
Public Hearing

before

NEW JERSEY GAMING SUMMIT

LOCATION: Monmouth Park Race Track
Oceanport, New Jersey

DATE: September 29, 2010
10:00 a.m.

MEMBERS OF SUMMIT PRESENT:

Senator Jim Whelan, Co-Chair
Assemblyman John J. Burzichelli, Co-Chair
Senator Paul A. Sarlo
Senator Stephen M. Sweeney
Senator Jeff Van Drew
Assemblyman Ralph R. Caputo
Assemblyman Matthew W. Milam
Assemblywoman Sheila Y. Oliver
Assemblyman Connie Wagner



ALSO PRESENT:

Sonia Das
*Senate Majority
Summit Aide*

Hearing Recorded and Transcribed by
The Office of Legislative Services, Public Information Office,
Hearing Unit, State House Annex, PO 068, Trenton, New Jersey

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ASSEMBLYMAN JOHN J. BURZICHELLI (Co-Chair):

Good morning, and welcome.

This meeting marks the third meeting of the Gaming Summit, as organized and advanced by Senate President Sweeney and Assembly Speaker Sheila Oliver.

There are many in this room who have attended, I think, the Meadowlands. So neither myself nor Chairman Whelan is going to be very long-winded with opening statements, because we're very anxious to get to those who have taken the time to come testify before this group.

But I do want to welcome all the sitting committee members back -- those traveling from different parts of the state; having the opportunity to be in this really, truly unique and spectacular venue, this magnificent Monmouth Park, which of course is coming off this wonderful racing season -- setting new standards that drew both the nation's attention and the world's attention to horse racing; and sending the message loud and clear that New Jersey is very serious about protecting what it has and growing what it has to be even greater.

We look forward to the testimony today. As I said, I will be very brief. Senator Whelan -- he and I are Co-Chairs -- will be back and forth in running the meeting today. He's asked me to just kick it off.

I'm going to ask Senator Whelan to say a word, then we're going to call the first panel. And I believe the Mayor is going to give us a welcome.

Jim.

SENATOR JIM WHELAN (Co-Chair): Thank you very much, Chairman.

We want to thank everyone who has participated in this process up to this point. We had one hearing, as we know, in Atlantic City; one in the Meadowlands; and one here. We thought we would cover, geographically, South, North, and Central Jersey, and also, obviously, be in the actual venues that are very much a part of this discussion.

Again, we thank everyone for coming out today and those who have testified in the past. We will follow the same format. We do have invited speakers. And when we finish the list of invited speakers and panelists -- we'll bring them up in panels, because it moves a little quicker -- we will go to the general public who have signed up.

We'd like to acknowledge the presence of some of our colleagues who are here. Senator Bob Gordon is here from the Meadowlands area, but he's here in Monmouth. Assemblyman Dancer, of course, a great champion of the horse industry, is here as well. And I think we're going to hear from Senator Beck when we bring the Mayor up.

So with that, let's go to the first panel.

ASSEMBLYMAN BURZICHELLI: Thank you, Chairman.

As the Chairman mentioned, first we'll invite this panel up. These are almost, for lack of better terms, our official greeters for the day, representing our host community today. The Mayor joins us; Mayor Michael Mahon.

Michael, please come on up.

Senator Beck.

And I think Senator Gordon wanted to give us a word as well.

And also, Congressman Pallone, who was unable to make it, has asked that a brief statement from him be read into the record, which I will do after the panel greets.

Let's start with the Mayor. And, of course, as elected officials, I don't think I have to say this, but brevity is always greatly appreciated by the sitting committee. And I'm sure the wisdom you're going to impart to us is going to be impactful. If you can do that in the shortest timeframe, that's greatly appreciated.

And you'll need to sit at the silver microphone.

MAYOR MICHAEL J. MAHON: (microphone interference)
Thank you.

SENATOR JENNIFER BECK: Colleagues and friends,
welcome to Monmouth Park.

As you know, this past year marked a historic moment for New Jersey as we had the best racing in the country. And I think we proved, through the effort that all of us had a chance to vote on -- the 50-day meet -- that there is truly a passion among our citizenry for horse racing, and that it can be successful and it can be self-sustaining.

So I appreciate you taking the time to come here and hear from many of the folks that deal with this issue day-to-day and run businesses day-to-day that affect the horse racing industry.

And I would certainly like to turn this over to the Mayor of Oceanport, who has a little bit different perspective as the host municipality that serves Monmouth Park. (applause)

MAYOR MAHON: Thank you.

On behalf of the Borough of Oceanport and the Monmouth Park Task Force, I am pleased to welcome the Senate Majority Gaming Summit to the Borough as they continue to discuss the future of horse racing in New Jersey and the \$13 billion equine industry.

The underlying benefit to the State must be considered by this group as part of its research,4189*9-+9 to the benefit of jobs and open space throughout our state, owed in large measure to horse racing and the equine industry. Monmouth Park Racetrack directly and indirectly employs 3,000 people. These include building trades, horsemen, concessionaires, clerks, service workers, veterinarians, and horse owners and trainers. Each of these jobs contribute to the regional economy by patronizing businesses in the area. Each pays their share of income taxes and contributes to the State's revenue.

We've discussed the physical importance of Monmouth Park racetrack, but it can't go without mentioning the value of horse racing in our county and around the state in terms of open space. Monmouth County has more than 27,000 acres dedicated to equine uses and almost 5,000 in preservation. Only Hunterdon County has more acres, at 29,000. Only four of New Jersey's 21 counties are without a preserved horse farm supporting this industry.

The employment generated statewide is nearly 31,000 jobs. No discussion on the sustainability of horse racing in New Jersey is complete without mentioning competition from neighboring states. At every border we are surrounded by gaming opportunities. In many cases these gaming outlets are more convenient than trips to Atlantic City, and certainly less expensive. There are currently 10 locations along our borders, with another

two destinations planned. These gaming destinations are a direct threat to Atlantic City and the casino industry in New Jersey. As a State, we could choose to compete by offering gaming destinations of our own or watch as profits continue to drop. This problem is as much horse racing's as it is the casinos'. Introducing slots or video lottery terminals outside of Atlantic City may be the answer to local casinos and the racetrack.

Other options that exist must be considered. We haven't heard any discussion of sports betting come up in the debates about gaming in New Jersey. A sports book at Monmouth would give the track a very substantial competitive advantage over its regional competition, while adding a new source of revenue to the State. Without going into detail about the win-win benefits and the potential sports book would provide, it's easy to say that this will never happen and dismiss the idea. But given the dire prospects of Monmouth Park's long-term viability without a gaming alternative to complement horse racing, we think it's worth taking a shot and staking a claim on the very lucrative and unique gaming options.

An act of the Legislature passed in 1894 prohibited gambling in general and caused the closure of the original Monmouth Park. As a result, racing laid dormant for nearly 50 years. Coincidentally, an act by this Legislature in 2010 may hold the key, once again, to the survival of horse racing in New Jersey.

Thank you very much, and welcome to Oceanport. (applause)

ASSEMBLYMAN BURZICHELLI: Mayor, thank you.

Who would like to go next? We'll do the Freeholder, and then back to Senator Gordon. Is that okay? (affirmative responses)

Freeholder.

UNIDENTIFIED FREEHOLDER: Okay. Thank you very much.

I'd like to welcome you to Monmouth County, and I thank you for coming here to us today.

As the Freeholder responsible for economic development (indiscernible) in Monmouth County, I'm very concerned about the potential impact of the possible closure of Monmouth Park racetrack in Oceanport which, on top of the closure of Fort Monmouth, would devastate the economy and quality of life of Monmouth County. This year's successful meet at Monmouth Park should motivate us to support and improve the horse racing industry, not shut it down.

Unfortunately, other states are eating New Jersey's lunch. The opening of the SugarHouse Casino in Philadelphia last week, and the approval of slot-machine style gaming at Aqueduct in New York, are the latest threats to the horse racing industry. It is time for New Jersey to read the writing on the wall. We must quickly approve measures to bolster the industry. The racino option would enable the racing industry to join the Atlantic City casinos as a major contributor to taxpayer relief, education, and programs for senior citizens. There is no consensus on this issue, however, and a ballot question would be required.

In the alternative, immediate steps must be taken to sustain and improve the horse racing industry that is such an integral part of this State's economy. These include a substantial increase in the number of off-track wagering facilities; intrastate online gaming opened to the free market, as proposed by Senator Ray Lesniak; and use of Farmland Preservation program funds to purchase, from the Meadowlands Authority, the

development easement for the Monmouth Park property with the funds being used to support the horse racing industry by opening additional off-track wagering facilities.

The bottom line is that preservation of the horse racing industry in Monmouth County and throughout the State of New Jersey is not only critical to the economy, but is also essential to the preservation of the quality of life we have come to cherish and enjoy.

Thank you. (applause)

ASSEMBLYMAN BURZICHELLI: Senator Gordon, good morning.

SENATOR ROBERT M. GORDON: Good morning.

Thank you, Chairmen Whelan and Burzichelli, and colleagues on this committee for giving me an opportunity to speak before you today.

I am very pleased that we are here today to take part in the discussion on the future of New Jersey's tourism and gaming industries.

While I may not agree with all of the recommendations supported in the Hanson Report, it did serve as a much-needed catalyst of conversations on the future of tourism and gaming. Most importantly, I'm glad we're engaged in the conversation about the need to create and sustain much-needed jobs throughout the state.

There is no denying that our gaming industries are vital economic engines for New Jersey. Atlantic City alone accounts for about one-third of tourism spending in the state and is one of the most important tourist destinations in the country, attracting more than 30 million visitors each year.

Despite significant losses in recent years, Atlantic City casinos still directly employ approximately 40,000 within their organizations, sustain more than 100,000 other employees in support services throughout the state, and generate billions of dollars in spending. Moreover, this industry pays almost \$1 billion in State and local taxes that provides much of the financial support for critical State programs for seniors and the disabled.

Because of Atlantic City's tremendous economic significance, we must do everything in our power to support its revitalization and ensure its viability in the future. It is my hope that the work of this committee will provide the foundation for that effort.

With that said, I believe we cannot afford to develop public policy in a piecemeal fashion. We need a comprehensive, strategic plan to revitalize and grow all sectors of the tourism market and all regions of the state. New Jersey is more than Atlantic City. And while the Jersey Shore is surely a national treasure, our state has so many other natural, historic, and recreational assets that we should be promoting to the rest of the world.

The Hanson Report (indiscernible) important first steps in the process, but I would argue that what we now need to develop -- that we now need to develop a more comprehensive effort -- what I would call a *strategic marketing plan* for New Jersey. Like any business charting its future, we need to identify our strengths, realistically assess our competitive position, establish long- and short-term goals, define the resources required to achieve them, and develop an action plan to take us where we need to go. All of our neighboring states develop such comprehensive marketing plans on a regular basis. The time has come for New Jersey to do the same.

And that plan will need to consider horse racing. Much like the casinos, New Jersey's horse racing industry has experienced significant declines in recent years. And like the casino industry, horse racing has been critically important to our State. It generates thousands of jobs and millions of dollars in tax revenue. And our horse farms, as you've heard, have preserved hundreds of thousands of acres of open space. This is another industry we must not allow to die.

One option that has been proposed repeatedly is to allow video lottery terminals, or VLTs, at our racetracks. Gaming, in combination with racing, is certainly a strategy that seems to be working in Yonkers. Opponents argue that there is a fixed gaming dollar and any VLT or gaming initiative at the tracks will simply cannibalize Atlantic City just when it needs the most help. I believe this argument is no longer valid, at a time when neighboring states of New York, Connecticut, and Pennsylvania have slots and table games up and running, now when more than 30 gambling destinations can be found right outside of New Jersey, many of them operated by the corporate owners of Atlantic City casinos.

We cannot continue to pretend that we aren't hemorrhaging revenues and, more importantly, hemorrhaging jobs to neighboring states. We need to be realistic. People will not travel two-and-a-half hours to play slots for the afternoon when they can get to Bethlehem or Yonkers in 40 minutes. Why not keep those dollars in New Jersey by allowing VLTs and/or casinos at our racetracks? And I would add, parenthetically, in today's *Record* there was a quotation from Emanuel Stern, the CEO of Hartz Mountain -- one of the major developers of the Meadowlands -- who believes, if developed properly, the Xanadu complex in the Meadowlands

could be, what he called, a *world-class* convention, hotel, and casino location within close proximity of millions of people.

The State Treasury can no longer prop up the racetracks, but we can give the horse racing industry the tools it needs -- product enhancements like VLTs or casinos -- so that it can compete in the marketplace. In the same fashion, we need to transform Atlantic City into something more than a place to gamble.

The time has come to stop talking about a zero sum gain; North Jersey versus South Jersey; casinos versus racetracks. Instead, we need to start talking about how we will grow the overall tourism and gaming markets for the benefit of the entire state.

Thank you all very much. (applause)

ASSEMBLYMAN BURZICHELLI: Thank you, Senator.

Speaker Oliver has asked that the remarks directed to this committee by Congressman Pallone be read into the record. He was unable to be with us today because of Washington obligations.

Speaker, would you like me to read it in?

ASSEMBLY SPEAKER OLIVER: Yes, please.

ASSEMBLYMAN BURZICHELLI: I'd be very happy to.

The Congressman relays to us: "I'm in Washington voting, but I feel the continuance of thoroughbred racing at Monmouth Park is an important issue to address. Monmouth Park and horse racing have an important place in Monmouth County and have provided numerous benefits to the residents of our area. I understand that our State faces tough economic challenges and that the gaming industry is suffering along with other industries in New Jersey.

“However, I believe that the State plays an important role in promoting the success of business, encouraging economic growth, and protecting quality of life. This role extends to the horse racing industry in New Jersey, where I believe the State must continue to play a strong part.

“Monmouth Park provides a unique location for New Jerseyans to enjoy their weekend outside with a beautiful, natural setting beyond the Park itself. Monmouth Park and those who race there support one of Monmouth County’s greatest assets: open space. With horse farms and fields dedicated to equine use, Monmouth County is able to promote a clean, natural environment that not only maintains a high quality of life, but also increases real estate values.

“Also, we should not forget the contribution that Monmouth Park offers in the form of jobs. It provides high-quality employment opportunities for local residents, brings valuable tax revenues to the area. Whether it’s the training of horses, maintaining of stables, sales of concessions, the daily operations, the racetrack strengthens the local economy in many ways. Monmouth Park has also expanded its entertainment offerings beyond horse racing, bringing concerts and festivals to the Park. It also brings new jobs and business opportunities.

“Furthermore, in a bold and well-designed move, thoroughbred racing at Monmouth Park has reduced racing dates and increased purses. Leading the nation with \$1 million purses a day, Monmouth Park was able to attract new talent and increase public interest while reducing their dependence on State revenues. I believe that as new options continue to be explored and the horse racing industry expands in New Jersey, Monmouth Park will continue this growth.

“I would urge the Governor and the State Legislature to continue to operate -- to continue State operation at Monmouth Park. That is the best way to save thoroughbred racing at the track. Some have suggested the track might be sold or operated by private investors. My fear is that the loss of State control could lead to less investment and maintenance at Monmouth Park and the possible sale of the property in whole or part for purposes unrelated to horse racing. The State should not allow any change of status that does not guarantee continued operation of a viable thoroughbred racetrack.

“Thank you for your time and interest today. I look forward to continuing to work with you to protect one of Central Jersey’s most valuable assets.”

That statement is by Congressman Frank Pallone.

I believe Senator Whelan had one question to direct to the Mayor.

SENATOR WHELAN: I actually have a question and a comment, Mayor.

First off, you referenced sports book in your statement. Please know that there are efforts to, number one, establish sports book in New Jersey. I’ll go into those in a second.

But secondly, as part of those efforts, the tracks would be included. And, quite frankly, I caught some flak in my neck of the woods from the Atlantic City Chamber of Commerce and others for supporting an initiative that, if and when we get sports book, it will be available not just to the casinos but to the tracks as well.

That effort-- It's sort of on two tracks. One: We do have a bill in. Senator Lesniak is the prime sponsor of it. And, again, that bill includes -- any racetracks will be able to have the sports betting as well as the casinos.

There's also a lawsuit that Senator Lesniak's law firm -- he's not here today; he's actually out of the country -- that Senator Lesniak's law firm is pursuing, at no cost to the State, that the Senate President has joined in on, challenging the Federal ban on sports book. It's my belief that whether the lawsuit -- or eventually the Federal legislation will be repealed, and we will have the opportunity to have sports book. And believe me, I feel very strongly -- not just me, personally -- but there is a consensus that when that day occurs, the tracks will be included.

But I also have a question as we sit at Monmouth, and maybe you're the right person to answer this, or maybe some other panelist or some other speakers who may come after. This is a beautiful facility here, one of the best in the country, so on and so forth -- a great meet this summer. But following sports, as I do, the very basic question: Why don't we have any lights here?

MAYOR MAHON: Good question. I probably don't have the right answer. But I can tell you this: First, I appreciate your comments on the sports book. I'm certainly glad that it's part of the conversation and that there's a parallel effort. And we're glad to make that part of the equation.

With regard to lights: The Borough of Oceanport, in the past, has been opposed to lights. It's a quality-of-life issue. And it could (indiscernible) from the daytime environment of horse racing and the

crowds that come with it. And it imposes it on a different time of day. We have grown up with horse racing during the day.

That being said, as a community we are prepared to allow all options for our largest taxpayer and for our largest employer -- aside from Fort Monmouth -- to thrive and survive in the State of New Jersey and to prosper in the future. And if that option includes twilight racing or night racing, it's something that we'll certainly consider and contribute to the solution, if that's part (indiscernible).

SENATOR WHELAN: Mayor, I'd love to work with you on that. I can only tell you from my personal experience -- if you'll allow me a quick indulgence -- during my early days as Mayor of Atlantic City, believe it or not, we had a light ordinance in Atlantic City. Nick Amato is in the audience. He'll remember it, because he worked with me on it.

We didn't allow neon lights at the casinos and probably for some of the same reasons. People said, "Oh, you know, it's going to keep us up at night," so on and so forth. We went ahead, despite some opposition, and put the neon lights in. I don't know if people got heavier drapes or what happened, (laughter) but nobody moved out of their apartments. The apartment complexes that are next to Tropicana, Taj Mahal, and so on -- where we do, in fact, have apartment complexes adjacent -- people are still living there.

So I think it's an issue we should work on. We all know the dynamics of sports are that -- you look across the board -- Sunday afternoon, yes. But other than that, games are played at night: the NBA, Major League Baseball, college basketball, so on and so forth, because they draw better. So I would love to work with you on that going forward.

MAYOR MAHON: Thank you. I appreciate that.

SENATOR BECK: Senator, if I could just add that we did actually kick around a little bit doing it maybe even next year or this year. And the issue was revenue. Implementing the lights was, if I recall correctly, almost a \$10 million investment. The money wasn't there. It doesn't mean we shouldn't do it, but it actually came down to a revenue issue. So instead, in July, they had twilight racing in the evening hours up until 9:00, which went very well because you could still use the daylight.

And for the Mayor's benefit, you should know that Senator Whelan sort of downplayed his role in the sports betting issue, because actually the original version of the bill didn't have the racetracks. And then on the request of myself and many others, he said, "Fine, put it in, because it does make sense. That's a good public policy change." And he was willing to go along with this.

So I'm very appreciative that you were open to that.

SENATOR WHELAN: Thank you, Senator.

Just to follow up on what you said, Senator Gordon said it very eloquently. Part of this process -- and I say this to the audience as well -- is to find the resources we need to make things work. So we need to figure out how we spend \$10 million to put lights in here. I'm sure if you analyze -- and maybe we'll get this later -- Sunday was better than Friday on your weekend schedule -- just people are off. So we need to find those resources. Part of this exercise is to do that.

Do we have any questions from any of the committee members? (no response) I don't think so.

Thank you very much for being here.

ASSEMBLYMAN BURZICHELLI: Thank you, panel.

MAYOR MAHON: Thank you.

SENATOR BECK: Thank you. (applause)

ASSEMBLYMAN BURZICHELLI: Folks, those who are joining us for the first time, I would ask that the applause and reaction be withheld. We will conduct this hearing as we would at the State House in Trenton. We allowed the applause for the welcoming panel. It's a little different setting in that first group. Now we move on to some more detail and business. So I'd ask that everyone be respectful in the decorum that we would conduct these meetings under. We happen to be at a racetrack, but we conduct them under the rules of the State House.

I'm very pleased now to call an individual who, I think, will be informative to this group.

Jon Hanson, would you be kind enough to join us.

Mr. Hanson is Chairman of the New Jersey Gaming, Sports, and Entertainment Advisory Commission, serving at the pleasure of the Governor. He is a private citizen who dedicated his time, along with the other members of the Commission, to put forth a work product that has spurred this conversation and has brought a lot of people's attention to an important industry in this state.

Mr. Hanson, first let me welcome you and let me thank you for your contribution as a citizen for taking the time to do what you have done. We're really grateful that you're able to be with us today, because your Report has started a lot of good, healthy conversation. Many of us have questions about the Report and how you reached some conclusions. I think we'll have a very healthy and good exchange.

Do you care-- Mr. Hanson, is there something you'd like to say to us before we begin?

J O N F. H A N S O N: I do have some opening comments.

As you mentioned, I'm here in my capacity as Chairman of the New Jersey Gaming, Sports, and Entertainment Commission. That was signed by executive order by Governor Christie in February, and we submitted our Report to him and was published, I believe, on July 21.

Candidly, I thought my job was done, and the Governor said, "Oh, no, not so quick." So he signed another executive order. So we are -- continue to work in our capacity as an ad hoc resource on the specific areas.

Post the report, as many of you know, the Colony has turned over Xanadu to the lenders. The lenders have requested proposals from various developers to complete the project. And I believe five developers have responded. The Sports Authority and the horsemen are endeavoring to negotiate a racing format for 2011. In Atlantic City, the casinos are being sold and given back to lenders. Some are being recapitalized. And, unfortunately, the revenue continues to decline. Our role is to aid, where requested, with Xanadu, with racing, with Atlantic City.

Some of you have asked us -- as to what the process was to develop the Report that we have issued. And I will tell you what my personal involvement was, besides being Chairman of the committee. What we did was, we took the major areas of concern -- the Sports Authority, racing, Izod, Monmouth, Atlantic City -- and we had point people. I was the point person on the Sports Authority. Bob Mulcahy was the point person on racing; Finn Wentworth was the point person on Atlantic City; Wes Lang was the point person on Xanadu; Al Leiter was the point person

on having a concert policy that would endeavor to engage all of the facilities here in New Jersey -- not just the ones owned and controlled by the State, but also other facilities, including Atlantic City.

And the question was raised: Well, how did you go about that? First and foremost, anyone who called us who wanted to talk to us, to the best of my knowledge, we have met with.

As you said before, Assemblyman, we were volunteers. Our Commission did not have any resources. We had no budget, we had no staff, and all of us are gainfully employed in other endeavors. Notwithstanding, I personally had meetings with, I estimate, approximately 200 people. I can't tell you what all their names are, because sometimes it would be a group of people. For example, I spoke to the Meadowlands Chamber of Commerce -- to their Executive Committee -- to tell them what we were working on and to ask for their ideas. We continually interfaced with the Sports Authority. And to this day we interface with the Sports Authority officials.

As you all know, Colony controlled the leasehold of Xanadu. And on many occasions we interfaced with Colony. We also interfaced with other would-be developers and continue to do so.

The banks now control that leasehold position. And their interests and our interests are not mutually the same. The banks have invested \$500 million. And like any banks -- and there are more than the banks; there are funds that are there also. Like many banks, they want to get their money back. And we wish them well in getting their money back. But our interest, as a Commission, was: How do you make Xanadu

operate? In other words, find a solution. As many of you have said, it's not the best looking place in the world. (laughter)

And so what we've endeavored to do, in talking to the various potential developers, is, one: Can you change what this looks like? Two: If, in fact, you want to ask the State of New Jersey to be involved with any TIF financing, we're like anyone else. If you're going to use our resources, we want an equity position. We don't want to just issue bonds. We want an equity position in the project in perpetuity.

In addition to interfacing with the banks and the would-be developers, we spoke at various times with the franchises; in particular the Nets. We were happy to report early on in our mission we were able to facilitate the Nets in their desire to go from the Izod Center to Newark. It was a matter of economics. And we also, I think, aided Symphony Hall, in Newark, as part of the project.

I see various owners in horse racing and representatives of various industries here today. Many a day I saw some of those people in my office. We did a lot of meetings at 83 South Street, where my business office is. Various representatives of the casino industry we have met with. We've been to Atlantic City to see the Revel project in particular. We met with various elected officials, some of whom are represented here on the panel today.

So we reached out, we talked to whomever wanted to speak to us, and we entertained various ideas. One gentleman from Bergen County had a very unique idea. He wanted to put in a golf driving range on the site of the Meadowlands. He brought us a very nice report, so we listened to him and what they wanted to do.

That's my statement -- my opening statement. I'm happy to answer any questions -- or endeavor to answer any questions that you might have.

Thank you.

ASSEMBLYMAN BURZICHELLI: Mr. Hanson, thank you again.

Thank you for being here.

I'll be brief. I'm going to ask Senator Sarlo to begin the questions from the panel. We have a couple of other members to ask the race questions.

Let me say that if I offered a single criticism of the report, it was the fact that it covered so much that the details associated with so many of the points were maybe not as in depth as a reader would like to have. And I'm going to suggest that that was because of the wide range of the report and the areas that you covered. Because a number of the topics could have been a stand-alone report on their own, from my observation.

MR. HANSON: I agree with you. It was difficult to have a -- to take every subject matter without a staff, with the timeframe we were in. But we have produced a Report, and we're proud of our Report, and I'm proud of the contribution that my fellow committee members made.

ASSEMBLYMAN BURZICHELLI: Let me ask this, before I ask Senator Sarlo to join in. Many people in this room are related to the industry of where we sit today, which is the horse racing industry. You touched on that. It could be said that this Report -- if there was a point in the Report that was most striking, it was what was suggested to be the State's new role and position in supporting horse racing in the state.

Would you consider that to be an anti-horse racing position or, from your observation in conclusion of the Report, is it suggesting that we're simply going in a different direction with regard as to how we're going to handle and help this industry survive?

MR. HANSON: Well, first let me say that it's interesting that we're sitting here. We're at Monmouth Racetrack. I'm not sure exactly the year, but when I was the Chairman of the Sports Authority, I can remember standing over at the Paddock with Bob Mulcahy, and he said, "I think we're going to lose the acquisition of this facility." And it was there that we asked -- Mr. Hess was one of the shareholders and they had to have this meeting. And to make a long story short, we negotiated, on behalf of the Sports Authority, to buy Monmouth Racetrack. So I was very proud that we were able to do that.

And when I look today-- And so there was a role for the public sector. The conclusion in our Report is, we believe that horse racing is not about -- and I heard the statement before by the Congressman -- we're in favor of horse racing. We just are not in favor of the taxpayer subsidizing horse racing. And if you're asking us a question -- or maybe I should just comment. One of the things that's being looked at for 2011 -- there's about a \$45 million hole. And the bottom line is, I think the horsemen, the track owner, and maybe the Sports Authority have to find a solution that doesn't mean that the State of New Jersey has to write a check for \$45 million.

As far as OTWs are concerned: we've had some success with OTW in Woodridge (*sic*) -- Woodbridge.

ASSEMBLYMAN BURZICHELLI: Woodbridge.

MR. HANSON: I get those two mixed up -- it must be Senator Sarlo's hometown -- confused.

ASSEMBLYMAN BURZICHELLI: Or you're just a little nervous of Senator Sarlo's coming. (laughter)

MR. HANSON: Oh, I'm looking forward to it.

In any event, on the OTWs, here is what our position was -- and it really goes more to your question. No one sitting here today can tell us what the success of OTW will be in 10 years. I don't care who you are. You can't say, here, "We guarantee, 10 years from now, OTWs are going to be successful under the present legislation that we have with racing." You can't. So now the question is: Who is going to invest \$15 million to \$20 million in these facilities not knowing what the results will be down the road?

So what we have recommended in our Report is: This is a role that the private sector should be looking at. The government should not be speculating with taxpayers' money. No fuzzy math time. It goes back to the private sector and let them take the risk, because that's the proper place for risk to be taken. And in the Commission's Report, it's not the role of the public.

So what we were trying to do in our Report was to say, "You own the facilities, Sports Authority, and some very valuable real estate. But I think you should turn over-- We think you should turn over the operations to someone else." And I can elaborate on the dollars, if I may.

I believe \$120 million has come from the casinos, passed through the Sports Authority, to the horse industry. Number one, those dollars are no longer available. There's no fresh dollars. Number two, \$160

million was given in pre-paid rent to the sports complex -- the Sports Authority. And today, there's about \$5 million that's left of the \$160 million. And you're faced with this \$45 million deficit. So it doesn't connect.

So we're in favor of horse racing. I believe the Governor has said publicly he's in favor of horse racing. We just have to find a way, like the rest of us -- you balance your income and your expenses.

ASSEMBLYMAN BURZICHELLI: The Report, Mr. Hanson, is absent comment on the overhaul the Assembly did with regard to the OTWs, OTBs for New Jersey. Was it just something that was missing?

MR. HANSON: I'm not sure I understand that question.

ASSEMBLYMAN BURZICHELLI: The Assembly passed an overhaul bill that had provisions for private ownership. It essentially said, "You haven't built them, those who are eligible presently for the participation agreement, the license;" and it simply said, "We're taking it back, and we're going to go elsewhere." It left the Assembly with almost unanimous support. There's no mention of it in the Report -- that it simply just didn't get picked up as being something that had been -- work had been done.

MR. HANSON: You did bring that to my attention when I spoke to you. I believe, if I were to speak to the committee, they would recommend that the private sector do the OTWs. That's basically what my testimony on OTWs would be -- is.

ASSEMBLYMAN BURZICHELLI: Let me ask Senator Sarlo to join us.

Paul.

SENATOR SARLO: Thank you, Mr. Chairman.

I guess I'm getting a reputation for tough questioning. So if at any point in time you want to interrupt me, Mr. Chairman, please do.

I just have a series of questions. And if I'm going on too long, please -- if another member wants to intercede, I will sit back and come back at a little bit later time.

Thank you, Mr. Hanson, for being here this morning. I know your relationship and your extent with the Meadowlands goes back a long time, for many years. Actually, I must say, when you were the Chairman of the Sports Authority, I actually worked for you -- I was in high school -- as an usher. (laughter) And for the record, it was not a political job. I did not get a political job. I applied. It was \$10 an hour. Actually, in fact, then it was like \$7 an hour. So I actually worked for you for many years and helped myself through college working there, as many people did for many years, in a part-time capacity. So I appreciate all the work that you've done for the Meadowlands and all the good that you've done for the Meadowlands over the years.

You now appear before us in a much different capacity -- the Commission that's been established by an executive order by the Governor. And I just want to talk a little bit about the structure of the Commission. Because when it was first announced, I was actually excited about the opportunity that we were going to get an independent group of folks with a wealth of experience to look at this -- look at our gaming, look at our entertainment forms across the State of New Jersey, and provide some recommendations to the Governor and to the Legislature.

It looks like this is now involving a little bit more, and now this Commission is becoming a body that will sort of replace the Sports Authority and negotiate various contracts and agreements, and then turn it over to the Sports Authority or some other entity to kind of approve them or rubber-stamp them.

What I'm concerned about is, we're now in an era -- this Governor has put a lot of pressure on everybody -- an era of transparency. Do we keep minutes of meetings for these Commission meetings? Do we have a record of who we meet with? Because now we're in the process of negotiating. Do we have that? Do we keep minutes?

MR. HANSON: We have no minutes. Most of the meetings we had, I would call more informal than formal.

ASSEMBLYMAN BURZICHELLI: Mr. Hanson, could you speak closer into the mike?

SENATOR SARLO: If you could just speak into the microphone.

MR. HANSON: Can you hear me now?

SENATOR SARLO: Yes.

MR. HANSON: Most of the meetings we had -- in fact, all the meetings were more informal than formal meetings, where some of the members would be in attendance. For example, we had meetings in Atlantic City. At one of those meetings we were all in attendance. But at other times, just various people would go. So it was not a Commission, per se, like when I was at the Sports Authority -- the third Friday of the month, I think, was when we used to have our meetings. These were ad hoc meetings

with people who wanted to meet with us -- that we wanted to engage them as to the subject matters that we were charged with reviewing.

SENATOR SARLO: But it's no longer that type of committee. Now it's more of a formal Commission where you're actually negotiating. I mean, your Commission, in the Report, says it did negotiate the new lease, on behalf of the State, with the Prudential Center for the Nets. Is that correct?

MR. HANSON: We were involved in those negotiations, yes.

SENATOR SARLO: Okay. So it's more of a negotiating body now on behalf of the taxpayers of New Jersey. Do you agree?

MR. HANSON: No. I think, as I said in my opening remarks, we're available to aid where asked. And sometimes the Sports Authority -- we're involved with them. And on Xanadu, for example, we're in dialogue with both the bank groups that now own the property, as well as interfacing with various developers.

SENATOR SARLO: The Lieutenant Governor, yesterday, at the Meadowlands had indicated that your Commission is negotiating with five potential developers. And I believe the *Bergen Record* had a front-page story on this, this morning. Made it clear that by the end of the month, you should complete negotiations and have a final developer that would be recommended to the Sports Authority to approve. In my opinion, you're-- I'm not saying that's right, wrong, or indifferent. I'm just trying to get a handle on the Commission. You are serving as the point person in negotiations on Xanadu, correct?

MR. HANSON: Let me explain what I believe is going on. The bank group is meeting with individual developers, and they're

negotiating. So most of the time we're an observer as to what is being negotiated, and it's not formal. I talked yesterday to the bank group, so I was sort of up-to-date with what was happening to date. It's not negotiations between the leasehold owner -- that's the bank group -- and the potential new developer. That's where the activity is. The Sports Authority and our Commission, basically, is hopeful that there is a new developer that makes a deal with the bank group.

SENATOR SARLO: I think we all are.

MR. HANSON: And so that-- So, right at the moment, we're not -- we're an observer. If asked if we would be involved with the negotiating-- If asked, we would be happy to--

SENATOR SARLO: So at the current time, your committee is not involved in any negotiations with the five potential developers? You're just observing the process?

MR. HANSON: We have met with not all five -- with some of them, and we're not negotiating with them. The dialogue, to the best of my understanding, is between the bank group and the would-be developers.

SENATOR SARLO: Okay. I think that's important to put out there, because I think people are mistaken that your Commission is the point person in the negotiations, and kind of indicated at the Meadowlands yesterday that we're waiting on the final recommendations from your Commission on this. And we're all excited to hear about that. But we're waiting to-- I guess we're going to wait to hear by the end of the month. Is that a correct date?

MR. HANSON: I've been doing negotiations for over 50 years. There's no such thing as a time limit when you're negotiating. It will be when it will be.

SENATOR SARLO: It will be when it will be. That's what I thought.

MR. HANSON: And we hope to be helpful in the process.

SENATOR SARLO: Okay. And just in your -- and I'm just trying to clear-- On Page 7 of the Report, it does say here, "Immediately following its creation, the Advisory Commission engaged in negotiations to resolve the Izod lease matter. These negotiations appear to have produced satisfactory results for all concerned." So in your own Report you do say you guys -- that your Commission entered into negotiations and are very satisfied with the results produced by your negotiations.

MR. HANSON: Yes. But in order to enter those negotiations, we worked very closely with the Sports Authority.

As you may recall, this was a transaction that was actually announced last fall before the change in Trenton. And the deal did not get to be completed. And I was asked by the Governor if our Commission would look at that, first thing. So I'm pleased that we were able to do it. And it was very simple. The Nets wanted to move, and they're eventually going to Brooklyn. And the dollars that they were paying to the Sports Authority are far less than the \$4 million. And it gave the Sports Authority an availability of 41 dates that they could use the venue for something else. It was a very good economic result, and I'm happy our Commission was able to participate.

SENATOR SARLO: Mr. Hanson, did you-- And this is-- Your Commission is involved with some very important matters affecting the State of New Jersey, the future of our state from an economic growth standpoint. And whether you're observing, you're involved in negotiations, you negotiate the final deal -- but it's ultimately approved by the Sports Authority. It appears it works in various different ways. Do you believe that your Commission should keep minutes; there should be some type of public record of who you meet with, your actions? Because you are sort of a de facto public body. Do you believe that should be, or--

MR. HANSON: We operate under an executive order and report back, basically, to the Governor's Office. It's just not the role that -- I think like a formal body, as I say, the Sports Authority was.

SENATOR SARLO: I have to respectfully disagree that you're not a formal body, because the Report does say, "The Advisory Commission engaged in negotiations to resolve the Izod lease matter." I mean, essentially you were the point person. You negotiated a deal with an NBA team. So I respectfully have to disagree with you on that -- that you are a public body at this point in time. You've been created by executive order, and you-- And I think you did a good job on the Nets deal. But I'm just-- What I'm getting at is I think we all need to realize, as State legislators, we're dealing with a public entity here, public body. And we hope you're just as successful in your negotiations on the Nets that you are -- will be with the Xanadu developers. But I do believe that, at one point in time, we're going to need to make some of the discussions and some of the findings of your Commission more public. I think it's important to all of us as we go to this era of complete transparency in everything we do.

With regard to the Meadowlands and the Report-- There was some discussion. I believe the Governor had mentioned at one of the press conferences that there was a discussion of housing being built at the Meadowlands. Did you guys have-- Did the Commission engage any developers who were interested in housing at the Meadowlands?

MR. HANSON: None that I'm presently recalling. I think the subject came up, but I can't think of a developer specifically inquiring, because there wasn't an available site. So there really--

SENATOR SARLO: So you would rule out any housing at that site?

MR. HANSON: No, I wouldn't rule it out.

SENATOR SARLO: You would not rule out housing at that site.

MR. HANSON: I will say that time will dictate how you use property.

SENATOR SARLO: Okay. So you would not rule out housing. Well, I will tell you as a stakeholder in the region, I think many of us -- including Senator Gordon and Assemblywoman Wagner -- this is a very prime piece of real estate. Your Report acknowledges that.

MR. HANSON: I think it's the finest piece of real estate in northern New Jersey. I love the location of it. As you know, I've been in this business a long time, and I think it's terrific real estate.

SENATOR SARLO: And housing is not the best use of that site, in my opinion.

So in your estimation, that's fine -- that housing is a potential, according to the report.

MR. HANSON: I think the marketplace will dictate what's the highest and best use for the property if there comes a time for it to be redeveloped.

SENATOR SARLO: Okay. In your Report, I think you talked a little bit about -- there's a prime piece of real estate. You laid out a couple options for the racetrack. You talked about the Izod remaining open, which we appreciate. And you talked about some potential TIF legislation with Xanadu.

For many of us who represent that region, there are some options laid out and, in many instances, there are no solutions. It's sort of incomplete on the Meadowlands piece. Was that the intended purpose of the Meadowlands piece: to leave open the options, to not define any specific solutions for the various parcels of land? Was that the intended purpose of the Report?

MR. HANSON: I believe that the solution to Xanadu--

SENATOR SARLO: That was concrete.

MR. HANSON: --will dictate what will transpire thereafter. And that was what we were working on. We didn't have complete information, so we gave our recommendation based upon the facts as we saw them as of July 21.

SENATOR SARLO: You had just mentioned earlier about OTWs, and they're kind of new to all of us. And I've only heard success stories on both the Woodbridge -- and my colleague here says Vineland, also, is doing well. You had just indicated earlier that we don't know what the future -- will they be successful or not. Is that correct?

MR. HANSON: I think the question is: What will the use be 10 years from now? And I'm saying to you that none of us know. And therefore, when the suggestion is made that the State or a State agency invest \$15 million or \$20 million, you need to know what the end of the story is.

SENATOR SARLO: Why did the Report-- If that is such, then why did the Report recommend, as Option No. 1 for the future of the racetrack, convert the Paddock area of the Meadowlands into a 50,000-square-foot OTW parlor? I mean, that's making a major investment in OTWs. And if we don't know the future of it, is that a wise recommendation?

MR. HANSON: The property is there. That's a reuse of an existing facility.

SENATOR SARLO: A reuse of an existing facility. You said, "Reuse existing facility, but don't build new ones." Even if we don't know if they're going to be successful in 10 years?

MR. HANSON: There's a project that's on the table for Bayonne. I think it's well-located, demographically, to do well. It is our recommendation that the private sector be involved in the development of that facility because, number one, the Sports Authority doesn't have the \$15 million or \$20 million that's necessary. And two, there is a risk that it might not be successful. As successful as the cash flow has been in Woodbridge, you still have to look at investment that needs to have -- be repaid over time. We've had cash flow, but you've got a capital investment. And basically the position we're taking on the new ones is-- The question

we're raising is: Is that the proper role for the taxpayer? And we concluded--

SENATOR SARLO: Was a formal study conducted that your Commission relied on, or is the personal opinions of the members?

MR. HANSON: I think this is the conclusion of the Commission. I didn't handle that aspect of it, so I can't answer your question. I'm not sure.

SENATOR SARLO: Okay. And you're not aware of any formal studies that were done on OTWs?

MR. HANSON: I believe the Sports Authority has done a study on Bayonne, but I'm not sure whether there's one for every location.

SENATOR SARLO: With regards to gaming-- Before an editorial board, before the Bergen *Record*, we had a lengthy discussion about the future of the Meadowlands, and I talked about how I believe -- and I commend the Senate President for convening these Summits to try to find solutions across the State of New Jersey. And I was concerned about future gaming at the Meadowlands. As you know, I've been a big supporter of building a high-end, world-class casino at the Meadowlands. And I understand that the circumstances may not exist.

Does your Report-- Your Report does not rule out future gaming at the Meadowlands. Is that correct?

MR. HANSON: Our Report says-- At the present time, I believe, we were not considering casinos at the--

SENATOR SARLO: So you're not ruling it out.

MR. HANSON: Our Report--

SENATOR SARLO: Is that the yes or no answer? I'm sorry.

MR. HANSON: Senator, our Report is what our Report says.
(laughter)

SENATOR SARLO: Okay. So at the present time, in my opinion, that means today, in 2010, no, but in 2011 there exists the opportunity. Am I correct in that?

MR. HANSON: I'm looking for the page. Do you know what page it's on? (laughter)

SENATOR SARLO: I sure do.

It does say, "At the present time," and I was just trying to clarify that from you. "At the present time--" You're going to stick by that, "At the present time"?

MR. HANSON: That's what we wrote.

SENATOR SARLO: Okay. I interpret that as today, perhaps not tomorrow.

If you lay out a plan for Atlantic City creating this tourism district -- and there's a lot to be said about that. There are a lot of good, fine points about that. You talk about the blight, you talk about the better police presence. We talk about taking the Casino Redevelopment Authority funds and keeping it there. These are things I would be supportive of -- also taking the purse subsidy away from the horse racing and finding another solution there.

In your opinion -- and you've been charged with looking at the big picture -- if we give the tools to Atlantic City, and those operators down there are not able to make a significant -- continue to make a significant investment and work with the State, in two to three years from now -- take a timeline -- in a few years from now, it's still not working, and we're still

getting our butts kicked from our neighboring states in taking convenience gaming and other types of gaming, would your Commission then revisit gaming at the Meadowlands?

MR. HANSON: You mean I have to continue to do this for three or four years? (laughter) I think just--

SENATOR SARLO: We would be-- And in your opening statement -- in the opening part of your-- It says here, "Financial and structural problems facing the gaming, professional sports, and entertainment industries are interrelated. And the self-interest of any one cannot override the interest of the citizens of the entire State of New Jersey."

MR. HANSON: I think at the present time you should look at what we're saying as far as Atlantic City. We do not control -- we, the State -- the \$30 million of purse money that was given by the casinos. The casinos agreed to do it. It's their money. What we have recommended is the change in the regulations as to what it costs to regulate Atlantic City. And the casinos have pledged any savings would go in for the public-private partnership or private-public partnership.

And the last item is, we recommended that the CRDA money be exclusively for Atlantic City. So it is the casinos' money that is going into the redevelopment and the tourism. There is no State money being advocated by our committee to go there. What we are advocating though is a leadership role from the State to aid both the city as well as the major industry in making it a better place and a safer place to live.

SENATOR SARLO: Okay. One final line of questioning, and it's on the same topic. It is clear to me that at this point in time our

surrounding states, from a convenience gaming standpoint, are kind of taking over the market from a convenience gaming standpoint. But your Report clearly indicates that in Atlantic City, we don't want to be convenience gaming. We want to be a destination type of market. Is that correct?

MR. HANSON: The studies that we were provided -- McKinsey aided us in work they have done there. Their recommendation, and one we support, is a family destination is probably the best way for Atlantic City to survive.

SENATOR SARLO: You do recognize that when the casino operators have testified before us, they're not so much geared to doing family destination. They tried that in Las Vegas, and it failed. They did testify before us on that.

MR. HANSON: And we had a lot of competition for the gaming dollar. None of them have the backdrop of the Atlantic Ocean and the beach. The casinos need to take advantage of those two natural beauties and use it to promote their industry.

SENATOR SARLO: Since we are sitting--

ASSEMBLYMAN BURZICHELLI: Senator, excuse me.

SENATOR SARLO: Final question.

ASSEMBLYMAN BURZICHELLI: Please.

SENATOR SARLO: Since we are sitting in a horse racing facility, most of the horse racing facilities around the country are relying on other types of forms of revenue from gaming or other types of revenue-enhancements to supplement their purses, because it's just not working -- horse racing tracks are not-- This is a \$4 billion industry, \$2 billion

industry. It's a pretty significant industry here in the State of New Jersey. But without some type of supplement to help the purses, they're not succeeding in other states. Other states are doing these convenience gaming and other forms to help supplement. To keep up -- to keep this \$2 billion, \$4 billion industry alive in New Jersey, do you agree as stakeholders -- all of us, collectively -- we should do something or find a way to provide enhancements to these purses to keep this \$4 billion industry alive? Do you agree with that?

MR. HANSON: As I said before, we are supportive of horse racing. I think it's one of most unique tracks in the country, is Monmouth, and we should find a way to keep it operating.

SENATOR SARLO: Thank you.

Thank you, Mr. Chairman, for giving me the latitude. I appreciate it.

ASSEMBLYMAN BURZICHELLI: Thank you Senator.

Mr. Hanson, I'm not sure if there are any more questions left, but--

MR. HANSON: You're going to break my heart. (laughter)

ASSEMBLYMAN BURZICHELLI: But we're going to try.

SENATOR WHELAN: I just want to ask: In terms of families, have you been watching *Boardwalk Empire*?

MR. HANSON: I have, Senator. My wife wants us to recreate exactly that scene on the Boardwalk. She thinks that would be great.

ASSEMBLYMAN BURZICHELLI: The line up: Speaker Oliver will be next, followed by Senator Van Drew, then by Assemblywoman

Wagner, Assemblyman Caputo, and Senator Sweeney will close out the questions.

Welcome, Speaker.

ASSEMBLY SPEAKER OLIVER: Thank you, Chairman.

Good morning, Mr. Hanson.

MR. HANSON: Good morning.

ASSEMBLY SPEAKER OLIVER: And thank you so much for taking time to come here today. We know we've had difficulty with our prior meetings all connecting up. So I am grateful that you could make time in your schedule today.

And you have described that you took this task on as a volunteer, and I want to express to you that I hope this experience does not derail you from ever wanting to volunteer for anything again. (laughter)

MR. HANSON: I've been doing that a long time, and most of the time it's rewarding.

ASSEMBLY SPEAKER OLIVER: It's fulfilling at the end.

And, of course, just chronologically, many of us as individual legislators began to focus on these issues on that day in July when the Governor conducted his press announcement at the Meadowlands, followed by Atlantic City. And that is when the "Hanson Report" became the focus of everyone's attention.

I want to first ask you several questions that evolved as a result of the discussion that took place in Atlantic City which provided, that day, some insight for people in this state around problems that have surfaced with the casino industry.

Reference has been made to Pennsylvania, Ohio, and surrounding states moving into the gaming industry. We all know we can't cry over spilled milk. For 33 years we had a great experience with gaming. We did not, perhaps, raise rhetorical questions going back 15 years ago, and as a result we are where we're at with Atlantic City.

I found very interesting, though, the discussions regarding the industry believing that there was a need for direct State intervention as it related to issues of public safety, sanitation, creation of these gaming districts, etc. And I want to ask you a little bit about the discussion that evolved with your committee members which led you to draw the conclusion that the State needed to play that type of role.

I do not believe, based on my own personal experience in traveling to Atlantic City, that it is characterized as an out-of-control, public safety -- there is fear there. And I was discouraged back in July, because I felt an improper characterization was being presented.

Subsequently, as I have talked to many people in the industry in Atlantic City, something that I am intrigued by, for instance, is one casino operator describing to me that his corporation pays approximately \$43 million annually to Atlantic City in property taxes. Now, if that is one casino operator, my first question to you is: Generally, how much money in taxes are casino interests paying currently to the City of Atlantic City?

MR. HANSON: I don't know the exact answer. I know that Atlantic City collects over \$200 million in property taxes. And as the largest industry, I presume they pay the preponderance of those taxes.

ASSEMBLY SPEAKER OLIVER: And then we would add into that generally other taxes that are paid by other real estate interests: by residents, business owners, etc.

MR. HANSON: I think the \$200 million-- The number that sticks in my head is \$212 million -- I might be slightly off on that -- is what is collected by the municipality. And our Report did deal with how that is quite a bit more than comparable sized cities.

ASSEMBLY SPEAKER OLIVER: And I'm told by many of the industry representatives that even in addition to paying these taxes, many of them maintain their own security forces, their own sanitation operations, and their own trash collection, etc. Many of them are doing that currently, correct?

MR. HANSON: I believe that's correct.

ASSEMBLY SPEAKER OLIVER: So what would motivate the members of the Hanson committee to believe that there was a role for the State to fulfill some of these kinds of functions if that level of revenue is being collected by the industry in Atlantic City and, in addition, the casino operators are building into their own operating budgets costs to fulfill some of these functions?

MR. HANSON: You have 11 casinos in Atlantic City at the present time, I believe. And if you combine -- you consolidated the services that you just described so that rather than individually the casinos were providing those -- you did it under one umbrella -- it should be more efficient and less costly.

ASSEMBLY SPEAKER OLIVER: Okay. So pretty much a model of shared services by the industry.

MR. HANSON: Yes.

ASSEMBLY SPEAKER OLIVER: And why is it felt that the State should play some role in that in terms of operating an entertainment and gaming district?

MR. HANSON: Our position was that you needed someone in a leadership role to play in coordinating these efforts to make Atlantic City a more attractive place, more efficient. And that was the role we envisioned. As I said before -- but not dollars. The dollars would have to come from the major industry, not from the State.

ASSEMBLY SPEAKER OLIVER: And conceptually, what is your vision for how this would work in relationship to the local government of Atlantic City?

MR. HANSON: That's a very good question. I think time will dictate how it works. We were proposing the concept. And, as usual, the devil would be in the details. In answer to your question, we thought there was a role to be played by the State, and we did not get down to exact details how it would be handled between the City and the new district.

ASSEMBLY SPEAKER OLIVER: I, too -- and I think it was Senator Sarlo who made reference to the family friendly. I do agree that we have not maximized the opportunity to promote the beach and the natural resources of Atlantic City. I do agree and concur with you. And I think that that could probably, if investment were made in the natural resources of Atlantic City, expand tourism. I do not believe that we would see, however, a boom in tourism there because we make it a family friendly destination. Because in my estimation, gambling and children don't mix --

in my estimation. And I don't think we would see a Disney World-like environment created.

And then the other element we have against us is that we only have about four months of good weather. So I do have concerns about the promotion of heavy investment in Boardwalk expansion, amusements, that sort of thing. I don't know if that would work well for us. But I do see other opportunities. I think The Walk has been very successful. I understand the Pier at Caesars isn't doing that well. I personally feel it's because of the economy and nothing else. I do believe Atlantic City needs to be promoted as a destination in the East. And I'm certain future conversations about the Port Authority, perhaps, being able to do some expansion with the Airport might be the way to go with that.

But this notion that the government needs to get out of the business of subsidization-- Unfortunately, we've created that pattern in New Jersey already. And I guess if the economy weren't doing so bad, we wouldn't be having some of these conversations today. But when I think about subsidization, and sports gaming, and recreation in New Jersey, taxpayers have been doing this all along. When I think about the tunnel that we built, that was subsidization so that we could develop the inlet. When I think about Prudential -- it may not directly have been a check written from Trenton, but without question, the Port Authority heavily subsidized the construction of Prudential Center. When I think about the Meadowlands, heavy subsidization; Xanadu -- I just don't even want to discuss that. (laughter) And other initiatives through the years. We've always done subsidization of this industry. Atlantic City-- I even think of the big ballyhoo that got created -- and you made reference to Mr. Mulcahy,

and he was on your committee -- when we made heavy investment in the expansion and creation of the Athletic Center at Rutgers University. And then if you look through the archives of State law, you'll find enumerable examples of tax credit bills that have passed, and other initiatives through EDA and other places. So we kind of have buried ourselves already in public subsidization of gaming and entertainment. And it is probably because New Jersey has often felt that it could not, on its own, in working with the private sector, create a competitive market where people would come and invest and spend their money. So maybe now is the time to start redirecting that. We've already established the history.

And I think one of the reasons some of these problems have been created -- and it gets back to the Governor recruiting you and others with expertise. I think that many of the decisions that have been made through the years have been made by members of boards, and authorities, and commissions. And these are generally appointed. And there is no test that you have to take in order to serve on some of these boards, authorities, and commissions.

So, for instance, when I -- when you raised the issue of Xanadu to me, I often wonder why didn't members of the Sports and Exposition Authority raise issue with this project as it was being created and evolved?

I just can't gain an understanding of that, Mr. Hanson.

MR. HANSON: We agree.

ASSEMBLY SPEAKER OLIVER: I can't get to that.

And I think that at the end of this process-- And I know I've heard discussion about regional interests. It shouldn't be about that. I think that our objective, as legislators and you all as the kitchen cabinet to

the Governor-- Our focus should be on maintaining, sustaining, and expanding jobs and economic opportunities in all of these places. Because shutting down Monmouth Park creates an economic hole. Shutting down elements of operations in the Meadowlands creates an economic hole. And I think the best thing you've said today is that whatever happens, it can't be a decision for today. It has to be consideration of 10 years, 20 years, 25 years. New Jersey is in the place it's at because we make knee-jerk decisions based on today and the politics of today.

So whatever influence you are able to exert in this process going forward, I would hope that you would be guided by the disclosure you made today that these decisions cannot be made for today, based on the leadership that exists today or based by who sits in the Legislature today.

Thank you, Mr. Hanson. (applause)

ASSEMBLYMAN BURZICHELLI: Thank you, Speaker.

We will now call on Senator Van Drew.

Jeff.

SENATOR VAN DREW: Thank you, Chairman.

Mr. Hanson, thank you for being here and the work that you've done.

On a lighter note, it was good to hear, in the beginning -- you said you didn't ask for any money from the State budget, you didn't ask for any staff from the State budget, and everybody was gainfully employed. That was a plus. That was good.

Let me just start by saying-- I know Senator Sarlo asked some good questions. And one of the questions he asked was: Gee, what would happen in a few years if Atlantic City is still floundering, and the casinos

aren't doing well, and we continue to go and see some of the issues that are there now? Very briefly to say -- and I say this also on a lighter note to my good friend and colleague, Senator Sarlo -- he might have to do the housing at the Meadowlands, because people are going to be moving out because we're going to be in trouble. We absolutely need to move Atlantic City forward. This is a serious business.

I know there are a lot of folks here from, perhaps, another viewpoint. But I have to represent my area, and I have to represent -- as does Senator Whelan -- the reality there. And some numbers just came out from the census -- very briefly. And I don't want to give a lecture, but those numbers showed that the State of New Jersey -- again, the highest number of families living in poverty. And I love my area, and it's a beautiful area -- Atlantic, Cape May, and Cumberland County -- that the median income has dropped. It's one of the few areas where the median income has dropped in the last few years. The number of jobs have dropped. We rely on -- this is not just something nice that we have -- casinos in Atlantic City. It is something that the entire region depends upon for employment and its future. If it doesn't work, it would be akin to losing a financial industry: the pharmaceutical industry, the manufacturing industry up in the central and northern part of the state. This is serious business. It's no joke. And that's why we advocate so hard.

With that being said, we want to help with horse racing as well. We have to figure out a way -- and I believe we will, and we can with the leadership at this table -- with our Senate President, and our Speaker, and Senator Sarlo, and Chairman Burzichelli, and Chairman Whelan -- we can

do this. But it can't be to the detriment of one section, one region, or one part of the State of New Jersey.

With that, let me ask you some questions. Horse racing is a changing industry, as is -- both horse racing and casino gaming are changing a lot. Just in a snapshot, from what you all studied, can you tell me -- it's a generational change, I believe. Can you tell me what you saw in New Jersey and what you saw around the country?

MR. HANSON: Well, I think the best way to answer that question is: Our Commission was an advocate and worked closely with the horse racing industry to do what transpired there at Monmouth, that less was more. And so our recommendation and what transpired here at Monmouth for 50 days with high purses attracted the best horses. And I heard Senator Beck before talk about that. It was a very good racing season.

Unfortunately, Monmouth still lost money. And on the other hand, again, our Commission is for continuing horse racing. It's a little bit easier for thoroughbred racing for this facility than it is at the Meadowlands. The Meadowlands has a facility -- and I remember being there in 1976 when it opened. I think there were 42,000 people there. And today you get 3,000 to 5,000 people. So you have dwindling crowds that come out. But, yet, you have to operate the very large racetrack. So in our Report you will see we laid out some other options.

And in answer to Senator Sarlo's question: What else do we do? We continue to look in northern New Jersey for a site that could be more economical for a standardbred track, albeit not to be developed by the public sector. So what we're saying is that the attendance at standardbred

has been down. But we also believe -- our committee believes that less could be more, also. There was a saturation that was going on, on racing. So fewer days, good purses attract the best competition.

SENATOR VAN DREW: And that's a pattern. I know the answer to some of these questions myself. That is a pattern that is not only in New Jersey, but it's throughout the United States of America.

MR. HANSON: I think New Jersey proved that it was the leader this year in the thoroughbred (indiscernible).

SENATOR VAN DREW: I mean the pattern of having -- with the problem of decreasing attendance and investment in the industry. It's a-- And I know that I am. It's a generational issue. The younger folks aren't as interested in horse racing.

MR. HANSON: We didn't study it exactly, but I personally believe that's probably true.

SENATOR VAN DREW: And other than the number of days -- changing that -- are there any other ways that you believe-- And I know it wasn't only focused on that -- that the industry should reinvent itself. Because I do believe you gave a good picture of what Atlantic City should do. And in large point I agree with you. Anything else that you can share with us -- and I read the Report as well -- that you publicly want to say you think should be an immediate focus with the horse racing industry?

MR. HANSON: I just touched on it. The legislation needs to be addressed immediately so it's economically feasible for both the sports complex, the owner -- the current owner of the tracks, and the horsemen.

SENATOR VAN DREW: Okay. And to answer the question about Atlantic City and the tourism districts -- which, again, I believe are a

very good idea. And I think speaking to -- and I think she was on point -- Speaker Oliver, The Walk has worked so well because it is streetscaped nicely. Because it's lit nicely, it seems to be a little bit safer, and brighter, and lighter. Would you -- and, again, I just want to make sure we have the same vision here when we read the Report -- that your sense would be that Atlantic City should be, in those tourism districts, extremely safe, extremely nice, very well-lit, very clean, very friendly -- friendlier, safer, nicer -- and that would create the stability to have more investment in the city?

MR. HANSON: That was the main purpose in looking at the tourism district.

SENATOR VAN DREW: Which I think is an excellent idea. And when the Mayor was here at the first meeting we had, he welcomed the idea and welcomed added help as well with policing the area. Because there are some serious issues. We're actually losing police officers rather than gaining them in the City of Atlantic City.

MR. HANSON: Senator, the major problem of Atlantic City, in our opinion, is: How do you attract fresh capital? As I mentioned in my opening statement, casinos are changing hands, albeit at lesser dollars than the prior investment. But making the city safe, and having the perception that it's safe, means that capital dollars will follow.

SENATOR VAN DREW: I agree with you 100 percent. I think you're right.

The regulatory costs-- And, again, I think we're all on the same page that the CRDA money -- we're at such a flash point in the city. And if I understand your Report correctly, the CRDA money now would come back into the city for immediate infrastructure improvement. The purse

subsidy money would not continue to exist -- again, whatever dollars are there. I think the casinos should be pushed to use that money and, again, to reinvest in Atlantic City. I agree 100 percent.

The regulatory reform-- I would ask you-- One of the interesting aspects -- and I looked at this a little bit. Say if you look at the Las Vegas model, it looks like we spend a lot more in Atlantic City in regulations than they do. But also if you look at it, two things: One, Las Vegas is actually looking at Atlantic City, because a good deal of the money they spend there comes from their general fund from their taxes -- number one. And secondly, they do it at the back end. We have very few auditors. They have a tremendous number of auditors, but they don't have the casino inspectors. So I would just suggest that I think we need to take another look at that. Because at the end of the day, if we're really going to lose all these inspectors -- which I have some concerns about -- at the same time, we're also going to need a whole lot of auditors -- we're going have to hire. Because we do have to track these dollars in some way. Has any thought been given to that?

MR. HANSON: We were dealing on the economic side, and we were apprised that in Las Vegas, the total expenditure on regulation was between \$25 million and \$30 million. And in Atlantic City, I believe it's between \$65 million and \$70 million. So that's one.

And two: I think part of the problem is that the regulations we're dealing with really go back to -- prior to computers, and go back to the '70s. So the thought process that we're (indiscernible) is: You could change the regulations and still keep the integrity of the industry. And we

would agree with you. You need to audit. But there are methods that are used today that, candidly, we're told are outdated.

SENATOR VAN DREW: And I, to a point, agree with you. I don't know if the savings would be quite as significant, again because of the way the system works in Las Vegas. When you look at the total dollars spent, there is more spent in New Jersey. However, it's not as significant as one might think if you look at the whole picture. And I think it would be good to take a look at that again. But I think we can save some through regulatory reform.

Finally, I just wanted to speak to the timeframe. Again, when you all look at this, seeing how quickly certain issues are rising in Atlantic City and for horse racing, would you agree that this has to be done very rapidly, that we need to be really proactive here?

MR. HANSON: Time is not your ally here. You need to make a decision as to whether there are merits in our Commission's Report as it pertains to Atlantic City, and you need to act. Because time will, if you do nothing -- deterioration, we believe, will continue.

SENATOR VAN DREW: We are going to be in deep trouble. We cannot go along to -- get along the way that we have.

I just want to thank you, again. And I think you're absolutely right about the time. I know the people in this room have an interest. We do have to move quickly. And it's our responsibility in the Legislature. You paint it with a broad brush. You gave the vision. Some agree, some disagree. Now we have to act quickly and effectively. I know we will with the leadership we have, because the State of New Jersey is in the mix here, and it matters.

I thank you, Chairman.

ASSEMBLYMAN BURZICHELLI: Thank you, Jeff.

We're going to move on.

Next is Assemblywoman Wagner, followed by Assemblyman Caputo, and then Senate President Sweeney will wrap up the questions for Mr. Hanson.

Assemblywoman.

ASSEMBLYWOMAN WAGNER: Thank you.

Good morning.

MR. HANSON: Good morning.

ASSEMBLYWOMAN WAGNER: And I also would like to extend my congratulations for issuing this Report. And I think you've opened up some very good discussion that needed to happen. In fact, I think it needed to happen several years ago, but here we are. I sometimes think that we in New Jersey have certainly fallen asleep like Rip Van Winkle and, all of a sudden, this big problem is here in front of us. So thank you for opening up the discussions.

You had mentioned that you interviewed over 200 people in the Report. What I would like to know is: Were people from the equine industry -- the horse farmers, jockeys, trainers -- were they part of your interview process of the 200 people?

MR. HANSON: I didn't personally conduct all the meetings that took place, so I can't specifically answer your question. But I can say that representatives of the standardbred owners and the thoroughbred owners certainly were interviewed. And I'm not sure how many others, but

I do know that our representatives were here. Members of our committee came here on multiple occasions to Monmouth.

ASSEMBLYWOMAN WAGNER: If I had asked you, out of the 200 people interviewed, if you could go back and get me that information as to if there was a farmer who was interviewed, if there was a breeder who was interviewed -- could you give me that information?

MR. HANSON: I personally do not have that information, though I see that Mike Gulotta is on the agenda to talk today. Mike was on the transition committee -- that's the forerunner of this Commission. So I know that Mike -- I spoke to him on more than one occasion.

I would be glad to ask Bob Mulcahy--

ASSEMBLYWOMAN WAGNER: I would like that information.

MR. HANSON: --if he can recall exactly with whom he spoke.

ASSEMBLYWOMAN WAGNER: I would truly like that information.

You know, I hear us talking about a win-win situation, and it has to be a win-win for Atlantic City, for the Meadowlands. And I hear North versus South, and we certainly don't want to go there. This has to be a win for the entire state.

But there seems to be another section of the state -- and I don't know -- in my mind that's the central part of the state. And I know that I went to visit that area. I went to visit the horse farms. I happened to get lost there, and it was probably the best thing that ever happened. Because for 45 minutes I went from farm to farm. And what I realized from traveling that, is that if the Meadowlands doesn't succeed I am going to

have a domino effect, and it won't be pretty. I will have the farms going down, I will have veterinarians losing their jobs, I will have farmers losing their jobs, I will have all the other areas that depend upon them to succeed-- And this is a beautiful part of our state. Was that ever considered?

MR. HANSON: Yes. As I said before, we're not opposed to racing. What our position is: that the State of New Jersey, through the Sports Authority, has expended \$250 million, and it's out of money. And so our recommendation is that it should not be the role of the State to subsidize it, but work with the private sector to help the horse racing industry. And I think, as was said before, perhaps we are a catalyst. And I would hope that the horsemen and the track owners find that solution.

ASSEMBLYWOMAN WAGNER: And I hear what you're saying, except I have the people saying to me that, in the horse racing industry, they have never been given that opportunity to succeed, because they have been kept from having racinos. And you know what? If you look at the maps that are up there on the windows, it shows casino gaming from 2000 and casino gambling in the Northeast in 2009. And if you look at the year 2000, you just see that there is one star. This is New Jersey. And you see there's very limited gambling in the rest of the Northeast. If I go and look at 2009, nothing has changed in New Jersey except the rest of the states -- and I believe it was the Freeholder from Monmouth County that stated that the rest of the states are gobbling up New Jersey's lunch. And as far as I'm concerned, this map says it all. We are losing valuable economic resources. (applause)

If your Commission is going to continue, are you willing to go back and hear that point of view of the people from the horse racing

industry? Because I say if we don't change, and if this was a battlefield, we're losing. We're losing big time.

MR. HANSON: Senator (*sic*), we were an advocate in our Report of that -- enhancing gaming that is part of the law today. That's what our position is. And so we're not-- And that's in our Report. And as I've said several times today, we're supportive of racing. We just don't think it's the role of the State to subsidize it.

ASSEMBLYWOMAN WAGNER: I think if nothing changes and you allow it to continue -- and the \$1 a year leasing is not going to do the trick. People are more sophisticated today. They just do not want to go for one event. And I think if we want to give them that opportunity to succeed, we have to allow a different form of gaming to occur there.

And also I have to say this in regard to Atlantic City: Every time I turn on the TV and I see a commercial, it's usually about Foxwoods, it's about going to South Carolina. I never -- Yonkers, big time right now. I don't see anything about Atlantic City on the TV when I'm flipping through the channels on commercials. I think we've done a horrible job in advertising our assets in New Jersey. So I'm hoping that we can straighten that out. (applause)

MR. HANSON: Senator (*sic*), just on that point, our Commission found that about \$4 million a year was spent promoting Atlantic City, and in Las Vegas it's \$100 million. And one of the reasons why we recommend the public-private partnership and the redirection of those dollars is because we agree with you. They need to promote Atlantic City, and they're not using enough dollars to do that. So we would agree with you.

ASSEMBLYWOMAN WAGNER: Thank you.

ASSEMBLYMAN BURZICHELLI: Thank you, Assemblywoman.

We'll now call on Assemblyman Ralph Caputo, then followed by Senator Sweeney who will finish up the questions for Mr. Hanson.

Ralph.

ASSEMBLYMAN CAPUTO: Yes, thank you, John.

I want to express my appreciation to Senator Sweeney and to Assemblywoman Oliver, who I should never forget.

You know, this whole conversation is getting redundant. The fact that you weren't here at the other two -- and you saved yourself a lot of aggravation. And the fact that you're here today -- I really do appreciate that. And I'm sure Assemblywoman Oliver does too.

The real deal here is we have two industry, obviously, that are in deep trouble. And you as a businessman obviously will recognize that. Atlantic City is in deep trouble because of the economy and also because of the neglect of their properties. The fact that they have tried every marketing technique for the last 30 years -- has not been able to do anything about the present condition. And a lot of that is because they fiddled around about potential competition. They laughed at the competition. I know personally, because I worked in the industry for 19 years; and I'm very familiar with the marketing techniques of many of the casinos that are presently operated in Atlantic City.

The fact that Assemblywoman Oliver brought out about the subsidy -- it was a \$300 million subsidy for a bridge. It could have been a bridge; it became a tunnel. There was nothing wrong with a new bridge,

but we spent \$300 million of taxpayers' money on the potential that Steve Wynn was going to come to the Marina section of Atlantic City, which never happened. We were fortunate enough to get the Borgata. But \$300 million was quite an incentive, although the Trump Castle suffered for years from highway construction in that area. We did spend that money. Due to the influence and skill of Senator Gormley, many of these things were accomplished.

Now, this is not a negative statement on Atlantic City. But the fact is: A lot of this is self-imposed; self-imposed by a government that does not have the -- manage the city, as you brought out. And the fact is that by creating a gambling district -- is not going to bring one more dollar to Atlantic City.

We are running out of time. Every month that these competitors operate in the Northeast, the numbers in Atlantic City are going to get worse and worse. The worst result is that if we enact recommendations legislatively -- of this committee -- and Atlantic City gets worse, what's going to be the solution then? Right now we're facing a situation where convenience gambling is not competition -- they are murdering the racetracks, murdering Atlantic City. They're destroying the economic base of gaming in the State of New Jersey.

We don't want to face that with this Report, we have to redo this Report. Because obviously it's not dealing with the realities -- immediate realities. Many of the recommendations are very good. They really make a tremendous point. The fact is: With gaming in this area -- the Northeast -- that is created-- You can see it on this map. Most of the

people who go to Atlantic City on a day trip come from North Jersey and New York.

Do you agree with that, Mr. Hanson -- the day-trippers?

MR. HANSON: The day-trippers, I think, primarily live in North Jersey.

ASSEMBLYMAN CAPUTO: Okay. And if they're going in other directions, where is--

SENATOR WHELAN: That's not accurate. You know that, Ralph. They come from the Delaware Valley, number one; then North Jersey, number two.

ASSEMBLYMAN CAPUTO: Okay. Fine.

SENATOR WHELAN: Well, let's be accurate.

ASSEMBLYMAN CAPUTO: If they're coming from the Delaware Valley, and they're coming from North Jersey and New York, where is Atlantic City going to get their customers from? Where are they going to draw their base from?

The fact is, I don't want to promote gambling in North Jersey. But the fact is, if we don't put racinos at the Meadowlands and come up with possibly \$500 million to a billion dollars a year, we're going to lose both industries in the State of New Jersey. We're going to look back on this and say, "The gaming industry in Atlantic City is finished, and the horse racing industry in Atlantic City is finished."

I'm going to ask you this question, and you can answer it any way you please. But I believe -- and I think you believe -- that the voters of the State of New Jersey should make a decision on where gaming belongs.

(applause) Let me ask you that question. Do you believe that the voters of the State of New Jersey should make that decision?

MR. HANSON: Our Commission took no position on that question.

ASSEMBLYMAN CAPUTO: Okay. Do you believe that the Commission should make the decisions -- your Advisory Commission? Do you think you should make the decision?

MR. HANSON: Make what decision?

ASSEMBLYMAN CAPUTO: Are you-- Do you believe the recommendations from your committee should make the decisions about the future?

MR. HANSON: Our Commission issued a Report to the Governor under the guidelines he laid out, and we stand by our Report.

ASSEMBLYMAN CAPUTO: But where is the voter input, where is the public input? Did this committee have public hearings?

MR. HANSON: No, we did not have public hearings.

ASSEMBLYMAN CAPUTO: Why not?

MR. HANSON: We were charged with making a Report, and we completed our Report. And as I said, we talked to those people who asked to speak to us. And besides that, we reached out to those people we chose also to try to get as much input as possible.

ASSEMBLYMAN CAPUTO: All right. Let me ask you a question. What do you feel the impact is of these convenience gambling destinations on the racing industry and on Atlantic City? What impact do you feel it's having? Have you looked at the data and the information?

MR. HANSON: I'm not an expert on the question you're trying to ask.

ASSEMBLYMAN CAPUTO: I think we should know. That's just the point. We cannot make a decision about the future of Atlantic City -- (indiscernible) to be subsidized, if Atlantic City was involved in the operation of these racinos -- potential racinos. They would get a subsidy out of it. And the horse racing industry would also be a benefactor.

So I think what we have to do, in terms of this Report, is to look at the financial data and also make a decision about how much of an impact this competition is having on us. Because if we don't, we're not really making a sound decision or recommendation -- all of us -- not only your committee, but all the members of this legislative body. How can we make such a decision about the future of Atlantic City and the State of New Jersey if we don't consider those factors? I mean, it's important. You, as a businessman, probably understand that better than I. You wouldn't make an investment in an area that you were going to lose money, would you? This is what I'm getting at.

MR. HANSON: I try not to.

ASSEMBLYMAN CAPUTO: This is what I'm getting at. You don't believe that taxpayers' money should support Atlantic City, do you?

MR. HANSON: There's nothing in this committee's Report about taxpayers' money going to Atlantic City.

ASSEMBLYMAN CAPUTO: I know. And you don't support it going towards the tracks either. So why don't we get revenue that we -- why don't we go after revenue that we're losing to subsidize, to help Atlantic City implement the plans that you've laid out? Because they're

good ideas. They're not bad ideas, they're terrific ideas. The problem is that we're running out of time.

MR. HANSON: We agree.

ASSEMBLYMAN CAPUTO: And we're running out of time that if we don't do something right away-- Huh?

MR. HANSON: We agree you're running out of time.

ASSEMBLYMAN CAPUTO: Right. We're running out of time. If we don't do something immediately, we're going to end up losing two industries. And I'm very concerned about that. I know the members of this committee are very concerned about that. And that's what binds us together: the fact that we are North and South. We have an interest in seeing the whole state benefit. One industry over another is not going to solve the problem.

I'm going to end my comments after that.

Thank you very much. (applause)

ASSEMBLYMAN BURZICHELLI: Thank you, Assemblyman.

Folks, again, I'm going to ask that the participation after speakers be kept to a – quiet, if you would be so kind.

Actually, before I ask the Senate President to close out the round of questions -- I've been remiss in recognizing that our colleague, Assemblywoman Casagrande, is here. I looked for Caroline. She was here.

Hello, Caroline. Thank you for being with us.

I'll call Senate President Sweeney to wrap up the questioning for Mr. Hanson.

Steve.

SENATE PRESIDENT SWEENEY: Mr. Hanson, first, thank you. This is an issue that, whether we like it or not, has had to be talked about for many years. And I give the Governor a lot of credit for at least putting the argument on the table. Whether we agree with the outcomes will be seen with legislation. But the Governor should be given credit, because this discussion needed to be taken. As you said, time is of the essence. It should have been taken up a long time ago. And thank you for your service in doing this, because we know it takes time.

But there are a couple questions I have, Mr. Hanson. I know the Governor created it by executive order. Something as important as these decisions -- how can they really be seen as informal? You, as a developer, will look at a business model before you make a decision, I would think. You do a lot of research. I don't think you, as a developer, would say, "Well, this was an informal decision, and we're jumping in and spending hundreds of millions of dollars." Don't you think something like this -- as important as this is -- should have been provided some resources so that-- Again, we're making decisions on the face of thousands of jobs.

MR. HANSON: Are you asking whether I would have liked to have some help on this? The answer to that is yes. But let me comment on it.

Sometimes it's better to have no money than a little money. So when we needed to understand the lease at Xanadu, I looked around and said, "There must be some law firm doing an awful lot of work with us." And I went to them and said, "I need you to volunteer." So they examined the leases that pertained to Xanadu -- they're about that high; about a foot high -- at no cost. And so they provided us that. We went to McKinsey.

Again, they provided us with the information on Atlantic City. So if we had a little bit of money, somebody would want to get paid. We were able to get people to volunteer that information, on reliable sources, that were helpful to us in making our recommendations.

SENATE PRESIDENT SWEENEY: Mr. Hanson -- and I appreciate that. Because everyone looks to get paid at the end of the day. But we have about 700 attorneys in the AG's Office. Again, this being informal, the concern is -- and you've heard this -- who made what decision, why, how? You see the fighting and the arguing that goes on around the State, whether it's gaming in the Meadowlands, the horse racing industry in trouble.

Again, my personal opinion: There really needed to be a much more formal process when you're talking about billion-dollar industries. And this was not your decision at all. I mean, you worked with what you had. But all I'm saying is, we didn't have to pay someone to get the expertise. We have a whole bunch of people on-- Unfortunately, we have a whole lot of people who work for government -- probably too many.

OTBs: You said you're not sure of the future of OTBs.

MR. HANSON: OTWs, Senator.

SENATE PRESIDENT SWEENEY: OTWs, yes, I'm sorry. My mind is in another place at times.

But when we've had a few of these facilities open up, they've been successful. Cherry Hill was approved and never opened. Did the Exposition Authority ever do a study? So, again, as you say -- when you're going to invest \$20 million -- was there ever a study done by them? Because they were the ones who were going to make the investment.

Because, again, as a developer, you're -- I'm sure you're not making decisions on a whim. So were there ever any studies done by the Sports and Exposition Authority?

MR. HANSON: I know studies were done on specific locations. When our Commission came into existence, we encouraged them to -- in Bayonne in particular -- that they need to understand the economics of what it was going forward, not just on the opening of the facility. But I'm not aware of whether they have a master plan for OTWs. And one of the items in our Report is -- we call on the master plan.

SENATE PRESIDENT SWEENEY: The State had given how many charters for OTWs?

UNIDENTIFIED SPEAKER: Fifteen.

SENATE PRESIDENT SWEENEY: Fifteen.

MR. HANSON: Fifteen, I believe.

SENATE PRESIDENT SWEENEY: And there was going to be some State involvement with these.

Again, it calls into question-- And it's a question that has to be asked. You're saying, "Where is it going to be in 10 years?" Shouldn't a study be done? Because if this is an avenue that can help the industry-- And, again, we don't know. It may come back the way we don't like it. But shouldn't something be done formally so that we can go to people who are like yourself and other developers, and say, "These can be successful," where we don't have to use tax dollars? Don't you think-- Would you think a more -- a formal study by the Exposition Authority to determine would they be viable in 10 years-- Because, again, when you're planning

and trying to figure out a business model, you can look out 10 and 20 years and see where your market might be.

MR. HANSON: Our concern was exactly the point that you're on, the unknown 10 to 20 years down the road; and using taxpayers' money. And then all of a sudden, you have a facility that is not revenue-generating, and the State owns it and may have some debt on it. So that was a major concern to us.

SENATE PRESIDENT SWEENEY: I guess my point is that if we could have demonstrated that they could be successful, we could have other people come in and build them privately, without State dollars.

MR. HANSON: Senator, I believe it would take a leap of faith to get to what you're talking about. Because none of us know what the interest will be, under present legislation, on OTWs.

SENATE PRESIDENT SWEENEY: Well, if we had studied this more formally, we might have-- And, again, we might have a better idea than a leap of faith. That's only my thought. Again, we're making major decisions here.

MR. HANSON: Senator, I'm not the Sports Authority. We were a special ad hoc committee.

SENATE PRESIDENT SWEENEY: I understand that. But being charged with this, having the Sports Authority as someone who would be helpful through this process -- and they are a government entity -- they should engage or they should study this further. That's all I'm saying. As we're looking to make decisions, informed decisions are always normally the best decisions.

MR. HANSON: I agree. I'm just not the management of the Sports Authority. I think Dennis Robinson and his team do a very good job in what they're doing with the declining revenue that they have. So they're working hard to do what I think -- to come up with a comprehensive plan.

SENATE PRESIDENT SWEENEY: But Mr. Robinson testified to us that they couldn't get them approved, and Cherry Hill was approved. And Cherry Hill is being identified as a pretty lucrative area for one of these facilities, and it never got developed.

So when Mr. Robinson testified in the Meadowlands that we can't get them approved locally-- Well, that wasn't-- I found out afterwards. I checked. I figured my facts were wrong. And I even have them in front of me. Cherry Hill was approved.

MR. HANSON: I'm not aware of the details on Cherry Hill.

SENATE PRESIDENT SWEENEY: The other thing is: I guess being involved in government, I really don't like government. I don't think they can run a car wash at times, let alone casinos or anything else. As you alluded to earlier about a public-private -- I would prefer the opposite, private-public -- CRDA. Why would we-- Instead of expanding CRDA authorities, why would we need to create a new authority, another level of government, when you have authorities there that know the area, have a lot of the powers that would be needed to help Atlantic City? Wouldn't it make more sense to expand an authority's powers rather than create another level of government?

MR. HANSON: You mentioned CRDA. Our recommendation of CRDA is: keep the money in Atlantic City. As far as-- And our recommendation further goes to the point of -- it's not getting done in

Atlantic City. So have some central point where you could have the tourism district. And, yes, I think there's probably a rolling in of the various authorities down there into one. So a consolidation with the mission to be making it a safer place and, hopefully, more successful for the casinos is what we're advocating. And I leave it to the Legislature and the Governor to figure out those details. Our recommendation is more looking at it at 2,000 feet than being right on the ground.

SENATE PRESIDENT SWEENEY: But, I mean, again, since we do have the government entity that's already in Atlantic City, that understands Atlantic City, that has -- as Senator Whelan -- does have eminent domain powers and has used them in the past, has some of the things that would be needed-- Again, would CRDA need to be expanded? Could other entities be rolled into CRDA who are already a sitting governing board, rather than creating another authority? This is one of the concerns that I saw with this, which was creating more government instead of reinventing the government that we have that's already in existence in Atlantic City. Would you-- Do you think CRDA-- Let me rephrase it.

MR. HANSON: I'm not an expert on CRDA. I think consolidation is always good. So I'm for consolidation of government powers into fewer rather than more agencies.

SENATE PRESIDENT SWEENEY: Okay. I guess finally, Mr. Hanson, a lot of this was done on a volunteer basis, and informally, and everything else. And it's going to have an impact. Racetracks could become housing developments, as Senator Sarlo said it. It happened in Cherry Hill.

There's an entity out there right now: Reform New Jersey. Are any of the members on your Commission involved with them?

MR. HANSON: Reform New Jersey?

SENATE PRESIDENT SWEENEY: Are any of the members on your Commission-- Because, again, realize this location here could become prime real estate for housing or commercial development. And again, as these decisions are being made, and you have an entity out there that's advocating for change, we're concerned.

MR. HANSON: I can only speak for Jon Hanson. I am not involved with Reform New Jersey.

SENATE PRESIDENT SWEENEY: Okay. Thank you.

But you don't know about any other members?

MR. HANSON: I'd be very surprised if any of the others--

SENATE PRESIDENT SWEENEY: Okay. Thank you, Mr. Hanson.

And, honestly, thank you for the work you've done, because you've done a lot of hard work. And I think at the end of the day it's going to give us a road map to come up with a plan that's going to make New Jersey's gaming industry and tourism industry better. So thank you for the work that you've done.

MR. HANSON: Thank you.

SENATOR WHELAN: Thank you.

Mr. Hanson, thank you for being here today. When you and I spoke previously, we said we'd get you out by noon. We missed it by a few minutes. I apologize for that. But thank you very much for your appearance here today and also for the work you've done. We look forward to continuing to work with you on these issues going forward.

Thank you.

MR. HANSON: Thank you, Senator.

ASSEMBLYMAN BURZICHELLI: Thank you, Mr. Hanson.
You're always welcome to stay longer if you'd like. (laughter)

Is there any other question you may--

MR. HANSON: Senator Sarlo may have more questions. I'm leaving.

SENATOR VAN DREW: He does.

SENATOR SARLO: I'll follow you to the car. (laughter)

ASSEMBLYMAN BURZICHELLI: I'm sure the good Senator could come up with a few.

The next group we're going to call up is-- The next group--
Senator (*sic*) Caputo just asked if we should take a break. We're just going to continue to work through. Some of the members will rotate out as needed, both as nature calls and lunch is presented.

The next up is farms and open space. Some people we've heard from before.

I'll call Tom Luchento, President of Standardbred Breeders and Owners. Welcome, Tom, again.

Tom Swales, President of Thoroughbred Breeders Association of New Jersey. Welcome, Tom.

Anthony Perretti Jr., breeder, owner, farm owner, Monmouth County. Welcome, Anthony.

Ryck Suydam, Suydam Farm. Am I saying that correctly? He handles hay and farm feeder.

Mike Gulotta, Deo Volente Farms; Ed Wengryn, Farm Bureau.
Is everybody here? Am I missing anybody?

We'll get microphones set up.

Before we begin to take testimony -- since, Tom, you were before us before -- we'd ask that those who have previously testified at the Meadowlands not bring us through the same presentation, because we've heard that. So we're looking for something new, if that's available. For those who haven't testified, we ask that the statements to the committee--

Excuse me.

Thank you, folks. I'm sorry. Because of the way we're set up, the room carries sound pretty convincingly. So we need to maintain somewhat more of a whisper so we can get in sync with those who are going to testify before us.

We'd ask that the statements be direct and concise. And then we'll see what members have questions.

I'm going to ask-- We'll start from my right, moving to my left, if you will.

I will ask you to introduce yourself, sir. And if you have a brief statement, we're happy to hear it.

We will then see-- We'll see how we flow. Normally we wait until everybody speaks, and then the committee will raise questions where appropriate.

Sir, the silver microphone.

T O M S W A L E S IV: Tom Swales, President of the Thoroughbred Breeders Association of New Jersey.

ASSEMBLYMAN BURZICHELLI: Hello, Tom.

M I K E G U L O T T A: I'm Mike Gulotta, from Deo Volente Farms.

ASSEMBLYMAN BURZICHELLI: Mike.

T H O M A S F. L U C H E N T O: Tom Luchento, President of SBOA of New Jersey.

ASSEMBLYMAN BURZICHELLI: Welcome, Tom.

R Y C K S U Y D A M: I'm Ryck Suydam, Suydam Farms, Somerset County.

ASSEMBLYMAN BURZICHELLI: Welcome, Ryck.

E D W E N G R Y N: Ed Wengryn, New Jersey Farm Bureau.

ASSEMBLYMAN BURZICHELLI: Ed, welcome.

A N T H O N Y P E R R E T T I: Anthony Perretti, Perretti Farms, Hambletonian Society.

ASSEMBLYMAN BURZICHELLI: Welcome, Anthony.

Suppose we start at this end, with Tom.

Do you want to greet us? Do you have a statement for us?

MR. SWALES: Do you want me to start with my presentation?

ASSEMBLYMAN BURZICHELLI: Please. And being concise is appreciated.

MR. SWALES: Let me first go on the record saying that as President of Thoroughbred Breeders Association, we were not approached by the Hanson board at all. So we had no input on the study. If they had-- If Mr. Mulcahy had come to us, I would have said to him that in 2010, we have an all-time low, 210 foals. Most of our mares are in Pennsylvania and New York. They're going where the money is.

I think that we need to come up with funding and opportunities for our mares and our stallions to succeed. We need that money moving forward or else breeding will die, as will the farms in New

Jersey. If you-- We have the best breeding awards program in the country. Unfortunately, we do not have the funding or the opportunities to move forward. If we are given those opportunities, those mares will come back. I have spoken to many breeders, and they have expressed that to me -- that they need that funding -- guaranteed funding and opportunities moving forward.

Back when the casinos first came up, my grandfather was racing commissioner under Brendan Byrne. And Governor Byrne asked my grandfather what he thought of the casinos coming. His response was that it was going to hurt horse racing, without a doubt, but it was the right thing to do for the entire state. I think if my grandfather was here today, he would say the same thing: that perhaps expanding gaming at the Meadowlands would hurt Atlantic City -- or maybe not -- but it's the right thing to do for the entire state.

Thank you very much for your time.

ASSEMBLYMAN BURZICHELLI: Tom, that was well-spoken.

Before we move on-- And I said we're going to hold the majority of the questions. But just so the committee has a sense, what is the absent number of funding to continue with the breeding program as presently structured? You mentioned the structure is good, but the funding is absent. What's the number missing?

MR. SWALES: The number?

ASSEMBLYMAN BURZICHELLI: What's the revenue number missing for that area of activity?

MR. SWALES: We would need between \$4 million to \$5 million a year to be able to fund our breeding programs for in-state and out-of-state awards. The out-of-state awards are vital.

SENATOR SARLO: How much was that?

ASSEMBLYMAN BURZICHELLI: Four to five million.

SENATOR SARLO: I'm sorry.

MR. SWALES: Just thoroughbreds, not standardbreds. I can't speak for the standardbreds.

ASSEMBLYMAN BURZICHELLI: Well, we'll get a number from them too as we move along. But \$4 million to \$5 million.

MR. SWALES: It's \$4 million to \$5 million. I would say it's closer to five.

The out-of-state program is vital, especially if we're moving forward with a smaller number of races per year. If we're going to run 50 or 70 days per year, we need that out-of-state program for when our Jerseybreds race in other states when Monmouth is closed. So the out-of-state program is just as important as the in-state program. We also need more opportunities for the owners of our thoroughbreds to make money. The higher purses was fantastic. I mean, I thought this year's program was a very good program. But we need more opportunities so that the owners can make more money and so that the breeders of those Jerseybreds can make more awards money so they can then keep their farms open.

ASSEMBLYMAN BURZICHELLI: Very good, Tom. Thank you.

We'll move on to Mike Gulotta, Deo Volente.

MR. GULOTTA: Deo Volente.

ASSEMBLYMAN BURZICHELLI: Thank you. I should be able to say that. I'm struggling here this morning.

Welcome, Mike.

MR. GULOTTA: Thank you.

Chairman Burzichelli, Chairman Whelan, respected members of the Legislature, my name is Mike Gulotta. I'm a partner in Deo Volente Farms in Flemington, New Jersey.

ASSEMBLYMAN BURZICHELLI: Mike, can you speak closer to the mike?

MR. GULOTTA: Deo Volente, by the way, means *God willing*, and God willing we'll find a solution to all of our problems here today.

Three years ago, my partners and I purchased a 120-acre cornfield that was slated to become a housing development. It's now a standardbred breeding farm in Hunterdon County. We invested millions of dollars into that farm because we believed in New Jersey.

Prior to that, many of these same partners and I started from scratch and built what became, over a short 15-year period, the country's 10th largest employee benefits consulting firm headquartered here in New Jersey, because we believed in New Jersey.

I appreciate the opportunity to appear before you today. And I'm going to bring you solutions. It's fine to talk about problems, but time is running out and we need to talk about solutions. But I wanted to give you a backdrop first.

I'm going to focus my remarks today on New Jersey's horse racing and breeding industries; and more importantly, what we should all be focusing on to build a very robust manufacturing industry. Yes, I said

manufacturing industry, because that's what we are. That's what we really are. While we don't make machinery or equipment, we can manufacture high-quality race horses for sale, for competition, not just nationally, but internationally.

The fact of the matter is, not long ago New Jersey boasted one of the most successful horse breeding programs in the world. That is no longer the case. Since 2000, the number of standardbred mares in New York and Pennsylvania combined has increased by 45 percent. That is not a sign of a dying industry. In New Jersey, our numbers have declined by 64 percent. The purses for state-bred standardbreds have increased in New York and Pennsylvania by 142 percent. In New Jersey, it's down 57 percent. So you have to conclude that horses watch CNBC, because they go where the money is.

Given the fact that we have the infrastructure to, once again, become preeminent players, we shouldn't waste our assets, but rather, we should leverage on them. And remember, the stallions and mares -- the basic resources that are needed to build future race horses -- race horses which have fled from this state, along with the \$70 billion of net worth that has left the state, can be brought back in a matter of hours, not weeks, months, or years -- in a matter of hours -- via horse trailers traveling from New York and Pennsylvania.

The question is: Will this Administration and this Legislature fully embrace this manufacturing industry and take the necessary steps to take full advantage of this opportunity?

Unfortunately, the release of the Hanson Report has not been good for New Jersey breeders. In fact, within hours after the report was

released, Deo Volente Farms lost two breeding contracts for 2011, for a combined value of \$500,000. This was a devastating blow to our business, but more broadly, since the release of the Report there has been paralysis in the New Jersey horse breeding industry. People in the horse breeding and racing business, who are interested in doing business in New Jersey, are putting decisions off or taking their horses to Pennsylvania, New York, or other states where there is certainty and stability.

New Jersey is facing unprecedented economic challenges. We all know this. We witness it daily. We need to encourage industry to stay here. We need to encourage industry to grow. We're not doing that. By enabling the horse racing and breeding industry to reorganize itself, New Jersey would be encouraging economic development and jobs. Instead, we're causing economic demise.

By saving the horse racing and breeding industries, you'd be preserving a \$4 billion business; you'd be saving thousands of jobs; you'd be preserving \$160 million in direct tax revenues, with \$780 million in economic impact; and you'd be keeping 176,000 acres in New Jersey green, and financed, and maintained by the private sector. By doing all this, you'd be giving the green light to the international horse racing and breeding community that the New Jersey horse industry is open for business.

Specifically, how do we move forward? What are the solutions? We need to, one, privatize our racetracks just as they have been privatized in other states. Number two: We need to embrace a plan to achieve financial self-sufficiency of all operations within two years. Number three: We need to introduce an elite standardbred meet at the Meadowlands, just as we have done here in Monmouth. Number four: We need to introduce

a new competitive breeding development program so that our horses do not continue to leave New Jersey. Number five: We need to enrich the New Jerseybred racing program and make it competitive with our neighboring states. And finally, we need to create new entertainment options at the Meadowlands to maximize the utilization of that asset. We need to give customers a more diverse entertainment experience.

There are viable approaches on how to fully finance this plan -- fully finance and create surplus. These include the following: Build the off-track wagering facilities. We don't know if we're going to be alive in 10 years. Woodbridge, alone, is making \$5 million a year. Cherry Hill would be a huge success; Bayonne will be a huge success; Green Brook would have been a huge success. Number two: Approve instant racing. They did it in Arkansas, and they made \$22 million in profit every year for purses. Three: Approve intrastate internet wagering. It also will produce a ton of money. Approve exchange wager: It will bring a younger demographic to the horse racing business. That is what we're missing. We're missing the young people. My grandson gets up-- Before he goes to school -- he's 8 years old. He goes into the third grade. Before he goes to school, he checks racingday.com. He's coming with me to Toronto to a race next month. He loves it; his friends love it. We just need to introduce them to the sport. And we need to give their parents more entertainment options when they go to the racetrack. Exchange wagering will appeal to that younger demographic. It's technology-based. It's like the stock market -- it's live, it's instant.

We need to open up the horse wagering platform -- 4njbets.com, in New Jersey -- so that bets can be made from other states. If

I go to my son's house -- he's a professor at James Madison -- and I want to bet on 4njbets.com, it's illegal. We have to open it up to other states and be able to bet on that platform from other states. It will generate more revenue.

And we also need to realize cost reductions by outsourcing certain administrative expenses. And I can get very, very specific about that. I don't think you want me to do that here. I'm an actuary, so I could get really specific with numbers.

ASSEMBLYMAN BURZICHELLI: Okay. You're going to provide-- I know you have a presentation. Are we going to get copies of that? Do we have copies of that?

MR. GULOTTA: You have -- you did get this. I'd be pleased to give you much more detail if you'd like. The reality is this: We can sit here and debate North Jersey versus South Jersey. We could wait, and we could pin the casino and horse racing industries against each other; or we could use this as an opportunity to make some real changes that improve New Jersey's competitive position in both industries.

And I thank you for the opportunity to be here today.

ASSEMBLYMAN BURZICHELLI: Thank you, Mike; well thought out.

SENATOR VAN DREW: John, just one little--

ASSEMBLYMAN BURZICHELLI: If it's real little.

SENATOR VAN DREW: Real little. Very quick. Great testimony, right on point, really something for us all to think about, so much of which I think everybody who is sitting up here -- North and South -- can come together and agree upon. Very, very good.

ASSEMBLYMAN BURZICHELLI: Well, thank you, Jeff. That was very good and quick. Very good.

Thank you, Mike.

Next up is Tom Luchento, Standardbreds.

Tom, you gave a detailed presentation last-- Do you have something new for us other than just to lend the voice of continued support?

MR. LUCHENTO: Probably a little bit more of the same, but not much. And I will be brief.

ASSEMBLYMAN BURZICHELLI: Thank you, Tom.

MR. LUCHENTO: First of all, good morning, Senators, Assemblymen, and Assemblywomen.

Of course, my name is Tom Luchento. I'm President of the Standardbred Breeders and Owners Association of New Jersey.

I'm honored to once again be invited to testify before this committee. Again, I promise to be brief.

In my previous testimony before you, and with the video we shared with you at the Meadowlands, we have tried to make the case for the importance of horse racing in this state.

Today, I want to concentrate on the role of horse breeding. You will hear from the experts, including owners of our state's top farms, individuals who have made substantial investments in the State of New Jersey for whom packing up and going elsewhere is not so simple, and involves tens of thousands of acres of farmland and millions of dollars in broodmares and stallions. They are no different than any other small businessman in the state. They pay a lot of taxes, employ hardworking

people, and have carved out world-class farms in the middle of the most densely populated state.

Equine-related farms represent 20 percent of the agricultural business in this state. There are 700 farms and 176,000 acres of land devoted to horses in New Jersey. There are more than 13,000 jobs at stake. Those are the numbers you need to remember when you weigh the value of horse racing to the future of the state's economy, and to the status of open space. Without a vibrant, healthy horse breeding industry, these greenways will become parkways.

From inception to delivery, plus the time to raise the foals -- or babies -- for sale, these breeders have invested three years. There are another 10 months before they are ready to race and are at training centers in central New Jersey like Gateway, Showplace, White Birch, and others. And for the breeders and owners of these horses, it is a big gamble as to whether they will be good enough to race. Even if they make it to the races, only a percentage earn back their purchase price and the cost of training and care for the horse, which in New Jersey is in excess of \$30,000 per horse annually. That is \$30,000 going to support the trainers, the caretakers, veterinarians, blacksmiths, feed providers, and all the others who are responsible for the well-being of that horse.

Nearly all the purse money made in New Jersey stays in New Jersey, when the horse is stabled here, to pay for all the people who are involved in caring for the horse. Very little money trickles back to the owners, no matter where they live. Most horse owners are thrilled if their horse can earn enough to cover the bills. It is considered a good year if the owner does not have to go back into his pocket to support his horses.

If there is any pot of gold at the end of the rainbow, it is in a horse having a championship season that might not only result in a substantial bankroll -- even a million dollars -- but also the opportunity for a breeding career. A male horse, or stallion, who is in demand in the breeding shed has the potential to make his owners a lot of money if he proves himself quickly. He can fall out of favor if there are no stars on the track from his first or second crop of youngsters.

This is an industry which becomes an addiction that outweighs the heartache. These horses require 24/7 attention. They require care whether they are successes or failures on the racetrack. And everyone connected to them has a bit of the dreamer in him or her. They are not so different than the \$2-bettors who are trying to parlay their investments into a profit, except that this is their livelihood, not their entertainment.

I would hope that by now you have come to the conclusion that this is an industry worth saving. Our homes, our families, and our livelihoods are here. We are passionate about our sport, about our industry. We are good citizens and hope that New Jersey will not abandon its State animal, the horse, and its identity as the Garden State.

Much has been said about the horse industry being self-sustaining. In a way, that has always been impossible. It requires gambling to prime the economic engine that supports the breeding, training, and racing of horses. The only difference now is that with the addition of lotteries and casinos, those gaming dollars are spread out, not necessarily going into the pari-mutuel tote machines. But there is no reason that the dollars in slot machines cannot now be a part of that economic engine and prime the pump for the State's economic resurgence.

I thank you for your time and attention. (applause)

SENATOR WHELAN: Thank you.

Ryck Suydam.

MR. SUYDAM: Good afternoon, everybody.

My name is Ryck Suydam.

SENATOR WHELAN: Ryck (indicating pronunciation), I'm sorry.

MR. SUYDAM: That's okay. It's an old Dutch name. You don't hear it very often.

And actually, Suydam means *south of the dam*. So there's just a little history behind it.

My wife and I operate a hay farm in Somerset County. I will give you a little bit of my story, and I invite your questions.

We heard a lot of big numbers -- real big numbers, especially -- actuaries are excellent with big numbers. I want to talk to you about some small numbers, small businesses. Our farm is 300 acres, 250 of that is hay production. We have three full-time employees and three part-time employees -- small numbers. But 95 percent of the hay we produce at Suydam Farms goes to horses. Little of what we produce goes to cows, sheep, and the growing number of alpacas. But horses drive the bus when it comes to hay production at Suydam Farms.

So let's go back to big numbers now. I am but one-- There are nine farms like me in Franklin Township, Somerset County. Nine guys, and their wives, and families make hay. And there are hundreds and hundreds of guys just like me throughout the state who require -- we need horses. Without the horses-- I don't care how many alpacas, how popular

they are -- are not going to eat all the hay that we produce. And that hay, and the revenue it generates, helps me raise my kids. So they're important.

I wanted to touch on -- that if we lose racing, we're going to lose horses, plain and simple. They're going to go someplace else. We heard about that. They're going to follow the money, and they are. There will still be some horses here. There will be a few plugs in the backyard, but the vast majority are going to go. And when they go, the value of my product is going to go down -- supply and demand. I cut more supply, and I'm not in demand, the price goes down. It's simple math, simple business.

So what I want to pass on is that the loss of racing will destabilize agriculture in New Jersey. There's a lot of acres wrapped up in hay. I'm going to be wrong on this, but I'm close -- it's around 43,000 acres just in hay production. That's a lot of acres; again, back to the big numbers. So even though Suydam Farms and guys like me are a small part of the equation, once you add us in with the other horse farms and other vendors to the industry, all of a sudden we're back to those big numbers again. So I'm an example of a small businessman. But in the big picture, horse racing is huge to me.

So there are a lot of numbers that came and went. If you have any questions -- I went kind of fast. But plain and simple, those guys who make hay that these horses eat -- it's important to my livelihood. I hope it's important to you. (applause)

SENATOR WHELAN: Thank you.

Ladies and gentlemen, please. I'm going to repeat the request of my Co-Chair, John Burzichelli -- we'll move along much more quickly.

We know you're in support. We get that. But we've got a long list of speakers.

From the Farm Bureau, Ed Wengryn. Did I say that right?

MR. WENGRYN: Correct.

Thanks, Senator, Assemblywoman, members of the panel. I appreciate the opportunity to be here.

I'm going to expand a little more on how -- what Ryck was talking about, with the interconnections to the rest of agriculture and the horse racing industry.

Just within the equine industry itself, we focused the last couple of hearings about racing horses. There are-- They are actually one-third of the horse population in the state. Two-thirds of the horses in the state belong to the pleasure horse industry. Through the prize supplement and the breeder awards programs, those same competitive horses doing riding, hunter, jumper, pony races -- all of them share in those breeder awards funds -- pass through to their industries as well. So it goes beyond just the racing horse program, into the pleasure horse breeding program and breeder awards for competitive horsemen in the state. That's one portion of the program.

They also receive the benefits of having top, world-class veterinarian care in the state, because the racing industry is here. A veterinarian can go to a racing farm and see 10, 20, 30 animals, where if they just have to depend on servicing the pleasure horse industry, they may see 2, 3 horses at each farm, and they may have to do 12 farm visits just to hit the same economic values. They would relocate their practices to where the horses are, not roaming around the state. So the ancillary care to the

pleasure horse industry, through the benefit of having a stable, strong racing industry, translates.

The other thing is: That care could become more expensive. Ryck talked about the price of feed, price of his hay product, which is the fiber to a horse. The nutritional feeds are manufactured feeds that have the vitamins and the balance, all the micronutrients, things like that. Those come into the state -- the feed dealers. You will hear about them -- how the racing industry is their largest customers. They can buy in bulk and then pass that down to the other racing -- the other breeds, because they bought big for the racing industry. They can share a better price amongst their customers. If they have to just buy for that smaller pool, they're costs go up. And now that industry starts to look -- "I have this horse for fun, ride on the weekends, compete occasionally. This is going to cost me too much money. I'm getting out." So as you have the racing industry leaving, there are impacts to the other side of the -- the other two-thirds of the horse owners in the state. What does this mean for them?

And it's not just the horse owners. I'm going to use the example Ryck talked about. Ryck is in feed production. That is their family business. There are farms that specialize just in hay for horses. The other industry in the state that's been struggling for years, through Federal control of prices of dairy products -- the dairy farmers have had good price years and bad price years, bad price years outweighing good price years. But because they're producing hay for their animals, they overproduce and sell to horse farms and other livestock producers -- their product. Without that balancing cash of being able to sell hay -- the balance -- the offset of the

low price in milk-- The dairy farmers in the state have survived because they've had other elements for their other agricultural products.

If we lose the racing industry, those farmers are going to lose their revenue stream for hay, because now they're competing in a low hay market because nobody is buying their product. And now they'll have bad milk prices and bad hay prices. And they will close their doors.

Agriculture throughout the state is invested in the horse. You have not only the State investment with the State Horse Park, where the Olympic team trials are held. When we field our international competitive horse teams, they all compete at some point at the Horse Park of New Jersey. You have counties that have invested in their fair facilities and their show rings from Sussex, to Somerset, Monmouth. And the Senator isn't here, but the great facility Gloucester County just built down -- Gloucester County at the DREAM Park. It's a wonderful equine facility for recreational use and riders. All of that infrastructure gets put at risk when the racing industry leaves.

I think I will end on those comments. If you have any questions, I'm here to answer them.

SENATOR WHELAN: Thank you.

We'll go to Anthony Perretti.

Now, Anthony, you supplied us a pretty thick folder here, I believe. Correct?

MR. PERRETTI: I put my name on it too, just in case it was lost there. My mom taught me that. (laughter)

ASSEMBLY SPEAKER OLIVER: That's what teachers do.

SENATOR WHELAN: I don't need a whole load of hay, to borrow the analogy from these two gentlemen, okay, as we go for the interest of time.

MR. PERRETTI: No problem.

SENATOR WHELAN: Thank you for being here.

MR. PERRETTI: Good morning.

Anthony Perretti, of Perretti Farms. We're located in Cream Ridge, New Jersey. Our family farm is the number one breeding farm in the state, consisting of 1,000 preserved farm acreage, the largest preserved farm in Upper Freehold Township.

I am currently a Director of the Hambletonian Society; a Director of the Standardbred Breeders and Owners Association; and a Trustee of the New Jersey Sire Stakes Program, partner of the Agriculture Department of the State of New Jersey.

I want to thank the panel of the opportunity for this statement.

If the Meadowlands is gone, what does New Jersey lose? The entire standardbred industry. We lose the number one harness track in America, which consists of 34 percent of all harness track wagering and the number one brand that attracts horsemen and fans across the country and around the world. We lose the number one trotting race in the world called the Hambletonian, an American tradition since 1924 -- televised on NBC; over \$2.5 million in purses; crowds of 25,000; and over \$8 million in betting, 25 percent from Europe alone. We lose the number one pacing race in the United States: the \$1 million Meadowlands Pace. We lose some of the best standardbred farms in the country where horses are bred and raised in New Jersey for the Hambletonian, the Meadowlands Pace, and for

worldwide competition. The favorites for the Hambletonian this year and the winners in the last two to three years are right on that poster there. They were bred and raised particularly on our farm and other farms in our vicinity. They will be gone.

If you're looking at that poster there, there's the runner-up, the winner of the Hambletonian on the bottom, and the runner-up on top. And if you look at the flags, one says Hambletonian, and one has a Canadian flag. That's a \$1.5 million race there for the Hambletonian; \$1.5 million for the Canadian flag. So it's an international business. And the Breeders' Crown alone will be in the Poconos this year instead of the Meadowlands. It usually goes back and forth between Canada and the Meadowlands. So if we lose the Meadowlands -- not only that, but we don't have the Breeders' Crown to represent us, which is in comparison to the Breeders' Cup of thoroughbreds.

We lose all of our open space in New Jersey by 2050, along with the quality of life for all New Jersey citizens. We cannot lose our culture and rich heritage of the Garden State. For those of you who don't know, harness racing started in New Jersey, along with the first Farmland Preservation Program in the country to keep open space -- which has not -- that message got across here on the connection of what's happening. We will lose forever the priceless landscape right here in Monmouth, Ocean, and Burlington counties.

For example, if you look at some of the maps here, the Association of New Jersey Environmental Commission has just put a study out. It shows that residential development costs the municipality more in educational and public services than it generates in tax revenue. Studies

show that for every \$1 collected in taxes, residential development costs between \$1.04 to \$1.67 in services. Conversely, farmland costs \$0.27 in services for every dollar it generates in taxes.

In the long-term, municipal investment in open space and farmland is usually less costly than allowing development. For example, 752 acres of land from development, including 643 acres of farmland and still allowing 834 residential units, equals a savings of \$6.8 million in local growth costs, including water works. Open space increases property values for neighboring properties thus increasing tax revenue in the future -- better environment, decrease in crime, and quality for all citizens.

Assemblyman Burzichelli -- we had a conversation recently. And he asked me: What do we need for the Sire Stakes Program -- which I'm part of -- in the State of New Jersey? Which is the Department of Agriculture, by the way, okay? If you look at one of my sheets here, in Michigan, \$2.4 million -- the Sire Stakes Program. Jersey, right now, is \$7.8 million, and it's estimated to be \$5.9 in 2010. New York is estimated to be -- in '09 is \$16 million, and it's going to be \$19 million in 2010. And Ontario is \$19 million -- estimate \$18 million. And Pennsylvania's program, in '09, is over \$10 million and will be \$12 million -- okay? -- in '10. This is what we're combating.

If you turn the page, and you look at 1992, we had 62 standardbred stallions in the State of New Jersey. We now have 11. Unfortunately (*sic*), half of them stand at our particular farm in Upper Freehold Township. In 1992, we bred 3134 mares, and we're down to 897. And immediately counting -- of the preserved farms and nonpreserved farms in the state, we have a total acreage of immediate farms that would leave of

5,500 acres -- over \$102 million in value of farms, over \$158 million in value of livestock, \$218 million development of the value of the land, and gross revenues of \$38 million. There is a list of farms in there that would immediately leave the state. Beyond that-- And I don't need to go through every single one and their names. But if you want to contact them, please talk to them, understand their concerns. This is the message we need to get out.

I mean, basically what you're looking at -- that map right there -- of Perretti Farms -- and our particular farm, which I can speak of -- we have 1,000 acres. That's 175 acres at one of our farms you put together -- that was allocated to be 170 homes under the old jurisdiction of one to two acre zoning. That's what you would have on our property in Upper Freehold Township if that farm was not preserved.

Now, there's been a promise made when we preserved our farms that there would be a racing industry -- a viable business racing industry in the State of New Jersey. And we only did it because of the Meadowlands. We would not be there. My family -- William J. Perretti, who was a car dealer; I come from the car business -- would not have invested into that Preservation Program if we didn't know we had a viable racing industry.

And I think the State has to look at that. The taxpayers have funded this and they voted for this. Okay? And they have to understand that their quality of life will be affected by it.

Thank you. (applause)

SENATOR WHELAN: Thank you very much.

Let me ask the panel, generally--

And we appreciate the concern, and we have the sense of urgency. I think we've tried to express that throughout these meetings.

Mr. Gulotta gave us some very specific ideas, which I'm very appreciative of; I'm sure the other members are. Do any of you have-- Have you had the opportunity to review them? If you have, or even if you haven't, do you have any reaction or sense of -- is this the direction we should be going in? I throw that open to anybody.

Mr. Luchento.

MR. LUCHENTO: We're working on a plan right now that we're trying to put together that incorporates most of the things that Mr. Gulotta said. Hopefully the Legislature and the Governor will take a look at it and they'll see it favorably, and maybe we can get a bridge until we can implement and legislate some of these things that need to be done.

SENATOR WHELAN: I guarantee we will take a look at it. I can't promise we'll legislate all of it.

MR. LUCHENTO: Right. I understand.

SENATOR WHELAN: But we will certainly-- I mean, that's the whole point -- a good part of the point of this exercise.

MR. LUCHENTO: Could I make a rhetorical question?

SENATOR WHELAN: Go ahead.

MR. LUCHENTO: With regards to the Hanson Report, and with respect to Mr. Hanson-- Knowing him as the businessman that he is, if he had the opportunity to buy the OTWs, I think he would invest his money in it. So to say that looking out 10 years from now-- I mean, they're winners, every one of them. And any banker or anybody else who

looks at them knows. That's why the horsemen have tried to become involved.

SENATOR WHELAN: I don't speak for him. I think the option we have to look at -- and we're interested in taking up the Assembly bill -- maybe the Speaker can address that -- is, do we do it directly by the Sports and Exposition Authority, or do we do it and sell the licenses, frankly, and let the State-- I think that's part of the bill.

Am I correct, Speaker?

Let me hear from Mr. Swales, and then we'll go to the Speaker.

Thank you, Tom.

MR. SWALES: I've seen Mike's design before, and I agree with much of it. I appreciate it very much. I'm just not sure that it levels the playing field with Pennsylvania and New York. That's my concern. I think it's a big step moving forward, and it certainly would help our industry. At some point, they're probably going to come up with the same ideas that we come up with, and they're still going to have slots and VLTs, and we're not. So where do we go from there?

SENATOR WHELAN: Well, let me-- In terms of what we heard -- the ideas that were presented by Mr. Gulotta here-- One of the things that would be very helpful to us, frankly -- and I'm going to use one of the examples that he gave -- is, it would be very helpful if the industry came and kind of agreed on what the program is. Exchange wagering has been mentioned. Some of the tracks -- the two private tracks disagree with the bill that was introduced, because they were cut out. So it makes it tough for us to say, "Okay, well, we want to do--" And we do want the exchange wagering. And I think at the end of the day it will be part of

whatever we do. But when one part of the industry -- the equine industry is here and another part is over here-- What's a poor boy from Atlantic City to do?

So the more you can come together as an industry, and come in and say, "This is-- We want exchange wagering, and this is what we think is the right formula as to how much would go to breeders, and how much stays at the tracks, and how much private tracks get." It makes it a lot easier for us.

Madam Speaker.

ASSEMBLY SPEAKER OLIVER: Thank you, Senator.

I just wanted to put on the record that we do -- I'm speaking now for the Legislature and my colleagues -- we do understand the worthiness and the opportunity to look at the industry and draw the correlation between preservation of open space. While we may not have spent much time talking about that in this, the third of the series of meetings we've held, that is uppermost in the minds of many legislators. And one of you commented: How can we be the Garden State without any garden? We get it; we understand it. And many of us are concerned about projecting -- not today, not five years -- but who is in New Jersey in 50 years. We don't want to be the proverbial joke of the New Jersey Turnpike and the oil field tanks. We understand our obligation to be caretakers and stewards of the environment. And without question, farming in New Jersey provides that for us.

So I just wanted to assure you we understand that that is an ancillary contribution that this industry is making to our state. It is

allowing us to preserve the natural landscape that the Creator provided us with. So I just wanted to put that on the record.

Also, I think that-- You know, I love to just examine the human psyche, and I think one of the things that we're struggling with -- meaning in terms of the public policy discussion. We're a state of 8 million people, and I would venture to say that there are probably over 50 percent of the residents in the state who have never even seen a horse farm. So they don't understand your industry. Many of our residents in this state don't even know of the existence of your industry. And I can see the agita in the feelings of many of you who are associated with this industry because you've been in it, you've grown in it, you were born in it. And many of our residents can't psychologically relate. But it's very easy to relate to a slot machine.

So this is what we're struggling with in terms of public perception of this public debate. But I want to assure you that you do have 120 legislators who do have an understanding of the significance of what you do, the farms you operate. And ironically, our hay farm -- I loved him taking the time to describe himself as a small business owner. Because many of the ancillary businesses are small businesses. And we cannot, as legislators and the Executive Branch, on one day say that we support and want to grow and expand small businesses in this state, while at the same time ignoring the agrarian industry in our state.

So I just wanted to go on record with making that acknowledgement.

SENATOR WHELAN: Thank you, Madam Speaker.

MR. PERRITTI: Assemblywoman, I'm a Bergen County boy, and I didn't know Cream Ridge existed until the Meadowlands opened. So I understand completely. (laughter)

SENATOR WHELAN: Assemblywoman Wagner.

ASSEMBLYWOMAN WAGNER: Yes.

Mr. Perretti, I grew up where you made your business -- in the retail capital of Bergen County. And I certainly did not know a horse farm until I came to visit your horse farm two days ago. And that is the importance of public hearings. But if I wasn't on this Summit and didn't participate in these public hearings, I would have no awareness.

And I'm part of that group that you talked about who had no clue. And now I do, and we do have to get that word out to our people -- therefore the importance of public hearings.

Mr. Gulotta, you came up with -- I don't think I could write them down as fast. You came up with six possible solutions where-- Did you participate in the Hanson Report? Were your suggestions brought forward?

MR. GULOTTA: As Jon Hanson mentioned, I was actually on the transition committee. And I issued a minority opinion. I did not -- reasonable and disagree. So I did not agree with the conclusions of the transition team.

However, subsequent to that, I did call Jon Hanson and ask to meet with him, and he graciously did meet with me. And I have a lot of respect for Jon. We just don't agree on certain things. And I think the most important factor, which I tried to communicate to Jon, is the fact that there are so many economic impacts of the -- and other impacts, great open

space impacts -- of the horse racing and breeding industry in this state. You can't focus exclusively on the budget deficit in one agency and be concerned about that, while we're collecting so many dollars from so many people, and employing thousands and thousands of others, and keeping space green. And I understand that we're in tough economic times. But I did sit down with Jon and tried to convince him to look at the situation more globally. And he did listen to me.

SENATOR WHELAN: Assemblywoman?

Thank you very much.

Senator Van Drew.

SENATOR VAN DREW: Just briefly-- I know there was a lot of excitement -- I think there is -- over Mr. Gulotta's ideas. And the reason is because they're good ideas -- and all of your ideas. One word: *consensus*. And I think Chairman Whelan really mentioned that as well.

We're looking for ideas from you all, because we do want to help, that at least the majority of us can agree upon. And, again, I'm being very candid. I'm speaking for myself. We don't agree on VLTs. We just don't. And that's something that some of us are not going to change our opinion on. It's going to be a real hard goal for you all to accomplish at this point, in my sense of it.

So let's do all the other things to help, that we really do agree upon, that truly can make a difference; because there are a bunch of them. You mentioned that may not be enough. We don't know. Somebody else-- Mr. Hanson mentioned that OTWs, 10 years from now-- And you're right, 10 years from now, God knows what any of us are going to be doing. If we

all stay involved in the Legislature, we're going to be aging a lot, that's for sure. We're going to look a lot older 10 years from now.

The bottom line is, these are things that I think we can agree upon. I think they're issues we can move upon quickly. I think they're issues that make a difference for you. I think they're issues that we can sponsor legislation on and we ought to move forward. So I think that is why you see that excitement about those issues. Because for a long time -- right, Jim? -- we've been looking for information from you that we can do, that North and South can say, "Yes, let's get it done." And that represents that.

SENATOR WHELAN: Thank you.

Just two points to Mr. Gulotta. If you could, make sure -- because a lot of the members don't have copies of that. And you can work maybe with Ms. Das here to make sure that we get copies for all the members.

And secondly -- and I think Mr. Luchento brought this up -- the notion of bridge financing. I don't know if that's the phrase you used -- about getting us through 2011.

MR. LUCHENTO: Well, it would be a bridge to help us until we can institute and implement these changes.

SENATOR WHELAN: Let me respond to that. I, for one, would certainly be very open to that. And I think it's probably going to be necessary.

The concern from the casino industry, frankly, on that point -- and there are some people from the industry, but I will take the prerogative, because I represent them in my district and have a great familiarity with

them -- is that that's where we started with the subsidy seven years ago. We were going to do a bridge, we were going to get the OTWs up, and we were going to do these other things.

I think what would be crucial, certainly for my support on this, would be to have a program that has perhaps just been outlined here with some things added or subtracted -- whatever it may be -- so we say, "Okay, here are some dollars to get us through the next 18 months, 12 months," whatever it could be. Maybe all the de-reg money doesn't go directly back.

You talked about marketing Atlantic City. The idea is that the \$30 million that the racing industry gets from the casinos, and the \$10 million or \$15 million we're going to get from deregulation will give a \$45 million fund that would be focused on marketing Atlantic City. The Speaker spoke to the need to do that, and she's absolutely right.

Maybe not all of that comes back right away. Maybe a portion of that stays in the first year, the first 18 months during this transition. But without that -- "Okay, this is what we're doing" -- exchange wagering, the other things -- the build-out of the OTWs, the improvements on the internet, opening up the wagering platform. Without those things, it's going to be hard, for me at least, to support that bridge if it's a bridge to, sort of, nowhere.

MR. LUCHENTO: Well, certainly we've all worked on these things, and they're all possible. Maybe all of them don't work, but some of them will. And I think that because of the fact that we were caught *flat-footed* with the Hanson Report, we don't have the time to institute these things, and get them done, and legislate them.

So where do we stand? If we don't have some money to help us through--

SENATOR WHELAN: We understand that. Our goal here-- I guess what I'm trying to articulate -- and I don't want to monopolize the conversation. We have a couple more on the panel.

Again, speaking for myself, as someone from the casino-industry district, our goal is to keep you alive and well. It's not to kill the horse racing industry, standardbred breeders, so on and so forth. And if we need to do the bridge, let's find a way to do that. But let's make sure that it's a bridge to a program, perhaps that Mike has outlined here, or something similar to that. Okay?

MR. LUCHENTO: Without a doubt.

SENATOR WHELAN: Thank you very much.

Thank you, all, very, very much.

MR. WENGRYN: Just before we go--

SENATOR WHELAN: Yes.

MR. WENGRYN: Sort of on that thought, and following that line of thinking, it is \$30 million, \$40 million a year. The economic activity that transcends through jobs, through payroll, all the way down the line in the equine industry -- according to the Rutgers study -- it's a billion dollars. So you're talking \$30 million -- and this is where I get annoyed when people say, "We're supplementing or we're subsidizing." It's investing in the racing industry to get the other economic benefits all the way down the line.

If that subsidy was fixed, and then reduced as the other things came online, then that's the incentive for everybody to make everything

work. The payment will always be there if you do nothing. But if you help all these other things take off and get moving, those payments get reduced, reduced, reduced because the industry is growing on the other side. And I think that's the balancing act that could happen.

The other part of it is -- and I just want to follow up on the two Assemblywomen on the experience with the horse at the racetrack. The racing industry needs to connect with the people who are coming there and expand not just the racing part, but the standardbred, the trotting races, and the thoroughbred races. And you bring a few people down to the winner's circle, and they get to see a horse up close. But to bring in those other racing -- the other equine activities -- to have a hunter jumper, a dressage to expand the equine experience at the racetrack -- then opens up-- They may never get out to Cream Ridge to see a farm. But if they're going to a racetrack with their family, and they're-- The picnic grove out here is spectacular, and it's a fun place to spend the day when the action is out there. But then if there was a place where kids and families could interact with the horse-- It's the same thing about reinventing the experience at the racetrack -- that Atlantic City is reinventing the Atlantic City experience. I would say, "Where's the indoor water park? Where's the go-kart races, the Boardwalk Ferris wheels, and things that people associate with the Jersey Shore in Atlantic City?" Those are things I think both industries have to look at, in both places -- how to improve the experience of the destination you're bringing them to; whether it's a short trip here to the racetrack, or a day-long trip or weekend trip to Atlantic City.

SENATOR WHELAN: Thank you.

Mr. Perretti.

MR. PERRETTI: Just very briefly, to clarify, the \$30 million supplement we're speaking of in the PA agreement-- Only a few million dollars of that -- and Tommy can confirm the numbers with me -- went to the Sire Stakes Program, which supports the breeders -- the standardbred breeders in the State of New Jersey. So we need to look at that. We need to know how to fund that program. And every time these new options we're putting in, through legislation, of different forms of gaming -- needs to look at that, to support that, because those figures don't involve us on the Jersey Sire Stakes Board, and we do not receive any funding from these added entities that Tommy's talking about.

Am I correct, Tommy?

MR. LUCHENTO: That may be something for the Department of Ag to look at, as far as the Sire Stakes Program and the breeding programs. There may be some way to deal with the Department of Agriculture on that.

You know, what it is -- and just real quickly -- is, there are only one or two areas in our industry that need propping up right now. The rest of the industry is paying a lot of taxes to the State of New Jersey. If we lose the main part of it that maybe needs a little propping up, then everything collapses, and then the State's the biggest loser, obviously. So if you can just subsidize the one or two little areas that need to be propped up, then the State is the winner, along with us of course.

That's all I have to say.

SENATOR WHELAN: Thank you very much. (applause)

Dennis Drazin, Joe Bravo, and John Campbell. Dennis Drazin is the Chair of the New Jersey Racing Commission. I think that's the hat

he's wearing today. And he has been involved in the racing industry, I think, as a breeder.

DENNIS DRAZIN: Breeder/owner.

SENATOR WHELAN: Breeder/owner.

Joe Bravo is a jockey, and John Campbell is a driver.

We thank you all for coming.

Dennis, do you want to start off?

MR. DRAZIN: Good afternoon, Chairman Whelan, honorable Senators, Assemblymen, and Assemblywomen.

Thank you for inviting me to testify and your efforts to assist the gaming industry in New Jersey. I'm appearing in my capacity as Chairman of the New Jersey Racing Commission. I'm here to help educate you and assist you in your analysis. However, I must defer to Governor Christie with regard to any inquiry which might bind the State on any issue.

My role is limited. And I wish to make it clear that I cannot bind the Governor or the Administration to any opinion which I express. I will try to answer your questions after my preliminary remarks.

Under the statutory authority given to the New Jersey Racing Commission to advocate for the growth, development, and promotion of the horse racing industry, I undertook to utilize the legislative authority of the Commission to advocate for solutions to ensure that racing would prosper in New Jersey.

Understandably, there were significant state and national concerns following the release of the Hanson Commission's Report. The Commission established advocacy committees -- the Racing Commission did -- even before the release of the Hanson Report, after I was sworn in as

Chairman. However, in response to significant legislative reaction to the Hanson Report, the Governor asked that New Jersey Racing Commission work with the Hanson Commission, the stakeholders, and the Legislature to develop a plan for racing going forward. We have been working hard to identify and recommend a realistic plan to save the racing industry in New Jersey.

I will not belabor the relevant points addressed by the Hanson Commission, nor will I address the long history of problems associated with past failures of various segments of the gaming industry which brought us to this point. I will not engage in casting blame for the failure to build out the OTW system, which the Legislature authorized in 2001 as a solution to provide revenue for purses and capital for the NJSEA. We can't move forward by negativity associated with past failures. We must move forward with real solutions to address the future, not live in the past.

With respect to the politically charged proposal for slots at racetracks, the reality that needs to be understood is that the timetable within several years -- have the voters decide the question by referendum, and then actually pass legislation and implement slots. The industry needs immediate solutions, which are viable. The industry needs your help in making legislative changes to make it easier to build out the OTW system.

The home rule issue and the liquor license acquisition is the first step. The NJSEA should be able to build out an OTW, just like any other public entity, such as a school, can obtain municipal approvals. The liquor license must be obtainable and affordable. As to the Freehold and Atlantic City licenses, they should build out their permitted OTWs or they risk losing the right.

With this, the current litigation pending in the Federal court over the Cherry Hill site that Senate President Sweeney mentioned earlier-- That's not a Sports Authority site. Penn Gaming, one of the partners in that territory, has alleged that it's partner, Greenwood, has improperly and illegally conspired to delay and outright stop the development of that site, depriving the industry and the residents of Camden County from the tens of millions of dollars in revenues that could have been recaptured for South Jersey instead of moving to Pennsylvania. Garden State racetrack revenues -- approximately \$90 million a year in handle -- moved to Pennsylvania. And the suit alleges that Greenwood has conspired to prevent New Jersey from recapturing those revenues. These licenses should be forfeited if no OTW, especially Cherry Hill, is not built by 2012.

The industry advocated that the Legislature authorize 15 OTWs to be built in 2001, projecting approximately \$45 million a year in purse revenues and \$70 million a year for the racetrack. That's for the capital for racetracks and the ownership.

One of the problems with the lack of purses is directly attributable to the failure to build out these OTWs. The answer is to permit a partnership consisting of the NJSEA and horsemen groups to build out and own OTWs. If Freehold in Atlantic City territory is not built out, give the rights back to the NJSEA and the horsemen partnership. If the NJSEA fails to build them, let the horsemen build them, not private industry that has no relationship to live race protection. Separating live racing interests from ownership does not work. Just look at the New York OTB bankrupt system.

Other measures have been proposed to fund racing that include exchange wagering, which passed the Assembly, 78 to nothing; instant racing, which in Arkansas generates \$22 million per year for racing; legislation for bars and restaurants to offer account wagering; and of course we have Senator Lesniak's internet wagering legislation with racetracks inserted back into the bill. Some day, if Federal law is changed, sports betting could offer substantial revenues. All of these proposals invite further study, at the very least.

In the interim, the Monmouth Elite Meet should be repeated. The \$50 million 50 day meet offered an average of \$1 million a day in purses. New Jersey became the focus of the country for racing and established a proven business model, which was new, to prove successful and drive the handle up from \$3 million a day at Monmouth to \$8 million a day. With the great success of the thoroughbred meet, we must try to duplicate the success for the standardbred industry, establishing an elite meet at the Meadowlands of 100 days at a purse average of \$400,000 per day. All along, the plan which incorporates all of the above will make racing self-sufficient in the near, foreseeable future, following a brief transitional period, assuming that there is a firm schedule that is adhered to for the OTW build out; and prompt study; and, if warranted, legislative approval of any or all of the wagering reforms that I mentioned.

I'd be happy to answer any questions to amplify on any of these concepts.

SENATOR WHELAN: Thank you, Dennis.

We'll hear from the athletes -- not to say you're not an athlete (laughter), but we'll hear from the professional athletes -- and then we'll have some questions.

Joe Bravo, please.

J O E B R A V O: Well, I want to start off by saying thank you very much, you four, for coming here and trying to find a problem (*sic*) for our industry that we have today.

I want everybody to just kind of realize I learned a fact a couple years ago. New Jersey has more race horses than really, I consider, the heart of the whole racing world: Kentucky. That's not just thoroughbreds, that's standardbreds, everything all together. We need to keep it together here. I'm glad you guys are here to keep this.

And you go to look-- I hear Mr. Jon Hanson tell me that we're going to stay and try to make Atlantic City casinos into a family atmosphere. That's great and everything. You're going to bring kids to a gambling atmosphere? Atlantic City generates more cash than Las Vegas. Las Vegas -- you go there -- it's an entertainment place. They generate more money just to go to Atlantic City and gamble. It's not a family atmosphere. If you want to see a family atmosphere, go to Pier Village, go to Asbury Park, come to Monmouth Park on a Sunday. All you see is kids. I mean, Great Adventure--

I understand we have Mr. Hanson up here, and on his committee is the question really-- Were there many horsemen on his committee, or were there -- Atlantic City on his committee?

SENATOR WHELAN: There was no one from Atlantic City on his committee. I don't believe there were any horsemen on his committee either, in any capacity.

MR. BRAVO: Neither one?

SENATOR WHELAN: Right, Dennis? No.

MR. BRAVO: That was just a question that I would like to--

SENATOR WHELAN: No.

MR. BRAVO: I mean, I think if he's going to put a report out, put a little horsemen in there. Find out what really goes on behind the horse racing game. When it goes to gambling, you flip up a card. In horse racing, you have breeding, you have to feed the horses. There's a lot behind bringing a horse to the horse race itself.

I just have one final thing. Whatever we do, let the horsemen know as soon as possible. In the last years, we really didn't know until the last minute what New Jersey dates were going to be, the purse structure was going to be until the final month before we came here. I think if we could give these horsemen around the country a little bit of heads up of what their racing stature is going to be for next year, we could have some pretty good racing as we had this summer. This summer really opened up the country's eyes of what horse racing is supposed to be. You had some of the best horses, jockeys right here in Monmouth County.

SENATOR WHELAN: Did you ride here this summer?

MR. BRAVO: Yes, sir.

SENATOR WHELAN: How did you do?

MR. BRAVO: Pretty well.

SENATOR WHELAN: Very good. Congratulations.

MR. BRAVO: Let's just try to keep the dates up. We don't want the New Jersey-- I think the biggest reason you have so many horsemen here today is kind of fear -- fear of not -- New Jersey turning into a part-time job. Either-- Two days a week racing is kind of tough. It was a great success; yes, it was nice. But I don't know of any job being a part-time job. I think if we really keep this minimum racing -- losing the five months of racing here in New Jersey -- I really couldn't consider myself a New Jersey resident. I can't survive on only racing two days a week and only running a couple of months. I mean, you'd at least have three days, four days. Give us five days of work. Let us have a solid occupation.

SENATOR WHELAN: Thank you.

Mr. Campbell.

J O H N C A M P B E L L: Thank you very much for the opportunity to be here today.

I came to New Jersey in 1978 as a 22-year-old driver and owner. And it was the lure of purses unheard of that brought me to the Meadowlands. And since that time I've been witness to and part of the most successful period of harness racing from a competitive standpoint, attendance standpoint, and wagering standpoint in our sport's history.

The business model for that great period of time was pretty basic: We put on the best racing, opened the doors, and people came. And I find it a little bit ironic that Mr. Hanson alluded to the purchase of Monmouth. And the reason the Sports Authority was in a position to purchase Monmouth was the cash flow and revenue generated from harness racing at that time.

And through various administrations, different governors, and different boards at the Sports Authority, the business plan really didn't change much. And to put it in racetrack parlance, we as an industry were rode hard and put away wet. There was very little put back into our game, as far as marketing. And we're left now with a building that needs to be updated. Our food and services are under par. Our technology needs to be enhanced. And up until a few years ago we were still turning a significant profit there. But with the competition of horses from other states -- bordering states -- we can't compete and offer full fields at the Meadowlands anymore. And that's what makes the Meadowlands the Meadowlands, it's the full fields. If we don't have 10 horses in the majority of our races, we just cannot attract the bet from the harness racing betting public.

To say-- And another thing Mr. Hanson alluded to was the 42,000 who were there opening night at the Meadowlands. And then he said 3,000 to 5,000 come now. That is true. Some nights we get 3,000 to 5,000. But on Hambletonian Day in 2010, we had 28,000. And the bet generated worldwide on their simulcast and live handle was \$8.3 million. We still have something that the betting public wants. We just have to upgrade our product. The Meadowlands Pace night -- we bet \$3.3 million, but we had full fields. We need the tools and, obviously, purse money to entice these horses to come back and offer the full fields at the Meadowlands. The Meadowlands isn't dying. It's not dead. It just needs some help.

Thank you.

SENATOR WHELAN: Thank you.

Mr. Drazin, let me ask you-- You made a couple of comments I wanted to follow up on.

You talked about the Meadowlands having a 100-day meet.

MR. DRAZIN: Correct.

SENATOR WHELAN: How many days is their meet now?

MR. DRAZIN: The current live racing protection in New Jersey provides, for the standardbreds, about 151 days up there, that I think they reduced this year to 138. It also provides for days at Freehold. But your question is as to the Meadowlands. The 100 days that I'm talking about is part of the ongoing discussions between the standardbred industry, the thoroughbred industry, and the Sports Authority -- working with the Hanson Commission -- to try and develop an elite meet to emulate what Monmouth did this year.

SENATOR WHELAN: That brings me to the other question, because we're hearing that the elite meet, the reduced schedule at Monmouth -- the weekend schedule -- was a success. But I think it was Jon Hanson -- maybe someone else -- said that Monmouth still lost money.

MR. DRAZIN: That is correct.

SENATOR WHELAN: Okay. How do we balance those two concepts?

MR. DRAZIN: Well, when you say successful, you try and look at what were the objectives in doing the 50-day meet. So the 50-day meet came about -- really, it was a concept that Bob Kulina from Monmouth Park and I developed. And I first presented the 50-day meet plan to Governor Corzine's Blue Ribbon Panel, which some of you legislators, and I, and Mr. Mulcahy all sat on.

What the challenge from the casinos was, they said that racing was a dying industry. And the racetrack enthusiasts and horsemen said, "No, we're not. Let us prove to you that we can be viable and successful." So what we did was establish this 50-day meet, which turned into 71. But the concept was to have million-dollar days, attract the best horses in the country to stimulate the wagering and prove to anyone who inquired that horse racing is not a dying industry. If properly funded, horse racing can be successful. And what we proved by this was, we took the average daily handle from Monmouth Park of \$3 million a day to \$8 million a day. We increased attendance, we increased our on-track wagering, we increased our transmissions.

Now, as Joe Bravo tells you, 50 days, 71 days -- that's probably not enough to support a viable industry and support the breeding. What we need to do is create a solution that provides us with enough purse money in order to have more days of racing and do the same type of concept. When you ask about profitability, success is different in different people's minds. So one thing you want to do is stimulate interest in the industry. The second thing you want to do is let the Sports Authority, or whoever the owner is, make more money, which they did. They still lost money, but they--

SENATOR WHELAN: They didn't lose as much.

MR. DRAZIN: They didn't lose as much.

And when you talk about the Sports Authority continuing to need help to meet their budgetary requirements, certainly that will be the case. But if you look at the entire scenario, the Hanson Report and the transition report -- when I looked at it -- started and said, racing loses \$30-

some-odd million. Well, only \$22 million of it was related to racing. Then when you take that \$22 million and you divide it, \$11 million and \$11 million; which ultimately they said standardbred is \$10 million, thoroughbred is \$8 million -- so you take \$18 million. When you look at those numbers, they did not include in those numbers the profits which they made from OTWs and account wagering, which was \$9 million. So you have to take \$9 million off of the \$18 million they say they lose.

Then, in addition to that, they paid pilot taxes to Oceanport and East Rutherford, which add on another \$6 million or \$7 million. And then the other segment of their loss is, the State used to fund the Racing Commission. Now the industry funds the Racing Commission to regulate the industry, and they lose \$10 million.

So you plug all those together, and the State has been losing money, as the Sports Authority, and will probably continue to do so until we build out the OTW system, legislate for some of the other proposals that I've suggested. And we can see that if you track these projections for the next five years, at the end of three to five years you're going to see a declining balance of losses, and you're going to see an industry that could sustain itself at the end of that five-year period.

Now, anything can change. The economy can be bad, something else can happen. But in all reason, I think the right thing to do is to give us a chance to succeed.

SENATOR WHELAN: Thank you.

Senator Van Drew.

SENATOR VAN DREW: Thank you, Chairman Whelan.

I just have one question that relates to, actually, Atlantic City Race Course. And I know you're very aware there was a fund set up years ago that was especially indicated for a subsidy, because of the simulcast. And I know they've been before you; and I know you can't speak to certain aspects of this because of your position.

But is that being worked out? Atlantic City did, actually, relatively well this year considering the circumstances they work under. Can you just elaborate on that a little bit? Particularly that fund, again just to clarify, which was there. Because once the casinos put in simulcasting, that was considered competitive for the industry, for the horse racing industry. And those funds were to be distributed to make up for the simulcast that occurred there. Because, in plain English, some folks would not go to the racetracks, they'd be at the casino watching simulcast. It is the most competitive for Atlantic City, which is right around the corner from the casinos.

MR. DRAZIN: In actuality, as Chairman of the Racing Commission, I probably am not able to answer your question, because I have to recuse myself for a period of time in the industry once I assume my new position.

But I will say to you that I have seen legislation that has been drafted by legislators. And there has been discussion which tries to address your concern. Your concern is the casino simulcasting fund and how that is distributed.

SENATOR VAN DREW: Correct.

MR. DRAZIN: And based upon the legislative authority that you have given to the Racing Commission, the Commission, for years, has been dividing that money in the ways that the fund permits.

There is a proposal out there that would permit the Atlantic City racetrack--

SENATOR VAN DREW: I'm aware of it. I'm on that.

MR. DRAZIN: --to get a larger share of that fund. So that's really in the Legislature's hands, not in the Racing Commission's. We can do what you enable us to do.

SENATOR VAN DREW: I know you can't speak to this, but let me just express my viewpoint. It's in your hands as well, because when you vote on how to distribute those funds, you have an authority -- they have a voice on how the funds are distributed. The legislation would mandate certain things.

Again, let me just express my viewpoint. If we're concerned about racetracks, we should be concerned about all the racetracks throughout the state, North and South.

MR. DRAZIN: We would like to see, and the horse industry would like to see, a reestablished racing industry in South Jersey that provides more days and more opportunity to race. And I think you'll find that if you give the Commission the legislative authority to do so, we'll try and accomplish that goal.

SENATOR VAN DREW: Thank you, Dennis.

SENATOR WHELAN: Senator Sarlo.

SENATOR SARLO: Thank you.

Just one quick question.

Dennis, first of all, thank you for your advocacy on behalf of horse racing for many years.

MR. DRAZIN: Sure.

SENATOR SARLO: Even I, who have it in my district, learn more and more. And I regret not being able to get out to Mr. Perretti's farm this past Monday. I would have liked to see his farm and what really goes on out there -- how many horses and how much it really means to our economy.

MR. DRAZIN: It's a wonderful farm.

SENATOR SARLO: The question I have -- and I think you've seen the commitment from a lot of folks, both from the North and the South, that this industry is important to our economy and we need to do everything we can to save this industry.

With that being said, we've talked about exchange wagering, the amendments to the OTWs, and expanding OTWs, intrastate internet gaming. And I think a lot of those things will be part of the final package of recommendations. This is me speaking. But I believe you will see that as part of the final package of recommendations.

What I'm missing though, someplace -- and tell me if I'm wrong, because you know this a lot better than I do -- it's going to take a little time for those revenues to develop.

MR. DRAZIN: That's correct.

SENATOR SARLO: So we are going to need, as part of the solution, to find something for the short-term. If we take the money -- the supplemental purse money from Atlantic City and give that back to Atlantic City to help them with their tourism district-- Between losing that money

and the time these other measures are implemented and the revenues start to generate, we're going to need to find some dollars in between there. Am I correct in that?

MR. DRAZIN: That's correct.

SENATOR SARLO: And roughly, per year, how much is that?

MR. DRAZIN: This is really something that the Governor will have to address, not me. But I've been privy to the various discussions. And for years, I've been dealing with these issues. And I would tell you that, in my opinion, going forward, we need to be able to put together about \$50 million for the racing and breeding industries per year in order to continue to have them viable. And that's a declining balance. Because each year that you have new sources of revenue that are coming up, each year you're reducing the amount that's needed.

SENATOR SARLO: I understand.

MR. DRAZIN: And hopefully, five years down the road, you can get to zero. But you must make sure these OTWs get built out (indiscernible).

SENATOR SARLO: I understand that. And if we were to implement a lot of these measures, there is a period of time in there -- there's a-- Do you understand what I'm saying?

Senator Whelan, there's a period of time in there that--

SENATOR WHELAN: I said to the prior group, Senator Sarlo -- you may have been out of the room at that moment -- but I think there's a willingness to look at some kind of transition for the problem. And Mr. Drazin just alluded to it.

In 2001, it was: We're going to have OTWs. The casinos came in and said, "All right, we're going to give a certain amount of money." Smaller amount than 30, then it goes up to \$30 million.

SENATOR SARLO: I understand.

SENATOR WHELAN: So it's like-- And, again, I don't speak directly for the casino industry, but I'm pretty certain their position on this would be that they want to make certain that this bridge funding is a bridge to somewhere, as opposed to a bridge to off-track wagering that never gets built, which is what has happened thus far. And you're making the same point.

SENATOR SARLO: Okay.

MR. DRAZIN: There have been nine years that you have authorized OTWs to be built, and it just hasn't happened. So what we need to do is try and-- And you can't go back, you have to go forward. You can't say, "It wasn't built because this one is to blame or that one is to blame." We need a plan to go forward.

SENATOR SARLO: Have you done any studies on the OTWs as the horse racing--

MR. DRAZIN: Yes, of course we have.

SENATOR SARLO: And they're--

MR. DRAZIN: What I think Mr. Hanson was trying to--

SENATOR SARLO: And the future is successful, right?

MR. DRAZIN: What I think Mr. Hanson was trying to address was that we don't know 10 years down the road if other forms of revenues or gaming will replace it. But what this industry did back in 2001, when it came from the Legislature, was we hired good people, smart men

such as Richard Thalheimer, to come in -- he was with the University of Kentucky -- to come in and give you his opinion. And he did studies on the success of OTWs based on models throughout the country.

And we projected at that point in time that if they were all built, today we would be getting \$45 million in purses for the industry, both breeds, and the Sports Authority would be receiving somewhere between \$60 million and \$75 million. And we wouldn't have this problem today if it was done. But you put the control of who had the right to build these into other people's hands. The horsemen had nothing to do with it. So you divided the territory. Not you, because the Legislature said it should be run by the Sports Authority. But enter the picture -- a participation agreement which was required.

So the Sports Authority ended up with nine, and Freehold ended up with four, and Atlantic City ended up with two. The Sports Authority built one in Woodbridge. Woodbridge, combined with their account wagering system, generates \$9 million a year. Toms River has one that was built on the Freehold license, and Vineland has one that was built on Atlantic City's.

Senate President Sweeney asked Mr. Hanson about the site that was approved in Cherry Hill, and that's the site that I spoke about in my introductory remarks. Freehold has insisted, despite the fact that it's been approved, that they're not building it. And why aren't they going to build it? Because they filed a lawsuit where one of the partners says that the other partner -- Greenwood, who is a Pennsylvania racing entity, who got all the revenues from Garden State; \$90 million a year when they moved down there-- They got all the revenues, and they don't want to

build something in South Jersey to bring those revenues back. So Penn Gaming -- one of the partners -- has filed a suit in Federal court to try and compel Greenwood to build this. And they've made allegations that it violates State law, violates Federal law, that there's been a conspiracy. And unfortunately, litigation takes a long time to build out. These entities ought to be told, "We want them built by 2012, or the Legislature is going to take away your right to build them." And unless you do that, we don't have a solution.

SENATOR SARLO: Thank you.

SENATOR WHELAN: Senator Sweeney.

SENATE PRESIDENT SWEENEY: I asked -- and I was out for some of the testimony, and I apologize. But I asked Mr. Hanson about the studies -- if there were studies done, and if anyone had done them. When this whole plan got put into place-- And you may have already answered; I apologize.

MR. DRAZIN: The 2001?

SENATE PRESIDENT SWEENEY: No, no, now. When the Hanson Report was done, did they come to you for any studies on off-track wagering?

MR. DRAZIN: Actually, the Hanson Commission did engage me to the extent I was permitted to be engaged. At the time, I was being transitioned from the Horsemen's President to the Racing Commission Chair. And the Governor's Office and the AG's Office did let me participate as a factor in this. So they came to us, and the Sports Authority, and to Mr. Luchento, and we gave them the benefit of information, not the actual studies or testimony.

But there is no question that in the short-term, OTWs are a gold mine. You may not be able to generate the same amount of revenue from 15 throughout the state, because one site might be better than another. But collectively, we told them -- and we're saying the same thing today. We all agree that, net, you're probably talking about \$5 million per year for the industry from each site that you build. And there's money for purses, and there's money for capital improvements, and there's money for the Sports Authority or whoever runs the racetracks.

But I think what Mr. Hanson alludes to is that if the Legislature were to say, "We're going to pass legislation to put them in bars and restaurants," would that take away some of the profits that you're now seeing at OTWs? The industry thinks not. We look at the studies from Hong Kong, and we looked at the bar and restaurant businesses -- more the convenience better, not the person who is going to go to an OTW or racetrack. But you're going to develop new fans. And Virginia has a system now where they have a kiosk they put in a bar, and you can convert, in about 10 seconds, to be authorized to do this type of wagering. And they say that it's grown their business by 200 percent in the short time that they've been doing this.

So we do think, short-term, there's a future in OTWs. Ten years down the road, you're going to be out. These OTWs, if you make the investment, make a significant amount of money. And whatever the investment is -- either by the horsemen, the Sports Authority, or private enterprise -- you're going to have all your money back. They're not going to be a loss. But the difficulty with giving it to private enterprise that is not

consisting of racing-related groups, is that you can develop a New York OTB system that goes bankrupt. It has to be tied to live racing.

One of the fears-- And I'm not here advocating for this. But to be honest, I must tell you that the greatest fear of horsemen is you build out an OTW system, the State decides not to do live racing because it would be a great profit center to have 15 OTWs and not have any live racing at racetracks. And we have to prevent that.

SENATE PRESIDENT SWEENEY: You can forget about that, because no one has the intention of even thinking about that. Because the equine industry in the state is a large generator of jobs and revenue. So I can speak for the Senate and say that's not where we're at.

But back to Mr. Hanson -- and you said you spoke to him -- are they-- I mean, were they-- I know you consulted with them. But, I mean, did you show them-- Did they not want to see studies? Did you show them studies?

Because, again, my concerns on off-track wagering-- To just say, "We don't know where they're going to be in 10 years--" And, again, looking at the business model and plan with live racing-- No, we're not going to cannibalize and put them in every bar in the State of New Jersey. At least I wouldn't support that. That's one of the arguments against VLTs right now -- that we dilute the market so much.

I mean, that's one hell of a leap, isn't it? To think that we would go from an authorization of 15? And at the end of the day, maybe it only winds up being six or seven that get built in the state based on the markets -- to make sure that they're profitable. But that's one hell of a leap that they're taking.

MR. DRAZIN: I've worked with the Legislature for many, many years. There's not one question in my mind that the Senate and Assembly want to protect live racing. I don't think that's a possibility as long as we have legislators who support the industry, such as you. And I'm confident in our Legislature. But there are others who might make recommendations that we just do OTWs.

And what I would say to you is that the Hanson Commission fully understood -- and I think they addressed in their Report, from my recollection of it -- that one of the problems in the past is these OTWs were not built out, and they need to be built out. In Mr. Hanson's mind -- and I think he does have the industry's best interest at heart in trying to go forward -- but he doesn't believe the State should put the money at risk to build the OTWs. He believes that either a private group or the horsemen themselves should go ahead and build these out. But I believe if you ask him directly, he's not saying that he does not think they should be built. He's saying that because of the uncertainty 10 years down the road -- whether or not they would still be successful -- why should the State take \$125 million to \$150 million and build them out?

Now, Bayonne is a site that they have -- they're looking at now, and it's approved. Bayonne is going to cost \$23 million to build. You don't have to spend \$23 million at each OTW site. The Sports Authority has done studies, and they have evaluated where to build these sites throughout the state. And they feel that after Bayonne is built, with the \$23 million, that they should retrofit sites in existing buildings. They'd be quicker to put up, they'd be less expensive. The cost they project is somewhere

between \$10 million and \$12 million per site in order to do this. And they generate a tremendous amount of money.

SENATE PRESIDENT SWEENEY: I guess that's my point. I'm in construction. You don't have to build. As long as you hit a market or an area, region, where you want to place these facilities, the costs aren't as great, especially with real estate being as down as it is right now.

Chairman, I won't continue this.

It's just that there is a real disconnect with the Hanson Report and what he told us about off-track wagering and what we're hearing now. And I tend to believe what you're saying to me. So I don't think that they have done the job that they-- Okay, the Hanson Report -- without live racing. So I guess that's why there's a scare -- I'm reading from the Hanson Report -- saying, "The proposed Bayonne OTW project should be postponed until legislation is passed that permits OTWs to function without live racing." So he's killing the proposition of OTWs with his report.

Listen, now I understand it. I didn't understand it before. That is a very important detail.

Again, we're here because his Report created winners and losers. I'm from southern New Jersey. There are a lot of horse farms down by me -- there's a whole lot of horse farms. The equine industry is extremely important to us. To not have live racing would be an enormous mistake. And now I understand why we can't project out 10 years, because he's proposing OTWs without it -- without live racing. So it's a big problem for us. So this is flawed to start with -- that he would propose this.

MR. DRAZIN: When you try to look at this, I think you have to look at it through these eyes: There is some concern with the Sports Authority and the Hanson Commission that if we spend a lot of money to build out OTWs, and the horsemen utilize their State and Federal rights to consent to the signal, there is a risk of having buildings without the product to sell. As yourselves: Why would horsemen ever cut off their own funding mechanism if this is generating the money they need to race?

So the concept of Federal legislation that says, "Yes, horsemen have the right to consent--" Well, that's the only protection they have. And that's Federal law. So this Legislature would not even have the power to remove the Federal rights of horsemen. But I can assure you I've worked with all of these horsemen -- both groups. And there is no chance that they're going to cut off their own revenue source if you get these built. So I think what you need to do is enable us to build out the OTW system in an easier fashion.

There have been some problems with the home rule issue and getting things built. There have been some liquor law issues. But once you build out these OTWs, you're going to provide the revenue source we need to sustain the industry. And it has to be done. When I was the President of the Horsemen's organization, I had a commitment from private industry to give the horsemen a loan of \$200 million to build out the system right away, but it wasn't ours to build. The Sports Authority had the right, Freehold had the right, Atlantic City had the right. None of them built them. They built 3 out of 15.

If the horsemen now -- and they are having discussions with the Sports Authority about a partnership where the Sports Authority will have

60 percent interest, the two horsemen groups will have 20 percent each, that's a formula for success. We can go forward and build them. And the horsemen are willing to give the OTWs, by contract as part of the negotiation, the security that they want -- that they have the signal. And that is a good solution.

SENATE PRESIDENT SWEENEY: Well, what's clear to me is that this can be solved much easier than what we have done up to this point.

MR. DRAZIN: It can.

SENATE PRESIDENT SWEENEY: Much easier. And it's an absolute revenue-raiser for the horse racing industry. We passed it in 2001, prior to me arriving in the Legislature, but no one has followed up to ensure that this gets done the way it needs to get done. This is a no-brainer that we start building these OTWs, whatever the formula is.

MR. DRAZIN: You're absolutely right.

SENATE PRESIDENT SWEENEY: Because it's a win-win for everyone.

MR. DRAZIN: Correct.

SENATE PRESIDENT SWEENEY: And this industry is much too important. So I think this Report, honestly, is very flawed in this area. To recommend OTWs without live racing defeats the whole purpose of what we're trying to accomplish here, which is keeping the equine industry alive.

So I appreciate the insight that you've given me. I walked in, and you really perked my interest.

MR. DRAZIN: I thank you for your support. I know you've been engaged in dialogue with some of the industry, and we do appreciate all your efforts.

SENATE PRESIDENT SWEENEY: Thank you.

Thank you, Chairman.

SENATOR WHELAN: Thank you, Mr. President.

Thank you, panelists. We appreciate it. We're going to continue. Rest assured we're going to continue working this through. (applause)

We're now going to hear on gaming technology. Stephen Burn, Betfair/TVG; Melissa Blau, MBlau Consulting and High 5 Games; and William Pascrell III, from Princeton Public Affairs. Those individuals should come up.

Is Melissa here? (affirmative response)

Mr. Burn.

WILLIAM J. PASCARELL III, ESQ.: If I could just make a correction, Mr. Chairman: Melissa is representing her own company. High 5 Games is a client of mine. That was just a typo. It's just to correct the record.

SENATOR WHELAN: All right, just a typo.

Mr. Burn, thank you.

STEPHEN BURN: Hello, Mr. Chairman, members.

My name is Stephen Burn. I'm the--

SENATOR WHELAN: You have to get that mike a little closer to your mouth.

MR. BURN: I'm the President of TVG, and I'm the Global Director of horse racing for Betfair. Betfair is a company that will be familiar to some of you, but not to all of you.

Before going into detail about it, if I may, can I just say what a pleasure it is to be here at Monmouth. I've worked with lots of racing establishments around the world. And it's been a particular pleasure this year to work with Monmouth, which has tried very hard to be innovative in the U.S. and do something very different. I think credit for that should go to Commissioner Drazin who has shown some vision and foresight.

I heard a lot of doom and gloom, and things that were being batted around today about things like the New Jersey Sports and Exposition Authority. In our experience, we had a fantastic relationship with the guys. We think they do a terrific job, and we will continue to work with them in the future.

As far as Betfair is concerned, (indiscernible) betting exchanges because this just isn't about Betfair. The betting exchange isn't the silver bullet for New Jersey racing or for racing anywhere else.

SENATOR WHELAN: Could you just slow down a little bit? I think some people are thrown off by your California accent. (laughter)

MR. BURN: I'm sorry. I'll try. It's just the excitement of being here that's getting the best of me.

So Betfair isn't the silver bullet for U.S. horse racing or, indeed, for any other horse racing, but it is a silver lining, I think. It does something that's very new, very innovative, and very different.

We've been going for 10 years. And in that time, we've become the world's biggest betting community. We have more transactions, I

think, taking place from a gaming perspective on the internet than anyone else. We strike about 5 million transactions a day. There are 9 billion page impressions that take place. And what it is, is a new way, really, of doing tote betting that hasn't been possible until the internet came along. We put people together who want to exchange bets with each other. We take a small commission from people who win on those bets. We've been doing it now, as I say, for 10 years. And we think that we can bring the product into the U.S. and do something that no one else, so far, has been able to do.

New Jersey still, if it wants to embrace it, has the opportunity to be the first state in the union to engage in exchange wagering. You folks all know that a bill passed the Assembly by 78 to 0 earlier this summer, which was very encouraging. But I think the concern for us would be: If you want to move forward with things -- whether it's us or any other operator operating in the state -- they're going to need a bit of time to turn the key. It isn't just a switch you could flick on. If you wanted to have something, for example, for the Monmouth meet next summer, I think any operator is going to need about four or five months notice in order to be able to prepare and put the infrastructure in place for that to be able to happen.

There's a lot of contention, there's a lot of myth and smoke, and there is the go-around about exchange wagering. But I'm proud that I work for a company that prides itself on integrity, and on openness, and on transparency. And I'm very happy to answer any questions you might have, and share any and every bit of data you might want to have access to.

SENATOR WHELAN: Let me just, very simply -- and we want to hear from the other panelists as well. But just so the concept is clear in

my mind and to the other folks who are here, under the exchange wagering, what could happen if Assemblyman Caputo and I come to the track together, and he thinks horse number one is going to win, and I say horse number three is going to win? We can make that bet. And if those horses finish last and next to last -- whichever horse beats the other -- that's the bet, right? "My horse is going to beat your horse, your horse is going to beat my horse?"

MR. BURN: No, there are a number of what we--

SENATOR WHELAN: And there are variations on that, but that's a very simplified version, right?

MR. BURN: That's just one very specialized version of it. In its simplest form, it's about trying to put people together who think an outcome will happen or an outcome won't happen. And by far and away, the commonest kind of exchange bet that takes place is just on a traditional win market. So if you think a horse called Jim's Boy is going to win the race, and you have your \$10 on Jim's Boy to win the race, and Senator Caputo -- Assemblyman Caputo doesn't think that Jim's Boy is going to win the race, we find him to match your bet. And you decide between yourselves as to what odds you want to offer. But our technology is pretty slick. And what it does is automatically finds the best odds available for you as a backup. And it's something that primarily puts the consumer first. There is lots of talk in racing about tracks, and horses, and saving the sport. Sometimes it feels a little bit like there isn't enough talk about the consumer, the customer and engaging with them. It's interesting, at Betfair, what we found is that the demographic we attract is massively younger than

the profile of people who are currently betting on horse racing. I represent all of Betfair, as well as racing. That's about 35 percent of our business.

One element of it in the U.S. -- TVG -- that's just a conventional ADW, advanced deposit wagering, in tote betting. The customer profile at TVG is such that the vast majority of our customers, over 80 percent of them, are over 50. At Betfair, the reverse is true. The vast majority of our customers are under 50. And we've attracted a new kind of bettor to the sport who previously wouldn't have been engaged with it -- many of whom bet on financial markets before and didn't bet on sports betting. You can bet at Betfair or, indeed, on any other exchange -- it doesn't have to be on Betfair -- and be in different results of the race. You just have to try and anticipate what the market will do. You can wager during the race. We take bets right up until the line. And when there's a photo finish, we carry on betting during the outcome of the photo finish. And it's been very dynamic. The pools are large. And I think if we can sit down with the racing regulator and have discussions with them, we can find a model that will work where the horsemen benefit, the tracks benefit, and ultimately the consumer benefits. And we can promise the State of New Jersey will get some of the benefits too.

SENATOR WHELAN: Thank you.

Mr. Pascrell.

MR. PASCARELL: Thank you, Mr. Chairman.

Bill Pascrell III, from Princeton Public Affairs Group. I'm representing iMEGA, which is the Interactive Media Entertainment Gaming Association, representing off-shore gaming interests -- internet interests; and High 5 Gaming, which is based out of Mahwah, New Jersey, which employs

over 65 New Jersey residents and provides the sort of software technology and the creativity behind slots, video gaming. And they're very interested in this committee hearing because they're a Jersey company.

Mr. Chairman, we want to thank you for your leadership and Assemblyman Burzichelli's leadership in these three very lengthy, arduous Summits that have taken place.

I believe that New Jersey is in the midst of a perfect storm between the economic recession we are facing; between the tragedy that is facing our horse racing industry and what that industry represents to the State -- over a billion dollars in revenue, over 13,000 jobs; and equally important, our brick and mortar casinos in Atlantic City.

And, Chairman, you have stepped above and beyond in terms of your leadership because these are tough issues, when you live in Atlantic City, to try to grapple with. You have been macro in your thought, and we appreciate that.

We have crafted a bill, which we're calling the *Lesniak Proposal*, which addresses three critical issues: brick and mortar, horse racing, and what we believe can be a solution to our problems. When you have the Legislature and the Governor grappling with reducing costs of government and not wanting to raise taxes because of the environment we're in, we need new sources of revenue. And we believe today that Senator Lesniak's bill, S-490, is a part of the solution to that problem. We are new revenue, new opportunities to expand existing gaming, horse racing, and brick and mortar.

There are several strategic themes that I believe suggest that New Jersey sponsoring internet gaming on an intrastate basis has strong

public policy benefits and economic benefits. We have crafted a bill which brings together the interests of brick and mortar and the horse racing industry, married by internet gaming.

Let's talk about the State-sponsored innovation, first-mover advantage. California and Florida, if they did not have, right now, federally recognized tribal gaming interests, would have internet gaming today. There has been talk by some before this committee and outside of this committee -- and perhaps those who have talked to the front office -- about a Federal solution to this problem.

Well, as many of you know, Senator Reid made a very bold statement yesterday out of Washington that that is not going to happen, like some have told us. Perhaps Mr. Reid is wrong. We happen to believe that that bill has been around for six years and really has not moved. So New Jersey can continue to be sold a bill of goods that Federal legislation is coming while other states around us are eating our lunch.

August 2 I had my birthday, and buddies of mine decided -- because I'm a North Jersey resident -- to take me over to the Sands in Bethlehem, Pennsylvania. I felt awkward about going to an outside-of-New Jersey place, but it was their decision. I was appalled by the number of Jersey plates in that parking lot. I was appalled at how very uninnovative their casino was. It's basically a warehouse. They couldn't hold a candle to what Atlantic City has in terms of gaming destination and resorts.

We have to stop allowing the states around us, and perhaps Washington, to continue to eat our lunch when we have a golden opportunity to be the first mover, to be the global mecca and capital for internet gaming. Why New Jersey? Access to the capital markets; a

regulatory structure which has been around for over 20 years and is consistent, rigorous, and vibrant, and recognized internationally. And finally, a superior workforce which deserves to have opportunity for new jobs.

The direct benefits of internet gaming -- and we're talking about internet horse racing, which currently exists -- 4njbets.com, which the New Jersey Sports and Exposition Authority is grappling with how to make that better. We're talking about sports betting, which the Chairman alluded to earlier today; and that aggressive lawsuit which iMEGA, Senator Lesniak, and the New Jersey Senate -- through the leadership of Senate President Sweeney -- have brought before the Federal courts to say, "It is unconstitutional for you to deny New Jersey its state right to bring sports betting to our state."

We believe that the economic benefits are jobs. And you can look at the U Penn study -- which the Chairman, before his committee, heard verbose testimony on -- in which talks about 4,000 to 5,000 immediate direct jobs. But let's go beyond that. Let's look at an example instead of hypotheticals or studies by economists. We can all hire economists who can tell us what we want to hear.

Costa Rica started internet gaming just a few years ago. And in a very short period of time -- in the midst of a rain forest, a jungle, 97 percent literacy rate (*sic*) -- they have over 45,000 direct jobs in internet gaming. That's not including the infrastructure development. The fact that we have to boost the energy grid in North and South Jersey in order to be able to house these servers-- If Totowa, New Jersey; North Bergen, New Jersey; and Mahwah, New Jersey -- in North Jersey, Bergen and Passaic

counties -- can be the mecca right now for the redundancy post-9/11 for Wall Street, why can't New Jersey do that for gaming?

We have to rethink the way we're approaching gaming. And I believe this is the best way, the quickest way. We can pass the Lesniak bill, which is before the Senate Budget Committee, and its version in the Assembly, and have it on the Governor's desk posthaste. We'll have a couple-month process for probity, and we'll be able to start bringing those revenues in immediately -- within six months to build the infrastructure, to be able to capture that revenue. And that's just on internet gaming -- not related to the revenue we could attract on horse racing; and certainly not related to what we think we should be doing as positioning ourselves so that when the Federal law is overturned and allows New Jersey to have sports betting, New Jersey's positioned to take advantage of that.

Mr. Chairman, as you know, I could go on forever.

SENATOR WHELAN: We prefer that you didn't.

MR. PASCARELL: But in the-- I haven't had lunch, and many of you haven't had lunch.

So I would like, with your permission-- I'd be happy to answer any questions this committee has.

I want to introduce a very special person today: Melissa Blau, who is a consultant in the internet gaming industry, providing financial and strategic guidance for companies in the U.S. and Europe; and has been invaluable to me personally in learning about this industry and helping introduce me to those European and U.S. interests. She's a former executive of several European-based online gaming companies, including the CFO of an online operator that was recently acquired by GTECH. Her

prior gaming industry experience was as a general partner of Bear Stearns Media Technology Fund in the late '90s. She's currently also the finance editor and columnist for the leading magazine in online gaming. And she's a graduate of both the Wharton School and Harvard Business School.

Melissa.

MELISSA BLAU: Tough act to follow.

First, I'd like to thank you very much for allowing me the opportunity.

SENATOR WHELAN: Melissa, could you move that microphone a little closer?

MS. BLAU: Sure.

I'd like to thank you very much for allowing me the opportunity to share with you some insights into the benefits of the online gaming sector.

As you may already know, the online gaming sector is an established and thriving industry that produces substantial revenue for those governments who have chosen to adopt it. Currently, it's estimated that the online gaming industry generates close to \$30 billion in revenue annually, worldwide. The United Kingdom, Italy, France, and numerous other countries have already regulated online gaming to a varied degree. The U.K. was the first country to completely open its market and regulate online gaming. It has thus become the de facto center where business gets done today.

In the past year, Italy and France have set the precedent, adopting a high tax rate that has proven highly profitable to the state. They have paved the way and, as a result, put pressure on neighboring countries

to adopt a similar strategy with regard to their respective online gaming policies.

With regard to the United States, I'm here today to share with you why New Jersey should be the first jurisdiction to regulate this industry on a statewide basis. I plan to discuss the benefits, feasibility, and potential of an online gaming regulated market in New Jersey.

Regulated intrastate online gaming is both beneficial to the State, as well as its residents. Acting swiftly, New Jersey can create and sustain an important first-mover position with the potential of establishing itself as the national center for the online gaming industry. The regulated online industry could bring numerous benefits to the State of New Jersey.

First and foremost, New Jersey would benefit from an immediate tax return generated on numerous levels: gaming tax from operators and suppliers, income tax from the establishment of new and higher-paying jobs, in addition to corporate tax.

Secondly, New Jersey would also benefit from the creation of thousands of high-tech jobs with above-average salaries for state residents. With these new jobs, the gaming industry will provide the critical training and opportunity for career progression, as well as financial stability. This has already been the case in those countries who have chosen to regulate.

In addition, the online gaming industry will also be the impetus behind a wave of capital into the state that will include funding for new and existing operators and suppliers; investment to support the infrastructure, as Bill said, including the banking, legal, accounting firms that specialize in the management of online gaming; as well as the world-class facilities that need

to be either maintained or upgraded to cope -- for scalability, for stability, attacks -- DDoS attacks -- and other kinds of fraud.

The investment will also include enhancements to the utilities, as we said; as well as real estate facilities, commercial and residential; as well as educational facilities.

Finally, with the establishment and enforcement of a regulated market, New Jersey can finally provide its residents the necessary protection and audited environment that's not currently available today to those who gamble online. In doing so, the State would be able to reduce the problem gambling by employing a variety of limitations and self-exclusion provisions, as well as provide training of in-house staff to proactively seek out problem gamblers. An audited environment would be able to protect both players and operators by providing a feedback mechanism for reporting odd betting patterns associated with player rigging and point shaving.

In established, regulated markets, internet gambling has proven mutually beneficial to both land-based casinos and the horse racing industry. Today, in New Jersey, both of these industries are facing their difficulties. Internet gambling will help these industries to solve their problem.

In the U.K., horse racing has proven to be the cornerstone of the online gaming sector, accounting for approximately 40 percent of all sports betting wagering. What makes horse racing unique is that it is the only sport that offers events seven days a week, year round. It is the linchpin that gives online gaming operators the reason to communicate with their players on a daily basis and, in effect, the ability to more effectively

cross-promote other games, including casino and poker. Without horse racing, the opportunity for the sector as a whole would be diminished.

In the U.K., both industries have proven to help one another. And as the U.S. market begins to open up, it is only logical that the same relationship exists to support each other in a similar fashion.

As for the land-based casinos, the I-gaming bill empowers Atlantic City operators to be the first online gaming companies legally to operate in the United States. With this first-to-market competitive advantage, New Jersey operators will have the opportunity to become the preeminent suppliers in the United States, offering their experience and expertise not only in New Jersey, but across the rest of the country.

I am here today as an advocate of the online gaming sector to illustrate for you that intrastate gambling is not only technically possible to deploy, as it's being successfully carried out on a state-by-state basis in Europe, but the ideal way forward benefiting both New Jersey and its residents.

I ask that you take this matter with urgency, as the greatest benefit will go to the state that adopts online gaming first. Nowhere can this issue of first-mover advantage be better exemplified than in the U.K. The U.K. was the first country of scale to adopt online gambling, well ahead of its competitors. And despite the recent competition from Italy and France, it has remained the leading center of the gambling world today.

In closing, I would like to thank you for this opportunity. And I'm happy to answer any further questions you may have.

SENATOR WHELAN: Thank you very much.

Do you have copies of that?

MR. PASCARELL: Yes, we can provide that.

SENATOR WHELAN: Assemblyman Caputo.

ASSEMBLYMAN CAPUTO: For purposes of our own education, what kind of wagering would take place in internet gaming under this proposal of the Lesniak legislation?

MR. PASCARELL: I appreciate the question.

Through you, Mr. Chairman.

Assemblyman Caputo, as perhaps you know from your experience in the industry, the reason folks can express the argument that this is in no way a cannibalization of the existing brick and mortar industry is because the average gamer online for poker is between a penny and a dollar per hand. You can't get those stakes in Atlantic City, number one. We're talking about majority age Jersey residents, intrastate. That's what we're talking about here. Not interstate. Perhaps if New Jersey's first, someday down the road we will be able to get to that. That's, I think, a brief answer to your question.

SENATOR WHELAN: I think part of it is: what game? Poker is the dominant game, right?

MR. PASCARELL: Exactly.

ASSEMBLYMAN CAPUTO: Poker at this point.

MR. PASCARELL: Poker is the overwhelming dominant game.

ASSEMBLYMAN CAPUTO: And how would we prevent out-of-state gamblers from using this facility?

MR. PASCARELL: The technology exists, recognized by the United States Supreme Court, to allow -- and I'm not a techno genius here

-- but it will allow the regulators to police where the bet is being placed from. The technology exists. It's recognized to do that.

ASSEMBLYMAN CAPUTO: So if I'm a New York state resident -- if I come to Jersey, if I cross the border, and I want to play--

MR. PASCRELL: You will not be permitted to. You have to verify your Jersey residency, in addition to being within the four corners of the state.

ASSEMBLYMAN CAPUTO: So we're avoiding the Wire Act (indiscernible).

MR. PASCRELL: Correct, absolutely, yes.

ASSEMBLYMAN CAPUTO: All right. The other question is: In terms of background checks and oversight under this bill, how would we provide oversight and monitoring of people who are using the system? Because what you're saying is the casinos will hire these individuals who have to be licensed, correct?

MR. PASCRELL: Yes.

ASSEMBLYMAN CAPUTO: So they would be licensed under the New Jersey Casino Commission?

MR. PASCRELL: Yes.

ASSEMBLYMAN CAPUTO: And their employees would be licensed under the New Jersey--

MR. PASCRELL: Yes, key employee licenses.

ASSEMBLYMAN CAPUTO: What role would these other companies have? If the casinos themselves are going to conduct internet gaming, what role would these other companies, that are successful in the field -- have a role in this particular effort?

MR. PASCARELL: Under the Lesniak proposal, the legislation S-490, we specifically -- not because we were asked to, because we thought it was the right thing to do. The bill requires a partnership with the online gaming industry to partner with the brick and mortar, existing licensed casinos.

ASSEMBLYMAN CAPUTO: So, in other words, it would almost be like a franchise under the casinos, with these internet companies that would have to be licensed in the State of New Jersey.

MR. PASCARELL: Yes. And we believe, Assemblyman Caputo-- Through you, Mr. Chairman, we believe that you may have multiple online gaming companies housed under one casino. So you may have a set of portals, which we're trying to encourage in the horse racing industry, to provide for a wider reach. The other benefit to that is, we now have over half-a-million poker players online in New Jersey, right now, in its current structure. That's our base. We can capture that.

It enables the casino industry and the horse racing industry to market to those individuals, to get those younger online gamers back to the tracks or back down to the casinos.

ASSEMBLYMAN CAPUTO: Bill, some of that is calculated -- some of that is the sports betting, too?

MR. PASCARELL: In terms of the half-a-million?

ASSEMBLYMAN CAPUTO: In other words, the half-a-million.

MR. PASCARELL: No.

ASSEMBLYMAN CAPUTO: No. They're segregated out?

MR. PASCARELL: The half-a-million is poker only.

ASSEMBLYMAN CAPUTO: Poker only.

MR. PASCRELL: Poker only. That's an amazing number.

ASSEMBLYMAN CAPUTO: All right. And because you've been so articulate about this, what do you project-- How will the casinos benefit -- all of them? In other words, if we're going to house it under one casino, how do we benefit?

MR. PASCRELL: Well, it's not going to necessarily-- And I apologize for stepping on your -- are you done with that question? I apologize for stepping on your question.

ASSEMBLYMAN CAPUTO: You're not stepping on my question.

MR. PASCRELL: Okay. What we believe is, perhaps -- the timing of this is critical. If we take advantage of being the first mover, the off-shore industry is going to come to New Jersey overnight, because it also enables them to secure more capital, which they don't have as much access to right now, being off-shore. So you may have a couple casinos -- a couple of the 11 licensees -- that want to bring in internet gaming and have multiple portals. So they'll have four, or five, or six, or perhaps more.

ASSEMBLYMAN CAPUTO: Bill, I don't mean to interrupt you. But with the need for revenue -- if this is offered, all those casinos are going to want to participate.

MR. PASCRELL: Absolutely.

ASSEMBLYMAN CAPUTO: I don't think we want to give opportunities to people somewhere else. That's the idea.

MR. PASCARELL: No, but the opportunity exists now, in New Jersey, because that's where the servers will be, that's where the partnership will be.

ASSEMBLYMAN CAPUTO: But will they operate legally?

MR. PASCARELL: And more importantly, right now the brick and mortar casinos pay 8 percent gross revenue.

ASSEMBLYMAN CAPUTO: Right.

MR. PASCARELL: The bill -- our proposal is at 20 percent gross revenue. It's a huge benefit to the State. And in addition to the fact that-- This industry has a robust marketing tool, because it's in their benefit. It will inure to more revenue to the casinos, more revenue for the horse racing industry, and more revenue to the New Jersey Treasury.

ASSEMBLYMAN CAPUTO: Well, just to say in this presentation, it sounds very interesting and it sounds like we should definitely consider this proposal. There are a lot of unanswered questions that we're not going to be able to answer today. But there are a lot of nuances in this. So we have to look at--

MR. PASCARELL: I appreciate your questions.

ASSEMBLYMAN CAPUTO: But I think it's a tremendous proposal. We'll see how it develops.

MR. PASCARELL: Thank you, Assemblyman.

SENATOR WHELAN: Senator Sarlo.

SENATOR SARLO: Thank you, Senator Whelan.

I was just speaking with my colleague here, Senator Van Drew.

And, Bill, maybe you could help us on this -- or help me on this. With regards to the sports betting piece -- and perhaps you're not the

person to answer. I know we have a Federal lawsuit, under the leadership of our Senate President.

But it makes sense for us to do the bill now, and have that bill in place and all passed out of the Legislature, even though this lawsuit is proceeding. Is that correct? Does it make sense to have it, or are we kind of -- it doesn't make sense to have the bill in place?

MR. PASCARELL: Through you, Mr. Chairman.

Senator Sarlo, thank you for the question. We believe that we should have been on this November ballot. We need a constitutional amendment for sports betting. We need to be on the ballot next year so that when this lawsuit is successful-- And just ask members of the industry. Ask the--

SENATOR SARLO: So you actually go on the ballot to let the voters vote on it.

MR. PASCARELL: Let the voters vote on it.

SENATOR SARLO: And then it just sits.

MR. PASCARELL: So we're positioned so that when the Federal court decides to overturn New Jersey's prohibition on sports betting, we're ready to seize the day. And perhaps hopefully by then we'll already be -- we'll already have a more robust, online horse racing industry and an online casino gaming industry.

SENATOR SARLO: See, because what I envision would be-- And poor Senator Whelan is tired of hearing about a casino at the Meadowlands. But I would envision that if you had sports betting -- building a world-class hotel that would become part of the racetrack, with all kinds of sports bars and sports betting. People could go, watch the races,

bet on the horses, and bet on-- People would come from all over. You have a football stadium, you have a train station. New York City would be-- It would become a weekend hotspot for people to go to.

MR. PASCARELL: Absolutely. Just look at what it's done for Las Vegas and the brick and mortar casinos there.

And just to give you numbers-- I didn't want to belabor the point, but you raise a valuable question. The next gaming industry -- what I want to be the next gaming capital -- internet, web-based capital of the globe-- We're talking about an industry, just on sports betting -- \$400 million; poker, \$270 million; casinos -- this is a U Penn study -- casinos, \$290 million; bingo and other casino games on the internet, \$110 million. There is talk that New Jersey has the opportunity to capture \$10 billion in sports betting alone. Think about those numbers with those taxes we just talked about.

SENATOR SARLO: Thank you.

SENATOR WHELAN: Assemblywoman Wagner.

ASSEMBLYWOMAN WAGNER: Yes. I like all of your promised financial rewards that New Jersey can certainly use at this point in time. And I'm just wondering, with the internet gaming, could we not bring it to Monmouth or the Meadowlands, as well as the casinos?

MR. PASCARELL: Our vision, the vision of the Lesniak legislation, is that you'll be able to have web-based poker rooms in the racetracks. That is something for down the road. We believe that the first order of business is to allow for intrastate online gaming. Once that gets done, and the State sees and reaps the benefits of that, you can then grow the industry. Where the servers are going to be, under the bill, are in

Atlantic City. That's where the servers are going to be now to pass constitutional muster, so that the site of gaming takes place there. That doesn't mean that down the road that issue can't be revisited to provide servers elsewhere. And also there is reflection of servers, where you can bounce the signal to other sites. Those are all issues that need to be explored. I appreciate your question.

ASSEMBLYWOMAN WAGNER: I would just need to know why it has to be down the road? Why couldn't it -- both occur at the same time? I just need that understanding.

MR. PASCRELL: I guess because we have been amazed at the obvious benefits for online gaming and the difficulty we've had at moving this huge rock down the road. And thanks to Senator Whelan and others in leadership -- and particularly Senator Lesniak -- we've been able to chip away. There are those who are friends who are fearful of change. I know, for example, my grandparents -- they don't want to hear about online gaming. So what we did was, we went out and conducted a study by a nationally recognized pollster. It happens to also be a political pollster. Sixty-three percent of Jersey residents -- remember, Mr. Chairman, we provided this to your committee -- believe that online gaming, internet wagering is beneficial, good because of the revenue and the jobs. And by the way, people are already doing it, and we're not reaping those benefits.

SENATOR WHELAN: Any other questions for--

ASSEMBLYWOMAN WAGNER: I'm just still having a hard time with this, because I want people to come to the racetracks. And I realize that if money goes here, and it goes there, it will eventually come

back to the tracks. But if I want to bring people here, do you not think that would help bring people here now?

MR. PASCARELL: Absolutely. And by the way, let me just say we have no objection to doing that at all. I think it's the political process that has to play out to decide whether that's going to happen. That's not for me to decide.

Thank you, Assemblywoman Wagner.

ASSEMBLYMAN CAPUTO: Bill, I just have one suggestion.

If you don't mind, Mr. Chair.

Why don't we put the constitutional question of VLTs side by side with the suggestion for internet gambling? We'd solve, basically, the problem -- the competition problem.

MR. PASCARELL: I appreciate the question.

ASSEMBLYMAN CAPUTO: The competition problem.

MR. PASCARELL: I'm not going to take the bait. (laughter)

SENATOR WHELAN: Senator Van Drew.

MR. PASCARELL: John Burzichelli taught me very well. (laughter)

SENATOR VAN DREW: I'm going to answer that: Because we're looking for consensus, Assemblyman. You know that, right? We all do all this good stuff together on a whole bunch of things we agree with.

ASSEMBLYMAN CAPUTO: I know. We're just one, big, happy family.

SENATOR VAN DREW: That's one of them that we don't. But I appreciate the thought.

I just want to be supportive of this, as well. As you know, over the years-- Gosh, I can remember years ago when I was in the Assembly. I put up the first bill with this. And it was just to establish sports book, because we didn't know what else to do. We thought we'd establish it -- we would get sued, and in the ensuing lawsuit that the State of New Jersey would prevail. The Governor was somewhat supportive then and is not now. Otherwise, I would actually think -- as does Senator Lesniak and, I think, Senator Whelan -- we would just go forward and do it, and go through the lawsuit because we did it here in New Jersey, and try to let them stop us. It's not going to happen.

Should we get it on the ballot? Absolutely. Because I do think, at the end of the day, you will prevail. And when you do, if we then have to wait two more years to get the darn thing done, once again we'll be behind the eight ball. Once again we'll all be looking at each other saying, "Why did this happen? Why are other states ahead of us?" And that is a mistake.

When we talk about doing things in a timely way-- When we win that lawsuit, the day after we should begin the process of establishing sports book in New Jersey, as well as -- and we should do the intrastate internet gaming now.

Real briefly, just to speak to it, it's going on everywhere. People are gambling on the internet. We don't even know if it's ethical or not with some of the organizations they're dealing with. We don't really know that they would go through the process that you all do. People are gambling on sports everywhere. And in fact, the SCI -- the State Commission on Investigation -- a number of years ago issued a report

showing how much some of the current sports book is mixed with organized crime and is funding organized crime. You know, it used to be numbers, and it used to be a whole lot of other things. There's less for them to do now. Now they're involved with sports book. This would make a clean -- let the sun shine on it, make sure that it's done in an ethical way. It is happening anyhow, so we might as well recognize it. I'm with you.

MR. PASCARELL: Thank you.

SENATOR WHELAN: Mr. Burn.

MR. BURN: Can I just make a further point, if you don't mind?

SENATOR WHELAN: Slowly.

MR. BURN: Clearly, there are a lot of commitment issues with regard to some of the things that we've raised today. One thing, it feels to me, that there isn't very much contention about is a betting exchange, I think, because it went through the Assembly 78 to zero. I'm mindful that the political process here and everywhere else takes time. I don't think, as I said earlier, we're an absolute solution for racing, but we're a tool that could be used now if you want to engage it, if you want to use it. I would urge you to consider that we don't get locked up in the political process, if you folks do determine that it is something that you'd want to embrace; and you give us the opportunity -- to work with us more directly so you could consider passing an enabling bill, and then we can work with racing to put our own house in order and help start fixing our own problems without necessarily relying on other products (indiscernible).

SENATOR WHELAN: Obviously, the Assembly has already passed this. But on this issue of whether it's exchange wagering or some of

the other issues we've talked about-- I don't want to preempt the Speaker, but our sense, collectively here, is hopefully we'll see a package of bills this fall -- right, Madam Speaker? -- moving forward for the racetracks. Hopefully the internet is included, especially in view of Senator Reid's comments that-- He is the Senate President, so he has a lot more say than -- on the internet, on the Atlantic City issues, and so on.

And those are things that we hope to have going over the next two months, really. So they're not-- You'd have time on the exchange wagering. Get the bill done this fall. You've got all winter; and when the spring, summer meet rolls around, you're up and running. We recognize the criticalness of the time.

Thank you lady and gentlemen.

And we have ancillary industries: Scott Palmer, Rick Wills, and Jane Gilbert.

ASSEMBLYMAN BURZICHELLI: Good afternoon.

S C O T T E. P A L M E R, D.V.M.: Good afternoon.

ASSEMBLYMAN BURZICHELLI: I'm sorry about that folks. I had to turn my phone off. Creditors tend to be very persistent. (laughter)

If you'd be kind enough to introduce yourselves. We'll start on this end. And we're happy to receive your statements. We appreciate you being here.

DR. PALMER: Thank you.

My name is Scott Palmer. I'm a veterinarian. I appreciate the opportunity to visit with you today a little bit on the matters of racing and gaming in New Jersey.

I'd like to start out with a quote from Jack Welch, retired CEO of General Electric. He goes on to say, "If the rate of change outside of an organization does not keep pace with the rate of change on the inside of the organization, then the end is near." I think that's kind of a good lead-in to this conversation, because a lot of what we're talking about today is change.

I came to New Jersey in 1976 following graduation from veterinary school. And I came here because of the Meadowlands racetrack. This was a new development at the time. It was an area that-- I felt that the building of this racetrack represented an important opportunity for me, as a veterinarian, to work with horses, which is what I do.

I'm the past president of the American Association of Equine Practitioners, and I'm currently Chairman of the AAEP Racing Committee and am very involved with national issues of racing across the country. I own and operate something called the New Jersey Equine Clinic. It's a hospital for horses, if you will. It's located in central Monmouth County. It's been in continuous operation for the last 34 years, serving the horse community of New Jersey and the surrounding states.

Historically, the issue of racing and gaming in New Jersey is certainly politically divisive and viewed with a special interest paradigm that has polarized and paralyzed the State of New Jersey. A new look at racing and gaming is certainly long overdue. Both the racing and gaming industries in New Jersey are in trouble. We can all agree upon that. Declining revenues represent national and regional economic pressures, as well as increasing competition from surrounding states. This issue has been the subject of numerous editorials and is hotly debated around the state -- a lot of heat and not a lot of light on the issue.

We've heard, even this morning, the North and the South perspective. We've heard about horsemen versus casinos. And there's certainly, of course, the Democratic and Republican perspective. By viewing the racing and gaming issue in the Mid-Atlantic region through any of these lenses, we polarize the participants and create conflicts. The win-lose mentality is a non-starter in our current environment. There certainly are challenges within this industry and within this state, but the threats are really outside the state.

This morning there was an article in the *Asbury Park Press*, on the front page of the sports section, that talked about the battle lines being drawn. And they used references to casinos and references to horsemen. But I would maintain -- and I think I've heard a lot of this sentiment from you as well -- that the battle lines are not on Route 36 or the Atlantic City Expressway. The battle lines really are on the Delaware Bay, the Delaware River, and the George Washington Bridge. And we need a mentality that's going to address that appropriately.

We are facing tough competition from the racing and gaming markets in New York, Pennsylvania, and Delaware. And Maryland is considering joining in the game as well. Our neighbors have established a convenience market share of this industry that is draining millions of dollars from New Jersey every single week. Meanwhile, we argue over the relative merits of supporting one segment of the industry over another. And by doing so, we remain mired in a counterproductive dialogue. It is hobbling our vision and prevents us from making a commitment and doing what's in the best interest of the state.

The solution is simple in concept, but apparently fairly difficult to deliver to the constituent groups in a form that is palatable for all concerned. The only way for New Jersey to be competitive in the Mid-Atlantic racing and gaming market is for the casino and racing industry to work together to create a unified gaming marketplace that will keep New Jersey dollars in New Jersey, as well as attract wagering interests from around the world. And with respect, I would say the role of the Legislature is to support and encourage that process.

Building a consensus on racing and gaming will require leadership and vision that extends beyond our respective special interests. It requires the political will grounded in the principle that the State Legislature can make decisions in the best interest of the state as a whole and not any particular region. It requires compromise, it requires cooperation and dedication to the vision of New Jersey racing and gaming.

We need a business plan that enables and empowers New Jersey racing and gaming markets to compete on the level of New York, Delaware, and our neighbors in Pennsylvania.

Certainly both segments of our industry need to reinvent themselves. We need to be more competitive in the needs of a changing environment and a changing demographic. We need to improve the product, both in the casino area and in the racing area. We need to improve our marketing of that product. We need to improve our distribution of that product. And if we do all of those things, we'll be successful. But the status quo is no longer an option.

Maybe it's not popular right now to talk about this, but one of the most straightforward and fair solutions is the VLT position at the

Meadowlands. That change would generate a billion dollars of new income for New Jersey every year. But I understand that that option is not on the table. In the meantime, it certainly makes sense to activate the existing license for off-track wagering facilities, generating up to \$60 million a year. And I think you had a lot of support about that this morning already. By combining that initiative with alternative wagering opportunities, such as those just presented, the convenience gaming losses of New Jersey can be reduced or eliminated. And the influx of revenue will make horse racing profitable like it once was.

By working together, we can redefine the issue of racing and gaming in New Jersey, create a model of innovation that supports both segments of the industry. For example, promotional efforts at a racetrack could create awards that could be redeemed in Atlantic City and vice versa. Things like this could be done.

Divided, we lose billions of dollars to the casinos and racinos of our neighbors. Divided, we lose open space in New Jersey and squander our precious natural resources. The agribusiness in New Jersey is, in large part, dependent upon the horse industry, and you've heard testimony to that fact already today. Thousands of acres in Green Acres and Farmland Preservation are invested in the horse industry. The horse breeding market has dwindled from an innovatively successful program that existed 30 years ago to a shadow of its former self today.

The troubled economy is certainly a factor, yet the Pennsylvania horse racing programs have thrived and actually grown in exactly the same economic environment. A successful business model certainly can be found across the Delaware River, but we can build upon

that with unique innovations and cooperation to create a powerful, statewide economic engine.

Again, to paraphrase Mr. Welch, if the change within New Jersey racing and gaming does not keep pace with the change of our competitive environment, the end is near. We're going to suffer those consequences, and I believe we're doing that right now. It's time to stop that kind of madness and work together. There are billions of dollars at stake, as well as the agricultural future in New Jersey.

Speaking to the point of veterinary services, the veterinary services in the State of New Jersey are world-class. Equine veterinary care has evolved to support the horse industry in this state. And the sophistication of equine veterinary care is supported by the economics of racing. Modern medical care in a noninsurance-subsidized business model depends upon the client being able to afford the quality and the sophistication of the care that's available. This includes state-of-the-art diagnostic tools such as digital radiography and ultrasonography, nuclear scintigraphy, and magnetic resonance imaging, and the rest. It includes sophisticated therapeutic treatments, including minimally invasive surgery, arthroscopy, laparoscopy, laser surgery, and hyperbaric oxygen therapy. These facilities and services cost millions of dollars to provide, with highly trained professional and technical staff. These costs are not paid by New Jersey taxpayers. These costs are born by the veterinarians, who are small business owners who endure enormous amounts of personal debt to provide this kind of care for horses in the State of New Jersey. These services will not be available in New Jersey without the healthy racing industry to justify

the high investment and the high maintenance costs that go along with providing these services over time.

Veterinary services are just one example of a large number of agribusinesses in the state that depend upon racing to remain in New Jersey. It's not about transient labor at the racetracks, it's about a wide range of agribusiness interest and the jobs associated with them, including farmers, retailers, university professors, doctors, lawyers, accountants, and other professionals.

You have challenged the racing industry to provide an innovative business model to make racing successful without casino subsidies, and I think you've heard this morning a number of ideas that can do that. We're counting on you to make good business decisions that will support the entire racing and gaming industry in New Jersey, not one to the disadvantage of another. As Teddy Roosevelt once said, "The welfare of each of us is dependent, fundamentally, on the welfare of all of us." The matter must be resolved with transparency, integrity, and commitment to the welfare of the entire state. Anything less is a formula for failure, and that's unacceptable.

I'd like to conclude with a few comments on the subject of change. Change is often an uncomfortable experience. Resistance to change is usually rooted in a perception that change equals loss, either in money or in power. In order to overcome the resistance to change, effective leaders provide a vision of the future that inspires to make that change, or else the level of dissatisfaction with the status quo has to reach a threshold to force that change.

Right now we have a unique opportunity. We are faced with a choice. We can choose to support the status quo. How is that working out for us? Or we can choose to create a comprehensive New Jersey gaming and racing policy that actually works to harness and promote all the potential that New Jersey has to offer.

So I want to thank you for the opportunity to speak with you again today. And I would extend a personal invitation to any of you to come visit the New Jersey Equine Clinic over there in central Monmouth County, just outside of Freehold. And I bought that property in 1997 in conjunction with Millstone Township and the State of New Jersey, through the Farmland Preservation Program. The premise for that contract was to conduct a veterinary business on a property in support of the equine industry in New Jersey, an industry that is now in jeopardy. And I really would love for you to see what we do over there. And if you don't have time to make it over there, you can -- we do have an internet website: www.njequine.com. Please check out the virtual tour. It will give you a little taste of what we have to offer.

I realize your time is valuable, and I thank you very much for the chance to speak with you today.

ASSEMBLYMAN BURZICHELLI: Thank you, doctor.

Any questions? (no response)

Thank you.

Rick, you must be next, because it's Rick and Jane. And I'm going to take a guess and say you're probably Rick. But then again it is New Jersey, so it could maybe not be the case. (laughter)

RICK WILLS: My name is Rick Wills, and I have a small business called Rick's Saddle Shop. What we do is, we service the horse industry. Not only the racing industry, but everyone who has a horse comes and, hopefully, shops at our store.

I couldn't help but be intrigued about Assemblywoman Wagner, on Monday when I was at Perretti Farms, saying that she got lost and found out a little bit about what horses might be about.

In coming here today, I didn't have a prepared statement like Dr. Palmer does. I mean, he's much more sophisticated.

ASSEMBLYMAN BURZICHELLI: We're somewhat grateful, although we did enjoy the doctor's comments.

MR. WILLS: What I'd like to do is tell you what I was thinking of on the way over here. I said, "I think these people are good people who really don't know very much about the equine industry."

The equine industry, with your help, will thrive. It has thrived in the past. Our business thrives now. We operate two feed stores in New Jersey, one tack shop in New Jersey. We also have a store in Pennsylvania. We have 60 employees. But we've suffered a little bit with this economy in the last couple of years -- not really bad. But we think that some of the things you're doing could help us.

I couldn't help, being a pretty unsophisticated business guy -- not like Mr. Hanson -- to have an observation about what he said about not subsidizing Atlantic City. I'm a small business guy. Maybe I don't understand as much as somebody like Mr. Hanson. But he said Atlantic City hasn't been subsidized. But yet, if someone gave me an exclusive -- for the State of New Jersey -- to only sell my products in New Jersey, I would

call that an exclusive work -- money. And also, what they said was, they were able to give the racing industry money over the years. They are not nice guys who just want to give away money. That was because they wanted to keep them quiet, I'm sure. And there was a real value in doing that.

So from a small business perspective, the State of New Jersey was subsidizing Atlantic City, is subsidizing Atlantic City, giving them an exclusive on gambling, an exclusive on slot machines, and not being able to have these people in this room have slot machines in this place. To me, that's a big, big perk that the State is giving to them that is costing the State money not having them other places.

What I really would appreciate is--

ASSEMBLYMAN BURZICHELLI: And, Rick, when you say the State, it was the people of New Jersey who amended the Constitution on the second try, after the first try for statewide casino gaming was rejected. It was the second referendum that limited it to Atlantic City -- tied to senior programs as the direct beneficiary. So it wasn't the State Legislature who said, "That's it." We don't enjoy that purview. That was a constitutional amendment.

MR. WILLS: The other thing I'd like to have you understand is, the racing industry is what drives the equine industry in New Jersey. It's the engine that drives the train. If you own a draft horse, a quarter horse -- there are people here from the Quarter Horse Association -- I wish she was going to speak today -- the Arabian horses; there's barrel racing, there's hunter jumpers. The reason I'm saying this is you rode through and only saw a very small part of what the equine industry is all about. Dressage,

cutting, thoroughbred racing, standardbred racing. There are pony clubs in the State of New Jersey that are for children, for young people -- which work really good -- and 4H as well. Also, there are a lot of handicapped riding programs.

I said at the program at Perretti Farms on Monday that there is a farm in Middlesex County -- the Landy's own. They have racing on their farm, they have English riding on their farm, they have Western riding on their farm, they have ponies on their farm, they have a children's program. But Lori Landy also runs a handicapped program. She's got 140 people on her program who-- Quite honestly, if racing goes the way that it could go without your help, that handicapped program would stop. Because the people who own the farm -- third generation, now, drivers -- standardbred driver -- they have the farm primarily for the race horses, but they're doing a great thing with 140 handicapped people.

So what I thought I could help you with, if I'm helping you at all -- and I kind of admire you for staying here all day and listening to everything -- is that the horse industry will thrive with your help and it will die without it. And it has such a huge residual effect on the State of New Jersey that I just am really happy you got lost -- really, really happy that you got lost.

I could probably go on and on, but I'm not. You guys are tired.

Any questions?

ASSEMBLYMAN BURZICHELLI: Your comments are well-pointed, Rick. And we are looking to be helpful. We're trying to sort it out.

MR. WILLS: And I would personally, on behalf of everyone here, thank you guys for giving us this time. It's hard for you to come here and listen to all we have to say. But the horse industry in New Jersey is really, really important.

ASSEMBLYMAN BURZICHELLI: We agree. And it's our job to be here, and we want to be here. We're here by choice.

Jane, you're next. And you're with ReRun, horse retirement -- thoroughbreds.

JANE GILBERT: Right.

Thank you for having us.

Can you hear me okay?

ASSEMBLYMAN BURZICHELLI: Yes.

MS. GILBERT: Last, but not least.

I am President of ReRun, thoroughbred retirement group. We are actually in about five states right now, but have been contacted and contracted with Monmouth Park for the past two years to take the horses when they're done racing.

What you must realize is that horses live to be about 30 years old now, through a lot of help from Rutgers University. Race horses last until about 5 years. So what you need to do is find homes for these horses when they're done racing. And we are charged with taking the horses from Monmouth Park -- any and all -- to go into another lifestyle, whether it be performance horses, pleasure horses; and we have a lot of pasture pets. So basically what we try to do is re-home them. We're coming out full cycle. We have the race horses going back into the pleasure horse industry, the show industry. And we need all these people to stay in the state to help us

keep these horses going. We have veterinarians, we have people who have tack shops, feed. Our horses are fostered out in the state at different farms, which means those farms hopefully will keep going. We pay them a little bit of money to keep the horses. We are a 501(c)(3) and very, very volunteer. And we take about 50 head a year in this general area. We've taken over 500 or 600 in the years that we've been going, which is 15 years. But it's another part of the industry, that a lot of people don't realize or recognize, that takes a lot of work and a lot of time.

And we really respect you for all the work you're doing. It's been interesting, sitting here and listening to all of this today. We're a minor part of what's really going on. But it's nice to know that you all seem to care enough about the industry -- whether it be the racing or the aftercare -- to come here and talk to all of us today.

If you have any questions about ReRun, just let me know.

ASSEMBLYMAN BURZICHELLI: That's a wonderful program you offer, by the way.

MS. GILBERT: Thank you very much. We work real hard, and it's a small core, as usual, of people.

ASSEMBLYMAN BURZICHELLI: It's very humane for an animal that has a high level of sensitivity and intelligence -- for them to have a place to be after their hard work is done.

MS. GILBERT: Absolutely.

ASSEMBLYMAN BURZICHELLI: Very nice.

Any questions from any of the members of the panel? (no response)

We thank the three of you very much.

Doctor, do you have copies of that? You may have already submitted it.

Do we have a copy of his testimony? (affirmative response)

I didn't mean to be disrespectful when I said *reading*. We prefer to be spoken to. You did very well. And the written copy is helpful for us. We read everything.

Thank you.

DR. PALMER: Thank you.

ASSEMBLYMAN BURZICHELLI: Thank you very much.

Now we move on. That concludes our panels. We have a few individuals in the audience who would like to make a comment for the public record, and they're certainly going to be welcomed. I'm going to call them up as a group.

Bo Smith.

Is he still here? (affirmative response)

Bo, come on up and take a seat.

Tim Gavin, are you here? (affirmative response)

Come on up, Tim.

I'm not sure I can read this -- Louis -- is there a Louis -- the last name I'm not quite -- Perricelli (phonetic spelling) possibly. I don't want to have the person not come up because I did so badly on the name.

Laurence Danza, come on up.

Jeannine Ryan; and how about Michele McSweeney.

Folks, I welcome all of you. I would ask that you keep your comments, if you can, in a three-minute range, if possible.

We'll go one at a time. We'll start at this end. Ladies first. Introduce yourself. And we'll pick it up from there.

MICHELLE McSWEENEY: Good afternoon.

My name is Michelle McSweeney. I work on the back stretch. You'll have to excuse my appearance. They said it started at 10:00. I came right over. You may know, we all work seven days a week.

ASSEMBLYMAN BURZICHELLI: We actually started at 10:00, but all couldn't start at 10:00, so--

MS. McSWEENEY: I so appreciate the chance to be heard, not only as someone who works here, but as a racing fan. I love horse racing and have loved it my whole life. It's really great to have a chance just to be heard in both of those capacities.

As I said, I work back there. My husband does also. But what I really want to talk to you about is my daughter. She's had to come to the racetrack every day of her life, so she's probably a little jaded. But on the day of the United Nations Handicap here at Monmouth, which is a turf race, she was standing by the rail and a horse name Chinchon made an electrifying run down the stretch to win. She was just thrilled.

And that experience is something you can't have really anywhere else -- any other sport, any other form of gambling. And we have two facilities in New Jersey that could be a unique opportunity to be that close to action and experience the unique charisma that horses have, as I think you experienced the other day.

So I just think that it would be great to give us the chance to have more people be able to experience that and enjoy horse racing on that aspect.

ASSEMBLYMAN BURZICHELLI: Very nice.

Thank you, Michelle.

MS. McSWEENEY: Thank you.

ASSEMBLYMAN BURZICHELLI: Sir.

L A U R E N C E D A N Z A: Thank you.

Good afternoon. My name is Larry Danza. Together with my wife, we've owned horses for the better part of 41 years. We live in the Franklin Township area of Somerset County for 39 years. Ryck Suydam, who testified earlier, happens to be a neighbor and a hay supplier.

Although we've owned these horses for a long period of time, we only started dabbling in the thoroughbred industry in 2005. We acquired a pregnant broodmare that summer. She was due to foal early in 2006. My facilities, I didn't believe, were adequate to support a broodmare and a newborn foal in the dead of winter in New Jersey. I sought alternative solutions, talked to my veterinarian. He suggested Sterlingbrook Farm in Pittstown, New Jersey. It is a beautiful, 200-acre facility operated by Dr. Dennis Milne and his wife Joan. He is a veterinarian, equine trauma surgeon. She is a thoroughly experience horsewoman who runs the business end of the horse operation.

Since 2005, when I showed up there, every one of my horses has passed through their gates. We currently own 10 horses, 9 of which are thoroughbreds, 3 are of racing age, 2 are broodmares with foals by their side. We have also 2 rescue thoroughbreds -- one came from ReRun -- and they live the life of Riley on my farm.

The point of introducing the Milnes is the fact that when I got there, I soon realized that the bulk of their business was standardbred

breeding, foaling, weaning operations -- more than a hundred horses on the farm at any given time. They would supervise the breeding, supervise the foaling, raise the foals, wean them away from their moms, and repeat that process year in and year out.

Around 2008, I noticed that not only were the foals leaving, but so were the mares. I soon found out that the reason for this -- which was so eloquently spoken by the gentleman from Deo Volente Farms -- was that New York and Pennsylvania had, through legislation, slot machines at the racetracks. Slot machines at the racetracks increased their purse structure and their breeders' award; whereas, at the same time, New Jersey was dropping their purse structure and their breeders' awards were disappearing. In basically one week's time, they lost 80 percent of their business. All of the horse owners took their horses away from them and brought them to farms in other states.

Now, I know Senator Whelan isn't here, and neither is Senator Sweeney. But I would like to know what they would think about the casinos losing 80 percent of their business, never having it return in basically one week's time. I would admit that there would probably casino (indiscernible). There would be cobwebs growing in the lobbies of these casinos down there now. The Milnes, on the other hand -- who could have rested on their laurels with a successful veterinary practice, 200 acres of prime land in Hunterdon County -- could have sold it. But they also operate -- or have cause to operate something called the Dreams Come True Therapeutic Riding Association -- Foundation. And it operates on a portion of their property. They are main contributors in many ways. They run a major fundraiser every year for this organization, which I understand does

not take any public funding. And it enhances the lives of special needs children and adults through interaction with horses. Now, all of these things would disappear if they chose to sell their farm. And this is a real-life story.

This is what seems to be missing from a lot of what goes on here. We talk about statistics, we talk about what could happen in 10 years, we talk about rewards. But these are real people with New Jersey roots. And that is a gigantic contrast between the horsemen and casino operators. They are nameless, faceless individuals who are investors from out-of-state, who are only interested in the bottom line. If the bottom line turns from black to red, they're out of New Jersey. These people live in New Jersey. All us horsemen live in New Jersey. We buy and sell our products in New Jersey. Our businesses are in New Jersey. Obviously our horses are in New Jersey. We pay taxes in New Jersey, we vote in New Jersey. We are your constituents. The people who will be hurt if horse racing goes away are in the multitudes.

I think that the solution needs to be a large cooperation between the casino industry -- which is, obviously, failing in New Jersey -- and the horse racing industry. You people have the power to do that. Look at a map. Put a dot on Atlantic City, draw a 75-mile circle. See where it goes. It goes to the Pinelands and the Atlantic Ocean. Fish don't gamble. But if you put those same dots on the venues in Pennsylvania, New York, and even Connecticut, those 75-mile circles come into New Jersey. We are losing revenue to out-of-state interests. They're in our sphere of influence. Put a dot at the Meadowlands and draw that same 75-mile circle, you'll gain all these people back. You're at the epicenter of the population area of

the Northeast. I mean, there's the massive transportation that now comes from New York into New Jersey via all kinds of tunnels and light rail systems. Some type of a program at the Meadowlands surely could help the entire situation. Both the casino industry and the racing industry could not only survive but thrive.

I just don't understand why it has to be what you're trying to avoid: the North-South issue. We are in a competition. We are in competition with other states. We're in this battle with both hands tied behind our backs. All we're doing is absorbing punishment. We can tuck, and fade, and back up. But we certainly can't land any blows without having the ability to do what needs to be done. You need to do that for us.

ASSEMBLYMAN BURZICHELLI: I think we've listened to everything you've said, and it actually has been presented as the day has gone on with different verbiage but with a similar theme. We appreciate that.

Tim (*sic*).

BO SMITH: Bo.

ASSEMBLYMAN BURZICHELLI: I'm sorry, Bo. I got it wrong.

You're Tim.

Go ahead, Bo. Introduce yourself to the group.

MR. SMITH: My name is Bo Smith. I, with my wife, operate a small breeding farm -- thoroughbred breeding farm in Monmouth County -- western Monmouth County.

I wake up every morning, prior to 7:00, and the first thing I do is, I go outside and look at my broodmares, prepare their feed, look in their

eyes, look at each leg, and try to see -- determine what kind of day I had yesterday and last night. When I finish with the horses, I go have my breakfast and coffee, and so does my wife. We're very hands-on. The only people we hire are veterinarians and farriers. We do our fence work, whatnot, everything ourselves.

Horse racing drives our business. That's the engine that runs many of the things you've heard about today. Farriers, people, veterinarians. I ask that you participate with us and make horse racing competitive with surrounding states. We need the same tools that they have.

I know the casino industry is against slot machines at the Meadowlands. Why? I don't know. We're not going to cannibalize their business. We're going to take back some that we've already lost -- the convenience gambling that has left our borders. And that money is not coming back into the New Jersey Treasury right now. We need to be-- We need a fair playing field, and we don't have it right now.

I was at the Meadowlands meeting, and I heard committee members say, "We can't agree on VLTs. And anyway, the Governor is against it, Sweeney's against it," whatever. "And it would take two years anyway. You need help right now." What I'm saying is, let's start that help right now, or two years from now when we find out that some of these other interim measures didn't work, we'll still be two years away. So why don't we initiate some of those requirements to help this industry now? And guess what, if it takes two years and in the interim these quicker measures work, we don't have to implement it. We will have already been successful, and we don't have to implement that.

I determined-- I started my little speech by saying how I decide how I did yesterday. I compare that to be-- I'm the CEO of my farm. That's how I determine how I did yesterday and last night. I compare that to the CEO of the casino industry that puts his feet up on his desk in Las Vegas, opens his laptop, and sees how the handle was last night.

That's all I have to say.

ASSEMBLYMAN BURZICHELLI: And we appreciate your comments. Well-spoken.

Thank you.

Tim, you're next.

TIM GAVIN: Tim Gavin, Carteret.

I'll start off by saying I attend horse racing every week. I'm very partial to horse racing. If anyone risks their neck, it's a jockey.

I'd like to say something about what I think, in my mind, government officials are. They are regulators. And in my mind, regulators do not become directly involved in the running and promotion of breweries, brothels, or horse racing tracks, or gambling games, so to speak. That's why I am totally against state lotteries. I think the State should get out of it. I'm for the Federal amendment stopping all state lotteries because a regulator doesn't do that, in my mind.

I would also like to say -- about tracks, horse racing. That's why I'm against the Sports and Exposition Authority running Monmouth and running the Meadowlands. I don't see this-- I just don't understand it. A regulator does not run a horse racing track.

Like I said, I'm incensed when I'm publicly enticed to gamble by regulators. They don't do that. I want to tell you a story about this guy -- a horse track owner.

ASSEMBLYMAN BURZICHELLI: Is it a long story, Larry (*sic*)?

MR. GAVIN: No, very short.

He owned a horse racetrack, and he went before a government panel and said, "I'm not making it." And the government panel granted him a racino. That was the first one. Then another guy did it, and then there was two, then there was three. And you look there -- how many there are today. So I see racinos -- not horse racing tracks -- I see racinos as a cancer, just like I see state lotteries as a cancer. You have to cut it somewhere.

ASSEMBLYMAN BURZICHELLI: Thank you.

And as we thank this panel, let me mention to you that the way New Jersey's Constitution is structured is very simple. All gambling is prohibited with the exception of those instances where the Constitution has been specifically amended. And the New Jersey State Lottery was approved by voter referendum to come into existence for the purpose of funds for education and some other stuff. So, I mean, that's how it works.

We appreciate very much, Tim, your comments.

Thank you very much.

MR. GAVIN: And prohibition was amended. We had prohibition, and then that was amended. And I agree with the-- It's going to be like prohibition. We can if we (*indiscernible*) above that.

ASSEMBLYMAN BURZICHELLI: Prohibition gave us Nucky Johnson, which we're grateful for. (laughter)

Thank you very much.

MR. GAVIN: Thank you.

ASSEMBLYMAN BURZICHELLI: Now we're going to call up our next group. And I'm calling up as groups to take advantage of the seating we have. As you can see, sometimes people don't have to share the same opinion, but are very civil in their presentations and able to express themselves in a way that is helpful.

Joseph Rivera, Raymar Stables. (no response)

Kenneth Kehoe.

Is Ken here? (no response) Is Joseph here? (no response)

This panel is going to go quickly.

Ed Novak.

Is Ed here? (no response)

I guess we put these people to sleep.

How about Jeanne -- and I don't think I'm going to get this last name. I can't read it. It starts with a *V* -- trainer and farm owner. It just says, "We need to save our farms."

Is she here? (no response)

Would anyone care to be that person? (no response)

How about Glen Thompson, trainer? (no response)

My friends, that's it.

That being said, we are very grateful for those who stayed today, for all those who participated and contributed. The work of this

panel will now move to the committee level at the State House, with the goal of legislation to be helpful in the areas that have been discussed.

This committee wraps its business today. We remain available to all of you for both written communications, telephone conversations. Stay in touch, stay involved. We're going to do the best we can.

That being said, this committee's business stands adjourned.

(MEETING CONCLUDED)