APPENDIX
Prepared Remarks for Senate Economic Growth Committee Public Hearing on Sports Betting
April 5, 2010
Greater Atlantic City Chamber

Good morning, on behalf of our Board of Directors and our more than 800 members, we welcome you and thank you Senator Lesniak and the other committee members for holding this hearing in Atlantic City. We’d also like to acknowledge Senator Lesniak for your leadership and support of issues that are of vital importance to our great city and our entire region, including the Tax Increment Financing as it relates to the Revel project and your on-going efforts to reform COAH regulations that have hindered the business community and stifled economic development.

The Greater Atlantic City Chamber supports the idea of sports betting at Atlantic City casinos. Our position is consistent with the feelings expressed by New Jersey residents in the 2009 public opinion poll by Farleigh Dickinson University in which residents favored sports betting in Atlantic City by more than a 2-to-1 margin. However, we are not in favor of sports betting at horse racing tracks in New Jersey.

Now, more than ever, it’s vitally important for the state of New Jersey to protect its investment in Atlantic City by not allowing gaming activities – whether it’s video lottery terminals or sports betting -- at the state’s racetracks. Or reasons are both clear and compelling.

While the casino industry in Atlantic City has come under significant pressure from the nation-wide economic slump and increased competition from neighboring states, it is still a source of tremendous economic impact to this region and to the entire state.

Consider some of the following facts and figures. I should emphasize that this information is not intended to denigrate the horseracing industry. Rather, it is meant to shed light on the dramatically different roles that New Jersey’s casino industry and horse racing industry play in our state’s economy.

The New Jersey casino industry has invested more than $17 billion of its own capital to build the world-class casino facilities in Atlantic City, including more than
$6 billion on projects completed since 2003 alone. In the process, they’ve created thousands of construction jobs year after year for New Jersey’s building trades. This stands in stark contrast to the absence of any private investment by the NJ racing industry in the last few decades.

Based on the New Jersey Sports and Exposition Authority annual reports, slightly more than $100 million in capital was expended since 2003 at all of its facilities including racing facilities, mostly all public funds. Even if all those funds were racing-related (which they are not), it represents a small fraction of the casino investment. For racing, a significant portion of these funds was expended by Monmouth Park to host the Breeders Cup – and that wasn’t private investment, it was taxpayers money!

Consider employment data: In 2009, the NJ casino hotels directly employed approximately 38,000 individuals with good paying wages and full benefits. This compares to less than two thousand jobs at NJ racetracks (a total lower than the employment at the smallest Atlantic City casino). According to the American Horse Council, many jobs in their industry are part-time and seasonal, with the average job equating to 0.65 of a full-time job. Applying that ratio to NJ racetracks would mean NJ tracks support the equivalent of fewer than 1300 full-time jobs, many without benefits.

Consider taxes: In 2009, New Jersey casinos directly paid close to $1 billion in total state and local taxes, with $295 million dedicated to seniors and people with disabilities. In its 31-year history, the casino industry has generated more than $18 billion in taxes and fees for the state. The New Jersey horseracing industry by comparison is not subject to any revenue tax -- its pari-mutuel tax was repealed in 1994. New Jersey taxpayers get no tax benefit from wagers on horses.

Consider monies spent on NJ businesses: In 2008, NJ casinos paid $4.15 billion to its vendors, $2.3 billion of which was paid to 2,119 NJ vendors located in all 21 counties throughout the state. These purchases sustained or created an estimated 20,000 additional NJ jobs. No data is available on the racing industry purchases. However, the total economic impact of the racing industry, according to a 2007 Rutgers study, is $502 million, which includes vendor purchasing, salaries, equipment, facilities, feed as well as indirect spin-off impacts.

The Atlantic City casino industry is the 2nd largest casino market in the United States. It is one of the largest employers in NJ. On the other hand, the NJ racing industry has been on life support, with fans and wagering dwindling year after year and the industry doing nothing to deal with the changing economics in its business. Even when empowered to operate profit producing Off Track facilities by the New Jersey legislature, the tracks dragged their feet for years before opening any facilities, and only recently opened 3 of the 15 approved facilities.

The indisputable bottom line is that the racing industry owes its existence to subsidies from New Jersey taxpayers and other sources. The Sports Authority racing operations have an operating deficit of about $20 million annually, even with the $30 million paid to
the race tracks by the casinos to bail them out. All told, there are annual subsidies of approximately $70 million —money that could be used to improve education, protect public safety, and meet other critical needs in our state.

In summary, we believe that legalized sports betting can be an exceptionally valuable tool in helping the casino industry in Atlantic City reinvigorate itself. However, that belief and our enthusiasm for the prospect of sports betting is tempered by the prospect of also making sports betting available at racetracks. Doing so would significantly dilute the positive impact here in Atlantic City and, even worse, open the door for potentially other forms of gambling at racetracks. 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, build 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. Our state legislators 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. One way of protecting that investment is to limit sports betting to Atlantic City casinos, and not to racetracks where the return on investment pales in comparison.

Thank you for the opportunity to share our views with you.
iMEGA - Interactive Media Entertainment & Gaming Association
Joe Brennan Jr. - Chairman


Last week in Pennsylvania, Montgomery county officials sent a workcrew to a nice, well- manicured home in the Philadelphia suburb of Abington, and had the lawn dug up and the shrubbery and gardening torn out. Why? Because the homeowner is an alleged sports bookmaker, and law enforcement believed he had stashed millions of dollars in profits from the enterprise by burying it on his property. And they were apparently correct, as nearly $1 million was found on the property and seized. That money was in addition to close to $2.7 million county officials seized from the homeowner four years prior, proceeds from what was alleged to be a sports betting operation handling $50 million dollars per year.

The remarkable thing about this story is that you don't have to go on a treasure hunt in someone's back yard in order to find substantial money from sports betting - it is everywhere, in full view, for all to see.

Just open to the sports section in today's paper or turn on ESPN or Comcast SportsNet. You'll get the betting lines, totals, even adjustments based on injury reports and changes to futures (I believe the futures on the Washington Redskins just improved over night by adding Donovan McNabb to their roster). Sports betting information in the media is as common as information for the stock market - and probably more widely read, even on Wall Street.

The state of New Jersey, and in particular Atlantic City, would do very well by reaping substantial tax dollars, creating jobs and, most importantly, helping drive visitors and revenue at the local casinos, if it were to regulate sports betting.

It is an interesting coincidence that today's meeting is scheduled on the same day as the championship game of the NCAA men's basketball tournament in Indianapolis. While hosting the Final Four has no doubt been a short-term financial boon to that city, the NCAA tournament has been an even greater economic stimulus to another town more than 1,800 miles away: Las Vegas.

Since the tourney began three weeks ago, room occupancy rates at Vegas casinos have skyrocketed and business is up substantially. You would be hard-pressed to get a room on the Strip, since the town has swelled with visitors looking to place legal wagers on the NCAA tournament.

And that's not all. Once players have placed their sports bets, they also move on to other gaming activities - table games, slots, horse racing. They eat and drink in the resorts' restaurants, shop in the resorts' retail locations, utilize the hotels' spa and relaxation services.

Direct revenue from the wagers is magnified 10x by the economic halo effect of drawing hundreds of thousands of visitors - many from the tri-state area of New York, New Jersey
and Pennsylvania - out to the middle of the desert to place legal, regulated wagers on the games. 

And here, in Atlantic City? Unfortunately, there will not be that same influx of visitors and revenue, because regulated sports wagering is not permitted in New Jersey.

Now obviously, money is being bet on sports here in New Jersey. The final report of the National Gambling Impact Study Commission, back in 1999, estimated that sports wagering in the US represented an underground economy approaching $380 billion - BILLION - marketplace, largely provided by organized crime, local street-level entrepreneurs (like the accused in Abington, PA) and peer-to-peer, between friends.

Since that report, all the way back during the Clinton administration, we have seen the explosion of the Internet, the boom of fantasy sports, and an ever expanding universe of televised sports. Given that, it's hard not to imagine that sports wagering - as an underground economy - is approaching a Half-Trillion dollar market. And, Atlantic City and New Jersey is getting nothing out of it.

It could, though. Estimates peg a state-regulated sports betting marketplace in the state to be in excess of $10 Billion. A sizable chunk - more than $3.5 Billion - could be realized by Atlantic City's casinos. Given the population density of the state, its position in the Northeast Corridor and less-expensive transportation options when compared to Las Vegas, Atlantic City could see a significant stimulus to its resort casino economy if state-regulated sports wagering were permitted. Instead of low occupancy levels during Super Bowl weekend or the NCAA tournament, Atlantic City would become the place to be on the East Coast during those periods.

Now, state regulated sports wagering is not a single, silver bullet remedy to all of the challenges facing this city's resort casino industry. But it can be part of the solutions needed to reverse the town's fortunes by providing a stimulative effect. More traffic means more dollars means more jobs. Atlantic City's casinos would be able to renovate their properties, and new properties being constructed would have an additional pillar on which to base job creation and ongoing success.

Our association comes at this issue from the vantage point of the Internet. Online operators would like to find a home in the US, as it represents the world's largest market for them. Enthusiasm for New Jersey as the world hub for Internet gambling is high, ironically, because of the state's reputation as the toughest regulatory jurisdiction in the world. Operators that can meet NJ regulators' standards and licensing requirements would become the most valuable companies in the sector, and be rewarded with consumer trust, access to capital markets to help them grow, and the opportunity to become public corporations offering shareholder value.

Atlantic City and New Jersey, if it chooses, could become the global capital of "the Next Gaming industry", a hub for online commerce, as well as the high-tech jobs and infrastructure investments it would create. The integration of this new, high-tech industry with Atlantic City's resort casinos would be a powerful vehicle for driving foot traffic and revenue in this town.
Some suggest that sports betting in New Jersey be limited to the casinos. That would be a fine plan if this were 1980, and not 2010. To suggest that sports wagering be limited in that way would be to ignore what the Internet and technology has accomplished in the last decade. Instead, we should work hard to integrate the online market with the offline, Atlantic City resort casino market in a way that drives growth for both, and significant tax revenue for the state.

While all of what I have said is a recognition of the economic realities of state-regulated sports wagering, the professional sports leagues and the NCAA will continue to oppose the "expansion" of sports betting. This is no "expansion". This is a "migration", of an underground economy approaching a half-trillion dollars in size, into transparent and regulated venues.

The leagues - especially the NFL - will say that expansion of state-regulated sports wagering with threaten the integrity of their games. That is an argument that cannot be logically sustained. So what the leagues are saying is, in effect, "leave this marketplace underground".

Does that make sense? Can anyone really believe that leaving this underground economy to organized crime and street-level operators would be preferable to state regulation? No. Precisely the opposite is true. Yet the leagues continue to make this illogical argument, and probably will all the way up until the point where they sign lucrative revenue sharing agreements with betting operators like they have in European soccer.

The bottom line: there is no need for New Jersey to get out the backhoes and go on a treasure hunt for sports betting gold. It's right here, for everyone to see and benefit from. But perhaps they can help the NFL and the other leagues dig their heads out of the sand.

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MEMORANDUM

TO: Senator Lesniak and Members of the Senate Economic Growth Committee
FROM: Michael Musto, Executive Director, NJTHA
DATE: April 2, 2010
RE: SCR-49

The entire horseracing and breeding industry is here to support SCR-49, a measure allowing for Sports Wagering at New Jersey's racetracks and casinos.

Currently, sports fans and non sports fans across the country, the world, are immersed in the excitement of college basketball’s "March Madness." It is the National Collegiate Athletic Association’s (NCAA) Championship for the top university/college basketball team in the country. In a month’s time, these same sports fans and non sports fans will be immersed in Thoroughbred racings “Triple Crown” with the running of the Kentucky Derby, the Preakness and the Belmont by the National Thoroughbred Racing Association (NTRA).

Both events, spur great excitement as one clear winner or favorite emerges. Both events also generate the greatest amount of internet wagering – some illegal, some legal as the betting of horseracing is legal on internet, telephone and off-track whereas betting on college basketball is not.

In fact, the Federal Bureau of Investigations (FBI) estimates that more than $2.5 billion is illegally wagered on March Madness alone. (American Gaming Association 2009 Fact Sheet). Most of the money wagered goes “off-shore” to illegal operations. Comparatively, sports book operators estimate $80 million to $90 million – less than 4% of the illegal “take” – is wagered on the tournament legally through Nevada’s 187 sports books (AGA 2009 Fact Sheet).

There isn’t an elected official out there from President Obama to Governor Christie who wouldn’t like to see an influx of all or part of $2.5 billion into the nation or state’s economy. The question for them and for all of us is: Is it worth the “social costs” to society if the ban on this type of wagering is lifted?
When debating the pros and cons of this question we must keep in mind that we are in a world where national economies are on a rollercoaster ride and people are search for every available penny. Placing the social costs of sports wagering above the potential financial benefit that is currently being enjoyed in Nevada and off-shore seems, at best, misguided.

This is just one reason why for months, actually years, New Jersey's horseracing industry has been urging the United States Congress to lift the ban on sports wagering in the United States. Since January 1, 1993, the federal “Professional and Amateur Sports Protection Act” has prohibited state and local governments from authorizing sports wagering in all but four states with Nevada being the only state that is currently operating legal sports book.

Thankfully, Senator Lesniak (D-Union) has gotten the ball rolling through the introduction of SCR-49 and the filing of a lawsuit challenging the ban.

Senator Lesniak is right when he says:

1. Billions of dollars are going off-shore to illegal operations running sports book every day in the United States. March Madness is just one example. (In fact, the National Gambling Impact Study Commission estimates that the total amount wagered on sports illegally each year is $380 billion.)

2. If offered at both New Jersey's horse racetracks and Atlantic City's casinos, more patrons would travel to these destinations to go to a sports book room. During their visit, these same patrons would most likely explore wagering on horseracing or another form of gaming – increasing the pool of patrons and revenues for these two important industries. I must emphasis that the ONLY way the State's horseracing industry will support the constitutional referendum and will continue to be a party in the lawsuit is if the racetracks can offer sports wagering whenever they are open. We will not support a move that limits sports wagering at racetracks when we are “live” racing only.

3. The original ban on sports betting was prompted by professional sports (the National Football League, the National Basketball League and Major League Baseball) to protect the “integrity” of their sports. According to Senator Lesniak, the argument of “integrity” in sports is out the window with scores of baseball players cheating with steroids, athletes and coaches arrested on assault and gun charges, drug use, DWI, etc.

4. New Jersey's horseracing industry is one of the state's most important agri-tourism industries supporting 176,000 acres of open space of which only 10% is preserved and over 13,000 jobs. The industry needs a whole new generation of patrons, according to Senator Lesniak. Just like the ski industry was dying until snowboarding was introduced by “Generation X “, New Jersey's horseracing industry needs its own catalyst with sports wagering being the trigger to get this done.
Beyond Senator Lesniak’s reasons, the argument for legalizing sports wagering expands daily.

1. As the internet becomes more and more the vehicle to “do” business, experts are seeing it as the new “illegal” mechanism for placing a wager on a sporting event. According to Christiansen Capital Advisors (CCA) which tracks Internet gaming, online sports betting generated $4.29 billion in revenues in 2005. This is more than double the $1.7 billion generated by online sports betting in 2001 (GAO Fact Sheet).

2. More bets are placed on the Super Bowl than on any other sport including March Madness. In 2007, the estimate for wagering on the Super Bowl, both legally and illegally is around $8 billion dollars (USA Today). In fact, wagering on professional football accounts for 45% of the revenue generated at sports book. Basketball is the second highest with 26% with baseball accounting for 20%. Legally, the 2007 Super Bowl generated $12.9 million in gross gaming revenue for Nevada's sports book with $93 million being wagered annually (Source: Nevada Gaming Control Board).

So, how do we legalize sports wagering in New Jersey? The answer rests in two places:

- Passing SCR-49 as a challenge to the federal law; and,

- Successfully litigating the lawsuit challenging the federal law as a constitutional violation of state’s rights.

Whatever the solution, our federal and state legislators need to get their “heads into the game” and stop ignoring the obvious. Sports wagering is happening. It is a money generator. If regulated correctly (as in Nevada) it can be policed and taxed appropriately. And most importantly, it will keep billions upon billions of United States dollars in the United States that are currently benefitting individuals and countries around the world. In this challenging financial time, it is one of many legitimate and obvious solutions.
American Gaming Association’s 2009 Fact Sheet

SPORTS WAGERING

There are many myths associated with sports wagering in Nevada - the only state where it is legal, regulated, policed and taxed. The following are the facts about sports wagering:

- Overall, Nevada’s legal sports wagering represents less than 1 percent of all sports betting nationwide. In 2009, $2.57 billion was legally wagered in Nevada's sports books; the National Gambling Impact Study Commission (NGISC) estimated that illegal wagers are as much as $380 billion annually.

- Gross revenue for Nevada’s sports books was $136.4 million in 2009. While more than $2.57 billion was wagered in 2009, more than 94 percent of all bets placed were returned to patrons in winnings.

- Legal sports wagering helps bring more than 30 million visitors to Nevada each year and provides employment for thousands of people.

- Approximately two-thirds of all sports bets in Nevada are placed on professional, non-college sporting events.

- The FBI estimates that more than $2.5 billion is illegally wagered annually on March Madness each year.

- Comparatively, sports book operators estimate $80 million to $90 million – less than 4 percent of the illegal take – is wagered on the tournament legally through Nevada’s 1801 sports books.

- More bets are placed on the Super Bowl than on any other sporting event of the year, including March Madness.

- The 2009 Super Bowl earned nearly $6.7 million for the Nevada sports books. Approximately $81.5 million was wagered on the Super Bowl in the state’s sports books in 2009, according to the Nevada Gaming Control Board. The $81.5 million wagered in 2009 was a significant drop from the $92 million wagered on the game.

- Of the total amount bet on the Super Bowl, only about 1.5 percent is wagered legally; these bets are made by those over age 21 and physically present in the state of Nevada.

- The Las Vegas Convention and Visitors Authority estimated that the 2007 Super Bowl weekend generated $109.5 million in non-gaming economic impact and attracted 287,000 visitors.

- According to Christiansen Capital Advisors (CCA), which tracks Internet gambling, online sports betting generated $4.29 billion in revenues in 2005. This is more than double the $1.7 billion generated by online sports betting in 2001.
Senate Economic Growth Committee
April 5, 2010 Public Hearing on SCR49

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

Good Morning Chairman Lesniak and Committee Members:

On behalf of The Council on Compulsive Gambling of New Jersey, Inc., I would like to extend our appreciation for the opportunity to share information with the Committee regarding the proposed constitutional amendment to allow in-person wagering and account wagering on sports events at Atlantic City casinos and at racetracks, subject to voter approval.

The Council is a not-for-profit (501c3) corporation, created in 1982 at the behest of the New Jersey Department of Health. The Council conducts education, prevention, outreach and referral services for people affected by compulsive gambling and has been actively involved in serving New Jersey’s citizens for more than 27 years. The Council owns and operates the 1-800-GAMBLER® HelpLine, which is available 24 hours a day/7 days a week to gamblers, their families and persons seeking information on treatment and other resources. The Council also created and maintains the www.800gambler.org website, which received close to 1 Million hits last year.

As the Committee may be aware, The Council on Compulsive Gambling of New Jersey, Inc. is officially neutral on gambling: we neither oppose nor support it. Rather, our mandate is to advocate for compulsive gamblers in New Jersey and for those who are
affected by their gambling. That being said, we have some significant concerns about this resolution as drafted.

First, the proposed constitutional amendment ignores the problem gambling issues created by expansion of any form of gambling. The amendment would allow sports wagering to be offered at multiple locations throughout New Jersey, including casinos in Atlantic City and racetracks, and through account wagering using telephone, Internet or other means. The voters are being asked to continue the current allocation of casino revenues, which does not mention and may actually prohibit any portion of those revenues from being directed toward compulsive or problem gambling prevention, education or treatment programs. This means that SCR49, as currently written, proposes to legalize and substantially expand sports gambling in NJ without providing any funding to help those bettors who will progress into pathological gambling or develop early stage addictions that might respond to intervention or education. Pathological gambling is considered a significant mental health problem and is included in the American Psychiatric Association’s Diagnostic and Statistical Manual of Mental Disorders (DSM), which is the “Bible” of the mental health field. Pending revisions to the DSM make it clear that problem gambling is an addictive disorder that shares some characteristics with drug and alcohol addiction. Currently, 9% of callers to our 1-800-GAMBLER hotline report that their primary problem is related to sports betting; eleven (11) percent report some level of involvement with sports betting. These percentages appeared to be headed down some years ago but are now rising once more.

Research in the United States and elsewhere has demonstrated that expansion of legalized gambling is typically followed by significant increases in problem gambling. Proximity to the gambling establishment has been shown to be directly related to the incidence of compulsive gambling. In addition, legalization of previously illegal gambling activities serves to normalize those activities and to make it acceptable for more residents to engage in them and to participate more often. Some of those persons - possibly 2-5% - will cross the line into problem or compulsive gambling. That means we can expect
more calls to the 800-GAMBLER helpline and more gamblers presenting for treatment.

Second, continuing New Jersey’s current approach to funding compulsive gambling services from casino fines (up to $600,000 annually) and assessments on off-track wagering facilities ($200,000 annually) diverges from the path taken by most states that have authorized or expanded gambling over the past 20 years. New Jersey’s approach assumes that licensed operators will not adhere to regulatory requirements and that the amount needed to support compulsive gambling prevention, education and treatment services is predictable, limited, and unlikely to grow as gambling is promoted by government and private industry. Tying funding for gambling-related health services to violations and fines is unfair to the industry and the problem gambler alike.

Most states have moved toward a funding approach that dedicates a portion of revenues from new forms of gambling to support compulsive gambling services, sometimes in conjunction with an annual fee or assessment on facilities. If New Jersey plans to amend the Constitution to authorize new gambling activities, it should also take this opportunity to amend the allowable use of State revenues derived therefrom to include “compulsive and problem gambling services.”

To put the problem in context, an estimated 350,000 pathological and problem gamblers live in New Jersey, compared to 806,000 substance abusers. The State’s current annual allocation of $970,000 for compulsive gambling programs in NJ starkly contrasts with the more $140 Million allocated for drug and alcohol prevention and treatment programs. It also does not compare favorably with the $3 Million allocated by Pennsylvania or the $5 Million provided by NY State. According to 2006 statistics prepared by the National Council on Problem Gambling, NJ per capita funding for problem gambling services in that year totaled 11 cents, while per capita funding for substance abuse services amounted to $11.68.
The proposed FY 2011 State Budget has created additional urgency to the need to revisit our state’s historical funding formula and to make it consistent with current responsible gaming practices. For FY 2011 the Department of Human Services/Division of Addiction Services Grants-in-Aid appropriation for Compulsive Gambling Services is proposed to be reduced by $120,000 (16%). The impact of this $120,000 reduction is likely to be significant. Most certainly it will reduce the availability of gambling treatment services throughout the state, possibly denying services to up to 200 persons in need. It will also reduce the availability of prevention, intervention, outreach and referral services for adolescents, seniors, young adults and at risk populations, including programs intended to reduce under-age and illegal gambling. And, it also makes it painfully clear that unless the Legislature specifically provides for gambling revenues to be directed to prevention, education, intervention and treatment services, funding for such services will be subject to the vagaries of the State budget process and will continue to be at risk.

Third, we need to consider that there is a key difference in the State’s role with regard to gambling, as opposed to drugs, alcohol, or other human services: The State of New Jersey is in the business of directly operating and/or promoting certain gambling activities, including the lottery, horse racing, off-track wagering and casino development. None of these activities are inherently essential State government roles or services. The State generates a significant portion of its revenues from gaming receipts and has a responsibility to balance its efforts to promote economic growth and revenue generation against its statutorily mandated role as the protector of public health. "Responsible Gaming" is a concept that is known and supported throughout the gaming industry. The World Lottery Association, the North American Association of State and Provincial Lotteries and the American Gaming Association all have developed responsible gaming guidelines for operators. Funding for problem gambling awareness, intervention and/or treatment referral is virtually always a part of these Responsible Gaming programs. In many ways, funding problem gambling programs can be viewed as a cost of doing business for state and private gaming operators.
Fourth, we note that much of the interest in expanding gambling services in New Jersey to include Internet, account and in-person wagering on sports centers around enhancing New Jersey’s competitive position vis-à-vis other neighboring states and reducing criminal bookmaking activities. From the standpoint of the Council, it really does not matter whether NJ residents gamble in DE, PA, NY, MD or any other state. Regardless of where they gamble, if they have a gambling problem they will present to us when they need help, as they do now. Unfortunately, if they gamble outside NJ, the money they lose will go to help residents of some other state; ironically, they themselves may end up being denied needed services due to NJ’s inadequate funding. None of the dollars lost will come back to NJ, since there are no inter-state compacts or agreements on shared responsibilities with respect to problem gambling. There also is no Federal funding for problem or compulsive gambling programs at present; however, several bills in Congress propose to correct this situation and to establish compulsive gambling as a public health mandate.

Fifth, the limited network of compulsive gambling treatment services in New Jersey is heavily utilized at present and demand continues to grow. There are 12 funded treatment providers in the state, which share a fee-for-service pool of approximately $300,000. Utilization in the first half of FY 2010 has exceeded projections. Several providers have indicated that they may not have sufficient funds remaining to keep their doors open through the end of the year. Many counties in NJ do not have even one treatment program within their borders. New Jersey cannot afford to lose even a single provider, whether temporarily or permanently. *We also cannot afford to further reduce services to existing clients if demand from compulsive sports gamblers increases; unfortunately, that is exactly what will happen if the Legislature does not provide for additional problem gambling service funding.*

Should legalized sports betting become a reality in New Jersey, there will be many people who are not presently frequenters of Atlantic City who will make the pilgrimage in order to bet on sports games, and the same is true for racetracks. Once there, they are likely to play casino games and the horses as well. This will certainly add to the number of compulsive
gamblers in the state. *There is a direct correlation between accessibility and availability of gambling and the number of compulsive gamblers.*

**In summary,** the burden is on New Jersey to make responsible decisions about how to balance its public health and public policy responsibilities against its interest in developing new State revenue streams and maintaining economic growth in key sectors of the economy. Compulsive gambling is already a significant public health issue in our state, and expansion of gambling will serve to increase the scope of this problem. Addressing it will be a challenge, but it is one that can be met with adequate resources and the support of the Legislature.

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Jim Quigley - Off Shore Gaming Association testimony
Senate Economic Growth Committee Hearing – SCR-49

April 5, 2010 – Atlantic City Convention Center

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Testimony supporting SCR-49 and the effort to license and regulate sports gambling and Internet gambling in New Jersey.
I would like to thank the esteemed panel, especially Senators Lesniak and Van Drew for the opportunity to express my views on a complex subject. My name is Jim Quigley and I am the CEO of the Off Shore Gaming Association, commonly referred to in the gaming world as OSGA.

The OSGA was started with the consumer in mind, we offer services to players to help recover funds and settle disputes with online gaming companies. Think of the OSGA as a privately owned organization similar to a Bettor Business Bureau protecting the online gaming public where US law and International law is currently entirely unenforceable. We are a member-based organization and our thousands of worldwide members rely on us to do the work that our government is unwilling to attempt - to provide accurate information and consumer protection in a largely, unregulated industry.

I can attest to the fact that millions of Americans gamble on sporting events and wager with online gaming companies every day, despite current prohibitions at both the state and Federal level. With 12 years of business experience since the virtual genesis of popular online sports gaming, I can also say that current prohibitions are not working. The country is losing millions of dollars of potential revenue without achieving any of the social purposes that were intended by these laws.

The U.S. stands virtually alone in its stance against sports betting and Internet gambling, a position that is underscored largely by laws such as the UIGEA, PASPA and its actions at the World Trade Organization. The Unlawful Internet Gambling Enforcement Act passed in 2006, has actually harmed the consumer as many of the most reputable publicly traded gambling companies forcefully exited the U.S. market very quickly after its passage. The Professional and Amateur Sports Protection Act provides an unfair advantage to four states permitted to offer sports betting. But even those states are limited in what events and wagers can be offered. Meanwhile, whether on the street corner or the Internet, sports bettors can wager on virtually any event with an amazing array of wagering possibilities.

The attempts to ban Internet gambling are misguided and unproductive, and will do nothing to protect responsible adults. In fact, the evident hypocrisy is so strong that the U.S. Department of Justice has come out and said that all forms of Internet gambling are illegal. However, this could not be further from the truth as betting online on horses, lotteries and fantasy sports is certainly allowed in this country.

Far from being deterred by the U.S. law, consumers are easily getting around the current bans. America's enthusiasm for online gambling and sports betting has not waned. The American Gaming Association has made an approximate calculation that in spite of the UIGEA; nearly $6 billion was gambled by U.S. citizens at offshore gambling sites in 2008. Our phone lines continue to ring and our email box continues to fill every day. Regulation, not prohibition, is in the best interest of consumers. A ban does little except steer individuals to fly-by-night outfits that operate in the shadows of the industry and may well take advantage of the most vulnerable players.

Internet gambling in the United States should be controlled by a strict licensing and regulatory framework to protect underage and otherwise vulnerable individuals. In addition, regulation will ensure that the games are fair as well as addressing money laundering and other felonious activities.

I have personally met with hundreds of online operators in my 12 years in the gaming industry and can safely say that many of these companies offer unparalleled service... and they do this in a completely unregulated environment. Often online gaming establishments are superior and more generous for the consumer than existing USA land-based casinos. The OSGA was started back in 1998 when the online gaming world was truly the 'Wild West', with many operators of dubious background and intentions. However, a multi-billion dollar pie has forced the industry to adopt a more balanced approach where operators know their customer, operate with fair business practices and seek regulation. Also as in any economic business environment, stiffer competition has forced them to be customer-centric.
To think that you are offering the people of New Jersey the opportunity to play in a truly regulated environment is a welcome change for players and operators alike.

The OSGA has spoken to thousands of sports bettors over the last dozen years and they are all looking for one unanimous choice – a safe place to wager, deposit funds and receive potential winnings faster. Proposing sports betting at existing NJ casinos and racetracks and over the Internet or a phone line is a win for everybody involved. The State will generate millions in tax dollars to fill current budget holes, the players will get the safety and security they crave and an already booming online industry will emerge here in New Jersey, creating technology, management and call center jobs.

Prior to the UIGEA (The Unlawful Internet Gaming Enforcement Act), the second largest industry in Costa Rica was Internet gambling. It was quickly approaching overtaking farming when the U.S. government targeted their largest operator, BETonSPORTS. BETonSPORTS was located in the top two floors of a beautiful mall in downtown San Jose. They employed over 1000 people, most young adults and the mall was always bustling with activity. Once BETonSPORTS ceased operations, the mall was only busy on weekend nights and many vendors were forced to close.

This story has importance because this industry creates excellent incremental jobs and often overlooked is the ancillary spending that a vibrant, young, well-employed work force will generate.

You will hear opponents of your legislative initiatives talk about the ‘integrity of the game’ and the fact that problem gambling will explode and that the Internet is not safe and that children will be allowed to gamble. These arguments cannot be further from the truth.

The best friend of the ‘integrity of the game’ is wagering. Gambling companies constantly monitor betting activity and immediately can spot discrepancies in betting action. In the UK, industry giant BetFair has instantaneously shut down wagering on everything from Snooker to Soccer, once an odd betting pattern is identified. Subsequent investigations often show that results of these matches were pre-determined.

Current age-verification techniques are used successfully by online operators in gaming and other sectors worldwide. Unfortunately, the current online gaming industry polices itself in regards to underage gamblers. Online operators don’t want underage players, nor do they cater to them. They also do their best to identify problem gamblers before they exhaust their resources and head down a dark path. But again, this is done at the behest of the gaming operator; there is no regulation in place to prevent problem gamblers from continuing to play unchecked.

In speaking with operators offshore, they do not want either of these types of players. They are seeking a piece of a responsible adults recreational spending, similar to racetracks and casinos currently operating in New Jersey. The big difference is the regulation that is in place which forces state operators to be diligent in rooting out underage and problem players.

Opponents will also say that the technology does not exist to keep players outside of New Jersey from wagering. Has anyone here ever looked at MSN or weather.com? These sites identify almost exactly where you are prior to you putting in your zip code.

In all, opening up a regulated avenue for sports betting and Internet wagering can only benefit all parties involved. The State wins, the players win and as with any gambling operation, the operators win.

The bold stance being taken by New Jersey will go down in history as creating a successful template for sports and Internet wagering, addressing a need for legislation and regulation. We at the Off Shore Gaming Association applaud your efforts.
March 31, 2010

Attention: Kevin Donahue
Committee Aide - Senate Economic Growth Committee

Re: SCR 49 Authorization of Sports Wagering

PennWood Racing, Inc, owner of Freehold Raceway in Freehold, NJ, the state of New Jersey’s oldest pari-mutuel facility, wishes to lend its support to SCR 49 and thanks Senators Lesniak and Van Drew for their continued diligence on this matter and support of the pari-mutuel horse racing industry in the State of New Jersey.

Freehold Raceway is in complete agreement with the terms of the SCR, specifically that ALL current New Jersey pari-mutuel racetracks, private and publicly owned, will be granted the opportunity to conduct the authorized wagering on Sporting Events.

Any additional gaming opportunities must be afforded to all of New Jersey’s publicly and privately owned racetracks. Moreover, as the Legislature and Executive Branches have consistently recognized, it is the existing permit holders and licensees, who are uniquely qualified to own and operate newly-authorized gaming.

Likewise, Freehold Raceway would advocate that the Account Wagering system currently authorized by statute for pari-mutuel wagering (and jointly operated per statute by the New Jersey Sports and Exposition Authority and Freehold Raceway) must also have the ability to participate in the authorized wagering on Sporting Events.

Freehold Raceway also advocates a fair allocation of net revenues, after necessary capital investments to activate and maintain the conduct of such wagering, to stakeholders within the horse racing industry in the State of New Jersey.

We thank you in advance for your consideration.

Sincerely,

Christopher McErlean
President
PennWood Racing, Inc.

Copy to: PennWood Board of Directors
H. Bruno

Sent via fax and email

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