

New Jersey. Commission of Investigation.

Summary and Recommendations from the S.C.I.  
Casino Gambling Report.

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(STATE) COMMISSION OF INVESTIGATION,

SUMMARY AND RECOMMENDATIONS

from the

S.C.I. CASINO GAMBLING REPORT.

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Soon after New Jersey's voters on November 2, 1976 approved a referendum proposal authorizing casino gambling in Atlantic City only, the Governor at a press conference urged the State Commission of Investigation (S.C.I.) to undertake a review of the problems and consequences -- including the threat of criminal intrusion -- posed by the advent of this new industry. For the S.C.I., the assignment meant a sudden renewal of a low-key inquiry that had actually begun in 1974 (prior to the defeat that year of a casino gambling referendum proposal) -- then, as now, in cooperation with the Attorney General's Division of Criminal Justice, the State Police and other law enforcement authorities.

The S.C.I.'s casino gambling investigation, while part of a shared venture, nonetheless was conducted distinctly separate from other inquiries in compliance with the Commission's statutory obligation to investigate, report and make recommendations independent of any other related governmental activity or consideration.

Although the magnitude of the task of monitoring casino gambling was anticipated, nevertheless its wide-ranging scope has severely taxed the limited personnel resources of the S.C.I. However, the inquiry -- particularly its law-mandated concentration on organized crime -- has enabled the S.C.I. to develop an extensive intelligence network that will fuel its continuing and expanding casino gambling monitoring program.

The S.C.I.'s recommendations, which follow, are primarily aimed at promoting the integrity of the casino gambling industry. The Commission shares the widely held conviction that the endeavor can be successful only if it gains and retains the public trust. Already the S.C.I.'s explorations in Atlantic City and other jurisdictions have produced some indications that only the most stringent of gambling control laws can thwart the infiltration of casinos and related services and suppliers by organized crime. Because of the potential enticements of casino gaming to criminal elements, the S.C.I. whenever it had a choice between being hard-nosed or easy-going, opted in favor of strictness in drafting its recommendations.

Because of the Commission's emphasis on the danger of criminal penetration of casinos and the need to structure the most honest operation possible, this report eschews some issues which are primarily of an economic nature. Thus, for example, the Commission has avoided specific stipulations on the number of rooms a casino-hotel should be required to have or on casino taxation. Nonetheless, while making no recommendations on certain purely economic problems, this report discusses some of these factors at length because of their importance to Atlantic City, the gaming industry and the taxpayers in general.

The Commission wishes at this point to stress the necessity of properly programming one particularly important economic issue -- the casino gambling proposal's required distribution of casino tax revenues to ease the utility, property tax and rental costs of the elderly and disabled. Unless the industry wishes

to stand accused of being spawned by a hoax, even as it tries to shape a reputable image, this casino referendum "campaign promise" to some one million people must certainly be fairly and adequately implemented.

While there is no reason why casino gambling cannot become an economic and social asset to New Jersey, its residents and its visitors, the nature of the industry, as previously noted, makes it a vulnerable target for criminal intrusion. Because of this vulnerability, the S.C.I. intends to maintain its monitoring of the casino gambling industry as an obligation to the taxpayers of this state under provisions of S.C.I. law requiring that it conduct investigations to assure the faithful and effective enforcement of the laws of the state "with particular reference but not limited to organized crime and racketeering."

Following are the major conclusions and recommendations of the State Commission of Investigation report on casino gambling:

A. REGULATORY AUTHORITY

- . A two-tier system, consisting of a decision-making rule-making, hearing body and an investigative and law enforcement body.
- . The decision-making body shall comprise of five part-time commissioners, totally independent, appointed by the Governor with Senate confirmation to staggered five-year terms, each commissioner being limited to a single term.

- . No more than three of the five commissioners shall belong to any one political party.
- . The enforcement body shall be a division within the Department of Law and Public Safety and so structured as to guarantee its independence of operation to the greatest extent possible.
- . The enforcement body's obligation to police the casino gambling industry shall not be diluted by the assignment to it of other tasks.
- . The enforcement body shall be provided with its own strong, independent audit capability, a function the S.C.I. regards as particularly important.
- . To help thwart corruption, stringent restrictions should be imposed on the contact by officials of either regulatory body with private gambling enterprises prior to, during and after their terms or periods of service.
- . All regulatory members, officials and employees should be barred from all political activity.

#### B. LICENSING

- . The S.C.I. takes no position on casino hotel room requirements, which it considers to be primarily an economic issue, but recommends that if the Legislature does not enact specific room requirements which would tend to limit the number of casino licenses, some means

of limiting the total number of such licenses should be devised.

- . The number of casino licenses any one licensee may participate in shall not be limited but shall be keyed to the number of other casinos in operation.
- . A casino licensee shall be required to have complete control of the entire physical premises on which the casino is located.
- . A casino license applicant shall at all times bear the burden of proving his qualifications for a license.
- . Applicants for a casino license shall waive any liability for required disclosure of all information requested of them during the application process.
- . Casino licenses shall be denied to any applicant who fails to prove by clear and convincing evidence his qualifications for such license.
- . A casino license shall be denied to any applicant who has been convicted of a specified list of crimes, including any "offense indicating a lack of business integrity or business honesty, without regard to whether such crime is labeled a misdemeanor, felony or disorderly persons offense."
- . A casino license shall be denied to any applicant who is or was a member of organized crime or who is or was an associate of organized crime, as specified.

- . Certain persons employed by or associated with the casino licensee shall be required to be individually licensed.
- . Before an actual casino license is issued, certain associated persons subject to individual licensure shall first have obtained their license.

C. ANCILLARY SERVICES

- . Certain specified casino gambling "ancillary services" shall be required to be licensed in order to mitigate a dual risk of intrusion by criminal elements directly into casino operations or indirectly through the hotel or through services related to casinos.
- . Licensing shall be required of any providers of raw materials or services to the casino gambling industry, such as gambling equipment manufacturers, casino security services, gambling debt collection agencies, gaming equipment repairs.
- . Operators and owners of casino and casino-related companies and manufacturers of gaming equipment must be stringently licensed.
- . Licensing shall be required of any casino or hotel service industry such as suppliers of liquor, food and non-alcoholic beverages, security services, garbage haulers, vending machine providers, as well as suppliers of goods sold in such machines, linen suppliers, limousine services, any shopkeeper located

within the hotel complex and any other industry which the regulatory body shall require to be licensed.

- . Any supplier of goods or services not mentioned in the above lists but which supplies to the hotel on a continuing basis must register with the regulatory body the terms of the arrangements and the identity of all owners and employees of the supplier.
- . Any supplier of a casino-related goods or services on a "one time basis" except manufacturers of gaming equipment, shall not be required to be licensed or to register but must file the terms of its agreement with the regulatory agency.
- . All providers of goods and services directly relating to the casino operation, as specified, must be licensed at the time of the opening of the casino. Other providers, as specified, must have applied for licensure at the time of the casino opening but may provide goods or services pending licensure decision.

D. CASINO OPERATIONAL PROCEDURES

- . Clear separation of certain casino functions must be mandated by statute.
- . Casino accounting and security departments must be required by law to report in writing any circumstances that even "suggest" a violation of internal and security controls by the casino licensee.

- . Chips should be purchased only at gaming tables and redeemed only at cashier's cages.
- . All slot machines must have counters built-in that record total play and total payout.
- . Odds and payout should not be regulated by the State, at least at the outset.
- . Casino gambling hours should be limited to 16 hours daily, from noon to 4 a.m. daily, including Saturdays, Sundays and holidays.

E. CASINO CUSTOMER RELATIONS

- . Casinos should not be allowed to extend credit
- . The Legislature should enact a statute requiring casinos to issue chips to players only upon the presentation by players of cash or its specified equivalent, such as traveler's checks, nationally recognized credit cards or personal checks.
- . Tipping of casino personnel shall be absolutely prohibited.
- . Liquor may be made available in a casino but not at the gambling tables.
- . All persons involved in debt collection activities must be licensed.
- . All persons involved in organizing and operating junkets must be licensed.

- . Dress codes or regulations should be minimal and required only to have a reasonable relationship to proper health and safety standards.

F. RECORD-KEEPING PRACTICES AND REPORTING PROCEDURES

- . From a law enforcement perspective, tight controls on and detailed records of casino revenues and disbursements shall be prescribed whether or not tax considerations require such procedures.
- . Each casino licensee must be required to maintain specified and detailed books, records and supporting documents as governed by regulatory rules.
- . All bookkeeping and other phases of casino licensee's operation shall be required to be open to immediate inspection without warrant or probable cause.
- . Specific procedures for audits of licensee's financial condition by Certified Public Accountants shall be promulgated.
- . All licensees must maintain their banking accounts in banks within this state.
- . Licensees shall be required to file with the casino gambling enforcement regulatory bodies copies of all reports submitted to other state, local or federal agencies and to certain private entities.

- . Annually each licensee shall provide a certified list of all individuals receiving payments of any kind for personal services rendered to the licensee.
- . Licensees shall be required to report to the licensing agency whenever any individually licensed person associated with the casino is terminated or otherwise severs his relationship.
- . A casino licensee and any corporation holding an interest therein shall cooperate and assist the licensing authority in obtaining information regarding the beneficial owners of its stock.
- . The casino licensee and all individuals and/or corporations licensed by virtue of their employment or association with a casino licensee shall at all times make available to the licensing authority their corporate and personal financial records.
- . All transactions in excess of \$2,500 by a casino licensee must be made pursuant to a written contract, to be made available on request to the regulatory authorities.

G. SANCTIONS

- . Conflicts provisions imposed upon members and employees of the regulatory authority shall be subject to specific civil and criminal sanctions.

- . Even unintentional violations of casino gambling statutes shall be subject to sanctions.
- . Specific civil and criminal sanctions shall be provided for the use of unlicensed personnel to collect casino debts.
- . A violation by any holder of a substantial interest in a casino shall be punishable in addition as a violation by the casino licensee.

#### H. LABOR ORGANIZATIONS

- . All representatives of all labor organizations must register fully before entering into collective bargaining with casino or hotel employees.
- . All labor organizations who seek to receive dues or administer pension funds must qualify according to the "disqualification criteria" for licensure.
- . No labor organization or agent shall hold any financial interest in any hotel or casino licensee where it represents employees.

#### I. MISCELLANEOUS PROVISIONS

- . "Moonlighting" by public employees or persons holding public office in casino jobs shall be prohibited.

- . Casino licensees, casino-related companies and all corporations or persons individually licensed because of their interest in, employment by or association with a casino shall be limited in the amount of money they may contribute to political parties, candidates or campaign organization.

