
Committee Meeting

of

ASSEMBLY REGULATORY OVERSIGHT AND GAMING COMMITTEE

*"The Committee will hear testimony from invited speakers
on the prospect of gaming at the Meadowlands"*

LOCATION: Meadowlands Racetrack
East Rutherford, New Jersey

DATE: July 19, 2012
12:00 p.m.

MEMBERS OF COMMITTEE PRESENT:

Assemblyman Ruben J. Ramos Jr., Chair
Assemblyman John J. Burzichelli, Vice Chair
Assemblyman Ralph R. Caputo
Assemblyman John F. Amodio
Assemblyman Ronald S. Dancer



ALSO PRESENT:

Raysa J. Martinez Kruger
*Office of Legislative Services
Committee Aide*

Ben A. Graziano
*Assembly Majority
Committee Aide*

Kevin V. Nedza
*Assembly Republican
Committee Aide*

*Meeting Recorded and Transcribed by
The Office of Legislative Services, Public Information Office,
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ASSEMBLYMAN RUBEN J. RAMOS JR. (Chair): Good afternoon, everyone.

Welcome to the Assembly Regulatory Oversight and Gaming Committee today at the Meadowlands. We're going to get started in about a minute or so, so if you please start getting settled in.

I appreciate it. Thank you.

Thank you everyone, again, for attending the hearing today for the Assembly Regulatory Oversight and Gaming Committee. I want to thank the Meadowlands for hosting our Committee today on such short notice. I want to thank the members of both the majority and minority staff who helped me put this together as well, as well as the Office of Legislative Services.

So with that, we're going to get started in a little bit. But before we begin, as the Chair for the Committee, I think it's extremely important that New Jersey has to reposition itself, as in look at what our neighbors are doing right now in terms of their gaming -- where they're taking their gaming industries and expanding it throughout their states; and basically putting the casinos on the border of New Jersey. And they're thriving because of New Jersey residents going to those facilities.

While all of us here in this room want to see Atlantic City strive and thrive -- we'll continue to do that and support all of their efforts -- I don't think that New Jersey has the luxury of putting our head in the sand and not looking to reposition ourselves as we move forward with this conversation.

I understand that our Governor has taken a position on this issue, in the short timeframe -- right now -- but I think, as we look forward

to the future in the next one or two years, in terms of having the discussion right now, laying the foundation, putting the groundwork in, so in two years we'll be able to hit the ground running with this idea as the Hanson Report initiated a few years ago.

So with that being said, I'm going to allow the members of the panel -- the Committee -- to make a few comments on it.

Assemblyman Caputo.

ASSEMBLYMAN CAPUTO: Thank you, Chairman Ramos.

Obviously I'm very pleased that we were able to have this opportunity to focus in on an issue that's been very important to me as an individual, and someone who has over 20 years of experience in the casino industry. I recognize the difficulties of the industry today, although I haven't been in it for a while. It was tough when it was competing among itself; now it's become even more stressful, more intense, more competitive because of the outside competition.

Historically if we look at the city -- Atlantic City -- the State of New Jersey -- the voters of the State of New Jersey gave them an opportunity to hold a monopoly. That monopoly's been held for 33 years -- approximately 33 years. The people of this State voted for that by changing the Constitution -- by a constitutional amendment. Obviously, things have changed in the last 30 or so years. Competition has crept up on us before we knew. It was easier to operate, easier to make a profit -- although Atlantic City had been given a very big gift in terms of the tax rate that was applied. This outside competition, obviously, is taxed at a higher rate.

But besides that, this is not an issue of north versus south; this is an issue that we are facing in terms of the State of New Jersey. We're

losing hundreds of millions of dollars in tax revenue that provides tax relief, programs for our seniors and disabled. When the revenues go down in Atlantic City, it affects the entire State of New Jersey.

I want to commend the Administration for placing those reforms before our Committee. John Burzichelli, who was Chair at the time, convinced all of us -- and I think rightfully so -- to enact those reforms so that Atlantic City would have an opportunity to rebound. The problem with all of that is that if those reforms were put in place 10 years ago we might have a fighting chance. I'm not going to get into the numbers, because I know them very well. The fact is people will testify today as to what the numbers are regarding the drain on the State of New Jersey in terms of revenue that we desperately need. We have a budget that was difficult; we have Assemblyman Prieto who worked very hard on that budget. But we are shortchanging the State of New Jersey. We're shortchanging our real estate homeowners by not providing enough tax relief. This is not a pro-gambling panel; this is a panel that is trying to deal with the problems that we are facing, and this is an economic reality.

So in terms of what we're doing here: Yes, we're not discussing ACR 53, but that is my bill that will provide a constitutional amendment to allow the people of the State of New Jersey to make another decision: and that would be to place a casino in the Meadowlands so that people in North Jersey and New York who are now feeding -- have historically fed Atlantic City -- going to these other destinations, would have a destination that the State would benefit from.

Along with that I want to commend the Chairman of this Committee, Mr. Ruben Ramos, for agreeing and having this opportunity for all of us to participate. Thank you very much.

ASSEMBLYMAN RAMOS: Thank you, Assemblyman.

Assemblyman Burzichelli.

ASSEMBLYMAN BURZICHELLI: Thank you, Chairman.

And good morning to everyone -- or good afternoon to everyone. I'm going to follow Assemblyman Caputo, who I think framed it very well.

This Committee last year -- two years ago -- met in this very facility, when the Hanson Report was released, in a joint Committee with our colleagues from the Senate. I think Senator Sarlo is here and is going to speak to us, who also sat on that joint hearing at that time. It is important that as a Legislature we constantly review and constantly draw information as circumstances around us are unfolding and changing. The Legislature and the Governor have been very supportive of Atlantic City and getting in place in Atlantic City the tools so it can continue to grow as the destination resort -- where nature has provided the ocean and the number of amenities that can't be recreated anywhere else.

But it is also important for us to be mindful, as Ralph just said, of what's taking place around us. So we have to review and see what is best for this State and how we position ourselves going forward. The Hanson Report, which became the blueprint, talked about a timetable; and as the Chairman mentioned, we're mindful of that. So this hearing today will draw more information. I suggest we may hear a lot of the same details we heard then, but there will be other things discussed which will be important.

And then we will collectively get together as the process unfolds and work to make the best decisions that are in the best interest of the people of New Jersey, to protect our interests.

Thank you, Chair.

ASSEMBLYMAN RAMOS: Thank you, Assemblyman.

Assemblyman Dancer.

ASSEMBLYMAN DANCER: Thank you, Chairman.

This certainly-- For me, this is my livelihood -- harness racing. I drove in the first race -- didn't win it -- here in 1976. (laughter) But I certainly want to do everything I can while I'm in the Legislature to preserve and to enhance two great industries in the State of New Jersey: both the racing industry and the casino industry. And I personally believe, and I'm confident, that we can have public policy whereby both of these industries -- the success of one need not be at the expense or failure of the other. I believe there can be public policy which will be mutually beneficial to both industries and I think that this panel is setting the standard here to go forth in a bipartisan manner. And we'll certainly do our best to help two great industries in this State.

Thank you, Mr. Chairman.

ASSEMBLYMAN RAMOS: Thank you, Assemblyman.

Assemblyman Amodeo.

ASSEMBLYMAN AMODEO: Yes, Mr. Chairman, thank you and good afternoon to everyone in attendance.

Mr. Chairman, the idea of dropping casinos wherever we see opportunities is more obsessed with short-term gambling revenue than with

creating lasting new industries and job opportunities for the people of our State.

Those who would trade our \$4 billion casino industry to poach from ourselves and from our neighboring states would have us abandon a 34-year successful model. They have said we need to stop the bleeding and get on with the competition. But they forget we are the competition. Replicating what every other state is doing will only chip away at our own success.

Let's set the record straight: New Jersey casinos are still the second-largest gaming market in the country. It attracts over 34 million visitors annually and is driving the force of our State's third-largest industry: tourism. Our casino industry is one of the largest employers and is the economic engine that supports over 100,000 jobs, powers 1,700 small businesses across every county in this state, and generates \$11.8 billion in consumer spending every year. That is largely because our State's gaming policy is focused on creating jobs, not chasing down revenue. And on jobs we blow our competition out of the water. New Jersey's casinos directly employ more than 1.5 times as many people than do at all the racinos and slot parlors in our neighboring states of Delaware, Pennsylvania, and New York combined. We double the wages of Pennsylvania and provide more than five times the wages of New York. We beat Delaware seven times over. That means more State tax revenue, more families sustained, and a prosperous State.

Our gaming industry generates about \$1 billion a year in taxes and fees paid to State and local governments. The largest portion which comes from the gross gaming revenue tax directly benefits seniors and our

disabled citizens throughout the state. To risk these things is foolish. Don't get me wrong -- we are going through a very challenging period. Casinos are not unlimited cash cows and there are no miracles. That is precisely why drastically changing our gaming policy is a dangerous thing to do.

No one has as strong a model and the success that the State of New Jersey has: a fair tax rate, consolidated licenses, and a built-in tourism infrastructure. When the industry rebounds -- and history tells us it will -- our neighboring states will be the ones that are in trouble. The decline of gaming revenue and the rise of convenience gambling may have caused gamers to split their time between New Jersey and elsewhere, but we are not losing customers. Study after study demonstrates that people are significantly more satisfied with their experience in New Jersey and more likely to come back than customers in Pennsylvania, New York, and Delaware.

For most visitors, going to the casinos involves a lot more than just gambling. A recent poll of casino visitors proves that. Of those surveyed, 7 out of 10 say that fine dining is one of their favorite activities; 62 percent enjoy going to shows, concerts, or other live entertainment; and more than half visit bars and nightclubs. Our casinos are a world-class destination, on the cutting edge of fine dining, entertainment, and gaming. We can and we will win back full attention of those patrons. But we aren't just sitting back and waiting for those things to change. The last decade was the most capital-intensive decade of New Jersey's casinos as capital investment exceeded \$7.1 billion. The New Jersey casino industry has

reinvested to the tune of \$635 million of inflation-adjusted dollars, on average, each year since casino gaming began back in 1978.

Over the last year the \$2.4 billion megaresort Revel just recently opened; the Golden Nugget spent \$150 million on renovations and upgrades; Borgata invested another \$50 million on room upgrades and remodeled their rooms; while Resorts and Atlantic Club are also on the books for doing major upgrades. Since Governor Kean spoke the words, “New Jersey and you -- perfect together,” on television screens over three decades ago, we had the first real cooperative marketing campaign focused on capturing nearly \$4 billion worth of untapped potential customer spending, identified by marketing analysts with a \$150 million full-court press advertising campaign. The numbers prove the new strategy is working, and that’s through the cooperation of the Governor and our Legislature in a bipartisan fashion.

Already planned trips to our casinos are up 22 percent from last June. Public events and conventions are up 18 percent. Casino profits in the first quarter of this year were up 17 percent. This is too critical of a moment to divert our attention and our resources to the Meadowlands when we are on the cusp of real resurgence. Our ability to grow, or even maintain our current level of capital investment -- a necessary ingredient to advance our policy of making New Jersey a competitive destination -- would be undermined by the presence of a casino at the Meadowlands. Likewise, there can be no future plans for growth at the Meadowlands, which is limited to a 600-acre tract in the middle of our state’s most congested highways.

Admittedly, there is a risk in any course we follow, but the greater risk lies with abandoning our State's gaming policy. Approval of the casino at the Meadowlands, or even just a serious discussion of it, sends a message to Wall Street that rules have dramatically changed in New Jersey and creates a less-stable investment climate. Less stability means more risk, raises the cost of capital, and reduces the potential return. While we cannot control the proliferation of casino gaming in neighboring states, we can ensure that our casinos and the economic benefits that flow from them are not changed by self-inflicted in-state competition in the heart of the largest feeder market of our casinos.

So while we may be tempted by the limited success of our neighbors, we should stop retreating to the mistakes of the past and get New Jersey back to work. If we stay focused on the plan we already have in place, the New Jersey casino industry will continue to be a powerful economic engine for the entire State -- not only South Jersey, but the entire State.

Thank you, Mr. Chairman.

ASSEMBLYMAN RAMOS: Thank you, Assemblyman Amodeo.

The way it's going to work this afternoon, ladies and gentlemen, is we're going to have about 34 speakers; 5 minutes per speaker, please, in the deference of time -- time limitations.

We're going to start off with our members of the Legislature who have decided to speak this afternoon. And so our first speaker is going to be Senator Sarlo -- Senator Paul Sarlo -- followed by Assemblywoman

Valerie Vainieri Huttel, and Assemblyman Gordon Johnson. So would the three of you guys like to step forward, please?

Good afternoon, Senator.

S E N A T O R P A U L A. S A R L O: Good afternoon, and thank you, Mr. Chairman, for giving me the opportunity to speak first. I have to head to Trenton for a hearing this afternoon.

I want to thank all the members of the Committee for coming up to North Jersey today, taking time away from your summer busy schedules to spend time here in the Meadowlands, which is part of my district. And I'm very proud of this district; I'm very proud of the Meadowlands and what we've accomplished here over the years.

As I was driving in here today, taking the elevator up. It's great to see private investment -- with Jeff Gural and his investment at the back of the site. And I only wish that I was not coming to another hearing but I was coming to a groundbreaking for some type of future gaming hall here at the Meadowlands. Quite frankly, I've conducted these hearings and it gets tiresome having these hearings. I think it's time we should put actions ahead of words.

But I do commend the panel for being here and I commend Assemblyman Burzichelli for all the work that he has done on the joint panel last year.

Let me just share a couple of numbers with you, and I'm going to be very brief. As you know, I am the Chairman of the Senate Budget Appropriations Committee, and this morning I spoke with Dr. David Rosen, the Finance Officer for the Legislature. The Casino Revenue Fund is a very important fund here in New Jersey, with the dollars primarily going

towards senior citizens' property tax freeze, and other important constituencies dealing with senior citizens and the like. In FY '06 -- that was around the time the Borgata industry was coming on board -- we hit the peak of \$500 million. By FY '09 we were down to \$351 million. In FY '12 -- the budget that just closed on June 30 -- the Administration had projected \$247 million. Today the numbers that I just received from Trenton and from Treasury is actually at \$231 million. It's actually \$16 million lower than what they projected. So from FY '06 we were at \$500 million; today, June 30, we're at \$231 million. And of course we know the proposed budget includes \$287 million. That's going to be almost a \$50 million jump that they're anticipating in one year. I don't see where that number comes from. And they're projecting a lot of it has to do with Revel. But that's a big jump to go from \$230 million actually up to \$280 million.

And the reason I'm sharing these numbers with you -- you're seeing a decline in revenue -- in gaming revenue here in the State of New Jersey. Now, of course, we know we're going through one of the most difficult economic times this country has ever seen. And we talked a lot about all the reforms that we put in place. And I want to make it clear to everybody here: I have supported, just like all my colleagues from Bergen County -- we have supported every reform needed to help Atlantic City move forward, including the tax breaks for the Revel Casino, because Atlantic City industry is very important to New Jersey. We want it to succeed; we want the jobs down there. My job numbers are a little bit different than my colleague, Assemblyman Amodeo, based upon what the casino industry sent me this morning. Just in the casinos alone there are 35,000 active full-time and part-time jobs actually working in the casinos.

We want those jobs to continue. We want Revel to succeed. We want everything to succeed.

But we have to be honest with each other. The question we always used to ask was, "If we build a casino in the Meadowlands is it going to cannibalize the Atlantic City industry?" Well, we never built one here. And we're seeing a significant erosion, from \$500 million all the way down to \$230 million today. We know some of it's attributed to the recession, but let's not kid ourselves. The erosion is because of what's happening in our surrounding states. When we look at the revenues-- Governor Cuomo publishes the numbers pretty much every week of what's happening at Aqueduct. The surrounding states are eating our lunch when it comes to gaming revenue. There is only a finite amount of gaming revenue to capture and, unfortunately, we're not capturing it. Now, in my conversations with my colleagues in the South, and the Governor, and the Administration, I recognize we need to give some time for the measures that we put in place for Atlantic City to work. It's been three years already since this Administration-- At the end of this year, it will be three years. Some of these measures have been in place; some of them are a little bit more recent. But I do not envision these numbers turning around; and I'm, quite frankly, afraid we're going to lose all this money at some point in time in the future to our surrounding states.

So how do we capture that back? It's very simple: Let's be competitive. What are we afraid of? Let's build one here. Let's stop talking; let's build one. There'll be enough money generated that will do to make sure our senior citizens get their fair share. There will be enough money to help the horse racing industry -- a billion dollar industry. And

there'll be enough money that we can take and reinvest back into Atlantic City. Let's stop worrying about competing with each other; we're one state. Let's compete with our surrounding states. And right now they're eating our lunch when it comes to gaming revenues. There's a finite amount of gaming revenue; the numbers prove it. Let's capture it and keep it here in the State of New Jersey.

This is not about north versus south; this is not about the Meadowlands versus Atlantic City. This is about one state and making sure that we capture the revenue here in the State of New Jersey. If we're not interested in doing that then we might as well shut all the doors to gaming and try another way of creating revenue. Let's all get on the same page.

I will continue to support Atlantic City. I will continue to support all the good operators down there like Harrah's and all the folks down there who are doing their best. But we're all in this together -- New Jersey's in this together.

So I want to thank you all. We could continue to talk, but I think we need to act sooner than later.

ASSEMBLYMAN RAMOS: Thank you very much, Senator Sarlo.

Assemblywoman Huttle.

ASSEMBLYWOMAN VALERIE VAINIERI HUTTLE:
Thank you, Chairman Ramos.

And thank you to the members of the Committee for traveling to the Meadowlands this afternoon. And welcome to Bergen County.

As a Legislator from Bergen County, as a former Bergen County Freeholder, as a member of the Tourism and Arts Committee, I just want to

give you my opinion of the benefits surrounding gaming at the Meadowlands. And I believe -- just like Senator Sarlo said -- that moving forward with gaming is in the best interest of not only North Jersey, but the entire state.

You know, earlier this year New York Governor Cuomo proposed building several casinos just a short ride away from North Jersey. In doing so he invited our residents to help the New York tourism industry boom when they could be contributing to the economy of our region right here. And this is already on top of the Aqueduct Casino in Queens.

The reality is that someone living in New Jersey or New York is more likely to visit a casino at the Meadowlands on a regular basis than travel to Atlantic City. But this does not mean that we are taking business away from Atlantic City, which we all want to see thrive. Rather, this is about bringing business into the state and tapping into a completely new source of revenue. With those additional funds we can put New Jersey's economy back on track. We can fund our pension payments, increase school aid, and invest in significant transportation improvements which we so greatly need here. Just a few weeks ago, as you heard Senator Sarlo, we completed the annual budget process. This year, as we do every year, we talked about how to raise revenue in New Jersey and considered all the options that would help rebound the State's economy. Bringing gaming to the Meadowlands is one of those options, and we must sincerely and thoughtfully explore it.

As I said, as a member sitting on the Arts and Tourism Committee, I know that highlighting the attractions we have for New Jersey residents and enticing out-of-state travelers to choose New Jersey the next

time they plan a trip is our mission. A casino in the Meadowlands would undoubtedly be an attraction that would bring new visitors to our state. You know, every winter New York City is flooded with people from all over the world who come in and take the holiday season, right? In addition to seeing the tree at Rockefeller Center or Broadway shows, they could go to the Meadowlands, which is less than a half hour from New York City. So by opening the Meadowlands to gaming we would also be introducing North Jersey attractions to many who had never considered spending their leisure time in this area. A day trip to the Meadowlands casino could end up with -- well, a plug -- a new show at Bergen PAC in Englewood (laughter). It's also, really seriously, an economic activity that could revitalize our business districts, breathing new life into our restaurants, stores, and downtowns up here in North Jersey.

So gaming at the Meadowlands is much more than casinos. It's about economic stimulation, job creation, tourism, and regional development. And again, not to take away from Atlantic City, but as Assemblyman Dancer said, it is not at Atlantic City's expense. We all benefit and all thrive in the entire state. It's tapping new revenue sources.

So in closing, again I want to thank Assemblyman Ramos. Assemblyman Caputo, you have been so on the forefront of this and I am part of that constitutional amendment in the Legislature. And I hope that we can get that to the people, because I know when I talk to people up here, even in South Jersey -- as I just came back from Long Beach Island -- we all talk about that there is plenty of room for gaming and tourism across the entire state.

And so with that, in closing, again thank you for coming up here. And you know, as the Senator said, we have to do more than have a conversation. This is my third time before this type of committee. Two years ago in Atlantic City, two years ago at the Meadowlands when Assemblyman Burzichelli was here. So we need to do something now. Nothing's changed and, if at all, it is getting more -- what was the word used? I don't want to say doom, but glim (*sic*) -- glum. Well, with that--

ASSEMBLYMAN GORDON M. JOHNSON: Glim or glum.

ASSEMBLYWOMAN VAINIERI HUTTLE: Glim or glum; I just made up a word. (laughter)

So again, I support this, and I appreciate the time. Thank you.

ASSEMBLYMAN RAMOS: Thank you.

Assemblyman Gordon Johnson.

ASSEMBLYMAN JOHNSON: It's either grim or glum, yes.

ASSEMBLYWOMAN VAINIERI HUTTLE: It's a new word.
(laughter)

ASSEMBLYMAN JOHNSON: Thank you, Valerie.

And Chairman, thank you for allowing me to speak briefly about this important, I guess, investment that we should make in ourselves.

We have an opportunity here to not compete against Atlantic City but augment their revenue. I feel that this location in the County of Bergen with the infrastructure in place -- highways, parking, mass transit -- it's all in place; and, of course, most importantly, the location. It's an opportunity for us to bring people here and make this area a true recreation destination.

Again I'll say that we are not here to compete against Atlantic City; we're here to augment the revenues in Atlantic City. As I speak to my constituents in Englewood, New Jersey, and Teaneck, and throughout the 37th District, a lot of them are going to Aqueduct, and to the Poconos, and to Westchester County for their gambling experience. I believe, and I honestly believe that if we have-- If we can bring that experience to the Meadowlands we can capture those funds -- those revenues that are leaving this State.

We could look to bring simulcasting, and VLTs -- video lottery terminals -- table games, and slots to this location. And that is why I am a co-prime sponsor on ACR 53.

And I'll close with that, Chair, because everything else has been said.

ASSEMBLYMAN RAMOS: Thank you very much, Assemblyman.

Thank you very much, Assemblywoman Huttle as well, for joining us today.

Our next panel is going to be Assemblyman Prieto, Assemblyman Brown, and Assemblyman Eustace.

We'll start with Assemblyman Prieto.

ASSEMBLYMAN CAPUTO: Mr. Chairman, I move ACR 53.
(laughter)

ASSEMBLYMAN RAMOS: In due time, Assemblyman, in due time.

ASSEMBLYMAN VINCENT PRIETO: Thank you, Chairman.

And I want to thank the Committee for taking your show on the road; and my colleague, Assemblyman Amodeo, who has had a long ride. Assemblymen Burzichelli and Dancer -- I know that they've travelled a long way. For me, it's probably the shortest commute. I could almost throw a rock and hit my house from here, which is wonderful for a hearing for me.

But I want to commend you for starting this dialogue. I think it's important that this dialogue be started because, at this point in time, I think the State is missing out on a lot of revenue that we could be getting. And as Chairman of the Budget Committee, I know how sorely needed for our State to have revenues in place and a reoccurring revenue stream.

Saying that, the Meadowlands region is a brilliant destination. Living here and seeing it on a day-to-day basis -- it's amazing. Our proximity to New York City is incredible. In the Meadowlands district, that's comprised of 14 towns under the guidance of the New Jersey Meadowlands, since 1968 has developed -- orderly development of it has taken place. And a lot of what you see around today is part of that master plan. And that master plan has led to a lot of people coming to this area.

We have, right now, over 8,800 hotel rooms; in my hometown I have two more hotels, being built as we speak today, that are going to add to that. Those hotels are normally, year-round, about 90 percent occupied, which is unbelievable. And the reason that that is, is because people come to visit New York and they stay here. And they take mass transit; they're shuttled there. And we're not capturing that audience to be able to come to gaming.

And that's why I welcome the dialogue to see if possibly the gaming could come to this area. And we also house not one, but two NFL teams here; we have an arena right across the way; we have the racetrack; and soon -- hopefully -- the dream that was Xanadu and might be Dream Park (*sic*) -- that may be here. (laughter) You know, it could be an entertainment destination. But I can tell you -- and unfortunately-- You know my good friend, who I respect very much -- sat with him on Transportation -- Assemblyman Amodeo -- I don't think this dialogue that we started today was about, really, Atlantic City. It seemed a possibility of us not losing out to the surrounding states. I see on a day-to-day basis the buses that leave from here to Bethlehem, Pennsylvania. They go to New York and they go to Connecticut, and they're not going south. And so I don't believe we'd be competing against Atlantic City; I think that if we were-- If that would be a reality, I think this could be an economic engine, not for this region, but for the whole State of New Jersey.

As the Assemblyman correctly mentioned, we are in the most densely populated area. Hudson County -- that's the neighborhood that is right where I'm from -- it's the most densely populated county. And we are not capturing that audience because that audience -- it's difficult for them to go to Atlantic City because of the commute. Now mind you, I'm a part-time South Jersey resident so I have a commute actually longer than anybody here when I go home almost every weekend in the summer to my other home. And I tell you, for that area down there -- Atlantic City -- it's a wonderful thing; it's very important for that region. It's something that we would not want to offset, because not only would it create a recession, it could create a depression. But I don't think this is what would create it; it's

the surrounding states that -- we're being siphoned out; and the numbers that Senator Sarlo gave basically justifying that -- that we are not looking at that.

So I think the dialogue is something important. I think we needed to have this dialogue. I think I'd be-- I'm supportive of looking at that because the State is hurting, and we actually want to compete with the surrounding states for that audience that they're taking from North Jersey. And it's not going south.

And so I welcome the dialogue. And I want to thank you for that, Chairman. Thank you so much for your hard work on this; and all my colleagues, thank you.

ASSEMBLYMAN RAMOS: Thank you very much, Assemblyman Prieto. We appreciate you having us here today. It was great having Senator Sarlo here, the Budget Chair on the Senate side, and Assemblyman Prieto, the Budget Chair of the Assembly side, to give their insight in terms of how this can affect our budget in a positive or negative fashion. Thank you.

Assemblyman Brown.

ASSEMBLYMAN CHRIS A. BROWN: Mr. Chairman, I want to thank you for having me here today. I thank the Committee. I hope you all enjoy-- We brought you the DO AC sticker for your cars (laughter), and I hope you'll enjoy them and drive them around here in North Jersey.

You know, I'd like to begin by complimenting my legislative colleagues. We're elected to represent our respective districts, to fight on behalf of the interest of the people who live there. But we also have what I

believe is a higher calling, and to make sure that we don't put our own self-interest or our district ahead of the State as a whole. Now, my colleagues in Bergen County and those representing districts which have a large number of horse farms and racetracks -- they're very eloquent, they're very passionate and, I might add, they are extremely persistent. And I respect that. I applaud your efforts in fighting for your constituencies and I sincerely would like to help you. However, your efforts to help your districts will have a profoundly negative effect on this State as a whole. I was trying to figure out an analogy or some way to put it into context: I believe putting a casino in the Meadowlands is like putting a \$1,000 saddle on a \$10 racehorse. It's simply too high of a price to pay for a horse that ultimately won't succeed.

Independent research and studies have demonstrated a Meadowlands casino is going to cost this State jobs, revenue, and capital investment without doing anything to enhance gaming. Casino gaming in the Meadowlands will not grow New Jersey's gaming market; to the contrary. The experts have prepared the reports and it will steal 45 percent of the revenue generated from the existing Atlantic City casinos. And I keep hearing everybody talking about, "No. The only people who are going to come to our casino are those in the surrounding states." Those may be some of the people. But the studies have shown when you do a circle radius around where that casino will be that it's drawing from the bread and butter of Atlantic City.

Now, if that was all the gamblers that would be drawn in, just from the other states, then that would be where the story ends and everything would be fine. But the truth is it's going to pull patrons from

Central Jersey who now go to Atlantic City. To quote one of the reports -- and this is a report that we asked to have prepared, "The primary market for the Meadowlands falls within the primary market area of Atlantic City." These are the very gamblers we need to continue to entice to Atlantic City to ensure there is sufficient gaming revenue to invest in non-gaming attractions.

Now that we are finally able to properly market Atlantic City and reinvest in the non-gaming attractions, we are in a better position to further distinguish ourselves as a premier gaming destination from the convenience gaming that's being offered in the other states. It's the premier destination gaming that separates us. And the only way to continue that is to guarantee that the casino revenue is at a point where they can reinvest in the non-gaming attractions.

If we allow a casino at the Meadowlands there will be a loss to this State in slot revenue from existing casinos of approximately \$600 million per year -- \$600 million per year. Experts will testify that creating intrastate gaming competition will only mean people ultimately lose their jobs. The experts have reported and they tell us that one estimate has it at 3,800 people will be out of work; \$190 million in payroll will vanish.

So now some will come up and give their own opinions. I am not giving my opinion; I'm giving you what has been researched and analyzed. Moreover, experts will testify programs for seniors and the disabled, like PAAD and Meals on Wheels, will lose \$45 million per year -- nearly a quarter of the current revenue stream. This whole discussion on a Meadowlands casino creates uncertainty. Just by having this hearing here today you are causing uncertainty in the market. For some perspective:

Shortly after Governor McGreevy simply proposed to raise a casino tax by 2 percent, local gaming stocks lost more than \$500 million in market value -- and that was just because of a trial balloon.

Uncertainty is bad for business. Allowing a Meadowlands casino undermines our destination resort gaming model and creates competing State policies sending the wrong message to investors.

Now, on the other hand, when we have certainty in our market, even during the recession investors poured \$5 billion of new capital into Atlantic City's casinos. That is the good that can occur when we have stability in our State policy. And that stability is the gaming destination resort.

Now, I appreciate the concern some have expressed about the impact of interstate gaming because it affects all of New Jersey. However, a casino in the Meadowlands, or Monmouth, or at Freehold is not the appropriate answer. The wisest, long-term business approach is to offer a product that stands out from the rest of the marketplace. A report by the Innovative Group concluded that gamers found it extremely important to have a resort-like atmosphere and highly value the amenities of a resort. We already offer that. Only Nevada, Mississippi, and New Jersey use the resort destination gaming model. We already have a unique market. We have a concentration of licenses in a city that was founded over a century ago as a place to get away from it all with an ocean, beach, boardwalk, convention center, retail outlets, hotel rooms -- all of which draw 30 million visitors a year. A casino in the Meadowlands will not tip the competitive balance in New Jersey's favor; it will only undercut efforts already underway to reassert ourselves in the market.

A resort destination business model backed by consistent State policy is a proven and durable economic engine for the entire State. And I would urge this Committee and ask you not to change that.

Thank you.

ASSEMBLYMAN CAPUTO: Mr. Chairman.

ASSEMBLYMAN RAMOS: Yes, sir.

Assemblyman Caputo.

ASSEMBLYMAN CAPUTO: Yes.

Assemblyman, I respectfully disagree.

You know, you have a report that you quoted from or you derived information from, which I respect. It's probably an empirical report based on facts. I'm sure there are other reports that are contrary to your report.

When you talk about a resort destination, what are these non-gaming activities that you're talking about?

ASSEMBLYMAN BROWN: Oh, they are--

ASSEMBLYMAN CAPUTO: What are they?

ASSEMBLYMAN BROWN: They are the restaurants, they are the night life, they are the shows, they are the plays, there's the shopping.

ASSEMBLYMAN CAPUTO: Right. That's been going on for 33 years, and the revenue's been going down.

And the other thing I want to bring to your attention: I respect everything you said because I was part of the industry and I understand where you're coming from.

ASSEMBLYMAN BROWN: You know, we say--

ASSEMBLYMAN CAPUTO: This is a democracy. And for you to say -- to come to this meeting to say that this exchange of ideas, relative to the State of New Jersey -- not Atlantic City, not North Jersey --

ASSEMBLYMAN BROWN: Right.

ASSEMBLYMAN CAPUTO: --I don't think is an appropriate remark. Because we have a right to discuss these issues. We're not going to sit by and make decisions based upon one individual's expert testimony. We're going to look at all the facts. And although I respect your testimony, I think that not having this discussion is really counterproductive. And that we should have an open discussion; that's the reason why all of us are here. That's why you're invited. That's why we were invited to John Burzichelli meetings when we had the Summit meeting. All these ideas are important so we can synthesize and, in the end result, make good decisions for both industries -- the racing industry and the gaming industry. So I don't look at it like it's a mortal sin because we're having a discussion here.

ASSEMBLYMAN BROWN: Assemblyman, I-- May I speak?

ASSEMBLYMAN RAMOS: Yes, absolutely.

ASSEMBLYMAN BROWN: I certainly agree with you and I think debate is always an important part of the process. So naturally I agree. When I said that there's persistence -- and I respect persistence -- and I see--

ASSEMBLYMAN CAPUTO: Well, that's me, Mr. Persistence.
(laughter)

ASSEMBLYMAN BROWN: And I respect that. But what I do want to remind everyone is that uncertainty can cause a lack of--

ASSEMBLYMAN CAPUTO: Well, let me say--

ASSEMBLYMAN BROWN: May I finish?

ASSEMBLYMAN RAMOS: Assemblyman, don't cut him off.

ASSEMBLYMAN BROWN: Let him finish his statement, please. Don't cut him off.

ASSEMBLYMAN BROWN: And I'm just making the point, and you can respectfully disagree--

ASSEMBLYMAN CAPUTO: I do.

ASSEMBLYMAN BROWN: --and say this doesn't create uncertainty. But from my perspective every hearing that we have creates that uncertainty. We're trying to get more people to invest capital in Atlantic City. We're trying to move that tourism district forward. And in order to do that there needs to be a certain confidence within the market itself that this is the gaming resort. To place your bets in the Meadowlands and Atlantic City is sort of like saying there is no sure bet in New Jersey.

ASSEMBLYMAN CAPUTO: Would you agree that the Revel is an experiment on the success -- the future success of Atlantic City? Would you agree to that?

ASSEMBLYMAN BROWN: No, I would agree that Revel is a part of an overall gaming destination resort, and that if you look at the numbers for food and beverage, and you look at the numbers for their employment, that they are exceeding what they expected. Now, here's the reality: Okay, that's fine. We have -- what -- a \$250 million investment as a State into making sure it succeeds.

ASSEMBLYMAN CAPUTO: Right.

ASSEMBLYMAN BROWN: Now, you want to take the very gamblers who we need to travel down there from Central Jersey to make sure it succeeds and send them to the Meadowlands.

ASSEMBLYMAN CAPUTO: But we don't have those gamblers here now.

ASSEMBLYMAN BROWN: Oh, yes you do.

ASSEMBLYMAN CAPUTO: And the Revel had to borrow \$50 million in a recent period of time.

ASSEMBLYMAN BROWN: I just--

ASSEMBLYMAN CAPUTO: Additional millions, to make their payrolls.

ASSEMBLYMAN BROWN: And I agree with what you're saying. There certainly needs to be recognized that there is an economy right now where it's a miracle that we have a such a packaged offer in Atlantic City of \$2.4--

ASSEMBLYMAN CAPUTO: The only thing--

ASSEMBLYMAN BROWN: Let me just--

ASSEMBLYMAN CAPUTO: Sorry.

ASSEMBLYMAN BROWN: --\$2.4 billion during one of the greatest recessions since World War II was invested in Atlantic City.

ASSEMBLYMAN CAPUTO: I respect that.

ASSEMBLYMAN BROWN: And certainly--

ASSEMBLYMAN CAPUTO: The only thing I want to add is that when we talk about a tourist destination you have to deliver that marketing image. In other words, just saying it's a resort destination doesn't accomplish the purpose. When someone goes through that

experience and they experience a resort destination, then it will have a meaning.

ASSEMBLYMAN BROWN: Well, I want--

ASSEMBLYMAN CAPUTO: Just to-- Wait a minute. Just to demand it and dictate it, and say that now we're a resort as compared to a gaming destination, doesn't change reality.

ASSEMBLYMAN BROWN: Assemblyman--

ASSEMBLYMAN CAPUTO: The reality will be changed when Atlantic City itself recreates itself. With all the help they've gotten from the State of New Jersey I think that it's about time that they come back.

ASSEMBLYMAN BROWN: Well, when you say help it's gotten from the State of New Jersey--

ASSEMBLYMAN RAMOS: Assemblyman, we have to stop the back-and-forth between you two guys. I'm going to go to Assemblyman Eustace, okay? I appreciate it.

ASSEMBLYMAN BROWN: Thank you, Assemblyman. I appreciate the exchange.

ASSEMBLYMAN RAMOS: It was a healthy dialogue, a healthy exchange. We could get you two guys in the back of the room with boxing gloves if you like. (laughter)

ASSEMBLYMAN CAPUTO: I want to shake his hand.

ASSEMBLYMAN RAMOS: I kid, I kid.

ASSEMBLYMAN CAPUTO: No hard feelings?

ASSEMBLYMAN BROWN: No, absolutely.

ASSEMBLYMAN RAMOS: It's all good. That's part of the purpose of being here today. We have our positions and we support our

positions in a vociferous and vigorous manner. And I wouldn't expect any less from any of our legislators.

Assemblyman Eustace.

A S S E M B L Y M A N T I M O T H Y J. E U S T A C E: Thank you, Chairman Ramos and members of the Committee

I'll try and keep this brief. I don't think it's an us-or-them issue; I think it's an economic engine issue. I read a report this morning that said the Pennsylvania gambling industry has added 12,700 jobs since they opened their across-the-border industry. And that doesn't include the 4,000 construction jobs that were in the numbers as well.

So when I go downtown on Saturday morning in the little town I live in five miles from here, there are people getting on the buses and they're not going to Atlantic City; they're going to Pennsylvania. They're going to Connecticut. We need to get that audience back to New Jersey. That it's here, that it's close, that it would solve some of the problems. The other issue is Governor Cuomo is quoted as saying their racino idea has rescued horse racing. Now we're looking at solutions to horse racing in New Jersey. This would be a great fit. We could move forward.

But I do want to echo what Assemblyman Caputo said, and that is we trusted the citizens of the State of New Jersey to vote on this for Atlantic City; we should trust them to vote for the Meadowlands. Further, to echo Senator Sarlo: You need to act. If you don't act on this right away, at least come up with an idea that's going to make it work for this area in the near future-- There will be F1 racing coming into this area. There will be a Super Bowl coming into this area. We have giant venues with millions of people arriving in this area. If you do nothing else, create an idea where

you can have a special events permit that we can have a temporary casino, if you're not going to allow it to be a permanent casino, so that all these millions of people who come here for this destination have an opportunity to do other things while they're here and drive the economic engine that is this area. This is the most populated area of the state. This area contains the zip codes that are the biggest retail areas in the country. Let's make sure, gentlemen, that we move forward on this -- whatever you do.

Thank you.

ASSEMBLYMAN RAMOS: Thank you very much, Assemblyman.

Our next two members of the public here to testify are Mayor James Cassella, East Rutherford, and Mayor Michael Mahon, Oceanport Borough.

MAYOR JAMES L. CASSELLA: Good afternoon, and certainly welcome. I welcome all of you to East Rutherford, especially those who made the trip from South Jersey. And, of course, all the panel members. So thank you very much for being here and allowing me to say a few words.

First of all I would like to preface my statement by stating I am somewhat apprehensive about casinos in East Rutherford, mainly because of the negatives that are associated with gambling. But having said that, I do believe that it is shortsighted not to look at the economic benefits that casinos and gaming here might bring to, not only the Meadowlands and this region, but certainly the State of New Jersey. It has to be looked at.

And I don't think we would be even sitting here today if it wasn't for the fact that since, if I heard the numbers correctly, since 2006

we've gone from \$500 million down to close to \$200 million. And I think that that's something that needs to be looked at. And I think I do agree with all of those who claim that the economics of the country have a lot to do with this, but it also has a lot to do with the neighboring states. I agree 100 percent with that.

And by having said all of that, I do believe that it is really shortsighted. And yes, the economic downturn has affected Atlantic City. But how can we continue to ignore that the fact is that New York is doing well with their gambling facilities, as is Pennsylvania? And I know that Foxwoods has had some problems but, overall, Connecticut is doing well.

And where are most of these patrons coming from, or many of these patrons? From northern New Jersey. They are no longer going to Atlantic City. The people who live here -- and I know in my own town and in neighboring towns -- they no longer not only come down here to the Meadowlands, to the racetrack, they're going over to Yonkers, they're heading over to Yonkers because there are games over there and they are-- Also, many are headed out to Pennsylvania. And, in fact, even the local bus trips are headed out to Pennsylvania. Now they are no longer going to Atlantic City.

To add insult to injury -- and I'm sure those who are driving up from South Jersey noticed it in the northbound lanes -- there is a big billboard with Jay Leno's picture on it. And when I first saw it a few months ago I thought it was advertising for Atlantic City, and I was dismayed to see that it was for, I think, The Sands out in Pennsylvania.

So I believe that Atlantic City needs to do more in terms of trying to attract people from North Jersey back down there. And how can

we ignore the fact that there are over 900,000 people in Bergen County, the most populous county in the state, and then within minutes or a stone's throw we are right next to Hudson County with almost 650,000 people, Essex County with 785,000 people, and Passaic County with a half million people. We're almost 2.8 million people who live within minutes from here and we're eight miles from midtown Manhattan. Compare that with Atlantic County with less than 300,000 people. It only stands to reason that the people here are what is driving -- I think it's a large part -- of the reduction in revenues down in Atlantic City. And that is a problem, because that relates to the loss in revenues for the State of New Jersey.

The financial losses in Atlantic City and for the State of New Jersey can be directly attributed to this: New Jersey residents who opt for New York, Pennsylvania, or Connecticut instead of Atlantic City. That is what I believe the crux of this whole problem is. Even, and as I stated, even many of the seniors are not going to Atlantic City anymore; they're taking their rides over to Yonkers or they're getting on buses and going out to the Poconos.

This has led to a major loss of revenue, and you're going to hear it over and over again today. Not only from the casinos, but for the horse racing and the horse breeding industry, which are so vital to our economy. As I see it, Atlantic City has catered to the gamblers for 33, 34 years and has not done enough to make it a family destination. What opened my eyes to this was for the first time in 20 years I visited Las Vegas. It was vibrant, with people from all age categories. There is something for everyone in Las Vegas -- something that Atlantic City hasn't achieved and needs to if it is going to be successful. Like Las Vegas, it just can't be for

gamblers. The gambler will go where it is easiest to get to and the shortest distance. And that for northern New Jersey residents is not Atlantic City, unfortunately. We would love to see them go to Atlantic City, but they're not. The day trippers are going to the bordering states, especially Pennsylvania and especially New York.

Until you bring them back and until Atlantic City becomes a place where families want to spend time, as they do at other parts of the shore-- I believe Atlantic City is the only free beach along the Jersey shoreline; or -- I don't know about Long Beach Island. But I believe it's probably one of the few free beaches. And I believe that until we do this we will continue to lose revenues that are so vital to this State's economy.

It is imperative that those of you in Trenton take a serious look as to why so many New Jersey residents are no longer staying in New Jersey to spend their gambling dollars. We cannot afford to go on like this. We cannot continue to be so stubborn and refuse to take, at the very least, a serious approach to this issue.

Thank you very, very much.

ASSEMBLYMAN RAMOS: Thank you, Mayor.

Mayor.

MAYOR MICHAEL J. MAHON: Thank you, Chairman Ramos and members of the Committee. Thank you for allowing me to speak here today on this important topic.

I'm here today representing the Borough of Oceanport, home to Monmouth Park Racetrack since 1870. My remarks today focus on two main points: your need to plan for success in horse racing that includes gaming options at the Meadowlands. A plan for success in New Jersey that

maximizes the current focus on Atlantic City gaming, capitalizes on the successful transition to private operation of the racetracks, and incorporates a new vision for sustainability in horse racing.

While the focus of today's hearing is to discuss the prospect for gaming at the Meadowlands, I suspect the answer is obvious. So if gaming is the obvious answer for the Meadowlands, the question must be asked: Is there a gaming solution that benefits horse racing statewide, including Monmouth Park? No discussion on the sustainability of horse racing in New Jersey is complete without including the Meadowlands and Monmouth in competition from neighboring states. In many cases, these gaming outlets are more convenient than a trip to Atlantic City and certainly less expensive for travel when distance is a factor. These gaming destinations are a direct threat to Atlantic City and the casino industry in New Jersey. The panels of speakers to follow will provide valuable insight to differing perspectives, but please remember: This problem is not horse racing's; it is the casinos' as well.

Introducing slots, video lottery terminals, and other forms of gaming outside of Atlantic City may be the answer, by opening new markets to the casinos and attracting the convenience player once again to New Jersey gaming. Slots at New Jersey tracks can draw back the dollars lost to other states. The convenience gamer has already made this choice.

What impact would the addition of slots and VLTs at Monmouth Park mean to Oceanport? Because of quality of life considerations at the top of the list, along with economic stability and stable taxes, we have advocated for VLTs at the Meadowlands as the obvious location outside of Atlantic City. However, any plan allowing for

slots and VLTs at the Meadowlands and not Monmouth must provide a shared economic benefit just the same to ensure sustainability.

In conclusion, let me restate: We need to focus on the possible -- a plan for success in horse racing that includes gaming options outside Atlantic City. We need to focus on the necessary: A plan for success in New Jersey that maximizes the current focus on Atlantic City, the success of racing under the lease operators, and incorporates a vision for sustainability in horse racing.

The underlying benefit to the State that must be considered by this Committee as part of its research is the benefit of jobs and open space throughout our state, owed, in some measure, to horse racing and the equine industry. The Meadowlands and Monmouth Park play key roles, directly and indirectly, as economic drivers in their communities and across the state.

We in Oceanport hope these contributions to the Committee's work can inform and influence your perspective on this important issue.

Mr. Chairman, thank you for the opportunity.

ASSEMBLYMAN RAMOS: Thank you for your time. I appreciate it. I appreciate your testimony.

Our next two panelists will be Steve Rittvo from The Innovation Group, and Mike Lahr -- did I say that correctly? L-A-H-R -- from Rutgers University.

S T E V E N M. R I T T V O: Have you testified here before?

M I C H A E L L. L A H R, P h . D .: Not here; (indiscernible).

M R. R I T T V O: I was going to let you go first since I don't know what to expect. (laughter)

DR. LAHR: Okay.

ASSEMBLYMAN RAMOS: Again, gentlemen, try to keep your comments-- I know you have a lot of testimony -- expert testimony -- but try to keep your comments to within five minutes; and I'm sure members of the panel will start having some questions for you guys as well.

Which one is Steve?

MR. RITTVO: I'm Steve.

ASSEMBLYMAN RAMOS: Steve? Okay.

MR. RITTVO: I was going to let Mike go first since I want to hear what--

ASSEMBLYMAN RAMOS: Okay.

DR. LAHR: Okay, I'm Mike Lahr. I'm with Rutgers University. I testified before some of you about two years down in Atlantic City. At the time I was presenting results of a report I did for the casinos -- just so you know where I stood at that point; I had a different purpose than what I do today. Today I'm just kind of here from the state of New Jersey, in general, but I'll be presenting things -- information on the casinos.

On the paper I've kind of handed you was something separate that I did on my own after the report. And what I'm looking at is a whole thing of taxes versus jobs, which I'm sure you guys would be interested in, and looking at -- across the states -- which roads have been taken over time.

And, basically, I start off in that paper in talking about how New Jersey was the second one in the gaming game after Nevada, and because of that we taxed higher than in Nevada, but certainly nowhere near the rate on gaming that Pennsylvania does, which is around 55 percent. We tax around 8.5 percent. So we have a much lower one. But the

advantage of that -- when you tax higher it forces you to have certain types of casino activity. You cannot do the low-value-added stuff. So all you can do is have things like table games and slots. You cannot have a casino hotel and survive.

So my point is-- And that's (indiscernible) what this paper discussed, and so I suggest you or your staffers read through that and summarize that. But basically what I've come out saying is that those 30,000 jobs that are down in Atlantic City -- actually, first of all, bring up another 2,000, literally, in the state for the regulating authorities -- and in addition there are many more that are brought on. You've heard word of 100,000 here, and those are numbers I developed for the prior study. But there's-- That's part of it. Those other jobs and that other money actually brings another, basically, \$1.7 billion -- not \$1 billion, that you've heard reported -- to the State. In Pennsylvania they don't even bring that much anywhere; I don't think they bring quite that much yet. I think it's on the order of -- I have the numbers here in the report in the first table -- they bring something on the order of \$1.3 billion. That's direct taxes. You're getting \$1.7 billion or \$1.8 billion. But you also are getting so many more jobs, and that's through the incomes of the individuals in addition. So the idea is you don't only have those 12,000 jobs. Pennsylvania doesn't really have many other jobs in the multiplier effect going along with that, because everything is imported into the state to feed those casinos.

Here in New Jersey, your predecessors in the Assembly actually had the forethought to make sure that, first of all, everybody on the casino floor is employed in New Jersey and everybody that -- a certain percentage of the suppliers must be within New Jersey. And so that's why we heard

that everybody in the state benefits -- all counties and all areas -- is because of what your forefathers thought of when they set up Atlantic City.

And so I'm not going to say, "Is it the benefit of the Meadowlands or Atlantic City?" I'm just suggesting, first of all, there is, to me, no doubt that certainly Atlantic City will lose if something comes here. But if you're going to do something like a casino and it's going to be just tables and so forth, I would put them in Phillipsburg -- put them right at the edge of the state to grab from the other states. Not put them here where you will, in fact, borrow from Atlantic City. I'm just saying that if you're going to be playing that strategic game against the others states, let's play the game. Let's not start playing against ourselves and what's really the wealthy part of things.

And so that's ultimately what I wanted to say, and if you have other questions I'm open to them later.

ASSEMBLYMAN RAMOS: Any questions?

ASSEMBLYMAN CAPUTO: Just one thought.

ASSEMBLYMAN RAMOS: Assemblyman Caputo.

ASSEMBLYMAN CAPUTO: Yes, you brought up a very important point relative to your study. That's another dimension that I don't think many people have thought about.

But back to the markets. Part of Pennsylvania's success is, you say, that they have spread gaming out through the state. But the reason why they spread it out is to plug into our markets, okay? So we don't know exactly if you had a gaming destination here in the Meadowlands exactly how that would affect-- I mean, we're looking through a crystal ball. We don't know--

DR. LAHR: You're right; we don't know exactly how much. Certainly we can't deny it will borrow some.

ASSEMBLYMAN CAPUTO: We don't know. And maybe there should be some thought about phasing gaming in, rather than going full blown. There should be some discussion about that.

But the fact that Pennsylvania is second in the country behind Las Vegas, where they're paying almost \$980 million in taxes to the state of Pennsylvania--

DR. LAHR: They get more than Las Vegas. Vegas gets almost nothing.

ASSEMBLYMAN CAPUTO: Right. Well, you know, it's a whole different culture.

DR. LAHR: And we're second in terms of jobs, but they're second in terms of gaming revenue.

ASSEMBLYMAN CAPUTO: There's a lot to think about, and I appreciate your remarks. Thank you.

ASSEMBLYMAN RAMOS: Any other questions? (no response)

Can you, really quickly, just-- If you could just repeat for myself, I guess, and members of the panel, the idea of having us just go with slots and table gaming.

DR. LAHR: When you have--

ASSEMBLYMAN RAMOS: In terms of the tax rate.

DR. LAHR: Tax rate? I don't-- I'm just saying if you look on that-- If you guys have that Table I, you can see the range of the tax rates where the tax rate is something -- this Column V here -- it ranges from 8

percent in Las Vegas -- this is overall gaming revenues -- to something like 57.5, which was in Maryland. So there's a large range. These higher tax rate formulas are the ones that almost forces them to have only slots and table games.

ASSEMBLYMAN RAMOS: But how much, in terms of revenue, does that create?

DR. LAHR: I mean, in Pennsylvania it created \$1.3 billion.

ASSEMBLYMAN RAMOS: Exactly, exactly.

DR. LAHR: And then in Maryland created--

ASSEMBLYMAN RAMOS: So just by doing that without the hotels has been beneficial for the state.

DR. LAHR: Right. And the things we aren't including in the hotels -- we don't have the hotel tax in that gaming tax.

ASSEMBLYMAN RAMOS: Correct.

DR. LAHR: So there are a lot of other taxes being gathered in Atlantic City. There is a parking tax if you go down there; there's a lot of other things. And I'm just saying it's a different. If you're proposing something different here, it ought to be one taxed differently.

ASSEMBLYMAN RAMOS: Correct.

DR. LAHR: But if you're doing that, then you're also-- While you get revenues to the State, you're also making it so that this cannot be a resort destination like Atlantic City has always been. And so that's the issue you have to think about. You're pulling away from something that's really a job-, an income-creator for the people of New Jersey so that there's something here. Where unless you do set the ground, you're going to be

having people from New York and Pennsylvania being employed here, potentially. So just when you do it, be careful. That's all I'm suggesting.

ASSEMBLYMAN RAMOS: Correct; okay. That's (indiscernible). Okay.

DR. LAHR: Because you're going to have a whole new set of rules that you're applying here.

ASSEMBLYMAN RAMOS: Thank you very much. I appreciate that.

Mr. Rittvo.

MR. RITTVO: Yes, sir.

I want to thank you for the opportunity. I also, when I was called I had no idea what you were looking for.

ASSEMBLYMAN RAMOS: That's why we're here. (laughter)

MR. RITTVO: What I tried do, at least, is to try to put some of this stuff, I guess, in a little bit of context. And I guess we work for states and industries, and because of the activity in the northeast corridor we've really built a model that covers the entire northeast corridor.

So maybe to start putting it in context: I gave you a map that sort of shows-- And a lot of this you've spoken about -- population densities, where facilities are, and that type of thing. And we cranked some very simple numbers based on very basic pieces. The New York metropolitan area, we believe, has a market potential somewhere around \$5.4 billion.

ASSEMBLYMAN RAMOS: Wow.

MR. RITTVO: That market potential right now is being serviced both from the existing casinos in New York; some of it is from

Atlantic City. And again, if you look at it, you know obviously Beth (*sic*) Sands is close enough; Pocono Downs is close enough; Mt. Airy is close enough; and Foxwoods. So, you know, it's serviced somewhat by Aqueduct in Yonkers, and it's somewhat serviced by the other facilities. But there is still significant latent demand -- unmet demand. There is a lot more demand than New York City, or the New York metropolitan area, than is being serviced right now.

If I look at the casinos that are currently in New York right now -- in the metro area, specifically -- it really comprises only two: it's Aqueduct and Yonkers; and they're doing about \$1.3 billion right now annually -- pretty successful where they are. We tried to look at what was going to happen -- what we believe is going to happen in this area. And, again, politics is a unique piece; you guys know it probably much better than I do. But if we follow what Governor Cuomo is speaking about, we would anticipate some casino gaming in the Catskills; we would probably consider another casino in New York City somewhere on the basis of the rejection of Aqueduct as a single piece; and, candidly, we've been working with the Shinnecock to put something on Long Island. So we anticipate at least those three facilities within the New York metropolitan area physically. That, in turn -- and I gave it to you on a table -- based on our estimates, would be somewhere around \$3.3 billion combined revenue for all of those.

ASSEMBLYMAN RAMOS: In New York state alone?

MR. RITTVO: Well, those actually would really actually be all of New York state.

ASSEMBLYMAN RAMOS: Yes, I know.

MR. RITTVO: They actually would be.

And then we looked at what happened if you added full gaming in the Meadowlands. And please take this as rough estimates, but we think this is probably a \$500 million to \$700 million market -- again, depending on your attributes. So if I add all that up, that's \$4 billion comprised of things that are here, with still some activities or some dollars, that would be able to go to Connecticut, Beth Sands, Atlantic City, you know, and the other places. So the first question, I guess I wanted to answer myself is, "Was there adequate capacity to have a successful facility in the Meadowlands in the light of the competition?" My belief is the answer is yes.

Then the other side we wanted to look at was what impact did it have on Atlantic City. And I think you're right. I mean, I think anything that goes on is going to take revenue away from Atlantic City. I want to say I'm here representing myself, but I'm certain I'm going to make somebody upset because we work for everybody.

ASSEMBLYMAN RAMOS: We all do. (laughter)

MR. RITTVO: It's the story of my life.

ASSEMBLYMAN RAMOS: Welcome to the club.

MR. RITTVO: I mean, I'm a Brooklyn boy who lived in New Jersey for a couple of years before I moved down South. But we're going to tell you the way we see it. And so whatever happens in the New York metropolitan area is going to have a fairly significant impact on Atlantic City. And so I think that's something you probably need to be cautious with, but the reality of it is, is a significant amount is going to happen independent of what you're doing. This will put that much more pressure on it, if you do something in the Meadowlands, but I think you can't deny

that there's going to be pressure on Atlantic City coming from New York. And you have an opportunity here for something successful. It's a policy issue.

I think the other piece, you know, again, as I look at Atlantic City -- and we pay attention to this -- is that you're still going to feel more pressure from Philadelphia. The existing facility in downtown Philadelphia is expanding; it's the Rivers Casino. And that, unfortunately, is out of the area, because we didn't see that necessarily drawing from the New York metro area, although it draws from Atlantic City. But the Rivers Casino is going to expand, and we did the work for the Pennsylvania Gaming Commission and actually recommended to not put a second casino in Philadelphia because they couldn't get a bill passed. The gaming commission is now moving forward and is advertising another casino for downtown Philadelphia, which is going to put more pressure on Atlantic City.

So when I look at you guys, I mean, I sort of see that you've got a real policy decision that's tough. You've got an opportunity to do something in the Meadowlands that I do believe will generate significant incremental revenue to you. Atlantic City is experiencing a significant amount of pressure, most of it beyond your control. But, candidly, if you do something in the Meadowlands you're going to put that much more pressure on Atlantic City.

Maybe it's a win-win because you generate more money to replace what you're losing from Atlantic City; maybe it's a lose-lose because you hurt an existing place to deal with. The other side probably is you're really going to see this pressure coming, my guess, in the next two years.

ASSEMBLYMAN RAMOS: From outside?

MR. RITTVO: From outside -- absolutely from outside.

ASSEMBLYMAN RAMOS: That's the question.

MR. RITTVO: You know, from both Pennsylvania and New York. So maybe you have two years to keep this stuff together.

ASSEMBLYMAN RAMOS: Yes.

MR. RITTVO: But it's a tough place. Stuff that is going to impact you is beyond your control, and it is happening and you have an opportunity.

ASSEMBLYMAN RAMOS: But how about in terms of the gamers' experience and the resort experience that Atlantic City is projecting now, in terms of--

MR. RITTVO: Projecting or projected? I'm sorry--

ASSEMBLYMAN RAMOS: Projecting.

MR. RITTVO: You know, I think it's gotten better. And I think that because of the hotel rooms, because of the synergy and, you know, the fact is we know casino players like to go to multiple casinos on a visit--

ASSEMBLYMAN RAMOS: Correct.

MR. RITTVO: --that Atlantic City will have a base. But again, if you look at it, a significant amount of Atlantic City is day trippers who come in who are going to be intercepted. So, you know, I think-- And I will tell you this -- that I would not define myself as an expert in Atlantic City. We've done a little bit of work there. Connecticut, Pennsylvania, New York -- I mean, for some reason I'm a whole lot more active there. I

think Atlantic City is a resort-- Let me say this: It's a destination resort experience.

ASSEMBLYMAN RAMOS: Yes.

MR. RITTVO: It may not be as resort-y as I would like it to be; I think Revel is a potential changer, you know, in what goes on. I thought Borgata was a potential changer and I think it's proved itself. I think it will retain its resort overnight players. I think it will retain people who are interested in doing multiple casino visits, because I can't believe somebody goes to the Meadowlands and they're not going to schlep their way up to Yonkers to go to a second casino that day.

ASSEMBLYMAN RAMOS: Right.

MR. RITTVO: I think there's a place potentially for both. And again, not to harp back on it, as long as we realize -- or you realize -- that if you do something it still puts that much more pressure on AC.

DR. LAHR: And I just want to add: One of the things that you'll be taking away is -- I think one of the other people announced is -- the stuff that, like I said, the high-value-added stuff; the stuff that they need for, potentially, their reinvestment.

And, you know, that's the game you guys have got to decide. And it's a tough one -- I'm not jealous.

ASSEMBLYMAN RAMOS: I appreciate it.

Any questions?

ASSEMBLYMAN CAPUTO: Mr. Chair?

ASSEMBLYMAN RAMOS: Assemblyman Caputo.

ASSEMBLYMAN CAPUTO: I think your presentation was fantastic.

ASSEMBLYMAN AMODEO: Chairman?

ASSEMBLYMAN RAMOS: Wait, wait -- let Ralph go.

ASSEMBLYMAN CAPUTO: Very fair analysis of the problem that we face.

A question I have for you, because you're so much of an expert on what's going on: The latest regulations coming out of Washington regarding the expansion of Indian casinos and their ability to lease property off of the reservations or, historically, what were reservations. How active is that presently a problem in terms of competition in this region?

MR. RITTVO: And again, I put something in the Catskills, and I think it's really uncertain as to whether it will be a Native American casino in the Catskills or a commercial casino in the Catskills. Some of the stuff is really off-res, you know: the Wisconsin-- We've worked with the Wisconsin Oneida tribe trying to come into the Catskills. I don't think that's going to happen under any set of circumstances. But that's still not to say you won't see something in the Catskills.

We allocated \$500 million to \$600 million of gaming revenue in the Catskills. If there are two casinos, my guess is it could probably be \$750 million -- maybe a commercial and maybe a Native American.

We've had people kick around here -- and I can't even remember-- There was some-- I'm going to say this. I have to use the term-- There was some tribe with uncertainty, I don't want to use adjectives -- that approached us years ago about doing something in New Jersey. It had no legs, it had no viability. I don't perceive you're going to see, in Pennsylvania-- I don't think you're going to see anything Native American in Pennsylvania. Shinnecock, absolutely, is for real. I think they

will end up with something very strong on Long Island. And I think something may exist in the Catskills.

ASSEMBLYMAN CAPUTO: Are we on the same wavelength? I'm talking about the newest change in regulations that gives Indian casinos -- Indian owners -- an opportunity--

ASSEMBLYMAN RAMOS: Tribes.

ASSEMBLYMAN CAPUTO: --tribes to lease property, off of the original property that they may have claimed, to build casinos.

MR. RITTVO: But it still has to have relationships to the tribes, so you're not going to see a tribe from California coming into Pennsylvania.

ASSEMBLYMAN RAMOS: Has to be within the region.

MR. RITTVO: It has to be within the general sense--

ASSEMBLYMAN RAMOS: Within their region.

MR. RITTVO: --of where they are.

ASSEMBLYMAN CAPUTO: But it's still there; it's still--

MR. RITTVO: You know, again, I'm going to say this: I think there are some questions about off-res. There was a Carcieri ruling that said they could not be done in limited locations. It's really not clear on where it is. Some have been allowed short distances from where they are. It has an impact in Native American-- Truly, I don't know that it has an impact on something that would affect Atlantic City. So maybe I'm not understanding you, but I just don't see that as a threat you're facing.

ASSEMBLYMAN CAPUTO: I'll share with you some reports I have at another time.

MR. RITTVO: I would love to. Any knowledge I can gain I'm happy.

ASSEMBLYMAN CAPUTO: But there are some new regulations-- All right, thank you very much.

ASSEMBLYMAN RAMOS: Assemblyman Amodeo.

ASSEMBLYMAN AMODEO: Thank you, Chairman.

Just based on the facts-- And my concerns are -- what needs to happen for the State and what's best for the State is what we're all here for, and that's what we try to accomplish; and we work together. And your points are close to my points, where we're the model. In casinos, nationally, Jersey has always been the model. Our low tax rate, our consolidations of our licenses, and the built-in tourism industry, infrastructure we have already set up, as I said in my opening remarks. The concern that I have most is the fact that -- what do we do, moving forward, by dropping in a casino here where capital investment will be at a minimum. We change the tax rate so there are benefits down the road, but ultimately what do we do for the overall picture in Atlantic City, as we're coming on a rebound -- is what I like to look at -- and coming up into the 21st century with megaresorts -- probably the last one that will ever be built in Atlantic City -- the \$2.3 billion Revel; hoping to see Hard Rock to follow soon, and other major economic development projects. And those to me are the job creators. You can put a casino in the Meadowlands; you're going to put people to work but you're not going to have the economic growth and the job creation that you would with what we stabilized through the years for 34 years.

When you talk about \$17 billion of capital investment and you talk about \$7.1 billion of capital investment in the last 10 years -- that's job growth.

MR. RITTVO: So I'm going to probably agree a little bit with what you're saying and, maybe not totally agree. But I think that, as the Chairman spoke to, the multiplier effect for Atlantic City is greater than the multiplier effect for the Meadowlands. The fact is I need the same labor if I'm going to run a thousand slot machines in Atlantic City or a thousand slot machines in the Meadowlands. So you have more of, what I guess I will call, *indirect economic impact*, particularly where you have hotels. Again, being very honest, some of your facilities, I believe, may be threatened based upon pieces that are happening in Pennsylvania or other places. You may lose some of those jobs, and some replacement may be here. Again, that's a judgment call, but you are right in that the economic multiplier -- the regeneration of jobs and dollars per gaming position is stronger in Atlantic City.

The issue to me, candidly, is if you're losing some of those, do I want to recapture them back here? It's not a zero-sum game; but you know it is really interactive in what goes on. And what you do in the Meadowlands is going to have some impact on Atlantic City. What happens in Atlantic City, a lot of it may be impacted independent of what you do in the Meadowlands.

ASSEMBLYMAN RAMOS: Assemblyman Burzichelli.

ASSEMBLYMAN BURZICHELLI: Yes, please.

Your testimony, I think, is very helpful and informative. I want to add another dimension to our thinking forward, because that's what this Committee is--

MR. RITTVO: Absolutely.

ASSEMBLYMAN BURZICHELLI: We're looking perspective.

We start with the Hanson Report and understand where we were, what we're trying to do; and now we're trying to understand where we're going.

There's another thing on the horizon, because we're talking about the recapturing, intercepting the marketplace. We watch the growth that's going on. Intrastate, internet gaming is on the horizon. How does that factor into the map you've shown us, and what are your thoughts with regards to the demographic as the day player ages, and the new day player comes into retirement, and interest in casinos-- They're coming with a laptop. The day player today, at 72 years old, doesn't have a laptop necessarily. Can you add a comment in that respect?

MR. RITTVO: I'd be happy to.

I want to say I don't think he's 72 years old yet -- the day player -- maybe in some of the less-redeveloped facilities in Atlantic City they are, but the day player is still a little bit younger.

Interesting -- we did a national survey of brick-and-mortar casino players and internet gaming players. We don't see a tremendous overlap; the demographic really is different. The internet player is significantly younger; he is a different style player, for the most part. That internet player is a short-duration, low-value. If the average person who

goes to Atlantic City makes -- pick your number -- 9, 12 visits a year, that internet player probably plays 70 to 80 times a year, but much lower stakes. If the average person in Atlantic City -- and I've lost numbers -- is \$100, \$120 per player, the internet player is maybe \$25 to \$30 a session. Same total value but different disbursements in where they are.

So I don't know that I see internet, per se, cannibalizing in the short-term the brick-and-mortar casinos. I think that the brick-and-mortar casinos need to do something to backfill because otherwise you're going to be looking something like the racetracks. You know, where the population, if not dying off, is going to decline. I think something like Revel did a very nice job in attempting to reach to another lower demographic, and I think you need to be conscious of it. The internet operations that we're working with right now -- and these, again, are free play -- what we're working with, tribes and casinos, drive a little bit of traffic to the brick-and-mortar casinos from internet players. But otherwise it really is a little bit divergent in the population groups. Again, I applaud you guys for looking at the potential of internet gaming implementation.

ASSEMBLYMAN RAMOS: Assemblyman Dancer.

ASSEMBLYMAN DANCER: Thank you.

Steven -- just quickly, there are a lot of speakers here -- but have you at all considered an economic model whereby -- and I'll say hypothetically -- the casino industry and the racing industry, perhaps here at the Meadowlands, were in a partnership; and there would be a distribution of revenues that could be mutually beneficial to both industries? Have you looked at any economic model under that scenario?

MR. RITTVO: We have not looked at it for New Jersey, because that would be a new piece and, to be honest with you, nobody hired me. (laughter) That said, we have seen that model in other states that have been implemented; some happily, some not so happily. And I'm saying that -- where their dollars were carved out from gaming revenues to subsidization for racetrack -- if that's what you're asking for. I have to say in some places it has worked. There's a big battle in Illinois right now. We're working with the governor's office to consider expansion of gaming in Illinois, because the casinos started out not wanting to support subsidizing the racetracks, and now the racetracks are coming in and asking for slot machines to compete with the casinos. I've seen it work, I've seen it not work, I've seen it phased out, I've seen it expanded. In Rhode Island is where it started, and then they ended up closing the support for the tracks. And I've got two major facilities that have a significant number of slot machines right now that were done on the basis of subsidizing the track industry, and there's no longer any track industry. We're working with the operators of Rhode Island right now to get table games passed. It's not clean, I'm sorry. I'd love to give you a black-and-white-- I've seen it--

ASSEMBLYMAN DANCER: Thank you. I know the Chairman wants to move on--

MR. RITTVO: I'm happy to go.

ASSEMBLYMAN DANCER: --and my final comment is, I don't mean subsidies.

MR. RITTVO: I'm sorry.

ASSEMBLYMAN DANCER: I mean financial partnerships.
But--

MR. RITTVO: I have not.

ASSEMBLYMAN DANCER: Thank you; thank you very much.

MR. RITTVO: I'm sorry, I have not, and I'd be happy to talk to you.

ASSEMBLYMAN DANCER: Okay.

ASSEMBLYMAN RAMOS: Thank you very much.

We'll turn the next panel over to Vice Chair Burzichelli -- the horse racing panel.

ASSEMBLYMAN BURZICHELLI: Thank you, Chairman.

Let me get my bearings here.

Jeff Gural, I believe, is going to speak to us next. Jeff, are you here?

J E F F R E Y R. G U R A L: (off mike) Yes.

ASSEMBLYMAN BURZICHELLI: Would you please come forward?

And Tom Luchento is going to come forward; A.J.'s going to come forward.

ASSEMBLYMAN CAPUTO: And A.J. Sabath.

ASSEMBLYMAN BURZICHELLI: A.J. is with us as well.

Let me welcome the three of you. And Mr. Gural, welcome again. I was pleased to be with you the other day for the opening of the OTW in Bayonne. Thank you for the investment. I look forward to hearing from the three of you because horse racing has played a part in this discussion.

So Jeff, would you like to start?

MR. GURAL: Sure, thanks a lot.

I want to thank Chairman Ramos, and good morning to the members of the Assembly Committee.

I'm Jeff Gural, and obviously I welcome you to the Meadowlands. I would like to thank the members of the Committee for their dedication, and hard work, and their efforts to help our industry succeed.

As the owner of the two racinos in upstate New York and now the Meadowlands in New Jersey, I possess a unique perspective on the possibilities and challenges for horse racing and casino gaming at the Meadowlands. I believe, as we mentioned, New York state is on the cusp of legalizing full casinos with table games, and expects to continue generating hundreds of millions of dollars in gaming tax revenue by continuing to attract tens of thousands of convenience gamblers from the Garden State. Other states that border New Jersey see the cards on the table and are also looking to cash in on luring New Jersey convenience gamblers.

The main reason governmental leaders across the Hudson in New York and across the Delaware River in Pennsylvania are doubling down on casinos is to create much-needed jobs and to use the revenue to help defray the cost of vital services for the most vulnerable and needy residents.

While I support the Atlantic City model and totally think they've done the right thing by marketing themselves as a low-tax resort, it should be clear that our intent would be to build a high-tax regional casino similar to those in surrounding states of New York, Pennsylvania, Delaware, and Maryland. It is our opinion that given the Pennsylvania tax rate, we

would generate about \$350 million per year for the State of New Jersey in tax revenue, which is about \$100 million more than all 12 low-tax casinos generate in Atlantic City.

We do not believe we will be competing with Atlantic City for customers because people who want a resort-type atmosphere will continue to go to Atlantic City. Our goal is to compete for customers who go to Yonkers, Aqueduct, Bethlehem, and other Pennsylvania casinos.

I have a 10 percent interest in the Bethlehem casino, so I can tell you about 75 percent of our customers come from New Jersey. So I am competing with myself, in a sense.

We are willing to wait 12 to 18 months to see how Atlantic City does with the benefit of the former \$30 million purse subsidy, with support of New Jersey racing. But we do not believe it is necessary to wait five years to see if Atlantic City can recover. Waiting an additional three years will cost the taxpayers \$1 billion. And the truth is, I would like New York City to pass a law that says no new buildings can be built in New York City. It would help my business, because all the buildings that I own would be worth more if I knew that no one could ever build another new building. (laughter) But that's not the American way and it's just not going to happen. Competition is part of the game and I think that's the reality.

The State should be aware of how difficult it is for those of us on the racing front to compete with the surrounding states in relation to horse racing because our revenue declined sharply in June when the leading drivers left to go elsewhere and to other states. You have to understand: Pennsylvania is giving the horse industry \$260 million for purses. New York is giving the horse industry \$160 million. In New Jersey we get

nothing. That was the deal I made with the Governor; he made it clear we were going to get nothing, and I'm going forward on that basis. But I will tell you it's been harder than I thought it would be. And the last month or two have been a little discouraging, because how can you possibly compete with states that are giving hundreds of millions of dollars in purse money? And here we're getting nothing. It's tough.

The breeding industry here in Jersey has been devastated; there is no breeding industry. I think there are four or five stallions left; there probably were 80 at one point. So if you want to look at the Atlantic City argument about jobs, the reality is that there are thousands and thousands of jobs that are going to disappear because, if I had a crystal ball, I don't believe that I can survive, long term, without a casino here at the Meadowlands unless the State is all of a sudden going to start subsidizing us. And I don't think they will. But I can tell you that if everybody is worried about the jobs in Atlantic City, you better start worrying about the jobs in horse racing, because I cannot survive. I'm going to do my-- I promised the Governor I would give it my best shot; I'm doing that. I've built an \$18 million OTW in Bayonne -- you saw it, it's gorgeous. I'm going to spend \$100 million to build a new grandstand -- it will be gorgeous. But the reality is that I'm competing with these other states and they have a huge amount of purse money to subsidize purses and the best horses. To give you an idea: Tonight, at the Meadowlands racetrack -- the number one harness track in the world -- we have four races with amateur drivers driving. Pathetic. Nothing against the amateur drivers, but you know--

So we're in trouble. It is what it is. I'm going to continue to fight the fight. I think I'll be successful. But the reality is we would provide a huge cash infusion to the New Jersey coffers -- \$350 million a year. That's a lot of money, and that would help a lot of older people. And I think the one thing I learned today listening to this sad tale from Atlantic City: When they threatened to raise the tax rate 2 percent in Atlantic City, from 8 to 10, we heard somebody say how the stock price went down; it was a horrible thing, and they defeated it. They couldn't afford to pay 10 percent. Yet the owner of four of those casinos in Atlantic City opened a casino 70 miles from Atlantic City with a tax rate of 55 percent. In my religion it's called *chutzpah*. (laughter) To sit here and tell anybody that they're going to be affected and that the State of New Jersey shouldn't put a casino here because it's going to affect the poor casino owners in Atlantic City-- I don't want to hurt Atlantic City; they have 35,000 jobs -- very important -- nothing more important than to protect jobs. But, believe me, I own racetracks in New York. I'm going after my own business in Bethlehem; I'm going after Yonkers and Aqueduct; I'm going after a potential casino in the Catskills, Connecticut. I'm not going after their business. I will not-- I have no intention to make this a resort; I have no intention to build a hotel. All I want to do is do what's right for the taxpayers and try to get the money that's currently going elsewhere -- Pennsylvania, New York, Bethlehem -- into the coffers of New Jersey. Three hundred fifty million dollars is a lot, and I find it hard to believe that anyone could seriously think that it's fair to the taxpayers to not take advantage of being able to generate \$350 million. I'm paying 55 percent. That's the world we're in. They have a huge advantage because they have a

47 percent lower tax rate -- which should certainly enable them to get people to drive to Atlantic City by being able to offer better restaurants, better entertainment, better freebies -- all the things. I'm giving them all of the benefits of being able to attract business away from me. So I'm not asking for a 10 percent tax rate or an 8 percent tax rate. I'm a big boy. I'll pay the high tax rate so that they have a good shot to take my customers and get them to drive 130 miles. But, you know, it is what it is.

ASSEMBLYMAN BURZICHELLI: Jeff, if I may -- and Assemblyman Caputo wanted to raise a question as well -- but two points of clarification in what you just said to us -- because we had a recent experience when we did a lot of the legislation. We had, in a bipartisan way, we had put aside money; the casinos had agreed -- the Atlantic City casinos had agreed to allow some of the savings that they were going to realize from the regulatory change to go towards a pool of money that was going to work towards a bridge loan -- not a bridge loan -- bridge purses until some of the stuff sorted itself out. The Governor chose to veto that -- vetoed the minutes of the Racing Commission so that money did not flow to the purses as the Legislature had intended it to flow to. If there were either VLTs here in your new facility -- the new grandstand to be built -- or if there were gambling here -- full-fledged casino which would require the ballot question -- how does the money find its way to the horse side of the equation if this Governor is sitting as the Governor -- who has demonstrated non-support for independent areas of flow of revenue to the horses other than what they generate?

MR. GURAL: Well, I would have to convince the Governor -- and I think I could, because I think he is a reasonable person -- that having

a casino attached to a racetrack drives business to the casino. If you look at my racinos, in the history of my racinos three of the biggest days out of the top 10 in my casino -- in the casino -- are opening day for racing and closing day for racing. So my racing customers, when the racing's over, they'll go in the casino; sometimes maybe their wife will go in the casino and the husband will stay out and play. So I believe that I can convince the Governor -- be it Christie or somebody else -- that we're entitled to something. Now, do I think we need a huge subsidy? And I know Tommy's not going to like what I'm going to say -- I don't. Because you need teachers, you need firemen, you need-- I'm not like the Atlantic City guys. I'm not here to tell you that if the tax rate went up 2 percent I would lose my-- I would slit my wrist. That's (expletive deleted). (laughter) Pure greed. (applause) But I think if we could get-- When I said-- I think if I had a 55 percent tax rate and I had 5 percent for purses and 50 percent to the State, I think we'll do \$700 million. That's what Aqueduct is doing, and that's where I get the \$350 million number. So if I got 5 percent, which is a low number, if we had \$30 million or something like that -- not a \$150 million -- we'd be fine. I'd love to have \$150 million, but I could live with a smaller amount.

ASSEMBLYMAN BURZICHELLI: All right. The Chairman has returned but, Chairman, Ralph had wanted to ask a question after I finish up.

ASSEMBLYMAN CAPUTO: Well, before I begin I can see that you're our kind of guy. (laughter) I didn't want to use that language because I don't want to get in trouble. You can; you're an owner.

But I want to commend you for the investment and your expertise that you've provided to the State of New Jersey. I think it's remarkable in these times that people like yourself have the guts, really, to come in and do something that's unheard of, practically in the history of the State, where we have two industries that have been in jeopardy -- the racing industry and the casino industry. And I think your kind of commonsense approach to business can maybe change some thinking at the top.

You know, the point that John brings up about the subsidies is very important because, as much as I'm for Atlantic City, that was the deciding factor that provided my decision -- based on what Tom Luchento expressed and also John Burzichelli: to support those reforms because we believe that the horse racing industry was going to get that subsidy. I think we have to go back to that point, although you know that you say it wasn't going to happen. I think it's something that was promised and I don't think it was delivered.

The other point is this -- which I think is tremendously significant -- is that you've committed, depending on the amount of money, of course, that could be made at the casino, that you would be willing to pay those taxes. Am I correct?

MR. GURAL: Absolutely.

ASSEMBLYMAN CAPUTO: Fifty-five percent?

MR. GURAL: I'll pay the Pennsylvania tax rate.

ASSEMBLYMAN CAPUTO: I think that's significant, and I think that's a game changer for the State of New Jersey. It's something that has to sink in. It's not just something that's said. Imagine that -- if we were

able to do \$750 million or \$1 billion a year, what that could mean for the State of New Jersey, going forward, in terms of providing those necessary programs.

So Jeff, I'm elated over the fact that you would change the game in that regard. And I think this Committee, regardless of what our provincial positions are, can respect that tremendously. Maybe Atlantic City, at this point, can't afford it. But you know, over the years, over the last 33 years they got a bargain at 8 percent. I mean, I'd like to see how many multimillionaires were made in that industry because of that low tax rate and where that money went -- to other destinations for other investments that could have been used-- You know, how much do you really need? More is more, I understand that, but I think that they're in a disadvantage at this point, but the fact is they're suffering from past behavior.

You're coming in with a whole different approach and I admire you tremendously. Thank you.

MR. GURAL: Thank you.

ASSEMBLYMAN RAMOS: Assemblyman Amodeo.

ASSEMBLYMAN AMODEO: Thank you, Mr. Chairman.

Mr. Gural, as you mentioned about subsidies -- which is a sore spot with me, knowing that our casinos in Atlantic City subsidized probably \$176 million over the past seven, eight years to purse subsidies for the horse racing industry -- which our track, Atlantic City, was always not a part of that program. So if we're going to do things for one track, why wouldn't we do them for all, first off? And it sounds like as a successful businessman -- and it appears that you are -- I have a lot of respect for that, and you believe

in the American way. Why would we still depend on subsidies? Whether it's taxpayer subsidies or private entities, if we have a business model and you're a businessman, wouldn't you look at ways that you could improve your attendance and to reinvigorate the racing market and horse racing itself rather than depending on subsidies to do that? And when the subsidies -- the purse subsidies -- were awarded, that money didn't stay in the state; it travelled with the breeders and the trainers and with the horses that came in from out of state. So we didn't benefit by that.

MR. GURAL: Well, I find it-- I don't want to get into an argument, but no one's more subsidized than Atlantic City. I mean, you have-- The guy who owns four of your casinos is 70 miles away paying 55 percent. How do you justify that? And Atlantic City pays 8 percent, and then in Chester he pays 55 percent. But forget that for a second; I didn't ask for any subsidies. I agreed with the Governor; the Governor made it very clear that we weren't going to get any of the \$30 million. I shook his hand and said, "I'm going forward. I'm going to do the best I can." I really don't think it's a subsidy. What I'm trying to say is if I would do \$700 million without a racetrack next door and \$750 million with a racetrack next door, I think the racetrack should benefit by that extra \$50 million. And I think if you look at Pennsylvania-- If you ask the guys who have racinos, "Do you do better on the days that you race?" they'll tell you, "We do better on the days we race." So I'm not looking for a lot of money. Look, I get it with Atlantic City. I don't want to see 35,000 people-- I don't want to see one person lose their job in Atlantic City.

ASSEMBLYMAN AMODEO: No, I-- You've mentioned that--

MR. GURAL: Believe me, I'm a--

ASSEMBLYMAN AMODEO: I appreciate that.

MR. GURAL: I get it.

ASSEMBLYMAN AMODEO: No, you're a businessman.

MR. GURAL: Yes.

ASSEMBLYMAN AMODEO: There's no question about it.

MR. GURAL: You know -- it is what it is.

ASSEMBLYMAN AMODEO: But where do we go if, just say, the Meadowlands is to benefit by putting a racino or a casino -- whatever it may be -- here? Where are our other tracks?

MR. GURAL: Oh, well, I have a written agreement with the Thoroughbreds that I would share on a 50-50 basis any monies that I get here from a casino. So I have a written agreement with Mr. Drazin that any monies that we get for purses would be shared on a 50-50 basis with the Thoroughbreds. I agree with you; you're right. I think--

ASSEMBLYMAN AMODEO: But you're not saying Atlantic City.

MR. GURAL: Atlantic City-- If they want to race more than-- I don't know the thoroughbred business, you know what I mean? I've never been to the racetrack there; I've been to Monmouth. So that would be up to Drazin to decide, but I would expect that some of it would go to Atlantic City. I don't have a problem with that. But I think that's a fair division -- 50-50 down the middle -- because my guess is you'd be more opposed to casinos coming to Monmouth than you would to up here.

ASSEMBLYMAN AMODEO: Well, sure.

MR. GURAL: So I think if we're going to try to make a dent, it's better to put it 130 miles away. I think we would draw a lot of business

from New York City and away from, hopefully, what's going to Connecticut or Yonkers and Aqueduct. I'm friendly with the owners of both.

ASSEMBLYMAN AMODEO: And just on a final note, Chairman, please: I just want to compliment you for your innovative concept of the new grandstands across the way and the crowd that you want to draw. I think your approach is really good and I think it's going to be a win-win situation up here.

MR. GURAL: I appreciate that.

I just want to add one thing that you should know. The lease here with the football teams is horrendous. (laughter) I'm getting killed every time they have a concert or something in the parking lot -- we get killed. I thought I knew about the football games; but these guys have concerts up the-- And next year they have Bon Jovi -- five days of concerts. I mean, it's real tough to do-- It's hard enough as it is, but people don't want to come here when they have to fight traffic, you know what I mean? I didn't know about all of this. But we're up against it here.

I appreciate your-- And I'm with you. We're in this together. We have a tough economy and jobs are the most important thing for people today. And we have to stick together here.

Thank you.

ASSEMBLYMAN RAMOS: Assemblyman Dancer.

ASSEMBLYMAN DANCER: Thank you, Mr. Chairman. I'll be quick.

But I think that the-- What Mr. Gural said, and to echo the comment from Assemblyman Caputo: I think this is the take-away message of the gaming panel here today -- that this is the game changer. When you

make the comment about having a 55 percent tax on a casino or some type of casino gaming at the Meadowlands versus an 8 percent; and that you are willing to compete in the private sector at 55 percent with Pennsylvania at 55 percent--

MR. GURAL: (Indiscernible) understand on table games, I think they pay 16 percent.

ASSEMBLYMAN DANCER: Okay.

MR. GURAL: But it's-- The main revenue source is slots -- yes.

ASSEMBLYMAN DANCER: I believe that is a game changer. And that was refreshing to hear. Thank you.

MR. GURAL: No problem.

ASSEMBLYMAN RAMOS: Thank you very much.

Tom, okay, you're up. Thank you.

T H O M A S F. L U C H E N T O: Good afternoon, ladies and gentlemen.

I want to thank Chairman Ramos and the members of the Regulatory Oversight and Gaming Committee for holding this hearing so that we may share with you our concerns about the state of racing and gaming in the State of New Jersey.

My name is Tom Luchento, and I am President of the Standardbred Breeders and Owners Association of New Jersey. I represent the drivers, trainers, breeders, owners, and caretakers who compete at the Meadowlands Racetrack and Freehold Raceway, and own tens of thousands of acres of farmland in the Garden State.

Before the Meadowlands opened in 1976, we were a modestly successful industry with pari-mutual racing in Freehold and fair races held

in communities throughout the state. It was the world of Ferris wheels and cotton candy. If we had a good horse we crossed the Hudson to race them at Yonkers and Roosevelt Raceway.

With the opening of the Meadowlands, we flourished. We were a destination for fine food, state-of-the-art facilities, and the premier horses and horsemen in the industry. Stallions and brood mares followed, making New Jersey the nursery to many of the sport's top competitors for more than three decades.

Racing in New Jersey has a history that dates back to the Colonial days, and it remained the only legal form of gambling for a couple of centuries. But the 1970s also brought two forms of competition into play: The first lottery ticket was sold in December 1970 and the first casino opened in Atlantic City in 1978.

Over the last few decades Atlantic City opened a dozen casinos and the State lottery's one drawing a week mushroomed into Pick 3s, Pick 4s, Pick 5s, Pick 6s, Instant Games, Mega Millions, and Powerball. Between them, they sucked away enough of our gamblers to turn the Meadowlands from North America's flagship racetrack for the harness racing industry to a track that is struggling to stay afloat -- thanks largely to the expansion of gaming in racinos -- the name for racetracks with casinos -- in New York, Pennsylvania, and Delaware.

Those of us in racing learned a few things from all this. Any expansion of legal gambling -- even that within our state -- is going to negatively impact us unless we are partners in that gaming. And secondly, our friends in the casinos and lotteries were smart enough to realize that

you need to offer the bettors a lot of different forms of gaming to keep their attention.

All we are asking for is the chance to resurrect horse racing by offering a full menu of gaming options, especially slots and table games, in our facilities.

The horse racing industry needs not promises, but an action plan that will bring gaming to the Meadowlands within the next two years. Without the added revenue from slot machines, all facets of racing in this state are in extreme danger. Farms will be sold and paved over, breeding stock -- stallions and mares -- will leave the state, and the top horsemen will move to states with slot-fueled purses. It's not a threat for the future; that exodus has already started.

The stated reason that we have been told that we do not have slots, while the tracks in surrounding states like Pennsylvania, Delaware, and New York do, is the concern about the economy of Atlantic City. Whatever damage that might result from a racino at the Meadowlands has already been inflicted by the racinos and casinos in those surrounding states.

There is no empirical data to prove the Meadowlands would substantially hurt Atlantic City. All we are suggesting is that betting money needs to be brought back to New Jersey. The Rutgers' study counted license plates, and New Jerseyans have taken their action to those other states rather than make a longer trip to Atlantic City.

There is little reason to think Atlantic City will reclaim those convenience gamblers. The Meadowlands site offers that convenience for millions of gamblers from the northern half of the state who are spending

their entertainment dollars in surrounding states. We do not plan to compete with Atlantic City's destination resort strategy. The Meadowlands racino will be a stand-alone facility like those in the Pennsylvania, Delaware, and New York. By the way, both Pennsylvania and New York now have surpassed Atlantic City in betting. Unlike the casino owners who have, in some instances, invested in the border state casinos, we only serve one master: the State of New Jersey. We want to bring back the cash to New Jersey, save the jobs in our industry, and preserve open space.

The State of New Jersey is missing out on anywhere from \$500 million to a billion a year in income.

Although we wish Atlantic City great success, we do not always believe that those feelings are reciprocated. But really, we are all one New Jersey. Why should anyone's job in South Jersey be valued more than a job in North Jersey?

Contrary to what some have said, racing did not take subsidies from the casinos. It took what was, bluntly, a payoff not to pursue slots. Now that those funds have been withdrawn we have neither the slots nor the funding to support our purse structure. Until we have assurances that we will get slots within the next couple of years -- not start the process in two years -- we will continue to suffer as an industry.

Breeders have a lead time of three years; horsemen follow the money, and we're losing both. Initially it was in slow drips; now the flood gates are opening. We need to be able to ask for patience from the people in our industry not because of an expectation of slots revenue, but with the firm promise that the process is underway, with a goal of implementation within the next two years.

We need a game plan, not just promises.

We're prepared to go to referendum and move this along. The public has already expressed its support. Failure to act on slots at the Meadowlands flies in the face of the position the public has already voiced. It also condemns our industry, a significant one in the State of New Jersey, to its demise, taking with it thousands of jobs and much of the 175,000 acres of equine-related farmland in this state.

We support Assemblyman Caputo's bill, ACR53, which would authorize the establishment of casinos in Bergen County by 2013. we believe the public's opinion should be heard and that the expansion of gaming options, including new forms, be placed before the voters in a referendum. The beneficiaries should include the horse racing industry, with the majority replenishing the State's treasury.

We know this hearing is a fact-finding opportunity for you. We also hope you hear our call to action. We cannot afford the delays that have arisen for partisan and regional concerns. We need to do what is best for all of the citizens of New Jersey.

Thank you.

ASSEMBLYMAN RAMOS: Thank you very much, Mr. Luchento.

Any questions? (no response)

Mr. Sabath -- you're up.

A. J. S A B A T H: Thanks -- I'll be very brief.

My name is A.J. Sabath. I'm with the Advocacy and Management Group, and I represent the Meadowlands Racetrack and the Standardbred Breeders and Owners of New Jersey.

We provided the Committee with some information just for you to make some informed decisions -- one was some high-tech research done on Google maps that just kind of shows you where racinos and casinos are within the five-state region in relationship to New Jersey's borders to Atlantic City and to the Meadowlands.

We also just provided you with some information from those state regulatory agencies that publish tax information from gaming, as well as the gross revenue that's available to the public in those states, for your review as well -- just so you can consider that information when making those decisions.

Just two points of clarification I want to make: one is, the investment for the new grandstand here and the investment for the OTW in Bayonne has been private investment. There have been no public funds at all with regard to that. And Jeff Gural and his partnership have raised the capital funding for that and is continuing to do so.

And I think a thank you is well deserved for members of this panel who have voted on a variety of pieces of legislation over the past two years that have helped create the environment for Jeff Gural to be able to raise the funds, and for both horsemen's groups to support that process.

The final thing is just to follow up on what Tom Luchento said with regard to the term *subsidy*. And I know that that's a word that's thrown around a lot, and I will just kind of echo what Tom Luchento said. Those were not subsidies; those were payments in lieu of VLTs or slots or gaming outside of Atlantic City. And it's no coincidence that we're seeing all this discussion and activity about gaming outside of Atlantic City once the purse subsidies stopped. You know, there was-- Part of that agreement

was we were to not advocate for gaming outside of Atlantic City. So it's just important to note that there was a price that Atlantic City paid, but there was a benefit that they got with regard to preventing their perceived competition from gaming outside of Atlantic City.

So thank you very much.

ASSEMBLYMAN RAMOS: Any questions for Mr. Sabath? (no response)

Okay, thank you very much, gentlemen. I really appreciate your testimony.

Our next speaker is Joseph Irace, Borough President and Councilman; Barbara DeMarco; Maureen Bugdon; Mike Campbell; Dennis Drazin; and Sal Anderton.

Okay, Barbara -- is this all right with you?

B A R B A R A D e M A R C O: You're the best poster holder I've ever had. (laughter)

ASSEMBLYMAN RAMOS: Councilman.

J O S E P H A. I R A C E: Thank you very much.

Chairman Ramos and members of the Assembly Regulatory Oversight and Gaming Committee, thank you for inviting me to speak before you today on this important topic.

I am Oceanport Councilman Joseph Irace. Oceanport, as you know, is home to Monmouth Park racetrack.

When the State of New Jersey voted to allow casino gambling in Atlantic City in 1976 it marked the dawn of a new era wherein, for close to a decade and a half, New Jersey had a de facto monopoly on casino

gambling on the East Coast. That era ended in 1992 with the advent of Foxwoods Resort Casino.

In the years since then we have seen the steady encroachment upon Atlantic City's position as the premier East Coast destination for casino-type gambling. New York, Connecticut, Delaware, West Virginia, Pennsylvania, and Maryland now offer substantial gaming options to the general public. Indeed, as of April of 2012, Pennsylvania's gaming industry was second only to that of Las Vegas. Quite clearly, the landscape has change immeasurably since 1976 and New Jersey's stranglehold on East Coast gaming is no more.

This isn't an Atlantic City gaming industry problem; it is a New Jersey business development and retention problem. Similarly, three decades ago the State of New Jersey was a preeminent player in the horse racing industry -- the Meadowlands, Freehold Raceway, Monmouth Park, Atlantic City Race Course, and Garden State Park; the latter three, called The Golden Triangle of New Jersey racing, all offered top-notch, stakes-level horse racing at quality venues.

As we're all aware, the New Jersey horse racing industry has suffered setbacks over the past few decades, and the root of these setbacks can be traced to the same source as those of which have negatively impacted on Atlantic City. New York, Pennsylvania, Delaware, and West Virginia have all committed to the racino business model and this has placed the State of New Jersey horse racing industry at a decided disadvantage. Again, this isn't a horse racing industry problem; it is a New Jersey business development and retention problem.

For far too long now New Jersey's gaming industries and the New Jersey horse racing industry have circled each other warily as opponents. It is time they have stopped viewing each other as competitors and start viewing themselves as comrades-at-arms with a singular purpose: melding both industries in such a fashion that New Jersey once again becomes the East Coast premier gaming and horse racing destination.

Based on the revenues generated by racinos in the surrounding states and across the nation, the question of whether or not these two industries can co-exist and, indeed, thrive is no longer arguable. Quite simply, if New Jersey's gaming and horse racing industries fail to embrace this new business model both will perish and the State of New Jersey will be lesser for it.

Our elected officials in both industries need to stop thinking parochially and start thinking globally. The infrastructure, manpower, and talent are already in place. We just need the desire and commitment to get this done and get it done sooner rather than later. The State of New Jersey has waited long enough to get its act together. The states that have already embraced the racino business model have demonstrated that what is good for the horse racing industry is good for the gaming industry, and vice versa. More importantly, what is good for those industries is also good for all of the State of New Jersey.

I implore all our legislators to make every effort to convince the two parties that it is imperative they stop competing with each other and start complementing each other in order to recapture the hearts, minds, and loyalty of the consumers. If the gaming and horse racing industries fail to

adopt a new paradigm, neither will survive. And that won't be a gaming or a horse racing problem; that will be a tragedy for the State of New Jersey.

Thank you.

ASSEMBLYMAN RAMOS: Thank you very much, Councilman. I appreciate it.

Any questions for the Councilman?

ASSEMBLYMAN CAPUTO: Just a comment, Mr. Chairman.

ASSEMBLYMAN RAMOS: Assemblyman Caputo.

ASSEMBLYMAN CAPUTO: I constantly hear from Mr. Joe Irace. He e-mails me on every issue. (laughter) I don't know anyone in the State of New Jersey who is more current about all the things, whether people agree or not. You're a tremendous advocate for your position and I want to commend you for your participation.

MR. IRACE: Thank you, Assemblyman; thank you.

ASSEMBLYMAN RAMOS: Thank you very much.

Barbara DeMarco.

MS. DeMARCO: Good afternoon, and to Chairman Ramos and members of the Committee, thank you very much for holding this public hearing.

I am Barbara DeMarco, Prozio Governmental Affairs, and I'm here today with Maureen Bugdon, the President of Atlantic City Race Course. We are here on behalf -- both of us -- of ACRC and its parent company, Greenwood Racing, the owners of ACRC and Vineland's OTW facility, Favorites.

Greenwood Racing also is the *wood* part of Pennwood, a joint venture with Penn National Racing, which operates Freehold Raceway and the Toms River OTW facility, also called Favorites.

Greenwood Racing supports the expansion of gaming in the Meadowlands. It just makes sense as it is impossible for the Meadowlands to compete with the 27 convenience casino/racino locations within three hours of New Jersey's borders. These 27 locations do not include the Atlantic City casinos.

I brought maps that were done for the Hanson Commission public hearings. I have not updated them, but it shows you the difference between what the area looked like in 2000 and what it looks like today. And actually, since 2009 there's the addition of Aqueduct; there's also the addition of the SugarHouse; and I don't even have Maryland, which is just blowing the socks off of any estimate that they had hoped to make as to what they would be capturing in the way of revenue at their new facility.

So you can just see -- it's just a different world than it used to be.

The Meadowlands Racetrack, however, is not unique. Freehold Raceway, Monmouth Park, ACRC suffer from the same competition. In fact, if we're going to go this direction it's really needed at all New Jersey's racetracks. This is especially so because gamers want more than one option. For lack of a better analogy, think of if you went into ice cream parlor and the parlor only offered you vanilla. You're not going to go to that ice cream parlor. You're going to go to the one that offers vanilla, chocolate, strawberry -- you want options. You want choices. And racing,

unfortunately, at least here in New Jersey, offers one type of betting. Patrons want options, and I think that's a very important point to make.

New Jersey's horse racing industry also should not be segmented into haves and have-nots. Essentially, existing racetracks operated by private operators should not be treated differently than former public racetracks now being operated by private operators. The laws, regulations, and policies that apply to the Meadowlands and Monmouth Park should also apply to ACRC and Freehold. New Jersey's horse racing should be treated with an even hand much like you treat the 12 Atlantic City casino operators. They are treated equally; we should be treated as well. Rules that apply to one should apply to all, and benefits and regulations imposed by New Jersey State government should be distributed equitably.

Unfortunately, because of the recent acquisition by private operators of the two public tracks, they have been given benefits that were not afforded to the private tracks, -- that have existed in the state for decades -- such as sales and rebate tax on -- which is sitting on the Governor's desk -- on building materials. Or the potential of having a pilot project where OTWs -- a bar or restaurant would be converted into an OTW. That is strictly for the public -- the former publics that are now private.

As you know, for over a decade I've represented numerous gaming interests. Throughout that time I was often told, "You need to treat the thoroughbreds the same as the standardbreds." In other words, parity between the breeds was good public policy -- no policy should favor one over the other. Similarly, public policy impacting former public racetracks

operated by private entities should be the same for private racetracks operated by private entities.

For the racing and breeding industry in New Jersey to survive -- and that's what this is all about -- we need a holistic approach.

I'd like to turn the testimony over to Maureen Bugdon, who will speak to you about how she has operated ACRC with the benefit of no subsidies from the State, while facing the stiffest competition for the gaming dollar than any racetrack in the state, because she is located within 10 miles of 12 Atlantic City casinos.

Maureen.

M A U R E E N G. B U G D O N: And I would only clarify Mr. Gural's comments, "How have I been able to do that?" It's not (expletive deleted) talking, it's (expletive deleted) talking, when you're sitting in the Meadowlands. (laughter)

Good afternoon. I am Maureen Bugdon. For 11 years I've been the President of Atlantic City Race Course where I've worked since 1986. Additionally, my company owns -- opened and operates, of course -- the state's first off-track wagering facility, Favorites at Vineland.

I believe Atlantic City Race Course can present a unique perspective today because we're the only racetrack in the state falling within that 10-mile radius of the 12 casinos in Atlantic City. No one will dispute the positive effect the Atlantic City casino industry has had on our region's economy and on the State's economy since the 1978 ribbon cutting at Resorts. However, no one will dispute that there was also a cost: Garden State Park, located in Cherry Hill; and certainly to South Jersey's first gambling establishment, Atlantic City Race Course.

The opening of the casinos was the first blow, and the one-two punch of that competition -- the second blow that impacted my track, in particular more recently -- was when simulcast wagering became an offering in the early 1990s at the Atlantic City casinos. While tremendously lucrative for my counterpart racetracks, casino simulcasting rooms had a chokehold on Atlantic City Race Course -- courting our guests who were accustomed to betting the ponies where the ponies play.

South Jersey casino entities, horsemen, and racetracks all acknowledged this predicted impact on our facility and, as such, the Legislature passed the Casino Simulcasting Special Fund to help protect and stabilize Atlantic City Race Course. As originally established, the proceeds of this fund were intended to compensate us for the loss of business attributable to having simulcasting rooms at the casinos. However, with time this money has been diverted from that intended purpose and given to other racing interests throughout the state.

As our business has declined, we have been penalized by lesser and lesser amounts of protection by way of this fund specifically designed to counter that decline. This may have seemed an equitable solution for other entities receiving our intended funding for their own purposes, but without the funds we were promised, Atlantic City Race Course has seen less and less live racing despite our region's desire to see more and to offer more as a complementary tourist attraction to the casinos.

To give you a comparison: In 1977 -- a year before Resorts opened -- Atlantic City Race Course offered its longest season of 108 day and night live racing programs. This year, while very successful, our track

offered a six-day festival of racing along with year-round simulcasting in the first floor of our facility.

Today, as the expansion of gaming to a racetrack is considered as a potential solution to compensate for the negative impact of out-of-state competition for the gaming dollar, I respectfully suggest that this panel strive for equity should casino gaming become a real possibility at any racetrack.

Despite the challenges I've detailed today, Atlantic City Race Course has survived against the odds and done so proudly, although painfully, without any subsidy, handout, supplement, enhancement, payoff -- whatever you may call it. The impact of the expansion of casino gaming should be studied in an inclusive fashion with South Jersey and North Jersey considered, with all racetracks considered, and with the populace of all affected regions in mind.

From Barbara's and my perspective, as we're both residents of Atlantic County, South Jersey very much matters. And its value is not exclusive to the casinos in Atlantic City, despite their tremendous and much appreciated contributions to our local and State economy. While we do not deny the Meadowlands the much-desired boost attainable through the addition of slots or other gaming, we must ask that all tracks be included or, conversely, that an equitable solution be found so that South Jersey's remaining racetrack survives.

Thank you, and I would only add that the comment came up earlier when Mr. Gural spoke about an agreement -- 50-50 between standardbred and thoroughbred. Currently my track is not a party to any agreement that might involve casino gaming and any racetrack.

ASSEMBLYMAN RAMOS: Thank you very much. I appreciate it.

Any questions? (no response)

Okay, next, Mike Campbell.

MICHAEL CAMPBELL: Yes.

Chairman Ramos and members of the Committee, thank you for allowing me to testify in front of you today on this important issue for the residents of New Jersey.

My name is Mike Campbell; I'm the Executive Director of the Thoroughbred Breeders Association of New Jersey. The TBA is responsible for the registration of all the thoroughbred foals born in New Jersey and the distribution of the New Jersey bred incentive program. The incentive program provides monetary awards to the breeders, owners, and stallion owners of registered New Jersey-bred horses. Each time a New Jersey bred finishes first through third in any race run in New Jersey, the breeders receive a monetary award that is distributed by the TBA.

Our incentive awards are funded primarily through the handle which is the money wagered at the racetracks, off-track wagering facilities, through account wagering, and VL simulcasting at the New Jersey casinos. One of the main goals of the TBA is to foster and promote the breeding and ownership of thoroughbred horses in New Jersey. While the organization has done a great job with this since our inception in 1945, it is becoming increasingly difficult to maintain these goals. Increased competition from neighboring states that have been awarded the rights to place video lottery terminals and/or slot machines at the racetracks have caused the breeders and owners of New Jersey-bred horses to look elsewhere. The breeder will

make decisions on where to foal their horses based, in part, on a monetary incentive that each state-bred program has to offer. At the present time, New Jersey is well below our neighboring states in terms of the money provided through our incentive program.

Consider a few of these facts about our neighboring states: New York distributed \$8.6 million in breeders' awards during the year 2011; Pennsylvania distributed \$7.6 million in breeders' awards last year; while New Jersey only distributed \$2.1 million in breeders' awards during 2011. And just to give you a perspective about what a casino or VLT in the racetracks can do for a breeding program, on a point to New York: The New York-bred program received \$1 million in revenue from the first 75 days of operation of the Aqueduct casino. So for the first 75 days they received \$1 million for their program. Our program, throughout the entire year, is only worth \$2 million. They're anticipating that they're going to receive \$7.6 million in revenue for calendar year 2012, which would bring their total incentive awards reaching upwards of \$17 million. So their program is going to go from \$8.6 million to around over \$17 million; and again, ours is stuck at \$2 million. We can't compete with those numbers; it's just impossible.

The maximum award that a New York breeder can receive for a first-place finish because of the money that they receive for their program is \$40,000. The maximum award for a New Jersey-bred that runs in those same type of races is \$5,000. Again, we can't compete; it's impossible. And Mr. Gural talked about the standardbred breeding industry and the amount of foals that were born here. Our program right now is down to the lowest

we've ever had, and that's 130 foals right now. Our program, since 2007, has decreased 68 percent right now.

The New York-bred program was experiencing a steady decline in the number of horses born in their state, with a 25 percent decrease from 2007 to 2011. Since the Aqueduct casino has opened up and people have made plans to go to New York, their fall crop numbers this year are up 46 percent -- that's just in one year.

So here I just want to give you a couple of quotes from people who are participating in the New York-bred program, and who came in from other states and are opening farms. The first quote: "It was all down to the VLTs and the subsequent money for breeders' awards, stallion awards, and the general upturn in the New York market. Business has skyrocketed in New York; it's a bright spot in the whole market in America, and that's why we wanted to get in."

The second quote is, "There's a lot more excitement, a lot more positive feeling for the industry. It has given us a second life."

The third quote -- and this is about a farm that was operational and then due to the downturn in the economy they shut their farm down; there were no horses on it. It was just empty. "We are the poster child of what has happened because of the casino revenue. We had our farm closed due to the poor economy and then put \$750,000 in renovations to bring it up to standard and have it reopen. That would not have happened without casino revenue."

The breeding segment of the racing industry is in agribusiness. We always say that horses are mobile. People who are New Jersey breeders -- they can go to New York, they can go to Pennsylvania. We've had a

member of our association who has bred horses here for the last 25 years, and bred very good horses -- they've competed at the highest levels and won (indiscernible) stakes races. This is the first year in 25 years that he has not foaled a horse in New Jersey. He has gone to New York. That's why we have 130 foals left. That's why our foal crop has declined 68 percent -- because a brood mare owner can put their mare on a van and within three hours they can be in New York, they can be in Pennsylvania. They're not coming back here. Those horses are contributing to the economies of New York and Pennsylvania. They're paying tax revenues to those states.

The equine industry not only involves the farms where the horses are foaled, but many other ancillary businesses such as the feed and the hay supplier, the blacksmiths, the veterinarians, and the tack source. Every horse that leaves New Jersey for New York or Pennsylvania has a direct impact on these businesses.

We've heard the Rutgers-- The equine study that was conducted by Rutgers Equine Science Center, quoted a few times today, showed that the equine industry has a \$1.1 billion annual impact to the State of New Jersey; it accounts for 13,000 jobs; and pays \$160 million annually to Federal, State, and local taxes. The equine industry accounts for 176,000 total acres. These equine-related acres represent about one-fifth of the state's 790,000 acres in agriculture. The further decline of the breeding industry will have a significant negative impact to the total acres in agriculture, and farms will disappear.

Without a stable incentive program the New Jersey breeders will be unable to support their farms. The breeders who are also farm

owners will have no other choice but to sell their farms and leave New Jersey in search of states that offer better monetary incentives.

I would say -- maybe I'm just biased -- but I think the breeders are the most important part of the equine industry. Because without the breeders there are no horses -- whether they are New Jersey-breds, New York-breds, Pennsylvania-breds. The breeders are the ones who own the brood mares; they own the foals when they're born. The owners, a lot of them, aren't interested in breeding. The breeding segment-- It takes, really, four to five years from the time of conception to the time the horse hits the racetrack. That's a long time in the racing industry. Owners are looking for a kind of direct return on their investment. So without the breeders, really, these racetracks wouldn't exist. There would be no places for these horses to run.

Councilman Irace has had a New Jersey-bred horse named after him this year. (laughter) Without the breeders, that horse would have never existed. We don't know how that horse would do at Monmouth Park. We would not have had that opportunity.

So the authorization of video lottery terminals at the racetracks would be one way to provide an additional source of revenue for our incentive program and would, in turn, help to keep the breeding farms operational for years to come.

I thank you for allowing me to testify in front of you today. I'd be happy to answer any questions.

ASSEMBLYMAN RAMOS: Thank you very much.

Any questions? (no response)

Dennis.

D E N N I S A. D R A Z I N, E S Q.: Thank you Chairman Ramos. Thank you to all the Legislators who have given me the opportunity to speak today and for taking your time in order to help the industry.

I guess for those of you who don't know me -- I think most of you do, but -- my name is Dennis Drazin and I have been in the horse racing industry and breeding industry since 1980. I'm the second generation of horse owners that have raced in New Jersey. My father started taking me to the races when I was 8 years old; I fell in love with it and I have, over the years, probably served every type of chair that's in the industry. I've been legal counsel, legislative counsel; I've been President of the Horsemen for two terms; I then served as your Chairman of the Racing Commission. I resigned in December of last year in order to lead the Horsemen's effort to acquire Monmouth Park. And I currently serve as the advisor/consultant for Monmouth Park; and am leading the horseracing industry from the thoroughbred end in New Jersey and working closely with Tom Luchento, and Jeff Gural, and the Administration, and all of the Legislature to try and save the industry.

So I've had an opportunity to talk about this issue for many, many years and I probably started this dialogue with some of you -- and others who are not here today -- in the late 1990s. And I must say to you, the time for action is now. We've been advocating changes since the late 1990s; we've been coming up with gimmicks to try and put this debate off. But all of you are working very hard, but no one is really doing anything constructive.

What's happened is that over the years I would say that the majority of the legislators, both in the Senate and the Assembly, have been

in favor of exploring a casino at the Meadowlands. Yet we've never been able to really have this dialogue beyond talk, because leadership in one house or the other has not been in favor of posting a bill that would let anybody deal with it. So there have been many years when the Senate was willing to move this issue and we couldn't get it posted in the Assembly. And now it appears, to me at least, that the Assembly wants to take up the challenge and Senate President -- with all due respect -- Sweeney is not willing to post it in the Senate.

The Governor and Senate President Sweeney have set a timetable of the opportunity we have to give to Atlantic City in order to prove themselves, or recover or establish themselves. And I firmly support Atlantic City. I don't want to see them lose one dime. I want them to succeed. I want to do everything possible for Atlantic City. And I'm not one of these guys who comes before you and says, "Racing means everything." I recognize that the State has a lot more important things to focus on than just racing. And they must put those things first. But what's happening is, every time we come and collectively talk about issues, you don't put yourself in a position where you can deal with the issues. So years ago when we first saw the threat on the horizon of the casinos in other states hurting Atlantic City-- And I'm not talking about horseracing now; I'm talking about Atlantic City -- something that you gave a monopoly to, that you want to see succeed. I'm talking about the taxpayers of the State of New Jersey. I'm talking what's good for every citizen in the State of New Jersey. You saw this coming, and we came to you as an industry to try and give you an opportunity to prevent it.

And what did we say to you then? We said, “Let’s have a trigger bill. Let’s have a bill that goes through the legal process that we have to adhere to in New Jersey -- a constitutional referendum. Let’s put a trigger bill in there that says when those machines start pumping money on our borders, let you have the power to do something about it. Let the Legislature have the power. Let the Governor have the power. Let whoever you say is entitled to that power have the power, but give yourselves the power to protect your citizens.” And nobody did anything. They didn’t want to move the issue.

And now I say to you, “Do the same thing. Give yourself the power. Empower yourselves, empower the Governor. Move tomorrow. Don’t wait for three years or five years to wait and see what happens in Atlantic City. And don’t hurt Atlantic City. Don’t say to the voters now, or don’t say to us now, “We’re definitely giving this to you tomorrow.” But give yourselves the power to put this on the ballot; to move forward with the agenda so that you yourselves or the Governor at the time can say, “Now we’re going forward immediately.” We’re not going to start a process that could take two entire years of referendums before you have the power to even have legislation that the voters can then move forward. Give yourselves the opportunity to deal with this now.

Mr. Gural, who I respect a lot, may be content to wait and honor his word with the Governor. And I certainly think we should give the Governor, and the Legislature, and Senate President Sweeney the time that they need. But we can’t afford to drag this time out to a point where you go five years and then first start the process, and you’re three or four years down the road. You need to do this now. You need to permit the

dialogue. You need to empower yourselves, empower the Governor to do something.

So what I'm asking you to do is-- I don't want to talk about dividing monies between racetracks; I want to talk about the citizens of New Jersey. I want you to protect your citizens. I want you to protect Atlantic City. But give yourself the power to put yourself in a position to do this. Now we've talked for many years about how we go about doing this. And I respect Mr. Gural to come to you, and as Assemblyman Dancer said, "Hey, guys, this is a game changer." He's saying 55 percent -- no more 8 percent tax. He wants to give you enough money to give the taxpayers \$350 million a year; a billion dollars over a three-year period that you can use for all the causes that you need. We, for years, have talked about a policy, because when you first started talking to the casinos -- I'm going back 10 years now -- the concept was: Let the casinos have the racetrack space. Let them come in for a dollar. Let them lease the space. Let them come in and let's work out a formula for sharing. Now, over the years it was: Take every casino that wants part of this action; let them form a consortium; let them come up to the Meadowlands because we always thought it would be more amenable to do it just at the Meadowlands instead of every racetrack.

But what we said at that time was: Give the State of New Jersey 25 percent; give the Sports Authority 25 percent -- which was, in effect, the State's -- they're getting 50 percent; give the casinos 25 percent; give the racing industry the rest of the money to divide amongst everybody, not just the horsemen for purses, but the operators so they can put on the show and keep the plant going.

Well, what we said at that time was, “Share the money. Let the casinos come up so that they don’t lose anything. Give them another venue.” But nothing happened. So what will happen instead? The casinos in Atlantic City, who you let--

ASSEMBLYMAN RAMOS: Mr. Drazin, could you just-- I’m sorry. Could you just wrap up a little bit? Thank you.

MR. DRAZIN: Sure.

The casinos that you are letting pay the lower percent went in and invested in the other states. They’re competing with themselves. We commissioned the Christiansen study. The Christiansen study analyzed all this; you’re talking about \$750 million to \$1 billion a year in revenues that the State of New Jersey is losing by not opening a casino at the Meadowlands. And what you need to do is capture that money here in New Jersey. The Christiansen study said, “This is going to hurt Atlantic City by 2 percent.” It’s minimal. But I’ll tell you: No one in North Jersey is going to Atlantic City to do gaming. They’re going to New York, they’re going to Pennsylvania, and I could keep going forever but I’ll wrap up now.
(laughter)

ASSEMBLYMAN RAMOS: Thank you very much. We appreciate it.

Any questions?

ASSEMBLYMAN CAPUTO: Just-- I want to just add something.

ASSEMBLYMAN RAMOS: Assemblyman Caputo.

ASSEMBLYMAN BURZICHELLI: I do, too.

ASSEMBLYMAN RAMOS: Assemblyman Burzichelli.

ASSEMBLYMAN CAPUTO: First of all, I want to thank you, Mr. Drazin. I know you were very anxious when we talked that you were going to be able testify today.

And I agree with you 100 percent. I think that something should be done immediately. There's no question about the renaissance we need in Atlantic City, but this is the moment of truth. This, as we said, is a game changer. We've got to do something relative to this problem. And your testimony is well taken.

We're going to get a copy of that Christiansen report. How old is it, anyway? How old is that report?

MR. DRAZIN: Three or four years ago.

ASSEMBLYMAN CAPUTO: Okay. Was it blessed?

MR. DRAZIN: It was blessed. (laughter)

ASSEMBLYMAN CAPUTO: Okay.

And Barbara, you know, I wore those charts out.

MS. DeMARCO: I know you did.

ASSEMBLYMAN CAPUTO: I did return them. Are they in good shape?

MS. DeMARCO: They're in good shape, and thank you.

ASSEMBLYMAN CAPUTO: I appreciate your comments. Thank you.

ASSEMBLYMAN RAMOS: Assemblyman Burzichelli.

ASSEMBLYMAN BURZICHELLI: Thank you, Chairman.

Just briefly. Dennis, thank you; and to the whole panel, thank you for your passion in keeping this discussion moving and for your focus on this industry, which I think has an important place in our landscape.

And just a general question: We did a lot of work, at your request, with regards to how wagers could be placed at tracks, different pari-mutual approaches. Has any of that been enacted?

MR. DRAZIN: We have exchange wagering, which was passed, which is awaiting the regulatory process. We need to move forward with that now because exchange wagering is a possible money changer for our industry. We now have the opportunity, if anyone takes it up besides Monmouth Park, to do sports betting. We need to see where we go with the Federal government on that. But that could be a game changer for us also.

And we need to build out these OTWs. Everybody needs to get onboard, build them out. You gave us that ability years ago, and it's been sitting 10 years -- no one's done their job. So we need to move forward on those things.

ASSEMBLYMAN BURZICHELLI: Mr. Gural just did his part and he has more available to build.

And on the exchange wagering -- and I don't want to belabor the point, other people are waiting to speak -- what is the hold up on the regulatory process for that? Is there a resistance to delivering those regulations so you can engage that?

MR. DRAZIN: The Racing Commission has a number of things that have been prioritized -- so they needed to get Mr. Gural's license taken care of; they needed to deal with the Monmouth Park license. They're now looking at the sports wagering regs, together with the gaming enforcement. They need to focus on exchange wagering now because the

industry's ready to do it. And hopefully we can go forward with that in the near future.

ASSEMBLYMAN BURZICHELLI: We're interested in that as well because, collectively, based on how it's presented to the Legislature, exchange wagering was something that--

MS. DeMARCO: No, you were a great help to the horsemen--

ASSEMBLYMAN BURZICHELLI: And you thought it could generate some new excitement independent of what we're talking about.

MS. DeMARCO: I can tell you I have had discussions in the past with the Governor's Office on this. California was supposed to opt in first; they were the first to legalize, they were to opt in and get it done. And they were, truthfully, waiting to see what California would do. And then California, with some resistance from different factions in the horseracing industry, did not implement. And that-- I think they would have been more comfortable if California was first and they were second. And now they have to look at it as being first.

ASSEMBLYMAN BURZICHELLI: I don't mind being first. And I'll close with this one, Chair: I don't think the legislative intent mentioned California.

MS. DeMARCO: I don't think so either.

ASSEMBLYMAN BURZICHELLI: We need the Governor's Office on the regulatory side to get moving. So please keep us informed of that, as well, as we take up this other issue.

MS. DeMARCO: Absolutely.

ASSEMBLYMAN BURZICHELLI: Thank you.

ASSEMBLYMAN RAMOS: Thank you.

Any more questions? (no response)

Okay, thank you very much, guys. We appreciate your testimony.

MR. DRAZIN: Thank you for your time.

ASSEMBLYMAN RAMOS: Thank you.

Next we have Jim Kirkos, Ron Simoncini, Rick Dabagian, Richard Branca.

J I M K I R K O S: We lost a few. There is only going to be two of us.

ASSEMBLYMAN RAMOS: Rick and Richard aren't here?

MR. KIRKOS: Correct.

ASSEMBLYMAN RAMOS: Okay, so I will now call up Tom Peters.

Tom -- Fedway Associates. No? Tom Peters? (no response)

Randy Bobe Jr. B-O-B-E. You want to come up?

And Denis Sullivan.

Okay, so, Jim.

MR. KIRKOS: Okay.

Chairman Ramos, thank you -- you and your Committee. Hopefully you're not too weary to hear some comments. I'll keep my comments brief.

My name is Jim Kirkos, and on behalf of a little bit over 1,200 business members located in the greater Meadowlands region I would like to thank you for giving me the opportunity to address you today.

The fact that this hearing is taking place is helping to restore our confidence that the Legislature is looking at the issue of gaming in New Jersey with a new and broad perspective -- one that assimilates what

businesses do when confronting fiscal issues that affect their stakeholders. In this particular case, the stakeholders are New Jersey taxpayers that are residents and business owners.

As you already know, our organization, the Meadowlands Regional Chamber, operates the Meadowlands Liberty Convention and Visitors Bureau and is a strong advocate for businesses, especially when it comes to building and sustaining a regional economy. We're on record supporting the continued operations of the horse racing industry, and a year ago we unveiled a concept vision for the Meadowlands Sports and Entertainment Complex that restores the greatness this complex once enjoyed.

As we look into the future we can see a multi-venue sports and entertainment complex that has a wide diversity of entertainment product which powers a destination-related economy for the next 30 years, similar to where this facility did back in the 1970s: spectacular stadium that lures major events, American Dream that attracts visitors domestically and internationally, an IZOD Center filled with family shows and, more importantly, a re-energized new Meadowlands racetrack that can compete with the purses and gaming facilities that all of the states that border us have. And we would add future venues that could round out the product mix that appeal to both young and old every day of the year. That vision creates jobs and sustains a regional economy for many years in the future.

To the business community here in the Meadowlands, today's hearing is really about the future. Members always ask me, "Is there a plan to grow and sustain our economy? Will we leverage our assets to take advantage of every opportunity that comes our way? Or will politics

impede our path so we won't implement the plan that creates a win-win scenario for all of New Jersey?" We have watched closely this discussion over the past few years, and we are happy that more people -- especially you, the Legislature -- are talking about it with a greater sense of urgency. We are concerned, however, that the discussions of gaming in New Jersey quickly becomes that north-south divide. The fact is, as you know, this is a New Jersey issue, and not engaging the discussion in every way today enables us to put foolish policies in place in the future.

We are on record supporting the Christie Administration's plan to reinvent Atlantic City so that it truly becomes a destination resort. I believe we all know that the growth of slot and casino facility operations for New Jersey residents by competing entities in New York, Pennsylvania, Connecticut has forever changed the convenience gaming market. Atlantic City most certainly can achieve its goal of becoming that great family shore destination; however, it may never win back the convenience day tripper from North Jersey because of that competition already in place. So the question becomes, "What will New Jersey do to keep from losing those gaming dollars from going out of state?"

When the Governor announced his Administration's plans to remake Atlantic City through the Hanson Commission, he also stated the simple fact that there was no political will in New Jersey to engage in discussion with the Legislature about a constitutional amendment expanding gaming. At that time, and perhaps even today, he's right. So as I previously said, the fact that this hearing is taking place today gives the business community some hope that our Legislature may be willing to discuss plans that see the luster and vibrancy restored to Atlantic City,

while we plan on energizing other destinations in New Jersey -- like right here in the Meadowlands.

The Legislature should be having this discussion now, and recognize that waiting too long presents the real opportunity of severe consequences to New Jersey's overall gaming revenue picture -- because the competition from our neighbors is not even close to subsiding.

I don't have to tell you how long it takes to move such issues here in New Jersey. So I ask you today to sit with your colleagues from all over this great State and engage this opportunity in a way that ensures success for everyone. That opportunity is right in front of us at this very moment.

We must remove the politics from the discussion and allow New Jersey to rebuild its place in the gaming industry while we capture the positive revenue impact that a new policy could provide.

Thank you for giving me the opportunity, and my organization, for making comments here today. I will be happy to answer any questions at the conclusion.

ASSEMBLYMAN RAMOS: Thank you very much.

Any questions? (no response)

Thank you.

Ron.

R O N S I M O N C I N I: Assemblyman Ramos -- how are you? Thanks for having us today.

ASSEMBLYMAN RAMOS: I think you need one of the microphones, Ron.

MR. SIMONCINI: This one's not working?

ASSEMBLYMAN RAMOS: That's just to record for the--

MR. SIMONCINI: I see.

Thanks again for having us here today.

I heard the first few speakers here this morning and this afternoon and I had to leave the room. And the reason is because this is all about time. And this conversation that we've heard most of the day from most of the people that were here -- Jim and myself have seen it at similar hearings and events for three or four years now. And that was the commencement, really, of the discussion about casino gaming in the Meadowlands, which was probably 5 or 10 years too late at that point.

And so I left because I had-- I said to myself, "I have to think of something to say that's different. I have to be-- I have to find a way, if that's what this hearing is about, to move the conversation forward." What do you say to move the conversation forward when the essential components of the conversation are the same as they were three years ago, and there are another 15,000 slot machines in Pennsylvania since then? What do you say?

And it's a very frustrating thing. I've been coming here for 28 years. I worked here under George Zoffinger. I work here now because the Convention and Visitors Bureau represents the Meadowlands interests. And I've had a heck of a lot of fun here, and I know how much this place means to people who live around here, not just in terms of jobs but it's a point of civic pride. It's a place we come to have fun; it's a place we want to have relevance at. And so when somebody like me feels like the thing's just going down the drain and it's not going to make it; when I feel like we missed the boat too many times -- despite my respect for you guys and for

the people in the audience who I have worked on this with in a collegial way for all these years -- I have to leave the room and think about it.

And what I came across, looking out over the new construction project that Jeff Gural is doing is: This is about time. This is about time, where you have to look at the opening day of a casino and work back. Because what we are essentially saying here is that our presumption is there will be a casino on the site. We all think, "This is a natural site. There's going to be a casino here. Of course there will be. It's the best gaming site in the Northeast. Why would there not be a casino here?" And yet, 11 casinos opened in Pennsylvania and New York since we started talking about it.

And so is our presumption correct that there is going to be a casino here? Is it right that we have the time? Is it right for us to say, "Don't ever worry about it; whenever we want to have a casino here, you know what, we can have one because we have the best site." I wonder, did we freeze-dry the location? Is that what we did? We made it so the location is immune to anything that happens anywhere else so whenever we get around to it we get to build a casino?

Now, I don't want to be disrespectful to politics here and the other issues that are going on around timing, because certainly we all live that every day. And the last thing that I'm saying is, "I'm Ron Simoncini, and I know right now, darn it, that this is the moment to start." I don't know that; that's beyond my pay grade, that's beyond Jimmy's, that's beyond, probably-- That's the sum of the community's initiative that creates that moment. But I'll tell you this: We're not ready. I'll tell you

this: If we all in this room could say right now, "Start the casino today," we're not ready.

So we have to go from the moment the casino opens and go backward to how long it takes. Well, it took me four months to replace my garage door, so I know it's going to take two or three years to build a casino. That's two or three years. I know it's going to take a year to do the planning and programming once I actually say I want one.

We saw what is happening with American Dream. It's going to take them a year to figure out their permitting on a building that's already built. So that's three to four years. Now I have to go back another year for a constitutional amendment -- so that's four or five years. So right now, even if all of us could do it, we're four or five years from me getting to pick up some dice finally and throw them.

What that means to me is the conversation here should be about: Let's have somebody who puts the plan in place on a contingency basis. Let's contingently understand what is the exact right product. Do we know it? We don't. We are a bunch of guys going, "Well, it's a regional thing, it's a convenience betting thing. It pays 55 percent taxes," but do we know what it looks like? Do we have a drawing? Do we have a site plan? Do we understand what the money is going to be? Do we have a group of people who want to do it, who we could say to in a week, "Okay, give us the final number." We've got none of that, and none of the politics and none of the other issues that I have heard today prevent us from having a contingency plan about what we want here, when we can finally stomach it -- which we don't know when it is, I grant you that. I'm not pushing to say,

“You guys should have this done already,” because we know the complexity of the issues here. We know we can’t think that way.

But we can think smart like business people and say, “Darn it, shame on us for not at least having a contingency plan so when the moment is upon us, we can act and we can save the year it’s going to take for that plan to emerge.”

So I want to thank you very much for having us here and I apologize for my passion about the issue. But it does seem to me that even though we have to recognize the time it’s going to take, we ought to reduce it to the degree that we can.

ASSEMBLYMAN RAMOS: Thank you very much, Ron. I appreciate it.

Any questions for Mr. Simoncini?

ASSEMBLYMAN CAPUTO: Just a comment.

Why don’t you run for the Assembly so you can help me?
(laughter) We’ve been working on this a long time. And obviously--

MR. SIMONCINI: I can’t afford the pay cut, Assemblyman.
(laughter)

ASSEMBLYMAN RAMOS: There you go.

ASSEMBLYMAN CAPUTO: I agree with you. It’s a lot more profitable to own a casino than to try to get one.

ASSEMBLYMAN RAMOS: Thank you, Assemblyman.
We’re going to add Lou De Marino to the panel -- if he could come up.

Our next speaker is Tom Peters -- is he here?

Randy -- I’m sorry, Randy.

RANDY BOBE JR.: Hello, my name is Randy Bobe. I'm a second generation owner of our food company that's 12 miles outside of Atlantic City. And I've sat here most of the day and listened to a lot of the politics and the taxes. And frankly, I wanted to be here today because, not for any of that, but I'm just concerned as a business owner and looking at what the rest of the effects do to Atlantic City and all the other businesses that are involved in the casinos -- what it does to them.

Over the last 10 years we've already seen business go down. We went from 50-some employees down to about 20 -- 19, 20 now. There were five food service companies 10 years; now we're the only one. And a lot of that's competition in the business and in Pennsylvania.

So I guess I wanted to put a different aspect on it for you guys to look at it: It's not just tax dollars. There is more behind it, as the employees that we have go out shopping and eat and live, as well. So, I mean, I think we're just as passionate about that part of it as the casino itself. Everything around there has been built around that over the last 30 years. So that's probably our biggest concern down there.

ASSEMBLYMAN RAMOS: I appreciate it.

Any questions for Randy? (no response)

Who's next? Denis Sullivan?

Thank you, Randy; I appreciate it.

DENIS B. SULLIVAN: Chairman Ramos, members of the Committee, good afternoon.

My name is Denis Sullivan. I'm a third generation union carpenter and a trustee for the Bergen County Building Trades. We represent over 50,000 unionized craftsmen here in North Jersey --

ironworkers, pipefitters, plumbers, electricians, painters, bricklayers -- every trade you can think of. I've been asked by the Building Trades President, Rick Sabato, to address this Committee on his behalf.

I'm honored to address you today on this important issue of expanded gaming casino opportunities and the potential construction employment it will create for our members.

Our country and our State have been faced with a continued economic downturn that has drastically impacted the economic viability of our members and our industry. Any work opportunities generated by development at the Meadowlands, specifically in the construction industry, are major economic multipliers that not only support construction workers, but a whole host of independent jobs as well.

Every construction worker owns thousands of dollars worth of tools and goes through hundreds of dollars worth of work clothes every year -- work boots, etc. -- when he's working. We all try to buy local, and we all try to buy made in the U.S.A. whenever possible.

New Jersey's overall unemployment rate still hovers over 9 percent. Leading experts place the construction industry rate at twice that amount. A job growth strategy geared towards providing the biggest bang for the buck is a necessity to curb these figures.

I believe that investment in the gaming construction will accomplish this. We need only to look across our borders to our neighbors New York and Pennsylvania to see the jobs that have been created and the steady, reliable revenue stream that now exists resulting from their investments in gaming.

At our weekly building trades meeting we discuss every type of construction you can think of -- from a \$40,000 bathroom renovation at a school in Bergenfield to multimillion dollar high rises in Fort Lee. Any construction project that comes up on the radar screen is fair game for us. We speak with local councilmen and mayors, county officials, State-level elected officials, right up to United States' Congressmen and Senators. Every day we speak to our brother and sister members, and monthly we address hundreds of our members at our local union meetings. Collectively and loudly they all have the same question: What is New Jersey waiting for? Why aren't we building now?

Every day, every week, New Jersey dollars and jobs are leaving our state. The longer we wait, the more dollars are lost. I'm at a loss to explain this to my members. To us here in the trades, this is a no-brainer. Let's get with the times and take advantage of this opportunity. New Jersey was farsighted back in 1970s to invest in the Meadowlands by creating the racetrack, the stadium, and the arena. Love or hate it, the upcoming American Dream project will also prove to be a sound investment. By the way, we love it.

New Jersey needs to come full circle and complete the picture. The benefits will be immediate and far-reaching. A Meadowlands casino needs to become a reality now. Any plan for gaming expansion in New Jersey, the jobs it will bring, the revenue it will create, needs to be given some serious consideration.

I sincerely hope that the members of the Legislature will look beyond parochial and political interests to get New Jersey working again.

My members -- your constituents -- and the State of New Jersey will be watching.

Thank you for this invitation, and I'd be happy to take any questions.

ASSEMBLYMAN RAMOS: Any questions for Mr. Sullivan?
(no response)

Thank you very much, gentlemen. We really appreciate your testimony today. Thank you for taking the time out of your busy day as well.

I'm sorry -- Lou. Last minute addition: Lou De Marino. I apologize.

L O U I S D e M A R I N O: Thank you, Chairman Ramos and the members of the Committee

My name is Lou De Marino; I'm the Senior Vice President of Marketing for Allied Beverage Group, New Jersey's largest distributor of wine and spirits. I truly appreciate the opportunity to come here today on behalf of Allied Beverage and discuss the significance of Atlantic City gaming to our industry and our company.

As a brief background, our headquarters for Allied, a statewide business, is located less than a mile from here on Washington Avenue in Carlstadt. We are family-owned and operated since 1934, with 850 employees throughout the state. About two-thirds of our employees are unionized and nearly half of the members of our workforce have been with us for more than 20 years.

The Atlantic City casinos and other related entities are a significant part of our business, and the business of our competitor

distributors, as many other associated businesses are involved in our industry also.

Every year the casino hotel industry purchases millions of dollars of wines and spirits from my company. I feel that the Atlantic City casinos are at a crossroad, and it is my hope that they move in the direction of implementing the various reforms that the Legislature and Governor enacted a few years ago -- that it will work towards improving customer base.

In the next few years it will be determined what direction the gaming industry in Atlantic City will take for generations for come. Atlantic City supports over 100,000 jobs statewide and their stability is paramount to the economy of New Jersey, and the health and well being of my business and our employees.

At this time we remain hopeful that -- the rejuvenation of the Meadowlands complex as the economy of our State recovers. Perhaps at a point in time, casino gaming at the racetrack could be introduced without significant detriment to the Atlantic City casino industry. But that time has not arrived yet.

I appreciate the opportunity to address you and I thank you.

ASSEMBLYMAN RAMOS: Thank you, Mr. De Marino. I appreciate your testimony.

Any questions for the panel? (no response)

Okay, thank you very much, gentlemen. I appreciate your time today.

Andrew Arrieta and Josh Gold; Nick Amato and Michael Pollock.

We'll start with Andrew first.

UNIDENTIFIED MEMBER OF PANEL: Not here.

ASSEMBLYMAN RAMOS: Not here? Andrew's not here?

Okay. Josh?

JOSHUA GOLD: Yes.

ASSEMBLYMAN RAMOS: Josh.

MR. GOLD: Good afternoon, Chairman Ramos and the members of the Committee. I wanted to thank you first for taking the time to have this important discussion around the future of gaming at the Meadowlands.

It's a subject that deserves serious conversation, and we hope to play a constructive role in this dialogue, moving forward.

My name is Josh Gold and I am the Political Director for the Hotel Trades Council. We represent 35,000 hospitality workers in New Jersey and New York, including over 2,000 workers at 24 hotels in the surrounding communities.

Our members have the best hotel contract in the world. They make solid, middle class wages; have full healthcare coverage; retirement security; and are engaged citizens who build strong communities.

We've talked a lot today about job creation, and let me be clear: A casino here will create lots of jobs. We know this because we represent the workers at the new Aqueduct casino in Queens -- 1,500 workers and counting. But let me also be clear: Absent the firm guiding regulation and leadership of the State, the gaming industry will pay workers low wages, provide little or no health care, and little or no retirement benefits. Workers will go home from bad jobs with little to give back to

their communities; workers will need healthcare coverage and retirement support for themselves and their families. State and local government will be left to pick up the tab and residents will suffer.

Expanding the gaming industry is a major undertaking. Elected officials must be careful to protect our taxpayer dollars and to protect our economy. New Jersey must make it clear what kind of jobs it wants: good paying jobs where workers have healthcare coverage, retirement security, and the right to organize a union.

One of the most important ways to do so is to require labor peace agreements for any gaming facility in which the State has an interest. Labor peace agreements safeguard the State from strikes and work stoppages which can damage the industry and undermine the taxpayer's interests. Labor peace agreements ensure that employers have the conversation about jobs before the State lets them in the door. We believe that without labor peace agreements, expanding gaming in the State may do far more harm than good. And we strongly encourage you all not to consider any proposals that do not include labor peace.

Thank you.

ASSEMBLYMAN RAMOS: Thank you very much.

Any questions for Mr. Gold? (no response)

Thank you very much; thank you very much, Josh.

Nick Amato? Nick?

NICHOLAS R. AMATO, ESQ.: Good afternoon, Chairman Ramos and members of the Committee. And thank you for inviting me.

My name is Nicholas Amato and I'm happy to share-- Is this still on? (referring to PA microphone) I guess somebody didn't want to hear what I had to say. (laughter)

ASSEMBLYMAN BURZICHELLI: You'll just have to talk louder, Nick.

ASSEMBLYMAN RAMOS: They all went out?

MR. AMATO: I'm happy to share my insights--

ASSEMBLYMAN RAMOS: You're still being recorded for the record.

MR. AMATO: --that I've gathered from my experience as a county executive, as the Executive Director of Casino Reinvestment Development Authority, as the former President of the Jersey Casino Association, as a former executive with Trump Hotels and Casino resorts, and as a former general counsel and executive with Resorts International. I also come before you as a former standardbred breeder and owner.

I am of counsel at the law firm of Genova, Burns, Giantomasi, and Webster, and Director of the Casino and Resort Redevelopment Practice Group. I currently hold a New Jersey Casino Key Employee License and I've been licensed in several other jurisdictions. Those licenses are inactive.

I'm here today offering my thoughts to the discussion regarding the future of Atlantic City casino industry, and whether there is a future and a time frame for gaming at the Meadowlands. What you're doing today is very important and I commend you for your efforts.

Having spent a good deal of time in Atlantic City as a gaming executive, and as chief spokesman for the casino industry, and as the

Executive Director of the CRDA, I have seen first-hand how conflicting and competing goals, interests, and objectives have undercut Atlantic City's ability to thrive and prosper. These interests, as legitimate as they may be, regularly hinder the smallest changes in Atlantic City. Case in point: In an effort to address the traffic problems and congestion in Atlantic City, three Governors promised they would make and deliver making Pacific Avenue one-way. It never happened. These stalemates result in a hesitancy by investors who seem convinced that there are better places to invest their money.

Atlantic City is threatened by competition in neighboring jurisdictions like New York, Connecticut, Pennsylvania, Maryland, and Delaware. But we must be honest with ourselves. The attractiveness of those other jurisdictions is amplified tremendously by the sense that Atlantic City, up until four years ago, just wasn't a kind of place where a casino operator wanted to invest his money. Indeed, today we sit 100 miles from the Pennsylvania casinos, places where hundreds of millions of dollars have been invested for the ability to conduct gaming and the privilege of paying a casino tax of 55 percent on gross slot revenues and a 16 percent tax on table games. This is on top of a hefty licensing fee.

Pennsylvania's gaming tax is significantly higher than New Jersey's 8 percent plus 1.25 percent casino reinvestment tax. Our tax policies can't get much more favorable for casino operators than they already are. And despite that, investors are flocking to other states. It should be noted, however, that those jurisdictions that have a hefty tax rate see less capital investment and create fewer jobs.

The Atlantic City casino industry, once thought vibrant and viable, has witnessed declining revenues and an uncertain economic future for the past five years. And now it not only faces a challenge of internal competition, but it also faces the competition from places like Bethlehem, Pennsylvania; on the riverfront in Philadelphia; and the Poconos, which continue to draw customers from throughout the region it once totally dominated.

To go after the competition, Pennsylvania will soon award its last casino license. Pennsylvania opened the first casino in 2006, and in 2011 eclipsed Atlantic City as the number two gaming jurisdiction in the U.S., second only to Nevada, with more than \$3 billion in revenues as compared to \$2.95 billion in revenues for Atlantic City. The Pennsylvania revenues represent a 21.6 percent increase over 2010, while New Jersey's earnings have represented a 7 percent decline -- the fifth straight year of declining revenues, although the month of December 2011 saw Atlantic City's first year increase in 40 months.

The Cordish Companies recently opened Maryland Live! -- a 330,000-square-foot, 4,750-slot casino parlor in Hanover, Maryland. The Delaware legislature recently passed an internet gaming or online casino bill. The signing of the bill into law by the governor is expected to be a mere formality. This legislation allows the Delaware lottery to operate online slots and table games, including poker, via websites branded, marketed, and controlled by Delaware's three racetrack casinos. The legislation increased to 20 the number of land-based outlets accepting bets on NFL games and extends keno beyond Delaware's three casinos to at least 100 retail sites.

The governor of New York made the expansion of gambling a centerpiece of his state address in January, and within weeks the legislature endorsed a constitutional amendment that, if approved once more by the lawmakers and then by the voters, will allow for seven full-scale, privately-owned casinos in New York.

At a recent gaming conference, co-sponsored by a colleague over here, Michael Pollock from Spectrum Gaming in Atlantic City, respected gaming analysts questioned whether certain casino markets had reached or passed the saturation point as we struggle through the slow recovering economy and the ongoing stream of new casinos; and questioned whether Revel may put other casinos out of business. One analyst argued that Revel will expand the market by offering upscale amenities. Another described Revel's performance as underwhelming and will steal market share from the other 11 casinos and not grow the market. A clearer picture of Revel's performance will emerge at the end of the summer.

I believe that this reality underscores the importance of the Governor's creation of a new casino zone in Atlantic City controlled by the CRDA, an agency that is independent of the city and the only one of its kind in the nation. This zone was created and is empowered to provide the vision, the coordination, and the stability that has long been missing to remedy the absence of a central mission and purpose. It is its lack of centralized mission that has been an impediment to making Atlantic City an international gaming and entertainment destination.

I strongly believe that this paradigm needs to be embraced if we're going to find solutions that can address the conditions of Atlantic City. I do not believe that the creation of a quasi-governmental

entertainment zone should be a giveaway to the casinos. In the same way that this creation of this new zone in Atlantic City will provide new tools for the casinos to chart a better and brighter future, casinos should be made more accountable for the future of the city.

The industry recently established the Atlantic City Alliance, or ACA, a not-for-profit entity whose primary mission is to develop and implement a full-scale broad-based, multi-year marketing program for Atlantic City. The plan is to rebuild the city's reputation and increase tourism by showcasing unique features of the resort's attractions -- in particular, non-gaming ones. The ACA will work with the CRDA to market and promote the tourism district via a public-private partnership.

In April, the ACA announced details and start of the \$20 million rebranding effort, which it touted as the largest destination tourism market campaign in Atlantic City's history. For the majority of 30-plus years we've had gaming in Atlantic City casinos and they've made substantial profits, created thousands of jobs, and generated enormous revenues and contributed substantial tax revenues to the State. But the industry, the State, and the city all rested on their laurels. The city, just a few hundred yards from the boardwalk, continued to decline as urban neglect -- blight -- metastasized. The State continued to take ever-growing tax revenues.

Under the Governor's plan, the city has given up much of its control over the most valuable property within its borders. But the return has the potential to be a good deal for the city.

We would all be foolish to rely on the CRDA and the ACA to solve all of Atlantic City's problems. Take a look outside this building at

the American Dream project, formerly Xanadu, and you can quickly understand that for Atlantic City Authority to reach its full potential, and of course for the industry and the city to reach their full potential, the city, the State, and the region need a comprehensive and collaborative plan of action. The plan needs to be focused on how to improve Atlantic City, casino gaming, and the tourist experience. The plan should not be balanced on whether there should be VLTs in the Meadowlands or marginal issues. There are already slot machines within 60 miles of Atlantic City, and we lose a lot of sleep if we fret over the possibility that there may be VLTs some hundred miles from the boardwalk. Fundamentally, the plan needs to identify how Atlantic City is going to compete in the next century, fully recognizing that competition is here and it's growing.

The plan needs to recognize that internet gaming already exists and that it is eating into the market. The plan needs to recognize that internet gaming in some form or another will continue to spread, as well as other forms of online gaming. The question is whether Atlantic City will be a participant in and a beneficiary of the internet sports betting market.

The gaming industry needs to take a hard look at itself in Atlantic City. It needs to identify the missing pieces -- from the way it deals with individual customers, all the way to how it interacts with the city and the region.

I don't believe there is a finite timeframe but the clock continues to tick. I hope my insights have been helpful and I'd be pleased to answer any questions.

ASSEMBLYMAN RAMOS: I appreciate it.

Any questions?

ASSEMBLYMAN CAPUTO: Just a comment.

ASSEMBLYMAN RAMOS: Assemblyman Caputo.

ASSEMBLYMAN CAPUTO: First of all, I want to thank Nick Amato. Everybody-- I don't know if they understand, I am very, very friendly with Nick. I have a tremendous amount of respect for him. And obviously you can see by his presentation he has a wonderful grasp on the business of Atlantic City and the casino industry. So I thank you, Nick. And we argue (laughter), but you know what? It's always a learning experience to interact with you. So I want to thank you for being here, and being patient. I apologize for the long day.

MR. AMATO: Thank you.

ASSEMBLYMAN RAMOS: Michael?

MICHAEL J. POLLOCK: Yes, thank you.

This mike is on? (referring to PA microphone)

ASSEMBLYMAN RAMOS: We're back working.

MR. POLLCOK: Thank you, Mr. Chairman, and members of the Committee and staff. My name is Michael Pollock. I'm Managing Director of Spectrum Gaming Group, a research and analysis firm that I'm proud to point out is based in New Jersey, the state that demonstrated to the world that gaming can be regulated effectively and fairly.

Now, we have studied the issue of gaming in the Meadowlands and its relation to Atlantic City for about a decade. We do not have a client presently on this, but we have studied it for many years. And I can point out that much has changed over the past decade, including the recession and Atlantic City's changing fortunes. But when you look at our

findings over the years, it's remarkable that the core of those findings remains precisely the same, and it's arguably immutable.

So today I'd like to focus on just one of those findings -- the one I consider the most fundamental to this issue. And I also suggest, the one that's often the most ignored. Now, before proceeding on any expansion of gaming in New Jersey, policy makers need to address the following: transforming the Meadowlands into a second gaming venue in New Jersey would create a very real, potentially irreconcilable conflict between two State policies. What I mean by that is, since 1976 when voters approved the referendum to legalize casinos in Atlantic City, New Jersey's gaming policy has been defined by the redevelopment of Atlantic City -- that's enshrined in the Constitution. And for more than three decades it's essentially worked as planned. The State benefits in various ways when Atlantic City does well, from the 8 percent tax, to increased casino reinvestment dollars, to increased employment, and other areas. So essentially the State's interests and Atlantic City's interests have operated on parallel tracks. Adding gaming to the Meadowlands has the potential to create divergent interests. The State's share of revenue at the Meadowlands -- you heard it today -- would, under any scenario, be significantly higher than its direct share of Atlantic City casino revenue. Now, that disparity means that the State treasury would essentially have a clear abiding interest in maximizing revenue at the Meadowlands, where the tax rate would inevitably be significantly higher.

The casino industry in Atlantic City, however, would have a clear interest in maximizing revenue at Atlantic City properties. So that

conflict would pit region against region, State against city and, arguably, legislator against legislator.

I'm not saying that a satisfactory answer cannot be found, but to date no satisfactory answer has been put forward. And it's interesting -- I'm looking back over things I've written in the past, and the language I've used to describe this has remained unchanged and will likely continue until a satisfactory answer has been developed. But some other factors regarding this issue remain unchanged as well. Interestingly, Assemblyman Amodeo referred to this earlier: that no state in the nation, and certainly no state in this region, is, or has been, or is likely to contemplate the Atlantic City model; and that model is characterized by a combination of a single-digit tax rate, a tourism infrastructure, and a concentration of gaming capital in one location.

So that singularity remains an untapped asset in New Jersey. Now, Atlantic City, to some degree, has been on the path of reinventing itself into a regional entertainment destination similar to, but ultimately different than, the Las Vegas model. The recession created a huge obstacle on the path toward that evolution. Consequently today, most of the licensees in Atlantic City operate under a business model based on the premise that Atlantic City is the most convenient gambling location in the eastern United States. That model is no longer valid and never will be again.

So Atlantic City has not reached the point where its business model is such that it can withstand, in our estimation based on our studies, in-state competition. Particularly if some competition creates conflicting policies for the State of New Jersey.

So despite the continually negative news from Atlantic City, we remain ultimately, potentially, optimistic because we do see a solution -- and that essentially is greater capital investment. Non-gaming revenues, albeit a small portion of the overall pie, continue to do well in Atlantic City, and small market segments that are underserved can be grown -- and capital investment is the key. So achieving the goal of transforming Atlantic City is viable, but will be difficult. It requires some level of continued cooperation and coordination with the rest of New Jersey.

So that's essentially-- I wanted to focus my testimony on that one point that must be considered, and then the one question that in my view should be answered. If New Jersey creates in-state competition, it means that a dollar wagered in Atlantic City at a lower tax rate is less valuable than a dollar wagered at the Meadowlands. And it means that every dollar that travels from North Jersey to Atlantic City would be seen as a lost opportunity for New Jersey, as opposed to the present situation in which every dollar wagered in Atlantic City is a benefit to the State. How will the State address and reconcile these conflicting interests? I respectfully suggest that question should at least be considered if not answered.

And I'd be happy to take any questions. I do want to point out, by the way, that for Assemblyman Dancer -- that you had asked the question of an earlier speaker regarding whether or not he had studied the issue of Atlantic City casinos owning, operating, partnering in the Meadowlands. We did a study on that a few years ago. I'd be happy to address that if need be.

ASSEMBLYMAN DANCER: Thank you.

ASSEMBLYMAN RAMOS: Any questions?

ASSEMBLYMAN CAPUTO: Just a--

ASSEMBLYMAN RAMOS: Assemblyman Caputo.

ASSEMBLYMAN CAPUTO: Thank you, Mr. Chairman.

You bring up an interesting point. I think when we were discussing with John Burzichelli -- I think those things can be changed. I think you can come up with some kind of strategy where that can be dealt with.

Your argument is sound, and I think it presents a problem to be analyzed and remediated in some type of way. Because we don't want to create that kind of conflict.

In terms of the non-gaming revenue, because of some of the experiences I've had in Atlantic City, it's been years since Atlantic City hotels have gone slightly away from the gaming dollar. In other words, for example, a casino block of a thousand rooms. In the old days, the casino would take 80 percent of it -- even more in some cases. And they've been cutting back on that. So they've been concentrating on non-gaming revenue. It's not an immediate thing because we declare it a resort destination. So naturally that revenue has increased and the casino revenue has decreased. And, of course, the financial and the competition elements of the atmosphere, of the environment this time has made it even worse.

So I think we need to delve into these non-gaming revenues a little more. And the fact that you haven't presented that, but others have said these non-gaming attractions -- I don't know if they are that unique to Atlantic City. Atlantic City has always been, really, barren in terms of other cultural experiences other than casinos; other than fishing and golfing, it

doesn't really present much. And I think that's part of the problem. In other words, we're trying to save a city that hasn't saved themselves. And this is not-- When you win all the time, and you have no competition, you don't have to think about these problems. All these sores come to the top now because of the conditions that we're living under. But it's just so sad, because this should have been the Paris of the eastern seaboard. This should have been. And maybe it can again, but at this point, there's has to be a lot of thinking, and planning, and changes to make the words become the reality. The words *tourist destination* -- I don't know what that means in January. I don't know what that means in December or February. It may mean something in the summer or the spring or the fall. So when we say *gaming destination, tourist destination*, we have to make it a tourist destination. But I don't know what those elements are. There are other people who have more ideas than I do about it, but I think it's bigger than what we talked -- our discussion here today.

I appreciate, though, your comments on how this can lead to a bigger problem.

MR. POLLOCK: Thank you.

ASSEMBLYMAN RAMOS: Any other comments? (no response)

Thank you very much, gentlemen. I appreciate your time today. Thank you. I apologize for the wait. Thank you for being patient.

Bob Marshall, Randee Kerns, Don Weinbaum, and John Bonbardieri.

We'll start with Mr. Marshall. I appreciate your time, for coming up today.

R O B E R T M A R S H A L L: Thank you, Chairman Ramos, and members of the Committee, We appreciate the opportunity, on behalf of the Greater Atlantic City Chamber and its 1,000 member businesses, to make comments on gaming at the Meadowlands.

First, it is our staunch belief that a casino in the Meadowlands is not in the best interest of New Jersey taxpayers -- and that's been consistent with some other testimony you've gotten today. The Governor has made it clear that he believes the plan to revitalize Atlantic City is of the utmost importance, not just to the South Jersey region but to the entire State. Any plan that involves casino gaming in New Jersey outside of Atlantic City contradicts the direction and the vision that Governor Christie has set forth and that you, the Legislature, has endorsed.

A great deal of time and effort was invested by the Governor's Advisory Commission on New Jersey Gaming, Sports and Entertainment; and it established a thoughtful and enlightened economic recovery plan for both the Meadowlands and Atlantic City. After careful consideration, that Commission, Chaired by John Hanson, as you know, opted not to recommend casino gaming at the Meadowlands.

Investors and perspective investors in Atlantic City also need to know that their investment is being protected, and that public policy will continue to support a business environment that is stable and predictable. Public policy should not be changed each time a region of our state sees fit to come up with a new plan.

Despite the economic challenges facing the casino industry in Atlantic City during the past few years, the industry remains a powerful

economic engine for the State and, as we all know, the second largest gaming destination in the United States.

Let me just reference an economic study done by Rutgers University in 2010, which found that the casino resorts in Atlantic City employ over 35,000 New Jersey residents, directly and indirectly support 105,000 additional New Jersey jobs, and \$2.2 billion in purchases of goods and services from New Jersey businesses located in all 21 counties throughout the state. The employment includes approximately 3,200 year-round, state-based construction jobs that are maintained by the industry every day and, as a result, \$700 million annually is reinvested in casino capital projects.

The Rutgers study also demonstrated the need to keep Atlantic City competitive in a 21st century gaming marketplace, as you've heard today. And for every \$1 million lost in total casino revenue, New Jersey would lose 19.6 jobs, \$812,000 in payroll, and \$334,000 in tax payments.

The casino industry, as we've all heard today, is vital to the State's economic health. When the industry is successful it translates into more jobs, more consumer spending, and more direct spending on the part of the casinos. In short, a healthy casino industry in Atlantic City translates into a stronger New Jersey.

Of course, as we heard, we've not been immune in Atlantic City to the downturn affecting the entire economy. Thousands of jobs have been lost; individuals and businesses that depend on the industry have suffered. Atlantic City is resilient, though. It will eventually emerge from this with greater strength and vitality once again, thanks in large part to this

comprehensive revitalization plan which is already underway and making significant progress.

Since it was created, the tourism zone improvements amount to over \$2.5 billion of new public and private sector investment in Atlantic City. And we've heard of other things such as the Atlantic City Alliance's new ad campaign, which is \$30 million of focused advertising to market Atlantic City as a world-class destination resort. New attractions -- and I don't have to tell you about the Revel hotel casino. When it is fully developed it will produce more than 5,500 jobs.

Investment in non-gaming attractions -- to Assemblyman Caputo's point earlier -- are growing too. A new parking garage at The Walk, a workforce training center to create jobs and train our future workers, major infrastructure upgrades such as the South Inlet Transportation project, upgrades at Garden Pier, Steel Pier, new facades and lighting for the Boardwalk and Atlantic Avenue. All these investments are designed to enhance the Atlantic City tourism experience. It's evident that your recent legislation forming the tourism district and streamlining casino regulation have served to improve the picture considerably. But the industry needs your continued support and not more in-state competition for gaming revenues.

The revitalization is just beginning. Please allow it time to bear fruit and produce the benefits that we expect from creation of the tourism zone legislation.

And as others have testified, it is bad public policy to permit casino gaming in another part of the state, given the significant investment in Atlantic City that has occurred and will continue to occur. Doing so

would significantly dilute the positive impact the recent reforms are having and will have on Atlantic City.

In closing, Atlantic City is simply too powerful of an economic engine for the State to allow that to happen. With the public and private sectors working together, Atlantic City is overcoming its current challenges, building on its success of the past 30-some odd years, and continuing to evolve into the world-class resort destination that we all know it can be. We need to protect that investment because the return on that investment for New Jersey taxpayers is too important to put at risk.

It is now time for all New Jerseyans to come together and get to work on implementing the plan, not establish a new one that is divisive and counterproductive.

And so in closing, Atlantic City is, in fact, making great progress; and expanding in-state gaming is not the answer.

ASSEMBLYMAN RAMOS: Thank you very much.

Any questions for Mr. Marshall? (no response)

Thank you very much, Mr. Marshall. Thank you for taking the long ride up as well.

MR. MARSHALL: Thank you.

ASSEMBLYMAN RAMOS: I appreciate it.

Randee Kerns.

R A N D E E K E R N S: Yes, sir.

ASSEMBLYMAN RAMOS: Grab that microphone over there, Mr. Kerns. Thank you, sir. The one right here.

Thank you; sorry.

MR. KERNS: Thank you, sir.

Mr. Chairman, members of the Committee, my name is Randee Kerns, and I am the Director of Business Development and Compliance for Diamond Game. We are a supplier and builder of a very wide variety of gaming devices.

We've provided you a handout to review. This handout is a condensed version of a response for information that we filed with the New Jersey State Lottery earlier this year, in response to their request for information on how to increase revenue for the New Jersey Lottery and the State of New Jersey.

I'm here today to talk to you about how the information contained in this pamphlet could be used right now under New Jersey law to help the Meadowlands, help the horse racing, and help the State of New Jersey.

Our system is an instant ticket vending machine which has an entertaining video display. There are some representations of the varying options in the handout. This provides the players with the video experience they want, while it's still a legal instant ticket vending machine under New Jersey law. The program has been in use in other states; and currently, in the state of Maryland, our equipment is deployed in bingo halls and some fraternal clubs in Arundel County. Arundel County surrounds the Maryland Live! casino.

The equipment has been in operation there for over 10 years. The opening of the Maryland Live! casino had no negative impact on the revenues for these bingo halls and fraternal operating our ticket dispensers, and obvious by the numbers from the state of Maryland. Conversely, no negative impact on Maryland Live!

It's obvious that in the State of New Jersey, the horse racing industry is hurting. Atlantic City is an important and viable location for gaming for the state and needs to be protected. We believe we've got an option that could allow a bridge, while all of the discussions are going on about how and where and when to provide potential locations for casino gaming here, without any change in New Jersey law. We have done several presentations to the Governor's General Counsel Office last year on our equipment, including the demonstration. They have voiced no exceptions with our argument and raised no objections to our argument.

We believe that this could be a bridge, like I said, for the study of gaming. And also, we would be willing to participate in it because we also produce slot machines -- we have slot machines in the Maryland Live! casino.

ASSEMBLYMAN RAMOS: Any questions?

Would allowing the VLTs-- Does that require no additional legislation whatsoever? Just--

MR. KERNS: No sir, this is not a VLT. This is an instant ticket vending machine that produces a preprinted instant ticket that determines the outcome of the element of chance for the player, and the prize that the player would win, dispensed through an entertaining video monitor. And it is a secure system. We have certifications from DMM gaming labs, and we also have certifications from GLI, which is a New Jersey gaming lab and the leader in certifications for the gaming industry worldwide.

ASSEMBLYMAN RAMOS: I guess my question is, how does this machine circumvent existing law -- to allow this to exist?

MR. KERNS: Sir, it doesn't--

ASSEMBLYMAN RAMOS: That's my question.

MR. KERNS: It doesn't circumvent. How it fits--

ASSEMBLYMAN RAMOS: Yes. How's it fit. Where does it fit in?

MR. KERNS: It is not different. The New Jersey Lottery currently uses instant ticket vending machines to sell tickets to players who walk up, you put money in, you get your tickets. You can take the ticket and you can validate it at the instant ticket vending machine and use those proceeds to buy additional tickets. This is functioning the same. The only additional piece to it is the entertaining video display to show the player exactly what they've won and what their prize is, sir.

ASSEMBLYMAN RAMOS: Thank you.

Assemblyman.

ASSEMBLYMAN CAPUTO: Just a question: I understand it would operate under the Lottery Commission, correct?

MR. KERNS: Yes.

ASSEMBLYMAN CAPUTO: I still think you would probably need at least an Attorney General's opinion on that type of game, so the Lottery Commission would be advised that it would be covered under the law.

MR. KERNS: Correct. And we had broached that by discussions with the Governor's General Counsel prior to submitting our response to the request for information.

ASSEMBLYMAN CAPUTO: What did the Governor's Counsel say?

MR. KERNS: The Governor's Counsel did not issue any opinion; they raised no objections to our position. And after seeing the equipment, raised no objection to it.

ASSEMBLYMAN CAPUTO: What does that mean?

MR. KERNS: Doesn't mean there's an opinion, sir.

ASSEMBLYMAN CAPUTO: Right. Doesn't mean there is an opinion yet.

MR. KERNS: Right.

ASSEMBLYMAN CAPUTO: There was no objection.

MR. KERNS: There's no objection.

ASSEMBLYMAN CAPUTO: No objection. But does that mean that you're approved?

MR. KERNS: No, sir, it does not mean it's approved.

ASSEMBLYMAN CAPUTO: Okay.

ASSEMBLYMAN RAMOS: It means it's up or down.

MR. KERNS: That's right. It means that it's-- Their mind is open, I think, would be the safest statement.

ASSEMBLYMAN RAMOS: Exactly. As all our minds at this point.

Thank you very much. I appreciate your testimony.

Any more questions? (no response)

Thank you.

D O N A L D F. W E I N B A U M: Thank you, Mr. Chairman, and Committee members. I appreciate the opportunity to speak today.

My name is Donald Weinbaum; I'm the Executive Director of the Council on Compulsive Gambling of New Jersey. (indiscernible)

Committee members are already familiar with our mission, which is to offer help to problem gamblers and their families, and to advocate on their behalf when necessary.

We neither support nor oppose legislation to expand gambling; therefore, we do not take an official position on whether casino gambling should be allowed in the Meadowlands. Instead, I'd like to talk to you today about some related issues that the Committee will need to consider if such an expansion is planned.

The Council monitors gambling in neighboring states very closely. We're very well aware that casino and slot revenues in Pennsylvania, New York and elsewhere have been increasing as those in our state have declined. We have no doubt that New Jersey residents are gambling in other states. That's already reflected in the calls to our 1-800-GAMBLER helpline. In the western part of the state and in much of South Jersey, gambling at Pennsylvania casinos such as Parx, SugarHouse, and Sands Bethlehem seems to be overtaking Atlantic City. A growing number of our calls are from persons who find themselves gambling more often and losing more than intended due to the proximity of those casinos. As the research has long suggested, easy access can be the factor that pushes vulnerable persons over the edge into problem or compulsive gambling.

So in this context my message to you today is very simple: Every bill that proposes to expand, change, or reform gambling in New Jersey, including any proposed constitutional amendments, should include two words at the very minimum. And those words are *problem gambling*. Historically, casino bills have been stronger in addressing problem gambling than bills related to racing. Appropriate regulation is essential; the critical

provisions include adequate protections to prevent gambling by minors, self-exclusion, public awareness, posting of helpline numbers, and funding for treatment and prevention services.

Please keep in mind also that the current level of funding for treatment is grossly inadequate and that many problem and compulsive gamblers who need help are not able to be adequately served. We urge that any gambling expansion contain provisions that increase the funding for treatment.

Compulsive gambling is an addiction. The research tells us 2 to 5 percent of those who gamble could be affected and each of them may affect 7 to 10 others. Most gamblers do not fall into this category but, for those who do, this addiction can be serious and sometimes deadly. The cost to the business community is also significant, amounting to hundreds of millions of dollars each year in embezzled funds and lost productivity.

I urge you to keep this in mind as discussion proceeds regarding what types of gambling should be authorized in our state.

Much of the discussion today has focused on economics and whether New Jersey is losing market share to other states. From our vantage point, none of this really matters. Regardless of where they gamble -- be it New York, Pennsylvania, Atlantic City, or even on the internet -- compulsive gamblers who are in trouble are calling the Council every day and they will continue to call us in the future. The real challenge will be to prevent these numbers from growing if and when New Jersey expands gambling.

As a State, we also have a responsibility to ensure that adequate resources have been set aside to provide compulsive gamblers and their families with the help they need.

And I thank you for your consideration.

ASSEMBLYMAN RAMOS: Thank you for your testimony. Thank you for your efforts in trying to help those who become addicted to gambling. We really appreciate that.

And just for the record, the Casino Association of New Jersey was unable to attend today. Tony Rodio has written testimony for all of us to comprehend.

I just want to thank the members of the Committee for taking time out of their -- I know they're busy -- some of their activities. And I know some traveled a long ways -- a longer way than some of us did. This is the closest ride I've had in a long time for a hearing since I've been a legislator. So I appreciate the short commute for myself.

But again, this is the beginning of the conversation. And the goal is to take all the information today, gather it, bring it together, and just try and have an end game with how we move forward with this. I think we're losing out-- A lot of the testimony today -- we're losing out to our surrounding states, and we ought to try and reposition ourselves and try and capture that market; and at the same time, support Atlantic City and make sure Atlantic City thrives as it survives -- but thrives again.

And so thank you very much. Anyone want to--

ASSEMBLYMAN CAPUTO: Thank you.

ASSEMBLYMAN RAMOS: --end it up?

So we're going to end up there today, guys. Thank you, everyone, for participating today. Thank you very much, and enjoy the rest of your day and the rest of your summer.

Thank you, guys.

(MEETING CONCLUDED)