the luxury tax or just the tax base in general and at the rate at which it is increasing, I find it impossible to believe that the ability doesn't exist to do what needs to be done in Atlantic City - perhaps not all at once. I believe that the base is there. I think it is a matter of really seeing what the resources are, harnessing these resources in some organized way. There are significant - just incredible - tax dollars coming into this place when you think about it. And I have to believe there is enough there to do the Convention Hall and housing, maybe not do the whole Convention Hall expansion at one time. Maybe that has to be done over five years. But I think both can be done and both have to be done if Atlantic City is going to become what we hope it will. We want to make it a first-class resort-convention town with people living in it. We hope we will find a way to do both.

ASSEMBLYMAN LaCORTE: Thank you.

ASSEMBLYMAN FORTUNATO: Mr. Batzer, let me ask you this: How many local businesses are doing business with the casinos? Have the businesses benefitted by conducting business with the casinos?

MR. BATZER: That is obviously an excellent question. Let's define "local." If we talk about Atlantic County, I think the answer is that they have done a significant amount of business, and I will give you several examples. If we talk about Atlantic City, the answer is probably very little. Let me explain why and what I mean. There are a lot of wholesale jobbers, suppliers and contractors - our firm, for example - who had establishments in Atlantic City proper. With the advent of gaming and with the increase in real estate prices and the decrease in office availability and things like that, many of these companies moved out of Atlantic City to the immediate area.

They are businesses that are Atlantic City businesses and existed here historically for many, many years, but are no longer resident in the City of Atlantic City. Many of these businesses have done phenomenally well. I will use ours as an example. My Dad had an agency in Atlantic City which I had nothing to do with, in which he employed eight people. Four years ago when the national firm I was associated with bought it - eight people - and I think we had a gross income of something like \$250,000. In the four years since we have taken it over, we now have 21 employees, our salary levels are significantly higher and we have more than quintupled our business.

There are many other businesses that have done well. There are wholesalers whom we insure. We know what they had over a year. They had 6 or 7 trucks and they had 23 employees, or whatever. They are now over in Egg Harbor or Galloway Township and where they had a half a block here, they have five acres of land, a brand new warehouse, 50 trucks, and 100 employees.

ASSEMBLYMAN FORTUNATO: I am not talking about situations like that. I am talking about situations where, hypothetically, we might find a casino going out of the city, out of the county, out of the area, out of the State ---

MR. BATZER: I am sure that they have.

ASSEMBLYMAN FORTUNATO: --- to conduct a business that they could conduct in the area, with the same service, the same quality.

MR. BATZER: You are talking about out of the area versus out of Atlantic City. The answer to that is that we have had complaints from members to us that they have gone to a casino and the casino chose not to do business with them and chose to do business with someone from Philadelphia or New York or wherever. I have it in my own business. We are local. I am obviously involved and I can assure you we do not insure all the casinos nor are all of them insured locally. You have a problem as a businessman, coming to the point of saying, can you insist, or should you insist, and to what extent should you insist that they do business with local vendors.

ASSEMBLYMAN FORTUNATO: I am not insisting. I just want to know if the local merchants, local businesses, have benefitted in any way.

MR. BATZER: Number one, you changed the question a little. Have they benefitted? Absolutely.

Are there cases where they have gone out of town where they could have done business locally? In the complaints that we chased down - and there were not that many - there was generally some reason why the casino decided ---

ASSEMBLYMAN FORTUNATO: Did they have a good reason?

MR. BATZER: Yes - a cheaper price or they felt the local establishment could not provide the volume that they needed. And, of course, they buy in huge volumes.

Are there cases where somebody made a decision and said, the hell with them, I am not going to do business locally? I am sure there are. But I can't say that there is some significant movement in that direction. The Chamber of Commerce does not feel that the gaming industry has overlooked the local business area. I am sure personal relationships exist and there are all the normal business reasons that we accept.

ASSEMBLYMAN FORTUNATO: You didn't answer my question.

MR. BATZER: The retail businesses - they are dying, no question.

ASSEMBLYMAN LaCORTE: The Atlantic City Women's Chamber of Commerce were the first people that testified yesterday. Is that part of your group?

MR. BATZER: No.

ASSEMBLYMAN LaCORTE: Do you know what her recommendations were?

MR. BATZER: No.

ASSEMBLYMAN LaCORTE: She felt there should be legislation mandating that the casinos do business with Atlantic City.

MR. BETZER: I am sorry. Yes, I did see that.

First of all, they are a separate organization.

ASSEMBLYMAN LaCORTE: And not related to your Chamber of Commerce?

MR. BATZER: That's a long story as to why. It is totally irrelevant to this. But, no, they are totally separate.

As a businessman, I believe in the free enterprise system. It would be to my personal benefit if such a thing were mandated. I can't see doing that. Again, you get to the point where you have to compete in the real world. I think Assemblyman Fortunato's question really got to the heart of it. If they were making a purposeful decision and said, "We are not going to do business in Atlantic City because we just don't want to do business in Atlantic City," then I would say maybe we would have to say, "Hey, guys, let's do business in Atlantic City." We have seen no evidence of that. I am sure if someone has a friend in New York with whom he has done business for forty years, I don't blame him because I would do the same. In short, it is the same thing, if they have done business with a broker in Los Angeles for many, many years and they come here, we may be very good friends, but that is who they are going to do business with. I can't ask somebody to legislate that kind of a relationship away. I just don't think it makes sense. It isn't reasonable in the American business climate. And we have seen no evidence of anything that would make us want to mandate that they do business locally. I see no evidence of anything.

ASSEMBLYMAN LaCORTE: Thank you.

ASSEMBLYMAN FORTUNATO: Oscar Harris, Executive Director of Housing.

(Not present.)

Joseph Fusco, County Prosecutor. (Not present.)

Barry Seltzer, Chief Executive Officer, Wagenheim Meats. (Not present.)

Eric Silverman.

ERIC SILVERMAN: People in the audience and members of the Committee: Those of you who have a list of people testifying will notice that I am one of two people who have nothing written after their names. So let me give you a little bit of my background.

I am a blackjack player. I am here to testify on some actions that the Casino Control Commission has taken, which has been very much to the detriment of the gaming public. So far today, we have heard people from the industry testify as to what they would like to see, such things as regulations relaxed and licensing procedures relaxed that would increase their profits. But so far all the Commission has done in attempting to help these people has been to the detriment of the gaming public, particularly in three areas: removing the restriction on two- and five-dollar tables, removal of the surrender rule which they had done procedurally illegally - they admitted that a day later - and then, using their emergency powers, they again removed the regulation subject to Governor Byrne's signature. In order for the Commission to use its emergency powers, it had to be something that constituted an "imminent peril to the public health, safety, or welfare." This is something that was signed by Governor Byrne. I would say in this action both the Commission and the Governor did a good deal to lose their credibility and to damage their image to the people.

How can anyone say that allowing players to throw away only half their bet is a peril to the public health, safety and welfare? I would say that if the Governor and the Commission were interested in the public health, safety and welfare, they would, for one thing, use some of the revenues to increase public services, such as

police, fire and emergency medical care that the 19 million visitors to Atlantic City would require and that they would mandate no-smoking sections in the casinos if they truly were interested in the public health.

Getting back to my other point regarding helping the casinos but not at the expense of the players, I am very much in favor of most of what the industry representatives were asking for: 24-hour action, streamlining the licensing regulations, lowering the restrictions on junkets. They are interested in profits. But what they are looking to do is to have the government and the Commission guarantee them a profit. That is not possible within the free enterprise system. If they want a free enterprise system, one right they have to have is to fail. They are talking about Atlantic City as a resort community. One thing that Atlantic City does not have at present is a movie theatre. If someone wanted to open a movie theatre, would the government step in to guarantee him a profit? I would say not. But it is the wealthy that the government has in essence been putting on welfare.

Another issue is the barring of card counters. This gets back to the point of whether it should be legislated that they should not only make a profit, but make a profit on every player. Again, I wholeheartedly disagree with what a few of the representatives of the industry stated that it would severely hurt them. Most card counters are not successful as big winners because they are undercapitalized. Most of the experts on this subject will agree that to be a \$25 player, you need a \$10,000 bankroll behind you. Now, how many people are willing to risk \$10,000? How many people would be willing to lose that much? True, you do have some professional players, some teams, who can put a dent in the profits. But the fact that the game can be beaten is the best advertisement that the casinos have.

I am open to any questions you may have.

ASSEMBLYMAN FORTUNATO: I thank you for your comments.

Rev. Thomas. (Not present.)

Mr. Frank Shipani.

F R A N K S H I P A N I: Mr. Chairman, before I take the stand, I think it must be close to adjournment.

ASSEMBLYMAN FORTUNATO: No.

MR. SCHIPANI: We are going to continue on?

ASSEMBLYMAN FORTUNATO: We are going right through.

MR. SHIPANI: My name is Frank Shipani. I reside at 145 South Bellevue Avenue. I have a mailing address at 2516 South Jessup Street, Philadelphia, 19148.

First of all, I want to commend you gentlemen sitting here right now for giving everyone who came here to speak and present their input the opportunity to do so. I want to commend both of you. At least you are here listening. But the other gentlemen who left are members of this Committee and should be here to listen to what the little man has to say. And I sat here two or three hours yesterday, three hours this morning, listening to what the Casino Commission had to say. I stayed here until 5:30 last night and I only left then because I had to meet my lawyer and some residents of Atlantic City about an appearance tomorrow at the Planning Board, all as a result of casino gambling. I will go into that further.

ASSEMBLYMAN FORTUNATO: Excuse me one moment. It should be noted that Assemblyman Riley is still present. He is in the back eating his lunch. So he is here.

MR. SCHIPANI: I apologize.

But I can go on and on and on, but what I want to say is that most of the input by the casino people, all the professional people - I am not a professional

person; I am a realist --- the statements they made are not completely accurate, such as the statement made of \$400 million gross and \$5 million profit. That is not completely accurate. The testimony will reflect that it was not designated whether it was a week, a month or a year. Nevertheless, the statement in the papers was that the casinos' average was \$1.3 or \$1.4 million for February. Now, take that \$4.3, which was the monthly figure that was given you people. It may have been watered down. It is more like \$60 million a year if you multiply five times twelve.

I can go on to statements that Mr. Lazarow made about the additional police - true. Now they want 24 hours' activity. Who generates this additional what they call indirect activity from the casinos' coming here? I want to tell you something. You were talking a little earlier about the workshops and working together. That is the point I want to get to. How the hell are we going to work together if they don't even stay to listen to what I have to say?

When that guy started to talk about workshops, my minutes will reflect that the workshop will be ineffective because there is no authority there. That is why I want to get on to the point about the garbage. And it is the State's responsibility to exercise mandates. It was the State referendum - and you gentlemen up there should live up to enforcing that. It is your responsibility. It is the authority of the State, not the city, not to give away rights that are in an act that all the people of New Jersey voted for.

What I am looking for is a vehicle when I have a complaint and I have been victimized. A man talked about the people forced to leave. How about the ones that were forced to stay here?

Take a walk and observe if you are here on a Saturday night between six and eight. I have testimony that I took - documented testimony - that I want to give to the Committee - more than one thing - the fact that they only made \$5 million. In the junkets that were referred to, there were something over 200 buses to Playboy alone. As to the figures on that, 50 people on each bus, you can multiply that by a \$10 write-off or \$15 write-off or whatever they give away on the junkets.

ASSEMBLYMAN FORTUNATO: Would you get a little closer to the microphone? We can't hear you.

MR. SHIPANI: I am sorry. I am trying to make some points and give you facts. That is what you said this meeting was about. I have many facts here - many facts that they make a mistake and put it in the testimony and you can weed it out. You are in trouble no matter who you are. Once you have made a statement --- and I even think that notices and things like that should be prepared in writing and then read off and that's it. It would make it easier if you could read it because you can't pick out everything on tapes. I became a tape expert. Do you know why yesterday I had a tape? I was going to the Planning Board to get testimony that was taken by the other Planning Board.

ASSEMBLYMAN FORTUNATO: Mr. Shipani, let us keep on the track. Stick with the issues you would like to convey to the Committee.

MR. SHIPANI: Not personal matters - okay. Maybe I have some papers here. I will address myself to my situation.

This is related to the Casino Commission. This is related to documents of the police in the City of Atlantic City.

ASSEMBLYMAN FORTUNATO: Let me just caution you on this too. This is not the forum for personal comments. It is not the forum for that. We are looking for some direction. We are on a fact-finding mission on how to improve the overall life here. We want to review the casino industry. We want to review the

Casino Act, the legislation that was passed a few years ago. That is really why we are here.

MR. SHIPANI: Are we just limited to the discussion on housing or other impacts?

ASSEMBLYMAN FORTUNATO: Such as?

MR. SHIPANI: Such as taking rights away - such as that I haven't been able to park in front of my house. Then I get this type of notice from the city. They are taking rights away.

ASSEMBLYMAN FORTUNATO: These are issues that you should address to your local government, not this body here today. There is nothing that I could do. In fact, if I get a ticket, I have to pay it too.

MR. SHIPANI: I am not talking about a ticket. I am talking about rights that I enjoyed before the casinos came here and I no longer have now. That is an undue hardship that has been bestowed on me by the casinos being set up.

ASSEMBLYMAN FORTUNATO: Local government must have made a decision to justify that.

MR. SHIPANI: Would you accept a letter that I wrote to the Attorney General?

ASSEMBLYMAN FORTUNATO: Sure, if you will give it to one of the aides.

MR. SHIPANI: And his response also?

ASSEMBLYMAN FORTUNATO: Sure. We won't address that right now, but we will address it when we go back to Trenton.

MR. SHIPANI: I guess you are not going to read it now.

ASSEMBLYMAN FORTUNATO: No, we won't.

MR. SHIPANI: But I wish you would read the first paragraph. He said the second matter was a civil matter. Do you understand? But that is the point. By something that happens that is directly responsible to the casinos, I am put into a position where I have to go and take civil action. I am here because I think there should be a vehicle for the little man to go over and file with the State and say, "Hey, boy, ---"

ASSEMBLYMAN FORTUNATO: Mr. Bryant, do you have a question?

ASSEMBLYMAN BRYANT: I would just ask that perhaps you give us five minutes of testimony as to your view of the effects of casino gambling on Atlantic City and its residents. Then allow us to ask questions. I think that way we will capsule the whole thing. In just five minutes, you tell us what you feel the effect of casino gambling has had on Atlantic City. He can start now if it is all right with you, Mr. Chairman.

MR. SHIPANI: All right. My views ---

ASSEMBLYMAN FORTUNATO: Mr. Shipani, if it would be easier for you, why don't you send me a copy of the letter.

MR. SHIPANI: I will.

ASSEMBLYMAN FORTUNATO: And I will respond to you personally.

MR. SHIPANI: I will gladly give you all the information. Now I am going to tell you what my main complaint is. I have addressed the local government on many issues: statements made by people, testimony that is not absolutely correct. And I can pinpoint the testimony.

ASSEMBLYMAN FORTUNATO: I can imagine that you might have some frustrations. I respect that. But this is not the forum to address your local frustrations. If you have an item that you would like to address at the State level, send me a letter and let me respond personally to you.

MR. SHIPANI: I will send you copies of everything I have.

ASSEMBLYMAN FORTUNATO: Okay. Send them to me.

MR. SHIPANI: All right.

ASSEMBLYMAN FORTUNATO: Thank you. I appreciate your coming here.

Mr. Ponzio.

I understand Mr. Harris has returned. We have a schedule we are trying to adhere to. But I understand one of the other people has returned from lunch who had been on the schedule - Mr. Harris.

W I L L I A M O S C A R H A R R I S, J R.: Good afternoon! We welcome this opportunity to appear before you and to offer testimony to your Committee on the impact of casino gambling on Atlantic City. We fully recognize that we are beset with some very critical social problems which were here long before the advent of casino gambling, but which have since been spotlighted as a result of it. Casino gambling, in our judgment, was not intended to be a panacea for our city's social and redevelopment problems, but a catalyst to assist in providing positive influences or solutions to those problems. In a phrase, casino gambling is merely to serve as one of many redevelopment tools - and only that. It is not intended to be a final solution.

My name is William Oscar Harris, Jr. I am the Executive Director of the Housing Authority and Redevelopment Agency of the City of Atlantic City. I would like to share with you what role our agency plays in the city.

The Housing Authority was created in 1938 and given the primary function of providing public housing for the city's low-income residents. In 1951, the city designated the Housing Authority the Slum Clearance and Redevelopment Agency, which authorized us to carry out urban redevelopment projects within Atlantic City.

The Housing Authority administers, owns, and operates 2,100 units of public housing for low-income families and seniors, and its goals encompass not only the provision of needed housing, but the provision of programs and services to improve the quality of life and social mobility of its resident population.

The Redevelopment Agency, in facilitating the city's redevelopment goals, clears, replans, and reconstructs blighted areas with the acquisition of private and public property with funding from various sources. These many redevelopment projects have served to stimulate additional new growth and have provided economic, social and aesthetic benefits to the residents and to the community.

Before we are able to assess what impact, if any, casino gaming has had on Atlantic City, please allow me to provide you with an historic overview prior to the passage of the casino referendum. We experienced:

1. An out-migration of our population.
2. An average unemployment rate of twenty percent.
3. A forty percent reduction of hotel rooms due to closings.
4. A decrease in luxury tax revenues.
5. A declining visitation by convention delegates and tourists.
6. The demolition of aging and dilapidated buildings without the corresponding replacement of new commercial and housing inventories.
7. The only type of housing being proposed and developed was subsidized housing for the city's families and seniors of low and moderate incomes.
8. No one was willing to invest in our community.

What we are presently experiencing, as it relates to those eight points are:

1. A stabilized population.
2. A similar unemployment problem in terms of absolute numbers.
3. Major additions to our hotel inventories.

4. An increase in luxury tax revenues.
5. An increase in visitation by convention delegates and tourists.
6. Continued demolition of aging and dilapidated buildings without the corresponding replacement of new structures.
7. Non-affordable, least cost market rate housing not being developed.
8. A willingness on the part of developers and the financial community to invest in our city.

We strongly feel that the key to the city's future rests on its ability to create housing for its current residents as well as future residents. As we look around us today, the visual character of our city has not undergone a dramatic metamorphosis. What we have today, since Resorts first opened its doors on May 26, 1948, some three years, nine months, two weeks and five days ago, are nine gaming facilities which represent some 1.5 billion dollars in development and approximately fifty percent of our city's equalized valuation. They also represent nine islands of development. These facilities, along with six subsidized housing projects, have been the only developments within our community since the passage of the referendum on November 2, 1976, some five years, four months, two weeks and one day ago. We did not need casino gambling to develop subsidized housing. We have always had the ability to provide subsidized housing within our city.

Again, we feel that the answer to Atlantic City's problems rests within its ability to provide housing. You have, in all likelihood, heard testimony concerning various issues, such as Bader Field, our central business district, the North and South Inlet, and the city's landfill, to name a few that have been addressed. These various issues deal primarily with and boil down to one main issue, that being housing.

In an effort to resolve these dilemmas, housing poses a formidable challenge to city agencies and authorities which play a vital role in getting it accomplished. To date, the city has not been very effective in providing market rate least cost housing. The reasons are many. To provide a shorthand analysis as to why it has not, three major factors appear which exacerbate housing production in our city. They are: high land cost fueled by speculation, high interest cost, and high building cost.

Also the city needs to articulate a redevelopment posture, setting forth its priorities and directing those agencies and authorities to assist and carry out those redevelopment goals and objectives. Additionally, we must take advantage of every redevelopment tool available to us. Casino gambling, for the most part, has had a positive impact on our community. The problem we are faced with is that we have not developed as yet nor have we taken advantage of casino gambling as a redevelopment tool.

Our governing body's reluctance to assist the development process by offering various incentives to spur development has been a problem. The various incentives I refer to are:

1. Tax abatement;
2. Re-examination of the zoning for residential land uses; and
3. Eminent domain.

What has been represented here is merely the tip of the iceberg. There are other aspects which play a vital role in the development process, such as CAFRA, which has had, to date, a very confusing and blocking effect on housing development in our city. There appears to be a need to streamline permit procedures and policies on the part of the various state and county agencies which affect Atlantic City.

Atlantic City does not need any more layers of government representing its best interest. What Atlantic City needs most from external sources is money - funding necessary to accomplish those redevelopment goals and objectives.

In summary, it is felt that casino gaming, for the most part, has had a positive impact on Atlantic City. In order to spur non-casino related redevelopment, there must take place a marriage between the public and private sectors. The public sector should provide various incentives while not complicating the process and the private sector should utilize its resources to insure that the redevelopment potential of the community is realized, both for the short term as well as over the long term, following a well thought-out plan that addresses the city in its entirety.

Thank you.

ASSEMBLYMAN FORTUNATO: Mr. Bryant.

ASSEMBLYMAN BRYANT: It is my understanding that prior to casino gambling, you had an unemployment rate around 20 percent?

MR. HARRIS: That is correct. It would swell to around 24 percent during the off-season months. Remember we had a 100-day economy then.

ASSEMBLYMAN BRYANT: What is the situation today?

MR. HARRIS: In terms of absolute numbers, we still have approximately 5,000 people who are listed as unemployed at our local unemployment office, which is at the rear of this building. We also had in terms of absolute numbers prior to the passage of the referendum, 5,000 persons who were unemployed. I think that we have not done all that we could possibly do. And, believe me, I am very prejudiced in my thinking because I am concerned about Atlantic City, not about Atlantic County or the region. My first and primary objective deals strictly with Atlantic City. We need to address the unemployment situation that affects those persons who reside in Atlantic City. Part of the hue and cry that most of you have read about in terms of employment was made by those persons who felt that they were not getting their fair share of the "casino pie" because the types of jobs that were being afforded people were not the ones that enabled a person to come in and get them without some skills. They were all skill related. The types of jobs that were being offered to our citizens were ones that the casino industry viewed as being unskilled. Those persons we have here did not, in the majority view of the industry, possess skills. So, as a consequence of that, the frustration which was felt by our folks was that they didn't get their fair share in terms of employment - and they are still not getting their fair share.

ASSEMBLYMAN BRYANT: Is it also your testimony that there is a great need - and I have heard this from other people - for moderate-income housing?

MR. HARRIS: Yes. For lack of a better name, let's call it affordable least-cost market rate housing. There is a problem when we attempt to apply a definition of "moderate" or "middle" because you have a State agency such as CAFRA which has imposed a definition which is contrary to the one used by the Atlantic County Improvement Authority, as an example. The Atlantic County Improvement Authority has an income limit of about 37.5, which indicates that anything less than 37.5 constitutes moderate income. The State agency, CAFRA, for example, I think goes as high as 25.6 as a ceiling for its definition of moderate income. So there are some problems when we attempt to define the housing situation, given the term "moderate income" or "low income" or "middle income." It is best that we deal with terms, such as least-cost, affordable, those types of terms because the other terms of moderate, or low, or middle present problems.

ASSEMBLYMAN RILEY: Just one question: Do you know of any group, whether

it be the Atlantic City Housing Authority, the Atlantic County Improvement Authority, or any other group, non-profit or public, that has the expertise, if the 2 percent fund were to be dedicated for housing in Atlantic City by the Legislature, to properly redevelop Atlantic City's housing, rather than creating a new agency to do this?

MR. HARRIS: Yes, I do. As a matter of public record, 25 percent of Atlantic City's existing decent, safe and sanitary housing stock is as a direct result of the Atlantic City Housing Authority. In addition to the stock that we already own, the 2,100 units, we have been instrumental in providing redevelopment opportunities for developers to come in and create that housing stock.

In answer to your question, I only know of one agency with the city that could adequately handle such an undertaking, and that would be the Atlantic City Housing Authority.

ASSEMBLYMAN RILEY: The testimony we have heard is that we need 1,500 housing units today just for Atlantic City. How long would it take to initiate action to actually start and break ground for the erection of new housing?

MR. HARRIS: If we had the financial wherewithal?

ASSEMBLYMAN RILEY: If you had the financial wherewithal dropped in your laps with some modifications, how long would it take to start putting the housing stock in this city back to where it should be?

MR. HARRIS: You would probably be able to witness housing starts that would total about 1,400 units. I know of two projects that are ready to go and the major obstacle to one of them that has all of its State as well as local approvals is its inability to provide the necessary end loans. It is a condominium. It is affordable housing and it is designated to be developed on the city's farmers' market site. It is referred to as Market Towers. That is some 1,200 units of housing, the first phase of which contemplates some 250 units.

The only reason that project has not moved off dead center is because of its inability to provide the necessary affordable end loans to the purchasers of those units. I say to you that if we had the financial wherewithal, that project along with one other that I am aware of, as well as some in-fill housing sites that are now being developed with us, in cooperation with the city, for manufactured units - people refer to them as modular housing units --- I say to you we could probably move within the next 120 to 180 days some 1,400 units of housing.

ASSEMBLYMAN RILEY: In the inlet area where there has been a lot of clearing already, if the financial wherewithal were given to you - and you were talking about modular, specifically mobiles ---

MR. HARRIS: The manufactured housing is different from ---

ASSEMBLYMAN RILEY: I understand that. One is under the BOCA and one is under the mobile home code. But if the financial wherewithal were given for acquisition purposes in the inlet area --- and the double-end mobiles are really modular, except for the difference in code. But housing could be available almost instantaneously. What would be the reaction of your authority and the municipality?

MR. HARRIS: In terms of doing anything in the inlet area, the inlet does not offer any short-term solution to our housing problem because of the various infrastructure problems that one would have in dealing with the inlet. There is a very severe flooding problem, as well as other problems affecting our storm drainage system and things of that nature.

The areas of the town that I am referring to where we could immediately address our housing problem and effect development of some 1,400 units would be in areas other than the North or South Inlet; more particularly, it would be in the

area immediately north of this building, as well as scattered sites throughout the city's westside and Dennis Park area. There is sufficient city-owned land that would allow us to address the city's critical housing problem in a very expeditious fashion.

Our agency would be well disposed to assist in this undertaking and we would be delighted if we were provided with the necessary wherewithal to, in fact, implement the city's housing endeavors in this regard.

ASSEMBLYMAN FORTUNATO: Thank you.

Atlantic City County Prosecutor, Joseph Fusco.

J O S E P H A. F U S C O: Thank you, Mr. Chairman.

I have provided you with a statement. I hope you have it.

Mr. Chairman, feel free to cut me off any time you want because what I have is all in writing before you. But I thought it would be easier if I sort of go through it.

First, I would like to thank the Committee for inviting me to testify and I will just make these remarks. The subject that Mr. Bockelman suggested to me is what I have written on the outside of this: the impact of casino gaming on law enforcement within Atlantic City and its surrounding area.

I have been the Prosecutor now for one year, following Richard Williams who had been in the job for nine years. The Prosecutor, as you know, is the chief law enforcement officer in the county and, other than the Attorney General, has exclusive jurisdiction over indictable crimes in the county. It is from that perspective that I highlight some statistics which I think are relevant, some of which you are familiar with. My general frame of reference has been to compare statistics of 1976, the last full year in which virtually no casino development occurred, with those of 1981. The analysis shows that modest increases in resources has accompanied explosive economic growth and dramatic increases in the law enforcement workload. My notes have been broken into four categories.

The first reference is to the resources of law enforcement. For example, staffing levels - in 1976, the Prosecutor employed 63 persons. By 1981, he employed 99. So in five years, there was a 57 percent increase. The Atlantic City Police Department, which represents half of the police officers in Atlantic County, in 1976 employed 276 officers. In 1981, it employed 358. So they have increased staffing by 31 percent.

Budget - and I am using the figures of the Prosecutor and the City Police Department because I think they are the most significant. The Prosecutor's budget in '76 was slightly less than a million dollars. In 1981, it was slightly less than two million dollars. It has virtually doubled in five years.

The Atlantic City Police Department's budget was slightly less than three million dollars five years ago; and, in 1981, it had grown to \$8.4 million, almost a 200 percent increase.

I note the resources to show the extent of the growth. The obvious fiscal constraints that exist in all government exist here. The only difference here is that now government must compete against casino wage levels for qualified employees. This has resulted in perhaps higher collective bargaining agreements than otherwise would have occurred in the normal course. I also note that in the area of law enforcement as opposed to other areas, we have seen in the last year - and I think it expires officially on April 15th of this year - the elimination of L.E.A.A. money - that is the federal money - and therefore the elimination of the source of almost all of S.L.E.P.A. grant funding to law enforcement.

We have had occasion to testify before both the House and the Senate

committees on the demise of L.E.A.A. While there is an initiative that exists in both Houses of the Congress, it is unlikely that there will be federal money in the very near future. The impact means that the ability of law enforcement agencies to innovate is almost gone because it is very difficult when law enforcement agencies go to their county freeholders to do more than say that we have an increased workload and, therefore, we need more people. The freeholders, I think fairly in these austere times, will say, "Okay, we have to accommodate that." When we say we have a particular problem and we want to try an experimental or innovative approach, it is a much more difficult thing to approach freeholders on, because they are not specialists in law enforcement. They have to worry about their whole budget. So the demise of L.E.A.A., if you order the evaporation of that funding, is a significant factor, but it is not unique to this county by any stretch of the imagination.

On page 4, I talk in terms of growth. And I have broken it into three categories: the economic growth, the population growth and the visitor growth over the last five years. The economic growth is quite obvious and Mr. Harris made reference to it. Since 1976, we now have nine casino hotels that hadn't existed before and they do represent \$1.5 billion of investment and they represented very strong employment within the building trades between the fall of '77 and the fall of '81. They also now represent 25 to 30 thousand Atlantic City hotel and casino jobs which simply did not exist five years ago. Those jobs also mean those people are in the city every day. People-to-people contact is what causes crime and, therefore, that is a significant factor as far as growth in the last five years. As a secondary impact, each hotel complex now engages in a very substantial business with the literally hundreds of vendors which now comprise the hotel and casino services industry. That is the economic growth.

The population in both Atlantic City and Atlantic County has not changed significantly in the past five years. There has, of course, been a strongly renewed interest in the use of the county's five seaside municipalities as summertime vacation areas, so that our population swells now more than it did five years ago during the summer season.

The most extraordinary statistic though is that in 1976, Atlantic City had approximately 2 million visitors and, in 1981, it had 19 million visitors, an increase of 17 million visitors or almost 900 percent in just five years. It is noted that almost all visitors arrive by motor vehicle, either in private passenger cars or by bus.

The workload in law enforcement - I have broken it into three different categories.

First is crime statistics. This is to give you some perspective and give you some reasonably accurate statistics. And statistics are just indicators in any event.

But in 1976, the county crime index, which is that statistic maintained by the State Police, was 11.5 thousand. That is for Atlantic County. In 1981, it rose to 24.9 thousand, which was an increase of 117 percent in the county crime index.

In 1976, Atlantic City in its Police Department recorded 7.7 thousand criminal cases. In '81, that number had grown to 24 thousand criminal cases, which is a 212 percent increase.

In 1976, the County Prosecutor's Office received 2.4 thousand indictable complaints. In 1981, it received almost 5 thousand, which is a 108 percent increase.

In 1976, the Atlantic County Grand Jury returned 926 indictments. Last year, it returned 1,565 indictments, or an increase of 79 percent. It is

not important whether it increases 79 percent or 110 percent, or whatever. The fact of the matter is that crime as far as workload for law enforcement - at least in a statistical sense - doubled in the five years from '76 to '81.

The criminal providing of illicit goods and services occurs in economic climates which support it. Thus, the economic explosion in this area since 1976 has greatly increased loansharking, especially with the many gamblers as potential borrowers; narcotics distribution, especially to a now more affluent area employee and visitor; thefts; burglaries; the fencing of stolen goods; prostitution, on the street, in bars and other establishments and through escort services; and arson. Additionally, the potential for organized crime takeover and operation of legitimate businesses has significantly increased. These are areas where we traditionally turn our investigative resources in the Prosecutor's Office to look at these kinds of crimes. There has been an increase there, but not very quantifiable. It is not statistically measurable in most instances.

The providing of hotel and casino services has been greatly stimulated, as I noted. Within these categories are many industries which traditionally receive close scrutiny by law enforcement agencies, such as: the alcoholic beverage industry, food purveyors, garbage collectors, linen suppliers, security companies, maintenance firms, limousine services, the slot machine industry, casino equipment companies and gaming schools. So, with increased activity in these areas, that means there are increased areas for law enforcement agencies to pay attention to and observe and conduct surveillances upon, if necessary, and perhaps investigate.

I also note significant new vitality has been given to what had heretofore been minor labor union activity. Both building trades unions, especially between 1977 and through 1981, and the hotel employee unions, which continue to grow stronger, have flourished. Labor unions, of course, are primarily within the federal government's jurisdiction. However, if they represent employees in the casino industry, the unions are required to register with the New Jersey regulatory agencies.

One additional very significant factor which impacts on law enforcement is the increased amount of law enforcement interest in the Atlantic City area by both federal and Pennsylvania agencies, in addition to the several divisions of the Attorney General's Office and the New Jersey Commission of Investigations. The convergence into this jurisdiction of these agencies has greatly increased the need for the Prosecutor, as the chief law enforcement officer in the county, to maintain a strong liaison with each of the agencies and, to the extent possible, to act as a repository for intelligence information, which is somewhat of a subtle and amorphous thing to say, but it is very significant because one of the classic problems in law enforcement is that agencies might not relate to one another and not tell one another what to do. The stronger the Prosecutor's Office is in that regard, the more effective it will serve as a clearing house toward brokering that information out.

A final element in the area of workload is that there have been changes in the criminal justice system since 1976 on a statewide basis. In September 1979, the Legislature caused to come into effect the Code of Criminal Justice, which increased penalties for serious crimes or, at least, it structured the sentencing mechanisms for courts so that they would impose more serious sentences. The concept of mandatory minimum prison terms was extended to firearms offenses in April of 1981 by the Graves Act and is likely to be extended during 1982 to murder. The significance of those factors is that Atlantic County has had the same problem as the other counties with the housing of prisoners.

In September 1980, the Supreme Court mandated that the speedy trial program

commence statewide. As of today and despite the fact our workload has significantly increased, Atlantic County clearly has the most successful speedy trial program in New Jersey. Through the cooperative hard work of the Prosecutor's Office, the judges and the defense bar, Atlantic County now processes 85 percent of all indictable complaints within thirty days of their being filed and disposes of 94 percent of all indictments within four months of their being returned.

Finally, traffic - as an impact on law enforcement, traffic although not directly a concern of the Prosecutor's Office, is certainly of direct concern to the local police department and the State Police as well. Perhaps two-thirds or more of the efforts of local police departments are directed to other than crime control. These efforts deal with traffic control and a wide variety of calls for service. In assessing the impact of casino gaming here, it is important to consider the facts that in 1981, 17.0 million more visitors arrived in Atlantic City than the 2.0 million which arrived in 1976, and that virtually all were highway travelers whose cars and buses entered the Atlantic City street system. This flood of traffic has significantly increased the number of motor vehicle fatalities in this county and has greatly increased the traffic control workload of local police, especially within Atlantic City itself.

Mr. Chairman, what I gave you is simply the impact. These are the statistics that I think you are probably aware of. But they are the ones that are most relevant to law enforcement. I have offered to you the statistics and then I offer to you the change in resources that have occurred over the five years. Frankly, I don't have any obvious problems that I bring to the Committee. I don't have any particular requests directed toward any one thing.

The thing that the Prosecutor's Office has to do is move cases quickly. That is half of our work. So we have to take our 5,000 complaints and process them quickly. That takes the time of half of our office. It is within the Prosecutor's prerogative to use the other half of the office to investigate wherever appropriate. We can't investigate every single crime that exists, but we investigate where appropriate. So where there would be an increase in resources for our office, there would be an increase in investigation that would occur, areas that we would target and the extent to which we could use, on wiretapping, sophisticated tools that the Legislature has given to law enforcement. What suffers when there is austerity in government and L.E.A.A. grant money is no longer available is innovations, the ability to conduct what the State Police conducted last year - or it might have been 1980 - operation Seashore, a sting operation which resulted in the arrest and indictment of 120 people who were dealing in stolen goods. Those kinds of special operations can't exist where there is this lack of money. But I do point out that even though there has been an increase in the number of crimes that has to be processed in this county for the speedy trial system, we have been lucky enough to do very well with it.

So I don't come to you and say that the impact on the county level has been greater than the resources can absorb. I think a fair statement is that there is a much more direct impact on the local police department than the Prosecutor's Office as far as the services they have to provide, not because the population has changed because it hasn't, but because there is a change in the visitors. And traffic control is a time-consuming function of the police department. So, the municipal agency, that particular agency, is one which has increased 31 percent in terms of support officers in five years; but its workload might have increased beyond that point.

They are the conclusions that I have drawn at this point.

ASSEMBLYMAN FORTUNATO: Any questions? (No questions.)

Mr. Fusco, I appreciate your coming. The comments in your statement are well taken.

I would like to have the opportunity of having the Committee sit with you, as one of the architects of the original Casino Act. I would like you to address that either in a workshop session which has been discussed this morning or before the Committee in Trenton and tie up any loose ends and make any revisions that might be possible. That would be something I would look forward to doing with you.

MR. FUSCO: That would be a pleasure. I might just indicate that I have had the pleasure of working with your Vice Chairman, Mr. Riley, before; and in Wayne Bockelman, you have what must be the best legislative aide assigned to your Committee. From my experience, I can say he is an individual of excellent quality. So, I would be more than happy to meet with you at your pleasure.

ASSEMBLYMAN FORTUNATO: We know about Mr. Bockelman's ability and now we are going to have to pay for it. I appreciate that. Thank you.

MR. FUSCO: Thank you.

Mr. Carlos Smith. (Not present.)

What I am trying to adhere to is the schedule of requests made when the hearing was originally announced.

Mr. Peter Demos.

P E T E R D E M O S: Assemblymen, my name is Peter Demos. I thank you for allowing me to come and say a few words. I have three different kinds of topics I would like to say a few words about. Firstly, however, I would like to give you a little bit about my background. I started in the casino industry as a dealer way back in the sixties. I worked my way through the various dealer positions, supervisory positions. I think I have been around the casino industry for about twenty years now and I think I know a little bit from where I speak.

There is a situation going on in Atlantic City with the Casino Control Commission and the Division of Gaming Enforcement on costs. I particularly am affected by being president of a casino school, which I will get into in a little bit. The first thing I want to talk to you about is employee licensing. We have heard a lot of talk about how difficult it is to fill out a form number two. It is a twenty-six page obligation on anyone who wants to work in the casino industry. They get a lot of information from you. I don't think anyone is really pushed out of shape too much on a lot of that information they have to come up with, maybe bits and pieces.

My problem is, it is getting very costly to even apply for that license. Initially it was \$125 if you wanted to be a bar tender or cocktail waitress. Anybody concerned with the casino end of the business, it would cost you \$125 for the chance of filling out an application and then possibly land a job in a casino. On November first of last year it escalated to \$200. Then they said, "Well, it is going to be good for two years, though. Well, okay, so we accepted that. Now, effective March first, just a few days ago, it is now up to \$275. So, if you have a son or a daughter who wants to become a casino dealer or a cocktail waitress or a cashier, any of the 8200 initial jobs right in the casino, you are going to have to ante up \$275 up front just to get the opportunity to maybe get a license and possibly get a job. So, where does that leave the economically depressed people who need the job the most - the people who are on welfare, the people who are drawing unemployment who can barely feed a family now. They are pretty much economically discriminated against coming into the industry itself. So, we have that problem now. Is it going to escalate further? Are they going to be asking for a license to be good for five years now and you will have to come up with \$400? Where does it stop? I think that is something you might want to look into.

Again, I have questioned the Casino Control Commission on these things. They have said, "Well, the initial \$125 doesn't really cover the investigation costs. I can understand that. Then it would seem to me that the solution to the problem would be to look to renewal. Maybe the license would be good for a year, and then hit it hard on the renewal. At least they will have a job in order to be able to pay that. If they are working for a casino, it has been the casino's policy in the past to pay for the renewal fee. If you are working for them, they will pick up your renewal fee. The casinos are not too excited about that, especially as they are escalating these costs. But, nevertheless, we have to put the shoulder of the economic cost on somebody who can afford it - certainly not the individual who comes in looking for a job.

There have been a couple comments here about the twenty-four hour gaming, most notably by Michael Matthews and Peter Boynton. I come from an area that works twenty-four hours. We have eight equal shifts. Nobody addresses the problem. Who speaks for the person who works in the casino? Let's suppose for a minute that you are pit bosses or dealers working in the casino presently. Let's go over

what your schedule would be for Friday. You were supposed to work a swing shift. You are there from eight o'clock but you are not there at eight o'clock. You can't park in the casino. You have to park on the expressway. So, we are talking another half hour transportation time. You have to be there about quarter to eight, and you don't get off until six in the morning. We are talking about ten and a half, or eleven hours. This is a day in and day out kind of situation on the weekends. During the weekdays, it is only nine hours and fifteen minutes, excluding your time back and forth to work, your little shuttle time.

What is twenty-four hours really going to do - supply a few more jobs? Yes, it will; probably not a lot of jobs, maybe around 1,000. You can bring a company in anywhere with a 1000 new jobs. I think that community would benefit greatly as we would benefit also by the number of new jobs. Obviously, if the casino is opened for an extra period of time it has to be divided into three shifts. You are going to have more cocktail waitresses and more dealers and more pit bosses. Mr. Boynton did mention that he didn't think so. I don't know where he would come up with the extra people to cover that extra shift. It doesn't make sense.

I am speaking basically for those people who are working long hours, constantly day in and day out. I had a conversation one time with Joseph Lordi, the Chairman of the Commission. He said, "Well, everybody has to work hard. We are just starting out." That is three and a half years ago. We are just family people who would like to be able to spend more time with our family. We would like to be able to live a more normal kind of existence, rather than devoting our whole waking hours to the casino industry. It doesn't leave a lot of time to spend with our family and do the things that we like to do.

If you can empathize at all with the plight of the casino worker under these long hours, then perhaps it should be advisable to look at twenty-four hour gaming. This is one of the advantages to doing that.

Now, more to my point. Again, I am president of Casino Schools, Incorporated. We are a gaming school. Initially we had four gaming schools licensed here in the State. All four are located here in south Jersey. We are down to two now. We are the last private school remaining. The other two have closed down for a variety of reasons, not the least of which have been in my terms exorbitant license renewal fees. Imagine, if you will, having a company that does maybe a half a million dollars' worth of gross business, and might be able to squeeze out \$40,000 worth of profit for those initial investors that put up the kind of money that it takes to build a gaming school and then have the Division of Gaming Enforcement and the Casino Control Commission present you with a bill for \$35,000 as a renewal on your license. Basically, to continue an operation we must pay that kind of money to two entities which control us - control us to the point where not only do we have to satisfy their burdensome regulations, some of which are really rather silly when you apply them to a casino school. We are not a casino. But, they apply the same rules to a casino school, which could be the problem.

But, in addition, they ask us to have a certified audit from an outside agency, outside accounting firm, which in addition is another \$4,000 or \$5,000. So, we are looking at a \$40,000 cost just to do business. The other two remaining schools said, "That's it; we can't afford to do that anymore." And, they closed down. The Casino Control Act regulations were set up initially to not only bring casinos, but also to develop other peripheral kinds of businesses, gaming schools being one of them. We took an old building in a rather dowdy part of town; we

sunk somewhere in the neighborhood of \$300,000 to build the building up. It is a beautiful facility, and we are in jeopardy of perhaps not containing to do business any more. Like the other two schools - is this a fair situation? Again, I am not blaming the Casino Control Commission or the Division for presenting us large bills. They are just following the rules as they have to do. But, they watch us. Who watches them and who controls the expenses? Who looks at them and says, "Well, this is getting out of line now." It is just not my school. Nobody here will ever say from the casinos themselves will say, "Gosh, this seems a little exorbitant," because they kind of have this a little bit. We can't complain, because if we complain they will slow something up that we really want them to accomplish. It is that old situation where you can't complain too much, because you are going to be asking next week for a new rule or regulation to benefit your business.

Perhaps something should be done. Maybe you could look and say, "Well, is this reasonable." We are asking for these people to be reasonable. At this point, they have been very cooperative with us. We, in turn, have been very cooperative. You won't find anybody on the Commission or in the Division saying we have not been. But, then again, to ask us to pay that kind of money, it is almost impossible for us to continue and do what they ask.

If there is a solution to that - and I don't know that there is - it would seem to me that a review of the "regs" and the Act itself as applied to casino schools, if in fact, the citizens and the State wish to have outside privately run casino schools to supply the quality individuals for the industry, then in fact maybe we should look at the act as it applies to casino schools. We don't handle vast sums of money. We don't have an enormous amount of employees working in a lot of sensitive areas. We are a trade school. So, I am asking for some kind of relief to get out from under these burdensome regulations that apply to a casino, but as the act was written also applies to a casino school. We have tried on many occasions to change some of the things through petitions, and what have you, but it is very expensive.

I come here today asking you to look towards that part of the Act, that part of a solution to our problem. And, I would hope that you would do so. The one side comment that I might make and I direct it to Mr. Bryant, you mentioned this trickle down effect of the casinos in general, and that it should reach the general population. To me, I would rather have a job than a trickle down. To me, a job is the most important thing in the world. It gives you identity. It gives you an ability to buy bread for your family. Give me that job. I will worry about the trickle down later. Again, 30,000 jobs, Mr. Bryant, that is a lot of trickle down. Don't dismiss that as being latent. I think a lot of people in our industry look at that, and they say, "Oh, 30,000 jobs, that is great." But, no housing is being built. Well, no housing is being built other places, either. So, look to those jobs as being an awfully big consideration when you consider what the casinos have done in this area. That is all I have to say.

ASSEMBLYMAN FORTUNATO: I appreciate your testimony. I would like to indicate one thing to you about the licensing procedure. As you have heard, it is going to be reviewed. The Commission has indicated that also. Hopefully, from your standpoint they will be able to take a look at it concerning a school. But, there are growing pains that have been experiences and will continue to be experienced, but along the way, periodic discussions and reviews such as the one we will be conducting hopefully will alleviate some of those growing pains.

Mr. Bryant.

ASSEMBLYMAN BRYANT: I would like the record to really reflect that I don't take lightly 30,000 jobs. That number is important to any region or any state, and what casino gambling has done for this area. I guess what concerns me, and part of what this hearing is about, is that we are looking into the impact of casinos on Atlantic City. How are they taking the brunt of this new industry that we have developed or allowed to develop within our State. If in fact the case is made that 5,000 people were unemployed when it came and there are 5,000 people unemployed now, that is an impact which I am saying might not be a positive impact to at least a segment of the city.

Then, I think, as responsible legislators we needed to see how we can address that. I am not saying put casino gambling out of the State. I think everyone thinks it is a positive step. How do we address that segment that has not benefitted from this big boon that has been beneficial for the rest of the State and maybe the rest of the region and the rest of the county.

MR. DEMOS: Assemblyman, in February of 1976, according to the Chamber of Commerce's own statistics, which you probably have a copy of, the unemployment rate in Atlantic City was around 28%. Currently it is running about 7%. I think that is a marked improvement.

Additionally, you mentioned sometime earlier that if, in fact, you were to favor and support increased profits for the casinos, if they wanted your support in that, what are we going to give as part of the industry? What are we going to give you in return to make sure that some of those profits will reach the little people? Again, if it is more profitable for casinos to be here, more casinos will come, more jobs will be created and that is part of that great big trickle down again. A job, again, you can't dismiss it as being very minor, or certainly--- Do you see what I am talking about?

ASSEMBLYMAN BRYANT: Well, let me tell you - not in an argumentative fashion - that has been a problem to many groups for many years. I am not saying that I am completely in agreement that it ever affects certain groups. What I am trying to tell you is that I know people work much harder when they have goals and objectives to meet. It is also hinged on their profitability. They will meet that. Other than that, a lot of it is rhetoric, talk, and hope.

All I am saying is, we should be intelligent enough to make other people's profits hinge upon their abilities to make certain goals.

ASSEMBLYMAN FORTUNATO: Thank you. Mr. Carlos Smith.

C A R L O S S M I T H: Good afternoon, my name is Carlos Smith. I am an architect here in Atlantic City, actually in south Jersey. We work all over the state and the country and the world just to make ends meet. I am sure you have heard a lot from a lot of people about the various problems. What I am here for, really, is just to make you aware. From what I have seen and heard in the four or five years that I have been here, plus the things that I have heard about town, you may be able to affect some change.

I have a couple of pictures which I will show to you in a few minutes just to illustrate a couple of the points that I would like to make. As I said, my comments are mostly general, but they could possibly lead to a direction which will help us. I would like to stress two points in the beginning. I think the main reason that there isn't much development in Atlantic City off the boardwalk right now has a lot to do with the economy of the country. Until we can do something about that economy, I don't think we are going to see too much happening in the city.

Also, my typewriter died in the middle of my rough draft, so I will send you a copy of this as soon as I can type it properly, because I think you ought to have it. Let me just read it.

Gentlemen, we are the richest nation on earth, and Spain one of the poorer, a country ravished by civil war. But, I have a picture here of something they have built, and it is of a place I am sure some of you never heard of. Are the investors afraid of Atlantic City? What is the solution getting them to come here. Here is a place in Spain south of Valencia called Benidorm, which is probably what we would like Atlantic City to be, and maybe with a little luck maybe it will be.

The casinos are making three and a half million dollars a day or so. Can we find a way to make use of all of today's technology and the many creative ideas from around the world for a place like Atlantic City? Can we study places such as Spain and other resort areas around the world to see how we can benefit? I think we need a think-tank on the local as well as the State level composed of the types of people who can bring successful development to Atlantic City and to New Jersey instead of some of these extensive and exhaustive studies that have been made. There should be competitions for the design of such things as block areas of the city, entrance ways into the city, landscaping of the boardwalk, symbols for the city, such as the Eiffel Tower in Paris and other places. I am sure you realize that very little effort has been made to upgrade the train service into the city. The train goes away from here in the early morning and comes back in the early evening. For those few people who lived in Atlantic City and worked in Philadelphia, back in the old days, and took that train, don't you think it is about time we find a way to encourage them to start working down here, getting the system working in the direction where it would do the most good? Even I would take the train to work. And, think of all the visitors who would do the same. As a matter of fact, trains should be going up and down all day long. After that, we should have a beautiful station, nice landscaped parking lots, a shuttle bus to business areas and to the boardwalk - think of all the people and fewer cars.

Once we start thinking about the people coming here on business and the tourist not necessarily headed for the casino - they will go there too - we can start thinking about the other kinds of attractions that they will be interested in: a major museum, showing Americana as it relates to south Jersey and Atlantic City and the shore areas, including local artists, of which there are many; bus parking, a logical plan within and without the city, for those who must come by bus - a truce with the County Transportation Authority and others. Allow the entrepreneurs and those who park buses who feed and take care of the drivers all day long to get their share of the action. That is a business also.

Amend the Casino Control Act or law so that local professionals, such as myself, can have some of the professional work that involves casino development or spin-off work, such as housing or other casino-sponsored activity. Alter or amend the hours of closing the casino, from twelve to two, or eleven-thirty to one-thirty in the afternoon, to allow the people who come to the casino to move about the city and bring trade to the city rather than the present closing time from 6 A. M. to 10 A. M. when everything is closed and people must go back to their rooms or go home. Help Atlantic City to find a way not to need to pinch pennies by putting traffic tickets on cars on side streets in the middle of winter in uninhabited areas. It is asine. Tourists, business people trying to do business, or get business

or development started need freedom to move around. Adjust your laws so that more revenues can flow into Atlantic City. Encourage a variety of architectural development by encouraging the use of architects, landscape architects and others from all over New Jersey to give interest and variety to the physical scene. Reevaluate all existing legislation to get rid of some of those that are obsolete and unfair. Find a way for the major developers - including and especially the casinos - to find a place in the construction work force, or the operational force for the unskilled and the non-skilled, of which there are many around here. You can still see them on the corners. I am sure this will help cut down on the robberies, the muggings, purse snatchers and so forth. My office has been burglarized so many times I am thinking about working out of my house.

Help us to study and benefit from the examples of development from the French, Spanish, and Italian rivieras, to maximize the potential available to us. Atlantic City is like Venice at the beginning of the Renaissance. The potential is absolutely enormous. The brains are here; the money is here; the talent is here; the enthusiasm and the need and the reasons, they are all here. Help us find a way to capitalize on this great opportunity.

Some of the things that we should be developing here are a creative art center, a university, a symphony orchestra, and magnate schools of various sorts. There should be a botanical garden, similar to the one at Niagara Falls. We should maximize the use by private developers on the small, narrow side streets for commercial and entertainment use, including making some of them pedestrian walkways. And why hasn't anyone been able to come up with the series of sidewalk cafes on those areas of the boardwalk where the streets intersect and the boardwalk widens? Tell me, can you help us do anything about the unions, so that they get the big commercial work and the smaller contractors, non-union, get the smaller work, housing rehabilitations? A lot of these guys are leaving because they have to work, and if the unions are going to knock them off the jobs, even the house rehabilitations, they are not going to stay.

Can you help assure that after the election in May and June Atlantic City is guaranteed home rule, so that the city fathers, the planning board and so forth can be important in the development of the city to initiate development that the casinos want to be able to use, the development funds generated by the casinos and so forth, to sponsor competitions and so forth of various sorts for the optimum development of the city?

We may even have to create new offices in the city or the State just for this purpose. Remember, the casinos have made it very clear that they did not want to do anything but run their casinos. Help us find a way to control the ownership of ground and property, so that the casinos with all their money, excess money, if you will, cannot own the city or control key parcels of ground to minimize competitor's development or to maximize the cost of ground in or around the city to require legally that all ground owned or controlled by any casino organization is on the public record. Failure to do so could jeopardize their license.

We need to sponsor public competitions for things like a symbol for the city, such as the Eiffel Tower, or those other special things that are brought by a world's fair. Atlantic City really wants to be a special place. We need to find a way to create an atmosphere, so that developers who are interested in redevelopment of Atlantic City will be welcome and be willing to come here and perform. We should initiate a major open space connection, connecting the boardwalk and the center

of this city. Brussels, Belgium is a very good example. I have another picture. It is not the best picture. But, a lot of you probably know Brussels, Belgium. It is very spectacular open space, and one of the few in the world that is so like it. In this space we can encourage and we can schedule major public activities, especially those which are oriented to the pedestrian. So much of what we do in Atlantic City wants to be oriented to the pedestrian.

Note, please, that the Casino Control Act requires that boardwalk level and sidewalk level spaces in the hotel casino buildings should be oriented to the pedestrian. How many of the nine have done it?

There is no major movie theatre here in Atlantic City. Help us to find a way to bring to the downtown area, or boardwalk, some of the new technology such as a theatre in the new Air and Space Technology Museum in Washington, D. C., a major attraction.

Help us to find a way to bring back the many people on the boardwalk, twelve months a year, seven days a week in good weather and bad. And along with this, create new technology or use that which has been created. Remember, three-quarters of the year it isn't summer. Not all the people on the boardwalk are going into the casinos. Many are coming for the sheer enjoyment and excitement of our renaissance. We have whetted their appetite, and now we must satisfy them. Let's get going. With that thought in mind, let us invest some new ideas, our own with our own brains, something that the world can admire us for - not just things, also some new ways of doing things, which badly need changing. Why not have part of the central government of New Jersey here oriented to the many people who come here, and to the new transportation systems that will be here.

Along with that, we should create soon an international airport. We have the space for a cruise ship berthing area. We could have a hydrofoil connection up and down the coast and bring in some of the other new developments such as helicopter borne sky buses. We need a lot more people oriented activities other than high priced restaurants, entertainment and gambling operations that empty your pockets. We must create more things to happen in the city to interest the many visitors of all ages, interests and cultures. Just think of a new museum like Paris' Pompedeau Museum, or something like Copenhagen's Tivoli Gardens. We should not let casinos dictate to us what we should or shouldn't do. We should create in the city and in the boardwalk area activities from the Golden Nugget to beyond Resorts and something in the middle as well to keep the people moving and interested. They will frequent the casinos as well if they move around.

We all know the casinos want the tourists to come to them and stay in them - nothing else. But, is that what we want? Can we encourage development on the piers, not just amusement parks, but something so that everyone can find them interesting. Wouldn't it be grand if we could come up with something as interesting as Sidney, Australia's opera house? I ask you, please, solicit the opinion of every major merchant in Atlantic City, as well as the professionals and the motel owners. Perhaps a questionnaire circulated after you put all your thoughts together from these meetings, similar to those sent out by the major politicians to help you sum it all up.

I think we should be mindful of all those merchants who hung in there all those years. They are the ones who kept the city alive. They have the faith and the tenacity to hang on knowing that one day even they now are beginning to feel discouraged. We must find the sure way to get the downtown area back to its feet. I am sure that some of these ideas will be worthwhile in helping to find

the solution. If enough people make enough comments and suggestions, we are bound to come up with some of that work. If it is practical, legal and possible, now that we have seen that the casino operation is times more profitable than anyone expected, is it unreasonable to ask on the thirty-first of July, or one day for twenty-four hours, or even from 6 A.M. to 10 A.M., that the casino operations be suspended and a new and amended casino law be put into effect that is more nearly in line with what was originally intended for the bringing of casinos here in the first place, to promote tourism, increase jobs and revitalize the city. The first two have happened, but the last has not. The people come here, go to the casinos, and leave with a minimal effect on the city and the commercial areas, but with a maximum effect on the roadways, the police department, and so forth.

How much do they contribute to the city now to help defray these costs? By the way, whatever happened to the T.V. cameras on the boardwalk and elsewhere? In other major cities in the world they are used. Why not here on the boardwalk to monitor the crowds, at major street intersections and out on the highways into the city to monitor traffic in and out of town? Is there a way to have the legislature or some part of it be a forum of last grievance for anyone who feels unfairly dealt with in Atlantic City? We have gone to the moon and Jupiter and Saturn and outer space, but down here we haven't even made it to Atlantic Avenue. We need to catch up.

We must ask the legislature of New Jersey to work with the legislature of the United States, because if the nation's economy doesn't work, Atlantic City won't either. It is like a sore on the arm. Unless the malady in the body is corrected, the sore won't improve. Drastic problems need drastic solutions. Some of those all-weather spaces and places that I mentioned include upper level enclosed walkways, such as in Cincinnati and those in the major airline terminals, beautiful places. The major one in Milan, Italy, built more than 100 years ago, is still the most chic. There are some things that I know everyone is not familiar with, but I hope they will be soon.

Some of those pedestrian oriented spaces and places are landscaped parks and open spaces on or near the boardwalk. As a matter of fact, every open space is available and not suitable for development. I have seen places in the world where a little park with a trolley comes and parks is grass right up to the top level of the rails. It may be just a little triangular area. Those things put people to work when they are created and maintained.

Creative ideas related to housing, land use, water use, tourist activities, commercial activities, traffic, and contemporary technology, transportation. No other city in the United States has an opportunity right now as Atlantic City does to rise from its ruins and become a magnificent place. Needless to say, the local surrounding community should be part of any and all creative thinking and development. It is very possible that they may become part of what is just beginning in Atlantic City, therefore, I urge you to bend your ears, flex your muscles and help us find a direction to start moving. We should create open arms to the sea on each end of the city and in between, a magnificent plaza connecting the sea and the city and fill it as often as we can with the people who made it all possible. Most of the time we have all we can handle, fighting fires, floods, famine, poverty, earthquakes, tornadoes, hurricanes and the like. Therefore we should all be working together in every way to create and maintain a culture in which all parties participate and all share in

the accomplishments. Surely, that will lead to the success of the grand experiment, Atlantic City. Every time I can and everywhere I can, I invite a restaurant or a store or developer to come to Atlantic City and add to the city's development. But, without a healthy economy, a reasonable availability of development funds, where can we go?

We have a real estate market that caters only to those with the big bucks, and yet we have depressed areas in which no one wants to be the first to venture into. I say we need sweeping changes in the way we do things. If we create new and interesting places and spaces, I am sure that people and prosperity will follow.

There should be a mechanism for temporarily shutting down gaming operations if the situation in the city gets out of control or becomes unmanageable or detrimental to the good of the city, region, or state. We should encourage local communities to develop proposals for development and growth tied to the development of the Atlantic City area. And, there should be some new thinking about CAFRA and the wetlands requirements. Remember Monte Carlo?

And, last but not least, in conclusion Atlantic City in the beginning of its renaissance owes to itself to revitalize itself, to realize its maximum potential for the maximum benefit of the maximum number of people in the city and the entire State of New Jersey, to all the people who had the faith to give it a try. Let us move forward.

ASSEMBLYMAN FORTUNATO: Thank you.

ASSEMBLYMAN BRYANT: You are very creative, Mr. Smith, and your ideas are good ideas. There are a lot of dreams. I can appreciate that.

MR. SMITH: I have a letter that I wrote to Resorts last year or a year or so ago which was in this same vein. I never even got a response from them. They make all the fuss in the newspaper and publicly and every other way, "We are going to do this and that; we are going to spend \$1 million in Atlantic City."

ASSEMBLYMAN FORTUNATO: Okay, I appreciate your testimony. I see Mr. Bill Weidner of the Sands trying to catch up on people who have been scheduled during the day.

I would like to ask you all to bear with us and to be patient. I want to remind you that we are trying to adhere to a schedule. The hearings have been announced some time ago, and many people have signed up in advance. I am trying to adhere to that. And, some had been here since yesterday, and some of you came today, so if you can bear with trying to adhere to a schedule, and be patient, we will try to get everybody before the Committee to testify, and those of you who have just arrived, the other Committee members had to leave for personal reasons, and family reasons. Mr. Bryant and I will be manning the fort.

Mr. Weidner.

WILLIAM WEIDNER: I am sorry I missed this morning's session. We were having a hearing of our own in Trenton, and hopefully things are going well there. I just thought I would stop by, quite frankly, and not having been privy to the testimony this morning, I thought what I would do is make myself available to you, and perhaps individuals here, if you have any further questions or concerns as it related directly to the casino hotel operators.

ASSEMBLYMAN FORTUNATO: Your industry has been well represented today with Mr. Downey, Mr. Boynton, Mr. Gilman, and Mr. Norton, and they have pretty well explained the plight of your industry and have addressed some of the concerns of

the Committee of the people of Atlantic City, whether it be housing, whether it be transportation, whether it be licensing casino employees - they have been pretty well very, very informative.

What we did discuss, Mr. Weidner, was the possibility - and I would like to think it is going to be a reality soon - of a workshop between the Committee and not only your industry, but some of the other representatives from Atlantic City, as to working on legislation and direction that the Legislature might take to help your situation and the people here in Atlantic City.

So, we are looking forward to getting back to Trenton and beginning to work at remedies for some of the problems that do exist.

MR. WEIDNER: I think you gentlemen can be helpful, because I am sure what you are hearing today are frustrations and the manifestations of changes that are truly revolutionary, not evolutionary. I think it is to be expected that whenever there is change of this particular magnitude that there are going to be points of difficulty and frustration, just that. The individuals that are here in the community have to feel that things are not happening quickly enough, that the secondary and tertiary development as was promised by the casino legislation is not happening quickly enough. We in the casino business, and our investors that we represent have to manifest their frustrations in terms of where was that return on investment that originally we had been promised, but at least had expected in light of what happened with Resorts opening, and those kinds of frustrations have to come forth. The only way to solve the frustrations, quite frankly, is this kind of a forum, a way that people can vent those frustrations, and a way that we can work creatively. I think it is important for the State to become directly involved in aiding in solving these frustrations. I think this is going to be a positive step forward.

ASSEMBLYMAN FORTUNATO: I would like to think you are correct, and I look forward to your input as a viable representative from your industry.

MR. WEIDNER: Thank you.

ASSEMBLYMAN FORTUNATO: Mr. John Scarselletti.

J O H N S C A R S E L L E T T I: Gentlemen, my name is John Scarselletti. I appear before you today because principally you are an outside Assemblyman, and I am going to take advantage of that situation because I am going to make a proposal for the best interest of people in Atlantic City.

I will give you a graphic example. You had all the casinos appear here, and all the big politicians. You were filled with all kinds of cameras and television and radio and everything else. And then they disappeared and you have a little man like Spina come up here who expressed his frustration. This frustration is universal.

ASSEMBLYMAN FORTUNATO: Well, if I can interrupt you a second. Yesterday we had a full complement of testimony from the public, from the little people you were---

MR. SCARSELLETTI: Well, I wasn't here.

ASSEMBLYMAN FORTUNATO: And, the press was here and the cameras were here too. But, I can appreciate what you are going to say. That is why we are here.

MR. SCARSELLETTI: Well, I wanted to show that as a graphic example. In other words, the people of Atlantic City have been put into a position similar to the situation, "Go to the rear of the bus." They are told to get off the bus.

Contrary to what Mr. Norton says, we had here prior to casino gambling approximately 45,000 in population. We are now less than 40. These are displaced

persons directly due to casinos, because the buildings were torn down. These people were pushed out, and they are being pushed out. Also, he made reference to the reason for delayed housing as being the interest rates. Yet, Resorts has just proposed and was granted a \$2 million project, which I personally objected to. I filed a petition against Resorts, simply because they vacated Pennsylvania Avenue, which is a large street considered a boulevard, and they are going to build over the boardwalk. There were violations committed. Now, that petition wound up in a circular file and nobody took notice to it, but DEP did. As a matter of fact, DEP has now filed a complaint. This petition has been given by the DEP to the Casino Control Commission. In other words, this is just one of the few things that have gone on in Atlantic City.

Now, they are going to build projects on the pretense of housing. I will give you a very good example. They just granted Green House a variance which was twice the height on the premise that it was housing, but yet an economist that presented two charts at that hearing graphically showed that 77% of the population couldn't afford the cheapest efficiency, and the balance could afford the cheapest, which means this: There is no way this is middle or low income housing. This is ridiculous. They are playing a game. And, the basic proposition I am making today is in reference to relief. People in the city need relief. They need it desperately.

I was upstairs before I came down here, attending a sewage rate increase. Now, what has happened here, due to this increase of casino gambling, every utility had to expand and improve, but the cost is being passed on to the consumer, and you are dealing with the same 40,000 people. They just can't afford it. That is all there is. Unless something is done in their particular interest, they are going to be squeezed out. There is no doubt about it.

Now I submit to you a copy of a letter which was a proposal I originally made a year and a half ago. The reason I send you this is because it is graphically laid out and it is readable. On the second page I have attached an illustration of assessments which wasn't printed. On the third page, it is more or less giving you some idea as to my qualifications, and why I am here.

To give you a little background, I come originally from Philadelphia. I have been in politics back as far as 1950, which is over 30 years ago. I was a Committeeman back when Clark and Dillworth campaigned on the tailgate of an open truck to overturn 75 years of Republican domination in Philadelphia. I bring that up because I am an outsider. I know politics. I ran for office as an independent Democrat, because the machine that came in eventually evolved into something more so than what the Republicans ever were. But, that is only part of it.

In reference to my own position, I have been a businessman for 25 years. I developed a manufacturer's rep. into a distributorship, to a Pennsylvania Corporation. Now, I lost that business a couple years ago, which made me - shall I say - forced me to live on what I call fixed income. So, therefore, I can relate directly to these people, the senior citizens, the people on fixed income, middle income, low income, because I myself have to regulate my money accordingly. And, therefore, I became involved several years ago. My name never appeared in the paper. I wasn't interested in politics, because the thing is, I am not a native son. I am an outsider. I have always been considered an outsider because I am from Philly, even though I have lived here 16 years.

But, the thing is, things have gotten to the point here - somebody has to come out and say something. And, as an outsider, I can objectively look at things because I am not obligated to a party, or any group. I can unbiasedly review what

is going on, which leads me to this proposal. I made this proposal, actually, a year and a half ago. Now, this proposal is a tax proposal in reference to the assessments, which is killing the people of Atlantic City. You are still dealing with the same 40,000 people. They are on fixed income. They are middle income; they are poor. The way they have worked it out, the table would show, in 1978 you had a total assessment of \$306,000. Every year that doubled. Right now in 1981, your total assessment is \$1,211,515,453,000. But, you are still dealing with the same people. Do you realize what these people have to pay in taxes? In 1983 they want a total assessment. Do you realize what this is going to come to? The people have to pay this. The people can't afford it. You have people here---

These people just can't do it. They need relief and they need it desperately. The casinos were supposed to come in here and co-exist with the people. On the contrary, the way things have gone now, people have to get out. Everything has been pushed out. Development has been stalled, because it is not in the game plan. Now, are the people in Atlantic City going to survive? They need help. Why don't we go to our own local legislators?

Well, I will give you an example with reference to our own legislators. Now they passed the Transportation Act. What that did was take all revenue from parking and from other sources of transportation which they used to get. They don't get that any more. We have a 5% sales tax. We don't get that any more. They made a deal in reference to ordinance 19, which I objected to, whereby they made a concession that they were going to add 3% - 2% for the city and 1% for the Improvement Authority. That 2% annually - July 1, 1982 - as a result of this bill they just passed, this will increase to 10% - 3% for the State and 7% for the Improvement Authority. Atlantic City is not getting a dime. They are not getting any of this money. It is all going to the Improvement Authority and the State. The people of Atlantic City are paying a bill they just can't afford.

Our legislators won't do it. As a matter of fact, the response to this letter which is a year and a half old - I have gotten replies such as "It is good." "I have other plans." And Assemblyman Matthews says, "It is unconstitutional." The thing is, this plan is very pliable and it will make the people of Atlantic City be able to survive in this town. I strongly suggest it. That is why I am saying I am an outsider, because our legislators are looking the other way. I have an example here. Senator Perskie just passed the hotel room tax. They passed that, and the Hotel Association didn't even know anything about it. After they passed it, then he asked for their opinion. I mean, these kinds of things go on. As a matter of fact, at a public hearing in Convention Hall J. Mark Reifer - who was a Legislative Aide for years - said it was the first time he had ever seen anybody be able to put a bill through, signed, sealed and delivered without any input. This is the type of legislation that has been going on. This is the way Ordinance 19 was pushed through, the Transportation Act. Where are the people? Where is the input? They have completely isolated the people of Atlantic City. They have nothing to say.

Now, you as outside legislators, I am requesting you to look over this proposal. And, if possible, see if the legislation goes through, because it will give the people relief, and they need it desperately. We are not getting it from our own officials now, and for whatever reason you may think. The people of Atlantic City need help. They need it desperately. If we don't get it from our own people, we will look to other people for some sort of relief. That is the basic argument I have.

ASSEMBLYMAN FORTUNATO: I will discuss that with your representatives and also your local officials.

MR. SCARSELLETTI: I appreciate that; thank you.

ASSEMBLYMAN FORTUNATO: Thank you. Elizabeth Curto.

E L I Z A B E T H C U R T O: I would like to thank you gentlemen for giving me the opportunity to come here and speak, as a small hotel owner in Atlantic City. I moved here twenty-five years ago, so I have been in business for twenty-five years in Atlantic City, so I know a little bit about the poor times and the good times, and the situation we have now.

The first property I owned was on States Avenue, which was a small guest house. We had remodeled it, and the City came in and told us we were in a blighted area, and we were told to get out. Now, new housing was supposed to be built there, garden type apartments and all this. For me to find a home, I had to go to Ventnor, and I also bought the hotel on Kentucky Avenue. I own the Miami Hotel, 33 rooms. And, I have been there sixteen years. I know what some of the people feel when they get thrown out of their home and have to look elsewhere. I can feel for them, because I went through that situation. Enough money was not given, but what could you do? You had to take it and leave. So, I did. I had enough faith in Atlantic City to keep going. I bought the property and started fixing it up and I have been managing it and trying to pay the mortgage since.

Now, along comes the bill from Senator Perskie and Assemblyman Matthews where they are going to have us pay the deficit of Convention Hall. Now, the other gentleman told you that there was no input. After it was passed--- We thought, oh, they couldn't do that to us. I mean, so we didn't pay much attention to it. And then we realized it was passed. For myself, that would require me to pay \$250 a room. I have thirty-three rooms. That would cost me \$8250 by July first, or have my license taken away and then I will not be able to operate.

I cannot afford not to operate. I live now just barely paying the bills and getting by. The casinos have not helped our season any more. The season opens up July first and it ends September, Labor Day, as it always has. So, as far as the smaller people, it is not helping us any. It helps to a point. But, our family clientele is all gone. We do not get family people any more. What you are getting now is gamblers, couples, young people, old people. They stay one or two nights and then leave. In other words, we have lost the people that come to the beaches, that come to the boardwalk. We have lost all the entertainment on the boardwalk, so there is really nothing for a family to do here if they have children. This has also hurt us tremendously.

Since the casinos have come in, we have had to pay for all the new sewage, the taxes, and all our other bills have gone up. As far as hiring - I also own a small restaurant on Tennessee Avenue before the gambling came in. We thought that would be great. But, that didn't pan out either, because the first year was good, and then as the speculators came in, they bought up the land, and they started buying the properties. And, once the guest houses on Tennessee went, the family people went, and we could see the restaurants have been closing one at a time also. All the businesses have also been hurt.

It is unfortunate that most of the business people in this town don't live in Atlantic City. They live in Ventnor, Margate and Longport. If they wanted to have any input here, they couldn't, because they say, "Well, you don't live here in Atlantic City." Fortunately, I do live in Atlantic City and I do vote here.

So, like I said, I love Atlantic City and I think what is going to happen is going to be fantastic. Right now it seems like all we are getting is--- I get the feeling that they want to push us out. That is the feeling of the little people here. You legislators ought to know that. We feel that North Jersey doesn't care a thing about South Jersey. We have felt that for years. It is about time that all the legislators think about South Jersey and thinking in terms of bettering Atlantic City and helping us to pass legislation to help things get along. Because the city legislators are not doing anything to help us.

I go to the Commission meetings and ask where the police protection is. They have no money. The cap law says you can't have any more policemen. You go on the boardwalk and the avenues, and you see no policemen. In the summer when you have hundreds of people walking the boardwalk you hardly see any. They are all in cars. The police department should be given money so that they can take care of the little people. The crime rate is terrible.

I deal with people who come into this town, and I know what the people are saying. When they come in on the bus--- I had a customer tell me that they came in on a Transport of New Jersey bus and that bus driver told them to stay in the casinos, and not walk the streets of Atlantic City. He told them to walk on the boardwalk and not to go out at night. Now, this is what you have to deal with. They bus the people into the casino and they stay in there and go right home. So, they are not really helping the people of Atlantic City at all. They are just killing off all the businesses on Atlantic Avenue. You will see it as you drive along. The land speculators are still buying.

Now, people who love Atlantic City, the business people, are still trying to survive. But, at this rate with this law that was passed, if I have to pay that deficit to Convention Hall. That will put me and a lot of other businesses, small hotels, out of business completely. We cannot afford this. I have a woman across the street from me, she has to pay \$23,000. She can't afford it. She only has running water rooms. Any more, all she gets is people on weekends. You know, the family trade is gone. How can we survive paying all the utilities - the electric company is looking for another ride; the sewage costs have been up 300%; the water is up. It is just outrageous, and we cannot survive any more. We need help; the whole city does. I would like to see the legislation for the casinos so they will pay their taxes and we don't get burdened by their problems.

The buses coming in cause traffic hazards and the pollution--- At one time, we used to say Atlantic City had the cleanest air. We can't say that any more. The pollution is terrible. You can hardly breathe if you walk down to one of the casinos, because of all the buses lined up. They don't shut their engines off. When they come on my street and park in front of my place, I make them shut their engines off. That is State law.

The little people, I feel, have not been represented and they don't give us a chance to do anything. All we feel is they are trying to get rid of us. We have been here a long time. I am not going to go until I am ready to go. I am going to fight to see that we get a fair deal with the State and with the city. I thank you for hearing me out. If you have any questions, I would be glad to help you out. We hear the complaints from the people who come in on the buses, and the customers who do come in. You are not safe in any parking lot or parking garage. They not only break into them, but they smash the windows now. People are afraid to come in with cars.

ASSEMBLYMAN FORTUNATO: We have heard your complaints before. That is why we are here.

MS. CURTO: I know. That is why I came, too.

ASSEMBLYMAN FORTUNATO: Hopefully, we will be able to act to remedy some of your problems. I hope we can.

As to Senator Perskie's bill, that has been placed on hold, and I think he realizes now that there might be some doubt as to the effectiveness and the problems that it could create.

MS. CURTO: The 5% luxury tax has paid Convention Hall all these years, and that has come out of the hotel people, the visitors. We provide that, collecting it from customers. Last year they took it away, and we were charging 8% to customers. The State took 5% and the City got 3%. But now we are collecting 10% luxury tax. That should be more than enough money to pay for the Convention Hall deficit. I don't see why they did not do that. Now, they are earmarking that for housing. The Convention Hall is an important thing to the entire State, not only our city. It benefits the State and the county. That is not going to hurt anybody. That 10% comes from visitors, people who stay overnight and rent rooms. I am sure that money should be more than enough to take care of the renovating of Convention Hall and also the upkeep of it, the deficit. I have proposed that to them. That is sufficient. The 5% took care of it all these years, why can't the 10% now? They are collecting double. That is one of my main interests. Thank you for hearing me out.

ASSEMBLYMAN FORTUNATO: Thank you. Mr. Edward Turk.

EDWARD TURK: Good afternoon. I am Edward Turk, and I wear many hats. Firstly, I am fairly new in this City. I am only in this City about five years. I came to this City in 1977, and purchased a small hotel, a guest hotel; there are not that many rooms in it, and I had hoped that I would share in the prosperity that was intended for this City. I think what I am sharing now is the despair of the City.

There is nothing but despair throughout the whole City. I am also a real estate broker, and I am aware of what has been happening in real estate. Unfortunately, many speculators got involved in real estate, but those speculators didn't come to fore spontaneously. They were induced by rumor from the casinos - primarily Resorts International. They were induced by rumor by the local city administration, and by many other facets of this City. They raced in and bought property and it was turned over continually.

Right now these speculators are actually in trouble. On December 31, 1981 hundreds and hundreds of properties, many owned by speculators, were put up for city tax sale. My heart doesn't bleed for these speculators. But, there was a cause and there was an effect. Something happened to this city. Land was bought up and it was just held, held for the next speculator. The so-called development that was brought in front of the Commission, the Planning Board, it was bogus development. They couldn't at that time say that they were being held back by interest rates, because interest rates were not high at that time. There was a waiting game. The property was locked.

Today, I think we are all losers. The speculators are losers. The real estate people are losers, because there is hardly anything to sell in this city. No one wants to buy. The stagnation is immense.

As far as Resorts International, Mr. Norton mentioned certain things about how difficult it was for his company to maintain profits. Most of those profits were put into the sale of land adjoining their hotel in the inlet, besides 57

acres which they never really did pick up; they bought hundreds of lots with homes on them and just empty lots and they held them. I happen to be a stockholder in Resorts International, and I am awfully disgusted about that. They never did issue any kind of dividend, a company that made \$200 million in the first year of operation. There is some kind of game being played there.

I say that we are all losers, the people that are in the business community on Atlantic Avenue - they are going out of business. In real estate it is very simple for us to find properties. Everyone wants to sell; everyone wants to rent, but there are no buyers. There are no takers. As far as the Atlantic County Improvement Authority and Atlantic City Housing Authority, they mentioned that they could put housing on their lots. That isn't exactly a fact. There are not enough contiguous city-owned lots to make a viable project. Those lots are owned by speculators and the property values are high. We have a problem here. Something has to be done about it. We want housing. We don't exactly want the lowest cost housing, and we don't want the most expensive cost housing. We want housing that people can afford.

There is something that State has to do in order to help make this property become contiguous and become one major lot. I don't think eminent domain or anything like that would be the answer. I don't think it is a good business situation. Something has to be done to spur the businessman to work with the speculator, to work with the city to work with the county and the state. You all have to get together and produce something in order to get building, and to get housing. I also feel there is an awful lot of housing that can be saved. There are a lot of old houses that still haven't been torched, and I say that facetiously.

The Fine Arts Commission is very capable down here in Atlantic City. They can tell us which buildings must be saved, because we have to have that housing. There is one other area I would like to speak about. I would like to give you input that I was given from a woman who is the social director of the Manor Nursing Home. They have 372 patients there, and most of these people are sick, disabled, and this is a private nursing home. I think it is one of the largest in South Jersey. Out of these 372 patients at least 10% or possibly 50 or more patients who don't really belong there. These are patients that became ill in their own little apartments - taken to hospitals - had long stays to correct their condition and then when they were capable to go back home, there was no home for them to go back to. Their homes were taken away. They were not protected. They were actually at the mercy of their landlords--- Well, no one ever protected these elderly people. They had to go to the nursing home, and now they are in the nursing home, these people have to mingle with those people who are feeble minded and disabled. And, because of that fact, by being in their midst, they themselves are getting sicker. And, they are losing their independence, and they are losing their individuality. These people are being institutionalized, and there is no need to do that.

In this same building, I am talking about the Shore Manor Nursing Home, there are four floors that are vacant. These four floors could be used as a boarding care center for elderly people that can care for themselves but need minor attention, such as medical attention, a little dietary attention, and certain other minor assistances. A small staff would be needed to take care of them. But, there is a problem with money. It would cost \$1 million to rehabilitate this area, and it happens to be in a very fine building. If this could be done, at least 125 to 150 people could be put into this boarding care facility, and they could be given a better sense of person.

Another phase of the senior citizens' plight that I would like to talk about is --- Well, I am going to play the devil's disciple, because I feel for these people, and it was the inept way that the department in the State which handles converted units, converted apartment houses. They allow the developer to buy a unit, a major apartment house, and without tenants being vacated, allowing the converter to come in and convert half the units. Selling half these units brought a very unique condition to the situation. One-half of the units will be owned by people who pay condominium prices of \$35,000, \$40,000, or \$50,000, and the other half of the units were tenanted by senior citizens on fixed incomes that had been there many, many years and paid very low rents - \$150, \$180, \$200 a month. Some people have been there 18 and 20 years, elderly people on fixed incomes.

What happened was the converters of this complex would put pressure on the tenants. He would want to have them leave. He would cut services and maintenance. If there was an elevator, he would cut elevator service. He absolves himself from any responsibility in the building. But, at the same time, there are condominium owners within the same building who are suffering, who paid big money, expensive money to have condominium space, and the amenities that went with it. What happened is, you get a conflict - a three-way conflict - between the condominium owners, the tenant owners, and the converter.

ASSEMBLYMAN FORTUNATO: Mr. Turk, if I may, I would like to interrupt you. I am pretty familiar with this situation, because there have been a few residents from your area who have read of my activity and who are experiencing a similar plight in my district who contacted me. So, the Committee is pretty familiar with that specific area.

Is there something else you might be able to bring to our attention?

MR. TURK: Well, the city is undergoing a change. We are going to have a new type of government. I think we need it very badly. The way I feel, and I think a great many people feel in Atlantic City, we would cooperate with the casinos, but we will not capitulate to them. We are going to have to do all this on our own. The casinos are not going to help us, but we have to get all our resources together and we need people like yourself and your Committee to get us those resources, and we will do it.

ASSEMBLYMAN FORTUNATO: We will be involved.

MR. TURK: Thank you.

ASSEMBLYMAN FORTUNATO: Thank you. Mr. Hollingsworth.

P I E R R E H O L L I N G S W O R T H: Good afternoon. I know you are probably all burned out by this time. I bet you won't do this again.

In that case, I am going to be as brief as possible, because I know you have heard it all by now. I am at this time representing the NAACP, although I was a former City Commissioner. As I told you I am the Chairman of the MUA, Municipal Utilities Authority, and the reason I am here is to tell you some things that probably others would have told you, because this is an election year, and I am not running for office, so I can tell the truth.

What I would like you to really review is a resolution that we passed when I was a city commissioner December 6, 1979. It had to do with the housing strategy for the City of Atlantic City. It outlined all of the things that we intended to do. The reason I am bringing this to your attention is because there are those who continually are putting all of the blame on the State and a lot of the blame on the Casino Control Commission. I am taking it away entirely from this area.

From where I sit, I see that this area has a large part to play in the blame of why one thing didn't happen, and that is, housing. The resolution--- I will read it from the record, "Whereas one of the main objectives of economic revitalization of the city of Atlantic City through the introduction of legalized casino gambling is to provide new resources and opportunities to meet the needs of the existing population in terms how we improve the quality of life and; whereas, the existing severe housing shortage which affects all sectors of the City's population and; whereas, the City of Atlantic City is committed to providing inadequate numbers, decent, safe, sanitary housing for its low and moderate income family's and individuals, and; whereas, there exists at present a need to develop in excess of 5,000 subsidized units for persons of low and moderate income of which 1,777 units have either commenced under construction or are in some advanced stage of planning, and; whereas, there are therefore approximately 3,250 units of subsidized housing that need to be provided, and that shall be the target for the next decade, and; whereas, there presently exists significant numbers of over-income families and individuals who are currently occupying public and private subsidized rental units due to the lack of available and affordable market rate housing, and; whereas these families and individuals and others of middle income who desire and can afford home ownership and market rentals should be given the opportunity of obtaining such residency in the city, and; whereas, it has been estimated that total housing demand of a City of Atlantic City by the year 1990 approximates 7,800 of which 3,250 units shall be subsidized with the remainder being at market value, and; whereas, there exists two areas for the City of Atlantic City in particular that are suitable for the development of residential units, these being the site of the former landfill - such site being bounded by Huron and Maryland, Absecon Boulevard, and the Melrose Avenue north area supporting approximately 1,000 units, and;

"Whereas, the City of Atlantic City shall assure the orderly and well planned implementation of these housing goals, and will cooperate with the county and state agencies to develop a reasonable housing policy; now, for be it, be it resolved by the Board of Commissioners, that, one, to provide subsidized housing units for families and individuals of low and moderate income with the target number to be set at 3,250 units; to provide full support to the development of middle income and higher income sale and rental units in an effort to (A) make available to eligible persons those existing units of subsidized housing currently occupied by over-income families and individuals; and, (B) meet the total demand for housing projected for 1990. And, number three, to set aside the landfill in the Melrose Avenue area for residential development of 3,300 units and 1,000 units respectively. Four, continue acquisition and update of base data on housing characteristics and appropriate real estate transaction, resident profiles in existing land uses in neighborhoods and additionally develop severe alternative plans provided for housing needs existing in future residents of each neighborhood. Five, improve the quantity and quality of information on housing and housing needs within the City of Atlantic City. Six, evaluate and make maximum use of existing subsidy programs, such as land write-down, exemption from housing projects from the ad valorem taxes, and community development block grant funds for neighborhood improvement, Section 8, Federal Housing Assistance Funds, and rehabilitation in homesteading. Seven, develop job training programs for existing subsidized housing tenants who are unemployed and underemployed to enable employable residents to obtain jobs and achieve income levels which are high enough to enable them to afford market rate housing."

The reason I brought this resolution to you was because it was passed unanimously by the governing body at that time, and the process to provide housing at that time was available. As I told you, I am Chairman of the Municipal Utilities Authority and when we were City Commissioners, we sold the Water Department to the MUA for \$4.7 million, and as a City Commissioner at that time in charge of housing, I was able to put half of that, \$2,375,000,000 into a line item account for housing.

In addition, we had \$200,000 in a line item account for emergency housing, such as people who are very down, or what have you. Now, What happened? Once a program was put into effect to develop units in the 12-block area in the North Inlet section of Atlantic City, 12 blocks, commonly called the "G" blocks and those units were to be townhouses, and they were to be sales housing. The speculators took over, and the governing body at that time, although they unanimously approved that resolution and although they unanimously an ordinance on its first reading to turn over the land in that area that was owned by the City of Atlantic City to the Housing Authority for Development of 1000 units in that area - two of them backed off, for political reasons. That started the demise of all housing programs in the City of Atlantic City.

The name of the game here is, don't provide housing for the moderate and low income people. The name of the game here is to build the high-rise luxury type stuff, and that is what we are in this fight about. When I say, "We" I am talking about the NAACP, and the Congress of Community Organizations and people of that nature, the poor people. Because, right now in the City of Atlantic City, there is a chance to provide some housing. There are developers such as the Sunset Corporation who have come to town and were successful in putting up some senior citizen buildings and who were successful in renovating some existing structures for senior citizens and for some family units. They are here now willing to put up about 500 units, but this city administration refuses to talk about an kind of incentives for the developers, such as tax abatements.

It took three years to get them to the point where they would agree to turning over land at no cost for the development of housing. I can take you back and tell you of the many meetings where had the city administration at that time at meetings with state officials. And they said that the land is of no value to the city of Atlantic City unless we start putting something on it. But, they were holding out thinking that at one time or another some great big pile of money was going to be obtained by the sale of land. In other words, they were in the market of selling land, rather than in the market of providing homes for people. And, that exists right now. That is the tragedy of what is happening in Atlantic City.

When we start talking about developing the central business district to the tune of something like 1000 units of housing, an area from Tennessee to Illinois Avenue and we were going to put up a major shopping center, with stores on the first floor, parking at the second and third level and 1000 units on top of that, knowing full well that in order to get projects off the ground there would have to be some kind of abatement. We ran into opposition that was unheard of.

Well, to go back, the speculators were the ones who filled the city commission chambers up and when some of the city commissioners looked at all those speculators and they backed off their commitment to provide housing for low and moderate income people. And, until they come off that kind of thinking, we are not going to have any housing in this city. I say to you right now that there is a developer who is willing--- He has bought land in the City of Atlantic City and is willing to provide housing. But, he cannot get any cooperation from the present governing

body for abatements, and when you start talking about that, people start whooping and hollering about it affecting the tax rate, and we are going to be paying for poor people and low income people, or whatever, and that is the one thing that seems to catch on. It used to anyhow. It doesn't catch on so good now because of the fact that in those days when that land was worth money - it is just like anything else, what goes up comes down. That land that went for \$85 a square foot, you can't give it away now because nobody is buying it. So, there is a right time in the city of Atlantic City to start to buy housing, and you can provide that housing if the governing body locally can do something about it. Of course, the citizenry is doing something about the situation, because the Congress of Community Organizations went out and changed the government and hopefully there will be people in office who will be more sympathetic to putting a roof over people's head, more so than catering to speculators and others.

That is all I want to bring to you today, because I am going to send you the material. I will send you the proposal of the landfill that the Mayor talked about yesterday where they watered that down. When I was in office, it was a proposal to buy 3,250 units, and we wanted to put luxury units on there, 20% middle income. There was a reason for that. When you start developing a landfill you have to take care of the methane problems and the soil conservation and the sink pilings, exceptionally long pilings, and that leads to a cost factor. So, it is much easier to put up luxury places there and 20% middle income and to relieve the city and at least there will be a place for the rich and also we had the concept of also providing those middle income housing, such as the inlet section and free up those places where people such as myself are living, that could be freed up for a Subsection 8 program.

So, all that was put into the resolution. We had formed a Housing Task Force consisting of state representatives, county representatives, and federal representatives, all of the components in the city of Atlantic City. We used to meet, and out of that task force came the development of all the high-rise buildings you see and the renovation of the technical high school and the YMCA and the Liberty Hotel. So, something was done. But, that task force after 1980 was disbanded, and then there was no contact, no communication between the state and federal and local government, and that is what hurts. And, you don't have it now.

How can one produce housing, or how can we say that one has the incentive to move ahead and provide housing for its people if they are not going to continue to work in unison. I don't want to challenge anybody to come and say that it is because of state regulations or the state's fault or even in this case the casino's fault. I also sat on the Planning Board and we instituted something like the Impact Statement that you have to provide to the Casino Control Commission. Every casino before they got approved, the Planning Board would come and say they would want to be part of the social and housing needs of the City of Atlantic City. Of course, they were flowery words, but they wrote them out and they said it, and testified to that. So, if you talk to them, they would tell you - well, the city of Atlantic City never had its act together. They never gave us anything to do. And, in some instances it is true, because of the housing plan of Atlantic City it was never really finalized. That was designed purposefully. That is what I have to say about housing.

The other issue is employment. Just recently some figures were released by the Casino Control Commission. Some news person took it up to say that all is well with affirmative action. I just got a copy of those figures last night, and I say that all things are looking better, but they have not reached the 20% goal.

I have a problem with that. Even if they did reach it, that is not something to pat somebody on the back for, because we ought to be talking about exceeding those goals on all levels. Certainly, we hire people at a lower level in abundance; that helps the figures an awful lot. So, we want to make that very clear. If you haven't gotten a copy of that, I suggest that you consult the Casino Control Commission's Affirmative Action Division and ask for their figures and you can read them for yourself and come to your own conclusion, because they are not satisfactory enough to the NAACP and the people and organizations that I represent.

Just let me give you a little story that happened a while ago to show you what is happening in the city of Atlantic City---

ASSEMBLYMAN FORTUNATO: Mr. Hollingsworth, I would like to refresh your memory about your opening paragraph about being brief. We do have quite a few more speakers to hear.

MR. HOLLINGSWORTH: Well, I will yield to them, because like I said---

ASSEMBLYMAN FORTUNATO: No, if you want ---

MR. HOLLINGSWORTH: No, I wouldn't do that to you, because, like I said, I know that after two days of people testifying, and the long time they have been talking, at this time, you probably won't be able to understand what I am saying anyhow because you will be tired. There is a level of comprehension that even you can't meet.

ASSEMBLYMAN FORTUNATO: Do you have any questions, Mr. Bryant?

ASSEMBLYMAN BRYANT: No, I would just like to thank Mr. Hollingsworth for his comments. I think something should be made clear. If there is a wait and see attitude in terms of housing and employment in Atlantic City, we might cure the ills of housing, but we might have a renaissance, because those people who were there might not be here any more.

MR. HOLLINGSWORTH: That is exactly right.

ASSEMBLYMAN BRYANT: At least in my mind, the way I interpret casino legislation, that was not to occur. It was supposed to be conducive with the present environment and improve that environment. But, assuming you don't provide housing, people will have to leave, or the factors that are involved, then you will have nothing but high income housing.

MR. HOLLINGSWORTH: Well, the State Department of Community Affairs is helping that along. Just last week, Mr. Myaseck, came to town like a thief in the night, somewhere around four o'clock. He was visiting people under the Boarding Homes Act. Okay, we think that people ought not to be living in places that are dangerous, but if they come to town like that and take people out of town and put them in a motel knowing full well that in a month's time the people in the motel are going to put them out into the streets, then they will end up in some vacant buildings and they will be in worse condition than they were when they were in their former place of residence.

So, we want to prevent those kinds of things from happening, too. It is a way to remove people from the City of Atlantic City. We want to prevent those kinds of things from happening, too. It is a way to remove people from the City of Atlantic City and we are very aware of that. That is why you see us demonstrating and doing all those kinds of things, to put the pressure on, and say to that, come what may, we are here to stay. Thank you.

ASSEMBLYMAN FORTUNATO: Thank you. Lillian Brown

L I L L I A N B R O W N: I will open by saying I will be brief, because I am quite sure that I have been through the ordeal of taking testimony and there is

a point you reach where you cannot absorb any more. But, as the First District Freeholder for the County of Atlantic, and as the Administrator of Landlord and Tenant Affairs for the City of Atlantic City, I am happy to see all of you and particularly some of you that might be in our presence.

Mr. Hollingsworth has, I am sure, brought you up to date on some of the shortcomings that we are sorry to say have come to fruition to us by not being on top of the casino question and the asides that go with casino gaming. Some of the things that we find particularly irritating - I was quite amused by some of the testimony I heard this morning from representatives of the industry and how they were participating and helping to diminish the negative side of casino gaming. I heard one person talk about their participation with the Atlantic Construction Training Program, which is a Construction Training Program for Minorities and Women that I developed over three and a half years. That is non-functional right now, because the casinos refuse to participate in providing training for minorities and women in the construction trades. So, I found that particularly amusing, for example, when ACTP came up. It is one of the moves made in good faith and good will by the industry to help the local people assume a full participation and a better economy.

We have, according to the law, in-census implementation, some minority certified. We are going to have to look as we find that. Now, in terms of local businesses certified, it is almost as if the local business community and even the local hotel industry, that is, other than casino hotels, is going to have to request that some in-depth study be done to find out how they can be prioritized for participating in this casino industry.

I served on Governor Byrne's Task Force on Unemployment in the City of Atlantic City. I was the only representative from actually the City of Atlantic City and from Atlantic County. I was joined from Atlantic County, though, by Larry Wunsch, the President of the Atlantic County Community College. The construction program that I referenced a few minutes ago is now under the auspices of the Community College, but it certainly does not have the free-standing ability that we had envisioned as a non-governing entity. So, some of what you heard in the course of two days I want you to review and question in depth.

Some of us had some participation in the legislation when it was drawn and certainly what we envisioned and what is an actual animal now are two different things. With the 2% reinvestment, there was a push by the industry and we are no match for the industry when it comes to lobbying, even an august body as the New Jersey Legislature. If we could only in hindsight look back to, had we had the 2% reinvestment with the city first, the county second, and then New Jersey on that first year of Resorts International's revenues coming in and as Mr. Norton sat in this very chair and told you earlier today, they have not been able to catch those types of revenues, those types of results with a minimal of effort. There was a great deal of trepidation between the community leaders and the community as a whole on that first day of opening, whether or not to move to close it down, because it was not in compliance. Well, then, you get into the situation whereby it is the only game in town, and whether or not it is feasible to cut off your nose to spite your face.

Well, I am not a major contributor to any of the major existing casinos, and unless they are prioritized with my constituents first, in terms of employment and participating in the entrepreneurship, then I don't feel as though they have any priority, as far as we are concerned, either. Therefore, we need to question their right to do business. I would implore the Committee, as well as the Legislature

as a whole to rethink and to investigate further - and we offer ourselves to be of any assistance. So that you might tour the area, and you might see what used to be and what is. Some of you know very well on a first-hand basis how it used to be and we are talking about everyone participating in a new day, or otherwise we need to sit down and wonder whether or not there is going to be any day.

I will wear my other hat as an Administrator of the Landlord and Tenant Affairs, I can tell you that the housing staff of the City of Atlantic City and the rental staff of the City of Atlantic City is next to nill, unless we surge up a moral responsibility there is no moral responsibility. Those people apparently are dead and gone that have a moral commitment providing a better way of life for their fellow man. So, yes, there are rent gaugers, those people who are not buying up apartment buildings for the purpose of tearing them down for a parking lot are certainly not interested in pouring money in to rehab it, so that you offer a viable, suitable, habitable place to live. There are a number of things that I think should enter into your investigation into the Casino Control Commission, and the methods by which, not only you do licensing, but you realize commitments. And honoring those commitments, you allow an entity to do business.

If you don't have an honest partnership, or an honest relationship in terms of pursuing the problems and solving them, then you really should not be in the State. I know there has been a great deal of concern about what type of influences are into the casino industry. I would implore you to make sure you have a humanistic, moralistic attitude reaction to the casino industry.

ASSEMBLYMAN FORTUNATO: I agree. Thank you. Mr. Charles Tisdale.

C H A R L E S T I S D A L E: Mr. Chairman, my name is Charles Tisdale. I am a local minority contractor here in Atlantic City. I am before you today to discuss the situation with regard to the impact of casino gaming on the small business. I feel that as a small business person we have been left out in the cold. We are without any protection under the casino industry at large, simply because there was no regulations to protect us.

It is one thing to get an opportunity to work in the casino industry. It is another thing to get paid for performing that opportunity. I went into business March of last year in Atlantic City. During that six-month period, I did a little over a quarter of a million dollar's worth of work. I found out that in the process of working, there are some unscrupulous forces out there that certainly do not want to see minority businesses flourish. And, the way to stop that is to cripple it economically.

That is not true of every casino out there. There are casinos who are living and abiding by their honorable goals and commitments to minority firms, and then there are casinos out there who are not at all living up to their honorable commitments to minority firms.

In my particular case, what I am talking about is the Caesar's Boardwalk Regency. I did a nice job for them back in August, 1981, and when it came time for payment, somehow they tell me that my money wound up in Chicago, and nobody has any idea as to why that happened. I am not talking about clerical people. I am talking about the everyday, run of the mill, individual who sits behind a desk and answers phones. I am talking about top management people. I am talking about the same people who come to you and say the card counters are cutting into their profits. They should also realize that non-payment to minority business cuts into their profits to flourish.

Mr. Boynton and Mr. Al Cade, these are gentlemen who are in positions to live by the guidelines set by the Casino Control Act. Now, unfortunately, there are no specific guidelines to encourage them to honor commitments to minority firms by paying them for their honest work. That, gentlemen, is what I am beseeching you to do. It is within your authority to protect the small business person. We don't want jobs because we are black. We want jobs like anybody else does, because it is our way of life. We don't all stand on the corner drinking beer. Some of us work for a living. And, to have this happen to you---

In 1982, Atlantic City should never be able to continue. I never want to see another casino follow this rule. So, we must set a precedent, whereby casinos would know they just don't kick us around any way they care to. The reason they are doing this is because there are no guidelines within the Casino Control Act, or no emergency powers within the Casino Control Commission by which they can set aside and which they can demand that a casino meet its commitments, financially, socially to minority firms. It has all been a voluntary issue up until now. They once set aside 15% voluntarily.

We don't need the voluntary--- It is all good and well as long as it works. What we need is good legislation which will give us the opportunity of equal rights, just like any other people out there. We don't have that to date. Instead what we have is nine different ideologies, because you have nine different casinos that hire minorities. We need one law by which every casino can be guided to know how to treat the minorities. We shouldn't have to go through a phase in life where we do good at one casino and we do bad in another.

When you deal with an industry that is as large as the casino industry, a billion dollar industry, yes, minorities have their fair share, but it shouldn't have to be on the level of which people are constantly putting small business, including minorities, out of business. And, the way you do that is you withhold payment. Without financial access, minority businesses cannot grow. I think that in all respect listening to Mr. Boynton this morning about the twenty-four hour gaming issues, I think we have come too fast in this gaming industry. We are looking at nine casinos. We will still find them on first base here. I think before you get the tenth or eleventh casino, you ought to give a shot to giving minorities a chance through legislation. Because voluntarily we are not going to get it.

I think those are all the facts that I can mention to you. I have done business for the casinos down Atlantic City. Three of them have hired me, and paid me, and one hired me but they haven't paid me. I don't think that it is a situation where they don't have any money. I don't think it is a situation that they don't know if I did the work. I think an article speaks for itself. It is a situation in which funds have been misappropriated. Someone, it seems, knew someone in Chicago for fifteen years on a friendship basis, and my money was transferred up there. Now, that the horse is out of the barn, I am told that I should get chased. Well, you don't chase horses around the track and expect to catch it.

I would hope that you gentlemen, as you will be meeting, and planning your new legislation for the casino industry, that you will not forget the small guy out there. We don't have much going for us right now, except the little opportunities that happen to flow our way. But, certainly, I think it is inevitable that we are going to be a voice heard. We are trying to do it through peaceful, passive means, and we hope that you will assist us in accomplishing that. We are not here to be taken lightly. We are here to be taken very seriously.

I think when people can escape through smokescreening to covering up, I think it is your obligation to uncover the cover-up. I don't want to take too much of your time. I know that you have been hearing testimony for two days or more. But, I think in the final analysis, what I would like to say to you is that if we are going to continue in this industry as a partnership between the business community, we have to continue jointly. There has to be a balance.

Right now, there is no balance. Casinos are doing as they well please, and they are doing it with your blessings. And, in the industry out there, the small guy can't survive, unless he knows for a fact that he is going to get paid. I am not talking about thirty or sixty days, but certainly within an eight-month period. If the small businessman is not paid within that period, he can just kiss it good-bye. I have been through the trouble of sitting down to many meetings, and everybody says that there is no problem with my work. A mistake was made and Chicago is now sitting with some of my funds. I feel that is not my problem and my obligation. I don't control Caesar's funds. They are supposed to have key employees who know how to appropriate the proper funds, and who know how to channel money in the right direction.

I think they just demonstrate a sloppy, sloppy effort and I think it needs to be cleaned up. I don't know of any other casino in town that has given me this magnitude of problems, but certainly one is enough.

ASSEMBLYMAN FORTUNATO: I promise you that I will inquire on your behalf. Thank you.

Mr. Kravitz. I would like, if I can, to remind you that we have a five o'clock deadline here. The City has given us these quarters until five o'clock. I would like to bring to your attention those who have come lately, that we have people who have been on the agenda, weeks ago, people who have been here since yesterday. And, I hope that you can appreciate their situation and our situation, and I would I hope those who testify will keep that deadline in mind. I don't mean to rush you, but I want everyone to be conscious of the situation that we are working under.

P I N K Y K R A V I T Z: My name is Pinky Kravitz; I am a communicator. I have been in the radio business for some 23 years here in Atlantic City doing the talk show nightly, Monday through Friday, from nine to midnight. I also am the Chairman of the Advisory Commission to the Convention Hall and a member of the Blue Ribbon Committee that is now looking into the renovation and expansion of Convention Hall.

I come to you, because I am very happy to see you folks here. You wanted to find out what was happening in Atlantic City and you came to Atlantic City to find out, which is admirable. The Casino Control Commission, gentlemen, that is enacted by law to establish itself to oversee and operate a new industry that is located in Atlantic City does not meet in Atlantic City. It doesn't come to Atlantic City except on rare occasions. We must get them once a month, and they are condescending to do so. I may seem a little bit irate about it, and I am, because how can you oversee an industry in a community that you know nothing about.

I will give you a very quick example. They just approved a plan for the development of the Morton Hotel, which maintains the keeping of that hotel. I wish you gentlemen in one of your visits will go down and take a look at Virginia Avenue and see what they have done.

Governor Byrne said we will have no more renovations of old buildings, and making them into casino hotels. This is an old building, a delapidated one.

And, they keep it in a manor that is not befitting the community. The reason they did it is because none of the members of the Casino Control Commission are familiar with the property. None of the members of the Casino Control Commission have been down on Virginia Avenue to see what is going on there. How we can have an industry operated and overseen by a group that meets in Lawrenceville when the employees are here? The industry is here. The leaders of the industry are here.

I can see the PUC or every other State organization being located in Trenton or Newark, because they oversee an industry that is throughout the State. Gentlemen, the casino industry is in Atlantic City. Its employees are here. Every facet of that industry is here in Atlantic City. You know what happened. You know why it happened, because we had a part-time Commission and there became a problem with the Commission after Abscam. The Governor then came out and said, "Oh, no, we must make some changes. You are now going to meet in Lawrenceville; get away from Atlantic City." How can they be a part of this community? How do they know what is happening? How do they know the people? They don't. They have a large staff down here, and yet not one member of that Commission comes down here to oversee the staff on a regular basis. They don't have anybody down here. They have people in the lower echelon to come down and oversee.

It just doesn't strike me right. They don't walk through the casinos. One or two of them may. When Commissioner Merck was here, who was a member of the Commission, as much of a maverick as Merck was, he walked through those casinos. He walked to them at night. He got to watch the play. He got the feel of the people. He knew the complaints that he had. These kind of people don't. Some of them are endeavoring to do so. But, basically, they don't.

Just as another example of how they are not involving themselves in the community, a couple of months ago when he was Chairman, Mr. Danzinger, spoke to the Hotel-Motel Association of Atlantic City, and he gave a really nice speech, and he gave a catch-up of a speech made by Joe Lordi two years ago talking about what Atlantic City is going to be and how it is going to come. He said, "Yes, we would like to meet with you people," meaning the hotel industry, non-casino. He said, "We would like to get together, maybe, once a year. We feel it would be important for us to meet with you to find out what is going on in Atlantic City." Isn't that condescending of the then Chairman of the Commission to say, "Let's meet with you people once a year to find out the problems."

Gentlemen, as you listened to two days of testimony, you have heard four different stories. You have heard the stories of the casino executives way off in one corner. You heard the complaints of the community way off in another corner. You have heard the elected officials - many of them all by themselves. And, then you wonder about what goes on? Why do we have this particular feeling between one another? I would like to recommend - it is something that has not been done - that a committee or commission be formed with a couple of representatives of the Casino Control Commission, with representatives of the Casino Executives Association, or Hotel Association, with some members of the public, lay people with inputs like some of those you have heard here, as well as some elected officials. Taking those four together, and sitting them in a room with an agenda, and having to go over the problems, now all of a sudden, we will get to hear the problems of the casino executives. They will get to hear the problems of the community and they will talk across the table about them. We have not had that.

We are sorely lacking this togetherness. As you sat here - and I have listened for a couple of hours - you have seen the four going off by themselves.

You know, we can't operate like this. We have to bring them together. So, I don't know if you can put it in legislation, but you certainly can make a very strong recommendation. You can legislate that the Casino Control Commission meet here. That can be legislated. I would urge that you do so. And, I would urge that you make them come down here and know something about the town and the community. They don't know anything about it. They don't have any feel for it. Mr. Danzinger lives in Princeton; Ms. Mc Guiney lives up in North Jersey, Redbank, wherever. That is nice that they do. How often do they come down here and go around and see what it is like. Have they seen what is taking place in the community? Do they ride down Atlantic Avenue and see the lack of stores to get the feeling that people have here. I am not saying they are going to be able to correct the problems, but they are going to be able to exert their influence, so that these problems can be corrected. I can go on at great length. But, I think I made my point very strongly with you gentlemen that we need to make them come back home. This is their home. They belong here, not in Lawrenceville where they spent a bundle of money on a building up there, and they are paying for offices there that they can establish here. Why do these poor people have to go all the way up to Lawrenceville to go to meetings?

When they have meetings up in Lawrenceville other people can't go to them to express their views. When they come to Atlantic City, we can then go in and we can tell them what our problems are and get their help. So, I would hope you would address it.

The Prosecutor when he was here brought out one other thing that I would like to address with you, and that is the problem of transportation, the trouble we have had, and he did not state it, and I would just like to bring it home, because it is a very sore point to make -- drunken driving. Drunken driving arrests in this area have increased drastically. We went over 100% in the number of people killed in death by auto in this past year of 1981. We had almost a death row. I won't drive on the Whitehorse Pike. I will do anything to avoid driving on it, because of the problems that are there, and the number of people who have been killed, mostly from drunken driving when people who leave early in the morning from casinos and from bars and are tired or the employees who go to some of the bars, and are tired, half intoxicated and get involved. So, I don't know how you can address it. I do know that monies have been brought down from the State in order to provide more police protection for the situation. But, the drunken driving situation in Atlantic County, the number of traffic totalities we have had is a drastic one, and very little has been done to address it. I don't know that you can. I bring it up to you because of one of the problems that was stressed to you a few moments ago by the Prosecutor of Transportation, and I wanted to specifically make that.

One other thing that was done, and again, I don't know if it falls in your realm - the Governor of this State, when the Casino Control legislation went in, the then Governor Byrne said he was going to form a Commission made up of all of the members of his Cabinet in order to get rid of the red tape, and they met and they talked about some of the problems of Atlantic City and they helped to expedite some of them. Unfortunately, when the Abscam thing came up, it all dropped by the wayside. There is no task force made up of the Governor's Cabinet that was able to attack some problems and cut red tape in order to get things in here. You, I am sure, have heard by all the people who want to come in, the problems and the red tape they have run into in order to get a building established. Whatever could be done along that line, I certainly would try to do, in addition to which encourage

our new Governor to re-establish that original task force of all the members of the cabinet, because they became involved in Atlantic City at first, and they met and they discussed some of the problems they were able to attack.

Again, I thank you for coming here, because you bear out my point. When a Committee of the legislature wants to find out about some place in their state, they will go to it. I believe the Casino Control Commission should be legislated to meet and reside in Atlantic City. Thank you.

ASSEMBLYMAN FORTUNATO: Thank you. Your point is well taken. We had heard the comment about the Casino Control Commission not meeting here earlier. I can promise you on behalf of the Committee, this won't be the last time you see us here.

MR. KRAVITZ: Thank you.

ASSEMBLYMAN FORTUNATO: Mr. Rutley.

LAWRENCE RUTLEY: I promise you, gentlemen, this will be the shortest presentation of the afternoon. My name is Lawrence Rutley. I am the Secretary-Treasurer and Acting Chairman of the Atlantic City Taxi Coalition, and I came here to talk to you today about some of the problems we are having, and that is, after almost four years of casino gambling we do not have taxi stands in Atlantic City.

Now, I rent three taxi licenses by the year. I pay a total of \$7200 for those three licenses - \$2500, \$2500 and \$2200. Despite these relatively high fees, plus the fees to the city, which have increased twenty-fold from \$5 to \$100 for the cost of a mercantile's license, it seems like about the only thing we are paying for is new cars to come around and harass us.

Our particular problems are at the Golden Nugget and Playboy. We just get moved around, sometimes on a daily basis, depending on how convenient it is for these people, and we are getting tired of it. Now, we don't want to stop taxi service in Atlantic City, but we are willing to do that, and ---

ASSEMBLYMAN FORTUNATO: Mr. Rutley, may I ask you a question? Have you addressed this problem to your local officials?

MR. RUTLEY: That is a very good point. We have tried to discuss this with Commissioner Colansa. He has stone-walled us on everything. It is only after putting enormous pressure on them that we are even able to get a meeting with him. He is about as unfriendly to the taxi industry as anybody could possibly be. I am certainly hoping he doesn't run for public office in May, and if he does, we will work as hard as we can to beat him for re-election.

All we do is get the run-around. We have a meeting occasionally. We send letters and phone calls, but we can't get taxi stands. I don't know why. The only thing I can think of is, we are just a little bit too independent for him. I don't think that he likes that. After exhausting what I feel, and many of us feel, whatever opportunities may have existed to get these stands in Atlantic City, I thought I would come here and see what we could get through to you folks.

ASSEMBLYMAN FORTUNATO: I can assure you we will address the problem with your local officials, because it is a local problem. But we would bring that point to the attention of your local officials. I don't know why it has not been addressed. I will find out, and then we will try to get back to you.

MR. RUTLEY: There is just one other point that I wanted to make about these stands. We don't want to be on casino property. We serve the public, and we pay for these public licenses. We believe that here in Atlantic City, as well as in other cities, we deserve taxi stands on the street. We think it sets a

very poor precedent to be on casino property, for several reasons, one of which lays open the possibility of the casino saying, "Well, now that you are on our property, we are going to decide which cabs stay on our property and which cabs don't." I really wouldn't care to elaborate too much more on that at this point, but we feel that the people who have been here for all the years should share in the wealth, this enormous wealth that surrounds a very poor cab industry. You have 249 cabs in Atlantic City. I think we ought to put out half that number. During the day, the average cab driver takes in about \$5 an hour. I didn't say he makes \$5 an hour. I said he takes in \$5 an hour. This has become a minimum wage job. For the privilege of having this minimum wage job, a driver has to rent a taxicab from someone, perhaps myself, for about \$300 a week. Two drivers ordinarily would share that cab. That means he has to pay me \$150 for the privilege of going out there for a minimum wage job.

Now, from my point of view, I am making about one-third to one-fourth of what a cab company owner makes in a city like Philadelphia, or a small town like Hammonton. So, it is a really poor business all the way around. You need more than one cab to make a living in this town. You have to work about 70 hours, and I am on the street 55 or 60 hours a week. I am not an absentee owner. So, we particularly have a problem with the Golden Nugget at the end of Boston Avenue where police are constantly coming off the boardwalk and giving us tickets for sitting in the street waiting for work. They don't want us to steal and they don't want us to deal in drugs, but when we go out there to try to make an honest living, we feel that we are constantly being harrassed, not only there, but on the street for petty violations. One of my drivers, perhaps because of my outspokenness, I am not sure, was stopped because he didn't have his headlights on and both his car and his person were searched. We have been to police internal affairs about it. I was given a ticket a couple weeks ago by and officer Michael Tulio for driving too close behind him in Pacific Avenue. He decided to give me a ticket, and said, "You have to be more careful, Mr. Rutley." I said, "I hear you." At that point, apparently he didn't like my attitude. He snapped the papers out of my hand and when back and wrote me out the ticket.

I have seen Sergeant Tynan of Internal Affairs and he refuses to take the complaint from me. I am very unhappy about that, and will be following up about that in the near future. But, when a Sergeant in the Internal Affairs refuses to take a complaint from a citizen, against his other police officer, where do you go? Well, he suggested that I go to the Police Chief, and Commissioner Klenk and I will do so. But, I did want to bring this to your attention, the kinds of problems we are having out there. We do want cab stands on the street, and I appreciate any influence that you might be able to serve in this area. Thank you very much.

ASSEMBLYMAN FORTUNATO: Thank you. Norman Stitzer.

N O R M A N S T I T Z E R: Again, I must commend you gentlemen for doing yeoman's duty. But, I have only been here a couple of hours. I don't know how you did it for a couple of days.

I was born in Atlantic City and raised in Atlantic City, went to school in Atlantic City. I own a hotel across the street from Resorts International. We are the third generation in Atlantic City. My son would like to stay in Atlantic City. We find it very hard. I feel we are vanishing breed, and to listen to Pinky Kravitz talk, he hit the nail on the head. There is a real lack of community in the town. But, more than that, I feel that every form of government is viewing

Atlantic City as the golden goose, and not to keep it alive, but to kill it. I am afraid they are doing it through taxation.

Mr. Norton talked about that today. I think Mr. Gillman talked about it. I was amazed --- I am sure that Mr. Norton is right, or close to the point when he said Atlantic City has generated something like \$376 million in taxes. I got the inference that most of it has gone out of town. Something like \$200 million has gone up to the State. We, in Atlantic City, were led to believe that if casino gambling came here, our taxes would be reduced. Gentlemen, my taxes in the last two or three years have gone up something like 450%. They have gone from \$22,000 to \$55,000 to last year, they were \$91,000.

Assemblyman Matthews and Senator Perskie now have put this room tax on the hotels. By the way, I have a frame hotel. We have upgraded it through the years. I would say that 50% of our rooms are modern and as nice as any motel room in Atlantic City and nicer than most. But, we also have a lot of rooms with running water. We have 135 rooms. If this tax goes through, it will put an additional \$28,000 on my back.

ASSEMBLYMAN FORTUNATO: It appears as if that will not go through.

MR. STITZER: I just want to show, it is almost like a cavalier attitude that different people have about taxing businesses in Atlantic City. To prove a point, I heard you say earlier that you felt that has a very short life. I hope it does. One of the suggestions was to increase the luxury tax on rooms from 10% to 14%. If you do that, it is the same thing.

Again, the point I am trying to make is, I think so much of this taxing is really ill-conceived. Now, granted, my sales are more than they were before casinos came into town. But, they have not kept up with the taxing. Just think, next year my taxes would have gone from \$20,000 to \$120,000. That is a \$100,000 increase on a frame seasonal hotel in Atlantic City and on top of that, I have letters from the Convention Bureau where they say I cannot participate in the bids for a conference. They cannot send me any guests. But, they sent 1,000 guests over to Ocean City, New Jersey, because my hotel was not acceptable for these convention delegates.

Yet, they were going to put 28,000 on. The point I am trying to make, if I only had half of that \$100,000 increase, that would be \$50,000. I could use that to increase the salaries of my employees, trickle down effect. I would be able to improve that hotel due to some much needed improvements, such as stoves and kitchen floors and things such as that. I am precluded from doing any of this. I have to keep a tighter and tighter reign on my operation. There is no way I can improve it. If this sort of attitude keeps on, all of the small individual businesses in Atlantic City will really be driven out of town.

So, what can I do? I don't want to belabor you any more.

ASSEMBLYMAN FORTUNATO: I appreciate that. I will check with your association as to what qualifications one has to adhere to which would enable them to get the convention business.

MR. STITZER: But, I would also like to point out that you can do two things with the goose that lays the golden egg. You can either kill them and eat them right away, or you can keep feeding them, letting them get fatter and lay more eggs.

I do feel that we really need help from the State. If you take the Convention Hall, the Convention Hall, just by having Playboy on one side and having the trunk casino hotel on the other side, you can pretty well say that they will generate \$250,000 in win, \$125 million in each casino. If that is true, that is \$250 million. The senior citizen's fund from those two casinos alone will get \$20 million a year. Now, I think it would pay the State to put some money - \$2 million, \$5 million, or \$10 million a year - into that auditorium to encourage more casino hotels, to encourage more money into the senior citizen's fund, so that the general populace does not have to pay more money to support the senior citizens. It may be too simple, but it makes sense to me.

ASSEMBLYMAN FORTUNATO: Thank you. Martin Dorsey.

M A R T I N D O R S E Y: My name is Martin Dorsey. I live in Atlantic City, New Jersey. Mr. Kravitz and the other speakers have addressed just about every issue that I had in mind, so that leaves me with just one.

In the Atlantic City Press, Monday, October 19, 1981, New Jersey received date in small business. There was a national survey taken. I don't know if you are familiar with it or not, but one of your colleagues, Senator Lipman, is very familiar with it. His name is mentioned in this article. It has hit the nail on the head here in Atlantic City, and throughout the State of New Jersey. I don't think the casinos had anything particular to do with it, because I think that influx has been all over New Jersey. But, I would like to stress to you gentlemen, that you look into it when you get back to your offices and see what you can do about alleviating the pressure from the regulations that are on the small businesses as to unemployment compensation, students and trainees that are in business that only hire one or more employees. There are a lot of us in Atlantic City. You heard the statement of the one small businessman who had the problem with his financial situation with the casinos. We all engaged in that particular phase of it, and we are all having the same problems with them, sir. We are blocked because of union technicalities.

For one thing, even though a casino is willing to work with us, there is another--- I go on the job with one truck and a loader and a union representative blocks the whole thing, and tells me to close the casino because I am not union affiliated. These are some of the political ploys that are being used to block the small businessman. The only people we can depend on to survive in business is the small loan companies, like Atlantic City Loan and Beneficial Finance. We can't walk into the banks and say, "I need \$50,000 to carry me over for a few months." We have to get paid for a job when we do it; we have to pay our employees. State regulations are making that very difficult because of the unemployment compensation, regulations that we are compelled to adhere to, with just one or two employees. The bookkeeping in it is ridiculous.

I work all day, for example, in the business, and then I have to go home and stay up all night to keep up with the book work that I can't afford an accountant to do. Well, I don't stay in business long, there is a bad breakdown of health coming.

Another thing I want to point out while you gentlemen are here, you want to know what is happening here. Do you know that you can't get a prescription in Atlantic City after six o'clock at night if you get sick, except at one casino, Resorts International. If you have \$50,000 at home and you fail to bring enough

money with your or if you go broke in Atlantic City, you can't get a money order here after twelve o'clock at night. Now, this is how interested somebody is in the welfare of the people who come and visit our town. I too have a taxicab, and the one thing a taxicab driver can tell you is, he is the first to meet the visitor who comes here, and usually the last one to bid him goodbye and welcome him back. The last convention we had here, I don't want to get involved in all the rhetoric about the money issue, 17,000 people, there was a number of them that wanted to stay but couldn't stay because of the living cost here. They compare Atlantic City right away with Las Vegas. Why is it so much cheaper in Las Vegas than Atlantic City for a room? They don't realize that room rents for New York are one figure and in Atlantic City another figure. So, these are some things that you want to look into. I think even if they built a golden casino down here, I don't think it is going to help unless they give these conventions some kind of break or something to come to Atlantic City for.

The jobbers come. They pay, because they can write it off on taxes, but what about the mom and pop who want to bring the kids along and go on the beach or go to the casino, they can't afford it. My goodness, we have the 80¢ hot dog back again. Last summer you couldn't get a hot dog under \$1.50 on the boardwalk. I don't know about your children, but my son can go through three or four of them right quick. Thank you, sir.

ASSEMBLYMAN FORTUNATO: Thank you. Margaret Frazier. I want to apologize to you, but evidently you didn't sign in. I know that you have been here all day.

J A M E S F R A Z I E R: If you will permit me to be with her, because she is a little nervous and she is not used to public speaking, I ask your indulgence.

M A R G A R E T F R A Z I E R: I am here about the unemployment in the casinos. There is a big problem with unemployment, and I would like to tell you that I have seen that there are not many jobs here for the people, but then I would like to know why do the Philadelphia policemen have all the jobs in the casinos?

ASSEMBLYMAN FORTUNATO: Well, I don't know anything about that.

MRS. FRAZIER: They are in all the casinos. There are no jobs for the New Jersey veterans, but the Philadelphia policemen have all the jobs.

ASSEMBLYMAN FORTUNATO: Well, that is something that we are going to have to get into to find out the residences of the people who are employed by the casinos. The problem has been addressed to the Committee a few times. It is something that we will be addressing.

MRS. FRAZIER: Another thing, there are three colleges down here that have security courses. When people go to those colleges and they graduate and they pay for their courses and all, they are just put into the casinos as security guards. Aren't they recognized as having a little knowledge, more so than the average person, or even the policemen? When you hear about casinos, you think about security and security means security prevention. A policeman in my eyes is after the fact. He doesn't know about security.

MR. FRAZIER: May I elaborate on what she has said?

ASSEMBLYMAN FORTUNATO: If you try to keep in mind that we have a fifteen minute deadline.

MR. FRAZIER: I will be very brief. I heard Mr. Norton speak about 30,000 people being employed in his casinos. Now, I don't expect a job in a casino and I am not looking for one, but I would like to say that I think that - the fact that

my wife had mentioned these security people in the casinos, most of the security people, if you would conduct an investigation, you will find they came from out of state. How they established residence in the State of New Jersey is beyond me. There are ways of doing it. I am quite sure that they give the address of a friend. Now, these people have a certain amount of nepotism, where they in turn hire their friends. There is nothing wrong in hiring a friend, but a large majority of these people working in the casinos, I am quite sure - and this is only an opinion, they come from out of state and the people in New Jersey are not benefitting by the casinos. The people in Philadelphia and probably New York and other areas are benefitting, not the people in New Jersey who really deserve the opportunity.

I heard Mr. Norton say 30,000 people. Well, if 15,000 were hired from Atlantic City, it would be a wonderful thing. But, I am quite sure there aren't 5,000 from Atlantic City that are employed in the casinos. I was under the impression that there was 70,000 people living in this city, but I have heard by various speakers around here that there was roughly around 40,000. Now, that is a small amount. If they hired almost everybody in Atlantic City, that would take care of the employment situation in Atlantic City. There is a very serious condition here in unemployment. As you can see, I was just out by that employment office, and people are sitting in cars and on lines waiting to get in there to get a job. But, people are coming in from various other areas, and if I was fortunate enough to be a police captain or something in Philadelphia or New York or some other state, I could come down here, establish residence, and inside of six months I would be approved very easily. But, the people down here are not getting the jobs. I am not looking for a job. I am unemployed. I have been unemployed for about six years. I am a retired blacksmith and I think you have the point---

MRS. FRAZIER: What they do is take people when they graduate from high school and put them in for the summer and then they let them go after Labor Day and in the meantime, Philadelphia police are kept on, and they are kept on in executive positions. They are supervisors and directors and so on and so forth. I feel with three colleges here that had introduced security that these students should get some recognition for taking that course.

ASSEMBLYMAN FORTUNATO: Thank you very much.

MRS. FRAZIER: I have one more thing. Mr. Norton mentioned giving jobs to people in Jersey, up in Trenton and so on and so forth, but he didn't say that he had Philadelphia policemen in all the casinos.

ASSEMBLYMAN FORTUNATO: We got your point. Thank you. Barbara Woodall.

B A R B A R A W O O D A L L: Thank you. I am the Secretary of the Atlantic Housing Development Corporation, which is an arm of the NAACP. I was supposed to speak with Mr. Hollingsworth, but he took up all the time, so I am glad to have this opportunity. I am going to echo his sentiments, but also the sentiments of every person who has spoken before you since you have been here. I would like to commend you also.

The Atlantic Housing Development Corporation is a non-profit organization and it has been in existence since 1978. What we have been doing is actively participating in housing programs, trying to convince the powers to be that there is a need. We explicitly identified the kinds of housing to meet the needs of the community. We identified programs and resources to make these programs a reality.

Since casino gambling we have been involved with the development of approximately 816 units in the City of Atlantic City; 648 are occupied; 168 are under construction. We have brought to the community comprehensive housing, counseling, and we have proposed additional housing for those individuals whose needs have not been met, and I am speaking about the middle income individuals, the young individuals graduating from high school and college who have gained their independence from their families. We are talking about young married couples starting off, and we are talking about those individuals who are beyond the no-income level who are not eligible for subsidies.

It is necessary that the local, state and federal government to make sure that the regulatory agencies such as the casino industry, that they are mandated to follow whatever legislation has been developed or can be developed, so they can utilize their authority and ability to meet the concerns of the people. I find here that we are speaking to you Assemblymen. Ironically, the people have elected the Assemblymen. They have elected the representatives, and those representatives have chosen the bodies or appointed the bodies that sit on the Casino Control Commission, and here we are, we are back before you again with a problem. It means to me that there is a little something wrong.

ASSEMBLYMAN FORTUNATO: Well, those are gubernatorial appointments---

MS. WOODALL: No, what I am saying is, I just wanted to bring before you an irony here. We, the people, elect our representatives---

ASSEMBLYMAN FORTUNATO: What is even more ironic is that you have two Assemblymen sitting before you who do not represent you directly and who are listening to you.

MS. WOODALL: I am not speaking about Atlantic City in particular. I am speaking about people in general. You are both Assemblymen. You were elected by the people. Okay, I am not speaking about Atlantic City, but people in general.

Nevertheless, we are sitting on a time bomb here in Atlantic City, and the fuse is about to be lit. I hope you understand that. I would beg of you, this hearing Committee, that in your summation you not only reiterate the crises that have been expressed here to you, but hopefully you will go back wherever it is you have to go and develop some mechanism whereby the governing body in their regulatory agencies are mandated to perform and respond to the needs of the people as they so have been elected. One of the things we are facing here in Atlantic City is, you cannot blame one particular entity - the casino industry; you cannot blame one individual person. It is a situation where someone has to take the initiative and I think you gentlemen are, to make sure that things happen, to make sure that those things that have been allowed to exist are no longer able to happen.

In other words, what I am saying is, there is a lot of negativism that has been placed before you today, a lot of problems, a lot of crises. It is here and it is a reality. What I think most of the people here are saying to you is, it is there. If it be in your power, do something about it to curtail it, to eliminate it and not let it happen again.

The gentleman who spoke to you about the casino industry, it is certainly true the casino industry goes before the regulatory agency, which is the Casino Control Commission, a legislative body, and they are given licenses to operate. Before doing so, they have to submit certain information, certain statistics, that will warrant giving them that particular license. Of course, wanting it as bad as they do, you can believe everything is in order.

What happens after they are in operation? That is what most of the people are saying here now. Once they are in operation, they decrease the employees. They

decrease the number of employees that they have submitted to the casino control or whatever body it is that licenses them. They are decreasing the minority participation. They are decreasing the contractual agreements they have made with minorities. All of these things have been allowed to exist and to happen. As I said before, it is only because some way somebody made it happen.

Again, I say to you, take into consideration, which I know you are, everything that has been said here, the local body has jurisdiction over, that the State, of course, the federal government also has jurisdiction over. If there is anything in your power to make sure that the needs of the people have been met, we certainly would appreciate it here in Atlantic City, and particularly the NAACP, because it makes our job less tedious.

I thank you for this opportunity.

ASSEMBLYMAN FORTUNATO: Thank you very much. Mr. Rafferty.

W I L L I A M R A F F E R T Y: Thank you very much. I am Bill Rafferty, a real estate broker here in Atlantic City. I just want to bring out a few points that you have already heard, but they caught my attention, and I would like to bring them to your attention once again.

I appreciate you coming down. Take a look at Atlantic Avenue. Take a look at Pacific Avenue, and look at the for sale and for rent signs there. There are office buildings for sale or rent. Please do me a favor and do the city a favor, get the Casino Control Commission back here in Atlantic City, okay.

Number two, our tax rate in Atlantic City is \$5.04 per hundred. You were specifically concerned about housing today. If someone builds a new house and sells it to someone for \$50,000, as you know, under the assessment rule, that house is assessed at \$50,000. That is the way our assessor has to work. That is a tax of \$2500. You and I both know that a person paying \$50,000 for a house can't afford \$2500 in taxes, ergo we do need tax abatement, as Pierre Hollingsworth said earlier.

Do me a favor? Please talk to our city officials and point out that we need tax abatement to produce housing. At some point down the line, that may not be necessary. It is necessary right now. Get the Commission back here in Atlantic City.

ASSEMBLYMAN FORTUNATO: Thank you. We thank everyone who participated, and the City of Atlantic City for allowing us to participate here in the Chamber. Hopefully, we will have an opportunity to come back soon to Atlantic City and to either a legislative hearing or through meetings with various organizations. Thank you again.

(HEARING CONCLUDED)

TESTIMONY PRESENTED TO THE
INDEPENDENT AUTHORITIES AND
COMMISSIONS COMMITTEE
OF THE NEW JERSEY STATE ASSEMBLY
BY THOMAS D. FARRELL
VICE PRESIDENT AND GENERAL COUNSEL
HARRAH'S MARINA HOTEL CASINO

MARCH 17, 1982

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE:

HARRAH'S MARINA HOTEL CASINO IS PLEASED TO HAVE THIS OPPORTUNITY TO PRESENT TESTIMONY BEFORE THE INDEPENDENT AUTHORITIES AND COMMISSIONS COMMITTEE OF THE NEW JERSEY STATE ASSEMBLY. THIS HEARING IS MOST WELCOME, AND IT COMES AT A CRITICAL MOMENT IN THE DEVELOPMENT OF CASINO GAMBLING IN NEW JERSEY.

ATLANTIC CITY IS AT A WATERSHED. FOR THE FIRST TIME IN FIVE YEARS, NO NEW CASINO HOTELS ARE UNDER CONSTRUCTION. YET WE ALL KNOW THAT IF THIS GREAT EXPERIMENT IN URBAN REVITALIZATION IS TO SUCCEED, ADDITIONAL HOTEL CASINO

DEVELOPMENT WILL BE NECESSARY TO SECURE THIS CITY'S DESTINY AS A WORLD CLASS RESORT. YOU CANNOT LEGISLATE SUCH FACILITIES INTO EXISTENCE. YOU CAN ONLY CREATE CONDITIONS IN WHICH DEVELOPERS ARE WILLING TO VENTURE THE ENORMOUS CAPITAL OUTLAYS NECESSARY TO ENTER THIS MARKET. AND YOU MUST DO THIS IN A WAY THAT DOES NOT JEOPARDIZE THE UNDERLYING INTEGRITY OF THE STATE'S REGULATORY STRUCTURE, FOR IF THAT SHOULD FAIL ALL OF OUR EFFORTS TO REDEVELOP THIS COMMUNITY WILL FAIL WITH IT.

WE SUBMIT THAT THERE IS AN OPPORTUNITY NOW FOR THE LEGISLATURE TO SIGNIFICANTLY IMPROVE THE INVESTMENT CLIMATE IN ATLANTIC CITY WITHOUT UNDERCUTTING THE INTEGRITY OF GAMING OPERATIONS AND REGULATION. THE CASINO CONTROL COMMISSION HAS ALREADY BEGUN TO ADDRESS THIS CHALLENGE: LAST FEBRUARY, ITS PERMANENT COMMITTEE ON REGULATIONS AND LEGISLATION HELD HEARINGS ON THE NEED TO REFORM THE CASINO CONTROL ACT AND REGULATIONS. THE COMMISSION'S RESPONSE TO THE TESTIMONY PRESENTED AT THOSE HEARINGS HAS BEEN TRULY REMARKABLE: IN ONE YEAR, IT HAS REMOVED ARBITRARY LIMITS ON MINIMUM WAGERS, ELIMINATED THE NEED FOR NIGHTLY ENTERTAINMENT IN EMPTY

THEATRES, REPEALED UNCONSTITUTIONAL RESIDENCY REQUIREMENTS, EASED BURDENSOME ADVERTISING REGULATIONS, GREATLY REDUCED UNNECESSARY STAFFING, AND SUBSTANTIALLY MODIFIED THE RULES OF THE GAMES. ALL OF THESE STEPS HAVE DEMONSTRABLY IMPROVED THE FINANCIAL HEALTH OF THE GAMING INDUSTRY, AND DEMONSTRATED THE OPEN MINDEDNESS AND TECHNICAL COMPETENCE OF THE COMMISSION AND ITS STAFF. WE HAVE NOT GOTTEN ALL OF THE RELIEF WHICH WE BELIEVE TO BE NECESSARY AND APPROPRIATE; WE HAVE HAD OUR DISAPPOINTMENTS, AND MUCH REMAINS TO BE ACCOMPLISHED. BUT WE HAVE MADE A START, AND HAVE BEEN AFFORDED A RESPONSIBLE FORUM FOR THE PRESENTATION OF OUR VIEWS.

SHORTLY AFTER THE COMMISSION HELD ITS HEARING ON REGULATORY REFORM, A COMMITTEE OF THE STATE LEGISLATURE RECEIVED TESTIMONY ON THE SAME ISSUES. AMONG THE WITNESSES WAS A MEMBER OF THE CASINO CONTROL COMMISSION, WHO RECOMMENDED SEVERAL AMENDMENTS TO THE CASINO CONTROL ACT. THE COMMITTEE WAS TOLD THAT NECESSARY REFORMS COULD NOT BE EFFECTED BY THE COMMISSION ALONE, AND WOULD REQUIRE LEGISLATIVE ACTION. ALMOST A YEAR HAS PASSED SINCE THAT HEARING, AND MUCH OF THE TESTIMONY PRESENTED THEN HAS GONE UNHEEDED.

SO LET US FOCUS TODAY ON THE UNFINISHED AGENDA BEFORE THE LEGISLATURE. HARRAH'S RECOGNIZES THAT THE SUCCESSFUL DEVELOPMENT OF ATLANTIC CITY WILL BE AN ONGOING AND EVOLUTIONARY PROCESS. FIVE KEY REFORMS ARE NECESSARY NOW:

ELIMINATION OF LICENSING FOR NONGAMING CASINO EMPLOYEES.

THIS WAS ENDORSED BY THE ATTORNEY GENERAL AT THE ASSEMBLY COMMITTEE HEARINGS LAST YEAR. N.J.S.A. 5:12-90 PRESENTLY IMPOSES BURDENS AND COSTS UPON THE NONGAMING EMPLOYEES, THE CASINOS, AND THE REGULATORY AGENCIES WITH NO CORRESPONDING LAW ENFORCEMENT BENEFIT TO THE STATE. THE LEGISLATURE HAS TAKEN A GIANT STEP BY ELIMINATING LICENSING FOR HOTEL EMPLOYEES, WHICH WAS ALSO RECOMMENDED BY THE COMMISSION AND DIVISION. WE COMMEND THE LEGISLATURE FOR TAKING THAT STEP, AND URGE YOU TO COMPLETE THE JOB BY EXEMPTING BARTENDERS, WAITERS, WAITRESSES, AND CLEANING PERSONNEL WHOSE DUTIES TAKE THEM ONTO THE CASINO FLOOR FROM THE LICENSING PROCESS.

MODIFICATION OF THE RESTRICTIONS ON JUNKETS.

ALTHOUGH WELL-INTENTIONED, EXPERIENCE HAS DEMONSTRATED THAT THE PRESENT STATUTORY CONTROLS ON JUNKETS ARE OVERDRAWN.

WHEN THE CASINO CONTROL ACT WAS DRAFTED, THE SECOND INTERIM REPORT OF THE STAFF POLICY GROUP ON CASINO GAMBLING ANTICIPATED THAT "JUNKET OPERATORS... WILL BE REPRESENTING A RECONSTRUCTED ATLANTIC CITY TO POTENTIAL VISITORS AROUND THE WORLD..." THE SAD AND INDISPUTABLE TRUTH IS THAT THE PRESENT RESTRICTIONS ON JUNKETS HAVE PREVENTED ATLANTIC CITY HOTEL CASINOS FROM COMPETING FOR INTERNATIONAL, OR EVEN OUT-OF-STATE, VISITORS. THE LEGISLATURE SHOULD MODIFY THE PROHIBITORY TERMS OF THE PRESENT REGULATORY FRAMEWORK SO AS NOT TO CHOKE OFF THE VITALLY NECESSARY BUSINESS WHICH IT WAS INTENDED TO GOVERN. YOU SHOULD ALSO RAISE THE THRESHOLD DEFINITION OF A JUNKET SET FORTH IN N.J.S.A. 5:12-29 FROM \$200 TO A MORE REALISTIC FIGURE; INFLATION SINCE THE ADOPTION OF THE ACT IN 1977 HAS CONSIDERABLY ERODED PURCHASING POWER, AND THE PRESENT LIMIT IS SIMPLY UNWORKABLE. YOU WILL NOT BE JEOPARDIZING THE INTEGRITY OF NEW JERSEY GAMING, AND YOU WILL BE ENHANCING NEW JERSEY'S BALANCE OF TRADE.

STREAMLINED ALCOHOLIC BEVERAGE LICENSING.

THE PRESENT SEVEN-TIERED REGULATORY STRUCTURE IMPOSED BY N.J.S.A. 5:12-103 IS CUMBERSOME AND IMPOSES NEEDLESS AGGRAVATION

AND COSTS. THE CASINO CONTROL COMMISSION'S RECOMMENDATIONS IN THIS REGARD ARE WELL-FOUNDED AND LONG OVERDUE. A SINGLE FACILITY-WIDE ALCOHOLIC BEVERAGE LICENSE WOULD SATISFY THE NEED FOR CONTROL AND ELIMINATE THE PRESENT CONFUSION.

24 HOUR GAMING.

HARRAH'S STRONGLY SUPPORTS THE MOVEMENT FOR CONTINUOUS GAMING OPERATIONS. WE RESPECTFULLY SUBMIT THAT THE LIMITS PRESENTLY IMPOSED BY N.J.S.A. 5:12-97 ARE CREATING RATHER THAN SOLVING LAW ENFORCEMENT PROBLEMS, BY EVACUATING THE ISLAND AT A PRE-DAWN HOUR WHEN POLICE PROTECTION IS AT A MINIMUM. WE BELIEVE THAT 24 HOUR GAMING WOULD BE A TREMENDOUS ATTRACTION TO OUR CUSTOMERS, AND COULD BE SUCCESSFULLY UNDERTAKEN IF WE ARE PERMITTED SUFFICIENT FLEXIBILITY IN STAFFING OUR CASINO. WE RECOMMEND THAT THE LEGISLATURE RETAIN THE PROVISIONS OF (N.J.S.A. 5:12-97) REQUIRING ADVANCE NOTIFICATION OF ANY CHANGES IN A CASINO'S HOURS OF OPERATIONS; EACH CASINO HOTEL SHOULD BE FREE TO SET ITS OWN HOURS, DEPENDING UPON ITS OWN MARKETING PHILOSOPHY, AND THE COMMISSION AND THE PUBLIC SHOULD HAVE SUFFICIENT NOTICE OF EACH CASINO'S SCHEDULE OF OPERATIONS.

TEMPORARY LICENSING FOR PART-TIME AND SEASONAL CASINO
EMPLOYEES.

BOTH THE DIVISION OF GAMING ENFORCEMENT AND THE CASINO CONTROL COMMISSION HAVE ASKED THE CASINO INDUSTRY TO ADVISE THEM OF THE NUMBER OF ADDITIONAL CASINO EMPLOYEES WHO WILL BE NECESSARY TO PERMIT EFFECTIVE OPERATIONS THIS COMING SUMMER. IT IS CONSERVATIVELY ESTIMATED THAT APPROXIMATELY 900 NEW CASINO EMPLOYEES WILL BE REQUIRED IN THREE MONTHS' TIME TO STAFF GAMING OPERATIONS, AND IT IS UNIFORMLY ACKNOWLEDGED THAT THIS MASS OF NEW APPLICANTS WILL IMPOSE A SEVERE LICENSING CRUNCH UPON THE COMMISSION AND THE DIVISION. WE STRONGLY RECOMMEND THAT THE LEGISLATURE IMMEDIATELY AMEND N.J.S.A. 5:12-90 TO PERMIT TEMPORARY LICENSING FOR THESE PART-TIME AND SEASONAL CASINO EMPLOYEES. SUCH TEMPORARY LICENSING IS ALREADY AVAILABLE FOR CASINO KEY EMPLOYEES AND NON-GAMING CASINO EMPLOYEES; INDEED, IT WAS RECENTLY EXTENDED INDEFINITELY BY THE LEGISLATURE IN RECOGNITION OF THE OVERWHELMING NEED FOR IT. THE DEMAND IS NO LESS GREAT FOR TEMPORARY LICENSING FOR SEASONAL AND PART-TIME GAMING-RELATED

CASINO EMPLOYEES, AND WE URGE SWIFT ACTION TO MEET THIS NEED. THIS WILL ALSO GREATLY MINIMIZE THE SEASONAL LAYOFF OF THESE EMPLOYEES WHICH WOULD OTHERWISE OCCUR AT THE END OF EACH SUMMER.

IN ADDITION TO THE FIVE KEY ISSUES WHICH WE HAVE JUST ADDRESSED, OTHER MODIFICATIONS WILL CONTINUOUSLY BECOME NECESSARY AS GAMING IN ATLANTIC CITY EVOLVES, AND WE DO NOT INTEND TO MINIMIZE THEM. IN PARTICULAR, WE HAVE NOT COMMENTED UPON THE INVESTMENT ALTERNATIVE TAX EMBODIED IN N.J.S.A. 5:12-144, AS IT IS PRESENTLY THE SUBJECT OF INTENSE SCRUTINY BY MEMBERS OF THE LEGISLATURE AND THE COMMISSION STAFF, AND WE AWAIT THE RESULTS OF THEIR FINDINGS. WE OBSERVE HERE THAT ATLANTIC CITY'S REDEVELOPMENT CAN BEST BE FOSTERED BY HARNESSING THE ENGINE OF CASINO DEVELOPMENT TO CREATE JOBS, GENERATE TAXES, AND STIMULATE TOURISM, AND NOT BY DEFLECTING IT INTO AREAS IN WHICH IT HAS NO EXPERTISE, OR WHICH HAVE BEEN TRADITIONALLY GOVERNED BY THE PUBLIC SECTOR. WE WILL COOPERATE WITH YOU IN EASING THE GROWING PAINS OF ATLANTIC CITY'S REDEVELOPMENT, BUT WE CANNOT SOLVE ALL OF THE ATTENDANT

CONSEQUENCES OF THE ECONOMIC GROWTH WHICH WE HAVE HELPED TO MAKE POSSIBLE.

WE ALSO WISH TO MAKE BRIEF REFERENCE TO TWO PROPOSALS EMBODIED IN ASSEMBLY BILL 163, PRESENTLY UNDER CONSIDERATION BY THE LEGISLATURE. ALTHOUGH THIS BILL HAS MUCH TO RECOMMEND IT, WE TAKE STRONG EXCEPTION TO ITS BLANKET PROHIBITION AGAINST EXCLUDING CARD COUNTERS. THE COURTS, THE CASINO CONTROL COMMISSION, AND THE GAMING INDUSTRY ARE ALL TRYING TO FIND A RESPONSIBLE SOLUTION TO THIS PROBLEM, AND THE PROPOSED LEGISLATION WOULD ONLY HAMSTRING THESE EFFORTS. DECLARING OPEN SEASON FOR CARD COUNTERS WOULD SERIOUSLY JEOPARDIZE THE REVITALIZATION OF ATLANTIC CITY. SECOND, WE RESPECTFULLY OPPOSE THE DICTATION OF AN ARBITRARY NUMBER OF MINIMUM STAKES TABLE GAMES. THIS WOULD NOT ONLY BE BAD FOR THE CASINO BUSINESS; IT IS SIMPLY NOT GOOD GOVERNMENT TO FIX THE RULES OF THE GAMES IN THE CASINO CONTROL ACT. AS THE COMMISSION ON THE REVIEW OF THE NATIONAL POLICY TOWARDS GAMBLING OBSERVED IN ITS FINAL REPORT, "SUCH RESTRICTIONS SHOULD TAKE THE FORM OF REGULATIONS RATHER THAN STATUTORY PROVISIONS. REGULATIONS HAVING THE SAME FORCE AS STATUTES

HAVE THE ADVANTAGE OF BEING EASILY AMENDED SHOULD THE NEED FOR CHANGE ARISE. STATE POLICY IN SUCH AREAS MUST BE KEPT FLEXIBLE AND ADAPTABLE SO THAT STATE OFFICIALS CAN REGULATE THE IMPACT OF CASINO GAMBLING AND RESPOND TO CHANGES IN MARKET CONDITIONS."

PERMIT US TO CLOSE WITH ONE ADDITIONAL OBSERVATION. ATLANTIC CITY IS AT A WATERSHED, NOT SOLELY BECAUSE OF WHAT IS HAPPENING IN NEW JERSEY, BUT BECAUSE OF WHAT MIGHT HAPPEN IN NEIGHBORING, OR EVEN FARAWAY, STATES. DO NOT FOR A MOMENT FORGET THAT THE ATLANTIC CITY EXPERIMENT IS BEING KEENLY WATCHED BY YOUR COUNTERPARTS IN OTHER STATE LEGISLATURES. IF THIS EXPERIMENT IS TO SUCCEED, IT IS VITALLY NECESSARY THAT ATLANTIC CITY ARRIVE AS A YEAR-ROUND, DESTINATION RESORT BEFORE A COMPETING STATE DIVERTS CAPITAL AND INTEREST AWAY. THE REFORMS WHICH WE HAVE PROPOSED TODAY DO NOTHING TO LESSEN THE INTEGRITY AND FAIRNESS OF GAMING OPERATIONS IN NEW JERSEY; TO THE CONTRARY, THEY DO MUCH TO ENSURE ITS SUCCESS. IT WOULD BE TRAGIC IF CASINO GAMING WAS DENIED ITS FULL POTENTIAL TO ASSIST IN ATLANTIC CITY'S REDEVELOPMENT BECAUSE THE LEGISLATURE

WAS UNWILLING TO PERMIT ITS EVOLUTION INTO A SUCCESSFUL
AND COMPETITIVE INDUSTRY.

