

1 Thank you.

2 CHAIRMAN JAMES: Thank you, Mr. Mulcahy.

3 Our next speaker is Chairman Bradford  
4 Smith, and I do want to thank you for your  
5 graciousness in being willing to switch, but I  
6 understand that's not necessary. We also owe you a  
7 special thank you for your assistance and your  
8 guidance as we were putting together our site visit  
9 and the assistance that you gave to the Commission  
10 staff. We are truly grateful for that. Also, for  
11 setting up our forthcoming Taj Mahal back of the house  
12 tour, thank you for that as well.

13 CHAIRMAN SMITH: Madam Chairwoman, it's our  
14 pleasure --

15 CHAIRMAN JAMES: I'm going to ask you to  
16 pull that mike right up close.

17 CHAIRMAN SMITH: -- I'm sorry -- it's our  
18 pleasure to have been of assistance to this  
19 Commission, and we hope that we are developing a  
20 relationship where we can continue to be of assistance  
21 to this Commission. It's a pleasure for me and an  
22 honor for me to be here today with you.

1           Over the last several months, the New  
2 Jersey Casino Control Commission has been preparing a  
3 report for this Commission on the effects of casino  
4 gaming in Atlantic City. This report is presented to  
5 you today, along with a separate appendix in binder  
6 which contains many of the forms that are required to  
7 be filed by license applicants.

8           The report is divided into three basic  
9 sections, regulation, economic impacts and social  
10 impacts. The purpose of the section on regulation is  
11 to give this Commission an idea of the intense  
12 scrutiny under which this industry operates. Over the  
13 past 20 years, the New Jersey Casino Control  
14 Commission has proven that this industry can be  
15 successfully regulated. I think that you, too, will  
16 come to that conclusion once you have had an  
17 opportunity to review the report and to see regulation  
18 firsthand, as you will later this afternoon.

19           But, my job today is not to discuss  
20 regulation and social impacts, it is to discuss the  
21 economic impacts as they relate to gaming in Atlantic  
22 City. Gaming came to Atlantic City in 1978, for the

1 same kinds of reasons that gaming has been implemented  
2 in other jurisdictions since that time. It was to  
3 rejuvenate a failing city and to provide revenue.

4           In Atlantic City's case, most of the  
5 physical renovation of the city has come from programs  
6 funded through the Casino Reinvestment Development  
7 Authority and the 1.25 percent of gross revenue  
8 investment alternative contribution of the casino  
9 industry. They have also come via the special  
10 improvement district.

11           The Commission's report contains references  
12 to these projects. I am sure, however, that more  
13 detail will be provided by Mr. James Kennedy,  
14 Executive Director of the Casino Reinvestment  
15 Development Authority. I will now focus on economic  
16 impacts.

17           The casino gaming industry in New Jersey  
18 has generated more than \$7 billion in taxes for  
19 federal, state and local governments over the past 20  
20 years. And, if you include the cost of regulation,  
21 it's over \$8 billion.

22           A primary gaming tax levied on casinos in

1 New Jersey is an eight percent tax on casino gross  
2 revenue. Today, that tax amounts to over \$300 million  
3 annually and is dedicated to programs for senior  
4 citizens and the disabled. As a result, senior  
5 citizens and the disabled in New Jersey enjoy programs  
6 that are not available in other states.

7           Over 210,000 residents enjoy a program  
8 funded by casino revenue and called Pharmaceutical  
9 Assistance to the Aged and Disabled. Under that  
10 program, if you meet income guidelines, you are able  
11 to obtain medical prescriptions for a co-payment of  
12 \$5.00 per prescription, regardless of its actual cost.  
13 Other programs funded by casino revenue include real  
14 estate tax rebates, utility assistance, aid to shut-  
15 ins and persons in boarding homes, and transportation  
16 aid, and most recently a cap on property taxes for  
17 qualifying seniors and disabled citizens.

18           The New Jersey casino industry provides a  
19 wealth of direct and indirect employment. Today,  
20 there are approximately 50,000 full and part-time  
21 casino-related jobs with an annual payroll of over \$1  
22 billion, and that's without even considering the cost

1 of fringe benefits. Over 11,000 of Atlantic City's  
2 38,000 residents are employed by the casinos.

3           In 1995, a Rowan University study estimated  
4 that for every full-time casino job there are an  
5 additional 1.09 indirect jobs created elsewhere in the  
6 economy. They estimated that there are an additional  
7 47,700 indirect jobs with a payroll of almost \$1  
8 billion dollars created by the casino industries.  
9 Therefore, direct and indirect employment, related to  
10 the New Jersey casino industry, amounted to almost  
11 100,000 jobs and a \$2 billion annual payroll.

12           One way we know of the effects of the  
13 casino industry on other businesses is because we  
14 register or license every enterprise that does  
15 business with New Jersey casinos. Our licensing  
16 system effectively closes the back door of the casino  
17 industry to criminal elements. Since 1978, the New  
18 Jersey Casino Control Commission has authorized over  
19 48,000 enterprises to conduct business with casinos.  
20 It has prohibited over 1,500 enterprises from doing  
21 such business.

22           An example of the importance of such

1 licensing took place within the past year, when, as a  
2 result of the licensure investigation conducted by the  
3 Division of Gaming Enforcement, it was determined that  
4 a sales representative for a wholesale seafood company  
5 was the reputed head of an organized crime family.  
6 The order was directed to the casinos that they were  
7 not to do business with that company and access to the  
8 industry by that company was effectively closed.

9           Because our licensing thresholds depend on  
10 the dollar amount of business done with casinos, the  
11 New Jersey Casino Control Commission monitors business  
12 volume done with each such company. Consequently, we  
13 have accurate records as to the amount of goods and  
14 services provided to the casino industry.

15           In 1996, casinos spent almost \$2.5 billion  
16 with over 8,000 companies across the United States.  
17 Over 3,400 New Jersey businesses sold over \$1.5  
18 billion of goods and services to the casinos. In  
19 Atlantic County alone, over 1,400 businesses sold  
20 almost \$1 billion of goods and services to casinos.

21           Casinos have also made major capital  
22 investments in Atlantic City. To date, approximately,

1 \$6 billion has been invested in casino hotel  
2 facilities. There is the very real prospect that an  
3 additional \$5 billion or more will be invested in the  
4 next several years.

5           In New Jersey, property tax is based on the  
6 assessed value of real estate and improvements from  
7 the local governments, schools and county government  
8 operations. Today, casino hotel properties represent  
9 almost 80 percent of Atlantic City's tax base. In  
10 1997, casinos paid \$87 million of the \$109.8 million  
11 needed to run city government, and another \$38.3  
12 million of the \$48.3 million needed to run the school  
13 system.

14           One major benefit from the expanded tax  
15 base has been the construction of the \$83 million  
16 Atlantic City High School. The complex includes  
17 modern computer laboratories, an expansive library,  
18 professional quality basketball courts, Olympic pool,  
19 auditorium, television and radio studios, football  
20 stadium, tennis courts, boat house, greenhouse and  
21 much, much more.

22           The establishment of the casino industry in

1 Atlantic City has also led to other public investment.  
2 The Atlantic City Convention Center, in which this  
3 meeting is being held, is an example of that industry.  
4 This \$268 million state-of-the-art facility opened in  
5 May, 1997. It is considered to be a cornerstone of  
6 Atlantic City redevelopment. This facility contains  
7 more than 500,000 contiguous square feet of exhibit  
8 space, and more exhibit space on one floor than any  
9 other convention center from Atlanta to Boston.

10           The Atlantic City luxury sales tax and the  
11 tourism promotion fee revenues, amounting to over \$20  
12 million per year, are being used to fund marketing  
13 costs, operations and debt service for the convention  
14 center.

15           Complementing this facility is the \$79  
16 million Sheraton Atlantic City Convention Center  
17 Hotel. I believe I'm on firm ground when I say that  
18 but for the success of the casino industry in Atlantic  
19 City these facilities would not be here today.

20           The same can be said about the new multi-  
21 million dollar air terminal at Atlantic City  
22 International Airport, a new Atlantic City Bus

1 Terminal, the \$3 million restoration of the historic  
2 Abseekan Lighthouse, and many other infrastructure  
3 improvements throughout the city.

4           Other improvements are also being funded  
5 directly by casino dollars. The cost of regulating  
6 this industry amounts to over \$50 million per year.  
7 That cost is not paid by casino tax revenue, what is  
8 not covered by licensing fees is assessed directly to  
9 the industry based on casino square footage. With  
10 certain statutory reforms that took place in January,  
11 1995, the cost of regulation was reduced, but those  
12 savings were not returned to the casino industry, they  
13 were placed in a special fund called the Atlantic City  
14 Fund, and today are being used to finance the  
15 construction of a \$14.5 million minor league baseball  
16 stadium and a marine life education center.

17           The \$2.00 minimum charge at casino parking  
18 facilities amounts to over \$15 million per year, and  
19 is being used to fund what is known as the Corridor  
20 Project, which is designed to provide an aesthetically  
21 pleasing entryway for Atlantic City. It includes a  
22 lighthouse with laser light shows, fountains, pool,

1 attractive landscaping and street improvements.

2           For a more thorough review of the economic  
3 impacts of casino gaming in Atlantic City, the report  
4 of the New Jersey Casino Control Commission contains  
5 that, and I am submitting that today for the record.

6           However, I hope this brief factual summary  
7 helps the members of this Commission to understand  
8 that casino gaming in Atlantic City has become an  
9 important economic factor in New Jersey. I'm sure  
10 that you have questions beyond those that can be  
11 answered today, and would be happy to attempt to  
12 address any such questions as they arise.

13           This Commission has a very difficult task  
14 and a very short time frame within which to accomplish  
15 its mission. You should feel free to utilize the New  
16 Jersey Casino Control Commission as a valuable  
17 resource for your study. We offer our assistance  
18 wherever we may be helpful.

19           Thank you for your time and attention, and  
20 for your consideration of the information contained in  
21 this report.

22           Thank you.

1                   CHAIRMAN JAMES: Thank you, Chairman Smith.

2                   I would remind commissioners that we do  
3 have an ongoing relationship and the opportunity to  
4 ask questions and have answers submitted in writing,  
5 but with that I don't want to delay any -- or put  
6 aside any questions that you may have right now.

7                   The Chair recognizes Commissioner Leone and  
8 then Commissioner Dobson.

9                   COMMISSIONER LEONE: I have a question,  
10 I'll preface it by saying, I ask it because I -- I  
11 don't mean any disrespect to the other two people on  
12 the panel, I know two of the panelists very well, I  
13 know they are both broad-gauged and brave, while we  
14 disagreed about legalizing gambling we agreed about  
15 the income tax, which was a much tougher issue.

16                   So, I want to ask this question, I'm struck  
17 by it, actually, listening not only to the testimony  
18 of the local restaurant owners representative, but it  
19 occurs in other contexts about racing so I'll throw  
20 you a little bit of a curve ball and I'll put it this  
21 way. We have a national mission, which it's important  
22 and interesting to understand what happened here in

1 Atlantic City.

2           But, I often read into, perhaps, what  
3 people are saying, that the only cure for the  
4 competition provided by gambling is more gambling, so  
5 that we can successfully compete. We could legalize  
6 gambling of sports and generate a lot of revenues  
7 wherever that occurred and probably tax it and bring  
8 it into government coffers. I guess we think that  
9 America's sports are too important to be trifled with  
10 for those economic reasons.

11           But, places all over the country, places  
12 we'll be visiting and others, undoubtedly hear the  
13 stories and say, gee, well then, we better legalize  
14 gambling in our community in order to compete with  
15 Atlantic City, and we better put in some other  
16 facility at a race track in order to compete with  
17 gambling, and then another -- we need gambling in our  
18 restaurants in order to compete with gambling.

19           What do you think about that, and where  
20 does it all end, and who winds up as a winner if  
21 everybody decides they have to have gambling?

22           MR. PERSKIE: We tried to give that

1 question some careful consideration at the beginning,  
2 recognizing, although we underestimated the extent to  
3 which gambling in Atlantic City would be a very  
4 powerful competitor, not just for restaurants, but for  
5 any leisure form activity. Movie theaters, for  
6 example, don't exist in Atlantic City today, they are  
7 all out in the suburbs, which is another problem that  
8 has almost nothing to do with gambling.

9           The point, though, is that as far as we  
10 were concerned, and I am concerned today, the solution  
11 is not the proliferation. You could address some  
12 aspects of a restaurant situation by allowing slot  
13 machines in the restaurants, but you do so at an  
14 enormous policy cost. It's the reason that I  
15 mentioned, for example, the story about my high school  
16 classmate friend who was in one kind of business and  
17 responded to the competition that gaming was created  
18 by taking his marketing talents that he and his family  
19 had done for many years and put them in another  
20 direction, so that he was able to, not only survive,  
21 but flourish.

22           The simple fact is, gaming in any community

1 is a very powerful competitor for leisure time  
2 activity and leisure dollars, and the people who  
3 choose as a matter of policy to bring it into the  
4 community have to understand that and recognize it  
5 when they make that decision.

6 MR. FALDETTA: I would just like to make a  
7 statement here to the Commission. The Casino Control  
8 Act did promise us a revitalization of our industry,  
9 and it has not come. I mean, the casino industry is  
10 very successful, I mean they did almost \$4 billion in  
11 1996, and the restaurants and taverns that are left in  
12 Atlantic City are basically fighting for their  
13 survival.

14 Now, maybe gambling for restaurants is not  
15 the answer, but the state must realize there is a  
16 problem with the restaurant and tavern community here  
17 in Atlantic City, and they must approach that problem  
18 and find solutions to correct it. I mean, we cannot  
19 sit back another 20 years because we won't be here,  
20 it's that simple. The restaurant community in  
21 Atlantic City is at the verge where we won't be here  
22 for the next five years, we'll never see the new wave

1 because when those other casinos are built and they  
2 open their facilities, with their buffets, and their  
3 restaurants, and they bring in their chain  
4 restaurants, there's nothing left for the local  
5 people.

6 Thank you.

7 MR. SMITH: Dick, I think -- first of  
8 all, I think it's an excellent question, and we've had  
9 numerous studies come in, groups, universities, come  
10 in to New Jersey to look at the gambling situation  
11 here, because we are the one state that has all the  
12 forms of gambling, including race tracks, casinos and  
13 the lottery. I think, like everything else, it's one  
14 of balance and proportion.

15 In public testimony, I've advocated less  
16 race tracks in the state. I have not advocated slot  
17 machines at the race tracks, but I did advocate that  
18 I thought that there was some formula for a small  
19 percentage share from the casinos for purse money to  
20 enhance the racing industry, simply because of all of  
21 the breeding industry that we have here, as well as  
22 the tracks.

1                   And, I think that it gets back to balance  
2 and proportion, and it can't all exist, there's no  
3 question about that, and there's a limit to it. And,  
4 Steve spoke about it, you see it in focus groups that  
5 you do with both patrons and non-patrons and what they  
6 choose to do today with their entertainment dollars,  
7 and it's a difficult issue, but you can have too much  
8 gambling, and I think you've got to find a balance and  
9 a proportion and a way to deal with what you have  
10 here.

11                   The problem in New Jersey is going to be  
12 that if they go to Governor's Island in New York, and  
13 they start to go to the Catskills, and then they go to  
14 Philadelphia and Pennsylvania, and you've got it all  
15 over our borders. When they put the slot machines in  
16 Delaware Park and Dover Dams, as I alluded to, I think  
17 they made a couple of mistakes. One was that they  
18 didn't do anything to enhance the racing business  
19 except increase the purses, which helped the horsemen  
20 in that state because they kept the horses there and  
21 they would stay there. They didn't do anything to  
22 enhance the environment, at least to this point, for

1 the patrons going to the racing business.

2           So, I think that you have to be careful,  
3 and that's why I've been very careful about how you  
4 strike the balance in this state. Can you be over-  
5 gambled? Absolutely.

6           CHAIRMAN JAMES: Thank you very much.

7           Doctor Dobson?

8           COMMISSIONER DOBSON: Madam Chairman, I'd  
9 rather you'd finish the Q&A for the panel, I want to  
10 make a comment generally.

11           If we are through with the questions for  
12 the panel, I'd be glad to do it.

13           CHAIRMAN JAMES: Commissioner Lanni and  
14 then Commissioner McCarthy.

15           COMMISSIONER LANNI: I just have one  
16 question of Mr. Faldetta, and I don't know the numbers  
17 for this, but I know, having lived here for a period  
18 of two and a half years, and not being a native, but  
19 understanding that people who live here say that when  
20 you are not on the island you are off shore, which I  
21 kind of always thought was out in the ocean, but for  
22 some reason it's back on the mainland.

1           I would assume, just from driving through  
2 the mainland areas, that there is a substantive  
3 increase in restaurants in the mainland area, and I'm  
4 not trying to overlook the burden that you have.

5           MR. FALDETTA: Basically, there is the  
6 increase that Mr. Perskie talked about has been on the  
7 mainland, it hasn't been in Atlantic City.

8           COMMISSIONER LANNI: Down beach.

9           MR. FALDETTA: Down beach to a lesser  
10 extent, from the overall increase in business is in  
11 two areas, it's been in the off-shore communities and  
12 it's been in the casino industry. They now have  
13 licensed 280 restaurants and bars within the casino  
14 industry in the 12 casinos in Atlantic City, and they  
15 don't use gaming as a draw to bring people to their  
16 casinos, they use food and hotel rooms as a draw to  
17 bring people in to gamble.

18           COMMISSIONER LANNI: Do you know the number  
19 of restaurants that have been approved, licensed, or  
20 bars off-shore, if you will?

21           MR. FALDETTA: No, I don't have that  
22 information for off shore.

1           CHAIRMAN JAMES: Commissioner McCarthy.

2           COMMISSIONER McCARTHY: I was interested in  
3 Mr. Mulcahy's response to Mr. Leone's point, the point  
4 of Mr. Leone's question, which was who is going to  
5 place any limit on any form of gambling, and it seems  
6 that the only limit is, (A) if you are undermining my  
7 form of gambling than I'm going to bark about it, and  
8 if I've got the political strength I'll try to stop  
9 you; and (B) if the gambling is too abhorrent, like  
10 teenagers becoming pathological gamblers, then maybe  
11 there will be enough public unrest so that someone  
12 will do a little something about that.

13           Let me suggest something practical for your  
14 consideration, and this is not directed to you, Mr.  
15 Mulcahy, because you are the only one that volunteered  
16 to answer Mr. Leone's question. Has any of the New  
17 Jersey leadership thought about an interstate compact,  
18 none of you want federal control, except a good  
19 portion of the industry want federal control over the  
20 Internet, but what about an interstate compact so that  
21 the scenario doesn't develop like Mr. Mulcahy  
22 suggested, with all of those that surround you

1 increasing their volume of gambling and, therefore,  
2 your gambling here being undermined. Is it at all  
3 possible that New Jersey, and New York, and  
4 Pennsylvania, and Maryland could talk to each other  
5 and maybe establish some parameters as to the nature  
6 and volume of gambling that might exist in this  
7 region?

8           CHAIRMAN SMITH: Commissioner, I'm not saying  
9 that that couldn't happen, but we have had  
10 jurisdictions from all over the United States come to  
11 the Casino Control Commission to investigate gaming  
12 and how it is regulated. And, my experience has been  
13 that each jurisdiction that comes in has different  
14 concerns, different wishes, different needs, although,  
15 you know, the needs in many ways relate to  
16 rejuvenating a city or obtaining revenue for different  
17 purposes.

18           But, they seem to be so different in what  
19 they need, that I think it would be difficult for,  
20 say, to have a compact like that, because they all  
21 develop their systems a little differently than what  
22 New Jersey does, or what Nevada does, I think if you

1 study, and you are going to study, the different forms  
2 of regulation and gaming out there, you'll find that  
3 everybody is a little different.

4 MR. MULCAHY: In my view, Commissioner,  
5 for a practical political point of view, and having  
6 dealt with these states on a variety of issues, while  
7 we've been able to work some things out within the  
8 racing industry, I think the parochial views and  
9 political strength in the jurisdictions themselves  
10 would prevent the kind of compact that you suggest  
11 here, frankly. That's an honest answer.

12 MR. PERSKIE: Commissioner, just as a P.S.  
13 to that, I agree with Bob. Between us we have a lot  
14 of years looking at that kind of situation, and I'm  
15 just struck, frankly, by the two of you sitting next  
16 to each other, I would ask you, I follow from a  
17 distance what's going on out on the other side of the  
18 country, and I would ask you, for example, to imagine  
19 the prospects of an initiative from California that  
20 says to Nevada, well, we might consider licensing  
21 casinos in California, we might now, what do you think  
22 about getting together to share revenues from Nevada's

1 casinos? That's the kind of mental image I had when I  
2 was listening to your question.

3 CHAIRMAN JAMES: I'm going to have to, at  
4 this point -- I do want to be fair to our next panel  
5 that's coming forward, Commissioner Bible, I did  
6 recognize you, if you have one question.

7 COMMISSIONER BIBLE: Just one real quick  
8 question. Do you have any tribal gaming in your city?

9 MR. PERSKIE: No. There are no recognized  
10 reservations that were in existence before 1988.

11 CHAIRMAN JAMES: Thank you.

12 Commissioner Dobson?

13 COMMISSIONER DOBSON: Again, this is not  
14 with reference to the panel. I just want to make a  
15 comment about our work in these two days,  
16 particularly, with reference to future meetings. I'm  
17 concerned about the lack of balance in the  
18 presentations that we've heard, and I'm not speaking  
19 disrespectfully of our panel here, I'm referring to  
20 the fact that we began yesterday with seven speeches,  
21 all of which might be called advocacy speeches or  
22 presentations.

1           Senator Tortelli said, "I will not defend  
2 my objectivity, because I have none, I'm an advocate."  
3 And, there's a place for an advocacy report, but three  
4 out of the four presentations that we've just heard  
5 were also in that vain more or less. So, we really  
6 only heard one person who talked about problems, or  
7 difficulties, or consequences of gambling in Atlantic  
8 City.

9           And, before I came here I was given a  
10 briefing paper, which described some of those other  
11 problems that we haven't heard about, and I want to  
12 enter that into the record. You can quarrel with some  
13 of the information on this report, it didn't come from  
14 me so I don't validate it all, but it deals with  
15 addiction, with community health, with crime, family  
16 breakdown, homelessness, poverty, restaurants, senior  
17 citizens, suicide and so on, and this information came  
18 from studies that have been made, and it came also  
19 from the media, newspaper articles and things of that  
20 nature.

21           I submit that just in the name of balance,  
22 but my larger point is that, we make a site visit to

1 a particular order in order to hear the pros and cons,  
2 the positives and the negatives, and we have heard  
3 nearly all positives, there must be some problems that  
4 we should have addressed here.

5           So, for our future meetings, I'm asking  
6 that the presenters be invited to bring both points of  
7 view, and that it not simply be advocacy for a  
8 particular area.

9           I say in conclusion that I know that  
10 there's a courtesy factor to invite local dignitaries  
11 and people of influence in the community, who are  
12 necessarily going to speak positively about their  
13 communities, but there does need to be the other side  
14 of that presented too, and we haven't heard it here.

15           CHAIRMAN JAMES: Thank you very much, and  
16 we will enter that into the official record.

17           Thank you very much for being here, We  
18 appreciate your contribution.

19           This brings us to our final speaker of the  
20 economic impact testimony panel, Matthew Walker. Mr.  
21 Walker will be joined in his presentation by Fellow  
22 Local 54 members, whom he will introduce to us.