

STATE OF NEW JERSEY
EXECUTIVE DEPARTMENT
SENATE BILL NO. 490
(Third Reprint)

March 3, 2011

To the Senate:

Pursuant to Article V, Section I, Paragraph 14 of the New Jersey Constitution, I am returning Senate Bill No. 490 (Third Reprint) without my approval.

This bill amends the "Casino Control Act" to authorize Internet gambling through Atlantic City casinos under certain circumstances, and would require the Casino Control Commission to establish a regulatory scheme for casinos and bettors. Under the bill's provisions, all equipment, computers, servers, monitoring rooms, and hubs used by casino licensees to conduct Internet gambling must be located in Atlantic City and every wager on a casino game made over the Internet, regardless of where the wager actually originated, will be deemed to have been made within the territorial limits of Atlantic City. The bill also levies an annual 8% tax on Internet wagering gross revenues and sets the investment alternative tax and the investment alternative at 30% and 15%, respectively. Finally, the bill authorizes the Casino Reinvestment Development Authority (CRDA) to allocate a portion of Internet gambling tax proceeds to the New Jersey Racing Commission to subsidize horseracing purses and for other related purposes.

Without question, casino gaming is a vital component of the State's economy and one of our most important industries, generating billions in revenues and providing tens of thousands of jobs. Since the earliest days of my Administration, I have stressed the urgent need to address the critical issues surrounding the casino industry and to reverse the trend of economic contraction in that sector of our economy. Last year, in a joint effort with the Legislature, my Administration embarked on a comprehensive initiative to bring significant reforms to revitalize the industry and set a new course for economic growth and job creation. Long-term, meaningful reforms have been effectuated

STATE OF NEW JERSEY
EXECUTIVE DEPARTMENT

2

through the enactment of P.L. 2011, c.18 (S-11) and P.L. 2011, c.19 (S-12). I am confident that these measures will create the impetus for new investment and increased tourism that will lead to Atlantic City recapturing its status as the premier resort destination in our region of the nation.

While I support the intentions of the Legislature to make New Jersey a more competitive gaming jurisdiction and to enhance the financial viability of the casino industry, I have a number of significant concerns about this bill. First, I am concerned that the bill will lead to expanding casino gambling outside of the territorial limits of Atlantic City in a manner that is contrary to the public's sentiment with regard to these activities. Moreover, certain provisions set forth in this legislation are not consistent with my Administration's policy objectives, such as the continuation of public subsidies for horseracing. Finally, there are several significant legal obstacles that pose major impediments to the implementation of Internet gambling in New Jersey as contemplated by this bill. As such, I cannot approve the bill in its present form.

While I do not believe that it was the sponsors' intention, S-490 conflicts with important public policy objectives of my Administration. S-490 is designed to foster convenience gambling by permitting people to wager at a time and place of their choosing. However, nothing contained in the legislation would prohibit commercial establishments outside of Atlantic City such as nightclubs, bars, restaurants, cafes and amusement parks from offering Internet gambling opportunities in order to attract patrons or customers, potentially leading to the creation of commercial gambling locations outside of Atlantic City. The people of New Jersey previously rejected the notion of statewide casino gambling. Legalized gambling was limited to the borders of Atlantic City to improve the economy of the region by bolstering

STATE OF NEW JERSEY
EXECUTIVE DEPARTMENT

3

the tourism industry and attracting visitors, tourists and conventioners to the City. As such, I am concerned that this bill may undermine this State's well-settled policy behind limiting casino gambling to Atlantic City.

Moreover, rather than requiring that the revenue generated from Internet gaming be used for general purposes, for Atlantic City redevelopment or to assist senior or disabled citizens, the bill requires that the revenue be used to subsidize horseracing purses. My Administration is committed to making horseracing a self-sustaining industry without State subsidy. Therefore, I cannot support this aspect of the bill.

Regrettably, I do not believe that Internet gambling as contemplated in S-490 is a viable option for continuing the progress that we have made in reversing the fortunes of the casino industry in New Jersey. After much deliberation, I do not believe that Internet gambling established in this bill is consistent with my Administration's commitment to Atlantic City, nor do I believe that it would survive judicial scrutiny under the State Constitution unless approved directly by the voters by public referendum.

The State Constitution explicitly requires casino gambling to be restricted to the territorial limits of Atlantic City. Senate Bill No. 490 seeks to avoid this requirement by deeming all Internet wagers as being placed in Atlantic City, even if the person placing the bet is outside of the boundaries of the City. In my view, the creation of a legal fiction deeming all wagers to have 'originated' in Atlantic City cannot overcome the clear and unambiguous language of the State Constitution.

This plain text reading of the State Constitution is confirmed by the history of legalized gambling in New Jersey. The people of New Jersey voted by referendum to permit casino gambling in Atlantic City in 1976. Significantly, this referendum allowing

STATE OF NEW JERSEY
EXECUTIVE DEPARTMENT

4

casino gambling in one location within the State came just two years after the people rejected a referendum that would have authorized statewide casino gambling.

The expansion of gambling in New Jersey has been slow and cautious. The public has expressed concerns regarding the potential ills associated with gambling and has demanded that gambling be closely scrutinized and regulated to ensure that it is administered in a fair and legitimate manner. This public sentiment has resulted in an established line of court rulings that have consistently required direct voter approval for each new form of gambling introduced in this State.

My Administration is committed to the revitalization of Atlantic City and ensuring that the casino industry remains strong and competitive. Any effort to expand casino gambling outside of Atlantic City must be supported by referendum and, if the Legislature believes that expanding gambling outside of Atlantic City is in the best interests of the State of New Jersey, it should place the question on the ballot for the voters to decide.

Accordingly, I herewith return Senate Bill No. 490 (Third Reprint) without my approval.

Respectfully,

/s/ Chris Christie
Governor

[seal]

Attest:

/s/ Jeffrey S. Chiesa
Chief Counsel to the Governor