APPENDIX
Borough of Oceanport

Mayor Michael J. Mahon

Remarks before

ASSEMBLY REGULATORY OVERSIGHT AND GAMING COMMITTEE

Special Hearing on the Prospect of Gaming at the Meadowlands

July 19, 2012

Introduction

Chairman Ramos; and Members of the Assembly Regulatory Oversight and Gaming Committee; thank you for inviting me to speak before you today on this important topic. I am Mayor Michael J. Mahon and I am here today representing the Borough of Oceanport.

Oceanport has been home to Monmouth Park since July 30, 1870. Monmouth Park 1 and 2 were located on what became the main post of Fort Monmouth. The Monmouth Park we know today began as the old Rufus West Farm and was called Elkwood Park. With a mile racing oval, tree lined grounds, stables, clubhouse and yes, a casino; a single short meeting was conducted in 1893. An act of Legislature passed in 1894 prohibited gambling in general and horse racing lay dormant for more than 50 years until the new Monmouth Park Racetrack opened in 1946.

Since 1946, the new Monmouth Park has been a vital economic asset to the community. This continued through the purchase of the racetrack by the Sports Authority in 1986, to the present with the Thoroughbred Horsemen as lease operator and only 10 days before the 45th renewal of the Haskell; a race named for the first president and chairman of Monmouth Park Jockey Club.

My remarks here today will focus on two main points:  
1. A Plan for Success in horse racing that includes gaming options at the Meadowlands and Monmouth Park.

2. A Plan for Success in New Jersey that maximizes the current focus on Atlantic City gaming, capitalizes on the successful transition to private operation and incorporates a new vision of sustainability in horse racing.

The Oceanport/Monmouth Park Partnership

Monmouth Park and Oceanport have long shared a special relationship. We can take a look back to 1961 when the Monmouth Park Jockey Club deedied 6 acres to the borough where the Borough Hall, Public Works Garage and Port Au Peck fire station were later built as one example. While Oceanport is a small community of less than 6,000 residents; the relationship has run both ways. Most recently, the Borough of Oceanport provided a $23.2 Million Dollar loan for construction of a Storm Water Management project at the Track, secured by the full faith and credit of the Borough. This environmental project designed to end contaminated runoff into nearby Branchport Creek from the track and stable area. As you can see, the Borough views Monmouth Park as a partner and vital to our mutual success.

We’ve discussed the local importance of Monmouth Park Racetrack, but it can’t go without mentioning the value of horse racing in our County and around the state. Existing studies document equine related acreage in all but 4
counties with Monmouth and Hunterdon Counties leading the way. There are tens of thousands of equine acres: Tens of thousands of jobs. The studies at your disposal are clear why so much is at stake for New Jersey.

While the focus of today's hearing is to discuss the prospect for gaming at the Meadowlands; I suspect the answer is obvious to all but a few. So if gaming is the obvious answer for the Meadowlands; the question must be asked, "Is there a gaming solution that benefits horse racing statewide, including Monmouth Park?" No discussion on the sustainability of horse racing in New Jersey is complete without including the Meadowlands and Monmouth and competition from neighboring states. In many cases, these gaming outlets are more convenient than a trip to Atlantic City and certainly less expensive for travel when distance is a factor. These gaming destinations are a direct threat to Atlantic City and the Casino Industry in New Jersey. The panels and speakers to follow will provide valuable insight to differing perspectives, but please remember; this problem is as much horse racing's as it is the casinos. Introducing slots, video lottery terminals and other forms of gaming outside of Atlantic City may be the answer by opening new markets to the casinos and attracting the convenience player once again to New Jersey gaming. Slots at NJ tracks can draw back the dollars lost to other states racetracks. The convenience gamer has already made this choice.

What are we doing locally? Monmouth Park is an historical gem recognized for its beauty and can easily support multiple uses as an entertainment destination. These compatible uses should be geared to maximize the facility in and out of season. Oceanport is working with Monmouth Park on such a plan for economic development strategies: to create jobs and stimulate the local economy.

What impact would the addition of slots and VLT's at Monmouth Park mean to Oceanport? Because quality of life considerations are at the top of the list along with economic stability and stable taxes; We have advocated for VLT's at the Meadowlands as the obvious location outside Atlantic City. However, any plan allowing for slots and VLT's at the Meadowlands and not Monmouth; must provide a shared economic benefit just the same to ensure sustainability.

In conclusion.
Let me restate the main points:

3. Focus on the Possible. A Plan for Success in horse racing that includes gaming options outside of Atlantic City.

4. Focus on the necessary. A Plan for Success in New Jersey that maximizes the current focus on Atlantic City gaming, the success of racing under the lease operators and incorporates a vision sustainability in horse racing.

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

We in Oceanport hope these contributions to the Committee's work can inform and influence your perspective on this important issue. Mr. Chairman, thank you for the opportunity to speak before this committee.
New York MSA Gaming Market Overview

Steve Rittvo
# Gaming Saturation in Metropolitan New York as Compared with Other Markets

<table>
<thead>
<tr>
<th>Markets</th>
<th>Market Population</th>
<th>Positions 2011</th>
<th>Adults per Position</th>
<th>Market Revenues</th>
<th>Win per Adult</th>
<th>WPU</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albuquerque*</td>
<td>676,187</td>
<td>11,918</td>
<td>57</td>
<td>$461,009,878</td>
<td>$682</td>
<td>$106</td>
</tr>
<tr>
<td>Quad Cities</td>
<td>393,025</td>
<td>4,150</td>
<td>95</td>
<td>$244,724,531</td>
<td>$623</td>
<td>$162</td>
</tr>
<tr>
<td>Kansas City</td>
<td>1,221,349</td>
<td>8,620</td>
<td>142</td>
<td>$710,390,060</td>
<td>$582</td>
<td>$226</td>
</tr>
<tr>
<td>St. Louis</td>
<td>2,022,446</td>
<td>11,063</td>
<td>183</td>
<td>$920,858,435</td>
<td>$455</td>
<td>$228</td>
</tr>
<tr>
<td>Council Bluffs</td>
<td>770,954</td>
<td>4,898</td>
<td>157</td>
<td>$434,794,745</td>
<td>$564</td>
<td>$243</td>
</tr>
<tr>
<td>New Orleans</td>
<td>1,111,047</td>
<td>6,087</td>
<td>183</td>
<td>$631,159,269</td>
<td>$568</td>
<td>$284</td>
</tr>
<tr>
<td>Pittsburgh</td>
<td>1,350,822</td>
<td>7,394</td>
<td>183</td>
<td>$626,007,215</td>
<td>$463</td>
<td>$232</td>
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<tr>
<td>Cincinnati</td>
<td>1,624,802</td>
<td>7,302</td>
<td>223</td>
<td>$675,698,275</td>
<td>$416</td>
<td>$254</td>
</tr>
<tr>
<td>Detroit</td>
<td>3,158,959</td>
<td>10,985</td>
<td>288</td>
<td>$1,424,445,461</td>
<td>$451</td>
<td>$355</td>
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<tr>
<td>Louisville</td>
<td>793,087</td>
<td>2,435</td>
<td>326</td>
<td>$252,493,644</td>
<td>$318</td>
<td>$284</td>
</tr>
<tr>
<td>Chicagoland****</td>
<td>6,561,786</td>
<td>13,886</td>
<td>473</td>
<td>$1,572,500,319</td>
<td>$240</td>
<td>$310</td>
</tr>
<tr>
<td>New York with Expected Expansion** and the Meadowlands</td>
<td>13,953,388</td>
<td>29,327</td>
<td>476</td>
<td>$3,977,074,840†</td>
<td>$285</td>
<td>$372</td>
</tr>
<tr>
<td>New York with Expected Expansion**</td>
<td>13,953,388</td>
<td>24,327</td>
<td>574</td>
<td>$3,277,074,840†</td>
<td>$235</td>
<td>$369</td>
</tr>
<tr>
<td>New York, Current***</td>
<td>13,953,388</td>
<td>10,327</td>
<td>1,351</td>
<td>$1,242,110,652</td>
<td>$89</td>
<td>$330</td>
</tr>
<tr>
<td>Other Properties that Capture New York MSA Demand‡</td>
<td>58,603</td>
<td></td>
<td></td>
<td>$4,526,549,587</td>
<td></td>
<td>$212</td>
</tr>
</tbody>
</table>

* Revenue figures do not include table-game revenue, which is not reported to the state.
** Second facility in New York City, a Shinnecock facility on Long Island, and a new facility in the Catskills.
*** Includes Resorts World and Yonkers Raceway Only.
**** Does not include The Rivers, which was open for only a portion of 2011.
† Estimate of future demand.
‡ Includes Mt. Airy, Pocono Downs, Foxwoods, Mohegan Sun, Atlantic City, and Bethlehem Sands.

Sources: State Gaming Control Boards; Casino City; Nielsen/Claritas; The Innovation Group
Gaming, States, and Tax Revenues: Tortoise and the Hare Revisited?

Michael Lahr, Rutgers University

ABSTRACT. State tax revenues from casinos as a share of total state gaming revenues generally correlate well with the year of legalization. The share ranges from about 8.0 percent in Nevada, the first state to legalize gambling, to 47.4 percent in Pennsylvania, one of the most recent states to legalize gambling. As a result, even though Nevada’s agglomeration of gaming remains the largest within the U.S., its direct state revenues from that industry are now dwarfed by those of recent state entrants. Theoretically speaking, such heavy tax rates should dampen growth of the casino revenues in states that adopt them. Indeed, states with lower tax rates do, in fact, tend to have larger gaming revenue streams: This suggests more jobs and income are generated directly by the gaming industry when lower tax rates are applied. This paper, therefore, probes the size of the indirect economic activity that would have to be generated through spending of casinos on state-based labor and vendors in order to offset the benefits states could obtain if they simply applied a higher direct tax rate on gaming. This issue is examined through the lens of the New Jersey casino resort industry.

1. Introduction.

The gaming industry has grown into a global market and continues to expand. For example, Macau’s gaming revenue has surged such that it has surpassed the Las Vegas Strip as the world’s biggest casino market. Over the past four decades, the U.S. gaming industry has grown from having only legalized commercial casinos in a single state with a few other states permitting pari-mutuel wagering or charitable bingo to a country with legalized gambling in 48 of 50 states.

Legal gambling includes charitable gaming, pari-mutuel betting, casino gaming, and lotteries. Today, all but two states, Utah and Hawaii, have some form of legalized gambling. Although more spatially constrained, casino gaming maintains by far the largest share of the market for legalized gambling. For many years Nevada had a monopoly on casino gaming. New Jersey’s first gambling casino started operations in 1978 (see Pollack, 2009, for more details), South Dakota’s in 1989, and 19 other states have since joined those ranks with Maryland being the latest in 2010. Casinos and other types of gaming on Indian reservations spread quickly across the country in the wake of the passage of the Indian Casino Gaming Regulatory Act of 1988. Domestically, the Unlawful Internet Gambling Enforcement Act, which was passed in 2006 and barred the use of electronic payment for any online gambling, undoubtedly helped to secure casino gaming’s long-run promise.
While casino gaming continues its long-run rise in popularity, the slowdown of the overall U.S. economy since 2007 has heavily dampened the industry’s immediate fortunes domestically (see Figure 1). As a result, firms have focused on inventive ways to expand their U.S.-based business, taking full advantage of opportunities in new markets like Pennsylvania and Florida’s Seminole Indian lands.

The casino gaming market is clearly not without challenges. As attendance at horse tracks has declined, track owners have petitioned states to help them revive their venues by enabling the tracks to be filled with slot machines with the hope of lending the tracks some of the appeal and appearance of commercial gaming casinos. Also, the U.S. Congress continues to consider amending the Indian Gaming Regulatory Act to limit the uses of net receipts from tribal casinos. And more recently, the Unlawful Internet Gambling Enforcement Act, which was passed in 2006 and barred the use of electronic payment for any online gambling, is being challenged in Congress, possibly further loosening some of the security that legal gaming has enjoyed since its start back in 1939.

![Figure 1: Casino Revenues Nationwide, $ Billion](image-url)
1.1. Gaming and Government

Legal casino gaming during the past four decades has been viewed through a political lens that has enabled society to see the industry as a means of achieving a "higher purpose," such as funding specialized public services for senior or non-ambulatory citizens or the reallocation of wealth to underprivileged groups. Such purposes can be fulfilled when a state captures some of the large economic benefits that can arise from legalizing a previously prohibited economic activity like casino gaming. More generally, the legalization of gaming has been made possible through the promise of economic development benefits from the existence of casinos, such as job creation, investment stimulation, tourism development, and urban revitalization. Indeed, one or both of these factors explain why Monaco, Macao, Nevada, the Caribbean, and Atlantic City opted to pursue casino gaming. The economic development aspect was undoubtedly key to the more recent expansion of legalized gaming in the U.S. into such municipalities as East St. Louis, Illinois; Gary, Indiana; Tunica, Mississippi; New Orleans and Shreveport, Louisiana; Chester, Pennsylvania; and Detroit, Michigan.

Because it must be sanctioned by state government, the commercial casino industry is one of the most transparent, regulated, monitored, and taxed industries in the United States. Moreover, most commercial casino companies and gaming equipment manufacturers are publicly held companies whose equities are traded on stock exchanges. It is state governments that play the main role in regulating the industry. In turn, the regulating states receive a substantial portion of net casino receipts in the form of tax revenues. Statutory casino gaming revenue tax rates vary by state, ranging from as low as 6.75 percent of gaming revenues in Nevada to 55 percent in Pennsylvania. As suggested in a preceding paragraph, the billions of dollars in tax revenues from gaming casinos are typically targeted to fund programs and expenditures such as education, public safety, historic preservation, infrastructure improvements, economic development, and youth and senior services. Of course, some of the tax revenues collected by states with legalized commercial casino gaming are used to fund state regulating agencies that enforce financial disclosure rules on casinos, which ensure that the states receive the taxes due to them each year. The agencies also direct and review audits of casino operators to ensure accurate measurement of the revenue numbers that result in state tax dollars. State regulation costs hundreds of millions of dollars annually: for example, in 2008 New Jersey employed 742 and the Nevada Gaming Control Board employed approximately 450 individuals.
Gaming casinos also are regulated at the federal level. In addition to complying with laws that apply to all U.S. businesses, casinos must observe several regulations designed for financial institutions because of the large size of transactions on their floors. The industry works closely with the Internal Revenue Service on a number of tax-related issues. Other federal laws also affect commercial casinos differentially. For example, riverboat casinos are subject to laws governing the federal Maritime Transportation Security Act.

1.1. Gaming and the Economy

Nevada, of which the Strip is a part, has a long history as a world-renowned gaming destination, having legalized gambling in 1931. It was not until 1976 that New Jersey became the second state to legalize gambling. Hence, Nevada is home to 266 casinos statewide averaging

Table 1: Casino Revenue, Payroll, and Taxes for Major Gaming States, 2011

<table>
<thead>
<tr>
<th>State</th>
<th>Date of First Casino</th>
<th>Gaming Revenue ($ Billion)</th>
<th>Payroll ($ Billion)</th>
<th>Ratio (2)/(1)</th>
<th>State Tax Revenue ($ Million)</th>
<th>Ratio (4)/(1)</th>
<th>Jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nevada</td>
<td>1931</td>
<td>10.40</td>
<td>7.82</td>
<td>0.752</td>
<td>835.4</td>
<td>0.080</td>
<td>175,024</td>
</tr>
<tr>
<td>New Jersey</td>
<td>1978</td>
<td>3.57</td>
<td>1.03</td>
<td>0.289</td>
<td>305.5</td>
<td>0.086</td>
<td>34,145</td>
</tr>
<tr>
<td>South Dakota</td>
<td>1989</td>
<td>0.11</td>
<td>0.04</td>
<td>0.374</td>
<td>17.2</td>
<td>0.162</td>
<td>1,512</td>
</tr>
<tr>
<td>Colorado</td>
<td>1991</td>
<td>0.76</td>
<td>0.26</td>
<td>0.340</td>
<td>107.0</td>
<td>0.141</td>
<td>9,589</td>
</tr>
<tr>
<td>Illinois</td>
<td>1991</td>
<td>1.37</td>
<td>0.30</td>
<td>0.216</td>
<td>466.1</td>
<td>0.340</td>
<td>6,892</td>
</tr>
<tr>
<td>Iowa</td>
<td>1991</td>
<td>1.37</td>
<td>0.33</td>
<td>0.240</td>
<td>305.4</td>
<td>0.223</td>
<td>8,915</td>
</tr>
<tr>
<td>Mississippi</td>
<td>1992</td>
<td>2.39</td>
<td>0.83</td>
<td>0.346</td>
<td>285.5</td>
<td>0.119</td>
<td>24,707</td>
</tr>
<tr>
<td>Louisiana</td>
<td>1993</td>
<td>2.37</td>
<td>0.58</td>
<td>0.246</td>
<td>572.0</td>
<td>0.241</td>
<td>16,873</td>
</tr>
<tr>
<td>Missouri</td>
<td>1994</td>
<td>1.79</td>
<td>0.34</td>
<td>0.191</td>
<td>486.1</td>
<td>0.272</td>
<td>11,071</td>
</tr>
<tr>
<td>West Virginia</td>
<td>1994</td>
<td>0.88</td>
<td>0.12</td>
<td>0.138</td>
<td>378.5</td>
<td>0.431</td>
<td>4,528</td>
</tr>
<tr>
<td>Delaware</td>
<td>1995</td>
<td>0.57</td>
<td>0.10</td>
<td>0.184</td>
<td>243.1</td>
<td>0.425</td>
<td>3,245</td>
</tr>
<tr>
<td>Indiana</td>
<td>1995</td>
<td>2.79</td>
<td>0.49</td>
<td>0.177</td>
<td>874.9</td>
<td>0.314</td>
<td>14,144</td>
</tr>
<tr>
<td>Michigan</td>
<td>1999</td>
<td>1.38</td>
<td>0.42</td>
<td>0.303</td>
<td>311.4</td>
<td>0.226</td>
<td>8,067</td>
</tr>
<tr>
<td>New Mexico</td>
<td>1999</td>
<td>0.25</td>
<td>0.03</td>
<td>0.130</td>
<td>64.3</td>
<td>0.260</td>
<td>3,465</td>
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<tr>
<td>New York</td>
<td>2004</td>
<td>1.09</td>
<td>0.10</td>
<td>0.088</td>
<td>503.5</td>
<td>0.462</td>
<td>1,423</td>
</tr>
<tr>
<td>Maine</td>
<td>2005</td>
<td>0.06</td>
<td>0.01</td>
<td>0.171</td>
<td>30.2</td>
<td>0.501</td>
<td>385</td>
</tr>
<tr>
<td>Oklahoma</td>
<td>2005</td>
<td>0.10</td>
<td>0.02</td>
<td>0.219</td>
<td>16.6</td>
<td>0.166</td>
<td>770</td>
</tr>
<tr>
<td>Florida</td>
<td>2006</td>
<td>0.33</td>
<td>0.07</td>
<td>0.204</td>
<td>140.8</td>
<td>0.428</td>
<td>2,533</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>2007</td>
<td>2.49</td>
<td>0.39</td>
<td>0.156</td>
<td>1,328.0</td>
<td>0.533</td>
<td>12,664</td>
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<tr>
<td>Kansas</td>
<td>2009</td>
<td>0.04</td>
<td>0.01</td>
<td>0.228</td>
<td>9.5</td>
<td>0.251</td>
<td>303</td>
</tr>
<tr>
<td>Maryland</td>
<td>2010</td>
<td>0.03</td>
<td>0.00</td>
<td>0.123</td>
<td>15.9</td>
<td>0.575</td>
<td>309</td>
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</table>

†Data for Rhode Island were omitted due to reporting issues.
51.6 million visitors annually, who generate a total of $11.6 billion in gross gaming revenue. The larger size of the Strip as well as that of the individual hotels compared to those in Atlantic City is partially responsible for the difference, which is readily revealed through employment and wages statistics across main gaming states, as shown in Table 1. The major reason is that Las Vegas is substantially more isolated geographically than Atlantic City: as a result, gaming visitors tend to stay longer in Nevada than they do in New Jersey—4.6 days versus 15 hours (Wittkowski, 2010). Consequently, the Strip generates more nongaming revenues per visitor and requires more space to accommodate these additional activities.

The longer average duration of stay may also partially explain why Nevada’s casinos $8.7 billion payroll represents almost three quarters of all U.S. gaming revenue. That is, a larger proportion of their workers are supported by revenue from non-gaming activities related to retail trade and both hospitality and entertainment services. While New Jersey’s 0.39 share is above average, it is generally in line with that of other major gaming states. Those states with low shares of revenues allocated to payroll, like Pennsylvania, tend to be home to slots-only casinos. State tax revenues from casinos as a share of total state gaming revenues generally correlate well with the year of legalization. The share ranges from about 8.0 percent in Nevada, the first state to legalize gambling, to 53.3 percent in Pennsylvania. In line with the general trend, New Jersey’s 8.6 percent places it above Nevada, but below the other states, all of which have legalized gambling only since 1989. As shown in Table 2, the allocation of tax revenues from gaming varies by state. Undoubtedly to make the prospect of gambling more palatable to policymaker and their constituents, states that have legalized gambling since 1989 have, to some degree, followed the New Jersey model of allocating funds for use in social and economic development programs. Still, of the states, only New Jersey tended to allocate the proceeds to specific populations and kept them totally untied to the state’s general fund or other programs targeted to the general population.

At any rate, over the years, American’s perceptions of gaming casinos have changed. Now, according to VP Communications, Inc. and Peter D. Hart (2011) about 82 percent of American find casino gaming an acceptable activity. Indeed, according to that same survey, about 60 percent of Americans view casinos as an integral part of their state or community’s allure to tourists. As a result, policymakers are finding it easier to enable casino legislation.
Indeed, in many cases it is welcomed as a new source of government revenues just as other resource falter and dwindle.

Table 2: Uses of State Casino Tax Revenues

<table>
<thead>
<tr>
<th>States</th>
<th>Allocation of State Tax Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colorado</td>
<td>Local communities, historic preservation, community colleges, general fund.</td>
</tr>
<tr>
<td>Florida</td>
<td>Education</td>
</tr>
<tr>
<td>Illinois</td>
<td>Education assistance, local government.</td>
</tr>
<tr>
<td>Indiana</td>
<td>Economic development, local government.</td>
</tr>
<tr>
<td>Iowa</td>
<td>Infrastructure, schools and universities, the environment, tourism projects, cultural initiatives, general fund.</td>
</tr>
<tr>
<td>Kansas</td>
<td>State debt reduction, infrastructure improvements, property tax relief, problem gambling treatment</td>
</tr>
<tr>
<td>Louisiana</td>
<td>General fund, City of New Orleans, public retirement systems, state capital improvements, rainy day fund.</td>
</tr>
<tr>
<td>Maine</td>
<td>Education, health care, agriculture, City of Bangor</td>
</tr>
<tr>
<td>Maryland</td>
<td>Education trust fund, local impact grants, small, minority- and women-owned businesses</td>
</tr>
<tr>
<td>Michigan</td>
<td>Public safety, capital improvements, youth programs, tax relief, neighborhood development and improvement, infrastructure repair and improvement.</td>
</tr>
<tr>
<td>Mississippi</td>
<td>Housing, education, transportation, health care services, youth counseling programs, local public safety programs.</td>
</tr>
<tr>
<td>Missouri</td>
<td>Education, local public safety programs, compulsive gambling treatment, veterans’ programs, early childhood programs.</td>
</tr>
<tr>
<td>Nevada</td>
<td>Education, local government, general fund, problem gambling programs.</td>
</tr>
<tr>
<td>New Jersey</td>
<td>Senior Citizens, disabled, economic revitalization programs.</td>
</tr>
<tr>
<td>New York</td>
<td>Education</td>
</tr>
<tr>
<td>Oklahoma</td>
<td>Education</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>Property tax relief, economic development, tourism, horse racing industry, host local government.</td>
</tr>
<tr>
<td>South Dakota</td>
<td>Department of Tourism, Lawrence County</td>
</tr>
<tr>
<td>West Virginia</td>
<td>Education, senior citizens, tourism</td>
</tr>
</tbody>
</table>

1.2. Jobs or Taxes?

It is generally acknowledged that invested capital enabled the creation of jobs. It is also clear from Table 1 that as effective gaming privilege taxes rise across states that gaming-related employment falls. Essentially, by garnering tax revenues from casinos, governments disable casinos from employing more workers. But governments apply the revenues the collect to the benefit of their broader society.

Tax rates do not simply establish government claims on gambling revenue. They also largely determine the kind of gambling that will be taxed (Christiannsen, 2005). Casino resort properties relate to communities differently than do racinos; racinos in turn have different effects upon communities than do video poker machines in neighborhood businesses. Each in turn can be taxed at higher rates. Thus, when lawmakers set high gambling privilege tax rates, they effectively decide against diversified casino resort properties and in favor of machines-only facilities that offer gaming and nothing else. Thus high gambling privilege tax rates can maximize government revenues but militate against the establishment of capital-intensive, labor-intensive facilities.

So the question then is what is better for a state's economy, a casino gaming industry centered on diversified casino resorts with modest revenue taxation or one relying on machines with a high tax rate? The set of academic literature attempting to answer this question is rather thin. Walker and Jackson (1998, 2007) are among the few who have studied the effects of new casinos and other forms of gambling at the state level. They found that while lotteries and horse racing yielded positive benefits, that greyhound racing and casino gambling did not. Indeed, in the 1985-2000 period of their study, a period during which many states started legalizing the industry, casino revenues yielded a net negative effect on state tax revenues. But Walker and Jackson (2007) acknowledge that exceptions exist to their finding since Nevada has clearly benefitted heavily from the location of casinos in Las Vegas.

Calcagno, Walker and Jackson (2010) show mixed support for fiscal stress as a reason why states adopt casino gaming as an economic strategy. They suggest it is instead a counter tactic in interstate competition for gamblers' cash. That is, since the advent of casino in Mississippi, states have been more interested in keeping resident gamblers in state as a means to re-secure lost consumer dollars and concordant taxes.
2. The Economic Might of New Jersey’s Casinos

From an economics perspective, New Jersey’s laws are noteworthy for many reasons. First they limit casinos to single locale—Atlantic City. Moreover, when enacted there had been great concern about the fortunes of Atlantic City, which had fallen into severe economic disadvantage and disrepair with the advance of the age air travel. Thus casino legislation was designed to assure that the casinos economically benefit both the state, as well as Atlantic City. Thus, a major component of the assurance was that all regulated jobs affiliated with New Jersey’s gaming casinos (essentially casino floor jobs) had to be filled by New Jersey residents.

To this day, the New Jersey Casino Control Commission (NJ CCC) requires that potential workers apply for a license. As part of the licensing process workers must prove they are state residents. The upshot of this requirement is that incomes paid to casino workers are retained almost entirely by New Jersey since people tend to shop where they live. Thus essentially all but federal taxes revenues associated with payrolls are retained by state households for savings or spending. But FICA, Medicare, and the Federal Unemployment Tax comprise only somewhere between 5 and 6 percent of the total payroll issued by the casinos. This point about New Jersey’s retention of casino workers’ income is important due to the rather large economic ramifications associated with household incomes.

Sitting in the middle of the desert and far from any potential competing labor markets, Las Vegas and Nevada have never been very concerned about such economic details. Being first and also the lone U.S. casino venue for nearly 50 years also enabled Las Vegas to develop a fairly extensive local supply chain. Not so for New Jersey, which, as a small state, leans on Nevada for gaming machinery and on both New York and Philadelphia for other supplies.

2.1. Tourism

The openness of the economies of both Nevada and New Jersey, has helped secure their success in casino gaming. In 2008, Atlantic County, the home of New Jersey’s casinos, captured 33.4 percent of total tourism expenditures in New Jersey (HIS Global Insight, 2009). Atlantic City itself drew 34.5 million visitors in 2008 according to American Gaming Association’s State of the States 2009. As hinted at above, a major factor in Atlantic County’s preeminence is the presence of its casino hotels.
Atlantic City Visitor Profile 2008 breaks down visitor spending by general expenditure category. Figure 2 shows that gaming revenues represent 60 percent of total expenditures. This suggests that the combined non-gaming spending by Atlantic City visitors amounts to 40 percent of total spending, or about two-thirds of total gaming revenues. The working assumption in later analysis is that only the travel and food & beverage aspects of gambler spending exist.

Table 4 shows the revenues that New Jersey's casinos reported. For 2008, the casinos produced just over $4.5 billion in gaming revenues. This implies that visitors spent roughly another $3.0 billion in Atlantic City. Figure 1 summarizes the break out of the Atlantic City tourism spending. The small share of spending on lodging is due to the preponderance of visitation by day trippers. According to the Spectrum Gaming report, about 83.6 percent of all visits to Atlantic City are day trips.

Figure 2. Shares of Average Tourism Spending by General Expenditure Category, 2008

Source: Atlantic City Visitor Profile 2008, Spectrum Gaming Group.
Figure 3. Estimated Shares of Nongaming Tourism Spending

- Food & Beverages
- Shopping
- Entertainment
- Lodging
- Travel

Source: Atlantic City Visitor Profile 2008, Spectrum Gaming Group.

Table 4: New Jersey Casino Revenue and General Expenditures by General Category, 2006-2008

<table>
<thead>
<tr>
<th>Revenue</th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Gaming Revenue</td>
<td>$4,544,961,000</td>
<td>$4,920,787,000</td>
<td>$5,217,714,000</td>
</tr>
<tr>
<td>Nongaming Cash Revenue</td>
<td>538,554,238</td>
<td>510,294,511</td>
<td>494,257,154</td>
</tr>
<tr>
<td>Pass-through Tax Revenues</td>
<td>110,902,886</td>
<td>109,226,675</td>
<td>99,214,063</td>
</tr>
<tr>
<td><strong>Total NJ Casino Revenues</strong></td>
<td><strong>$5,194,418,124</strong></td>
<td><strong>$5,540,308,186</strong></td>
<td><strong>$5,811,185,217</strong></td>
</tr>
</tbody>
</table>

Moreover, we can surmise from the casino’s nongaming cash revenue in Table 4 that about $2.4 billion (28 percent) of this spending activity was absorbed by non-casino businesses in New Jersey. For present purposes, given data in Figure 2, we assume that the $538.6 million in the form of the casinos’ non-gaming revenues were spent in fairly equal shares across lodging, food and beverages, and entertainment. Table 5 yields the balance to Non-Casino Resort Tourism, which yields about $7.1 billion in spending in Atlantic City that basically resulted from $4.5 billion in gaming revenues in 2008.

Based on a study I was part as a member of a Rutgers University study team, we estimated that the multiplier effects of this visitor spending and of the casino tax revenues in 2008 added another $4.7 billion in economic activity to the New Jersey that year. Thus in essence the $4.5 billion in gaming revenues leveraged an additional $7.3 billion in New Jersey business activity.
Table 5. Economic Effects of Casino Resorts on the State of New Jersey, 2008

<table>
<thead>
<tr>
<th></th>
<th>Output ($ millions)</th>
<th>Payroll ($ millions)</th>
<th>GDP ($ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Visitor Spending in Atlantic City</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Casino Resorts</td>
<td>$5,194.4</td>
<td>39,779</td>
<td>$1,777.2</td>
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<tr>
<td>Non-Casino Resort Tourism</td>
<td>$1,911.2</td>
<td>23,160</td>
<td>$650.6</td>
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<tr>
<td><strong>Total</strong></td>
<td>$7,105.6</td>
<td>62,939</td>
<td>$2,427.8</td>
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<tr>
<td><strong>Related Spending Statewide</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Multiplier Effects of Visitor Spending</td>
<td>$4,018.9</td>
<td>32,981</td>
<td>$1,577.6</td>
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<tr>
<td>Total Effects of State’s Casino Tax Revenues</td>
<td>$699.2</td>
<td>5,567</td>
<td>$225.0</td>
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<tr>
<td><strong>Total</strong></td>
<td>$4,718.1</td>
<td>38,548</td>
<td>$1,802.6</td>
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<tr>
<td><strong>Total Casino Resort Industry Effects</strong></td>
<td>$11,823.7</td>
<td>101,487</td>
<td>$4,230.4</td>
</tr>
</tbody>
</table>

Table 6. Economic and Tax Impacts per Million Dollars of Initial Expenditure

<table>
<thead>
<tr>
<th>Economic Measure</th>
<th>Casino Regulatory Bodies</th>
<th>CRDA Infrastructure</th>
<th>Casinos</th>
<th>Other Tourism</th>
<th>CRF Social Programs</th>
<th>Weighted Average Impacts</th>
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</thead>
<tbody>
<tr>
<td>Jobs</td>
<td>11.5</td>
<td>10.4</td>
<td>12.7</td>
<td>15.5</td>
<td>9.8</td>
<td>13.2</td>
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<tr>
<td>Income</td>
<td>$722,519.0</td>
<td>$582,630.2</td>
<td>$583,651.8</td>
<td>$502,976.7</td>
<td>$325,788.9</td>
<td>$550,631.3</td>
</tr>
<tr>
<td>State Taxes</td>
<td>$4,161.3</td>
<td>$27,848.1</td>
<td>$198,596.7</td>
<td>$98,171.1</td>
<td>$15,948.0</td>
<td>$147,845.0</td>
</tr>
<tr>
<td>Local Taxes</td>
<td>$5,115.6</td>
<td>$31,218.7</td>
<td>$71,763.4</td>
<td>$61,640.6</td>
<td>$17,896.2</td>
<td>$51,284.4</td>
</tr>
<tr>
<td>GDP</td>
<td>$761,800.5</td>
<td>$755,361.1</td>
<td>$904,743.5</td>
<td>$819,487.1</td>
<td>$377,190.9</td>
<td>$852,091.4</td>
</tr>
</tbody>
</table>

Applying the $11.8 billion total business output to the weighted average impacts per million dollars in Table 6 that were developed by the same Rutgers study suggest that $1.748 billion in state tax revenues resulted in 2008. That is, the state did not just get $305.5 million in tax revenues from the presence of its resort casinos but rather a sum nearly six times that. Moreover, this broader casino economy accounts yields about the same number of jobs as the job count at the casino hotels themselves—that is, multiplier effects double the number of jobs in the state related to the casino activity. This level of activity something that cannot be accomplished by racinos, which are designed not to be destination resorts.
REFERENCES.


MEMORANDUM

TO: ASSEMBLY REGULATORY OVERSIGHT AND GAMING COMMITTEE
FR: AJ SABATH
DATE: JULY 19, 2012
RE: TESTIMONY OF JEFF GURAL

Good Morning Chairman Ramos and good morning members of the Assembly Regulatory Oversight & Gaming committee - my name is Jeff Gural and I would like to welcome everyone to the Meadowlands Racetrack. I sincerely would like to personally thank members of this committee for their dedication and hard work and their individual and combined efforts to help our industry succeed. As the owner of two casinos and racetracks in New York State, and now the Meadowlands Racetrack in New Jersey, I possess a unique perspective on the possibilities and the challenges for horseracing and Casino gaming at the Meadowlands.

New York State is on the cusp of legalizing full casinos with table games and expects to continue generating hundreds of millions of dollars in gaming tax revenue by attracting tens of thousands of convenience gamblers from the Garden State. Other states that border New Jersey see the cards on the table, and are also looking to cash in on luring New Jersey convenience gamblers. The main reason governmental leaders across the Hudson in New York and across the - More –
Delaware River in Pennsylvania are doubling down on Casinos is to create much-needed jobs and to use the revenue to help defray the cost of vital services for the most vulnerable and needy residents.

While I support the Atlantic City model where they market themselves as a low-tax resort, it should be clear that our intent would be to build a high-tax regional casino similar to those in the surrounding states of New York, Pennsylvania, Delaware, and Maryland. It is our opinion that given the Pennsylvania tax rate we would generate about $350 million per year for the state of New Jersey which is about $100 million more than all 12 low-tax casinos generate in Atlantic City.

We do not believe we will be competing with Atlantic City for customers because people who want a resort type atmosphere will continue to go to Atlantic City. Instead we will compete for customers who go to Yonkers, Aqueduct, Bethlehem, and other Pennsylvania casinos. We are willing to wait 12-18 months to see how Atlantic City does with the benefit of the former $30 million purse subsidy which supported New Jersey racing. But we do not believe it is necessary to wait five years to see if Atlantic City can recover. Waiting an additional three years would cost taxpayers an additional billion dollars, which in the current environment does not seem wise.

The state should also be aware that it is difficult for those of us on the racing front to compete with the surrounding states in relation to horseracing as our revenue declined sharply in June and our leading drivers went elsewhere because of the purse differential. Hopefully, we will bounce back in July and August where our majority stakes occur. It should also be noted that the breeding industry has been devastated over longstanding neglect. It would not take much money to restore the breeding industry and it would pay for itself and continue to provide additional benefits such as environmental conservation and open space preservation.

more
Governor Christie and his staff have been essential to help resuscitating our industry along with his legislative partners – many among us here today. The Bayonne OTW opened its doors on July 17th and I appreciated seeing some of you at the ribbon cutting ceremony. We are moving forward to build a new grandstand across from the old one. We are using private investment to create jobs. We are not sure what the effect would be to open eight or nine new OTWs statewide as it may have more of a negative impact than a positive one, but it remains unseen. We have also been hurt by the stadium’s unfavorable lease terms because our business declines on the days when they have a competing event, which is quite often.

We believe a Casino at the Meadowlands Racetrack will provide a large cash infusion to New Jersey coffers without hurting the Atlantic City Resort. It will also create construction jobs on the front end to build the casino and will create many permanent jobs to staff after a casino is built. I believe the horsemen groups have presented the committee with some additional information with regard to regional gaming opportunities, which I think speaks for itself. It’s “high-tech” research done on Google Maps that shows currently there are 26 high-tax regional casinos within a three-hours driving distance of New Jersey’s borders.

Six

Ten of those high-tax regional casinos are within 100 miles of Atlantic City – the Meadowlands Racetrack is 126 miles from Atlantic City. So the only ones who should legitimately fear a Casino at the Meadowlands are neighboring states with high-tax regional casinos that will likely see the number of New Jersey license plates disappear from their parking lots.

THE MEADOWLANDS RACETRACK
Opened in the mid-1970s, Meadowlands Race Course held its first-ever harness race on September 1, 1976 while thoroughbred racing commenced on September 6, 1977. The New Jersey Sports and Exposition Authority no longer operates the Meadowlands Racetrack. The Meadowlands Racetrack is managed now under a lease operations agreement by Jeffrey R. Gural of Newmark Knight Frank. The change in ownership will include $100 million of improvements consisting of a new European-style grandstand built on the site of the current backstretch, which is expected to open by 2013.
GOOD AFTERNOON LADIES AND GENTLEMEN:

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

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

Before the Meadowlands opened in 1976, we were a modestly successful industry, with pari-mutuel racing at Freehold and fair races held in communities throughout the state. It was the world of Ferris Wheels and cotton candy. If we had a good horse, we crossed the Hudson to race him at Yonkers and Roosevelt Raceway.

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

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

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

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

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

The horse racing industry needs not promises but an action plan that will bring gaming to the Meadowlands within the next two years. Without the added revenue from slots machines, all facets of racing in this state are in extreme danger. Farms will be sold and paved over, breeding stock – stallions and mares – will leave the

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MARK MULLEN
ANTHONY PERRETTI
state, and the top horsemen will move to states for slots-fueled purses. It’s not a threat for the future. That exodus has already started.

The stated reason we have been told that we do not have slots while the tracks in surrounding states like Pennsylvania, Delaware and New York do, is the concern about the economy of Atlantic City. Whatever damage that might result from a racino at the Meadowlands has already been inflicted by the racinos and casinos in those surrounding states. There is no empirical data to prove the Meadowlands would substantively hurt Atlantic City. All we are suggesting is that betting money needs to be brought back to New Jersey. The Rutgers study counted license plates and New Jerseyans have taken their action to those other states rather than make a longer trip to Atlantic City. There is little reason to think Atlantic City will reclaim those convenience gamblers. The Meadowlands site offers that convenience for millions of gamblers in the northern half of the state who are spending their entertainment dollars in the surrounding states.

We do not plan to compete with Atlantic City’s “destination” resort strategy. The Meadowlands racino would be a stand-alone facility like those in Pennsylvania, Delaware and New York. By the way, both Pennsylvania and New York now have surpassed Atlantic City in betting.

Unlike the casino owners who have, in some instances, invested in the border state casinos, we only serve one master – the state of New Jersey. We want to bring back the cash to New Jersey, save the jobs in our industry and preserve open space.

The State of New Jersey is missing out at anywhere from $500 million to a billion a year in revenue.

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

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

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

We’re prepared to go to referendum to move this along. The public has already expressed its support. Failure to act on slots at the Meadowlands flies in the face of the position the public has already voiced. It also condemns our industry, a significant one in the State of New Jersey, to its demise, taking with it thousands of jobs and much of the 170,000 acres of equine related farmland in this state.

We support Assemblyman Caputo’s bill, ACR53, which would authorize the establishment of casinos in Bergen County by 2013.

We believe the public’s opinion should be heard and that the expansion of gaming options, including new forms, be placed before the voters in a referendum. The beneficiaries should include the horse racing industry, with the majority replenishing the state’s treasury.

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

New York, Connecticut, Pennsylvania, Delaware, Maryland

Assembly Regulatory Oversight and Gaming Committee
Thursday, July 19, 2012
12:00pm

Meadowlands Racetrack
Pegasus Floor, Hambletonian Room
50 Route 120, East Rutherford, NJ
REGIONAL CASINOS AND RACETRACKS
NEW YORK, CONNECTICUT, PENNSYLVANIA, DELAWARE, MARYLAND

<table>
<thead>
<tr>
<th>Region</th>
<th>No. of Gaming Facilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York</td>
<td>32</td>
</tr>
<tr>
<td>Connecticut</td>
<td>2</td>
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<tr>
<td>Pennsylvania</td>
<td>11</td>
</tr>
<tr>
<td>Delaware</td>
<td>3</td>
</tr>
<tr>
<td>Maryland</td>
<td>6</td>
</tr>
</tbody>
</table>

No. of Gaming Facilities within 3 hours (180 miles) of NJ border: 26

<table>
<thead>
<tr>
<th>Region</th>
<th>No. of Gaming Facilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York</td>
<td>9</td>
</tr>
<tr>
<td>Connecticut</td>
<td>2</td>
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<tr>
<td>Pennsylvania</td>
<td>7</td>
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<tr>
<td>Delaware</td>
<td>3</td>
</tr>
<tr>
<td>Maryland</td>
<td>5</td>
</tr>
</tbody>
</table>

Distance between Atlantic City and the Meadowlands: 126 miles
No. of Gaming Facilities within 126 miles of Atlantic City: 6

No. of Gaming Facilities within 100 miles of the Meadowlands: 10
# Regional Casinos and Racetracks

**New York, Connecticut, Pennsylvania, Delaware, Maryland**

54 gaming facilities

<table>
<thead>
<tr>
<th>Casino</th>
<th>Location</th>
<th>Distance from NJ Border</th>
<th>Distance from Atlantic City</th>
<th>Distance from the Meadowlands</th>
<th>Distance from Trenton</th>
<th>Type</th>
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</thead>
<tbody>
<tr>
<td>Mohegan Sun Concord*</td>
<td>Thompson, NY</td>
<td>4</td>
<td>130</td>
<td>13</td>
<td>65</td>
<td>Casino</td>
</tr>
<tr>
<td>SugarHouse Casino</td>
<td>Philadelphia, PA</td>
<td>4</td>
<td>62</td>
<td>92</td>
<td>34</td>
<td>Casino</td>
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<td>Harrah's Chester Casino and Racetrack</td>
<td>Chester, PA</td>
<td>5</td>
<td>72</td>
<td>108</td>
<td>49</td>
<td>Casino and Racetrack</td>
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<tr>
<td>Parx Casino &amp; Philadelphia Park Racetrack</td>
<td>Bensalem, PA</td>
<td>8</td>
<td>78</td>
<td>74</td>
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<td>Casino and Racetrack</td>
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<td>Delaware Park Racetrack &amp; Slots</td>
<td>Wilmington, DE</td>
<td>9</td>
<td>86</td>
<td>122</td>
<td>63</td>
<td>Casino and Racetrack</td>
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<td>Empire City at Yonkers Raceway</td>
<td>Yonkers, NY</td>
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<td>21</td>
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<td>Casino and Racetrack</td>
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<tr>
<td>Yonkers Raceway</td>
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<td>Sands Casino Resort Bethlehem</td>
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<td>Resorts World Casino New York at Aqueduct Racetrack</td>
<td>Jamaica, NY</td>
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<td>203</td>
<td>84</td>
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<td>Casino and Racetrack</td>
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<td>Hollywood Casino Perryville**</td>
<td>Perryville, MD</td>
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<td>117</td>
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<td>Dover Downs</td>
<td>Dover, DE</td>
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<td>151</td>
<td>185</td>
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<tr>
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* Opening Spring 2013
** Slots only
*** Slots and electronic table games only
**** Opening Summer 2013; slots only
State Gaming Revenue

New York, Connecticut, Pennsylvania, Delaware, Maryland, and Nevada

Assembly Regulatory Oversight and Gaming Committee
Thursday, July 19, 2012
12:00pm

Meadowlands Racetrack
Pegasus Floor, Hambletonian Room
50 Route 120, East Rutherford, NJ
### State Gaming Revenues

#### New Jersey

<table>
<thead>
<tr>
<th></th>
<th>Casino Taxable Gross Revenue</th>
<th>State Tax Revenue</th>
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<tbody>
<tr>
<td>June 2012</td>
<td>$232.8 M</td>
<td>$22 M</td>
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<tr>
<td>May 2012</td>
<td>$228.5 M</td>
<td>$21.6 M</td>
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<tr>
<td>January-May 2012</td>
<td>$1.2 B</td>
<td>$110.7 M</td>
</tr>
<tr>
<td>2011 Annual</td>
<td>$2.9 B</td>
<td>$277.6 M</td>
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<tr>
<td>2010 Annual</td>
<td>$3.3 B</td>
<td>$305.5 M</td>
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*State Tax Revenue includes 8% gross revenue tax plus 1.25% casino reinvestment development authority obligations*

#### New York

<table>
<thead>
<tr>
<th></th>
<th>Casino Taxable Gross Revenue</th>
<th>State Tax Revenue</th>
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</thead>
<tbody>
<tr>
<td>June 2012</td>
<td></td>
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<tr>
<td>January-June 2012</td>
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<tr>
<td>2011 Annual</td>
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</tr>
<tr>
<td>2010 Annual</td>
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<td>$593.4 million</td>
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**Casino information is not available to the public**

#### Connecticut

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<td>January-April 2012</td>
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**Casino information is not available to the public**

#### Pennsylvania

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<tr>
<td>May 2012</td>
<td>$267.7 M</td>
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<td>January-May 2012</td>
<td>$1.1 B</td>
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<td>FY 2011 Annual</td>
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<td>FY 2010 Annual</td>
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*Fiscal calendar extends from July to June*

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<table>
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<tr>
<th></th>
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<tbody>
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*Table games began in May of 2010*
### MARYLAND

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### NEVADA

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<td>May 2012</td>
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<tr>
<td>FY 2010 Annual</td>
<td>$10.3 B</td>
<td>$630.8 M</td>
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*Fiscal calendar extends from July to June*

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### MAY 2012 COMPARISONS

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<td>$267.7 M</td>
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<td>$885 M</td>
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### JANUARY – MAY 2012 COMPARISONS

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<td>$4.5 B</td>
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<td></td>
<td></td>
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<td>$236.4 M</td>
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REFERENCES

New Jersey

New York

Connecticut

Pennsylvania

Delaware
Maryland


Nevada


I am Barbara DeMarco with Porzio Governmental Affairs and I am here today with Maureen Bugdon, President of Atlantic City Race Course. We are here on behalf of ACRC and its parent company Greenwood Racing, the owners of ACRC and Vineland’s OTW facility. Greenwood Racing also is the “wood” part of Penwood, a joint venture with Penn National Racing which operates Freehold Raceway and the Toms River OTW facility.

Greenwood Racing supports the expansion of gaming at the Meadowlands. It just makes sense as it is impossible for the Meadowlands to compete with the 27 convenience casino/racino locations within three hours of New Jersey’s border. These 27 locations do not including Atlantic City’s casinos. I refer you to the maps before me showing casino/racino locations a decade ago to casino/racino locations currently in operation.

The Meadowlands Racetrack, however, is not unique. Freehold Raceway, Monmouth Park and ACRC suffer from the same competition from these “convenience” gaming locations and as such, the expansion of gaming beyond betting on horse races - to slot machines and other forms of gaming - is needed AT ALL NEW JERSEY RACETRACKS. This is especially so given the fact that no patron whether at a race track or at a casino wants only one gaming option. People want a variety of options. For the lack of a better analogy, it is the same as an ice cream parlor offering only vanilla ice cream as a flavor. People want vanilla but they also want chocolate, strawberry etc. They want choices/options.
New Jersey's horseracing industry should not be segmented, or divided into "haves and have nots". Public policy impacting the horseracing industry should not embrace the disparate treatment of the entities involved. Essentially, existing racetracks operated by private operators should not be treated differently than former public racetracks now being operated by private operators. The laws, regulations and policies that apply to the Meadowlands and Monmouth Park should also apply to ACRC and Freehold. New Jersey's horse racetracks should be treated with an even-hand much like the 12 Atlantic City casinos operators are treated equally. Rules that apply to one should apply to all and benefits and regulation imposed by New Jersey state government should be distributed equitably.

Unfortunately, the word "equal" and "equitable" have not been the norm. In fact, within the last year alone Monmouth Park operators have been given the ability to operate a pilot program where bars and restaurants can be retrofitted with television and tote machines making them an OTW without the expense of building the facility from scratch resulting in a huge cost savings for them while Meadowlands was given sales and use tax rebates for the construction material and supplies used to build the Bayonne OTW. What incentives were given to Freehold Raceway or ACRC? None.

As you all know, for over a decade I represented other pari-mutuel interests. Throughout that time I was often told that thoroughbred interests should be treated the same as standardbred interests. In other words, parity between the breeds was good public policy – no policy should favor one breed over another. Similarly, public policy impacting former public racetracks operated by private entities should be the same for private racetracks operated by private entities. For this racing and breeding industry to survive and thrive, you need a holistic policy and approach.
I'd like to turn the testimony to Maureen who will speak to how she has operated ACRC with no subsidies from the state while facing the stiffest competition for the gaming dollars that any New Jersey racetracks faces as her facility is located within 10 miles of the 12 Atlantic City casinos.

Good afternoon, I am Maureen Bugdon and for 11 years, I have been the President of ACRC, beginning my career in horse racing prior to that in 1986. Additionally, my company opened, owns and operates the state’s 1st Off-Track Wagering Facility – Favorites at Vineland.

I believe ACRC can present a unique perspective today because we are the ONLY racetrack in the state of New Jersey falling within a 10-mile radius of 12 Casinos on the Boardwalk and Bay in neighboring Atlantic City. No one will dispute the positive impact the Atlantic City casino industry has on our region’s economy since the 1978 Ribbon Cutting at Resorts. No one also will dispute that it came at the expense of Garden State Park located in Cherry Hill, New Jersey or South Jersey’s FIRST gambling establishment – AC Race Course.

The opening of the casinos was only the first blow of the one-two-punch of competition, it was the second blow that impacted our racetrack more recently when simulcast wagering became an offering in the early 90’s at the Atlantic City casinos. While tremendously lucrative for my counterpart racetracks, casino simulcasting rooms had a choke hold on Atlantic City Race Course courting our guests who were accustomed to betting the horses at a racetrack.
South Jersey casino entities, horsemen and racetracks all acknowledged this predicted impact on our facility and as such, the Legislature passed the Casino Simulcasting Special Fund to help protect and stabilize Atlantic City Race Course. As originally established, the proceeds of this fund were intended to compensate ACRC for the loss of business attributable to having simulcasting racing rooms at the AC casinos. However, with time, this money has been diverted from that intended purpose and given to other racing interests throughout the State. As our business has declined, we have been penalized by lesser and lesser amounts of “protection” by way of a fund specifically designed to counter the decline in ACRC’s business. This may have seemed an equitable solution for other entities receiving our intended funding for their own purposes, but without the funds we were promised, Atlantic City Race Course has seen less and less live racing despite our region’s desire to see more and to offer more as a complimentary tourist attraction. To give you a comparison, in 1977, ACRC offered its longest season of 108 day and night racing programs. This year, while very successful, our track offered a 6-day Festival of Racing along with year-round simulcasting in the First Floor of our facility.

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

Despite the challenges I’ve briefly detailed today, ACRC has survived against the odds and done so proudly (and painfully) without ANY SUBSIDY, handout, supplement or enhancement. The impact of the expansion of casino gaming should be studied in an
inclusive fashion with South and North Jersey considered, with all racetracks considered and with the populace of all affected regions in mind.

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

Thank you and we would be happy to answer any questions.
Chairman Ramos, and members of the Assembly Regulatory Oversight and Gaming Committee, thank you for inviting me to speak before you today on this important topic. I am Oceanport Councilman Joseph Irace.

When the State of New Jersey voted to allow casino gambling in Atlantic City in 1976, it marked the dawn of an era wherein, for close to a decade and a half, New Jersey had a de facto monopoly on casino gambling on the East Coast. That era ended in 1992 with the advent of Foxwoods Resort Casino. In the years since then, we have seen a steady encroachment upon Atlantic City’s position as the premier East Coast destination for casino type gambling. New York, Connecticut, Delaware, West Virginia, Pennsylvania and Maryland now offer substantial gaming options to the general public. Indeed, as of April of 2012, Pennsylvania’s gaming industry was second only to that of Las Vegas. Quite clearly, the landscape has changed immeasurably since 1976 and New Jersey’s stranglehold on the East Coast gaming industry is no more. This isn’t an Atlantic City gaming industry problem; it is a New Jersey business development and retention problem.

Similarly, three decades ago, the State of New Jersey was a pre-eminent player in the horseracing industry. The Meadowlands, Freehold Raceway, Monmouth Park, Atlantic City Race Course and Garden State Park — the latter three called the “Golden Triangle” of New Jersey racing — all offered top notch, stakes level horse racing at quality venues. As we are all aware, the New Jersey horseracing industry has suffered setbacks over the past few decades and the root of these setbacks can be traced to the same source as that which has negatively impacted on Atlantic City. New York, Pennsylvania, Delaware and West Virginia have all committed to the Racino business model and this has placed the State of New Jersey’s horseracing industry at a decided disadvantage. Again, this isn’t a horseracing industry problem; it is a New Jersey business development and retention problem.

For far too long now, New Jersey’s gaming industry and New Jersey’s horse racing industry circled each other warily as opponents. It is time that they stop viewing each other as competitors and start viewing themselves as comrades at arms with a singular purpose: melding both industries in such a fashion that New Jersey once again becomes the East Coast’s premier gaming AND horse racing destination. Based on the revenues generated by Racinos in the surrounding states and across the nation, the question of whether or not these two industries can co-exist, and indeed THRIVE, is no longer arguable. Quite simply, if New Jersey’s gaming and horse-racing industries fail to embrace this new business model, both will perish and the State of New Jersey will be lesser for it.

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

I implore our legislators to make every effort to convince these two parties that it is imperative that they stop competing with each other and start complementing each other in order to re-capture the hearts, minds and loyalty of their consumers. If the gaming and horse racing industries fail to adapt to the new paradigm, neither will survive. And that won’t be a gaming or horse racing problem — that will be a tragedy for the State of New Jersey.
TO: ASSEMBLY REGULATORY OVERSIGHT AND GAMING COMMITTEE
FROM: JIM KIRKOS, MEADOWLANDS REGIONAL CHAMBER OF COMMERCE
DATE: JULY 19, 2012
RE: TESTIMONY

Good Morning Chairman Ramos and members of the Assembly Regulatory Oversight & Gaming committee - my name is Jim Kirkos and on behalf of close to 1200 member businesses located in the greater Meadowlands region I would like to thank you for giving me the opportunity to address you today.

The fact that this hearing is taking place is helping to restore our confidence that the legislature is looking at the issue of gaming in New Jersey with a new broad perspective. One that assimilates what business does when confronting fiscal issues that affect its stakeholders. In this case the stakeholders are New Jersey taxpayer’s who are residents and business owners.

As you already know, the Meadowlands Regional Chamber is a strong advocate for businesses especially when it comes to building and sustaining a regional economy. We are on the record supporting the continued operations of the horse racing industry and a year ago we unveiled a concept vision for the Meadowlands Sports and Entertainment Complex that restores the greatness this complex once enjoyed. As we look into the future, we can see a multi-venue sports and entertainment complex that has a wide diversity of product which powers a destination related economy for the next 30 years just like the original Meadowlands Sports Complex did in the 70’s. A spectacular stadium that can lure major events, an American Dream that attracts visitors domestically and internationally, an IZOD Center filled with family shows, a re-energized Meadowlands Racetrack that can compete with purses and facilities at all of our state borders, and future venues that can round out the product mix that appeal to young and old every day of the year. That vision creates jobs and sustains a regional economy for years to come.

To the business community here in the Meadowlands, today’s hearing is about the future. Members always ask me…Is there a plan to grow and sustain an economy? Will we leverage our assets to take advantage of every opportunity that comes our way? Will politics impede our path or can we implement a plan that creates and win – win scenario for all of New Jersey.

We have watched closely this discussion over that past few years and we are happy that more people, especially you the legislature, are talking about it with a greater sense of urgency. We are concerned however that the discussion of gaming in New Jersey quickly becomes a North South divided issue. The fact is this a New Jersey issue and not engaging the discussion the way every state around us has done would be foolish.
We are on record supporting the Christie Administration’s plan to reinvent Atlantic City so that it truly becomes a destination resort. I believe we all know that the growth of slot and casino facilities options for New Jersey residents by competing entities in New York, Pennsylvania and Connecticut has forever changed the convenience gaming market. Atlantic City most certainly can achieve its goal of becoming that great family shore destination however it may never win back the convenience day tripper from North Jersey because of the competition already in place. So the question becomes…what will New Jersey do to stop loosing those gaming dollars from going out of state.

When the Governor announced his administration’s plans to re-make AC through the Hanson Commission, he also stated the simple fact that there was no political will in New Jersey to engage a discussion with the legislature about a constitutional amendment expanding gaming. At that time and perhaps even today he is right. So as I previously said, the fact that this hearing is taking place today gives the business community some hope that our legislature may be willing to discuss plans that sees the luster and vibrancy restored to AC while we plan on energizing other destinations in New Jersey, like here in the Meadowlands.

The legislature should be having this discussion now and recognize that waiting too long presents the real opportunity of severe consequences to New Jersey’s overall gaming revenue picture because the competition from our neighbors is not even close to subsiding. I don’t have to tell you how long it takes to move such issues here in New Jersey so I ask you today to sit with your colleagues from all over this great state and engage this opportunity in a way that ensures success for everyone. That opportunity is right in front of us at this very moment.

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

Thank you for allowing me and my organization to make comment here today and I commend your efforts to better understand the issue.

Respectfully submitted,

Jim Kirkos
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Randy Bobe, Jr., General Manager of Chispanic Enterprises, Inc
Egg Harbor Township (Atlantic County)

My name is Randy Bobe, Jr. I'm the General Manager of Chispanic Enterprises. We are a family owned and operated food service distributor based in Egg Harbor Township just outside of Atlantic City.

My father entered the food business in 1976, nearly 40 years ago. He worked hard to build our family business into a company that could successfully compete against the multi-billion dollar giants of the food service industry.

As a second generation owner, what has happened to our family business over the past decade has been very challenging. Our company has gone from 50 employees down to only 19 employees today. Despite the tough economy, we continue to persevere, thanks to the Atlantic City casino industry. Over 90% of our business comes from Atlantic City casinos. Every year the casinos purchase over $10 million in merchandise from Chispanic Enterprises. That money is the majority of my annual revenue that we rely on to pay our bills, meet payroll every month and maintain our staff.

That is why I'm speaking out today. Atlantic City matters to small business owners like me here in Atlantic County and across the State. The casino industry not only supports Atlantic County, it is one of the largest economic engines in the entire state of New Jersey. If we expand gaming beyond Atlantic City, it will not only jeopardize Chispanic Enterprises, it will jeopardize thousands of businesses across the State. A Meadowlands casino would threaten the Atlantic City casino industry, and do irreparable harm to the thousands of businesses who rely on them.

Atlantic City is, like most cities across America, has struggled in recent years because of the economic downturn. Despite recent challenges, the casino industry's plan to revitalize and improve Atlantic City is already making progress. Here in Atlantic County – we are seeing firsthand the positive developments that are happening across the city:

➢ Atlantic City Alliance's $150 rebranding and advertising campaign
➢ Opening of Revel Casino
➢ CRDA adopted the Atlantic City Tourism District Master Plan

I respectfully ask you to think of my business, and the thousands of others across the state, as you consider expanding gaming to the Meadowlands. A Meadowlands casino would seriously hurt Atlantic City, and in turn, hurt our business, my employees and their families. There is too much at stake. We should not risk the livelihoods of tens of thousands of New Jersey residents to open a convenience gaming casino that will only stand to harm one of New Jersey's most significant industries, and as a result threaten thousands of businesses across the State.
Talking Points
Lou De Marino, Senior Vice President, Allied Beverage Group
Assembly Regulatory Oversight and Gaming Committee
July 19, 2012

Thank you Chairman Ramos and members of the Committee. My name is Lou De Marino and I am Senior Vice President for Marketing at Allied Beverage Group, New Jersey’s largest distributor of wine and spirits. I truly appreciate the opportunity to come here today on behalf of Allied Beverage and discuss the significance of the Atlantic City Gaming industry to our business.

As a brief background: Headquarters for Allied Beverage’s statewide business is located less than a mile from here on Washington Avenue in Carlstadt. We are a family owned company, operating since 1934, with nearly 850 employees throughout the State of New Jersey. About two thirds of our employees are unionized and nearly half of the members of our workforce have been with us for more than 20 years. The Atlantic City casinos and other related entities are a significant part of our business and the business of our competitor distributors, as well as many other associate businesses involved in our industry. Every year the casino hotel industry purchases millions of dollars of wines and spirits from my company.

I feel that the Atlantic City casinos are at a crossroads and it is my hope that they move in the direction of implementing the various reforms that the Legislature and Governor enacted a few years ago; that it will work toward improving its customer base. In the next few years it will be determined what direction the gaming industry in Atlantic City will take for generations to come. Atlantic City supports over 100,000 jobs statewide and their stability is paramount for the economy of New Jersey and the health and well being of my business and all of our employees.

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

I appreciate the opportunity to address you this morning. Thank you so much!
Testimony by Joshua Gold

Director of Political & Strategic Affairs, New York Hotel & Motel Trades Council

Meeting of the Assembly Regulatory Oversight and Gaming Committee

July 19, 2012

Good Afternoon,

I wanted to first take this opportunity to thank Chairman Ruben Ramos Jr., and the members of the committee here today for taking the time to have this important discussion around the future of gaming at the Meadowlands. It’s a subject that deserves serious conversation, and we hope to play a constructive roll in this dialogue moving forward.

My name is Josh Gold and I am the Political & Strategic Director for the Hotel & Motel Trades Council. We represent 35,000 hospitality workers in New Jersey and New York, including over 2,000 workers at 24 hotels here in Northern New Jersey. Our members have the best hotel contract in the world – they make solid middle class wages, have full healthcare coverage, retirement security and are conscientious and engaged citizens who build strong communities.

The current discussion about gaming in Northern New Jersey – specifically at the Meadowlands -- is a very important and very serious conversation. At its best, a thriving gaming industry can offer recreation and entertainment to residents and tourists. It can lure visitors and stimulate the local economy by providing good paying jobs with health care benefits and pensions. At its worst, gaming can drain local economies and government resources, rend the social fabric of a community and depress wages.

Absent the firm guiding regulation and leadership of the State, the gaming industry will pay workers low wages; provide little or no healthcare; and little or no retirement benefits. Workers will go home from bad jobs with little to give back to their communities. Workers will need healthcare coverage and retirement support for themselves and their families. State and local governments will be left to pick up the tab, and residents will suffer.

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

One of the most important ways to do so is to require labor peace agreements for any gaming facility in which the State has an interest. Labor Peace agreements safeguard the state from strikes and work stoppages, which can damage the industry and undermine the taxpayers’ interests. Labor Peace agreements ensure that employers have the conversation about jobs before the state lets them in the door.

We believe that without labor peace agreements, expanding gaming in the state may do far more harm than good, and we strongly encourage the Senate not to consider any proposals that do not include Labor Peace.
Good afternoon Chairman Ramos and thank you to all of the members of the Assembly Committee for your invitation to speak before you today.

I am happy to share some of the insights I have gathered from my experience as a county executive, as the executive director of the Casino Reinvestment and Redevelopment Authority, as the president of the New Jersey Casino Association, as former executive with Trump Hotels and Casino Resorts and as former general counsel and executive with Resorts International Holdings, LLC. I also come before you as a former Standardbred breeder and owner.

I am Of Counsel with the law firm of Genova Burns Giantomasi & Webster and the Director of the Casino & Resort Development Practice Group.

I currently hold a New Jersey Casino Key Employee License and have been licensed in several other jurisdictions. Those licenses are inactive.

I am here today offering my thoughts to the discussion regarding the future of Atlantic City casino industry and whether there is a future for gaming at the Meadowlands.

What you are doing is important, and I commend you for your efforts.

Having spent a good deal of time in Atlantic City, as a gaming executive, as chief spokesperson for the casino industry and as executive director of the CRDA, I have seen first-hand how conflicting and competing goals, interests and objectives have undercut Atlantic City’s ability to thrive and prosper—These interests, as legitimate as they may be – regularly hinder even the smallest changes in the City. Case in point, in an effort to address traffic
congestion, three governors promised but could not deliver making Pacific Avenue one way.

These stalemates result in a hesitance by investors who seem convinced that there are better places to invest their money. Atlantic City is threatened by competition in neighboring jurisdictions like New York, Connecticut, Pennsylvania, Maryland and Delaware. But, we must be honest with ourselves; the attractiveness of those other jurisdictions is amplified tremendously by the sense that Atlantic City up till four years ago just wasn’t the kind of place where a casino operator wanted to invest its money.

Indeed, we sit today less than 100 miles from the Pennsylvania casinos – places where hundreds of millions of dollars have been invested for the ability to conduct gaming and the privilege of paying a casino tax of 55 percent on gross slot revenues and 16 percent tax on table game revenues. This is on top of the payment of a hefty licensing fee.

Pennsylvania’s gaming tax is significantly higher than New Jersey’s eight percent, plus 1.25 percent casino reinvestment tax.

Our tax policies can’t get much more favorable to casino operators than they already are, and despite that, investors are flocking to other states. It should, be noted however, that those jurisdictions that have a hefty tax rate see less capital investment and create fewer jobs.

The Atlantic City casino industry, once thought vibrant and viable, has witnessed declining revenues and an uncertain economic future for the past five years. And now, it not only faces the challenge of internal competition but it also faces competition from places like Bethlehem, Pennsylvania, on the riverfront in Philadelphia, and the Poconos, which continue to draw customers from throughout the region it once totally dominated. To add to the competition Pennsylvania will soon award its last casino license. Pennsylvania opened the first casino in 2006 and in 2011 eclipsed Atlantic City as the number two gaming jurisdiction in the U.S., second only to Nevada, with more than $3 billion in revenues as compared to $2.95 billion in revenues for Atlantic City. The Pennsylvania revenue represents a 21.6 percent increase over 2010, while New Jersey’s earnings represent a seven percent decline, the
fifth straight year of declining revenues—although the month of December 2011 saw Atlantic City’s first year-on-year increase in 40 months.

The Cordish company recently opened Maryland “Live!” a 330,000-square foot, 4,750 slot casino in Hanover Maryland. The Delaware Legislature recently passed an internet gaming or Online Casino Bill. The signing of the bill into law by the governor is expected to be a mere formality. This legislation allows the Delaware Lottery to operate online slots and table games, including poker, via websites branded, marketed and controlled by Delaware’s three racetrack casinos. This legislation increases to 20 the number of land-based outlets accepting bets on the NFL games and extends Keno beyond Delaware’s three casinos to at least 100 other retail sites. The Governor of N.Y. made the expansion of gambling a centerpiece of his State address in January and within weeks the Legislature endorsed a constitutional amendment that, if approved once more by the lawmakers and then by the voters, would allow for seven full-scale, privately owned casinos.

At the recent East Coast Gaming Conference in Atlantic City in May, respected gaming analysts questioned whether certain casino markets have reached or passed the saturation point as we struggle through a slow recovering economy and the ongoing stream of new casinos, and questioned whether Revel may put other Atlantic City casinos out of business. One analyst argued that Revel that Revel will expand the market by offering upscale amenities. Another described Revel’s performance as “underwhelming” and will steal from the other eleven casinos and not grow the market. A clearer picture of Revel’s performance will emerge at the end of the summer.

I believe that this reality underscores the importance of the Governor’s creation of the new casino zone in Atlantic City controlled by the CRDA, an agency that is independent of the City.

This zone was created and is empowered to provide the vision, the coordination and the stability that has long been missing to remedy the absence of a central mission and purpose. It is this lack of a central and centralized mission that has been an impediment to making the City an international gaming and entertainment destination.

I strongly believe that this new paradigm needs to be embraced if we are going to find solutions to address the conditions in Atlantic City.
I do not believe that the creation of the quasi-governmental entertainment zone should be a give-away to the casinos.

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

The industry recently established the Atlantic City Alliance (ACA), a not-for-profit entity whose primary mission is to develop and implement a full-scale, broad-based, multi-year marketing program for Atlantic City. The plan is to rebuild the City's reputation and increase tourism by showcasing the unique features of the resort's attractions, in particular the non-gaming ones. The ACA will work with the CRDA to market and promote the Tourism District via a public/private partnership. In April, the ACA announced details and the start of a $20 million rebranding effort which it touted as the largest destination tourism marketing campaign in Atlantic City history.

Everyone has to do their fair share.

For the majority of the 30 years that we have had gaming in Atlantic City, casinos have made substantial profits, created thousands of jobs, generated enormous revenues and contributed substantial tax revenues to the state.

The industry, the state and the City all rested on their laurels.

The City, just a few hundred yards from the Boardwalk, continued to decline as urban blight and neglect metastasized.

The state continued to take in ever-growing tax revenues.

The casinos were content to increase traffic by sending more and more busses of seniors to the City or by a series of piecemeal expansions. Little was done with a grand plan in mind. Today we see pockets of development in a patchwork quilt.

Under the Governor's plan the City has given up much of its control over the most valuable property within its borders, but the return has the potential to be a good deal for the City.
We would all be foolish to rely on the CRDA or the ACA to solve all of the City’s problems. Take a look outside of this building at the American Dream project, formerly Xanadu, and you can quickly understand that for the Atlantic City Authority to reach its full potential, and, of course, for the industry and the city to reach their full potential, the state, the City and the region need a comprehensive and collaborative plan of action.

The plan needs to be focused on how to improve Atlantic City, casino gaming and the tourist experience.

The plan shouldn’t be balanced on whether or not there are VLTs in the Meadowlands or other marginal issues. There are already slot machines within 60 miles of Atlantic City; we will lose a lot more than sleep if we fret over the possibility that there may be VLT’s some 100 miles from the Boardwalk.

Fundamentally, the plan needs to identify how Atlantic City is going to compete for the next century, fully recognizing that competition is here and is growing.

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

The gaming industry needs to take a hard look at itself and at Atlantic City. It needs to identify the missing pieces – from the way it deals with individual customers all the way to how it interacts with the City and the region. I don’t believe there is a finite timeframe, but the clock continues to tick.

I hope my insights are helpful and contributed to the discussion. I would be pleased to answer any questions that you may have.

Thank you.
MICHAEL POLLOCK

TESTIMONY BEFORE NEW JERSEY ASSEMBLY REGULATORY OVERSIGHT
AND GAMING COMMITTEE

JULY 19, 2012

Thank you, Mr. Chairman, members of the committee and staff. My name is Michael Pollock. I am managing director of Spectrum Gaming Group, a research and analysis firm that is rooted in the two areas for which this committee has responsibility: regulatory oversight and gaming. My partner and I are both former New Jersey regulators, and we lead a staff of professionals with decades of experience as New Jersey regulators, in New Jersey law-enforcement, in New Jersey gaming operations and as journalists in New Jersey. While we work for private sector and government clients around the world, from Singapore to Massachusetts, we are based in New Jersey, the state that showed the world that gaming can be regulated effectively and fairly.
Although we presently have no clients on this particular issue, we have studied the question of expanded gaming in the Meadowlands for the past decade, and have developed numerous findings over the years. Over the past decade, I was honored in being asked to testify numerous times before a variety of legislative committees on this issue.

Much has changed over the past decade, including an unprecedented recession and a stomach-churning roller-coaster ride for the state’s casino industry and for Atlantic City. But, remarkably, when it comes to the issue of expanding gaming within New Jersey, the core of our findings remains the same, and is arguably immutable.

I would like to use my time today to focus on one of those findings, the one I consider most fundamental to this issue.

Before proceeding on any expansion of gaming in New Jersey, policymakers need to address the following: Transforming the Meadowlands into a competitor of Atlantic City would create a very real, irreconcilable conflict between two state policies.

Since 1976, when voters approved a referendum to legalize casinos in Atlantic City, New Jersey’s gaming policy has been the redevelopment of Atlantic City. That is enshrined in the state Constitution.
For more than three decades, it has worked as planned. The state benefits in various ways when Atlantic City benefits, from the 8 percent tax on gross gaming revenue to increased casino reinvestment dollars to increased employment, as well as growth in various other taxes.

The state’s interests and Atlantic City’s interests have operated on parallel tracks. Adding gaming to the Meadowlands would create divergent interests. The state’s share of Meadowlands slot revenue would, under any scenario, be significantly higher than its direct share of Atlantic City casino revenue.

This disparity means that the state Treasury would appear to have a clear, abiding interest in maximizing revenue at the Meadowlands, where the tax rate would inevitably be higher. The casino industry and Atlantic City, however, would have a clear interest in maximizing revenue at Atlantic City properties.

This conflict would pit region against region, state against city, and legislator against legislator.
I am not saying that a satisfactory answer cannot be found, but to date, no satisfactory answer has been put forward. In 2008, when the recession first took hold, I wrote the following for a report commissioned by the Casino Association of New Jersey: “Slots at the Meadowlands would force New Jersey to adopt competing public policies: promoting the continued development of the New Jersey casino industry vs. promoting slots at the Meadowlands.”

In 2010, when it was apparent that Atlantic City was reeling from the twin impacts of a recession and competition, I wrote: “Slots at the Meadowlands would force New Jersey to adopt incompatible public policies: promoting the redevelopment of Atlantic City vs. promoting slots at the Meadowlands. Meadowlands slots would cannibalize significant revenue from New Jersey’s casinos core markets in northern New Jersey and the New York metropolitan area. Because slot-machine revenue at the Meadowlands would be taxed at a significantly higher rate than revenue at New Jersey’s casino resorts, New Jersey would have a vested interest in maximizing revenue at the Meadowlands - at the expense of the established casino industry it created.”

The language describing that very real conflict remains unchanged, and will likely continue until a satisfactory answer has been developed. But some other factors regarding this issue remain unchanged as well.
No state in the nation, and certainly no state in this region, is contemplating the Atlantic City model. That model is characterized by a combination of a single-digit tax rate, a significant tourism infrastructure and a concentration of gaming licenses and capital investment in one location.

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

Atlantic City has not reached the point where its business model is such that it can withstand in-state competition, particularly if such competition creates conflicting policies for the state of New Jersey.

Despite the continuing negative news from Atlantic City, we can identify a solution: Greater capital investment. After all, non-gaming revenues, albeit a small slice of the overall pie, continue to do well. Small market segments that are underserved can be grown. Capital investment can be the key.
Achieving that goal of transforming Atlantic City is viable, but will be difficult. It requires continued cooperation and coordination with the rest of New Jersey. Other points, and other findings, can be cited, but I elect to focus my testimony on the one point that must be considered, and the one question that must be answered: If New Jersey creates in-state competition, it means that a dollar wagered in Atlantic City at a lower tax rate is less valuable than a dollar wagered at the Meadowlands, and that means that every dollar that travels from North Jersey to Atlantic City is a lost opportunity for New Jersey, as opposed to the present situation in which every dollar wagered in Atlantic City is a benefit to the state. How will the state address and reconcile those conflicting interests?

How that question is answered makes all the difference, to the Meadowlands, to Atlantic City and to the state of New Jersey.

Thank you for this opportunity.
Comments by Greater Atlantic City Chamber to Assembly Regulatory Oversight and Gaming Committee July 19, 2012

Chairman Ramos and Members of the Committee:

On behalf of the Greater Atlantic City Chamber and its 1000 member businesses, Thank you for allowing us to comment on gaming in the Meadowlands.

It is our staunch belief that a casino at the Meadowlands is not in the best interests of New Jersey taxpayers. The Governor has made it clear that he believes the plan to revitalize Atlantic City is of the utmost importance, not just to the South Jersey region, but to the entire state. Any plan that involves casino gaming in New Jersey outside of Atlantic City contradicts the direction and the vision that Governor Christie has set forth and that the Legislature has endorsed.

A great deal of time and effort was invested by the Governor’s Advisory Commission on New Jersey Gaming, Sports and Entertainment to establish a thoughtful and enlightened economic recovery plan for both the Meadowlands and Atlantic City. After careful consideration, the advisory commission, chaired by Jon F. Hanson, opted not to recommend casino gaming at the Meadowlands.

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

Despite the economic challenges facing the casino industry in Atlantic City during the past few years, the industry remains a powerful economic engine for the state...and the second largest gaming destination in the United States.

An economic impact study released in 2010 by Rutgers University found that Atlantic City casino resorts employ 38,000 New Jersey residents. In addition, the casino resorts directly and indirectly support 101,500 New Jersey jobs, based in large part on the casinos more than $2.2 billion in purchases of goods and services from NJ businesses located in all 21 counties throughout the state. That employment number includes approximately 3,200 year-round state-based construction jobs that are maintained by the industry each year, as a result of $700 million annually reinvested in casino capital projects.
The Rutgers study also demonstrated the need to keep Atlantic City competitive in a 21st century gaming marketplace: for every $1 million lost in total casino revenue, New Jersey would lose 19.6 jobs, $812,000 in payroll, and $334,000 in tax payments.

The casino industry in Atlantic City is vital to the state’s economic health and well-being. When the industry is successful, it translates into more jobs, more consumer spending and more direct spending on the part of the casinos. In short, a healthy casino industry in Atlantic City translates into a stronger New Jersey.

Of course, the industry has not been immune to the downturn afflicting the entire economy. Thousands of jobs have been lost and individuals and businesses that depend on the casino industry have suffered. Atlantic City is resilient, though...it will eventually emerge from this with great strength and vitality once again, thanks in large part to the comprehensive revitalization plan, which is already underway and making significant progress.

Since it was created, the Tourism Zone improvements amount to over $2.5 billion of new public and private sector investment in Atlantic City. Things like......

- The Atlantic City Alliance’s New Ad Campaign. $30 million of focused advertising to market AC as a world class destination resort.
- New Attractions, most notably Revel Hotel and Casino. Revel’s $2.4 billion investment and project size of more than six million square feet make it the largest single property in the State of New Jersey. When fully developed, Revel will provide more than 5,500 jobs.

Investment in a non-gaming attractions are growing too. A New Parking Garage at the Walk, and a Workforce Training Center to create jobs and train our future workers. Major Infrastructure Upgrades.......such as the South Inlet Transportation Project, upgrades at Garden Pier, Steel Pier, new facades and lighting for the boardwalk and Atlantic Avenue.

All these investments are designed to enhance the Atlantic City tourism experience. It’s clearly evident that your recent legislation forming the tourism district and streamlining casino regulation have served to improve the picture considerably.

But the industry needs your continued support and not more in-state competition for gaming revenues.

The Atlantic City revitalization is just beginning. Allow it time to bear fruit and produce the benefits that we expect from creation of the Tourism zone legislation.
As others have testified, it is bad public policy to permit casino gaming in another part of the state, given the significant investment in Atlantic City that has and will be occurring. Doing so would significantly dilute the positive impact recent reforms are having and will have on Atlantic City.

Atlantic City is simply too powerful of an economic engine for the state to allow that to happen.

With the public and private sectors working together, Atlantic City is overcoming its current challenges, building on its success of the past 30 years and continue to evolve into the world class resort destination that we all know it can be.

We need to protect the investment in Atlantic City’s casino industry because the return on that investment for New Jersey tax payers is too important to put at risk.

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

In closing, Atlantic City is making great progress, and expanding In State Gaming is not the answer.
NEW JERSEY:

A response to Request for Information on increasing net revenues of the New Jersey State Lottery

Jan 17, 2012
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I. Introduction

The New Jersey State Lottery (the “Lottery”) is seeking recommendations and information on how to increase net Lottery revenues to the State. Diamond Game (DG) has a product offering new to the State of New Jersey that can generate significant new revenue without cannibalizing current sales and without requiring structural changes to current lottery operations and management. The product can be deployed under existing laws utilizing current Lottery resources. The financial model proposed for this product would be a no-risk model for the Lottery in which DG would offer a turnkey operation based on a share of net revenue (tickets purchased less prizes paid), as opposed to gross revenue, and with no up-front money to the Lottery.

The product is DG’s “LT-3” instant ticket vending machine (ITVM), the third and latest version of DG’s patented Lucky Tab product. ITVMs are a common tool for most lotteries, are in use by the Lottery, and have advanced greatly over the last decade. Continuing the trend of more technologically-advanced ITVMs, the LT-3 employs a unique, patented feature which can greatly increase revenue from ITVMs. The LT-3, like most ITVMs today, dispenses pre-printed instant scratch tickets, one at a time, and utilizes a touchscreen monitor. The patented LT-3 also scans the barcode on the instant ticket as it is dispensed and, for the convenience of the player and to enhance entertainment, displays the result of the ticket on the video monitor. No other company can offer this feature, a feature which dramatically increases purchases.

The LT-3 is not meant to supplant existing ITVMs, which generally reside in high-traffic, highly-transient environments like grocery stores. Rather, the play style has been designed for stay-and-play entertainment destinations such as Off-Track Wagering establishments (OTWs), racetracks, charitable clubs, bars and taverns, etc. These non-traditional retailers allow the Lottery to expand its retailer base.

II. Detailed product and program description

A. Product Description

Diamond Game’s LT-3 is an instant ticket vending machine. It dispenses instant lottery scratch-off tickets to purchasers. The tickets are pre-printed and come on a roll or fan-folded stack, which is placed within the machine for dispensing. The game result is printed on the ticket. The result is also encoded
within a **barcode** on the paper ticket which is read by the machine. The machine has a **video monitor** that displays the result of the paper ticket as it is dispensed.

1. **Video Display**
The video monitor displays the result to the purchaser in an entertaining fashion (e.g. scratch-off, popping symbols, or fireworks display; as displayed below), however the video display does not in any way alter or affect the result which is pre-printed on the ticket. Additional entertaining display options are available or may be customized to suit the Lottery's needs.

**Scratch-off Video Display**

**Popping Symbols Video Display**
2. Paper Ticket
The paper tickets are pre-printed in the same basic manner as traditional lottery scratch tickets on a web-fed press and placed within the device for sale to the purchaser. The tickets are not printed by or within the device. The device only reads, cuts, and dispenses the ticket and displays the result on the video monitor. The tickets are scratch-off tickets which contain the game result underneath a latex covering.

3. Cabinet
The LT-3 utilizes a modern upright kiosk-style cabinet with a small footprint and sleek design. It has a 20” widescreen touch display user interface, with an optional upper 20” widescreen display for advertising or other information. It contains a built-in ticket dispenser with barcode scanner, as well as a high-security bill validator and logic box. The LT-3 is also available in a larger more traditional style slot cabinet known as the Gem cabinet, displayed below.
The dimensions of the LT-3 Kiosk can be viewed in the figure below.

4. Machine Functionality

The machine accepts currency or a currency equivalent (i.e. a receipt voucher) and maintains and displays the purchaser’s balance. As each purchase is made, the amount of the purchase is deducted from the purchaser’s balance. If a ticket is a winning ticket, the machine adds the winning amount to the purchaser’s balance, thus permitting the purchaser to buy more tickets. When the purchaser no longer wishes to purchase any more tickets and a balance remains on the machine, the purchaser may press the “Cash Out” button. A payment voucher will print and dispense to the purchaser. The purchaser may then take that voucher and insert it into another machine to make further ticket purchases, or redeem it for cash with a clerk. The clerk will scan the barcode on the payment voucher to confirm the balance and then pay the purchaser.

Fraud prevention is an important benefit of our payment voucher system. The payment voucher states in clear large numbers the exact amount owed to the player, greatly reducing the opportunity for a clerk to cheat a player out of winnings.
5. Lottery Retail Accounting System and Lottery Management System

The Lottery Retail Accounting System (LRAS) enables the reporting, maintenance, and payout of all LT-3 Instant Ticket Vending Machines at a single location. It is designed to work in tandem with the Lottery Management System (LMS), as certain data elements would be transferred from the site level to the central LMS level for reporting purposes or certain payout requirements.

The LMS is the central server located at a designated central location that provides for central reporting and management/overview of associated retail sites.

Both the LRAS and LMS systems are sophisticated accounting, reporting, and security tools. LRAS has received independent testing certifications from Gaming Laboratories International (GLI) for numerous jurisdictions and the LRAS and LMS systems have received certification from BMM Compliance Laboratories for the D.C. Lottery market. Certification letters from GLI and BMM are available upon request.

Detailed manuals for both the LRAS and LMS are also available upon request.

B. Program Description -- Implementation Scenarios

The LT-3 was designed to excel in a different market segment than traditional ITVMs. While existing ITVMs are ideal for high traffic locations like grocery stores, gas stations and convenience stores, the LT-3 was designed for stay-and-play entertainment destinations. Therefore, the type of locations DG recommends for the LT-3 in New Jersey include OTWs, racetracks, charitable clubs, and bars and taverns. With traditional ITVMs, a single dispenser adequately supports demand because customers choose their products from the vending machine and depart with their ticket(s). The interactive play style of the LT-3, on the other hand, engages and entertains players giving them a reason to “stay and play.” For this reason, most locations with an LT-3 will have multiple devices to satisfy customer demand. Longer individual play sessions and multiple devices per location combine to generate gross and net sales that are far greater than traditional ITVMs. Age-controlled locations that provide an environment for patrons to be entertained, socialize and spend disposable income are ideal locations for the LT-3.

1. Financial and Operational Model for LT-3 Program

DG proposes a turnkey operation based on a share of net revenue among the parties. Thus, the Lottery has very limited operational, and no capital investment, requirements. Net revenue (gross monies played less prizes paid) would be split three ways with a percentage to Lottery, a percentage to DG and a percentage to the retailer. Such a model is new to most lotteries, which typically establish a price per ticket or percentage of gross sales to be paid to the vendor and a percentage of gross sales be paid to the retailer.

Based on play and revenue data captured by DG’s LRAS and LMS accounting systems, the Lottery would invoice the retailer for 100% of the net revenue less the retailer’s share, and sweep the retailer’s account for the invoice amount on a weekly basis. The Lottery would remit to DG its portion of the revenue and keep the balance.
III. Response to Questions Raised in RFI

A. Cost, if any, to alternative compensation plans

As part of the turnkey operation, DG would record all play and revenue data and transfer such data to the Lottery’s accounting system. The data will be provided such that it will incorporate seamlessly into the Lottery’s current accounting procedures. Thus, DG does not anticipate any significant costs to the Lottery in administering the compensation to the parties, e.g. retailer and vendor.

B. Legal & Financial Impact of Diamond Game proposal on Current Contracts

In response to previous requests for proposal, several lottery gaming contracts have been awarded by the Lottery and are currently in place. They include the following system and printing contracts:

- **Lottery Gaming System and Support Services (T-1320)**
  - GTECH Corporation (A73320)
- **Printing: Instant Lottery Tickets - Standard and Proprietary Games (T-0566)**
  - GTECH Printing Corporation (A49184)
  - Pollard Banknote Limited Partnership (A49185)
  - Scientific Games International Inc. (A49186)
  - Scientific Games International Inc. (A49187)

1. Exclusivity

   From a legal perspective, the primary consideration is whether any of the awarded contracts convey exclusivity to the contractor. Our review has not revealed any provision in the incorporated contract terms that grants exclusivity to any of the contractors. In fact, there are provisions to the contrary that grant the Lottery the ability to grant post-award contracts relevant to the types of products proposed by Diamond Game (as discussed below).

2. Procurement Method

   There are three ways we see for the Lottery to authorize the Diamond Game proposal and make a contract award. The potential procurement methods include:

   - No Public Advertising Process
   - Subcontractor
   - RFP Bidder

   The contract terms are embodied in the professional contracts, RFPs, bidders’ proposals and best and final offers (BAFOs), and any addenda there to. Diamond Game and its outside counsel have reviewed these contracts to determine the legal and financial impact on the current Lottery contracts. The legal and financial implications of each are analyzed below.
a) No Public Advertising Process

We believe that the Lottery could enter into an agreement with Diamond Game without a bidding process because Diamond Game qualifies as a sole source provider for the proprietary LT-3 gaming system. It is an integrated product composed of a ticket dispenser, display and tickets that support the following features:

1. Instant ticket dispenser which reads, cuts, and dispenses instant ticket upon each purchase and displays the result of the ticket on a touch-screen video display upon dispensing

2. Pre-printed, scratch-off tickets with machine-readable bar codes

3. Bar code reader in dispenser which reads ticket as it is dispensed

Diamond Game’s industry-leading development of instant ticket dispensers with touch-screen video display over the past eighteen years has resulted in the recognition of sixteen (16) broad product patents and has five (5) pending patent applications. The intellectual property protection provided by these patents and pending patents makes Diamond Game the only company capable of providing a dispenser to read, display, cut, validate and utilize barcodes with the pre-printed instant tickets. Therefore, pursuant to NJSA § 52.34-10 and NJAC 17:12-1Af, Diamond Game may be awarded a contract without public advertising or RFP.

The Lottery’s utilization of this procurement method would have no legal impact on the current contract awards. The existing contracts would remain in place and unchanged.

The financial impact of an award based on this procurement method on current contract awards would be non-existent. Again, the existing contracts would remain in place and unchanged. However, the financial impact on the Lottery would be positive and additive. The Diamond Game proposal would open a broad new market to the Lottery and the revenue generated would augment current revenue streams. Moreover, this option provides significant benefit to the Lottery by negating the need for subcontractor negotiations or a lengthy and costly RFP process. Thus, the Lottery would avoid significant administrative costs and delayed implementation.

b) Subcontractor

Second, the Lottery could authorize a Diamond Game award as a subcontractor under the existing contract awards with GTECH, Scientific Games or Pollard Banknote.

(i) Lottery Gaming System and Support Services Contract (T-1320)

Under the Lottery Gaming System and Support Services contract awarded to GTECH, the Lottery could invoke its discretion to authorize specialty retail terminals during the term of the contract. There is an explicit provision for the provision of new specialty retailer terminals in addition to those required in the RFP:

RFP (08-X-39707) 3.2.3 SPECIALTY RETAILER TERMINALS

...In addition to the specialty retailer terminals required in this section, which shall be provided as part of the cost Proposal by the Bidder, the Bidder shall describe the ability to provide additional specialty retailer terminals of the same or alternative specifications, designs, or functions. The Lottery may add additional specialty retailer terminals during the term of the contract in an effort to maximize sales. [Emphasis added]
Given the unique array of features set forth in 6(b)(i) above, Diamond Game’s LT-3 instant ticket vending machine (ITVM) could certainly perform as a specialty alternative to the conventional retailer terminal.

In terms of the legal impact of this option, the Lottery, GTECH, and Diamond Game would need to negotiate and agree on a subcontracting structure acceptable to all parties. Diamond Game is prepared to negotiate with GTECH to become a subcontractor under their existing contract with the Lottery.

The financial impact would benefit both GTECH and the Lottery. The additional revenue generated by the Diamond Game proposal would be split between the parties and be in addition to current contract revenues. The revenue ultimately collected by the Lottery would likely be less than that collected under the sole source model discussed above as the revenue would be shared among three parties rather than two.

(ii) Printing: Instant Lottery Tickets - Standard & Proprietary Games (T-0566)

Alternatively, the Lottery could select Diamond Game as a subcontractor of a “specialty or proprietary game” pursuant to the Instant Lottery Tickets Printing contracts awarded to GTECH, Scientific Games or Pollard Banknote. There is an explicit provision for outside contractors to provide Specialty or Proprietary Games in addition to those required in the RFP:

RFP (09-X-20136) 6.1 TWO- TIER EVALUATION PROCESS

3) Separate contract awards will be made to bidders offering unique proprietary games, licensed games, pouch games, special packaging games, or other games which would be of interest to the Lottery. After contract award, and during the contract period, the Lottery reserves the right to use its discretionary powers to select any specialty or proprietary or licensed games which it considers most appropriate for its market. [Emphasis added]

For the same reasons set forth in 6(b)(i) above, the LT-3 could serve as a “specialty, proprietary or licensed game” under the Instant Lottery Tickets Printing contract.

The legal and financial impact of this option would be similar to that discussed above in connection with the system and support contract. The parties would need to negotiate and agree on a subcontracting arrangement and Diamond Game is prepared to negotiate with any of the printing contract awardees.

The financial impact would benefit both the printing contract awardee and the Lottery. A revenue sharing agreement between the three parties would provide revenue on top of that from current channels.
Again, the revenue ultimately collected by the Lottery would likely be less than that collected under the sole source model as the revenue would be shared among three parties rather than two.

c) RFP

Finally, the Lottery could issue an RFP, accept bids for the equipment and award a contract for an ITVM program. This option would have no legal impact on the existing contract awards. The financial impact is unknown as this procurement method would mean that the Lottery would incur significant upfront administrative and opportunity cost due to the selection effort and time delay.

3. State Law Analysis

The LT-3 is an ITVM with the same hardware, features, and functionality of the ITVMs currently used by the Lottery, with one exception. The LT-3 displays the result of the ticket as it is dispensed. (Note that even this feature is not entirely new as G-Tech’s latest ITVMs also contain a reader that the player may use to scan the ticket, the result of which is then displayed on a monitor). The deployment of DG’s patented LT-3 is permitted under existing New Jersey law as an ITVM and is not an impermissible slot machine.

The use of slot machine devices in lottery games was prohibited in 1983 with the enactment of N.J.S.A. 5:9-7.1. The statute prohibits any game which

uses any video mechanical, electrical or other video device, contrivance or machine which, upon the insertion by the participant of a coin, token or similar object therein, or upon payment of any consideration whatsoever, is available to play or operate, the play or operation of which, whether by reason of the skill of the operator or application of the element of chance, or both, may deliver or entitle the person playing or operating the machine to receive cash, tokens...

The LT-3, like traditional ITVMs, does not apply any element of chance. Rather, it merely dispenses to the player the next ticket in order off of the roll of tickets. Thus, the machine has no impact on the outcome of the game. The “game” itself is played on the ticket, not in the machine. The LT-3 enhances the play through its features but it does not create nor alter the play.

A review of New Jersey statutes reveals that the term slot machine is defined similarly both in criminal code (N.J.S.A. 2C:37-1) and gaming law (N.J.S.A. 5:9-7.1 and N.J.S.A. 5:12-45). This clarifies that the prohibition found in N.J.S.A. 5:9-7.1 is applicable to slot machines and not enhanced ITVMs such as the LT-3. Several federal courts and Maryland’s highest court have come to the same conclusion that DG’s patented technology does not create a slot machine but aids the player in the playing of instant tickets. See Diamond Game Enterprises, etc v. Reno (98-5516, D.C. Circuit, November 3, 2000); U.S. v. Santee Sioux Tribe (02-1503, 8th Circuit, March 20, 2003); Seneca-Cayuga Tribe et als v. National Indian Gaming Commission (01-5066, 10th Circuit, April 17, 2003); Chesapeake Amusements, Inc. v. Riddle (No. 124, September 1998, Maryland Court of Appeals, February 13, 2001).
C. Statement of Prior Experience

Diamond Game designs, manufactures, and services games and gaming systems for the public gaming, Native American, and charity markets. As the Company Where Innovation Plays, we continuously develop new and thrilling gaming experiences for a variety of gaming markets. Most notably, we created the patented Lucky Tab gaming machine, which we successfully established as a legal video ticket dispenser under federal laws before several state and federal appellate courts. Our creativity also extends to the highly-entertaining games, which are available in a variety of poker and reel game formats, and to the sophisticated gaming systems we develop. Most importantly, we anticipate our customers' needs and endeavor to deliver the ultimate in customer satisfaction.

Our games and game systems come in a variety of formats — ITVMs, Class II bingo, Class II pull-tab, Class III—and stand ready for custom modifications to meet the needs of our customers. Our games contain state of the art technology and always provide the player with an exciting gaming experience. No matter what format, our customers can depend on the highest level of security and accountability from our gaming systems.

Diamond Game began in 1994 and entered the public gaming industry in 2003, launching our Lucky Tab II gaming machine with the Iowa Lottery. In 2004, the U.S. Supreme Court let stand federal appellate court findings that the Lucky Tab II is merely a dispenser of tickets and not a slot machine, Johnson Act device, or other gambling device. The U.S. Supreme Court action paves the way for state lotteries, charitable organizations, and other gaming ventures nationwide to begin offering our unique ITVMs nearly anywhere regular instant ticket vending machines are permitted.

Most recently, Diamond Game unveiled its new Blue Diamond game platform and Gem cabinets. The new platform is a GLI 11-certified Class III game platform, with SAS 6.02 connectivity. The Blue Diamond platform, which was specifically designed to give us more market flexibility and allow us to adapt our games to meet nearly any jurisdictions' gaming requirements, also features common-language programming that allows for rapid game development and component integration. The Blue Diamond platform was released in conjunction with the exciting new Gem cabinet, which features high-end 2.1 stereo sound, an ergonomically designed button panel, and the ability to drive up to three 22" wide LCDs.

Diamond Game maintains its corporate headquarters in Chatsworth, California and maintains a sales and service facility in Oklahoma City, Oklahoma.

Diamond Game has a breadth of experience providing electronic equipment, such as the LT-3, to a variety of location types, from bingo halls to racetracks, from fraternal clubs to taverns, and to a variety of customer types, such as charitable gaming entities, private for-profit gaming enterprises and state lottery customers. Below is a list of our experience with the markets/customers that are most applicable to this RFI.
Iowa State Lottery (Iowa Lottery): Diamond Game was one of three vendors (Scientific Games and International Gameco/Oasis were the other two) that provided ticket-dispensing equipment with video display for a pilot test by the Iowa Lottery in 2003. DG operated these dispensers in Iowa bars and taverns under the authority of the Iowa Lottery in 2003 and 2004 and then operated a subsequently approved wholly-electronic version of the equipment in 2005 and 2006. The original product provided by DG in 2003/4 was our Lucky Tab II ticket dispenser.

The Lucky Tab II was a good product that did not, however, offer the more advanced features of our LT-3 being proposed in this RFI. One important feature missing from the Lucky Tab II that impeded performance was the ability for the player to have the device credit the player’s account for winning tickets. The wholly-electronic version of the equipment approved in 2005 essentially converted the devices to a VLT product.

Revenue performance of the initial ticket dispensers was healthy, while the performance of the VLTs was much stronger. However, the wholly-electronic VLTs were installed at a much more rapid pace than the original devices, were deployed in grocery stores and convenience stores and were no longer distinguishable without the pre-printed tickets from the slot machines in the casinos and racinos throughout Iowa. Politically, the VLTs were too much for the State of Iowa and the entrenched casino interests to abide. The program was terminated by the legislature in 2006.

Reference: Larry Loss, VP Sales, Iowa State Lottery: (515) 725-7907

D.C. Lottery: The LT-3 has been well-received by the District’s CFO, to whom the Lottery reports, D.C. Council members and lottery staff. The LT-3 hardware and software and related LRAS and LMS accounting systems have been tested and certified for D.C. by BMM Compliance Laboratories. D.C. is interested in the equipment and is in the process of determining the best way to proceed to start a pilot.

Reference: Buddy Roogow, Executive Director, (202) 645-8076

Ontario Lottery and Gaming Corporation (OLG): As part of a broad initiative to revitalize the Charitable Gaming Industry in Ontario, the OLG will be offering several new products to Charitable Gaming Centers beginning this year. This includes a ticket-dispenser with video display like the LT-3. DG responded to the Technical Specifications Standards document for this product and is currently in advanced discussions with OLG on providing the LT-3 for this market.

Reference: Mary O’Neill, Brand Manager, Bingo Gaming Division, OLG, (416) 224-7111
Charitable and Commercial Bingo, Anne Arundel County, Maryland: DG’s Lucky Tab II has been in operation for over 10 years and the more advanced LT-3 for 6 years in Anne Arundel County, Maryland fraternal clubs and commercial bingo halls. In the clubs, there are 4-6 dispensers per location and in the bingo halls 100-200 per location. The dispensers have been extremely popular with players and generated significant revenue for the charities, operators, county and state. Revenue figures can be found in the supporting data for projections provided in this RFI for the LT-3 in New Jersey.

Reference: Anne Hatcher, Chief of Licenses, Anne Arundel County, Maryland, (410) 222-7788
Craig Romak, Manager, Delta Bingo, Laurel, Maryland, (240) 997-6606

Arkansas Race Tracks: DG created an electronic game of skill (EGS) to meet the requirements of the Arkansas Racing Commission that utilized DG’s predetermined finite pools of electronic ticket results and a video display. DG’s EGS, “SklTab,” was a success from the beginning with players, the race tracks and the state of Arkansas. SklTab provided a more engaging playing experience than any EGS that had been developed previously.

Reference: Troy Keeping, General Manager, Southland Gaming and Racing, a subsidiary of Delaware North Companies, West Memphis, Arkansas, (870) 732-8300

D. Cost estimates of product

The proposed revenue-share financial model allows for little or no direct cost to the Lottery. As described above, the LT-3 product is a turn-key solution. Some minimal staffing or accounting personnel needs may result as a side effect of rolling out the LT-3 system.

IV. Summary

Diamond Game’s LT-3 ITVM provides a mere enhancement to existing products operated by the Lottery today. The subtle, but important, differences in the LT-3 compared to the advanced ITVMs the Lottery currently operates, allow the Lottery to tap a new market segment, generating significant increases in net revenue. The LT-3 can be deployed under existing laws as the Lottery is currently organized or under a third-party operator.

In any implementation scenario the Lottery may follow, the LT-3 is high-earning on a per-machine basis, making it a valuable addition to the Lottery’s product portfolio.

We appreciate the opportunity to present this information and would be pleased to provide additional information in a follow up meeting or through additional documentation.
LT-3: Popping Display

Winnings that Pop!

Play and watch as game symbols pop on the screen and reveal the results of the pre-printed ticket being dispensed!

Whether you’re dispensing scratch tickets or pull-tabs, you can add entertainment and build player anticipation with this unique display animation!

One of the LT-3’s more popular display options.

The LT-3 ITVM: There’s so much more to earn.

To learn how your lottery can benefit from our suite of products, call Sales at 818.727.1690
LT-3: Scratch Display

Scratching the Surface!

Purchase a ticket and watch the display scratch it for you! Game symbols are revealed with scratch animation and the results of the pre-printed ticket being dispensed are displayed.

The auto scratch feature adds entertainment or you can be interactive and scratch each icon yourself! Minimize the mess and maximize play with this unique display animation.

One of the LT-3’s most interactive display options.

The LT-3 ITVM: There’s so much more to earn.

To learn how your lottery can benefit from our suite of products, call Sales at 818.727.1690

Diamond Game
Where Innovation Plays

75 x
LT-3: Spinning Display

Spinning Winnings!

Play and watch as game symbols spin on the screen and reveal the results of the pre-printed ticket being dispensed!

Whether you’re dispensing scratch tickets or pull-tabs, you can add entertainment and build player anticipation with this unique display animation.

The LT-3’s most traditional gaming display option.

The LT-3 ITVM: There’s so much more to earn.

To learn how your lottery can benefit from our suite of products, call Sales at 818.727.1690
LT-3: Fireworks Display

Where sparks fly!

Watch fireworks light up the screen as you play. The fireworks indicate winnings of the pre-printed tickets being dispensed.

Whether you’re dispensing scratch tickets or pull-tabs, you can add entertainment and build player anticipation with this exciting display.

The LT-3’s simplest and most vibrant display option.

The LT-3 ITVM: There’s so much more to earn.

To learn how your lottery can benefit from our suite of products, call Sales at 818.727.1690
Assembly Regulatory Oversight and Gaming Committee
July 19, 2012

Statement on Gaming at the Meadowlands

Donald F. Weinbaum, Executive Director,
The Council on Compulsive Gambling of New Jersey, Inc.

To: Chairman Ramos and Committee Members

Thank you for the opportunity to testify about the prospect of gaming at the Meadowlands. My name is Donald Weinbaum, and I am the Executive Director of the Council on Compulsive Gambling of NJ.

I believe that Committee members are already familiar with our Council. Our primary mission is to offer help to compulsive gamblers and their families and to advocate on their behalf whenever necessary. The Council neither supports nor opposes legislation to expand gambling; therefore, we do not take an official position on whether casino gambling should be allowed at the Meadowlands. Instead, I would like to talk with you about some related issues that the Committee will need to consider if such an expansion is planned.

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

In this context, my message to you today is simple. Every bill that proposes to expand, change or reform gambling in NJ (including any proposed constitutional amendments) should include 2 words, at the very minimum. Those words are: “problem gambling”. Historically, casino bills have been stronger in addressing problem gambling than bills related to racing.
Appropriate regulation is essential: critical provisions include adequate protections to prevent gambling by minors, self-exclusion, public awareness, posting of help line numbers, and funding for treatment and prevention services. Please keep in mind that the current level of funding for treatment is grossly inadequate and that the Council has already had to put caps on the services that our treatment providers can offer. Unfortunately, many problem and compulsive gamblers who need help are not able to be adequately served. We urge that any gambling expansion contain provisions that increase funding for treatment.

Compulsive gambling is an addiction. Research tells us that 2-5% of those who gamble could be affected and that each of them may affect 7-10 others. Most gamblers do not fall into this category, but for those who do this addiction can be serious and sometimes deadly.

The cost to the business community is also significant, amounting to hundreds of millions of dollars each year in embezzled funds and lost productivity. I urge you to keep this in mind as discussion proceeds regarding what types of gambling should be authorized in our state.

Much of the discussion today has focused on economics and whether NJ is losing market share to other states. From our vantage point, none of that really matters. Regardless of where they gamble – be it in NY, PA, Atlantic City or even on the Internet - compulsive gamblers who are in trouble are calling the Council every day, and they will continue to call us in the future. The real challenge will be to prevent these numbers from growing if and when NJ expands gambling. As a state, we also have a responsibility to ensure that adequate resources have been set aside to provide compulsive gamblers, and their families, with the help they need.

Thank you for consideration of our comments.

Donald Weinbaum
Executive Director
The Council on Compulsive Gambling of New Jersey, Inc.
3635 Quakerbridge Rd, Suite 7
Hamilton,
609-588-5515
Tony Rodio, as President of the Casino Association of New Jersey ("CANJ") and on its behalf:

New Jersey's gaming industry in Atlantic City is at a crossroads. Thanks to the tremendous support from Governor Christie, the New Jersey Legislature and our Regulators, we have seen significant recent positive developments in Atlantic City's tourism and gaming industry. This support further strengthens New Jersey's casino industry as a substantial source of private sector business growth, employment and investment.

Significant privately funded resources are being invested to grow the non-gaming sector of the City and a $150 million rebranding and advertising campaign, funded by the casino resorts of Atlantic City, is now under way to promote Atlantic City. Though these efforts have only recently commenced, they have already begun to develop the building blocks necessary for their success, such as the establishment of the Atlantic City Alliance as a separate, fully staffed, casino funded marketing entity for the City, the creation of a multi-million dollar 3d light show attraction for center Boardwalk, the completion by the CRDA of a master plan for the Atlantic City Tourism District and the investment in personnel and technology to maintain the City as a clean and safe destination.

Despite the global economic downturn and the growth of convenience casinos in nearby states, Atlantic City casino resorts continue to be one of the largest economic engines in the state of New Jersey, attracting over 28 million visitors each year and generating one third of all tourism dollars spent in New Jersey. The Atlantic City casino industry is also one of the largest employers in New Jersey, directly employing more than 36,000 New Jersey residents and supporting over 60,000 more jobs statewide in all 21 counties. Most recently, the opening of the $2.4 billion Revel Casino created over 3,500 permanent jobs, while supporting over 10,000 total jobs for New Jerseyans.

Since 2003, the Atlantic City casino resorts have invested over $6 billion dollars, ranking it among the largest capital investors of any industry in the State. In addition, the casinos pay and generate nearly $1 billion in state and local taxes annually, much of which fund programs to benefit seniors and disabled citizens. According to a 2010 Rutgers report, due in part to its employment of nearly all state residents and its unique tax obligations, the economic effects produced by the New Jersey casinos are among the greatest of those provided by any of the state's private industries.

However, the economic engine derived by the Atlantic City casinos will immediately be jeopardized by the expansion of casino gaming within this state.
Although many see the opening of a Meadowlands casino as a panacea to the increased competition from nearby out-of-state convenience markets, it simply is not. In fact, the approval or even serious consideration of a Meadowlands casino alone would have a chilling effect on new or sustained private investment in Atlantic City. The anxiety produced on Wall Street from such approval or consideration would raise the cost of capital available to new or existing operators and create uncertainty in the investment community. The consequent reduction in investment would reduce the number and quality of attractions and amenities and, in turn, would make it difficult for Atlantic City to continue its transformation into a world-class destination resort. This transformation and the continued development of Atlantic City is New Jersey’s best chance to compete in the long-term with these convenience markets. It is what primarily differentiates Atlantic City from the surrounding jurisdictions and what continues to drive millions of out of state visitors to spend their vacation and recreation dollars in New Jersey.

To suggest that New Jersey can support two models of gaming—a destination model in Atlantic City and a convenience form of gaming elsewhere in the state, is simply incorrect. These competing public policies would do nothing more than cannibalize gaming revenues within New Jersey, mortally wounding the revitalization efforts that are just underway in Atlantic City and with it New Jersey’s opportunity to differentiate itself from the surrounding convenience forms of gaming. Because convenience gaming outlets require so much less capital investment and support many fewer employment opportunities than do destination resorts, the diversion of gaming revenue within the state from Atlantic City to convenience gaming facilities will result in a net loss in jobs, capital investment and the resultant construction trades jobs generated thereby and decrease the substantial economic impacts derived from full scale resort properties. Importantly, if Atlantic City is not able to sustain its development as a premier destination resort, instead of attracting tourists from the entire Eastern Seaboard, New Jersey will attract only those individuals who live closer to New Jersey casinos than to those in other states thereby jeopardizing hundreds of millions of dollars in tourism spending from out of state visitors.

The long-term revitalization of Atlantic City is underway. The casino industry has focused its continuing annual capital investment of hundreds of millions of dollars each year on the evolution of the resort into a world-class destination. The effort is, however, in its infancy. Atlantic City is only in the seventh month of a five year $150 million new marketing initiative to promote the significant destination offerings already in place in Atlantic City resulting from the aforementioned capital outlays. This initiative is in addition to the marketing efforts already in place by the Atlantic City Convention and Visitors Authority and those regularly produced by each casino property.

It will take time to stabilize and re-position Atlantic City in the face of the economic downturn and increased competition. But there is a long term plan in
effect with short term positive developments already having been achieved that will serve as the foundation to enable the positioning of New Jersey’s gaming industry for the future. We are spending an additional $30 million annually to market Atlantic City and investing capital to broaden the appeal of the resort, which we are confident is the correct approach. New Jersey cannot control what happens outside of its borders, but it can, within this state, continue its support for this vital industry and the jobs, taxes and investment it produces and supports. We respectfully ask that you continue to permit the casino industry to pursue the long term plan that will permit it to remain a vibrant economic engine within the State of New Jersey.

Thank you

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