statute, the New Jersey Casino Control Act, which passed in 1977.

Mr. Perskie, and all of our panelists, I would ask you to please proceed and allow time within your time for questions, so that we can have the opportunity to interact with you. I am going to ask the staff to please work hard to -- the gentleman standing right behind the press platform, can I ask you to move the conversations out into the hall, and then we're going to close the doors, and then we're going to hear from this esteemed panel.

Thank you very much. Please, go ahead.

MR. PERSKIE: Thank you, Chairwoman James and members of the Commission, good morning. I very much appreciate the invitation to appear here today and to present some information relating to the economic impact of gaming on Atlantic City and the state of New Jersey.

Inasmuch as I will be the only speaker before you who was involved in the effort to legalize gaming in New Jersey, I thought it would be helpful to you to explain what our purpose was, why we chose
gaming, and from that perspective to review what we have learned since 1976, and examine the impact that the industry has had on this area.

And, Madam Chair, as you've indicated, I would very much appreciate the opportunity, whether as part of this panel today or at some later date, to engage in some sort of dialogue with the Commission.

In 1976, Atlantic City was a dying community. Once the crown jewel of the state's tourism and convention industry, which was then second only to manufacturing as the largest generator of revenues in New Jersey's economy, the city had fallen victim to the classic urban blight syndrome, skyrocketing local property taxes, the flight of small business to the suburbs, deterioration of the older hotel facilities that had made the boardwalk famous for many years. Crime was rising as fast as the unemployment rate, and both were dramatically higher than those of most other sections of the state and nation.

Most of the few jobs available for city residents were 12-week seasonal positions, and the
welfare roles and unemployment roles, especially in
the winter, were the highest in the state. The only
growth industry in the area was government, and the
bitter reflection of the lack of hope was the often
expressed remark, will the last person off the island
please turn out the lights.

At that time, legalized gaming was unknown
in the United States outside of Nevada, but our
thinking was that properly defined and controlled it
could provide the means of attracting the investment
capital, the business leadership and the imagination
to rebuild Atlantic City's, and thereby New Jersey's,
tourism and convention industries.

We faced some substantial obstacles.
Gaming was not then an industry that could generally
be financed by standard Wall Street processes. New
Jersey and Atlantic City had suffered many incidents
of political corruption that cast doubt on our ability
to establish a strong and effective regulatory
structure. And, to be sure, the gaming industry itself
carried, at least outside of Nevada, something of an
unsavory reputation.
What did we view as our goals? What did we promise the people of New Jersey and Atlantic City when we asked for their votes? It has become very fashionable among the opponents of gaming to say that our promises were not kept. Let's take a hard look at that.

We said that once established the gaming industry would generate at least $35 million annually to benefit New Jersey's senior citizens and disabled residents. As you have already heard yesterday, and as my successor, Chairman Smith, will show you in a few minutes, the annual revenue from the direct tax on New Jersey's casinos exceeds $300 million, and there have been more than $7 billion in various taxes and fees generated by the industry for different programs.

We said that the gaming industry would rebuild Atlantic City's hotels and create exciting new visitor, tourist and convention facilities. To date, more than $7 billion of private capital has been invested in hotels, housing and other facilities in Atlantic City, a community that had a total property tax base in 1976 of less than $300 million. Nearly an
additional $6 billion in new investment is now actively being developed and should be on line within three to four years. Compare this, for example, to the $2 billion invested in Atlanta in preparation for the Olympic Games, a public/private commitment that has rightly achieved international acclaim for its contributions to that city.

We said that Atlantic City's residents would benefit directly. In 1976, the city's residential taxpayers paid more than 70 percent of the city's property taxes, with an assessment rate in excess of $7.00 per $100.00, while the entire commercial sector of the city paid only about 30 percent. Today, the residents pay less than 20 percent, with the casinos alone bearing nearly 80 percent of the local tax burden, and the rate of assessment is about $3.00 per $100.00. People who choose to live in Atlantic City can now afford to do so.

As you have heard, the city boasts a state of the art high school facility, and new neighborhoods and shops in place funding for the rebuilding of all
of our neighborhood schools, a stable tax base and, perhaps, most importantly, a viable job market for its people. More than 11,000 of Atlantic City's residents work in the casino industry, in jobs that no longer end on Labor Day. Funds generated by the gaming industry have been used to provide extensive new infrastructure for the city's public facilities, including, of course, most visibly, this magnificent convention center in which we sit today.

We said that businesses and interests throughout the state would share in the economic benefits that would be generated in Atlantic City. As Chairman Smith will demonstrate, we exceeded every projection in this area as well, and there are companies all over the state that regularly provide millions of dollars worth of goods and services annually to the gaming industry, with careful attention being paid by the Casino Control Commission to assure that minority and women-owned businesses get their fair share.

We said that we would regulate the casinos honestly and effectively. We did such a good job of
doing so that without intending to, or even realizing
at the time that we had done it, we legitimized the
industry in America, both to Wall Street and to major
segments of Main Street. The industry is now
supported by conventional financing mechanisms and
voters in many jurisdictions have invited the industry
into their local communities and economies. In the
years that the industry has operated in New Jersey,
there has not been a single incident of betrayal of
the public's confidence by a gaming company, and New
Jersey's regulatory system has been used as a model in
locations all over the world.

Promises kept, you bet.

Am I, therefore, here to tell you that
gaming is the cure for any community that was dying,
as Atlantic City was, or that everything that has
happened here has been for the good, or that we have
come as far as we had hoped by now in rebuilding our
city? Of course not. We have learned a lot of
lessons from our experience, lessons that I hope you
will examine closely and with balance and address in
your final report, to the benefit of residents and
policymakers in other places who might consider gaming
as an option.

We have learned that with enough effort and
political will gaming can be honestly and effectively
regulated, and that the gaming industry personnel
welcome the legitimacy that comes with such a process.
Constant vigilance and scrutiny, however, as well as
adequate authority and resources for the regulators,
are required to maintain the confidence and trust of
the public.

We have learned that by itself the gaming
industry cannot rebuild a community or its economy.
Our great failing in New Jersey was the inability of
our city and state governments to recognize quickly
enough that a true public/private partnership would be
required, and that only by a massive commitment of
public sector resources, political will, as well as
dollars, could the private capital that the industry
was making available be leveraged into the kinds of
facilities and attractions that would permit the city
to become a true destination resort. We wasted much
of a decade before realizing that.
We have learned that it is critical to develop gaming in a resort community only as a part of a full range of attractions. Unless other non-gaming attractions are also developed, the visitors who come to a community with gaming will not easily be attracted to leave the casinos, thus, creating pressure to many existing businesses.

Here again, the media and gaming opponents, some gaming opponents, have distorted this lesson to their own purposes. Firstly, without the rebirth fostered by gaming most of Atlantic City's retail establishments would have gone out of business long ago. Moreover, many higher quality, better local businesses, including restaurants, have thrived in the new economy of the area, either because they continue to offer first rate products at their existing locations in Atlantic City, places like Duck's, the Gattigan's, Angeloni's, the Baltimore Grill, the Fairmount Tavern, and, of course, the White House, our White House, not your White House, come most readily to mind, or because they have relocated into the casino facilities, or in many cases because they have
moved into one or another of the immediately
surrounding communities and developed a new market
among the much larger and now noticeably more affluent
residential communities that comprise the greater
Atlantic City area.

A high school classmate of mine, whose
family had operated small souvenir shops on the
Boardwalk for many years before gaming, opened first
one, and then several clothing stores in the casino
hotels, and his family has prospered.

Those of us who have been local residents
since before gaming do not at all take for granted the
development of the new shopping malls and other
entertainment facilities all over the county. In
fact, there has been an increase of more than 120
percent in the number of restaurants in the area since
1977, a fact that my wife keeps in mind as she tries
to be sure that we visit each one.

We have learned that an area that is
considering gaming must understand the impact that the
industry will have on the host and surrounding
communities. When a gaming facility of any size is
developed, visitor volume, interests and preferences will change, employment requirements, skills and habits will change. Leisure dollar spending will change, traffic patterns, and volume and infrastructure needs will change. The community must anticipate and adapt to these new facts and allocate sufficient resources to meet the challenges.

In Atlantic City, we have seen an increase in the annual visitor count from about 3 million to more than 34 million people. This kind of explosive growth cannot be absorbed without careful planning and allocation of resources.

We have learned that the economic benefits brought by the gaming industry do not come without some social cost. New Jersey has done an excellent job, in my judgment, of dealing proactively with the subject of problem and under-aged gambling, but constant vigilance and effective programming are clearly needed in any gaming jurisdiction. So are adequate public safety resources, in order that the usual incidence of street crime that accompanies high volumes of visitors can be adequately addressed.
And lastly, we have learned that achievable expectations and a strong consensus about goals are vitally necessary to any discussion about gaming in the community. The problems that brought Atlantic City to its knees took a full generation to develop. In hindsight, it was never realistic to believe that we could overcome them and build a new resort in less time than that.

It is now nearly 20 years since the first casino opened in Atlantic City, and we have only just begun to show the dramatic turnaround that many of us had hoped would long since be evident. Considering the constant onslaught of a purposely negative national media, only great patience and determination by the people and leadership of the Atlantic City community could have seen us through and brought us now to what can rightly be called the end of the beginning of the process.

So, if you have come to Atlantic City to see the positive economic impact that gaming can have on a community, you will see ample evidence of that here. If you have come to see how much has changed in
Atlantic City as a result of gaming, you will see that. If you have come here to see what hasn't been accomplished yet, what we haven't succeeded in doing so far, you will find plenty of that, too. If you have come to see if some people and families have been victimized by the sheer power of all of that investment, or by the glitter and glamour of the appearance of a quick buck, you will certainly also see that.

What you won't find here is the simple or the magic answer. You will not be able to conclude that Atlantic City's experience proves that there is any universal truth about gaming, that it is either a cure all or a curse for any city. I would suggest to you that with a carefully planned purpose and if properly designed and adequately supported gaming can, indeed, be a program that will help to provide the financial resources that can rebuild the economy of a resort community and provide jobs and decent neighborhoods for its residents, and that with effective supervision the industry and its personnel can function and be seen as valuable corporate
citizens.

We will still have a rescue mission, although, certainly one that is a much larger, more hospitable, and much better funded facility than the one that predated gaming, and we will still have street crime and prostitution as we did before, and as do all resort cities.

So, you will see here whatever you choose to see. I hope that you will conclude that you are seeing a community and a resort that are in the process of being reborn for the greater benefit of all of the people of Atlantic City and the state of New Jersey.

We aren't yet what we want to be, but we are, all of us, much more than we were.

CHAIRMAN JAMES: Thank you, Mr. Perskie.

Do we have one or two questions for Mr. Perskie? I think he's used most of his time for his presentation.

MR. PERSKIE: I'm sorry, I have a habit of doing that.

CHAIRMAN JAMES: That's all right.
Mr. Perskie, I do want you to know I did visit your White House last night, and they seemed a lot happier than the people at the other one.

MR. PERSKIE: I understand.

Pretty good, Kay, I hope you enjoyed the service.

CHAIRMAN JAMES: Forget the service, the food was great.

MR. PERSKIE: Absolutely, absolutely.

Again, I know we don't have time here, I would be pleased, as I mentioned to your staff, to engage in any dialogue at any time, wherever you are going to be I'll find you.

CHAIRMAN JAMES: Thank you.

Mr. Faldetta.

MR. FALDETTA: I want to thank everyone for allowing me to speak here.

There is an old African proverb which says, when the elephants battle the grass suffers. Here in Atlantic City we have our own elephants that are behemoths of the casino industry. They are at war with one another, a war for gaining patrons.