



ATLANTIC CITY: PAST AS PROLOGUE

A Special Report by the Community Affairs Department



FEDERAL RESERVE BANK
OF PHILADELPHIA



ATLANTIC CITY: PAST AS PROLOGUE

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ATLANTIC CITY: PAST AS PROLOGUE

EXECUTIVE SUMMARY

From the mid-19th to the mid-20th century, Atlantic City, New Jersey, was a popular beach resort that attracted tourists from all walks of life. Statistics give us some idea of how the city blossomed during the resort's heyday. In 1858, the city registered 3,000 visitors; by 1910, it was welcoming 3 million visitors annually. This number peaked at 16 million visitors a year in 1939. Over these years, the city also saw a concomitant rise in its population, individuals attracted to the area because of the jobs created by the burgeoning tourist industry. In 1860, Atlantic City had 687 residents; by 1915, it was boasting a population of 56,000; and the 1930 census recorded a peak of just over 66,000 residents.

Atlantic City residents differed economically and demographically from residents in other New Jersey cities and the state as a whole. Service-sector jobs and seasonal employment characterized the city's tourist industry. Given the city's climate, the summer months drew the most tourists, and consequently, unemployment rose in the first and last quarters of the year. As early as 1881, the city council started to set aside funds to help the poor in the off-season. In addition, a large proportion of Atlantic City's workforce was African-American, related to the large increase in the supply of black labor available for hire after the Civil War. By 1915, 21 percent of the city's population was black. The seasonal nature of the city's employment, which

consisted of mostly low-paying service-sector jobs, and the large number of low-paid African Americans in the workforce likely contributed to Atlantic City's having very low household incomes compared with the rest of the state.

Despite its long run as a popular seaside vacation town, Atlantic City's success in attracting tourists fell after World War II. Among other things, more affordable airfare and an expanded interstate highway system gave tourists more options for spending both their leisure time and their discretionary income. In addition, new resorts such as Disneyland overshadowed Atlantic City's attractions.

The postwar decline was steep. Between 1960 and 1980 the city's population dropped from more than 59,000 to just over 40,000; it was mostly the white population that exited. As tourism and the resident population declined, many businesses closed and much of the city's housing stock became dilapidated and was abandoned.

In the early 1970s, an idea took hold that legalized gambling could reverse the city's fortunes. In 1976, New Jersey voters passed a referendum to bring the gaming industry to the city, and in 1977, the New Jersey legislature passed the Casino Control Act (CCA). The CCA's key provisions included revitalizing tourism and using gambling as a "unique tool" to support Atlantic City's urban

redevelopment. The efforts supported by the CCA would also maintain the “existing tone of the hospitality industry” and strict regulation and control would “maintain and retain integrity, public confidence, and trust” in casino operations.

Initially, the CCA required casinos to reinvest part of their revenues in projects that would improve the health and well-being of the city and the state at large. But a loophole in the law also allowed the casinos to ignore this requirement, and by 1984, the CCA had not engendered any significant reinvestment in the city. That same year state lawmakers amended the CCA to establish the Casino Reinvestment Development Authority (CRDA), whose stated purpose was to redevelop blighted areas in Atlantic City and elsewhere in the state, with a focus on low- and moderate-income households. This amendment required casinos to invest a portion of their revenues in CRDA-sponsored projects for the first 30 years of their existence. Subsequent amendments to the CCA expanded the range of allowable CRDA activities to encompass economic development projects, including some that directly benefit casinos, and expanded the length of the CRDA obligation to 50 years.

The first casino to open under the CCA was Resorts, in 1978. By 1987, the number of casinos had increased to 12 and stayed there until 2006, when one of the casinos closed. The number has remained at 11 since then. More casinos are scheduled to open in the future, although the timetable for doing so has been delayed by the current credit crisis.

The casinos have rejuvenated Atlantic City’s tourist industry and, to some extent, its employment. The number of visitors has soared from 7 million in 1978 to between 30 and 35 million annually since 1988, the first full year that all 12 casinos were in

operation. The casinos have also provided more than 40,000 jobs. In addition, a new convention center opened in 1997, and several high-end retailers and restaurants have also set up shop catering to the tourist trade.

Although these numbers are impressive, we have to look beyond them to see what has actually happened in Atlantic City. In most years since 1988, the casinos have provided jobs for more than 10,000 city residents, more than half of the city’s employed residents. In 2000, casinos provided 80 percent of the property tax collected by the city, a factor that allows the city’s school district to spend \$1500 more per pupil than the state average. But many of the problems that legalized gambling was supposed to alleviate remain severe. Atlantic City’s unemployment and poverty rates are considerably higher than those in the rest of New Jersey and the nation. The 2000 census reported that 19 percent of the population lived in census tracts that meet the definition of extreme poverty neighborhoods; that is, they had poverty rates of at least 40 percent. Per capita income in the city is among the lowest in the state.

Compounding the situation are a high crime rate, an active drug trade, and gang activity. Also, despite the city’s high per pupil spending, the graduation rate for Atlantic City students is considerably lower than that for the state as a whole. Vacant houses and lots are a common sight, residents have access to few retail outlets, and the city has no supermarket. Furthermore, the level of noncasino employment has declined significantly.

Many questions arise as to why legalized gambling has not fully lived up to its promise as a “unique tool” for Atlantic City’s urban redevelopment. These questions apply not just to Atlantic City and New Jersey but to other cities and states considering legalized gambling as an urban redevelopment or

general economic development tool. Among the questions policymakers should ask are:

- To what extent do high rates of unemployment and low levels of labor force participation stem from a failure to provide workers with the training necessary to take advantage of jobs in the gaming industry?
- Would support services increase the likelihood that workers from low-income households and neighborhoods could obtain and maintain jobs in the gaming industry?
- Does the framework for regulating the casino industry have unintended effects on employment opportunities for residents of the local community?
- Can gambling-financed redevelopment agencies, such as New Jersey's CRDA, be designed to be more effective tools of urban redevelopment?
- To what extent can a state's gaming legislation be designed to encourage better coordination among government agencies, residents, and other stakeholders — while discouraging corruption — so that tax revenues raised by gambling are more effective in achieving community and economic development objectives?

The following report offers data and analysis that may help policymakers in New Jersey and elsewhere answer these and other questions when they consider inviting legalized gambling to their precincts. The report starts with a brief history of Atlantic City, then examines the context in which legalized gambling came to town and the socio-economic trends that have characterized the city since gambling's advent. These sections provide background for considering the paradox that Atlantic City presents today as a place where plentiful jobs are juxtaposed with high levels of poverty and unemployment. The conclusion briefly outlines issues that may affect the balance between Atlantic City as place of residence and Atlantic City as gambling mecca in the future.

The report's two appendices present (1) detailed information on Atlantic City's gambling industry and (2) economic and socio-demographic trends in Atlantic County, where Atlantic City is located, since the casinos arrived. A case study on concentrated poverty in Atlantic City that is a forerunner to the current report is available at http://www.frbsf.org/cpreport/docs/atlantic_city_nj.pdf.



ATLANTIC CITY: PAST AS PROLOGUE

INTRODUCTION

Atlantic City, located on a barrier island off the coast of New Jersey, is best known today as a gambling destination.¹ In 2005, the city attracted 35 million visitors, a number surpassed among U.S. cities only by Orlando, New York City, and Las Vegas.² In the same year, the city's 12 casinos provided more than 40,000 jobs,³ a number about the same as the size of the city's population reported in the 2000 census. Yet despite the scale of the casino industry, the city suffers from high poverty and high unemployment rates. The 2000 census reported these rates at 23.6 percent and 12.9 percent, respectively, much higher than for the U.S. as a whole.⁴

¹ From the late 1970s through the late 1980s, Atlantic City was the only U.S. jurisdiction outside of Nevada that had legalized commercial casino gambling. Currently, although an additional 10 states have commercial casinos in operation, Atlantic City continues to rank second, after Nevada, in commercial casino revenues. (Pennsylvania has one commercial casino, which opened in Monroe County at the end of 2007.) Twelve states, including Pennsylvania, New York, and Delaware, have racetrack casinos. A number of states have casinos located on Indian tribal lands; these are not classified as "commercial" casinos. (Source: American Gaming Association. See http://www.americangaming.org/Industry/factsheets/general_info_detail.cfv?id=15.)

² *Official Atlantic City, New Jersey, Travel Guide*. See <http://www.atlanticcitynj.com/>

³ The 12 casinos included the Sands, which closed in November 2006. Currently, the city has 11 casinos. Data on the number of jobs come from the New Jersey Casino Control Commission's Economic Impact Statements, which can be accessed at <http://www.state.nj.us/casinos/financia/histori/>.

⁴ The corresponding percentages from the 2000 census for the U.S. as a whole were 12.4 percent and 5.8 percent. Note that poverty

Today's gambling mecca is not Atlantic City's first incarnation as a popular tourist resort. From the mid-19th to the mid-20th century, the city was an extremely successful beach resort. Sandwiched between its first and second lives as a resort was a period of sharp decline. Today's city both recalls the days of the beach resort and retains many of the problems associated with the years that immediately preceded casino gambling.

In the spring and summer of 2007, members of the Federal Reserve Bank of Philadelphia's Community Affairs Department studied concentrated poverty in three Atlantic City census tracts as part of a joint research effort on this topic undertaken by the Federal Reserve System's Community Affairs offices.⁵ The current report, whose focus is Atlantic City as a whole, is a follow-up to the concentrated poverty effort, hereafter referred to as the "concentrated poverty case study,"⁶ and it is aimed at providing a greater understanding of past and present factors that influence the well-being of the city and its residents today.

and income data are reported in the census for the preceding year, in this case, 1999.

⁵ Findings from this research, which was conducted in collaboration with the Metropolitan Policy Program at the Brookings Institution, are reported in *The Enduring Challenge of Concentrated Poverty in America: Case Studies from Communities Across the U.S.*, available at <http://www.frbsf.org/cpreport/>.

⁶ The case study on concentrated poverty in Atlantic City is available at http://www.frbsf.org/cpreport/docs/atlantic_city_nj.pdf.

The report starts with a brief history of the beach resort, then examines the context in which legalized gambling came to Atlantic City and the socio-economic trends that have characterized the city since gambling's advent. These sections provide background for consideration of the paradox that Atlantic City today is a city where plentiful jobs are juxtaposed with high levels of poverty and unemployment. A concluding note briefly considers

issues that may affect the balance between Atlantic City as place of residence and Atlantic City as gambling mecca in the future.

The report also contains two appendices. The first provides detailed information on the Atlantic City gambling industry, and the second considers economic and socio-demographic trends in Atlantic County, where Atlantic City is located, since the advent of casinos.



ATLANTIC CITY: PAST AS PROLOGUE

THE BEACH RESORT: FROM ESTABLISHMENT TO DECLINE

Origins and Growth

Atlantic City came into being in the mid-19th century as part of a plan for developing a beach resort on Absecon Island off the southern coast of New Jersey. The idea for the resort is credited to Jonathan Pitney, a physician living on the Jersey coast, who initially visited Absecon Island to tend to a patient.⁷ Pitney believed that the proximity of the island's beaches to Philadelphia, particularly in comparison to other southern New Jersey beach locations, would provide an advantage in attracting tourists from that city's large pool of potential visitors. To provide access to the island, a necessary pre-condition for the resort's success, he organized a group of investors to build a railroad across then sparsely populated southern New Jersey. The rail line, connecting the island to Camden, New Jersey, across the Delaware River from Philadelphia, was completed in 1854, and Atlantic City was incorporated as a city in the same year. Together, these events marked the inauguration of a resort whose success, enhanced not only by its proximity to Philadelphia but to other major Northeast population centers, lasted until the middle of the 20th century.

⁷ "Further Island," as Absecon Island was then known, was at that time sparsely inhabited by fishermen; earlier, it had been populated by the Lenni Lenape Indians. See Nelson Johnson, Chapter 1, for a detailed discussion of the birth and early years of Atlantic City.

Critical to the scale of popularity that the resort achieved was its appeal to vacationers from across the class spectrum. While Pitney had envisioned a resort for the wealthy and Atlantic City was initially marketed as such, the relatively short travel time from Philadelphia made it possible for working class families to make day trips to the city. By the 1870s, deliberate efforts to exploit the tourist potential of this group were underway, including the development of a second rail line with lower fares, advertising targeted to the middle and working classes, and the building of rooming houses offering inexpensive rates. Subsequent expansion of the resort, facilitated by further rail construction, was marked by the simultaneous construction of luxury hotels and low-budget accommodations. By 1885, a guidebook to Atlantic City described its boardwalk, initially built to provide access to the city's beaches and to limit the amount of sand that found its way off of them, as a place where a "conglomeration of classes" promenaded "from morning till night."⁸ The resort served black as well as white tourists, although the terms on which they were received were quite different. (See the discussion on page 8 under "Discrimination and Segregation.")

Data on visitors speak to the resort's

⁸ See Martin Paulsson, p. 26, quoting from "A Complete Guide to Atlantic City," 1885. See also Johnson, p. 26, for a description of the origins of the boardwalk.

popularity over the decades following its initiation. By 1858, there were an estimated 3,000 visitors in Atlantic City on a summer day, and by 1872, the number of tourists who visited over the course of the summer topped 100,000, with 25,000 visitors in the city on busy summer weekends.⁹ In 1910, the city had over 3 million visitors,¹⁰ and in 1939, during the resort's heyday, the number reached 16 million.¹¹ As the resort grew, so did the resident population that serviced it. In 1860, the city had 687 residents, a number that rose to about 8,000 by 1885 and 13,000 only five years later. By 1915, 56,000 people lived in the city, and the 1930 census reported a population of just over 66,000.¹²

Atlantic City presented its family visitors with a wide range of attractions. In addition to the beach and the ocean, the resort provided a range of options for vacationing families, including amusement piers, elegant shopping, movie palaces, and famous entertainers.¹³

But the resort also provided activities that did not fit the category of "family recreation." Its many nightclubs were often risqué or exotic by the standards of the first half of the 20th century.¹⁴ During Prohibition, the city was unofficially "wet,"¹⁵ and from its earliest days, prostitutes were available on the city's streets and in its hotels and bars.¹⁶ Gambling opportunities were available in many forms. In addition to numbers games

and betting parlors for horse races, the city had numerous illegal casinos.¹⁷ Nelson Johnson writes that "complimentary food and beverages were served [in the casinos], and the management of the casinos paid round-trip railroad fare to any player producing a ticket showing they had come to town that day to gamble."¹⁸ In light of Atlantic City's future, it is interesting that both Johnson and Bryant Simon suggest that the casinos were a particularly important source of revenue for the resort.

That such activities could be conducted at the scale and as openly as they were is attributable in large part to the degree of municipal corruption that characterized the resort. Between 1914 and 1971, two long-reigning political bosses,¹⁹ each with connections to organized crime, exercised power in Atlantic City, taking bribes for political favors and extorting protection money from the city's illegal businesses.²⁰

For many years, Atlantic City styled itself as the "Queen of Resorts" and "America's playground." But as the previous paragraph suggests, many aspects of the resort and the city that serviced it were neither as elegant nor as wholesome as these names would suggest. From the vantage point of the late 20th century and that of the 21st, other features of the city were also extremely problematic and perhaps predictive of problems that the city has

⁹ See Paulsson, pp. 20-21. Estimates are based on railroad data.

¹⁰ See Paulsson, p. 29, citing contemporary sources.

¹¹ See Bryant Simon, p. 34, citing the *WPA Guide to 1930s New Jersey*.

¹² All numbers except that of the 1930 population are reported in Paulsson, p. 20, p. 24, and footnote 53 to Chapter 2.

¹³ See Simon, Chapter 1.

¹⁴ See Simon, Chapter 2, for a particularly interesting discussion of black entertainers performing for white audiences.

¹⁵ See Simon, p. 58; Johnson, p. 104.

¹⁶ See Simon, Chapter 2.

¹⁷ See Paulsson, Simon, and Johnson for discussions of gambling in the beach resort.

¹⁸ See Johnson, p. 114.

¹⁹ These bosses are Enoch Johnson and Frank Farley. See the book by George Sternlieb and James Hughes. See also the book by Johnson and the one by Simon. When discussing Atlantic City corruption, most historians include a third boss, Louis Kuehnle, who was in power at the beginning of the century. Paulsson argues, however, that Kuehnle did not have the concentrated power of his successors.

²⁰ Neither Johnson nor Farley ever served as mayor of Atlantic City. Paulsson (p. 1) notes that between 1909 and 1984, eight of the city's mayors were indicted or arrested by state or federal authorities.

TABLE 1

Percent of Workers Employed in the Manufacturing Industry, Accommodations Industry, and Nondomestic Service Occupations in Atlantic City, Camden, and the State in 1940 and 1950

	Atlantic City ¹		Camden ²		New Jersey (All) ³		New Jersey (Urban) ⁴	
	1940	1950	1940	1950	1940	1950	1940	1950
Percent employed in manufacturing industry	4.9	6.7	48.3	43.1	36.4	37.7	38.1	39.1
Percent employed in hotel/accommodation industry	18.7	19.1	0.8	0.5	1.0	0.7	1.0	0.7
Percent employed in service occupations (except domestic services)	27.7	28.4	8.5	9.0	7.7	7.1	7.8	7.2

¹1940, Census, Table 33; 1950, Census of Population, Vol. II, Part 30, Table 35

²1940, Census, Table A-42; 1950, Census of Population, Vol. II, Part 30, Table 35

³1940, Census, Table 19; 1950, Census of Population, Tables 28 and 30

⁴1940, Census, Table 19; 1950, Census of Population, Tables 28 and 30

continued to face in its incarnation as a gambling mecca. Chief among these were the low incomes of the resident workforce and the patterns of racial discrimination and segregation that persisted until the civil rights era.

Underpinnings of the Resort City: The Resident Labor Force

Atlantic City's resident workforce looked very different, both economically and demographically, from that of other New Jersey cities and the state as a whole. The city's tourist industry was characterized by service-sector jobs and seasonal unemployment. In addition, the proportion of its workforce and of its resident population that was African-American was considerably greater than that in other New Jersey cities. It is likely that each of these factors contributed to a tendency for household incomes to be very low in comparison to the rest of the state.

Table 1 provides decennial census data on

the share of Atlantic City's employed residents whose occupation was classified as provision of nondomestic services for 1940, when the resort was in its heyday, and for 1950, when the population was still near its peak. Data on the share of workers employed in the manufacturing sector are provided for the same years. For comparison purposes, data on New Jersey as a whole and for Camden, southern New Jersey's major city, are also given. These

data illustrate the importance of the service sector for the resort economy, particularly in comparison with the rest of the state. Other data in Table 1 emphasize the point that in Atlantic City, service jobs were geared to the tourist industry.

Because of Atlantic City's climate, tourist activity was heavily concentrated in the summer months, and given the importance of tourism to the economy, one would expect a sharp rise in unemployment during the off-season. Seasonal unemployment was recognized as a problem as early as 1881, when the city council began to set aside funds to help the poor in the winter.²¹ Data on the number of jobs and on unemployment claims for Atlantic County during a much later period, 1969 to 1978, are presented in Figures 1A and 1B. Although these data represent a time period well after Atlantic City had lost its cachet as a tourist resort and cover

²¹ See Paulsson, p. 41, citing minutes of the Atlantic City Common Council. Other sources cited by Paulsson indicate that problems related to seasonal unemployment were felt most severely by the black population.

FIGURE 1A
Atlantic County Employment

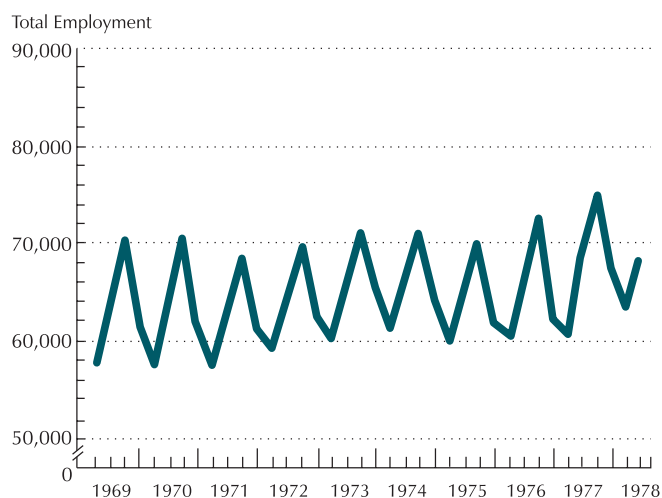


Figure is reproduced from Hamer (1982), p. 4. (Data source: State of New Jersey, Department of Labor and Industry)

a geographic area that includes but is broader than Atlantic City alone, they clearly show the seasonal nature of unemployment in a shore economy.²²

That Atlantic City's employment was so heavily concentrated in the service sector is closely connected to another feature of Atlantic City's labor market that is strikingly different in comparison to other cities in New Jersey, the share of African-Americans in the city's workforce. Atlantic City's growing demand for service workers in the last third of the 19th century coincided with the sharp jump in the supply of black labor available for hire after the Civil War. The opportunities available to these workers were largely confined to the agricultural and service

²² It is possible that these data may understate the extent of seasonal unemployment in Atlantic City during its heyday for a number of reasons. First, because the size of summer employment was probably higher during the heyday, the drop in employment off-season would be expected to be larger in absolute terms. Second, the resort sector was probably a larger share of the economic base during the heyday, so that the percentage of all workers subject to seasonal unemployment may have been higher. Finally, the geographic area covered by Hamer's data includes nonshore areas of the county, and seasonal unemployment might be less severe in these areas.

FIGURE 1B
Atlantic County Unemployment Insurance Claims

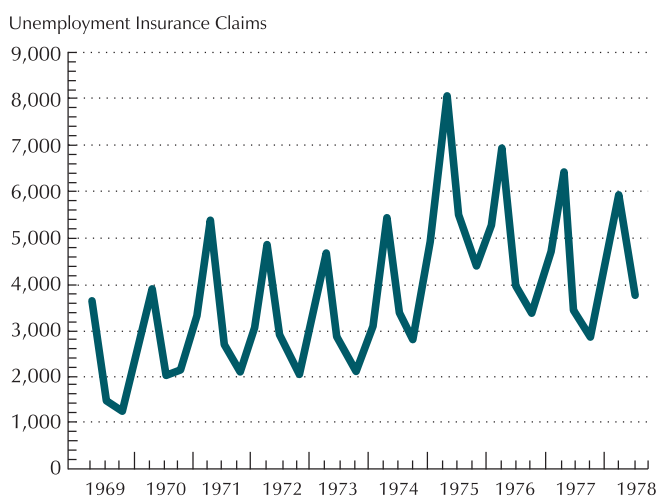


Figure is reproduced from Hamer (1982), p. 5. (Data source: State of New Jersey, Department of Labor and Industry)

sectors,²³ and they provided a relatively cheap way for Atlantic City employers to fill their demand. By 1905, 95 percent of the hotel workforce was black.²⁴ The importance of black labor to the city was such that, by 1915, the black population in Atlantic City made up 21 percent of the city's population.²⁵

Though prospects for the employment of African-Americans opened up somewhat after World War I,²⁶ and although black workers were subject to replacement by white labor,²⁷ black labor nonetheless remained an important component of the workforce throughout the city's beach resort days.

²³ See Paulsson for a discussion of opportunities available to black workers during this period, especially footnote 61 in Chapter 2. Johnson also provides useful statistics from the decennial census for this time period.

²⁴ See Paulsson, Chapter 2, p. 40, citing Herbert James Foster's dissertation.

²⁵ See Paulsson, p. 32.

²⁶ See Paulsson, Chapter 2, footnote 61.

²⁷ Paulsson, Chapter 2, footnote 66, citing Foster, argues that this problem was particularly serious for African-American male workers, who were at risk of being replaced by white females. Johnson (p. 159) writes of a similar situation during the resort's decline, when whites took jobs that had traditionally gone to blacks.

TABLE 2

Labor Force in Atlantic City, Camden, and the State, 1940 and 1950

A. Racial Composition of Labor Force for Atlantic City, Camden, and New Jersey

	Atlantic City ¹		Camden ²		New Jersey (All) ³		New Jersey (Urban) ⁴	
	1940	1950	1940	1950	1940	1950	1940	1950
Total population	64,094	61,657	117,536	124,555	4,160,165	4,835,329	3,394,773	4,186,207
% of population that is black ⁵	24.4%	27.3%	10.6%	14.1%	5.5%	6.6%	5.7%	6.7%
% of labor force that is black ⁶	27.0%	30.7%	10.0%	13.4	5.7%	7.1%	5.8%	7.1%

B. Atlantic City Labor Force Activity, 1940 and 1950⁶

	Male				Female			
	LFPR ⁷ (All)	LFPR (Black)	Civilian unemp. (All)	Civilian unemp. (Black)	LFPR (All)	LFPR (Black)	Civilian unemp. (All)	Civilian unemp. (Black)
1940	80.0%	80.7	12.5 (25.1) ⁸	12.9 (35.5) ⁸	37.6	49.5	14.0 (21.4) ⁸	16.1 (26.9) ⁸
1950	74.9	76.5	7.6	12.4	35.4	48.8	8.6	13.8

¹1940, Census, Tables 28, 33; 1950, Census of Population, Tables 6, 33, 35, 36

²1940, Census, Tables 28, A-41; 1950, Census of Population, Tables 6, 33, 35, 36

³1940, Census, Table 4; 1950, Census of Population, Tables 1, 13, 27

⁴1940, Census, Table 16; 1950, Census of Population, Tables 3, 13, 25

⁵In 1950, population is defined as “white” or “nonwhite” rather than

“white” or “black.”

⁶1940, Census, Table 33; 1950, Census, Tables 35, 36 (In 1940 and 1950, the labor force is classified as persons 14 years old and over.)

⁷LFPR = Labor Force Participation Rate

⁸Numbers in parentheses give unemployment rates in 1940 if those employed at “public emergency work,” e.g., the WPA, are not counted as employed.

Data on the labor force in 1940 and 1950 are provided in Table 2. Table 2A contains information on the shares of the population and labor force that were nonwhite for Atlantic City, Camden, and New Jersey as a whole. In 1940, blacks comprised 24.4 percent of Atlantic City’s population and 27.0 percent of its labor force; the percentages for 1950 are 27.3 percent of the population and 30.7 percent of the workforce. The corresponding percentages for Camden and for the state as a whole are considerably smaller.²⁸ Table 2B provides more detailed statistics on labor force activity in Atlantic City for 1940 and 1950. The table shows that

²⁸ In fact, in 1950, among cities with a population above 10,000, only one city, Asbury Park — another, considerably smaller, beach resort — had a higher nonwhite population share, 28.7 percent. Indeed, in addition to Asbury Park, only one other city in this group had a nonwhite share that reached 20 percent (1950 census).

African-Americans in Atlantic City, particularly females, had higher labor force participation rates than whites in these years.²⁹ They also had higher unemployment rates, considerably so in 1950. (Furthermore, the data in Table 2A suggest that the racial differences in unemployment rates in 1940 might have been much sharper had it not been for employment provided through public emergency work programs.) The higher unemployment rates for blacks may reflect disproportionate employment in sectors of the economy particularly susceptible to seasonal unemployment³⁰ and/or discrimination

²⁹ This finding may reflect economic necessity, particularly in the case of women. However, in 1950, median age in Atlantic City was higher than in all but one other city in New Jersey with a population above 10,000, and to the extent that the elderly population was disproportionately white, this might also contribute to lower rates of labor force participation for white women.

³⁰ As previously noted, sources cited by Paulsson indicate that at

against black workers in the labor market.

Finally, and probably because of the combination of labor market features considered above, Atlantic City households tended to have incomes that were considerably below those in urban areas elsewhere in the state. Data on income are not available for 1940, but data for 1950 indicate that in that year, among New Jersey cities with populations greater than 10,000, the city had the highest percentage of households with incomes below \$2000, 53.7 percent (Table 3).³¹ For the state as a whole, the corresponding percentage was 26.1 percent and in New Jersey’s urban areas, it was 24.1 percent. Median income for both families and households, \$2428 and \$1825, respectively, lagged those of every other urban community with a population above 10,000 in the state by several hundred dollars, at a time when the state’s median income was itself only \$3670 for families and \$3285 for households.³²

the end of the 19th century and the beginning of the 20th, seasonal unemployment affected black residents most severely.

³¹ Only two jurisdictions in the entire state, each with a population under 10,000, had higher percentages of households with incomes below this level.

³² Median family income is the preferred measure for comparing Atlantic City with the rest of New Jersey. In general, the share of households that are “nonfamily” in different communities is likely to be related to median household income, while the composition of nonfamily households may differ across communities as well. (For example, the percentage of such households made up of single individuals of working age and the percentage that is elderly are likely to vary across jurisdictions.) Both of these factors mean that a comparison of median household income across communities might have an “apples to oranges” nature. Comparison of median family income across communities probably comes closer to an “apples to apples” comparison.

TABLE 3
Income: Atlantic City and New Jersey, 1950

	Atlantic City	New Jersey (All)	New Jersey (Urban)	New Jersey (Rural)	
				Nonfarm	Farm
Median income ¹ (All households)	\$1,825	\$3,285	\$3,372	\$2,633	\$2,203
% of households with income < \$2000 ¹	53.7%	26.1%	24.1%	37.9%	45.6%
Median family income ²	\$2,428	\$3,670	\$3,754	\$3,222	\$2,550

¹ 1950, Census of Population, Section 1, Table 10

² 1950, Census of Population, Tables 32, 37

Discrimination and Segregation

Although Atlantic City’s black residents and workers were not viewed as equal to whites in the city’s early days,³³ Atlantic City was not a segregated city in the 19th century. With the turn of the century, however, discriminatory practices that segregated blacks from whites became a matter of public and private policy.³⁴ Segregation extended to schools, restaurants, and recreation, affecting Atlantic City’s black residents and its black visitors.³⁵ Blacks were not allowed into boardwalk amusements³⁶ or onto “white” beaches. Many of these practices persisted until the civil rights era; segregated seating was the rule in Atlantic City’s movie houses

³³ See, for example, an 1893 quote from the *Philadelphia Inquirer* cited by Paulsson, p. 35.

³⁴ According to Bryant Simon, Atlantic City never formally enacted Jim Crow laws, as occurred in the South, but the initial timing of public policies promoting segregation in Atlantic City coincided with the enactment of these laws in southern states. Paulsson cites contemporary sources that attribute the imposition of discriminatory policies to an increase in southern visitors, who, businessmen believed, would be uncomfortable in an unsegregated resort.

³⁵ Seven Atlantic City hotels were included in the 1941 guide “Directory of Negro Hotels and Guest Houses,” published by the U.S. Department of the Interior. http://www.nps.gov/history/history/online_books/nj1/chap4.htm

³⁶ Paulsson writes that in 1904, police began to eject blacks from boardwalk amusements.

By 1915, residential segregation was close to absolute, with almost the entire black residential population living in Atlantic City's Northside area (see Map 1). With segregation came the development of dual institutional structures. Bryant Simon writes that the city had two YMCAs, two Elks clubs, two Republican and Democratic

In a recent interview, a long-time resident reflected on her childhood in the city: “When I grew up, Atlantic Avenue was a demarcation line between Caucasian and black. If you lived on the Northside, everybody knew you were black, or if you looked like you were white, you were either mixed or you had married a black person. That was it. The firemen were black. The policemen were black. The postman was black. The schoolteachers were black.

A detailed map of Northside, Portland, Maine. The map shows a grid of streets, with a red line indicating the Northside Boundary. The boundary starts at the intersection of Absecon and Park, runs east along Park, then south along Horace J. Bryant Jr., and continues south along the Atlantic Ocean. The map includes numerous street names such as Absecon, Park, Penrose, Madison, Emerson, Beach, Riverside, Kuelhne, Hamilton, Murray, Horace J. Bryant Jr., Marmora, McKinley, Ohio, Indiana, Sewell, Caspian, Adriatic, Blaine, Bacharach, Mediterranean, Garfield, Leece, Michigan, Missouri, Pacific, Boardwalk, Chelsea, Providence, Hartford, Alton, Sovereign, Broughton, Falmouth, Sunset, Island, Georgia, Florida, Texas, California, Iowa, and Pacific. The map also shows the Atlantic Ocean to the south and east, and the Absecon Inlet to the north. A legend in the bottom right corner indicates the Northside Boundary with a red line.

The black churches were on the Northside.”⁴⁰

Decline of the Beach Resort

Atlantic City enjoyed a long run, from the middle of the 19th century to the middle of the 20th, as America's seaside playground. After World War II, however, the city faced serious challenges in attracting tourists. Increased affordability of airfare and expansion of the interstate highway system greatly reduced the advantage that the city's tourist industry received from its proximity to northeastern metropolitan areas, while the set of desirable

³⁹ See Simon, p. 73 and p. 191. By the time Pitney Village was demolished in the 1990s, it had long since become a very predominantly minority project.

⁴⁰ Personal interview conducted in Atlantic City, March 2007.

vacation spots was enhanced by the opening of new resorts like Disneyland.⁴¹ By the 1960s, Atlantic City had lost its cachet as a tourist destination.

The city's decline was very steep. Between 1960 and 1980, city population fell from 59,544 to 40,199. Most of the population outflow was white, with data suggesting that nonelderly white families were particularly likely to leave. As population fell and tourism declined, many of the city's institutions began to close or consolidate, many retail businesses closed, and much of Atlantic City's housing stock became dilapidated or abandoned. The city's resort infrastructure, long neglected, began to deteriorate as the city faced "severe financial and management difficulties."⁴²

A range of statistics illustrates the speed and the severity of the city's decline. Between 1960 and 1980, the city lost 32 percent of its residents, with the loss almost entirely concentrated in the white population, which fell by 47 percent.⁴³ Between 1965 and 1975, the city lost 17 percent of its jobs.⁴⁴ The unemployment rate increased from 10.6 percent in 1972 to 18.1 percent in 1977. (Comparative national unemployment rates for these years were 5.6 percent and 7.1 percent, respectively.)⁴⁵ Between 1960 and 1976, 40 percent of the city's hotel rooms were closed.⁴⁶ Between 1950 and 1974, tourist income shrank from more than \$70 million annually to less than \$40 million.⁴⁷

⁴¹ A number of authors, including Simon and Johnson, argue that the growing suburbanization of the American population was also a factor: As Americans moved from cities to less densely populated suburbs, their new surroundings provided alternative opportunities for recreation and relaxation to those they had previously found in Atlantic City.

⁴² Atlantic City Master Plan, 1987, p. 2.

⁴³ Decennial census.

⁴⁴ See Sternlieb and Hughes, p.178.

⁴⁵ See p. 6 in the report from the U.S. Government Accountability Office.

⁴⁶ See the 2008 article by Wayne Parry.

⁴⁷ See Johnson, p. 177.



ATLANTIC CITY: PAST AS PROLOGUE

ATLANTIC CITY'S RECOVERY: THE ROLE ENVISIONED FOR LEGALIZED GAMBLING

Illegal gambling had injected large amounts of money into the Atlantic City economy in its heyday as a beach resort. It is perhaps unsurprising, then, that by the early 1970s, the idea that legalized casino gambling could reverse Atlantic City's fortunes had taken hold among Atlantic City's boosters. After a failed 1974 attempt to pass a referendum allowing casino gambling statewide in New Jersey,⁴⁸ New Jersey gambling advocates pushed for passage of a referendum that would allow casinos in Atlantic City alone, arguing that casino gambling would provide a means for revitalizing the resort city. State voters passed this referendum in 1976, and in 1977, the New Jersey legislature passed the Casino Control Act, which governs casino establishment and operation.

Key Provisions of the Casino Control Act

The Casino Control Act (CCA) spoke directly to the issue of Atlantic City's recovery. In its opening section, the act set out the outcomes that it was hoped the legislation would accomplish. Prominent among these were the revitalization of Atlantic City's tourism industry and the use of

gambling as a "unique tool" to support the city's urban redevelopment.⁴⁹

The opening section of the act also laid out ground rules for the process by which the revitalization of the tourist industry was to be achieved. Development of the gambling industry was to occur in a manner that would maintain "the existing tone of the hospitality industry" and strict regulation and control would be put in place "to maintain and retain integrity, public confidence, and trust" in casino operations. In support of the first of these ground rules, the legislation stipulated that gaming was restricted to major hotels and convention facilities, defined as establishments with at least 500 sleeping units.⁵⁰ In support of the second ground rule, the CCA stated that individuals with criminal records could not be hired as workers in casino hotels.⁵¹ Arguably, these restrictions are particularly important in understanding how the development of casinos affected Atlantic City's existing businesses and its residents, an issue that will be discussed in a

⁴⁸ Prior to the failure of the 1974 referendum, Atlantic City's gambling proponents believed that a referendum was more likely to pass if gambling was presented as an option for all communities in the state. See Johnson, pp. 181-82, for a discussion of this point.

⁴⁹ CCA, Title 5, Chapter 12, Article 1, New Jersey Statutes, annotated.

⁵⁰ CCA, 5:12-83.

⁵¹ More generally, the hiring restriction applied to those deemed not to be of good character. Initially, the hiring restriction applied to all employees working in facilities hosting casinos. An amendment to the act in 1995 removed the restriction from some workers, such as hotel employees who did not actually work in the casinos themselves.

number of places in the remainder of the report.⁵²

To facilitate the gaming industry's role as a "tool of urban redevelopment," the CCA initially required that casinos reinvest part of their Atlantic City revenues in projects designed to improve the health and well-being of the city and state. However, it also provided a loophole to the requirement,⁵³ and as of 1984, the relevant part of the act had not resulted in any significant reinvestment in the city. In that year, the New Jersey legislature amended the CCA to provide for the establishment of the Casino Reinvestment Development Authority (CRDA), whose listed purposes include the redevelopment of blighted areas in Atlantic City and elsewhere in the state, with a particular focus on benefits to low- and moderate-income households.⁵⁴ Under the terms of this legislation, casinos are required to invest a portion of their revenues in CRDA-sponsored projects for the first 50 years of their existence.⁵⁵

⁵² Overall, the CCA provided for an "unusual degree of regulation" by the state. See the article by Mark W. Nichols. Amendments over time have loosened regulatory controls. Nonetheless, regulation of Atlantic City casinos is still viewed by the industry as being particularly strict. For example, one casino operator stated in 2004 that the strict regulations governing the hiring of employees led to competition for staff among casinos (Trump Atlantic City Associates, 2004 Annual Report). See Nichols for an interesting discussion of the significant increase in casino revenues associated with an increase in the amount of casino floor space that could be used for slot machines.

⁵³ While the terms of the requirement, as stated in the CCA, were complicated, the basic thrust of the language was that casinos were required to reinvest 2 percent of their adjusted gross revenues. As an alternative to this reinvestment, the act allowed casinos to hold the money otherwise required for reinvestment for five years and then pay these funds as a 2 percent tax to the state. See the article by Joseph Rubenstein. Also see CCA 5:12-144b through e.

⁵⁴ Legislation pertaining to the CRDA is found in Article 12 of the CCA. See Appendix A for more information on the funding distribution within the state.

⁵⁵ Casinos are effectively required to annually invest 1.25 percent of their adjusted gross revenue (AGR) in CRDA-sponsored projects, either directly or through purchase of bonds that the authority issues. (A casino that chose not to participate in CRDA-sponsored projects would be required to pay a tax to the state equal to twice the amount of the CRDA obligation. No casino has chosen this al-

ternative.) CRDA projects could take the form of "bricks and mortar" activities, or CRDA funds could be used to provide services such as job training to Atlantic City's low- and moderate-income population; however, the legislation establishing the CRDA stated that funds could not be used for casino development or expansion.⁵⁶ Starting in the early 1990s, a series of further amendments to the CCA expanded the allowable uses of CRDA funds coming from casino investment obligations to include activities supporting economic development, including casino development and expansion. Other amendments provided supplementary revenue sources, some of them temporary, to support such activity. The amended language also states that in years 26 through 35 of a casino's existence, the funds it provides for CRDA projects in Atlantic City are to be targeted to economic development.⁵⁷

Meeting the Goals of the Casino Control Act: An Overview

Atlantic City's first casino, Resorts, opened its doors in 1978, the year after the enactment of the Casino Control Act. Between 1978 and 1987, the number of casinos increased to 12, where it remained until 2006. While the number currently

ternative.) Under the initial authorizing legislation for the CRDA, casinos' CRDA obligation lasted for only 30 years. In the current decade, as the CRDA's mandate has been expanded, the length of the obligation has been expanded as well, first to 35 years and then to the current 50 years.

⁵⁶ However, the use of CRDA funds for a convention center and hotels built in service of that center were allowed.

⁵⁷ In accordance with its original legislative mandate, the CRDA focused its initial efforts on the development of for-sale housing for low- and moderate-income households. The CRDA is now primarily engaged in economic development activities; much of its funding is directed to maintaining a competitive edge for Atlantic City as the city faces competition from gambling in neighboring states. More detailed information on CRDA activities is provided in a later section of this report.

stands at 11, new casino development is planned for the near future.^{58, 59}

As was envisioned, the casinos have rejuvenated Atlantic City's tourist industry. Since 1988, the first full year in which Atlantic City's full complement of 12 casinos was in operation, the casinos have directly provided more than 40,000 jobs per year. The number of annual visitors to the city, which stood at 7 million in 1978, the year the first casino opened, has ranged between 30 and 35 million since 1988.⁶⁰ A new convention center opened in 1997, and in recent years, there has been an expansion in high-end restaurants and retail stores targeted to Atlantic City visitors.

Assessing the role that the casino industry has played as a "unique tool of urban redevelopment" is more complex. Since the advent of gambling, Atlantic City's population has stabilized at about 40,000. Since 1988, the casinos have typically provided jobs for more than 10,000 city residents;⁶¹ since that time, a substantial majority of the city's employed residents worked for the casinos.⁶² Casinos provide 80 percent of property taxes collected by the city — allowing the school district to spend about \$1500 more per pupil than the state average⁶³ — and they also generate revenues for the city through other taxes,

including a "luxury" sales tax that predates legalized gambling.⁶⁴ The CRDA has replaced run-down housing in what was formerly the city's poorest neighborhood with new owner-occupied units, a portion of which were sold to low- and moderate-income households at below-market rates. The CRDA is also a sponsor of Atlantic City's Hope VI project, which will replace a part of the city's old public housing stock with new units on a one-for-one-basis while also providing new market-rate housing.

At the same time, many of the problems that gambling was supposed to alleviate remain severe. As in the pre-gambling era, the city's unemployment rate and its poverty rate are considerably higher than those of New Jersey and the nation; in 1999, 19 percent of the city's population lived in census tracts meeting the definition for extreme poverty neighborhoods, i.e., a poverty rate of at least 40 percent.⁶⁵ The city's median family income is one of the lowest in the state.

In addition, the city suffers from high rates of crime, an active drug trade and neighborhood gang activity. The rate of HIV infection is high,⁶⁶ and despite the school district's high per pupil spending, the rate of high school graduation is considerably lower than that of the state.⁶⁷ Vacant houses and

⁵⁸ The particular set of casinos in operation has changed over time, even though the number of casinos was steady at 12 until the Sands closed in late 2006, dropping the number to 11. See the April 2007 article by Suzette Parmley, for a discussion of plans to expand the number of casinos.

⁵⁹ See Appendix A for detailed information on the performance of the Atlantic City casino industry.

⁶⁰ See the 2007 report from the New Jersey Casino Control Commission, available on its website.

⁶¹ The number of residents employed by casinos fell in both 2006 and 2007, as did the total number of jobs provided by casinos. Reasons for this decline are discussed later in the text.

⁶² See additional discussion of this point in footnote 86.

⁶³ See <http://www.state.nj.us/education/guide/2007/csgsearch.shtml> for data on school spending.

⁶⁴ Property tax data provided for 2001. See the 2003 report from the New Jersey Casino Control Commission, available on its website, for a list of taxes paid by casinos, including property taxes.

⁶⁵ 2000 census.

⁶⁶ In June 2006, there were a reported 811 cases of HIV/AIDS in Atlantic City. According to the New Jersey Department of Health and Senior Services, Atlantic City ranks as one of the 10 cities with the highest number of HIV/AIDS cases in New Jersey (as of December 31, 2006). Thirty-one percent of the HIV/AIDS cases in Atlantic County were in Atlantic City, although in 2000, Atlantic City's population comprised just 16 percent of the county's total population. New Jersey Department of Health and Senior Services website at <http://www.state.nj.us/health/aids/repacities.shtml>.

⁶⁷ New Jersey Department of Education (NJDOE), "Atlantic City 2006-2007 High School Report Card," on NJDOE's website at <http://education.state.nj.us/rc/rc07/dataselect.php?datasectionper>

vacant lots are common sights. The city's residential neighborhoods have few retail outlets, and the city as a whole has no supermarket. In some of the city's neighborhoods, residents are concerned that planned expansion of the casino industry, supported to some degree by the CRDA, which has switched its focus from housing to economic development activities designed to benefit the casino industry,⁶⁸

will create new and serious problems in the form of displacement.

In short, although the casino industry has provided a substantial number of new jobs and new resources to Atlantic City, a large segment of the resident population, as in the past, faces serious economic (and social) problems. In the remainder of this report, we elaborate on this conclusion.

cent5B2percent5D=performance&c=01&d=0110&s=010<=A&st=H.

⁶⁸ Many recent activities are aimed at helping the industry remain competitive in the face of the expansion of gambling opportunities in nearby states.



ATLANTIC CITY: PAST AS PROLOGUE

TRENDS IN ATLANTIC CITY SINCE THE ADVENT OF GAMBLING

Demographic Changes

Since the advent of gambling, the city's population has stabilized at about 40,000 residents, its level in 1980. The white population has continued its decline, and the black population has also fallen, though to a much lesser degree. However, in-migration of Hispanics and Asians drawn by the city's jobs partially offset these declines in the 1980s and by 2000 had restored the city's population to the 1980 level (Table 4A). Estimated population for 2005 was also about 40,000, and projections keep it at this level through 2020.⁶⁹ The Asian and Hispanic populations have tended to concentrate in neighborhoods that were formerly white, so that despite the city's changing racial and ethnic make-up, the city's old pattern of segregation can still be recognized to a large extent on a map of the city (Maps 2A and 2B).

Table 4B indicates that other components of the city's demographic make-up have also changed over time. The percentage of the population over 65 years of age, close to 25 percent in 1970 and

TABLE 4A
Racial/Ethnic Composition, Atlantic City, 1960 to 2000¹

	1960 ²	1970 ³	1980 ⁴	1990 ⁵	2000 ⁶
Total Population	59,544	47,859	40,199	37,986	40,517
White (Non-Hispanic, 1980 on)	63.6%	54.6%	43.9%	30.8%	19.4%
Black (Non-Hispanic, 1980 on)	36.2%	43.7%	49.3%	49.7%	42.4%
Hispanic*	N/A	N/A	5.8%	15.3%	24.9%
Asian*	N/A	N/A	0.6%	3.7%	10.3%
Other	0.3%	1.6%	0.4%	0.5%	2.9%

*Prior to 1980, Hispanic and Asian were included in the "other" category.

¹In some instances, percentages may not total to 100 percent due to rounding error.

²1960, Census, series PHC (1)-9, Table P-1

³1970, Census, series PHC (1)-15, Table P-1 PHC Census Tracts

⁴1980, Census, series PHC, 80-2-78 Table P-7

⁵1990, Census of Population and Housing, Summary Tape File 1, Table P010

⁶2000, Census, Summary Tape File 1, Table P4

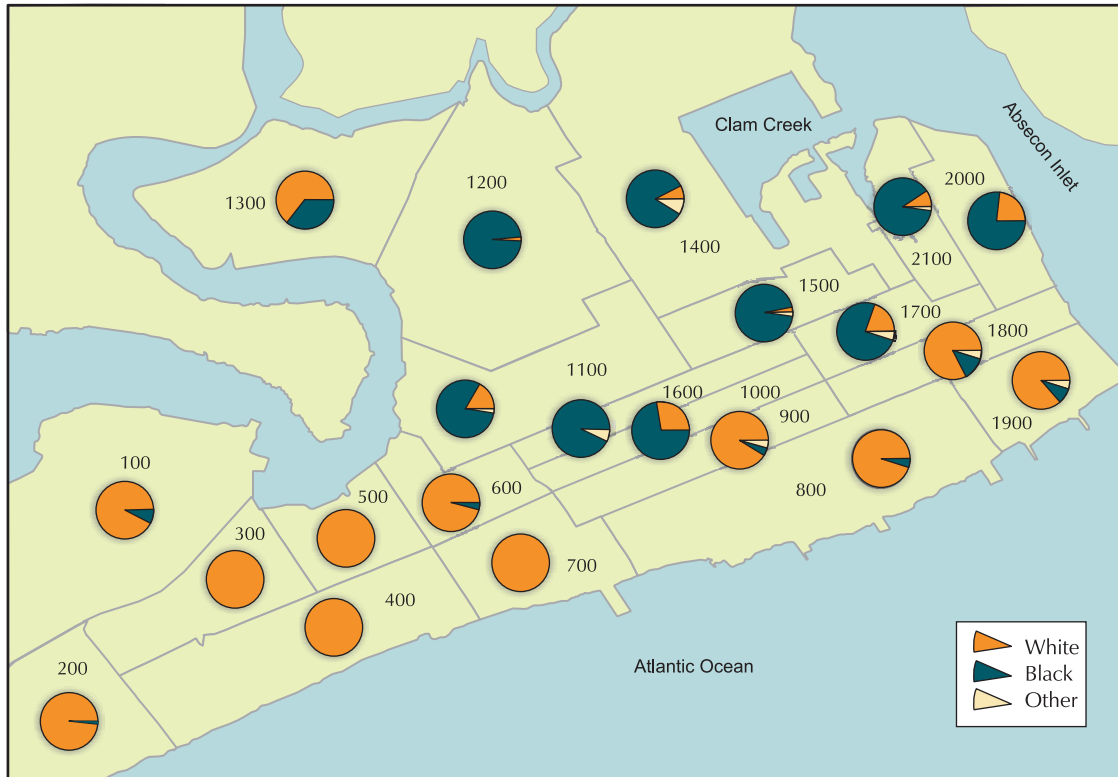
1980,⁷⁰ has fallen considerably and stood at 14.2 percent in 2000. (To some extent, this change may simply reflect the natural outcome of the aging process. However, the Casino Control Commission suggests that the net loss of population that Atlantic City experienced in the 1980s was in large part due to land speculation and casino development,⁷¹ and statistical and anecdotal evidence both suggest that much of the impact from these phenomena was felt

⁶⁹ The 2005 estimate was made by the New Jersey Department of Labor (see Atlantic County fact book, 2006). The 2020 projection is contained in South Jersey Transportation Planning Organization, "SJTPO 2030 Population and Employment Projections by Municipality," June 2006. It should be noted that a number of residents interviewed as part of the concentrated poverty case study believe that planned expansion of the casino industry will lead to a lower residential population over the next 10 years.

⁷⁰ Rubenstein comments that in the years before gambling, Atlantic City had two ghettos: one African-American and one elderly.

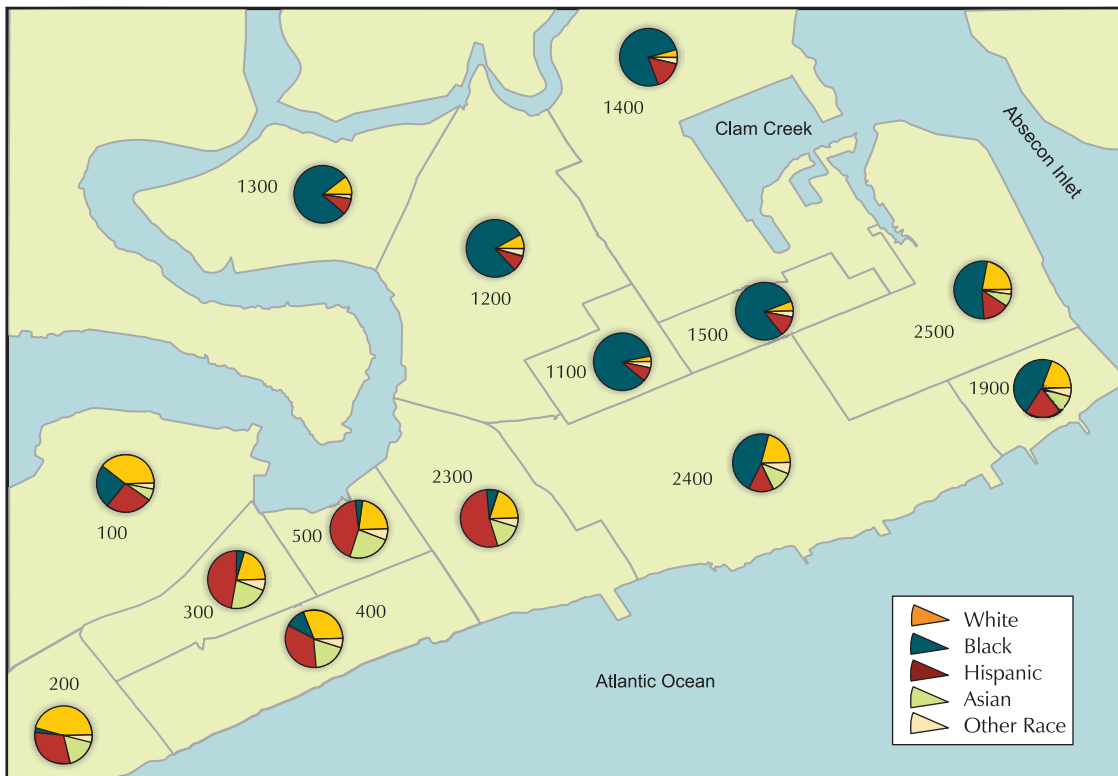
⁷¹ See the 1998 report from the Casino Control Commission.

MAP 2A
Atlantic City Patterns of Racial Settlement
1970



Source: U.S. Census Bureau, 1970

MAP 2B
Atlantic City Patterns of Racial/Ethnic Settlement
2000



Source: U.S. Census Bureau, 2000

by the elderly.⁷²) The decline in the share of the population that is elderly has been accompanied by an increase in the number of adults of prime working age, in both relative and absolute terms. Between 1980 and 2000, the size of this group increased by 3929, or 23 percent.

Table 4B also shows that nonfamily households and female-headed families with children both grew as shares of all Atlantic City households between 1970 and 1990. While these shares fell slightly between 1990 and 2000, they remain above their 1970 levels; this is particularly true for the share of households that are female-headed with children, which was almost 50 percent higher in 2000 than in 1970. The net growth in the shares of nonfamily households and female-headed households with children is of particular interest because the incidence of poverty for people living in these types of households tends to be considerably greater than that for the population as a whole.⁷³

Finally, the level of educational attainment has increased over time, consistent with the

TABLE 4B
Selected Other Demographic Information,
Atlantic City and the State, 1970 to 2000

	Atlantic City				New Jersey	
	1970 ¹	1980 ²	1990 ³	2000 ⁴	1970	2000
% of population elderly (65+)	24.8	23.5	19.2	14.2	9.7	14.0
Population age 25 to 64 (number)	19,922	16,825	18,159	20,754	3,357,674	4,537,028
--% of population age 25 to 64	41.6	41.9	47.8	51.2	46.8	53.9
% of population foreign born	9.4	7.7	9.9	24.7	8.9	17.5
--% of foreign born arriving in U.S. fr. 1990 to 2000	NA	NA	NA	65.4	NA	41.6
% of households that are families	59.6	55.2	52.0	54.9	82.7	70.3
% of households that are female-headed with children under 18	9.4	12.8	15.5	14.0	4.6	6.4
% of families that are female-headed with children under 18	15.7	23.3	29.8	25.5	5.6	9.1
% of population over 25 with high school diploma	35.4	48.1	58.3	61.8	52.5	82.1
% of population over 25 with a bachelor's degree or above	3.5	7.7	9.5	10.4	11.8	29.8

¹1970, Census, series PHC (1)-15 Tables P-1, P-2, Census of Population Vol. I, Pt. 32, Tables 140, 148, 153, 158

²1980, Census, series PHC 80-2-78, Tables P-1, P-9, Census of Population, Vol. I, Pt. 32, Tables 56, 115, 117, 119, 124

³1990, Census of Population and Housing, Summary Tape File 1, Tables P001, P002, P003, P0011, P018; Summary Tape File 3, Tables P042, P057

⁴2000, Census, Summary Tape File 1, Tables P1, P15, P16, P31, P34, P36, PCT12; Summary Tape File 3, Tables P21, P22, P37

national pattern of more years of schooling for younger population cohorts. However, the city has consistently lagged the state.⁷⁴ In 2000, about 38

⁷² Examples of elderly displacement accompanying real estate speculation associated with the development of the casino industry are supplied in a later section of this report.

⁷³ U.S. Department of Health and Human Services, *Green Book*, 2004, Appendix H, Table H6.

⁷⁴ In 1980, census data indicate that 7.7 percent of the population 25 and over in Atlantic City had a bachelor's degree or higher, compared with the state of New Jersey, where the percentage was 11.8. In 1990 the same was true: 9.5 percent and 24.9 percent

percent of Atlantic City's residents over age 25 lacked a high school diploma, and only 10.4 percent had completed a bachelor's degree or higher. For New Jersey as a whole, only 18 percent of this age group lacked a high school diploma, while 29.8 percent had completed at least a bachelor's degree.

Changes in Private-Sector Economic Activity

The number of private-sector jobs jumped sharply in Atlantic City after the arrival of casinos. Since the early 1980s, the casinos have provided a large majority of Atlantic City jobs, and the industry's share has tended to grow over time (Table 5). However, the number of casino jobs has been fairly flat since 1990 and, indeed, has declined somewhat in recent years, a phenomenon that the New Jersey Department of Labor attributes in part to a switch to less labor-intensive forms of gambling (e.g., from card games to slot machines) and to the adoption of labor-

for Atlantic City and New Jersey, respectively.

TABLE 5
Private-Sector Economic Activity, Atlantic City

Year	Private-sector covered employment* (000)	Casino employment (000)	Casino employment as % of all covered employment	Noncasino private covered employment (000)
1960	24.8	-	-	24.8
1965	26.6	-	-	26.6
1970	25.1	-	-	25.1
1975	22.0	-	-	22.0
1976	22.6	-	-	22.6
1977	21.5	-	-	21.5
1978	24.0	3.3	13.7	20.7
1979	31.5	10.1	32.1	21.4
1980	36.4	16.7	45.9	19.7
1981	46.6	27.6	59.2	19.0
1982	47.1	29.1	61.8	18.0
1983	51.2	31.7	62.0	19.5
1984	59.5	36.5	61.3	23.0
1985	60.8	40.1	66.0	20.7
1986	59.7	39.2	65.7	20.5
1987	61.9	41.5	67.1	20.4
1988	61.9	43.1	69.6	18.8
1989	62.3	42.5	68.2	19.8
1990	66.0	47.7	72.2	18.3
1991	59.3	44.5	75.1	14.8
1992	59.6	45.1	75.6	14.5
1993*	58.9	44.1	74.9	14.8
1998	62.4	48.4	79.1	13.1
1999*	60.5	46.8	80.2	12.0
2003	54.8	46.5	87.8	6.7
2004	57.8	44.2	80.2	8.4
2005	59.2	43.9	77.8	13.2
2006	60.7	44.1	74.8	15.1
2007	56.1	38.8	69.2	17.3

*All numbers are provided for September of the relevant year. "Covered employment" is employment covered by unemployment and temporary disability benefit laws. The reader should note that job categories covered by these laws have not been constant over time, so that year-to-year changes in covered employment may sometimes reflect changes in covered categories as well as actual employment changes. Despite this shortcoming, these data are used because they provide the most complete historical record. Data sources: For years 1960 to 1975, see Sternlieb and Hughes (1983), p. 178, Table 5. For years 1976 to 1993, see Hamer (1995), Table 4. For years 1998 to 1999 and 2003 to 2007, data can be accessed from the New Jersey Department of Labor and Workforce website at http://lwd.dol.state.nj.us/labor/lpa/employ/qcew/qcew_index.html. (City-level data are not available in tabulated form for 1994 through 1997 and 2000-2002.) Casino employment comes from the New Jersey Department of Labor and Workforce's Nonfarm Payroll Employment Time Series and from Hamer, Table 4, which also uses this source. All casino employment is "covered employment." Noncasino employment is calculated as the difference between all city employment and casino employment.

saving technology.⁷⁵

On any given day, a nontrivial number of casino jobs go unfilled; estimates of this number range from 300 to 1000.⁷⁶ The total number of casino jobs fluctuates seasonally, with about 5000 fewer jobs in the first and last quarters of the year than in the second and third.⁷⁷ Data from a number of sources indicate that a high percentage of casino jobs have relatively low skill requirements and that a high percentage of these jobs are low-paying.⁷⁸

⁷⁵ See the New Jersey Department of Labor and Workforce Development's 2006 Atlantic County fact book.

⁷⁶ See the report from the New Jersey State Employment and Training Commission. See also the interview with Eric Reynolds, director of the Borgata worker training program, in the newsletter of the Center for Women and Work at Rutgers University, available at <http://www.rci.rutgers.edu/~cww/Newsletters/SP05.pdf>. Reynolds notes that on any given day, as many as 250 casino jobs might be unfilled.

⁷⁷ See the New Jersey Casino Control Commission's 2006 report available on its website.

⁷⁸ For example, a 1998 report based on a survey of casino workers indicated that 11.3 percent had less than a high-school diploma and 40.4 percent had graduated from high school but not gone further. Only 14.8 percent had completed four or more years of college. This report, "Limitations in the Workforce: A Survey and Study of Atlantic City Casinos," prepared by Rutgers University for the Casino Control Commission, was based on a survey of all casino workers conducted during 1997 and 1998 that had a 78 percent response rate. The New Jersey Department of Labor classifies a large share of casino jobs as low skill. New Jersey Department of Labor and Workforce Development, Atlantic County fact book, 2006. See Table A5 in this report.

The same two sources also indicate that a high percentage of casino jobs are low paying. Figure A1 in Appendix A provides information on the distribution of wages among workers surveyed for the 1998 Rutgers report cited above. The authors note that workers reporting wages below \$5 per hour worked in those casino jobs where income was most likely to be substantially increased by tips. For most other workers, wages ranged between \$7 and \$13 per hour, translating to a range of about \$14,500 to \$27,040 for full-time year-round employment. More recently, the New Jersey Department of Labor reported an average annual wage of \$28,840 (*including tips*) for the Atlantic County hospitality industry, 72 percent of whose jobs are provided by the casino industry. (This report notes that "[I]nterestingly, leisure and hospitality is the only sector where Atlantic County's average wage exceeded the statewide average...in 2004...[This] can be traced to the gaming industry's unionized hotel and restaurant workers, higher tipping rates and a greater proportion of higher-paying jobs compared to similar non-gaming establishments.")

Finally, data from the 1998 Rutgers report indicate that minority workers held about 46 percent of casino jobs in 1997 and that

The Remainder of the Private Sector.

Data in Table 5 suggest that the casino industry has generated little additional employment in the remainder of the private sector. Indeed, since the advent of legalized gambling, the level of noncasino employment has declined considerably. Any tendency toward increased economic activity provided by purchases from city businesses by the casino industry or its employees appears to have been more than offset by the supplanting of private-sector activity by the casino sector itself or because of other factors unrelated to the industry.⁷⁹

Both anecdotal and statistical information support the conclusion that the casino industry has reduced the number of retail establishments in Atlantic City. Sternlieb and Hughes note that the number of such establishments had fallen considerably even before the arrival of casinos,⁸⁰ but the economic census shows a particularly sharp decline between 1977, the year before the opening of the first casino, and 1982, a decline that, for the most part, has not been reversed (Table 6). Sternlieb and Hughes suggest that speculation associated with the arrival of the casinos raised Atlantic City rents to a level that was unaffordable to the owners of the city's small businesses.⁸¹ Rubenstein notes that the requirement in the Casino Control Act that

women held about 47 percent of jobs. Data from the Casino Control Commission from 1996 indicate that minority employees were disproportionately concentrated in low-skill occupations, however, and that both women and minorities were underrepresented among employees earning more than \$35,000 per year; this underrepresentation is particularly striking for minority workers. (See the 1998 report from the Casino Control Commission.)

⁷⁹ It is possible that other private-sector employment might have fallen even more in the absence of casinos, and it is therefore not possible to conclude with certainty that the casino industry has had no positive multiplier effect for Atlantic City. Nonetheless, the data provide no evidence for the existence of such a multiplier. Hamer (1995) writes that there has been a positive multiplier for Atlantic County as a whole.

⁸⁰ Op. cit., p. 81.

⁸¹ Op. cit., p. 91.

TABLE 6

Selected Retail Activity, Atlantic City, New Jersey (number of establishments)*

	1977 ¹	1982 ²	1987 ³	1992 ⁴	1997 ⁵	2002 ⁶
All retail	760	406	456	478	NA**	NA**
Furniture	10	14	5	3	5	5
Food and beverages	100	51	59	56	63	59
Eating and drinking places	243	154	146	163	151	145
Clothing and accessories	95	58	84	88	89	85
Dry cleaning, laundry	34	46	14	12	14	12

*U.S. Economic Census

** In 1977, the Census Bureau switched from using SIC industry classifications to NAICS classifications. As a result, the set of business types classified as “retail” from 1997 to the present differ from the set so classified in earlier years.

¹1977, U.S. Economic Census: Geographic Area Series, Retail Trade, Table 6; 1977 U.S. Economic Census: Geographic Area Series, Service Industries, Table 6

²1982, U.S. Economic Census: Geographic Area Series, Retail Trade, Table 8; 1982 U.S. Economic Census: Geographic Area Series, Service Industries, Table 7

³1987, U.S. Economic Census: Geographic Area Series, Retail Trade, Table 6; 1987 U.S. Economic Census: Geographic Area Series, Service Industries, Table 6

⁴1992, U.S. Economic Census: Geographic Area Series, Retail Trade, Table 5; 1992 U.S. Economic Census: Geographic Area Series, Service Industries, Table 5

⁵1997, U.S. Economic Census, Geographic Area Series, Retail Trade, Sector 44; 1997, U.S. Economic Census: Geographic Area Series, Other Services, Sector 81

⁶2002, U.S. Economic Census, Geographic Area Series, Retail Trade, Sector 44; 2002, U.S. Economic Census: Geographic Area Series, Other Services, Sector 81

gambling be confined to hotels with at least 500 guest rooms meant that gambling operations were large enough to provide nongambling services such as food and beverage provision for their patrons in-house⁸² and they had a clear motive to do so in order to maximize time spent on gambling activities. This latter point suggests that much of the city’s retail activity (and employment) may have simply shifted venues; however, such a shift would probably not have been neutral in terms of the well-being of Atlantic City’s residents because of the effects on their consumption choices and, for some residents, on their employment opportunities, to the extent that casino employment requirements tended to

⁸² Rubenstein, 1984.

be more stringent than those of businesses that were supplanted. Moreover, the post-1977 decline in retail establishments does not appear to have been limited to those businesses that served tourists but also includes establishments that would probably have been oriented to residents, such as grocery stores and dry cleaners.

In the past several years, there has been some expansion of retail activity in the city, most notably in two tourist-oriented retail districts, the Walk, located in the city’s center and slated for expansion, and at the Quarters, located in the Tropicana Hotel; both districts were developed under the auspices of the CRDA Urban Revitalization Program, established by the New Jersey legislature in 2001.⁸³ This new retail activity is likely a contributor to the growth in noncasino private-sector jobs in the recent past (see Table 5).

The CRDA’s Economic Development Role.

The support that the CRDA’s Urban Revitalization Program provides for tourist-oriented retail activity is only one facet of the role it plays in fostering private-sector economic development. In 1993, the New Jersey legislature specifically directed the CRDA to provide funding for construction of hotel rooms, a reversal of the prohibition on using CRDA funds for casino development included in its authorizing legislation. Since then, additional legislative changes to the relevant section of the Casino Control Act have supported an increasingly broad range of activities that directly provide funding for casinos (e.g., funding for an IMAX

⁸³ Casino Control Act, Article 12. See the CRDA’s website at <http://www.njcrda.com/about.html> for more information about the program.

theater at one casino, a parking lot at another⁸⁴), or for other tourist-oriented development, including boardwalk revitalization and entertainment/retail districts like the Walk and the new retail space at the Tropicana. Not surprisingly, the expansion of the CRDA's economic development activities has been accompanied by a much-decreased emphasis on activities such as housing development that were undertaken under the CRDA's initial legislative mandate.⁸⁵ Much of the CRDA's investment activity in Atlantic City today is aimed at maintaining the gambling industry's competitive position in the face of the legalization of casino gambling in neighboring states.

Trends in Resident Employment and Income

Trends in Residential Labor Force Activity.

In 2000, Atlantic City's resident labor force totaled 17,683, out of which 15,408 people were employed.

⁸⁴ See the article by Serge Kovaleski. See also Tom Carver's statement in response to the *New York Times*' CRDA coverage, accessible at http://www.casinoconnectionac.com/articles/Keeping_the_Promise, and see a 1998 list of CRDA activities in Appendix 4 of the Casino Control Commission's 1998 report.

⁸⁵ Construction of housing to replace dwelling units in blighted parts of Atlantic City was an early CRDA focus. (The CRDA's housing activity is discussed later in this report.) However, as early as 1997, CRDA investments in casino hotel rooms, \$175 million, were almost as large as its investment in housing, \$185 million. (See Appendix 4 of the Casino Control Commission's 1998 report. For further information on CRDA activities, see this report, the *New York Times* article referenced in the previous footnote, and the CRDA's website at www.njcrda.com.) In an interview conducted for the concentrated poverty case study, Thomas Carver, the CRDA's executive director, indicated that the CRDA no longer views housing development as a key focus.

TABLE 7

Labor Force Statistics, Atlantic City, New Jersey, 1970 to 2000

Year	Atlantic City								
	-----Male-----			----Female----			-----All-----		
	Labor force*	LFPR	Unemp. rate	Labor force	LFPR	Unemp. rate	Labor force	LFPR	Unemp. rate
1970 ¹	9,985	64.7	8.8	8,724	40.7	8.9	18,709	50.8	8.9
1980 ²	8,373	64.0	10.3	8,820	47.4	12.0	17,193	54.3	11.2
1990 ³	9,751	70.6	10.1	8,879	54.0	9.2	18,630	61.7	9.6
2000 ⁴	9,299	61.6	15.2	8,454	52.4	10.3	17,683	56.8	12.9

* The labor force consists of persons 16 years old and over.

¹1970, Census, series PHC (1)-15 Table P-3

²1980, Census, Census of Population, Vol. I, Pt. 32 Table 120

³1990, Census of Population and Housing, Summary Tape File 3, Tables P064, P070

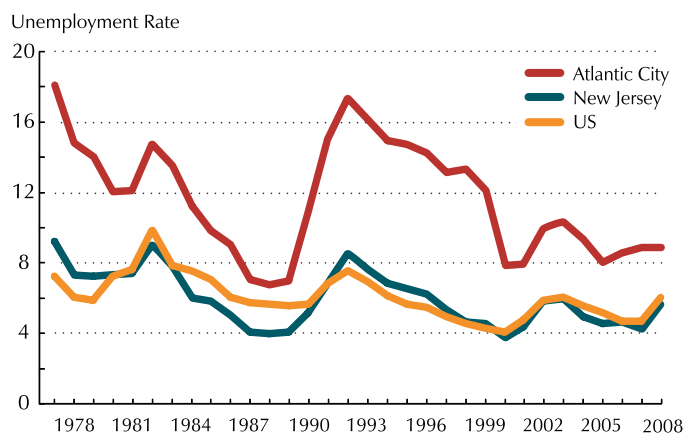
⁴2000, Census, Summary Tape File 3, Table P43

Of these workers, 10,830, a substantial majority, were directly employed by the casino industry.⁸⁶ Unsurprisingly, given the dominance of the casino industry, a much higher proportion of Atlantic City's workers are employed in the service sector (and hold service occupations) than in New Jersey as a whole, with service-sector employment concentrated in tourism-related jobs. The 2000 U.S. census reported that 53 percent of the city's workers were employed in the "arts, entertainment, recreation, accommodation, and food services" sector, compared to 7 percent for the state as a whole.

Table 7 presents decennial census data on Atlantic City's labor force size, labor force participation rate (LFPR), and unemployment rate,

⁸⁶ 2000 census data and Casino Control Commission data. Together these data suggest that about 70 percent of the city's working population was employed by the casinos. However, because of differences in data sources, it is particularly important to view this percentage as an estimate. The reader should note in particular that the report date for the casino employment number is January 2, 2001, and thus provides the employment level at the end of 2000. Because of the seasonal nature of casino employment, this level can be expected to be below the annual average. The extent to which this leads to a tendency to understate the percentage of city workers employed by casinos would depend on the reporting date for census data. See Appendix Table B3 for time-series information on the percentage of all casino jobs held by Atlantic City and Atlantic County residents.

FIGURE 2
Trends in the Unemployment Rate in the
United States, New Jersey, and Atlantic City
1977-2008*



Source: Figure 2 is based on figures presented in a 2000 U.S. Government Accountability Office (GAO) report and in the Federal Reserve Community Affairs offices' System-wide study of concentrated poverty. Statistics come from the U.S. Bureau of Labor Statistics.

*Figure shows the annual unemployment rate for all years except 2008, for which this rate was not available. For 2008, data are provided for September, the most recent month for which they are available.

for all residents and by gender; Figure 2 graphs more complete time-series data on unemployment rates from the U.S. Bureau of Labor Statistics (BLS) for the city, as well as for New Jersey and the U.S. Together, these data suggest positive changes in labor market activity between 1970, eight years before the opening of the first casino, and 1990, 12 years after that opening. LFPRs rise for both men and women, with especially large increases for women. The Atlantic City unemployment rate, which stood at about 18 percent in 1977,⁸⁷ fell almost continuously from 1978 to 1989, and, by the mid-1980s, had fallen almost to the level of the U.S. (see Figure 2).

This situation reverses between 1990 and

2000. LFPRs for men fall below the 1970 level, and the male rate of unemployment rises above it. Women's LFPR also falls, and their unemployment rate rises, though in neither case do the rates return to their 1980 levels. Figure 2 illustrates the sharpness with which the trend of the previous decade reversed. Between 1989 and 1992, unemployment in Atlantic City shoots up⁸⁸ and the gap between this rate and those of both New Jersey and the U.S. widens greatly. This gap stays large in subsequent years, although it has been somewhat smaller in the current decade than in the 1990s. Why this large gap opened and why it persisted are questions of some importance in understanding how the casinos have affected the well-being of Atlantic City's residents. A related question is why the reversals in the LFPR and the unemployment rate trends were less pronounced for women than for men. Each question is considered below.

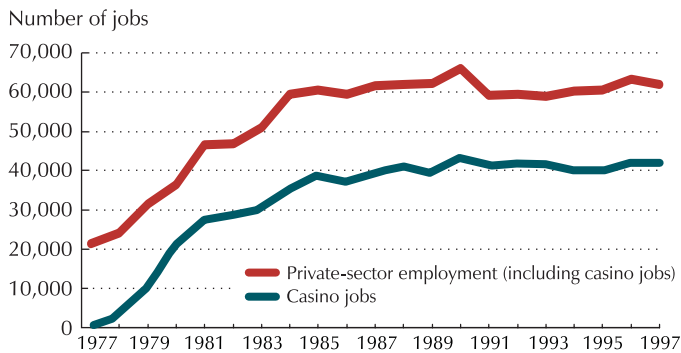
It seems plausible that the sharp rise in the unemployment rate that occurred at the start of the 1990s, both absolutely and in relation to that of the U.S., is at least partially related to a fairly sharp decline in noncasino private-sector employment at about this time, which is evident in Table 5. (At about this time, construction work associated with the addition of new casinos would have been winding down, and it is likely that much of the new residential construction that occurred in the 1980s⁸⁹ was being completed as well. Data for Atlantic County show a marked increase in construction employment over the late 1980s, followed by a sharp decline at the

⁸⁷ BLS data not presented here indicate that the Atlantic City unemployment rate had actually risen sharply in the early and mid-1970s over its rate at the start of the decade. In turn, that the 1980 unemployment rate presented in Table 7 is higher than the 1970 rate is not inconsistent with a falling unemployment rate after the arrival of legalized gambling.

⁸⁸ The New Jersey and U.S. unemployment rates also rose between 1989 and 1992, though not as sharply.

⁸⁹ New residential construction in the 1980s is discussed in a later section of this report. It includes a large number of units built under the CRDA's auspices.

FIGURE 3
Trends in Private-Sector Jobs in Atlantic City
1977-1997



Note: According to information provided by the New Jersey Casino Control Commission, the number of hotel casino jobs reflects full-time positions. Source: New Jersey Department of Labor and New Jersey Casino Control Commission. Figure taken from 2000 GAO report, p. 18.

start of the 1990s; county construction employment did not return to its late 1980s level until the following decade.⁹⁰ A loss in construction jobs and of employment that served the construction industry provides a possible explanation for the decline in noncasino private-sector employment at this time.) If the characteristics of those residents who lost jobs in the noncasino sector were such that they could not easily find work in the casino sector, e.g., because of criminal records, one would expect the unemployment rate to rise and — because of the discouraged worker effect — the LFPR to decline.⁹¹ Moreover, after 1990, the number of casino jobs stayed fairly flat, while the prime-age workforce continued to grow. (See Tables 4B and 5 and Figure 3.) These conditions would tend to exacerbate any rise in unemployment or decline in the LFPR

⁹⁰ Data on construction employment covered by unemployment insurance from 1991 forward, and on wage and salary employment in mining, natural resources, and construction from 1990 forward are available on the New Jersey Department of Labor and Workforce Development's website at http://lwd.dol.state.nj.us/labor/lpa/employ/emp_index.html. Data for earlier years are available in department publications.

⁹¹ Goertzel and Cosby suggest a variant of this hypothesis. See pp. 62-66, especially p. 66, of their article.

associated with a loss in noncasino jobs.⁹²

That the reversal in labor market activity is less pronounced for women than for men may reflect gender differences in the ability to obtain work in the casino industry. (This would be the case, for example, if men were more likely than women to have criminal records or drug problems, or if more casino jobs were in female-dominated occupations than in male-dominated occupations.)

Changes in state and national welfare policies, together with training programs aimed at supporting these policies, may be another factor. Writing at the start of the casino era,

Sternlieb and Hughes argue that “the paucity of job opportunities over a long period, particularly for minorities in such a depressed area, has created a whole generation of residents with substantial problems in adjusting to the workplace — even with the best job prospects.”⁹³ Implicit in this argument is the suggestion that residents might need assistance in developing the basic work skills necessary to maintain a job. Ted Goertzel and John Cosby note that in the late 1980s and in the 1990s, a number of relatively large-scale programs with this purpose were developed for welfare mothers. While they note that these programs have not been formally evaluated, they believe that the programs, in combination with the work requirement “stick” that was part of federal welfare reform in 1996, increased the likelihood that welfare mothers would both seek jobs and be able to maintain them. The authors further suggest that the types of programs provided to welfare mothers were not

⁹² In addition, the percentage of city residents who were foreign born increased substantially in the 1990s, and a large share of the foreign born were new immigrants (see Table 4B). In turn, competition for low-skill, entry-level jobs may have been particularly fierce.

⁹³ See Sternlieb and Hughes, p. 89.

Worker Training in the Current Decade

As is discussed later in this report, it is likely that a lack of “work readiness” continues to be a factor in the high level of unemployment and low LFPRs that characterize Atlantic City today. In interviews conducted for the concentrated poverty case study that preceded this report, a number of worker training programs aimed at improving Atlantic City residents’ “job readiness,” as well as more specific job skills, were identified. As a group, these programs target a broader range of the population than did the earlier programs discussed by Goertzel and Cosby. One particularly large-scale and recent example has been an effort sponsored by the Borgata Casino. As part of a Community Benefit Agreement, the Borgata made a commitment to train and find employment for 2000 unemployed or underemployed Atlantic City residents. By 2003, this effort was underway, and by March 2007, the casino reported that it had trained and placed 2100 residents, primarily in the gaming industry. To meet labor needs associated with an expansion that created 1600 new positions, the Borgata extended the program after meeting its original target.

residents lagged that of New Jersey and the U.S. by a considerable amount in 1950,⁹⁵ near the heyday of the beach resort, and it has continued to do so since the arrival of gambling, as is clear from Table 8, which provides information on median household and family income from the 1970 through the 2000 decennial censuses. On another measure, per capita income, Atlantic City ranked 532nd out of 566 jurisdictions in New Jersey in 1989 and 543rd in 1999.⁹⁶

Table 8 also shows that Atlantic City’s poverty rate has been considerably higher than those reported for both the U.S. and New Jersey in each decennial census. In 1999, for example, Atlantic City’s poverty rate was about two times that of the U.S. and more than 2.5 times that of the state. Atlantic City also fares poorly on other statistics that measure economic need: The census defines individuals living in households where income is between 100 percent and 125 percent of the poverty line as “near poor.” While the census itself does not provide a definition for “low income,” federal and state policymakers frequently define low-income individuals as those living in households where income is less than 200 percent of the poverty line.⁹⁷ By these definitions, 30.3 percent of Atlantic City’s population was poor or near poor, and 49.9 percent was low income, in 1999. For the U.S., 16.5 percent of the population was poor or near poor in that year and 29.6 percent was low income; for New Jersey as a whole, the corresponding percentages were 11.2 percent and 20.4 percent.

available to Atlantic City’s male residents.⁹⁴

Trends in Income, Poverty, and Use of Public Assistance. Income of Atlantic City

⁹⁴ See Goertzel and Cosby, pp. 64-65.

⁹⁵ See Table 3.

⁹⁶ New Jersey State Data Center, “Money Income (1989 and 1999) and Poverty (1999): New Jersey, Counties and Municipalities, 2003,” accessible at <http://www.wnjp.in.net/OneStopCareerCenter/LaborMarketInformation/lmi25/pub/NJSDC-P4.pdf>.

⁹⁷ This definition is often used in determining eligibility for public programs. For example, it is frequently used in determining eligibility for the State Children’s Health Insurance Program (SCHIP).

The use of public assistance by Atlantic City households is considerably lower today than in the years just prior to the advent of legalized gambling, when the city's welfare caseload per 10,000 residents was extremely high compared to both the state and the nation (see Figure 4). The timing of the sharpest declines in this measure — after the advent of gambling and after the passage of welfare reform in 1996 — suggests the effects that these events had on welfare receipt. While the percentage of households receiving public assistance has fallen greatly, it is still very high compared to the state percentage.⁹⁸

Employment and Income Patterns Within Atlantic City. The statistics associated with the well-being of Atlantic City's residents presented earlier in this section, such as poverty and unemployment rates, were calculated on a citywide basis. By their nature, they do not provide information on how residents' well-being, as indicated by such measures, varies across neighborhoods or racial/ethnic groups. For example, the citywide poverty rate was 24 percent in 1999; this rate could be fairly flat across the city, or it could capture a situation in which extremely high poverty rates in some neighborhoods are offset by low rates in others. Distributional information of this type is important both in assessing the nature of the problems faced by Atlantic City's residents and in

⁹⁸ In 1999, the percentage of Atlantic City households receiving public assistance was 2.7 times that of the state. Source: 2000 Census, Tape 3, Table 64.

TABLE 8
Income and Poverty Rates for Atlantic City,
New Jersey, and the U.S., 1969 to 1999

	Median family income	Median household income	% of population poor	% of population poor or near poor ¹	% of population low income ²
1969 ³					
Atlantic City	\$6,395	\$4,257	22.5	24.8	48.2
New Jersey	11,403	10,371	8.1	11.5	N/A
U. S.	9,590	7,699	13.7	18.6	N/A
1979 ⁴					
Atlantic City	13,238	9,807	24.9	32.4	52.2
New Jersey	22,906	19,800	9.5	10.3	24.3
U. S.	19,917	16,841	12.4	17.0	31.7
1989 ⁵					
Atlantic City	27,804	20,309	25.0	30.8	45.8
New Jersey	47,589	40,927	7.6	10.0	18.5
U. S.	35,225	30,056	13.1	17.5	31.0
1999 ⁶					
Atlantic City	31,997	26,969	23.6	30.3	49.9
New Jersey	65,370	55,146	8.5	11.2	20.4
U. S.	50,046	41,994	12.4	16.5	29.6

¹The U.S. Census Bureau classifies a person as near poor if he or she lives in a household whose income is at least 100 percent but less than 125 percent of the relevant poverty threshold.

²A person is classified as low income if he or she lives in a household whose income is less than 200 percent of the relevant poverty threshold. (The U.S. Census Bureau does not define low income. The classification used here is often used by federal and state policymakers; for example, eligibility for some government programs is based on this classification.)

³1970, Census of Population and Housing, Series PHC (1): Census Tracts, P-4; 1970, Census of Population, Tables 58, 94, 95, 199, 206

⁴1980, Census of Population, Vol. 1, Pt. 32 Tables 71, 72, 107, 108, 124, 125

⁵1990, Census of Population and Housing, Summary Tape File 3, Tables P080A, P107A, P121

⁶2000, Census, Summary Tape File 3, Tables P53, P77, P88. (The U.S. poverty rate reported here is somewhat higher than the 1999 rate based on CPS data, which is the rate typically reported in time-series data.)

developing programs to ameliorate them.⁹⁹ This chapter presents key statistics from the 2000 census on employment and income patterns by individual racial and ethnic group and by census tract.

Data on labor market activity, median income, and poverty/low-income status,¹⁰⁰ broken

⁹⁹ For example, whether a high incidence of poverty is largely confined to one racial/ethnic group or one geographic area has implications for targeting anti-poverty programs.

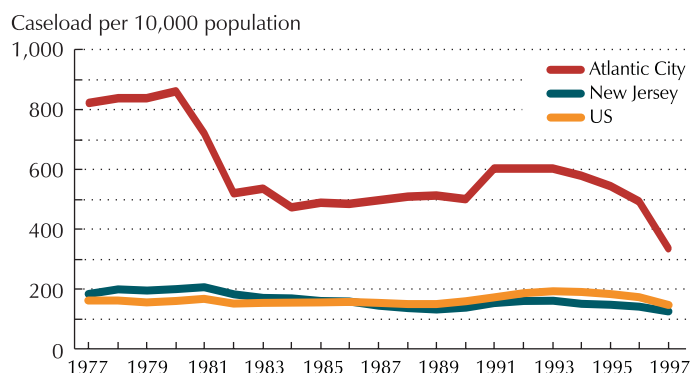
¹⁰⁰ Low income is defined here as in the previous subsection.

out by racial/ethnic groups, are presented in Table 9A on page 27. Although there is considerable variation in the level of these variables across groups, the data indicate that problems such as high poverty and high unemployment are not confined to a particular group within the city. For each group, median family income is considerably lower than the overall New Jersey median and is also considerably lower than for the *same* group within New Jersey as a whole. For each group, poverty rates are higher than the national average for the *same* group, though in the case of the Asian population, only marginally so. In addition, each group has a poverty rate that is higher than for members of the *same* group in New Jersey as a whole. Poverty rates are particularly high among blacks and Hispanics, who together comprise about 67 percent of the resident population. In addition, 55 percent of blacks and 58 percent of Hispanics are classified as low income.

With the exception of the Asian population, the male unemployment rate is considerably higher in each Atlantic City racial/ethnic group than the corresponding rate for the same group in the state as a whole and the national rate. In contrast, female unemployment in each group is closer to the corresponding rate for the group in the state as a whole and to the overall national rate; for Asians and Hispanics, female unemployment rates are lower than the corresponding state rates.

One of the most striking variations across the city occurs in the percentage of *employed* workers whose industry is classified as “Arts, Entertainment, Recreation, Accommodation, and Food Services”; the vast majority of workers in this category presumably work in the casinos (Table 9B on page 28). More than 65 percent of employed Asian and Hispanic males work in this industry,

FIGURE 4
Trend in Welfare Caseload in the United States,
New Jersey, and Atlantic City
1977-1997



Source: The figure is taken from the GAO report cited in the references. The GAO analyzed data obtained from the Atlantic County Department of Family and Community Development, the Bureau of the Census, and the U. S. Department of Health and Human Services.

while the corresponding percentages for whites and blacks are 45 percent and 39 percent, respectively. Among employed females, the pattern is similar: 61 percent of Hispanic females and 72 percent of Asian females work in the industry, while only 47 percent of white females and 44 percent of black females do so. There may be several sources for this pattern. Noncasino jobs may be more attractive than casino jobs, and blacks and whites, who are likely to have longer-term roots in the city than members of the Asian and Hispanic population, may have better access to noncasino jobs. Criminal records may bar a larger percentage of the population from certain categories of casino jobs in some racial/ethnic groups than in others. The percentage of households that consist of single mothers with children under 18 is highest in the black population at approximately 29 percent,¹⁰¹ and given the round-the-clock nature of

¹⁰¹ However, the percentage of Hispanic households classified as “female-headed with children under 18,” at close to 22 percent, is also quite high. (Percentages of black and Hispanic households that are of this type are calculated using data from the 2000 census.)

TABLE 9A

Economic Indicators by Racial/Ethnic Group for Atlantic City, New Jersey, and the U.S., 2000

	African-American			Hispanic			Asian			White		
	Atlantic City	New Jersey	U.S.	Atlantic City	New Jersey	U.S.	Atlantic City	New Jersey	U.S.	Atlantic City	New Jersey	U.S.
Median Family Income ¹	27,708	44,539	33,332	29,836	40,105	34,397	47,295	78,391	59,471	39,542	73,043	54,698
Income status ²												
--Poor (%) ³	29.6	18.5	24.8	23.1	17.9	22.6	13.0	6.8	12.6	17.4	4.7	8.1
--Poor or Near Poor (%)	38.6	23.0	31.0	29.7	23.8	30.3	14.0	8.8	16.2	21.7	6.5	11.2
--Low Income (%)	55.1	36.5	47.7	58.1	41.4	51.4	26.1	15.9	27.6	35.3	13.2	22.3
Unemployment Rate: Male ⁴	23.6	12.8	12.3	14.3	8.5	8.3	1.3	4.2	5.0	12.8	4.2	4.4
Unemployment Rate: Female	13.5	10.5	10.9	9.7	10.7	10.7	3.9	5.0	5.3	6.4	4.1	4.3

¹2000, Census, Summary Tape File 4, Table PCT113²2000, Census, Summary Tape File 4, Table PCT142³2000, Census, Summary Tape File 4, Table PCT141. "Near poor" and "low income" are defined as in the footnotes to Table 8.⁴For both male and female unemployment statistics, the following sources were used: 2000, Census, Summary Tape File 3, Tables P150H and P150I; 2000, Census, Summary Tape File 4, Table PCT79

casino activity, such mothers may find it difficult to meet casino schedule requirements, especially in the absence of high-quality day care.¹⁰²

Maps showing the geographic distribution of a number of economic indicators are presented on page 29. The maps suggest that low income and phenomena related to it are common throughout the city's neighborhoods. In all but two tracts, the percentage of the population classified as low income, i.e., living in a household with an income less than two times the relevant poverty line for that household, is at least 10 percentage points higher than in the U.S. as a whole. All tracts have median family incomes below the U.S. median of \$50,046, with only two tracts coming within \$6000 of this median; all tract medians are well below

the New Jersey median family income of \$65,370 (Map 3). The male unemployment rate is higher than the national rate in all tracts, and in only one case is the tract rate within one percentage point of the national rate.¹⁰³ The female unemployment rate is higher than that of the U.S. in all but two of the city's 14 tracts, and in only two of the other 12 tracts is the tract rate less than one percentage point higher than the U.S. rate (Map 4).

At the same time, there are clear differences across tracts. In general, problems tend to be most severe in the northeastern part of the city, which is predominantly black. For example, the male unemployment rate is above 20 percent in much of the northeastern part of the city but typically below 12 percent elsewhere. (Female

¹⁰² Residents interviewed for the concentrated poverty case study often cited the absence of safe, affordable day care as a factor that limited parents' ability to maintain casino employment.

¹⁰³ Unemployment calculations using data from the 2000 U.S. census give male and female civilian unemployment rates of 5.7 percent and 5.8 percent, respectively.

TABLE 9B
 Resident Employment in Arts, Entertainment, Recreation,
 Accommodations, and Food Services by Race/Ethnicity and Gender,
 Atlantic City, 2000

Employment as percentage of employed persons*				
	African-American	Hispanic	Asian	White
Male	39.1	66.4	69.9	44.7
Female	44.0	60.7	72.3	47.2

*2000, Census, Summary Tape File 4, Table PCT85

unemployment, while it is also more severe in the northeastern census tracts, does not vary as greatly across the city.) The 1999 poverty rate is close to the national average of 12.4 percent in most of the southwestern part of the city; in the northeastern part of the city, the poverty rate is considerably above the national rate in many tracts.

Atlantic City as Residence: Trends in Housing

The Housing Stock and Its Use. Housing statistics for Atlantic City at the start of the gambling era reflect the city’s decline over the previous decades. In 1980, the decennial census year closest to the start of the gambling era, the census reported that Atlantic City had 19,635 units in its year-round housing stock (Table 10, page 30). Almost 15 percent of these year-round units were classified as vacant,¹⁰⁴ unsurprising in a city whose population had fallen 35 percent since 1950.^{105,106}

¹⁰⁴ The overall vacancy rate was considerably higher (22.2 percent) than the 15 percent vacancy rate for the year-round stock, reflecting the large number of seasonally vacant vacation homes that one would expect in a shore community. For example, in 1980, 8.8 percent of all housing units were classified as seasonally vacant migratory housing or vacant, held for occasional use.

¹⁰⁵ Interestingly, the 1950 and 1960 censuses indicate that the housing stock actually grew during the 1950s and maintained its level in the 1960s despite substantial population loss over this period.

¹⁰⁶ Moreover, according to a survey of residential properties conducted by the Atlantic City Planning Department in 1979, 23

Since 1980, the year-round housing stock has fallen about 7 percent, but the vacancy rate in this stock has remained high; it stood at about 13 percent in 2000.¹⁰⁷ While this number might suggest that housing units can be

easily found, it is important to note that throughout the gambling era, the vacancy rate has overstated housing availability, since a high percentage of year-round vacant units are neither for sale nor rent. In 2000, for example, 6 percent of the year-round stock belonged to this category, which is designated “other vacancies.”¹⁰⁸

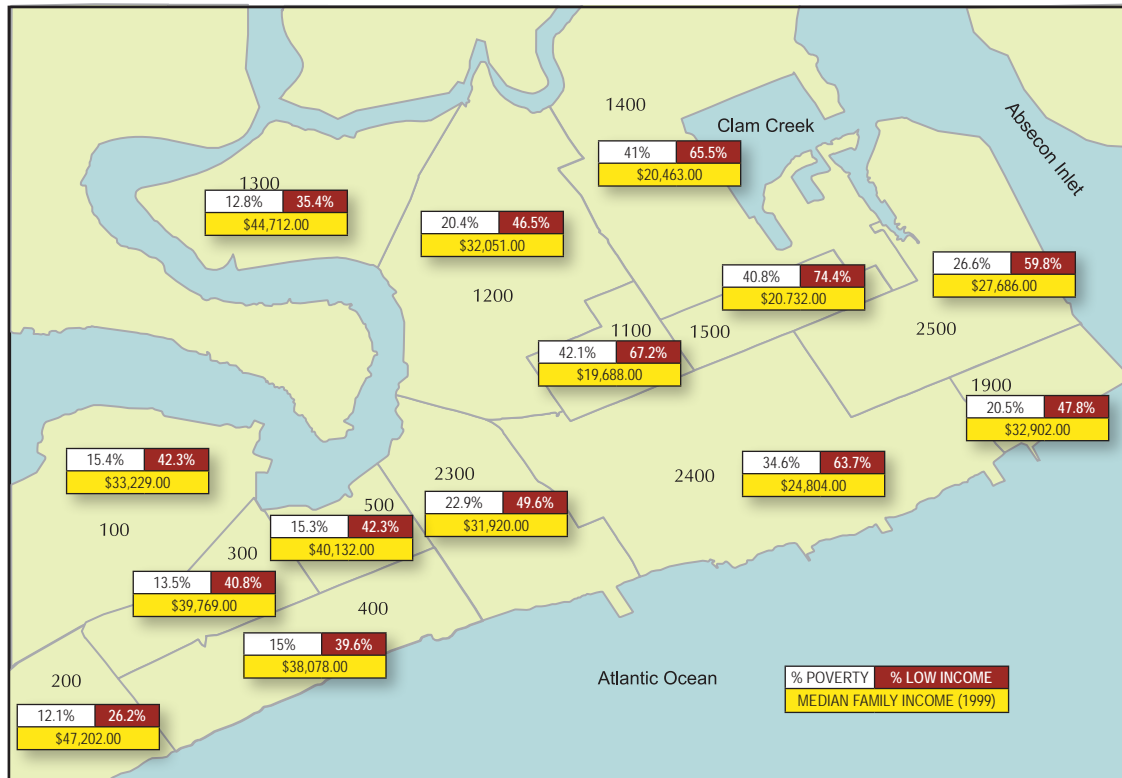
The large majority of the city’s households have historically been renters, and this continues to be the case today: 71 percent of households were renters in 2000, compared to 34 percent for the state as a whole. In the past 50 years, the Atlantic City rental stock has included a large number of subsidized units, including public housing, privately owned HUD-subsidized developments, and low-income housing tax credit properties; in the early 1980s, more than 20 percent was subsidized

percent of the city’s housing units were in substandard condition (Sternlieb and Hughes, p. 113). Unfortunately, comparable statistics are not available for later years. However, some of the city’s worst stock was demolished and replaced by CRDA-sponsored units, suggesting that this percentage is likely lower today.

¹⁰⁷ In comparison, the vacancy rate for year-round units for the state of New Jersey was 4 percent in 2000. However, Atlantic City’s 2000 rate of 13 percent is similar to that of Trenton (13 percent), in central New Jersey, and below that of Camden (19 percent), in the south-central part of the state.

¹⁰⁸ In 1990, 73 percent of “other vacancies” were boarded up. (Statistics were calculated from the 1990 census. The 2000 census does not report on number of boarded-up units.) As was the case with the overall vacancy rate for year-round units for 2000, the percentage of the stock falling into the “other vacancy” category is very high compared to that of the state as a whole but similar in magnitude to that in Trenton (6 percent) and considerably below that of Camden (13 percent).

MAP 3
Atlantic City Patterns of Income and Poverty
1999



Source: U.S. Census, 2000

MAP 4
Atlantic City Patterns of Unemployment
2000



Source: U.S. Census, 2000

TABLE 10

Selected Housing Characteristics for Atlantic City, New Jersey, and the U.S., 1970 to 2000

	Total housing units	% of total units vacant	Total units avail. for year-round occupancy	% of year-round units vacant	% of year-round units classified "other vacancy" ¹	Renter-occupied as % of occ. units	% of 2000 stock built post-1980	% of 2000 stock built post-1990	% of households with >1 occupant per room
Atlantic City, 1970 ²	24,055	18.7	22,737	14.0	1.8	68.9	NA	NA	6.1
Atlantic City, 1980 ³	21,520	22.2	19,635	14.8	4.7	69.4	NA	NA	5.7
Atlantic City, 1990 ⁴	21,626	27.3	19,287	18.4	5.7	69.6	NA	NA	14.8
Atlantic City, 2000 ⁵	20,219	21.6	18,273	13.3	5.7	71.1	20.8	5.5	12.5
New Jersey, 2000	3,310,275	7.4	3,200,954	4.3	1.5	34.4	22.8	10.5	5.0
U.S., 2000	115,904,641	9.0	112,300,425	6.1	2.0	33.8	32.8	17.0	5.7

¹ Other vacancies are year-round units that are not for sale or rent (or sold or rented and waiting for occupancy).

² 1970, Census, series PCH (1)-15 Tables H-1, H-8

³ 1980, Census, series PCH 80-2-78, Tables H-1

⁴ 1990, Census, Summary Tape File 1, Tables H001, H002, H003, H005, H021, H022

⁵ 2000, Census, Summary Tape File 1, Tables H3, H5, P15; 2000, Census, Summary Tape File 3, Tables H7, H20, H34

housing,¹⁰⁹ in 2000, subsidized housing made up 19 percent of the total and 21 percent of the year-round housing stock.¹¹⁰ (The subsidized stock is disproportionately concentrated in three adjacent census tracts that form the study area for the case study of concentrated poverty referenced in the introduction. These tracts contain only 19 percent of Atlantic City's population but hold about 46 percent of the subsidized stock, which is, in turn, a key factor in the concentration of poverty in these tracts.)

Overall, Atlantic City's housing stock is somewhat older than that of New Jersey as a whole. In 2000, the shares of units built before 1950 in Atlantic City and New Jersey were 37 percent and 30 percent, respectively.¹¹¹ Nonetheless — and

despite the overall decline in year-round units — the city saw a nontrivial amount of new residential construction between 1980 and 2000. Twenty-one percent of the city's housing stock was built in this 20-year period, with the large majority of units built in the 1980s, the decade immediately following the introduction of gambling. In comparison, the percentage of units built in New Jersey as a whole during the two-decade period, 23 percent, is similar to that for Atlantic City, but construction is more evenly spread across the two decades (Table 10).

The new construction in Atlantic City in the 1980s was dominated by two large undertakings. First, the CRDA developed new owner-occupied housing in the city's North Inlet neighborhood. (In total, by 2004, the CRDA had developed 1394 new housing units for owner occupancy,¹¹² 20 percent of these were designated for low- and moderate-income households

¹⁰⁹ See Sternlieb and Hughes, p. 113.

¹¹⁰ Calculated using data from the U.S. Department of Housing and Urban Development's assisted housing database and from the 2000 census.

¹¹¹ 2000 census, Summary File 3, Table H34.

¹¹² See the article by Yvonne Bonitto-Doggett.

TABLE 11
Median House Values and Changes in Values, 1970-2000

	Median House Value				Percent Change			
	1970 ¹	1980 ²	1990 ³	2000 ⁴	1970-1980	1980-1990	1990-2000	1970-2000
U.S.	\$17,000	\$47,200	\$78,500	\$119,600	177.6	66.3	52.4	603.5
New Jersey	\$23,400	\$60,200	\$161,200	\$170,800	157.3	167.8	6.0	629.9
Atlantic City	\$10,600	\$40,600	\$70,200	\$87,500	283.0	72.9	24.6	725.5

¹1970, Census of Population, Vol. 1, Pt. 1, Table 5, Pt. 32, Tables 5, 10

²1980, Census, series PHC 80-2-78, Table H-1; Historical Census of Housing Tables: Home Values, Table "Median Home Values: Unadjusted"; <http://www.census.gov/hhes/www/housing/census/historic/values.html>

³1990, Census of Population and Housing, Summary Tape File 3, Table H061A

⁴2000, Census, Summary Tape File 3, Table H76

and were subsidized to make them affordable to such households, while the remainder were sold at market rate.) Second, a large condominium complex was built in the southeastern part of the city.

Since 2000, it appears that the city has experienced an increase in the construction of new housing. (Thus far in the current decade, the number of residential building permits issued has been more than 50 percent greater than for the entire decade of the 1990s.¹¹³) New activity includes both the construction of properties aimed at the higher end of the housing market and a Hope VI project that is slated to replace 213 units of public housing on a one-for-one basis and also provide about 300 units of market-rate housing.¹¹⁴

Housing Prices and Housing Affordability.

In 1970, before legalized casino gambling, Atlantic

City house prices lagged those of the state considerably.

The period immediately following legalization saw a fast run-up in house prices and considerable activity by speculators. Between 1970 and 1980, house prices increased considerably more rapidly in Atlantic City than in the state or nation (Table 11). (Speculation was accompanied by some displacement of households; elderly and minority

households appear to have been particularly affected.¹¹⁵) Between 1980 and 2000, the rate of house-price appreciation was considerably lower, though the strong price run-up in the 1970s resulted in faster overall appreciation in Atlantic City than in either New Jersey or the U.S. over the full period from 1970 to 2000.

The current decade has again seen considerable run-up in house prices (at least until recent

¹¹⁵ Sternlieb and Hughes give a number of examples of the impact of the speculation on residents. For example, they cite a 1977 Temple University study that found evidence of a systematic effort to evict Hispanic, poor, and elderly residents from one city neighborhood, described cases where the elderly were required to leave their apartments on very short notice and a case where elderly households faced a 400 percent increase in rent with one month's notice, and noted that the elderly population in Atlantic City receiving Social Security benefits declined 7.2 percent from 1977 to 1979. (Statistics showing the sharp decline in the elderly's share of total population are provided in Table 4B.) They also cite the New Jersey Department of Community Affairs, which reported at that time that the lack of housing and high prices were paramount to the loss of the city's elderly population. Sternlieb and Hughes note further that the minority population faced a particularly difficult situation as a result of post-casino speculation because "[o]ther areas [were] far less hospitable to them than Atlantic City, which historically ... had a large minority population" (Chapter 7).

Speculation was often accompanied by illegal activity. According to Bryant Simon, in 1981, of 117 fires in the city's South Inlet neighborhood, fire fighters considered 105 to be suspicious (p.184).

¹¹³ Data from the website of the New Jersey Department of Labor and Workforce Development, accessed at http://lwd.dol.state.nj.us/labor/lpa/industry/bp/bp_index.html. Given current problems in the housing industry, it is not clear how well the number of permits tracks actual construction activity.

¹¹⁴ While the CRDA is involved in the Hope VI project, the agency sees little future role for itself as a housing developer and has, for the most part, shifted its attention to economic development. Interview with CRDA executives, April 2007.

problems in the national housing market). In the fourth quarter of 2004, Atlantic City had the strongest one-year house-price appreciation in the Northeast for metropolitan areas tracked by the National Association of Realtors (NAR). In the fourth quarter of 2005, Atlantic City ranked 12th in the nation on its one-year house-price appreciation rate, and it ranked first in the nation for the corresponding rate in 2006.¹¹⁶ A 2005 article in the *Press of Atlantic City* discussed the impact of this appreciation on housing affordability. The article suggested that “[t]he area’s soaring housing market has squeezed affordable housing in at least two ways. The prices being paid for new housing are so high that there is little incentive for private developers to build anything low-income families can afford. And existing low-cost housing is being lost as developers tear down older buildings to replace them with expensive new homes.”¹¹⁷

Information from a series of focus groups and personal interviews in Atlantic City from March through May of 2007 indicates that housing affordability is a serious concern among Atlantic City residents.¹¹⁸ House-price appreciation, along with a planned real estate tax revaluation in 2008, has led to fears of displacement among some of Atlantic City’s elderly long-term homeowners.¹¹⁹ Interviewees also noted that high rental costs have led to

overcrowding,¹²⁰ doubling up of households, and an increased rate of homelessness among families.

Planned expansion by the casino industry and development pressures in general have raised further questions about the long-term availability of affordable rental housing. In what is known as the Back Maryland neighborhood of Atlantic City, for example, where housing is HUD-subsidized but privately owned, there is concern that with the expirations of owners’ contractual obligations with HUD to maintain the housing for low-income households, housing developments will be removed from the low-income stock.¹²¹ The state of New Jersey’s limited dividend law has provisions requiring that low-income units built under the law’s auspices be maintained as low-income housing after the HUD requirement expires. However, it is not yet clear whether steps taken under these provisions will be effective in preserving stock for use by low-income families.

A Note on Local Government Post-Gambling: New Resources, New Needs, Ongoing Municipal Corruption

Gambling brought new tax revenues to Atlantic City and its school district. Local property tax revenue, including those for the school district,

¹¹⁶ Metropolitan-level house-price appreciation data for the most recent three years are available on the NAR’s website. Data for earlier years may be purchased from the NAR or located on the websites of organizations that reported on NAR statistics at the time of their release. <http://www.realtor.org/research/research/reportsstatistics>

¹¹⁷ See the article by John Froomjian.

¹¹⁸ These focus groups and personal interviews were conducted as part of the concentrated poverty case study.

¹¹⁹ The revaluation was completed in early 2008. While New Jersey has programs that may assist elderly and low-income homeowners affected by the revaluation, comments made by interviewees suggest that they were largely unaware of the programs in 2007, when the interviews were conducted.

¹²⁰ Data from the 2000 census suggest that overcrowding is particularly severe among the city’s Asian and Hispanic households. About 34 percent of Asian dwelling units and about 30 percent of Hispanic dwelling units have more than one person per room.

¹²¹ In general, in return for HUD subsidization of privately owned properties, their owners agree to maintain them as part of the low-income stock for some period, most often 30 years. According to the National Housing Trust, this affordability requirement was due to expire in 2007 for 375 units in the privately owned subsidized stock in Back Maryland. An additional 232 units in the balance of Atlantic City have a 2009 expiration date (www.nhtinc.org). In late 2006, the four projects in Back Maryland with 2007 expiration dates were placed on the market. While no deal materialized at that time, the possibility of the sale raised serious concerns about displacement among Back Maryland residents.

TABLE 12
Total Crimes per 10,000 Population*

Year	United States	New Jersey	Atlantic City (based on the population adjusted to include visitors and nonresident workers)	Atlantic City (based on unadjusted population)
1977	507.76	511.39	695.89	1,006.00
1978	514.03	520.72	768.66	1,336.00
1979	556.55	582.06	798.62	1,678.00
1980	595.00	640.13	1079.29	3,109.37
1981	585.82	617.98	922.29	3,132.91
1982	560.36	567.61	986.85	3,863.68
1983	517.50	516.34	947.99	4,168.01
1984	503.13	485.55	763.01	3,537.48
1985	520.71	509.44	857.61	4,203.70
1986	548.04	524.13	850.56	4,179.05
1987	555.00	526.15	749.90	3,963.67
1988	566.42	529.53	833.44	4,593.15
1989	574.10	526.94	794.57	4,323.13
1990	582.03	544.72	800.75	4,107.04
1991	589.78	543.13	808.80	4,047.54
1992	566.02	506.44	721.22	3,597.11
1993	548.44	480.08	641.31	3,144.05
1994	537.35	466.09	509.63	2,555.94
1995	527.59	470.37	538.08	2,902.93
1996	508.66	433.29	525.89	2,874.49
1997	493.00	405.70	526.49	2,776.26

Note: While the GAO shows the crime rate based on both the unadjusted and adjusted Atlantic City population, it believes that the rate based on the adjusted population, which includes visitors and non-resident workers, is the more appropriate rate calculation.

Source: GAO analysis of data obtained from the FBI's UCR, South Jersey Transportation Authority, and the Census Bureau.

* Table 12 is taken from the GAO report listed in the references.

increased 575 percent in nominal terms and 403 percent in real terms, between 1978 and 2001. The city also saw a sharp rise in receipts from a luxury sales tax that predated legal gambling.¹²²

The casinos also brought new expenses to the city. For example, while Atlantic City's rates for criminal activity were already higher than national rates before the legalization of gambling, the arrival

¹²² See Table A3 for data on taxes paid by the casino industry to Atlantic City.

of the casinos was accompanied by a large increase in such criminal activity, with much of the increase associated with the much-expanded tourist population¹²³ (Table 12). In turn, Atlantic City maintains a police force much larger than one might expect for a city of its size.¹²⁴ The huge number of visitors likely adds to the costs of maintaining the city's infrastructure as well.

Given the simultaneous increase in revenues and costs associated with the gambling industry, an analysis of the overall extent to which gambling revenues have increased the fiscal capacity of local government to provide programs that directly affect the quality of life of the city's residents is well beyond the scope of this paper. (However, in at least one area related to residents' quality of

¹²³ Both violent and property crime rates in Atlantic City are significantly higher than they are in the surrounding metropolitan area. In part, this reflects the fact that as a tourist destination, Atlantic City has a daily population that is much higher than its resident population. As noted in a 2000 GAO report examining gambling in Atlantic City, "Visitors become part of the pool who may both commit and become victims of crime and therefore should be added to the resident population when calculating the crime rate." See the GAO report in the references. Even when such an adjustment is made, Atlantic City's crime rate is higher than that of New Jersey as a whole.

¹²⁴ For example, the number of police protection employees in New Brunswick, with a 2000 population about 20 percent larger than that of Atlantic City, was only 25 percent that of Atlantic City's in 2002. Jersey City with a 2000 population almost six times that of Atlantic City had less than two times the 2002 number of employees in police protection. For further examples, see Table 2 in the U.S. Census of Governments report.

life — providing education — it is fair to say that casino tax revenues have increased fiscal capacity. In the absence of school taxes paid by casinos, Atlantic City's school district would likely qualify as a New Jersey "Abbott District," i.e., a district that received extra funding to ensure its ability to provide an adequate level of education spending.¹²⁵) Regardless of the net effect of casino revenues on the city's fiscal capacity, there is little confidence among at least some of the city's service providers and residents that these revenues are spent in ways that best serve the interests of the city and its residents. Interviewees for the concentrated poverty case study stressed

the lack of needed services, as well as the city's lack of attention to problems with neighborhood infrastructure.

A number of interviewees also stressed the strong role that political considerations play in how local government funds are distributed. This perception is supported by the city's ongoing corruption problems, which extend a trend going back to the early years of the 20th century. An article in the *Philadelphia Inquirer* noted that "[o]ne third of last year's city council members are either in prison or on its [sic] way there. Four of the last eight mayors have been arrested on corruption charges."¹²⁶

¹²⁵ A discussion of criteria for designation as an Abbott District can be accessed at <http://www.state.nj.us/education/abbotts/regs/criteria.htm>.

¹²⁶ See the 2007 article by Wayne Parry.



ATLANTIC CITY: PAST AS PROLOGUE

THE GAMBLING INDUSTRY AS A UNIQUE TOOL OF URBAN REDEVELOPMENT

Ultimately, this report cannot definitively assess the net impact that legalized gambling has had on Atlantic City's resident population. It is not possible to know with certainty how the city would have evolved in the *absence* of gambling — whether it would have continued its economic decline or whether it would have found another path for economic development.

Moreover, it would be no simple task to assess how gambling has affected Atlantic City's residents, particularly because the residential population is itself not static. Casino jobs are likely to have provided some people living in the city at the advent of gambling with avenues of economic and residential mobility that eventually led to moves out of the city. For Atlantic City's newer immigrant population, casino jobs may have provided access to the lower rungs of an economic ladder that would otherwise have been unavailable to them; they or their children may be able to move further up this ladder. A study of economic mobility — either past or future — associated with gambling is well beyond the scope of the data on which this report is based. But given the possibility that gambling has provided such opportunities for economic mobility, as well as the possibility that in the absence of gambling, the city's decline might have continued, the benefits that gambling jobs

have brought to Atlantic City may well be greater than readily available statistical information may suggest.

Nonetheless, to the extent that the vision of the gambling industry as a “unique tool of urban redevelopment” for Atlantic City encompassed the well-being of its resident population and the revitalization of its neighborhoods, it is safe to say that reality has fallen short of the vision. Poverty and unemployment rates are well above the state levels, while income is well below. City residents face a dearth of basic retail services. Vacant lots and vacant housing are common in some parts of the city, overcrowding in other parts.

This conclusion raises questions for other states or cities considering using gambling as a tool for either urban redevelopment or for general economic development. In particular, could the introduction or expansion of the gaming industry in a state or city be altered in ways that would be more likely to lead to gains in the economic well-being of households and neighborhoods than what has occurred in Atlantic City? As background for considering this question, we first explore the factors underlying Atlantic City's labor force paradox: many jobs coexisting with high poverty and unemployment.

The Labor Force Paradox

Atlantic City has an abundance of easily accessible jobs, a high proportion requiring only low skill levels, and many unfilled on any given day. Yet the rates of unemployment and poverty in the city are more than double the state level, and the percentage of the population that is classified as low income is almost 2.5 times higher than in the state as a whole. The incidence of these problems is high both among population groups drawn by Atlantic City's jobs, especially Hispanics, and among groups whose roots in the city are more likely to pre-date gambling, i.e., the black and white populations. Material presented earlier in this report and interviews conducted with Atlantic City residents and social service providers suggest a number of factors that contribute to this paradox.¹²⁷

One factor, suggested in interviews conducted with staff at public and nonprofit agencies who serve residents in the poorest city census tracts, is a lack of the basic work skills necessary for employment that makes some area residents unable to obtain or maintain a job. This lack of "work readiness" is related to limited educational achievement, as reflected in low high-school graduation rates among the city's youth. (Atlantic City's graduation rate is about 16 percentage points lower than the state average,¹²⁸ despite per pupil spending that is about \$1500 higher than the state average.) Among the reasons cited by these service providers for low graduation rates were tensions among different factions of young people in Atlantic City; the lure of selling drugs; and the stigmatization that sometimes occurs

for high-achieving students in low-income areas.

One provider commented that area students, who come directly from their neighborhood elementary schools to a high school shared with students from more affluent communities outside Atlantic City, were unprepared for the competition they faced.¹²⁹

In addition, factors specific to the casino industry, or to the particular framework within which it operates in Atlantic City, may affect the ability of those who *are* "work ready" to obtain or maintain a job. The round-the-clock nature of casino work may make it difficult for employees with children, particularly single parents, to maintain a job; those interviewed for the concentrated poverty case study frequently cited an absence of inexpensive, safe child care that would make it easier for parents to work weekend and evening shifts. Provisions of New Jersey's Casino Control Act barring individuals with criminal records from many casino jobs limit work opportunities for some Atlantic City residents.¹³⁰ Other provisions of the act have likely had the effect of limiting noncasino work opportunities for those who cannot find or maintain work in the casinos. Statistics presented in an earlier section of the report indicate that private-sector employment outside of casinos has fallen considerably since the advent of legalized

¹²⁹ In addition, both service providers and residents identified aspects of the school program itself that they believed discouraged educational achievement. For example, one service provider commented that the high-school curriculum did not meet the needs of the city's low-income students, while residents believed that students would be better able to adjust to high school if, instead of the current educational structure, which moves students directly from elementary school to high school, there was a middle-school program that provided a transition between elementary and high school.

¹³⁰ These laws once applied to all employees of casinos but were relaxed for some categories of workers in 1995. The 2004 annual report by Trump Atlantic City Associates states that "requirements [related to worker character] have resulted in significant competition among Atlantic City casino operators for the services of qualified employees."

¹²⁷ Interviews conducted for the concentrated poverty case study.

¹²⁸ New Jersey Department of Education Report Card for the Atlantic City school district, accessed at <http://education.state.nj.us/rc/rc07/datasetselect.php?datasetsectionpercent5B2percent5D=performance&c=01&d=0110&s=010<=A&st=H>.

gambling. At least some of this loss in noncasino employment may be an unintended consequence of the requirement in the Casino Control Act that gambling be confined to hotels with at least 500 rooms. As noted earlier, this provision meant that gambling operations were large enough to offer nongambling services, such as food and beverage provision, for their patrons in-house and were thus able to supplant other business activity.

Finally, residents who hold casino jobs — or jobs in other industries — may not earn enough to escape poverty or low-income status. As in Atlantic City's days as a beach resort, many of the jobs available to residents are low-skill, low-paying service-sector positions. Employment seasonality also persists to some degree, though it is less severe than during the earlier period. Numerous times in interviews conducted for the concentrated poverty case study, respondents noted that they or someone they knew held two or three casino jobs to make ends meet.

That the wages paid by a service-sector industry with a large share of low-skill jobs are not high enough to lift many of its workers out of low-income or poverty status should not be surprising, particularly when there is a seasonal component to the industry's activity. This was the situation in the heyday of the beach resort, and it is the situation with the gambling industry today. How and whether incomes for service-sector workers with low-skill jobs could or should be raised through government policies are questions better addressed at the state and national level and are not discussed further here. Instead, in the next section we focus our consideration of labor market outcomes on the nontrivial part of the prime-age working population who have not been successful at finding or maintaining steady work or who have dropped out of the labor force altogether.

Questions for Policymakers Considering the Introduction or Expansion of Gaming Activity

In light of New Jersey's experience with the introduction of casino gambling in Atlantic City, policymakers in other states or cities contemplating the introduction or expansion of gaming should consider what, if any, changes in the circumstances associated with casino development and operation might have led to greater improvements in the economic well-being of Atlantic City residents and in the quality of life offered by Atlantic City neighborhoods. Among the questions that might be asked are the following:¹³¹

- *To what extent would providing a city's residents, particularly low-income residents, with more training related to the introduction of new casino jobs help reduce unemployment and encourage higher levels of labor force participation?* What types of training would be most effective? Given the differences observed in female versus male employment in Atlantic City, would more emphasis on training programs that serve the male population better help this group make the adjustment to casino work if other sources of employment decline?

¹³¹At first glance, these questions might appear to fall into two categories, with the first three questions related to improved labor-market outcomes and the last two related to better neighborhood outcomes. But improved neighborhood and improved labor market outcomes are unlikely to be independent of each other. For example, better labor market outcomes and associated increases in households' standard of living would be expected to lead to higher household demand for high-quality housing and for public and private neighborhood-level services, as well as a higher opportunity cost of criminal activity for individuals that would lessen the incidence of neighborhood crime. Nor are labor market outcomes likely to be completely independent of neighborhood-level resources. Neighborhoods that provide better after-school opportunities, for example, may have a lower incidence of youth crime that limits young people's future labor-market options.

- ❑ *To what extent would various types of support services increase the likelihood that potential workers from low-income households and neighborhoods can obtain and maintain jobs in the gaming industry?* For example, would neighborhood-based programs that provide youth with more alternatives to gang activities decrease the percentage of potential workers whose criminal records limit their ability to find casino work? Would easier and more consistent access to drug rehabilitation programs make it possible for more residents to find jobs? Would the availability of affordable day care that took account of the round-the-clock nature of casino work make it easier for single parents to maintain their jobs?
- ❑ *To what extent will the legislative framework within which the casino industry is developed and within which it operates have unintended effects on the employment opportunities for community residents?* As has been noted, New Jersey's Casino Control Act mandated extremely strict standards for employment in the casinos, while the act's provisions about the size of casino hotels were likely a factor in the decline in noncasino employment in Atlantic City that occurred subsequent to the arrival of casinos. On the other hand, the New Jersey legislation did not include provisions that might have softened the impact of real estate speculation on Atlantic City businesses and residents; rent increases associated with such speculation may have led at least

some businesses to close.¹³² At a minimum, the Atlantic City experience suggests the types of issues that policymakers developing a framework for legalized gambling must consider before gambling is put into place.

- ❑ *Can gambling-financed redevelopment agencies, such as New Jersey's CRDA, be designed to be more effective as tools of urban redevelopment?* New Jersey's 1984 legislation authorizing the CRDA stressed that the CRDA's mandate was to serve the needs of Atlantic City's low- and moderate-income households, but legislative amendments, beginning in 1993, allowed the CRDA to provide support for casinos and, more generally, to use its resources for a number of tourist-oriented economic development activities not encompassed by the initial legislation. An assessment of the merits of New Jersey's legislative changes could be helpful for other states and cities in deciding whether similar gambling-financed agencies will be able to undertake projects of a type and at a scale that substantially improve the quality of life for residents.^{133, 134}

¹³² The loss in well-being from the loss of noncasino businesses extends beyond that due to a loss of jobs to encompass a loss in consumer choice.

¹³³ Alternatively, one might ask if New Jersey's legislative changes were necessary to maintain the viability of the casino industry. Given the flat performance of the Atlantic City casino industry between the late 1980s and the early years of the current decade discussed in Appendix A, one might hypothesize that CRDA funds were needed simply to keep the industry running in place. If so, an argument could be made that funds to maintain the industry's viability indirectly supported city residents who worked in the industry.

¹³⁴ In the case of New Jersey, a less obvious question about the CRDA's effectiveness is whether the set of community development projects that the agency *did* support was the most effective mix for meeting the needs of its target population. (The CRDA's initial legislative mandate was quite broad in terms of the activities it could undertake in support of low- and moderate-income households and blighted neighborhoods.)

- ❑ *To what extent can a state's gambling legislation be designed to encourage better coordination among government agencies, local residents, and other stakeholders, while discouraging corruption, so that tax revenues raised by the introduction or expansion of gambling are more effective in achieving community and economic development objectives?* As noted earlier, interviews about Atlantic City's development after the introduction of casino gambling suggest that a lack of coordination among various government agencies and local residents hindered the city's ability to use the funds that the gambling industry provided as effectively as possible. To the extent that this is the case, the question is whether other states could take steps that might minimize such problems without greatly reducing local autonomy. If so, they will be better able to ensure that the tax revenues provided by the introduction or expansion of gambling will allow their cities to address problems of urban blight and provide improved services to their residents while at the same time covering the additional municipal costs associated with casinos.

The questions above are prompted by the particular circumstances of Atlantic City, but the basic issues they raise are by no means new for

researchers and policymakers concerned with casino gambling as a strategy for economic recovery or, more generally, with the economic redevelopment of depressed communities. The relative uniqueness of the Atlantic City situation, however, may give the potential researcher the opportunity to delve into these questions more deeply. Such research may provide insights applicable to other places about the circumstances under which economic development activities are most effective in revitalizing communities and furthering the well-being of community residents.

Careful consideration of these questions may also have real relevance for Atlantic City itself. As the next chapter suggests, the development path that Atlantic City and its gambling industry will follow in the near future is not certain. One vision is of an expanded tourist center, with more casinos but also with more tourist attractions that appeal to the nongambler as well. If such an expansion were to occur, some Atlantic City residents fear that it would be accompanied by residential displacement, as happened during the initial phase of casino development. But an expansion would also bring additional jobs to the city. A careful examination of the past might inform policies that would increase the ability of city residents to respond to new job opportunities and help the city avoid some of the problems that the earlier development period brought.



ATLANTIC CITY: PAST AS PROLOGUE

ATLANTIC CITY'S FUTURE: A BRIEF NOTE

By many indicators, including number of casinos, employment levels, number of visitors, and real revenues, the Atlantic City casino industry has presented a very constant picture over the past two decades.¹³⁵ It is by no means clear, however, that Atlantic City will continue to travel this path, and the direction of change, should it move off the path, is also uncertain. Recent years have seen the expansion of casino and “racino”¹³⁶ activity to nearby states. Perhaps most problematic for the Atlantic City industry are a set of racinos (already in place) and planned casinos that will stretch along the I-95 corridor where it passes through the Philadelphia metropolitan area and may provide more easily accessible gambling opportunities for many of Atlantic City’s day trippers.

The Atlantic City casino industry has recognized the competitive threat and, over the course of the last decade, has taken steps both to limit competition and to respond to it. The former category included an initiative that used the proceeds of a short-term tax on net casino income to enhance purses at New Jersey’s Meadowlands race track, in return for an agreement that the Meadowlands would not introduce slot machine gambling for a specified time period.¹³⁷

In the longer term, the city and its gambling industry hope to respond to competition via a strategy that, if successful, will make Atlantic City a tourist destination for a broader spectrum of the population than it now attracts. For example, the industry hopes to expand the number of nonelderly tourists who visit the city and to attract tourists whose interests are less narrowly focused on gambling than is the case with the current set of visitors.

Within the Atlantic City context, the Borgata, the city’s newest casino/hotel, serves as a model; the Borgata projects a more glamorous aura than do many of the city’s other gambling locations, and it has attracted a younger group of tourists. The Borgata more closely resembles a Las Vegas casino than do the other Atlantic City gambling operations, and the broader goal of the city’s casino industry is to make Atlantic City more like Las Vegas, where a relatively high percentage of tourist dollars are spent on nongambling activities such as retail purchases and big-name entertainment. Plans for new casino/hotels offering multiple tourist attractions and the development of new upscale retail districts are part of this strategy. Through such efforts, casino operators hope to avoid losing tourist dollars and, indeed, to encourage the typical consumer to stay

¹³⁵ See Appendix A for a discussion of the performance of the casino industry over time.

¹³⁶ Racinos are race tracks with slot machines.

¹³⁷ A detailed description of this initiative is available in Trump Atlantic City Associates, Annual Report, 2004.

longer and presumably spend more.¹³⁸ In the most optimistic view, members of the Atlantic City casino industry hope that the new casinos in neighboring states will themselves expand the customer base for Atlantic City gambling: After a taste of gambling at stand-alone casinos, a new population will want to partake of the full gambling experience that Atlantic City provides.¹³⁹

It is not clear how these efforts to deal with new competition will play out. In the short run, at least, the industry has faced some problems. In late 2006 and early 2007, two racinos opened close to the I-95 corridor in Pennsylvania, and in 2007, nominal revenues for the Atlantic City casino industry as a whole fell for the first time since the gambling era began in 1978.¹⁴⁰ Construction of new Atlantic City casinos that are supposed to help counter the competition has stalled because of the current problems in credit markets.¹⁴¹ It is not yet possible to know whether these are simply temporary setbacks in a new development path that will both expand and diversify Atlantic City's tourist sector or whether the current situation represents a new long-term reality for Atlantic City, particularly in light of plans for new casinos in the neighboring states of Pennsylvania and New York.

In a city where the casino industry is so

dominant, the industry's future can be expected to have an impact on the well-being of a large part of Atlantic City's resident population. Although gambling has not proved to be a panacea for Atlantic City's problems, the casino industry is by far the largest source of jobs for Atlantic City residents and the largest source of tax revenues for the city and its school district. Should the 2007 decline in casino revenues be a harbinger of the future, it seems safe to predict a negative impact on the city's population.

On the other hand, should the industry succeed in reinventing itself, predictions about the well-being of Atlantic City's residents become more complicated. On the one hand, an expanded industry could provide more jobs for residents, including, over the short run, a large number of construction jobs. The scale of long-term employment gains would depend on the industry's commitment to hire local residents, its willingness to provide training to potential workers who currently lack the skills necessary to obtain or maintain employment, and the willingness of the industry or the community to provide affordable day-care services that would allow more parents to take on casino work. To the extent that casino expansion is accompanied by an expansion in noncasino-based tourist attractions, there would also be more job opportunities for residents for whom casino work is not a viable option. But expansion of the casino industry and related industries would also have a downside if, as residents fear, it were to be accompanied by residential displacement, as during Atlantic City's initial development as a gambling resort. The net benefits and costs to Atlantic City's residents from an expanded industry and the distribution of these costs and benefits across the resident population would very much depend on how the expansion was carried out.

¹³⁸ See the article by Gary Rivlin, who cites Michael Pollock, publisher of *The Gaming Industry Gazette*, on the share of casino income from nongaming activity in Las Vegas (59 percent) and Atlantic City (10 percent). The executive director of the Atlantic City Convention and Visitors Authority, Jeffrey Vassar, also cited in the article, indicates that the average visitor to Las Vegas spends three to four days, while the average visitor to Atlantic City spends 24 hours.

¹³⁹ See, in particular, the transcript of the committee meeting of the New Jersey Senate Wagering, Tourism and Historic Preservation Committee, August 2, 2004.

¹⁴⁰ The industry attributes some of this loss to a partial smoking ban in casinos that began in 2007 and to fallout from an attempt to unionize casino dealers in addition to the new competition.

¹⁴¹ See the update by Chester Sherman for the New Jersey Department of Labor and Workforce Development.

ATLANTIC CITY: PAST AS PROLOGUE

APPENDIX A: THE ATLANTIC CITY GAMBLING INDUSTRY

I. Introduction

Following a statewide vote to legalize gambling in commercial casinos in Atlantic City in 1976 and passage of the Casino Control Act in 1977, the first of Atlantic City's casinos opened its doors in 1978. Today, Atlantic City has 11 casinos, with development of several additional casinos planned for the next few years.¹ New Jersey was the second state, after Nevada, to allow casino gambling. Like Las Vegas, Atlantic City is a gambling destination, drawing the large majority of its patrons from outside its immediate area.

Although 10 other states have since introduced commercial casinos and there has been a more general proliferation of gambling facilities, including Indian casinos located on tribal lands and "racinos" — race tracks with slot machines, including several located in Delaware, Pennsylvania, and New York — New Jersey has continuously ranked second in total revenues brought in by commercial casinos, generating \$5.2 billion in 2006, compared to Nevada's \$12.6 billion that same year.² However, as the development of new gaming facilities in New York and Pennsylvania proceeds, Atlantic City is feeling competitive pressure, and over the past several years, New Jersey has taken a number of steps aimed at maintaining its competitive position.

This review examines the context in which casino gambling has developed and is developing in Atlantic City and the performance of the Atlantic City casino industry. Section II describes the legislative framework within which the industry operates. Section III presents data on the pattern of

casino development and performance in the 30 years since the passage of the Casino Control Act. Section IV discusses steps that Atlantic City is taking to maintain its competitive position.

II. Legislative Context

Casino Control Act

The establishment and operation of casinos in Atlantic City is governed by the Casino Control Act (CCA), passed in 1977 and since amended multiple times. Two prominently stated purposes of the legislation indicate the outcomes it is hoped the legislation will accomplish, namely, the revitalization of Atlantic City's tourism industry and the use of gambling as a "unique tool" to support the city's urban redevelopment.³

Mark Nichols writes that, in general, the CCA provided for an "unusual degree of regulation" by the state.⁴ Much of this regulation was put in place to further two "process" goals also laid out in the purposes of the act, namely, "maintain[ing] the existing tone of the hospitality industry" and using strict regulation and control "to maintain and retain integrity, public confidence, and trust" in casino operations. In support of the first of these goals, gaming was restricted to major hotel and convention facilities, and in support of the latter, individuals with criminal records (or otherwise deemed not to be of good character) could not be hired as casino workers.⁵ Arguably, these regulations are particularly

¹ See the April 2007 article by Suzette Parnley for a discussion of plans to expand the number of casinos.

² Website of the American Gaming Association at <http://www.americangaming.org>.

³ CCA, Article 12-1.

⁴ See the article by Mark Nichols.

⁵ Required size for casino/hotels and licensing of casino employees are covered in Article 6 of the CCA. Initially, the hiring restriction applied to all employees working in facilities hosting casinos. An amendment to the act in 1995 removed the restriction from employees such as hotel service workers whose positions were rela-

important in understanding how the development of casinos affected Atlantic City's existing businesses and its residents, a topic considered in the main part of this report. Amendments over time have lessened regulatory controls.⁶ Nonetheless, regulation of Atlantic City casinos is still viewed by the industry as being particularly strict. For example, one casino operator stated in 2004 that the strict regulations governing the hiring of employees led to competition for staff among casinos.⁷

Provisions for Public Revenues

Casinos provide revenues for public purposes under several provisions of the Casino Control Act, primarily in the form of taxes and fees. These revenues can be divided into two categories: those going to the state's Casino Revenue Fund and those paid to the Casino Reinvestment Development Authority (CRDA), an entity created in 1984 by amendment of the act. Taxes paid to the CRDA are discussed in the next section, while revenues going to the Casino Revenue Fund are discussed here.

The Casino Revenue Fund (CRF). The Casino Revenue Fund receives the large majority of all taxes and fees specified in the Casino Control Act. Revenues paid into this fund are dedicated to providing assistance to the elderly and disabled. The basic gambling tax, and the most important revenue source, is an 8 percent tax on adjusted gross casino revenues (AGR).⁸ This rate is at the low end for taxes levied by states on casino earnings.⁹ Other revenue sources include casino licensing fees; slot machine licensing fees; and a \$3 tax per car in casino parking garages — shared with the CRDA.

tively low risk in terms of potential for gambling-related corruption.

⁶ See the article by Nichols for an interesting discussion of the significant increase in casino revenues associated with an increase in the amount of casino floor space that could be used for slot machines.

⁷ Trump Atlantic City Associates, Annual Report, 2004.

⁸ Adjusted gross revenues are the difference between what a casino takes in from gamblers minus what it pays out to them, adjusted for bad gambling debts.

⁹ Statistics on state tax rates for commercial casinos are available from the American Gaming Organization at <http://www.americangaming.org/Industry/state/statistics.cfm>.

Beginning in 2004, casinos were also required to pay several other taxes,¹⁰ including a 4.25 percent tax on casino comps, such as entertainment, hotel rooms, and food and beverages; an additional \$3 a day tax for each occupied hotel room (whether provided as a comp or at a charge);¹¹ an 8 percent tax on gross revenues from progressive slot machines; and, between 2004 and 2006, a 7.5 percent tax on calendar year 2002 adjusted net income.¹² (In general, the length of time over which the different taxes were to be in effect varied; for example, the tax on casino comps runs through 2009.) The tax on casino comps appears to be designed to capture tax revenues that would have been paid on the full value of casino-related sales in the absence of comps, while funds from the "net income" tax were used to help maintain the competitive position of Atlantic City's gambling industry. (See Section IV below.)

In addition to the taxes described above and in the next section, i.e., those that are specific to the casino industry and delineated in the Casino Control Act, the gambling industry is also subject to the full array of state and local taxes that any business located in Atlantic City would face, including state unemployment insurance taxes and local property taxes, while the state's sales tax and hotel tax are added to the relevant expenditures of casino visitors. Given the industry's status as the second largest in New Jersey, and its dominant role in Atlantic City, these revenues represent a substantial contribution to state and local revenues. (Indeed, casinos pay 80 percent of the property taxes going to Atlantic City and its school district.¹³) Atlantic City also receives funds generated by the casinos in the form of a luxury sales tax and a tax on promotions.

¹⁰ 2003 amendments to the Casino Control Act.

¹¹ The relevant legislation stipulated that after 2006, revenues from the hotel tax would be shared with the CRDA.

¹² Adjusted net income = net income + management fees. Adjusted net income is used as a basis for calculating what is effectively a profits tax because differences in how casinos calculate management fees appear to affect reported net income.

¹³ Data for 2001, provided in "Atlantic City Gaming Economic Impact Report, 2003," available on the New Jersey Casino Control Commission website.

The Casino Reinvestment Development Authority (CRDA)

As initially written, the Casino Control Act required that casinos reinvest 2 percent of their annual adjusted gross revenues in Atlantic City and other parts of New Jersey in projects designed to improve the health and well-being of the city and state. However, the act provided an alternative to this requirement, allowing casinos to hold the money otherwise required for reinvestment for five years and then pay these funds as a 2 percent tax to the state.¹⁴ As of 1984, the relevant part of the Casino Control Act had not resulted in any significant reinvestment in Atlantic City.

In response to this situation, the New Jersey legislature amended the CCA in 1984 to provide for the establishment of the CRDA, whose listed purposes include the redevelopment of blighted areas and the addressing of pressing social and economic needs of residents in Atlantic City and elsewhere in the state, with a particular focus on benefits to low- and moderate-income households;¹⁵ the use of funds to support casino development and expansion was prohibited. Under the terms of the legislation, the CRDA may issue bonds to finance its projects, and casinos are required to use 1.25 percent of their adjusted gross revenue (AGR) to buy bonds, to invest this amount directly in CRDA projects, or to pay a tax equal to 2.5 percent of their AGR to the state (over and above the 8 percent tax on AGR).¹⁶ Currently, casinos' CRDA obligations extend through the first 50 years of operation.¹⁷ (Table A1 gives the legislative requirement for distributing CRDA funds across New Jersey over the 50-year period. As of early 2007, 80 percent of all CRDA-supported spending had occurred in Atlantic City.¹⁸)

¹⁴ See the article by Rubinstein.

¹⁵ Casino Control Act, Article 12. The actual terms of the requirement, laid out in the CCA, 5:12-144b through e, were somewhat more complicated, but the basic thrust of the language involved the 2 percent reinvestment requirement described in the text.

¹⁶ Not surprisingly, no casino has chosen the last option.

¹⁷ Under the initial authorizing legislation for the CRDA, casinos' CRDA obligation lasted for only 30 years, but in the current decade, as the CRDA's mandate has been expanded, the length of the obligation has been expanded as well, first to 35 years and then to the current 50 years, in a bill that also provided legislative approval for an expansion of economic development projects.

¹⁸ See the article by Serge Kovaleski.

TABLE A1

Required Disposition of Casinos' CRDA Obligations Across Areas of New Jersey

Each casino's required investments by years	Atlantic City	South Jersey	North Jersey
1-3	100%	-	-
4-5	90%	8%	2%
6-10	80%	12%	8%
11-15	50%	28%	22%
16-20	30%	43%	27%
21-25	20%	45%	35%
26-30	65%	-	35%
31-35	25%	25%	50%
36-50	-	50%	50%

Source: Casino Reinvestment Development Authority, accessible at: <http://www.njcrda.com/about.html>

In accordance with the 1984 legislative mandate, the CRDA focused its initial efforts on the development of for-sale housing, some for low- and moderate-income households, especially in the blighted North Inlet section of Atlantic City. Starting in 1993, however, a series of legislative amendments expanded the range of projects that the CRDA could fund. In that year, the CRDA was specifically directed by the New Jersey legislature to provide funding for construction of hotel rooms, a reversal of the prohibition on using CRDA funds for casino development included in its authorizing legislation. Since then, additional legislative changes to the relevant section of the Casino Control Act have supported an increasingly broad range of activities that directly provide funding for casinos or for other tourist-oriented development, including boardwalk revitalization and entertainment/retail districts like the Walk and new retail space at the Tropicana. Money from the casino investment obligations may be used to support such projects, and amendments to the CCA also provide supplementary revenue sources, some of them temporary, for this purpose. Today, the CRDA's activities are focused on economic development.¹⁹

¹⁹ As early as 1997, CRDA investments in casino hotel rooms, \$175 million, were almost as large as its investment in housing, \$185 million. (New Jersey Casino Control Commission, *Casino*

III. Performance of the Atlantic City Casino Industry

The first Atlantic City casino, Resorts, opened in 1978 and between 1978 and 1987, the number of casinos increased to 12. In subsequent years, there were occasional changes in the set of casinos in operation, but the number of casinos remained at 12 until November 2006, when it fell to 11. (The most recent changes include the opening of the Borgata and the closing of Claridge's in 2003, events that kept the number of casinos at 12, and the closing of the Sands in November 2006, the source of the drop in the number of casinos.)²⁰

Casinos' gross revenues between 1978 and 2006 are provided in nominal terms in Table A2a and in real terms in Table A2b. As noted previously, New Jersey has continuously ranked second, after Nevada, in total revenues brought in by commercial casinos, despite an increase in the number of states that have legalized commercial casinos and a more general proliferation of gambling facilities, including Indian casinos located on tribal lands and "racinos." (Time-series data for the 8 percent gross revenue tax paid to the state are also presented in Table A2a, while data on taxes paid to Atlantic City and Atlantic County are provided in Tables A3a through A3c on pages 48 and 49. Interestingly, while the New Jersey casinos rank second in gross revenues, they ranked only fifth in tax revenues paid to the state in 2006, reflecting the state's relatively low tax rate for gross casino revenues.)²¹

Nominal revenue growth in the industry was consistently positive through 2006, though in any given year, some individual casinos may have experienced revenue declines.²² In 2007, *nominal*

Gambling in New Jersey: A Report to the National Gambling Impact Study Commission, Appendix 4, 1998, available on the commission's website at www.njccc.gov. Further information on CRDA activities is available at www.njcrda.com.)

²⁰ See New Jersey Casino Control Commission Year-End Gaming Economic Impact Report, 2003, to track casino entry and exit between 1979 and 2000.

²¹ American Gaming Association at www.americangaming.org.

²² Just as positive growth in nominal revenues for the Atlantic City casino industry as a whole may mask a decline in such revenues for some casinos, a positive bottom line for the entire industry, as represented by net income, may mask net losses for some casinos. Although Table A2a shows positive net income for the industry between 2003 and 2006, three or more casinos experienced a net

TABLE A2a

Atlantic City: Casino Revenues, Tax and CRDA Obligations, and Net Income

Year	Adjusted gross revenue (000s)	Adjusted gross revenue tax (000s)
1978	\$134,073	\$10,695
1979	325,480	34,392
1980	642,673	68,639
1981	1,099,781	86,537
1982	1,493,163	117,471
1983	1,770,944	139,544
1984	1,951,768	154,653
1985	2,138,651	169,236
1986	2,281,204	181,303
1987	2,495,674	198,221
1988	2,734,773	216,958
1989	2,807,017	222,394
1990	2,951,581	232,717
1991	2,991,559	236,253
1992	3,215,970	255,320
1993	3,301,360	262,936
1994	3,422,534	272,318
1995	3,747,578	298,278
1996	3,813,598	303,148
1997	3,906,140	310,372
1998	4,032,998	319,329
1999	4,164,199	329,824
2000	4,300,332	342,022
2001	4,302,921	342,336
2002	4,381,407	348,731
2003	4,480,738	358,459
2004	4,806,698	384,579
2005	5,018,271	401,461
2006	5,217,614	417,528
2007	4,920,787	393,707
CRDA OBLIGATIONS		NET INCOME
2003	\$56.0 m.	\$82.9m.
2004	\$60.1 m.	\$109.5m.
2005	\$62.7 m.	\$548.2m.
2006	\$65.2 m.	\$365.2m.
2007	\$61.5 m	-\$59.7 m

Casinos pay an 8 percent tax on adjusted gross gaming revenue (except in the 1978 to 1983 period, when the actual or effective rate varied across years). This tax goes to support programs for the elderly and disabled.

Casinos must reinvest 1.25 percent of gaming revenues into projects approved by the CRDA.

Sources: All numbers from the Casino Control Commission's Year-End Gaming Economic Impact Reports, 2003-2007, available at www.njccc.gov/financia/histori.

TABLE A2b
Real Growth in Casino Revenues¹

Atlantic City: Commercial Casinos	
1988-2006	12.0%
– 1988-2002	5.4%
– 2002-2006	6.3%
2006-2007 ²	-8.3%
(1995-2006)	5.2%
U.S.: Commercial Casinos	
1995-2006	53.2%
2006-2007	2.4%

¹CPI-U index used to convert nominal revenues to real revenues.

²Real revenues continued to fall in 2008; from the end of 2007 to October 2008, they had fallen by more than 20 percent.

Source: Table A2a and American Gaming Association, accessed at: http://www.americangaming.org/Industry/factsheets/statistics_detail.cfv?id=8

revenues fell for the first time since Resorts opened in 1978, a situation that has been attributed to a number of factors, including new opportunities for slot-machine gambling in Pennsylvania and New York, restrictions limiting smoking in Atlantic City's casinos, and fallout from a campaign to unionize casino dealers.²³ (The Atlantic City industry's plans for responding to new competition in nearby states are discussed briefly in this appendix and in the concluding chapter of the main text of the report.)

Moreover, although New Jersey has been able to retain its second-place revenue ranking in the face of national industry expansion, the Atlantic City industry's performance over time has been considerably more stagnant in real terms than nominal figures might suggest. Real growth in revenues has been relatively slow since 1988, the first year in which there were 12 casinos in operation over the course of the entire year.²⁴ Between 1988 and 2006, real growth was 12 percent. (Real growth between 1988 and 2002 was only 5.4 percent, while real growth between 2002 and 2006 was 6.3 percent. The faster growth rate in the second, shorter time period probably reflects the 2003 opening of the

loss in each of these years. See the New Jersey Casino Control Commission's year-end industry impact reports for 2003 through 2006, which can be accessed at <http://www.state.nj.us/casinos/financia/histori/>.

²³ See the September 2007 article by Suzette Parmley.

²⁴ While the 12th casino opened in 1987, it did not operate during the whole of that year.

Borgata, which offered a more glamorous setting and a broader set of nongambling options to its visitors than did the older casinos.) For the U.S. as a whole, real casino revenues have grown much more quickly: 53.2 percent between 1995 and 2006.²⁵

Given the low growth rate in real industry revenues, it is not surprising to find that the number of visitors to the city has also been fairly flat since 1988. The number of visitors rose from about 7 million in 1978, the year the first casino opened, to about 33 million in 1988. Between 1988 and 2006, the number of visitors to Atlantic City fluctuated within a range of about 30 million to about 35 million²⁶ (Table A4, on page 50). Statistics indicate that for most of the 1980s, more than 40 percent of visitors arrived by charter bus, suggesting that they had come to the city to visit casinos as day-trippers.²⁷ This group, as a share of all visitors, has fallen since the end of the 1980s; the shares were about 18 percent and 16 percent in 2006 and 2007, respectively. At the same time, the share of visits made by automobile, a majority of all visits since the opening of the casinos, has increased; it was about 81 percent in 2007.²⁸

As in the case of the number of visitors, the number of persons employed full time at casinos has also been relatively flat since 1988, again unsurprising in light of the low rate of growth in real revenues. September employment reached a peak at about 47,700 in 1990, fell slightly over the beginning of the ensuing decade, and grew somewhat at the end of the 1990s, reaching a high of about 49,000 in 1998. In the current decade, employment has

²⁵ American Gaming Association website at www.americangaming.org.

²⁶ In fact, by 1986, the 30 million mark had almost been reached and was surpassed in 1987. The relatively constant number of visitors over time suggests the possibility that the Atlantic City industry may have reached a saturation point.

²⁷ Statistics on visitors arriving on casino buses, available for some but not all years, support this suggestion. For years for which data are available, the number of visitors arriving by charter bus closely tracks the number of visitors arriving by *casino bus*, suggesting that a very large majority of the charter buses belong to the "casino bus" category. (See the 2006 report from the New Jersey Casino Control Commission.)

²⁸ See the New Jersey Casino Control Commission's 2006 report. While it is likely that many visitors who come by car are also day-trippers, it is not possible to speculate on a percentage in the context of the current analysis.

TABLE A3a

Property Tax Information for Atlantic City, including Casino Share of Property Taxes, 1977 to 2003¹

Year	Citywide assessed value (thousands)	Tax rate per \$100 assessed value ²	Property taxes for city budget (millions)	Property taxes for city's school budget (millions)	Total city property taxes (millions)	% of total sum paid by casinos
1977	\$308,877	\$7.96	N/A	N/A	N/A	-
1978	N/A	N/A	\$13.70	\$4.40	\$18.10	9%
1979	N/A	N/A	15.1	5.3	20.4	25%
1980	863,845	4.068	19.5	8.5	28	38%
1981	1,211,515	5.04	39.8	11.8	51.6	46%
1982	1,528,128	4.497	41.3	13.8	55.1	59%
1983	1,549,336	4.32	38.9	14.9	53.8	61%
1984	1,993,629	3.906	44.2	15.4	59.6	62%
1985	2,260,730	3.876	51.6	16.5	68.1	72%
1986	5,563,291	1.967	63.4	17.9	81.3	60%
1987	5,861,132	1.967	69.2	20	89.2	62%
1988	6,290,529	2.072	77.6	22.4	100	64%
1989	6,411,135	2.136	81.1	24.1	105.2	65%
1990	6,409,047	2.2	79.7	32.6	112.3	66%
1991	6,339,118	2.328	83.5	32.8	116.3	68%
1992	6,208,320	2.48	87.4	33.5	120.9	69%
1993	6,140,670	2.497	84.8	38.2	123	70%
1994	6,122,830	2.686	90	42.2	132.2	71%
1995	5,985,350	2.858	96.8	44.8	141.6	64%
1996	6,376,778	2.952	110.1	47.1	157.2	73%
1997	6,359,369	2.949	109.8	48.3	158.1	79%
1998	6,702,420	2.878	108.6	52.3	160.9	80%
1999	6,720,953	2.957	108.6	58.2	166.8	80%
2000	6,692,907	3.09	110.2	62.5	172.7	79%
2001	6,627,000	3.095	106.2	64.5	170.7	80%
2002	N/A	N/A	N/A	N/A	N/A	N/A
2003	7,378,212	3.369	N/A	N/A	N/A	81%

¹ Tables A3a and A3c are drawn, with minor adaptations, from the 2003 New Jersey Casino Gaming Economic Impact Report (year-end report), produced by the New Jersey Casino Control Commission. The commission's data sources for the information in these tables were the Atlantic City Tax Assessor's Office and the Atlantic County Board of Taxation. Table A3b data and definitions are drawn from the corresponding 2004 report; the commission's source for Table A3b data is the Office of Management and Budget, NJ Department of Treasury. The 2003 report is the only one in the series in recent years that provides detailed information on property taxes paid by the casinos.

² The numbers provided in this column are a sum of the property tax rates for Atlantic City and Atlantic County.

tended to decline. September employment stood at 45,409 in 2006. (See Figure 3 and Table 5 in the main text.) According to the New Jersey Department of Labor and Workforce Development, the recent drop in employment mirrors an industry-wide trend²⁹ attributed in part to the adoption of labor-saving technology and the substitution of less labor-intensive gambling activities (especially slots)

²⁹ See the New Jersey Department of Labor and Workforce Development Atlantic County fact book for 2006.

for more labor-intensive activities (e.g., card games).

Data from a number of sources indicate that a high proportion of casino jobs have relatively low skill requirements. For example, a 1998 report based on a survey of casino workers indicated that 11.3 percent had less than a high-school diploma and 40.4 percent had graduated from high school but had not gone further. Only 14.8 percent had completed four or more years of college.³⁰ The New

³⁰ This report, "Limitations in the Workforce: A Survey and Study

TABLE A3b
Other Atlantic City Tax
Revenues Received from Casinos,
2003

Luxury Tax ¹ (in millions)	\$18.2
Promo Tax ² (in millions)	9.4
Parking Tax (in millions)	20.7

¹ Luxury tax rates are 3 percent on sales of alcoholic beverages and 9 percent on other taxable items, e.g., beach chairs.

² Promotional ("promo") taxes are \$2 per day fees for each occupied room in hotels that provide casino gambling and \$1 per day for each occupied room in other lodging places.

TABLE A3c
Property Taxes for Atlantic County,
1978 to 2001

Year	Total Atlantic County property tax revenue (in millions)	% of total paid by casinos
1978	\$25.2	2%
1979	15.3	6%
1980	24.7	11%
1981	29.6	15%
1982	34.9	23%
1983	37.7	21%
1984	40.9	28%
1985	46.4	31%
1986	57.2	30%
1987	57.1	28%
1988	63.3	30%
1989	70.4	29%
1990	68.9	28%
1991	78.7	27%
1992	83.9	27%
1993	85.1	25%
1994	88.2	26%
1995	85.5	22%
1996	86.2	26%
1997	86.3	27%
1998	83.1	30%
1999	85.2	30%
2000	86.9	29.5%
2001	91.6	28.7%

Jersey Department of Labor classifies many of the jobs provided by casinos and the hotels in which they are located as low skill³¹ (Table A5).

Such sources also indicate that a high percentage of casino jobs are low paying. For example, the New Jersey Department of Labor reported an average annual wage of \$28,840 (*including tips*) for the Atlantic County hospitality industry, 72 percent of whose jobs are provided by the casino industry.³² This report notes that "[I]nterestingly, leisure and hospitality is the only sector where Atlantic County's average wage exceeded the statewide average...in 2004...[This] can be traced to the gaming industry's unionized hotel and restaurant workers, higher tipping rates and a greater proportion of higher-paying jobs compared to similar non-gaming establishments." Table A5 provides information on 2004 wages in specific casino occupations. (Information on the distribution of wages in an earlier period is available for workers surveyed in winter 1997-98 for the 1998 Rutgers report.³³ See Figure A1, on page 51. The authors note that workers reporting wages below \$5 per hour worked in those casino jobs where income was most likely to be substantially increased by tips; for most other workers, wages ranged between \$7 and \$13 per hour, translating to a range of about \$14,500 to \$27,040 for full-time year-round employment.)

Finally, data from the 1998 Rutgers report indicate that minority workers held about 46 percent of casino jobs in 1977 and that women held about 47 percent of jobs. Data from the Casino Control Commission from 1996 indicate that minority employees were disproportionately concentrated in low-skill occupations, however, and that both women and minorities were underrepresented among employees earning more than \$35,000 per year; this underrepresentation is particularly striking for minority workers.³⁴

IV. Dealing with Competition from Expansion of Gambling Activity in Neighboring States

By many indicators, including number of casinos, employment levels, number of visitors, and real revenues, the

of Atlantic City Casinos," prepared by Rutgers University for the Casino Control Commission, was based on a survey of all casino workers conducted during 1997 and 1998 that had a 78 percent response rate.

³¹ See the New Jersey Department of Labor and Workforce Development Atlantic County fact book for 2006.

³² See the New Jersey Department of Labor and Workforce Development Atlantic County fact book for 2006.

³³ Data were collected at one casino in October 1997; for all other casinos, data were collected between December 1997 and February 1998.

³⁴ See the Rutgers University report, op. cit.

TABLE A4
Visitor Statistics, Atlantic City

Years	Total visitors	% of visitors coming by charter bus	% of visitors coming by car
1980	13,822	23.9%	71.6%
1981	19,084	35.5	60.1
1982	22,955	39.4	57.0
1983	26,361	41.9	54.4
1984	28,466	42.3	54.3
1985	29,326	42.9	53.5
1986	29,932	41.6	54.7
1987	31,845	42.4	54.1
1988	33,138	42.8	53.6
1989	32,002	38.9	57.0
1990	31,813	35.2	60.7
1991	30,788	33.4	62.6
1992	30,705	31.8	64.3
1993	30,225	28.9	67.2
1994	31,321	26.7	69.6
1995	33,272	27.3	69.6
1996	34,042	29.4	67.6
1997	34,070	28.3	68.6
1998	34,300	28.9	67.9
1999	33,652	27.8	69.1
2000	33,184	27.2	69.8
2001	32,423	24.6	72.5
2002	33,187	22.9	74.4
2003	32,224	21.0	76.2
2004	33,313	19.7	77.5
2005	34,924	17.5	79.9
2006	34,534	17.5	79.8
2007	33,300	16.2	80.9

Source: New Jersey Casino Control Commission, Economic Impact Report, 2007, reporting data from the South Jersey Transportation Authority (received yearly)
Accessed at: http://www.njccc.gov/casinos/financia/histori/docs/year_end_fourth_quarter_2007.xls

Atlantic City casino industry has presented a very constant picture over the past two decades. It is by no means clear, however, that Atlantic City will continue to travel this path, and the direction of change, should it move off the path, is also uncertain. Recent years have seen the expansion of casino and racino³⁵ activity to nearby states. Perhaps most problematic for the Atlantic City industry are a set of racinos (already in place) and planned casinos that will stretch along the I-95 corridor where it

³⁵ Racinos are race tracks with slot machines.

TABLE A5
Wages and Skill Levels for a
Selection of Atlantic County Jobs

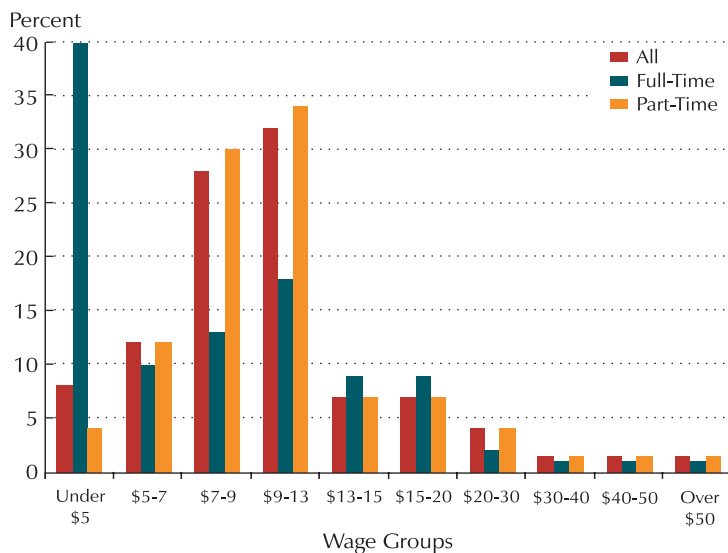
Occupations	2004 annual wage	Skill level
Gaming Dealers	\$ 15,090	Moderate
Waiters and Waitresses	16,930	Low
Cashiers	17,480	Low
Retail Salespersons	23,880	Low
Gaming Change Persons and Booth Cashiers	22,210	Low
Combined Food Preparation and Serving Workers, Including Fast Food	16,480	Low
Janitors and Cleaning, Except Maids and Housekeeping Cleaners	23,210	Low
Security Guards	23,810	Low
Office Clerks, General	24,900	Low
Maids and Housekeeping Cleaners	19,580	Low
Gaming Supervisors	47,350	Moderate
Dishwashers	18,330	Low
Food Preparation Workers	19,100	Low
Bartenders	23,650	Low
Electricians	54,060	Moderate
Supervisors/Managers of Retail Sales Workers	41,690	Moderate
Stock Clerks and Order Fillers	21,650	Low
Cooks, Restaurant	26,510	Moderate

Source: 2006 Atlantic County fact book.

passes through the Philadelphia metropolitan area and may provide a more easily accessible gambling opportunity for many of Atlantic City's day-trippers.

The Atlantic City casino industry has recognized the competitive threat and, over the course of the last decade, has taken steps both to limit competition and to respond to it. In the former category was an initiative that used the proceeds of a short-term tax on net adjusted casino income to enhance purses at New Jersey's Meadowlands racetrack, in return for an agreement that the Meadowlands would not introduce slot machine gambling for a specified time period. In the long term, the city and its gambling industry hope to respond to competition via a strategy that, if successful, will make Atlantic City a tourist destination for a broader spectrum of the population than it now attracts. For example, the industry hopes to expand the number of nonelderly tourists who visit the city and to attract tourists whose

FIGURE A1
Distribution of Hourly Wages Reported
by Casino Employees Surveyed in Winter
1997-1998



This figure is reproduced from the Bureau of Economic Research, Rutgers University, report cited in the references. (Data were collected at one casino in October 1997; for all other casinos, data were collected between December 1997 and February 1998.)

interests are less narrowly focused on gambling than is the case with the current set of visitors. Within the Atlantic City context, the Borgata, the city's newest casino/hotel, serves as a model; the Borgata projects a more glamorous aura than do many of the city's other gambling locations, and it has attracted a younger tourist group. The Borgata more closely resembles a Las Vegas casino than do the other Atlantic City gambling operations, and the broader goal of the city's casino industry is to make Atlantic City more like Las Vegas, where a relatively high percentage of tourist dollars are spent on nongambling activities such as retail purchases and big-name entertainment. Plans for new casino/hotels offering multiple tourist attractions and the development of new upscale retail districts are part of this strategy. Through such efforts, casino operators hope to avoid losing tourist dollars and, indeed, to encourage the typical consumer to stay longer and presumably spend more.³⁶ In the most optimistic view, members of the

³⁶ See the article by Gary Rivlin, who cites Michael Pollock,

Atlantic City casino industry hope that the new casinos in neighboring states will themselves expand the customer base for Atlantic City gambling: After a taste of gambling at stand-alone casinos, a new population will want to experience the full gambling experience that Atlantic City provides.³⁷

It is not clear how these efforts to deal with new competition will play out. In the short run, at least, the industry has faced some problems. In late 2006 and early 2007, two racinos opened close to the I-95 corridor in Pennsylvania, and in 2007, nominal revenues for the Atlantic City casino industry as a whole fell for the first time since the gambling era began in 1978.³⁸ Construction of new Atlantic City casinos that are supposed to help counter the competition has stalled because of the current problems in credit markets.³⁹ It is not yet possible to know whether these are simply temporary setbacks in a new development path that will both expand and diversify Atlantic

City's tourist sector or whether the current situation represents a new long-term reality for Atlantic City.

publisher of *The Gaming Industry Gazette*, on the share of casino income from nongaming activity in Las Vegas (59 percent) and Atlantic City (10 percent). The executive director of the Atlantic City Convention and Visitors Authority, Jeffrey Vassar, also cited in the article, notes that the average visitor to Las Vegas spends three to four days, while the average visitor to Atlantic City spends 24 hours.

³⁷ See, in particular, the transcript of the committee meeting of the New Jersey Senate Wagering, Tourism and Historic Preservation Committee, August 2, 2004 for a discussion of the possible impacts of new competition and of ways that the Atlantic City industry might respond.

³⁸ The industry attributes some of this loss to a partial smoking ban in casinos that began in 2007 and fallout from a campaign to unionize casino dealers in addition to the new competition.

³⁹ See the update by Chester Sherman of the New Jersey Department of Labor and Workforce Development.



ATLANTIC CITY: PAST AS PROLOGUE

APPENDIX B: ATLANTIC COUNTY IN THE POST-CASINO ERA

I. Introduction

The main text of this report focuses on economic and demographic trends in Atlantic City since the arrival of legalized gambling in 1978. But one would not expect the casino industry's effects to be confined to the city alone. Newcomers drawn to the Atlantic City area by casino jobs would not necessarily live in the city proper, so their arrival might have implications for the size and characteristics of the population in nearby areas. Income going to households that supply labor, and to businesses that supply goods and services to the casino industry, would not all be spent in the city itself; income spent in other places would generate new economic activity in those places.¹ In short, the effects of the casino industry would be expected to spill over to neighboring areas.

This appendix looks at economic and demographic change in the region surrounding Atlantic City over the past several decades. In other research that looks at regional change subsequent to casino openings, the *county* in which the casino is located is commonly used as the unit of analysis. That is the approach taken in this appendix, which looks at trends in Atlantic County, Atlantic City's home county. The next section provides a statistical picture of the county, pre- and post-casino, and the one that follows focuses on the growth of noncasino employment in recent decades.

¹ All other things equal, the degree to which money received by households and businesses from the casino industry is spent outside the casino jurisdiction would be expected to depend on the extent to which these households and businesses were located outside the jurisdiction.

II. Statistical Picture of Atlantic City and the Balance of Atlantic County

Tables B1 and B2 provide data on demographic and economic trends in Atlantic County, Atlantic City, the balance of Atlantic County ("county balance"), and the state of New Jersey. Discussion in this section focuses, for the most part, on the comparison of Atlantic City and the county balance before and after the advent of legalized gambling, although some countywide data are also discussed. The decision to focus on these sub-areas rather than the county as a whole is based on the very different economic and demographic characteristics of the sub-areas. Countywide statistics would lie between city and county balance numbers but would not do a good job of describing either.

The Picture in 1970

In 1970, the last decennial census year prior to casino development, the city and the balance of Atlantic County presented very different statistical profiles. Atlantic City, clearly in decline, had lost 20 percent of its population since 1960 and 6 percent of its private-sector jobs since 1965. In contrast, the balance of the county had experienced a 26 percent increase in population since 1960 and a 40 percent increase in private-sector jobs since 1965.² The gains in the balance of the county were too large to simply reflect a suburbanization of population and employment within the metropolitan area, and on

² Unless otherwise noted, in this appendix, the term "employment" refers to private-sector "covered employment," which is employment covered by unemployment and temporary disability benefit laws. Data on such employment are available from the New Jersey Department of Labor and Workforce Development's publications and website. The underlying data for calculating these changes are available from the author on request.

net, the county as a whole experienced population and job growth.

Demographically, Atlantic City and the balance of Atlantic County looked very different as well. (With a few exceptions, noted below, the demographic characteristics of the balance of the county were quite similar to those of the state as a whole.) In the city, 46 percent of the population was nonwhite, while in the balance of the county the minority percentage was 8 percent. The foreign-born comprised 9 percent of the city's population and only 5 percent of the population in the county balance. Twenty-five percent of Atlantic City's population was elderly, compared to 13 percent in the remainder of the county. (This latter percentage was nonetheless considerably higher than the corresponding percentage for the state. See Table B1.) Not surprisingly given the difference in shares of elderly, the share of the population that was of prime working age — between 25 and 64 years of age — was somewhat higher in the balance of the county than in the city. The share of households that were families was considerably lower in the city than in the balance of the county (60 percent vs. 82 percent), while the share of families classified as female-headed with children was considerably higher (16 percent vs. 5 percent). The level of educational achievement was lower in the city

TABLE B1

Selected Demographic Trends for Atlantic City, Atlantic County, County Balance, and New Jersey

Population	1970	1980	1990	2000
City	47,859	40,199	37,986	40,517
Balance	127,184	153,920	186,341	212,035
County	175,043	194,119	224,327	252,552
New Jersey	7,168,164	7,364,823	7,730,188	8,414,350

% change in population	1960- 1970	1970-1980	1980-1990	1990-2000
City	-19.6%	-16.0%	-5.5%	6.7%
Balance	25.5%	21.0%	21.1%	13.8%
County	8.8%	10.1%	15.6%	12.6%
New Jersey	18.2%	2.7%	5.0%	8.9%

	1970	1980	1990	2000
% elderly				
City	24.8%	23.5%	19.2%	14.2%
Balance	12.9%	13.9%	13.6%	13.5%
County	16.2%	15.9%	14.5%	13.6%
New Jersey	9.7%	11.6%	13.4%	13.2%
% 25-64				
City	41.6%	41.9%	47.8%	51.2%
Balance	45.4%	47.3%	52.9%	53.4%
County	44.4%	46.1%	52.1%	53.0%
New Jersey	46.8%	49.5%	53.3%	53.9%
% foreign-born*				
City	9.4%	7.7%	9.9%	24.7%
Balance	5.4%	4.7%	4.9%	9.3%
County	6.5%	5.3%	5.8%	11.8%
New Jersey	8.9%	10.3%	12.5%	17.6%
% of households that are families				
City	59.6%	54.8%	52.0%	54.9%
Balance	81.9%	73.6%	69.7%	68.8%
County	74.7%	69.3%	66.5%	66.5%
New Jersey	82.7%	72.6%	72.3%	70.3%

Source: U.S. Decennial Censuses

Table continued on next page

*Percent of foreign-born arriving after 1990: City 65.4%, Balance 45.4%, County 52.1%, New Jersey 41.6%.

than in the balance of the county.³ However, the balance of the county lagged the state somewhat in

³ The higher percentage of city residents who were elderly probably contributes, in part, to the lower educational attainment.

TABLE B1 Continued

	1970	1980	1990	2000
% of families female headed with children under 18				
City	15.7%	23.3%	29.8%	25.5%
Balance	5.3%	7.9%	9.5%	10.4%
County	8.0%	10.8%	12.5%	12.5%
New Jersey	5.6%	8.7%	9.5%	9.1%
% with a H.S. diploma				
City	35.4%	48.1%	58.3%	61.8%
Balance	48.2%	65.1%	75.9%	81.2%
County	44.4%	61.4%	72.9%	78.2%
New Jersey	52.5%	67.4%	76.7%	82.1%
% with a college degree				
City	3.4%	7.7%	9.5%	10.4%
Balance	7.3%	13.8%	17.8%	20.2%
County	6.2%	12.5%	16.4%	18.7%
New Jersey	11.8%	18.3%	24.9%	29.8%
% White				
City	54.6%	43.9%	30.8%	19.4%
Balance	92.2%	86.8%	82.4%	72.4%
County	81.9%	77.9%	73.7%	68.4%
New Jersey	88.8%	79.3%	74.0%	66.0%
% Black				
City	43.7%	49.3%	49.7%	42.4%
Balance	7.4%	9.0%	10.1%	12.0%
County	17.4%	17.3%	16.8%	17.6%
New Jersey	10.7%	12.3%	12.7%	13.0%
% Hispanic				
City	NA	5.8%	15.3%	24.9%
Balance	NA	3.4%	5.5%	9.7%
County	NA	3.9%	7.2%	12.2%
New Jersey	NA	6.7%	9.6%	13.3%
% Asian				
City	NA	0.6%	3.7%	10.0%
Balance	NA	0.5%	1.7%	4.0%
County	NA	0.5%	2.0%	5.1%
New Jersey	NA		3.4%	5.7%

Source: U.S. Decennial Censuses

the percentages of the population over 25 with high-school diplomas and college degrees.

Economically, the balance of the county, while considerably better off than the city, lagged the state on key measures of household well-being, such as household and family median income and

unemployment.⁴ (In addition, male and female labor force participation rates were slightly lower than those of the state.) However, the balance of the county had a lower poverty rate than the state as a whole.

Post-Casino Patterns

Overall Trends in Population and Employment. Atlantic County's population has grown quickly since the advent of casinos. Between 1970 and 2005, population increased 54.8 percent, much higher than the statewide population increase of 21.6 percent; the county ranked seventh among all New Jersey counties in population growth. For all intents and purposes, all of this growth occurred in the balance of the county, where population increased 81 percent between 1970 and 2005.⁵

Between 1970 and 2005, the number of private-sector "covered employment" jobs in Atlantic County grew 147 percent, a percentage much higher than the 60 percent growth in the state as a whole. (See Figure B1, on page 57, which graphically depicts growth of covered employment over the period.⁶) The sharpest growth occurred between 1978 and 1990. Casino employment was rising during this period (Figure B2, on page 58), and construction activity in Atlantic City also tended to be high as the casino industry grew to its long-term number of 12 casinos. (During this period, the building of CRDA-sponsored housing on a large scale also added to construction activity.) Positive job growth in the balance of the county

⁴ The higher level of unemployment was probably due in part to the seasonal nature of much of Atlantic County's employment.

⁵ Statistics in this paragraph are drawn or derived from material in the New Jersey Department of Labor and Workforce Development's 2006 Atlantic County fact book.

⁶ Data on employment broken out for the city and balance of the county are not available for all years.

TABLE B2

Selected Economic Indicators for Atlantic City, Atlantic County, the County Balance, and New Jersey

	1970	1980	1990	2000
Private-Sector Total Covered Employment*				
City	25,069	36,406	66,000	60,500**
Balance	26,512	40,522	54,300	63,400
County	51,581	76,928	120,298	123,929
New Jersey	2,095,798	2,530,556	3,036,932	3,283,702
Median Income				
<i>Household</i>				
City	4,257	9,807	20,309	26,969
Balance	8,236	15,000-20,000	35,000-37,500	45,000-50,000
County	6,819	15,752	33,716	43,933
New Jersey	10,371	19,800	40,927	55,146
<i>Family</i>				
City	6,395	13,238	27,804	31,997
Balance	9,595	20,000-25,000***	42,500-45,000***	50,000-60,000***
County	8,775	19,216	40,602	51,710
New Jersey	11,403	22,906	47,589	65,370
Poverty Rate				
City	22.5%	24.9%	25.0%	23.6%
Balance	9.5%	9.4%	6.2%	8.0%
County	13.0%	12.6%	9.4%	10.5%
New Jersey	11.3%	9.5%	7.6%	8.5%
% Poor/Near Poor¹				
City	NA	32.4%	30.8%	30.3%
Balance	NA	13.6%***	8.7%	11.0%
County	NA	17.4%	12.5%	14.1%
New Jersey	NA	12.9%	10.3%	11.2%
% Low Income²				
City	NA	52.4%	45.8%	49.9%
Balance	NA	28.3%***	18.3%	22.9%
County	NA	33.2%	23.0%	27.2%
New Jersey	NA	24.3%	16.3%	20.4%

further added to the number of county jobs.

Subsequent to 1990, casino employment leveled off and, more recently, has started to decline. The number of noncasino private-sector jobs in Atlantic City proper declined after 1990 (although there has been an uptick in such jobs in recent years), but the number of jobs in the balance of the county continued to grow. The net effect was a continued, albeit slower, growth in Atlantic County jobs. (A further discussion of the impact of casinos on overall economic growth in the county is contained in the next section of this appendix.)

Demographic Trends in the City and in

the County Balance. Both Atlantic City and the remainder of Atlantic County have experienced demographic change since the advent of the casino era. But as was the case in 1970, demographic characteristics of the two areas continue to differ sharply on most measures.

While the nonwhite share of the population has grown in both the city and the balance of the county, Atlantic County is still quite predominantly white, while the city is very predominantly minority (72 percent white in the balance of the county vs. 19 percent white in the city). Hispanic and Asian population shares in the city are about 2.5 times higher in the city than in the balance of the county,

TABLE B2 Continued

Unemployment Rate				
<i>Male</i>				
City	8.8%	10.3%	10.1%	15.2%
Balance	3.5%	7.3%	4.7%	7.5%
County	4.8%	7.8%	5.5%	8.6%
New Jersey	2.3%	6.1%	5.0%	5.7%
<i>Female</i>				
City	8.9%	12.0%	9.2%	10.3%
Balance	6.2%	8.5%	4.8%	5.6%
County	7.1%	9.2%	5.5%	6.3%
New Jersey	4.6%	7.3%	5.1%	5.9%
<i>LFPR (Male/Female)</i>				
City	64.7/40.7%	64.0/47.4%	70.7/54.0%	61.6/52.4%
Balance	75.9/41.2%	75.7/50.5%	78.1/60.5%	72.2/60.3%
County	72.8/41.1%	73.4/49.8%	76.9/59.4%	70.5/59.1%
New Jersey	79.6/42.5%	76.6/50.6%	76.2/58.6%	71.6/57.5%

* "Covered employment" is employment covered by unemployment and temporary disability benefits laws.

**Data on covered employment are not available for 2000 for city and county balance. All covered employment data reported in this column are for 1999.

***Values and ranges estimated on the basis of reported census data.

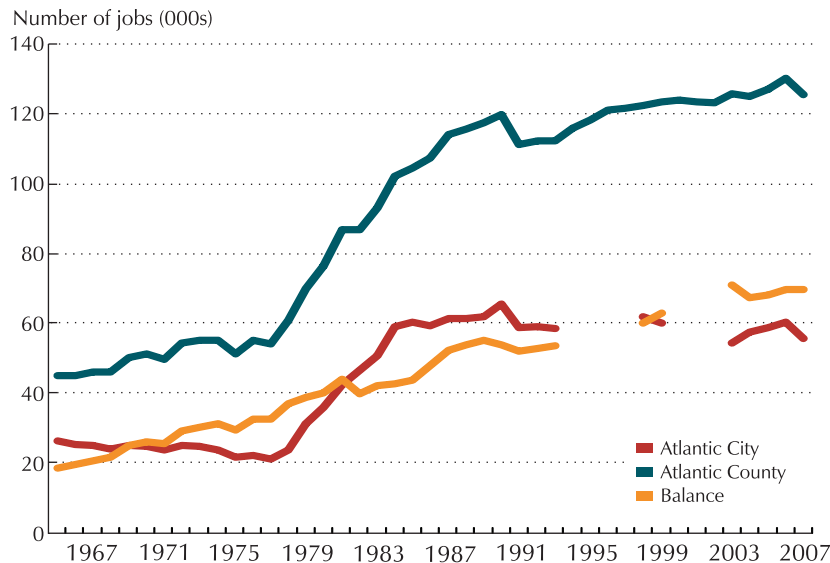
Sources: Decennial Censuses, New Jersey Department of Labor and Workforce Development Series on Covered Employment.

¹"Near poor" is defined in a footnote to Table 8 on page 25.

²"Low-income" is defined in a footnote to Table 8 on page 25.

FIGURE B1

Private-Sector Covered Employment Trends for Atlantic County, Atlantic City, and County Balance, 1965-2007



Source: All data from New Jersey Department of Labor and Workforce (NJDLW) series on covered employment. County-level data collected from department publications (before 1990) and website (from 1990). City-level data: 1960-1975, collected from Sternlieb and Hughes, p. 178, Table 5; 1976 to 1993, collected from Hamer (1995), Table 4; 1998 to 1999 and 2003 to 2006 provided by William Saley at NJDLW. City-level data are not available in tabulated form for 1994 through 1997 and for 2000-2002. County balance calculated as difference between county and city employment.

and the city's black share is about 3.5 times higher. The share of the population that is foreign-born has grown much more quickly in the city than in the balance of the county; in 2000, this share was 25 percent for the city but only 9 percent for the balance of the county, whose share was lower than the corresponding 18 percent share for the state as a whole. Among the foreign-born, the share that arrived in the U.S. after 1990 is considerably higher in the city than in the rest of the county, 65 percent vs. 45 percent. (The corresponding share of "recent arrivals" among the foreign-born population in the state as a whole is 42 percent.)

Over time, the shares of the population that are elderly in the city and in the remainder of the county have converged, the result of a large drop in the city share and a small increase in the county balance share. During this period, the share of the state population that is elderly has grown so that there is now little difference between Atlantic County and the state on this measure. Over the period, the share of the population that is prime working age has grown in the city, the balance of the county, and the state; again, there is now little difference in share among these areas. The share of households that are families has declined since 1970 in both the city and the balance of the county,⁷ but the share continues to be substantially higher in the

⁷ While share of city households that are families was lower in 2000 than in 1970, the percentage actually increased slightly between 1990 and 2000.

balance of the county, which looks like New Jersey as a whole on this characteristic. The share of families who are female-headed with children under 18 grew between 1970 and 2000 in both areas and in the state, but as in the pre-casino era, this share is still considerably higher in the city than in the balance of the county and the state.

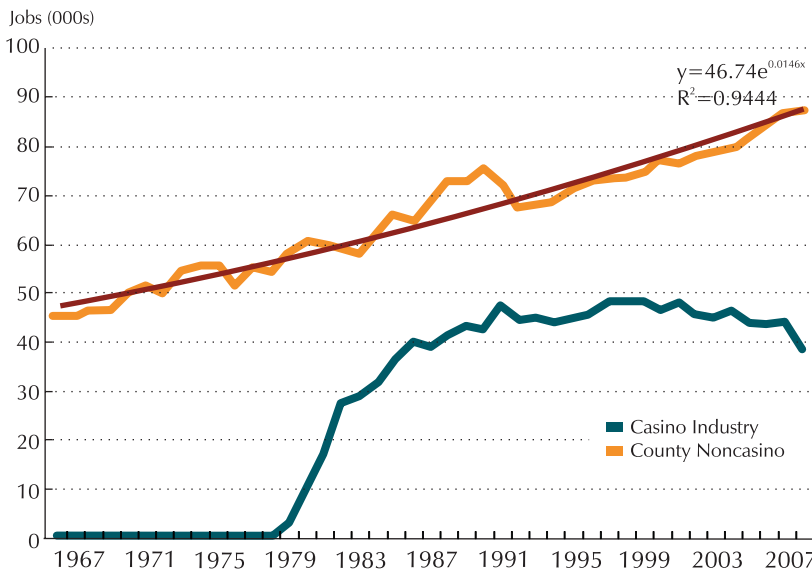
Over time, the level of academic achievement has grown in the city, the balance, and the state. In 2000, the share of population over 25 in the balance of the county who had a high-school diploma was about the same as in the state as a whole, while the city lagged the state by about 20 percentage points. Both the city and the balance lagged the state considerably in the percentage of the population over 25 with a college degree.

Trends in the Economic Well-Being of Atlantic County Residents. In the post-casino years, Atlantic City has continued to lag both the county balance and the state as a whole on measures of economic well-being; the county balance has itself lagged the state on a number of income-related indicators⁸ (Table B2). Median family and household incomes were lower in the county balance than in the state in both 1990 and 2000.⁹ Although the county balance poverty rate has been lower than that of the state in each of the three post-casino census years, the

⁸ Measures of other indicators of economic well-being for the county balance show a mixed picture in comparison to the state. The male unemployment rate was higher than that of the state in two of the three post-casino census years covered by Table B2; however, the female unemployment rate was lower than the state's rate in two out of these three years. Male and female labor force participation rates were somewhat lower than those for the state in 1980, but somewhat higher in the next two decennial census years.

⁹ Median household and family income in 1980 cannot be pinpointed closely enough to make a comparison with state medians. The 2006 Atlantic County fact book provides additional information on the income gap between the county as a whole and the state for 2004. According to this source, the average private-sector wage in Atlantic County that year was only 70 percent of the corresponding average for the state and the county's per capita personal income was only 78.2 percent that of the state's.

FIGURE B2
Casino and Noncasino Private-Sector Covered Employment
1965-2007



Source: Data on casino employment come from the New Jersey Department of Labor and Workforce's Nonfarm Payroll Employment Time Series and from Hamer, Table 4, which also uses this source. All casino employment is "covered employment." Noncasino employment is calculated as the difference between county covered employment and casino employment.

percentage of the population classified as low income has been a bit higher.¹⁰ The high proportion — almost 40 percent — of Atlantic County jobs located in the low-paying leisure/hospitality sector is one factor contributing to a tendency for incomes in both the city and the county balance to be lower than those in the state.¹¹ In addition, average county wages are lower than average state wages in all sectors *except* leisure/hospitality¹² (Figure B3). The bottom line seems to be that while the casinos have expanded the level of economic activity in Atlantic County, they have not changed the overall character of economic activity sufficiently to close the income gap between the county and the rest of the state.

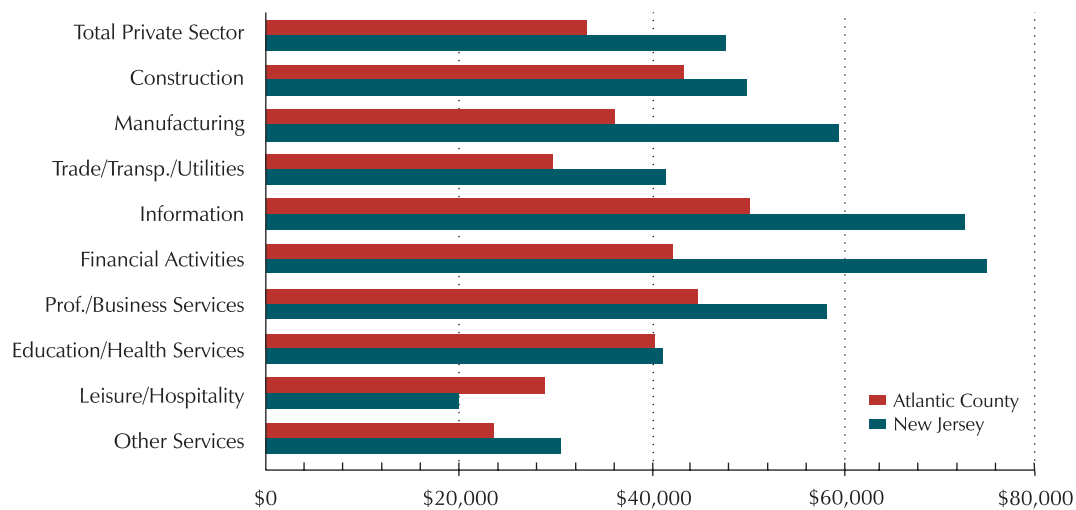
¹⁰ As in the main text, an individual is defined as low income if he or she lives in a household whose income is less than 200 percent of the relevant poverty line.

¹¹ See p. 5 of the 2006 Atlantic County fact book.

¹² See the 2006 Atlantic County fact book. The higher wage in the Atlantic County leisure/hospitality sector compared to the rest of the state is attributed to unionization of casino employees, higher tip levels in the casinos, and a greater share of relatively high-paying jobs in the casinos than in other parts of the sector (p. 7). While the average county wage in the leisure/hospitality sector is higher than the corresponding state average, the average county wage in this sector is still low compared to wages in other sectors.

FIGURE B3

Comparison of Atlantic County and New Jersey Private-Sector Wages, 2004



This figure is reproduced from the 2006 Atlantic County fact book.

III. Growth in the Noncasino Sector During the Casino Era

This section examines employment growth in the noncasino sector since the arrival of casino gambling. Figures B1 and B2 show that the establishment of the casino industry shifted up the *overall* number of private-sector jobs in Atlantic County; they also show that noncasino employment in the county was growing prior to the arrival of casinos and that it continued to grow after the major period of casino expansion. However, the impact of the casino industry on noncasino private-sector employment cannot be so easily discerned on the basis of these graphs. Although a full-scale investigation of this impact is well beyond the scope of this report, we make some preliminary observations in the context of the report.

In Figure B2, a best-fit exponential trend curve is superimposed on the graphical representation of noncasino private employment. This curve, which illustrates an annual growth rate in jobs of about 1.5 percent, fits the actual “jobs path” quite well. The exception is the period from 1978 to 1990, when the number of private-sector jobs rises well above the trend line. This is the period in which the number of casinos grew from zero to their long-term level of 12 and when the CRDA was supporting residential construction on a large scale;

time-series data on construction jobs in Atlantic County provide support for the hypothesis that construction activity is a key factor in the rise of employment above the trend line.¹³ One would not expect this level of job activity to be sustainable once major construction projects were complete, and after 1990, actual job growth moves back to the long-term trend path.

However, while the long-term Atlantic County growth trend is quite pronounced, it is not easy to predict how the arrival of casinos affected the location of the trend line, particularly because of the situation in Atlantic County prior to the arrival of casinos: Atlantic County was neither a rural county with relatively little economic activity, nor was it a place where the full county shared a common growth pattern. Rather, in Atlantic City proper, a previously developed economy was failing (and we do not know the extent to which city employment would have continued to decline in the absence of the casinos), while at the same time, the remainder of the county was experiencing considerable economic growth.

Nonetheless, it is not unreasonable to believe that the casino industry increased the number of private-sector jobs above the level that it would have been otherwise. Atlantic County population grew by about 30,000 between 1980 and 1990, compared to increases of about 14,000 between 1960 and 1970, and 19,000 between 1970 and 1980. It is likely that many of the newcomers in the 1980s came in response to the availability of new casino jobs. (Data in Table B3 show that in

¹³ Construction data are available from the New Jersey Department of Labor and Workforce Development publications (prior to 1990) and from the department’s website thereafter.

TABLE B3

Share of Casino Jobs Held by Atlantic County Residents*

Year	Date of report	Total casino jobs	Held by Atlantic County residents		Held by Atlantic City residents		Held by county balance residents	
			Number	% of Total	Number	% of Total	Number	% of Total
1987	9/28/1987	42,963	29,261	68.1%	9,013	21.0%	20,248	47.1%
1988	10/26/1988	44,612	30,903	69.3%	9,983	22.4%	20,920	46.9%
1989	10/18/1989	44,291	31,711	71.6%	10,261	23.2%	21,450	48.4%
1990	11/17/1990	48,152	34,738	72.1%	11,039	22.9%	23,699	49.2%
1991	12/2/1991	45,087	33,336	73.9%	10,338	22.9%	22,998	51.0%
1992	2/5/1993	44,762	33,365	74.5%	9,957	22.2%	23,408	52.3%
1993	1/1/1994	45,025	33,849	75.2%	9,951	22.1%	23,898	53.1%
1994	1/1/1995	45,489	34,476	75.8%	10,305	22.7%	24,171	53.1%
1995	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
1996	11/1/1996	48,595	37,808	77.8%	10,846	22.3%	26,962	55.5%
1997	5/15/1997	48,466	37,754	77.9%	10,588	21.8%	27,166	56.1%
1998	3/2/1998	48,046	37,738	78.5%	10,655	22.2%	27,083	56.4%
1999	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2000	1/2/2001	46,771	38,110	81.5%	10,830	23.2%	27,280	58.3%
2001	1/25/2002	45,163	37,187	82.3%	10,643	23.6%	26,544	58.8%
2002	1/6/2003	44,502	36,923	83.0%	10,579	23.8%	26,344	59.2%
2003	1/1/2004	45,530	37,815	83.1%	10,788	23.7%	27,027	59.4%
2004	1/1/2005	44,823	37,463	83.6%	10,633	23.7%	26,830	59.9%
2005	1/1/2006	43,826	36,807	84.0%	10,226	23.3%	26,581	60.7%
2006	1/5/2007	41,943	35,298	84.2%	9,548	22.8%	25,750	61.4%
2007	1/1/2008	40,400	34,090	84.4%	8,787	21.8%	25,303	62.6%

Source: Data provided by staff at the New Jersey Casino Control Commission.

*For each year, commission staff provided data from the monthly report that would best reflect the job picture at the end of the calendar year. This would typically be the report prepared in January of the following year. When the January report was not available, the report for the closest date available was used as a source of data; with the exception of 1997 and 1998, report dates are relatively close to the end of the relevant calendar year.

1990, county residents held almost 35,000, or about 72 percent of casino jobs.) Firms that provided goods and services for these new households would have added to county employment. In addition, Atlantic County firms were the vendors for a large share of casino industry purchases.¹⁴ Since it is

¹⁴ Data on Atlantic County businesses' share of purchases, available from the late 1980s onward, indicate that this share has typically ranged between about 40 and 50 percent of all purchases. For example, in 1989, county businesses had a 53 percent share of \$1.8 billion in purchases; in 1992, they had a 47 percent share of \$1.9 billion in purchases; and in 1996, they had a 39 percent share of \$1.5 billion in purchases. In 2003, county businesses had a 51 percent share of \$3.1 billion in purchases, while in 2007 they had a 40 percent share of \$4.04 billion in purchases. See the New Jersey Casino Control Commission's year-end Economic Impact Reports for 2003 and 2007, the commission's annual reports for 1989 and 1992, and the commission's report to the National Gambling Impact Study Commission.

likely that casino-generated business increased, rather than simply replaced, business activity that would otherwise have taken place, one would expect the casino purchases to have generated job growth. Given these factors, it seems likely that the establishment of the casino industry led to higher long-term sustainable noncasino job growth during the 1980s than would have otherwise been the case, even given the possibility that the casinos supplanted some jobs in Atlantic City proper. (See main text, pages 19-20.)

The casino industry had essentially plateaued by 1991, with the number of casino jobs stagnating and eventually declining in the years that followed. One might have expected both population growth and noncasino private-sector job growth to have

leveled off considerably after this point, yet county population grew by about 28,000 between 1990 and 2000 and noncasino job growth is not far off the long-term trend path shown in Figure B2.¹⁵ Interestingly, some of the noncasino employment growth almost certainly continues to be generated by economic activity associated with the casino industry itself. For example, the number of casino jobs held by Atlantic County residents grew by about 3,000 between 1990 and 2000, although the number has fallen in recent years as total casino employment has declined. (See Table B3. This table also shows that the *share* of jobs held by county residents has increased continuously since 1990.) More recently, major retail activity aimed at Atlantic City tourists, supported by the CRDA and thus by funds provided by the casinos, has also been a direct source of new jobs.¹⁶

These factors notwithstanding, it seems unlikely that the casino industry would have supported the same amount of long-term growth in recent decades as it did during or close to its major expansion period. In turn, future work might be aimed at identifying other sources of job growth in Atlantic County. It would be interesting to identify the factors that underlie growth in the county balance prior to the arrival of casinos and to assess whether those factors continued to provide an impetus for growth after the casinos were established. Another topic that might deserve attention in future research is the extent to which new residents who commute to the Philadelphia MSA have become a source of growth for the county.

¹⁵ Statistics updated to the current decade show that Atlantic County has continued to grow faster than the state on both of these measures. See the 2006 Atlantic County fact book.

¹⁶ It is also possible that the opportunity to visit the casinos in Atlantic City may have increased the attractiveness of the county as a residential location (or as a location for a second home) for some households.

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