

ASSEMBLY TOURISM AND GAMING COMMITTEE

STATEMENT TO

ASSEMBLY COMMITTEE SUBSTITUTE FOR ASSEMBLY, No. 3691

STATE OF NEW JERSEY

DATED: FEBRUARY 9, 2009

The Assembly Tourism and Gaming Committee reports favorably an Assembly Committee Substitute for Assembly, No. 3691.

This Assembly Committee Substitute revises various provisions of the Casino Control Act.

First, this substitute bill revises various provisions that pertain to the licensing and registration requirements for casino service industries. Under the bill, the term "casino service industry" is renamed as "casino service industry enterprise," and the term's definition is clarified to include any vendor which provides goods or services to, purchases goods or services from, or does any other business with a casino applicant or licensee on a regular or continuing basis (section 1). With respect to licensing by the Casino Control Commission (the commission), the bill amends references to the "casino service industry license" to be the "casino service industry enterprise license," and requires any vendor who does business with a casino on a regular or continuing basis to be licensed by the commission (section 13).

The bill makes no significant changes with respect to the licensing requirements applicable to businesses that offer goods and services to a casino which directly relate to gaming activity. All gaming-related businesses are considered to be conducting business on a regular or continuing basis and are therefore required to obtain from the commission a casino service industry enterprise license (section 13, amending subsection a. of N.J.S.A.5:12-92).

With respect to non-gaming related businesses, which under the bill include, but are not limited to, construction companies, vending machine providers, linen suppliers, junket enterprises, garbage handlers, maintenance companies, limousine services, food purveyors and suppliers of alcoholic beverages, the bill provides that these businesses must be required to apply for a casino service industry enterprise license when, based upon the dollar amount of business being conducted with casino applicants or licensees or other factors established by the rules of the commission, licensure is deemed necessary to protect the public interest and the policies of the Casino Control Act (section 13, amending subsection c. of N.J.S.A.5:12-92).

Under current commission rules, in general, a non-gaming related business is required to obtain a casino service industry license if it engages in transactions that total \$150,000 with a single casino applicant or licensee or \$500,000 with multiple casino applicants or licensees within a 12 month period. If a casino applicant or licensee anticipates engaging in a transaction with a non-gaming related business involving \$10,000 or more, but less than the above-mentioned thresholds, the casino applicant or licensee is required to complete a “vendor registration form” on behalf of the non-gaming related business, unless the vendor is already included on the commission’s list of active vendors. If the transaction is more that \$1,000 but less than \$10,000, the casino applicant or licensee must file a “notice of intent to conduct business,” unless the vendor is already included on the commission’s list of active vendors.

Under the bill, the rules of the commission must require that any non-gaming related business required to be licensed must establish by clear and convincing evidence their good character, honesty, and integrity. Additionally, the bill authorizes the commission to require licensure for certain non-gaming related businesses regardless of the dollar amount transacted, and also permits the commission to exempt certain non-gaming related businesses from licensure. Currently, to be exempted, a non-gaming related business must demonstrate that it is either regulated by a public agency or provides goods or services in insubstantial or insignificant amounts or quantities, and that licensing is not deemed necessary in order to protect the public interest or to accomplish the policies established by the Casino Control Act. Under the bill, the commission would have the authority to exempt a business if it is regulated by a public agency that determines the good character, honesty and integrity of any enterprise subject to its jurisdiction. This provision is already followed in current practice. Additionally, under the bill, the commission would have the authority to exempt a business if it is a publicly traded corporation or wholly owned subsidiary of a publicly traded corporation, and if the amount of revenue received by the business from all casino applicants and licensees within the 12 month period in which the greatest amount of casino business was conducted by the business seeking the exemption is less than one tenth of one percent of all revenues received by the business and its holding and intermediary companies during the same 12 month period, and provided that licensing is not deemed necessary to protect the public interest or accomplish the policies established by the Casino Control Act.

Additionally, with respect to licensing, a provision is added so that non-gaming related businesses which are denied licensure are able to be licensed if they affirmatively demonstrate rehabilitation as provided in accordance with the Casino Control Act (section 13, amending subsection d. of N.J.S.A.5:12-92). The bill also requires that all applicants for a casino service industry enterprise license must submit fingerprints and other criminal history record background information

to the Division of Gaming Enforcement (the division), as part of the licensing approval process (section 13, amending N.J.S.A.5:12-92 by inserting a new subsection g.).

In addition to the provisions concerning vendor licensing and registration, the bill amends and supplements the Casino Control Act and other casino-related statutes as follows:

1) Provides that the division, not the commission, is responsible for fingerprinting and criminal history record background checks, reflecting current practice (sections 8, 10, and 11);

2) Requires that a casino licensee's holding companies and intermediary companies, and any other entity required to establish its qualification in connection with a casino license, must meet the same standards as a casino license applicant regarding financial stability, integrity and responsibility; good character, honesty and integrity; and business ability (section 9);

3) Provides that if a casino service employee registrant has not been employed by a casino for more than three consecutive years, the employee's registration would lapse (sections 12 and 14);

4) Provides that the revocation of a casino service employee registration results in a five year bar on reemployment, unless the commission permits employment in a position that does not require a license or registration for good cause shown (section 21);

5) Provides that a casino licensee may question individuals when it reasonably suspects underage gambling or drinking, unauthorized presence of an underage person on the gaming floor, or the presence of a person on the excluded list in the casino establishment and, if there is probable cause, that the licensee may detain them for the purpose of notifying law enforcement authorities. Under the bill, such detention would not render the casino licensee or its employees criminally or civilly liable for false arrest, false imprisonment, slander or unlawful detention, unless the detention is unreasonable under all of the circumstances (section 22);

6) With respect to casino simulcasting and concerning the compensation that a casino is permitted to pay to an out-of State sending track for the transmission of a simulcast horse race, increases: (a) the maximum amount that can be paid under normal circumstances from 3% to 3.5% of the parimutuel pool; and (b) the number of races for which a casino may, subject to the approval of the New Jersey Racing Commission, pay up to 6% of the parimutuel pool from 28 races per casino per calendar year to 28 races plus the number of races run annually at the Breeders' Cup World Championships per casino per calendar year (sections 28 and 29);

7) Provides that a casino licensee may withhold a percentage of a poker tournament prize pool to be used to fund gratuities for tournament dealers (section 16);

8) Requires that the monitor room for a multi-casino progressive slot machine system may be located within Atlantic County, New Jersey, instead of just Atlantic City (section 16);

9) Provides that the descriptions of several “devices or items of value used in wagering” would include plaques, gaming vouchers, and coupons in addition to cash, coins, tokens, and checks already included (section 16);

10) Permits the division to review and test other gaming devices in addition to slot machines, such as server-supported gaming devices and gaming voucher systems, which are gaming related and gross-revenue related, and to obtain and utilize test data from certain other public and private sources in other gaming jurisdictions, in conjunction with the division’s tests of gaming devices (section 16);

11) Provides that the regulations of the commission may allow certain transactions, due to the unique nature of casino gaming, to be conducted in a manner that does not always conform to generally accepted accounting principles, and that specified time periods are to be measured in business days as opposed to calendar days (section 15);

12) Provides that the types of financial instruments that can be accepted by casino licensees from their patrons to participate in gaming or repay gaming debts may include any check issued by a casino licensee or an affiliated casino to the patron for purposes other than employment compensation or payment for goods or services rendered (section 17);

13) Provides that any obligation owed to a patron by a casino licensee as a result of a gaming transaction which remains unclaimed would expire in one year, and at that time the monetary amount or value of the debt would be distributed 25% to the Casino Revenue Fund and 75% to the casino licensee, provided the casino licensee uses that amount for marketing purposes. Concerning representations of debt issued or obligations incurred prior to the effective date of the bill, the obligation of the casino licensee to pay the patron would expire one year after the bill’s effective date, and the monetary amount or value of those debts would be distributed 50% to the Casino Revenue Fund and 50% to the casino licensee.

Additionally, the bill provides that each casino licensee must, on or before June 30, 2009, make a payment to the Casino Revenue Fund in an amount equal to 25% of the value of the money or debt owed to its patrons as a result of gaming transactions that occurred more than one year prior to the effective date of the bill. This payment would be credited towards the total obligation of the casino licensee to make payments to the Casino Revenue Fund in an amount equal to 50% of the value of expired gaming related obligations incurred prior to the effective date of the bill (sections 24 and 25);

14) Provides that transportation may be included among those expenses that can be provided to a patron as a complimentary service directly or indirectly by a casino licensee, in the same manner as room, food, beverage, and entertainment complimentary services are provided; and that other cash or non-cash gifts from a casino licensee to a patron in excess of \$2,000 must be documented, deleting the

current requirement for documentation when that amount is provided on a “per trip” basis (section 18);

15) Makes technical changes to correct previous amendments which provided that a casino business with gaming schools be considered a non-gaming business, but failed to remove gaming schools as a listed example of gaming related business (section 13); and

16) Inserts the word “enterprise” in the term “casino service industry” to reflect the change to “casino service industry enterprise” (sections 1, 3, 4, 5, 6, 7, 13, 14, 19, 20, 23, 26, 27, 30, 31, and 32).

This Assembly Committee Substitute for Assembly, No. 3691 is identical to Senate Committee Substitute for Senate, No. 2519.