

LEGISLATIVE FISCAL ESTIMATE

[Third Reprint]

SENATE, No. 12

STATE OF NEW JERSEY 214th LEGISLATURE

DATED: JANUARY 13, 2011

SUMMARY

- Synopsis:** Revises various aspects of casino industry regulation.
- Type of Impact:** Indeterminate Impact to the Casino Control Fund and Casino Revenue Fund.
- Agencies Affected:** Department of the Treasury, Department of Law and Public Safety - Division of Gaming and Enforcement, Casino Control Commission.

Executive Estimate

Fiscal Impact	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
Casino Control Fund		Indeterminate – See comments below	
Casino Revenue Fund		Indeterminate- See comments below	

- This bill, among its various provisions, makes changes to the law that regulates the licensing of casinos and casino gaming in this State by reorganizing regulatory functions, permitting certain fee changes, and doubling monetary fines for violations of the law.
- The Office of Legislative Services (OLS) estimates that this bill will have certain fiscal impacts related to the transfer of regulatory functions from the Casino Control Commission (CCC) to the Division of Gaming Enforcement in the Department of Law and Public Safety (DGE) and the doubling of monetary fines for violations of the law. However, the fiscal impacts of these provisions are dependent upon prospective circumstances that render a fiscal estimate at this time, indeterminate.
- Under this bill, various regulatory matters currently under the direction and control of the CCC would become the responsibility of the DGE. Under current law, appropriations from the Casino Control Fund are made to fund the operations of the CCC and the DGE. The Casino Control Fund accounts for fees from the issuance and annual revenue of casino license, work permit fees, and other license fees.
- With regard to changes in certain fees, the OLS cannot estimate the change in revenues to the Casino Control Fund resulting from the provisions of the bill concerning fees that may be set

by the DGE because the determination of the fees are dependent upon the outcome of a reorganization of regulatory functions from the CCC to the DGE.

- With regard to the doubling of monetary fines for violation of the law, the DGE indicates that fines generally run in the range of \$600,000 per year. It should be noted that the increased maximum penalties set forth in this bill will have an indeterminate fiscal impact, but perhaps not a significant one. Such penalties are deposited into the Casino Revenue Fund

BILL DESCRIPTION

Senate Bill No. 12 (3R) of 2010 revises the Casino Control Act, P.L.1977, c.110 (C.5:12-1 et seq.), the law that regulates the licensing of casinos and casino gaming in this State. Under the bill, various regulatory matters currently with the CCC would become the responsibility of the DGE. The division's responsibilities would include:

- conducting investigative hearings on the conduct of gaming and gaming operations and the enforcement of the casino control act;
- issuing reports and recommendations to the commission on entities or persons required to qualify for a casino license, on applications for interim casino authorization, or on petitions for a statement of compliance;
- examining records and procedures, and conducting periodic reviews of operations and facilities, to evaluate provisions of law;
- collecting certain fees and assessments;
- issuing operation certificates to casino licensees;
- accepting impact statements submitted by casino license applicants;
- issuing emergency orders;
- taking action against licensees or registrants for violations of the act;
- imposing sanctions and collecting penalties;
- accepting and maintaining registrations for casino employees and certain vendors;
- receiving complaints from the public;
- certifying the revenue of a casino or simulcasting facility;
- creating and maintaining the list of excluded patrons; and
- using private contractors to process criminal history record background checks.

With regard to the CCC, the responsibilities of the commission would include the areas of casino licensing; licensing of casino key employees; and hearing appeals on actions taken by the division. The commission would retain responsibility over the institution of a conservatorship and appointment of conservators, and over interim authorizations. The bill removes the requirement that the commission be present through inspectors and agents at all times during the operation of a casino. The bill would also require the commission to expeditiously implement Internet wagering when it is permitted under State and federal law.

Under the bill, the commission would continue to have responsibility for issuing casino licenses and casino key employee licenses. The division would have jurisdiction over the licensing of casino service industry enterprises, and the registration of those vendors that are not within the definition of such an enterprise. The division would also have jurisdiction over the registration of casino employees.

The bill would remove license renewal requirements, but would add a requirement for certain information to be provided to the commission and division every five years by licensees in order to verify continued compliance with the law.

This bill also doubles the maximum amount of monetary fines that may be imposed for a violation of the law.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None Received.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that this bill will have certain fiscal impacts related to the transfer of regulatory functions from the CCC to the DGE and the doubling of monetary fines for violations of the law. However, the fiscal impacts of these provisions are dependent upon prospective circumstances that render a fiscal estimate, at this time, indeterminate. It should be noted that estimating the cost or possible savings to the Casino Control Fund resulting from the transfer of various regulatory functions from the CCC to the DGE would require the Executive Branch to provide a strategic reorganization plan that details the functions and regulations being transferred and any changes in scope and importance of those functions and regulations. In addition, an estimate of the costs or savings would require the Executive Branch to provide a workload analysis describing how the functions that are transferred will be handled by the DGE in terms of staffing and position restructuring. For example, will the DGE hire new employees to perform the transferred functions, will the existing DGE staff absorb the new job duties by having their job duties expanded to include the new functions, or will some functions be eliminated entirely? Furthermore, because the bill changes the language in current law requiring the DGE to be principally located in Atlantic City, will the State incur new building or facility costs?

The bill requires the DGE to establish, by regulation, appropriate fees to be imposed for licensing, registrations, and other matters. The Casino Control Fund accounts for fees from the issuance and annual revenue of casino license, work permit fees, and other license fees. Under current law, appropriations from the Casino Control Fund are made to fund the operations of the CCC and the DGE. An estimate of the fiscal impact to the Casino Control Fund concerning the changes in fees that may be established by the DGE cannot be determined at this time, because the establishment of the fees are or may be dependent upon the costs associated with a reorganization of regulatory functions from the CCC to the DGE.

The bill also doubles the maximum amount of monetary fines that may be imposed for a violation of the law. Such penalties are deposited into the Casino Revenue Fund, with the first \$600,000 appropriated for compulsive gambling matters. Information gathered during informal discussions with representatives of the DGE indicates that fines generally run in the range of \$600,000 per year. For the last three complete calendar years, fines have been: 2007, \$1.2 million; 2008, \$710,000; 2009, \$534,000. For 2010 thus far, the amount has been \$567,000. The 2007 figure includes a record \$750,000 penalty imposed on the Tropicana. It should be noted that the increased maximum penalties set forth in this bill will have an indeterminate fiscal impact, but perhaps not a significant one. N.J.S.A. 5:12-123 provides that any violation is considered a separate violation each day it occurs and violations tend to be ongoing. However, the maximum tends not to dictate the actual amount of fines imposed for a violation because of settlements with the violators. Accordingly, it would be incorrect to assume that doubling the statutory maximums would double the projected fine amounts the State would collect.

Section: State Government

*Analyst: Kimberly McCord Clemmensen
Senior Fiscal Analyst*

*Approved: David J. Rosen
Legislative Budget and Finance Officer*

This legislative fiscal estimate has been produced by the Office of Legislative Services.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).