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COMMONWEALTH OF PENNSYLVANIA  
JOINT HOUSE AND SENATE  
COMMITTEES ON JUDICIARY

In re: 1990 Crime Commission Report  
Organized Crime in Pennsylvania: A Decade of  
Change

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Stenographic report of hearing held  
in Room 461, Main Capitol Building,  
Harrisburg, Pennsylvania

Wednesday,  
April 24, 1991  
2:00 p.m.

HON. THOMAS R. CALTAGIRONE, CHAIRMAN, HOUSE  
JUDICIARY COMMITTEE

MEMBERS OF JOINT HOUSE AND SENATE  
JUDICIARY COMMITTEES

Hon. Jerry Birmelin	Sen. John D. Hopper
Hon. Kevin Blaum	Hon. Gerard A. Kosinski
Hon. Frank Dermody	Hon. Kenneth E. Kruszewski
Hon. Gregory C. Fajt	Hon. Christopher McNally
Hon. James Gerlach	Hon. Karen A. Ritter
Hon. Lois S. Hagarty	Hon. Michael R. Veon
Hon. David W. Heckler	Hon. Chris R. Wogan

Also Present:

William Andring, House Majority Chief Counsel  
Mary Woolley, House Republican Chief Counsel  
Ken Suter, House Republican Counsel  
Mary Beth Marschik, House Republican Research Analyst  
Kathy Eakin, Senate Majority Chief Counsel  
Katherine Manucci, House Majority Staff

Reported by:  
Ann-Marie P. Sweeney, Reporter

ANN-MARIE P. SWEENEY  
536 Orrs Bridge Road  
Camp Hill, PA 17011  
717-737-1367

1 CHAIRMAN CALTAGIRONE: I'd like to open  
2 up the joint hearing of the House and Senate Judiciary  
3 Committees on "Organized Crime in Pennsylvania: A  
4 Decade of Change, 1990 Report."

5 For the record, I'd like to have the  
6 members, first of all from my right, introduce  
7 themselves and come around the desk.

8 REPRESENTATIVE FAJT: Greg Fajt,  
9 Allegheny County.

10 REPRESENTATIVE DERMODY: My name is Frank  
11 Dermody. I'm from Allegheny County.

12 REPRESENTATIVE RITTER: Karen Ritter from  
13 Lehigh County.

14 REPRESENTATIVE GERLACH: Jim Gerlach from  
15 Chester County.

16 REPRESENTATIVE WOGAN: Chris Wogan from  
17 Philadelphia.

18 REPRESENTATIVE BLAUM: Kevin Blaum, city  
19 of Wilkes-Barre.

20 REPRESENTATIVE HAGARTY: Lois Hagarty,  
21 Montgomery County.

22 MS. WOOLLEY: Mary Woolley, Republican  
23 Counsel to the Judiciary Committee.

24 MR. ANDRING: Bill Andring, House  
25 Democratic Counsel.

1 CHAIRMAN CALTAGIRONE: Tom Caltagirone,  
2 Chairman, House Judiciary, Berks County.

3 REPRESENTATIVE KRUSZEWSKI: Ken  
4 Kruszewski, Erie County.

5 REPRESENTATIVE HECKLER: Dave Heckler,  
6 Bucks County.

7 MS. EAKIN: Kathy Eakin, Counsel, Senate  
8 Judiciary Committee.

9 SENATOR HOPPER: John Hopper, Cumberland  
10 County.

11 CHAIRMAN CALTAGIRONE: If you'd like to  
12 then proceed and introduce yourselves for the record.

13 MR. ROGOVIN: Good afternoon, Mr.  
14 Chairman, members of both sides of the legislature. My  
15 name is Rogovin, Charles H. I'm Vice-Chairman of the  
16 Pennsylvania Crime Commission.

17 MR. HORNBLUM: Mr. Chairman, Allen  
18 Hornblum, Philadelphia County.

19 MR. REILLY: Mike Reilly, Chairman,  
20 Pennsylvania Crime Commission, Allegheny County.

21 MR. ROGOVIN: Lest, Mr. Chairman,  
22 Montgomery be overlooked, I should have said Montgomery  
23 County.

24 REPRESENTATIVE HAGARTY: My constituent.

25 MR. ROGOVIN: That's correct.

1                   MR. REILLY: We come before you today  
2 with a report which summarizes our findings on  
3 organized crime during the decade of the '80's. This  
4 report was possible through the generous support of the  
5 legislature and the Governor, and I think you will find  
6 a marked contrast to the 1980 report on the 1970's.

7                   The main things you will find in contrast  
8 is this report is intelligence driven. By that I mean  
9 not intellect but the process of gathering information,  
10 analyzing the information, and with this report  
11 disseminating it. We have, for the last five years,  
12 worked very hard to focus the Crime Commission as an  
13 intelligence gathering agency that is driven by  
14 analytical problems and analytical issues. I think  
15 we've succeeded. I think we've succeeded much more  
16 than I had anticipated we would in this brief period of  
17 time.

18                   There's also a second major difference.  
19 The consultants used by the Crime Commission for the  
20 1980 report were primarily reporters, people that had a  
21 different and somewhat more sensational view of what  
22 should appropriately be included in a report. We used  
23 primarily academic consultants for this report. They  
24 are listed in the report. They are a number of  
25 distinguished Pennsylvania academics who were extremely

1 critical to the successful development and completion  
2 of the report.

3 I'd like to say that we are proud to  
4 present this report. This report also had a very  
5 positive effect on the Commission itself in that the  
6 five Commissioners, as you know four of whom are  
7 appointees of the legislature and one by the Governor,  
8 worked very hard to develop a consensus and to develop  
9 our thinking and develop our philosophy in dealing with  
10 these issues, in coming up with this report. It was a  
11 Herculean task, a task which was borne by our staff and  
12 by the consultants, and I want to congratulate them for  
13 the excellent job they have done.

14 I think what you will find is, as we have  
15 promised in years past, a broader focus, a focus on  
16 groups other than the traditional LCN or Mafia, a focus  
17 on other ethnic groups, a focus on other economic  
18 groups, some marketing analysis, some analysis of  
19 criminal markets that are significant, especially  
20 gambling and narcotics, and a specific section, as you  
21 know we did an extensive investigation into the city of  
22 Chester and as we had not separately published that,  
23 we've published it as a section of this report.

24 Having said that by way of prologue, I'd  
25 open, if it pleases the Chair, we would be ready to

1 respond.

2 CHAIRMAN CALTAGIRONE: Certainly. We'll  
3 open it up for questions from the members present.

4 We'll start off over on my right.

5 Questions?

6 I have some questions, as you probably  
7 could imagine. The explanations that you had given me  
8 throughout the past months concerning the correlation  
9 of the different types of gambling activities around  
10 the Commonwealth, almost probably every single county  
11 throughout the State, the correlation of that with the  
12 drug activity, how the funds are being diverted and  
13 used and how then the proceeds are being disbursed in  
14 the legitimate businesses for laundering, could you  
15 please, for the benefit of the committee, review  
16 briefly that type of activity that's going on and what,  
17 if anything, the legislature might be able to do to  
18 interdict that type of activity, number one? And  
19 number two, what should the local law enforcement  
20 authorities be prepared to do? And number three, the  
21 State officials, whether they be the State Police or  
22 other law enforcement agencies, the Attorney General's  
23 Office and how that activity should be measured  
24 together?

25 MR. REILLY: Okay, in response to the

1 first question, the gambling market in Pennsylvania is  
2 a broad and deep one. There has been a significant  
3 change in that market. Historically, the illegal  
4 gambling depended, when the mob first got into it on  
5 the numbers operation, the policy, the betting on  
6 different combinations and numbers which were  
7 originally drawn from stocks or from races or from  
8 other sources, that has significantly declined. The  
9 illegal numbers activity has declined not so much  
10 because of the State's preemption of the area with the  
11 Pennsylvania Lottery, but because of, we believe, a  
12 change in the societal expectation. What we see much  
13 more of by way of gambling now is the sports betting.  
14 Sports betting is the dominant form of illegal gambling  
15 now in the State. I distinguish sports betting from  
16 horserace betting. Horserace betting, again, has also  
17 declined in importance over the last decade.

18 We've had traditional groups who were  
19 dominant in different regions in the State in those  
20 different types of gambling. Many of them provided all  
21 three services, some provided only one or two of the  
22 services. We've seen a real change there. For  
23 example, in Philadelphia we've seen areas where  
24 traditionally the numbers were controlled by black  
25 numbers banks. We've seen some white banks now

1 dominant in those neighborhoods while that whole market  
2 has declined.

3 Sports betting throughout the State is  
4 important, especially on our end of the State, on the  
5 Allegheny County end of the State we've seen that the  
6 family, the LCN family in that part of the State has,  
7 with the demise of the Tony Grosso organization,  
8 established very strong control in the area of western  
9 Pennsylvania, eastern Ohio, southeastern Ohio, and up  
10 as far as Erie. So what we've also found is the  
11 traditional interrelationship between gambling and  
12 loansharking, that loansharking is a major problem in  
13 Pennsylvania, and I wasn't asked about it so I won't  
14 discuss here, but what we found is a lot of these  
15 gambling organizations now making their moneys  
16 available to finance drug operations because of the  
17 tremendous profitability of drug operations, and even  
18 people who traditionally had no interest in that, like  
19 some of the Philadelphia numbers bankers that are  
20 discussed in the report, now are diverting some of  
21 their funds to finance and involve themselves in  
22 narcotics.

23 The specific example we have in the  
24 report, a specific example, was for us a very  
25 interesting model, and that was a situation we found in



1 the city of Chester where the LCN gamblers who were  
2 bringing in video poker couldn't penetrate the black  
3 video poker bars, and what they did was made an  
4 alliance with a black gambler and loanshark in that  
5 area, and he then was their partner and took the video  
6 poker machines into the bars and used some of his  
7 proceeds from that gambling activity to start the drug  
8 operations in the public housing in that community, in  
9 the public housing communities in the city of Chester.  
10 That was really a classic example of a cooperation  
11 between traditional organized crime, the previously  
12 ignored organized crime, gambling moneys being turned  
13 into narcotics and narcotics being a very significant  
14 source of income then for those operations. Those are  
15 the kind of things we're finding more and more around  
16 the State as we study these different groups and we  
17 study different regions, we find a real significant  
18 correlation between gambling and narcotics. That's the  
19 first question I think you'd ask.

20 What should the legislature do? I don't  
21 think there are tremendous legislative responses  
22 required in the area of gambling. I think the  
23 Pennsylvania gambling statutes are good. I think  
24 unless we have some responses that I think have been  
25 appropriate, some other responses that have been less

1 successful through no fault of the legislature, the  
2 courts have found some of the legislative initiatives  
3 to be lacking. What the legislature can do is continue  
4 to keep focus on this area. It's very difficult for  
5 police officers working gambling when they see that  
6 what happens is they make an arrest, they make a very  
7 good case, we've seen some excellent work done by the  
8 Attorney General's Office, superb work done by the  
9 Pennsylvania State Police, good work done in local  
10 areas, and the people are arrested, brought in and get  
11 a slap on the wrist. I think we have to raise the  
12 focus, I think we have to put a little more emphasis on  
13 this type of enforcement. I think perhaps the  
14 legislature in its funding priorities rather than its  
15 rulemaking legislative priorities.

16 I started to talk about local efforts.  
17 Local efforts have been sporadic, understandably so.  
18 The Attorney General's Office hasn't been able to make  
19 the efforts they'd like to make in this area, neither  
20 have the State Police, because of the narcotics  
21 problem. In their limited resources there is street  
22 crime, there is an awesome narcotics problem throughout  
23 the Commonwealth, and we still have seen though a  
24 focus, an interest especially by the Pennsylvania State  
25 Police in coming back again and again and going after

1 these organizations. We've seen now a lot of  
2 cooperation with the Attorney General's Office making  
3 available sophisticated prosecuting tools, working with  
4 electronic surveillance to put some of these cases  
5 together.

6           It still is a very frustrating area to  
7 work for people in law enforcement because at the end  
8 you'll see as you read through, it was frustrating to  
9 us as we pulled this report together, you see people  
10 with multiple convictions who are essentially given  
11 slaps on the wrist. I think that's because in  
12 Pennsylvania we have no moral outrage at gambling.  
13 Region after region around the State where we've gone  
14 in and conducted investigations the people say, well,  
15 as long as it's our gamblers, as long as it's local  
16 gamblers. And as I've said before in these hearings, I  
17 went through a system of education that was, in some  
18 significant part, paid for by gambling. I am a product  
19 of the Catholic schools of this Commonwealth, where the  
20 bingos and lawn fetes and raffle tickets did a lot to  
21 take care of the cost of educating the Reilly brothers.  
22 So I think we generally don't have a tremendous  
23 kneejerk opposition, but on the other hand, what I  
24 learned when I was a city of Pittsburgh police officer  
25 was that gambling, because of its acceptability, also

1 has another very, very negative aspect, and that is it  
2 is a primary source of corruption of public officials,  
3 of police, judges, lawyers, the courts, the bail bond  
4 system, are very easily corrupted by professional  
5 gamblers and by the money that's available without a  
6 social program facilitating the operation of those  
7 people. We've lost district attorneys, we've lost  
8 senior police officials on both sides of the State.  
9 We've had other public officials fall into the trap of  
10 accepting money from these folks.

11 Another thing to realize is these people  
12 are in the corruption business. They are in the  
13 co-opting business. They are in the business of taking  
14 people who are committed to law enforcement, organized  
15 crime, regular crime control, and finding a way to get  
16 to them, finding a way to co-op them, finding a way to  
17 bring them into their pocket. Gamblers have  
18 historically been very successful in that regard, and  
19 it's a very frustrating experience. I think I slid the  
20 last two answers together. The Attorney General's  
21 Office has been very active, the State Police have been  
22 extraordinarily active. I commend both of them for  
23 their efforts in this regard. I think the efforts are  
24 going to have to be redoubled, and I think they will  
25 be.

1 CHAIRMAN CALTAGIRONE: Representative  
2 Fajt.

3 REPRESENTATIVE FAJT: Yes, Mr. Chairman.  
4 Two questions. One, I was interested in  
5 your observations of gang violence, especially in what  
6 I perceive now as moving into small town America.  
7 We've got gang problems I know up in Erie, in  
8 Lancaster. Pittsburgh, knock on wood, has not fallen  
9 victim to organized gangs as I can see it right now,  
10 but is there any connection between the street gangs  
11 and the LCN as you see it? Are the gangs products of  
12 the LCN or are they a whole separate network, and I  
13 would just like if you could touch on that briefly.

14 MR. REILLY: Sure. I think they are  
15 separate phenomena. The youth street gangs that we  
16 have experienced have found their violent experience  
17 because of the drugs, and it's that simple, because of  
18 the money to be made from drugs and the warring with  
19 each other over the control of drugs. If you recall,  
20 when I first got into law enforcement back in the  
21 mid-'60's we were having a terrible gang problem in  
22 Philadelphia. We, in Pittsburgh, were blessed we  
23 didn't have that problem. That was driven by drugs,  
24 that was driven by traditional turf wars. These new  
25 gang problems we're having are drug-driven, and to the

1 extent that the LCN facilitates the importation and  
2 distribution of drugs at a higher level, they can  
3 assist with that. But it's not so much the LCN. There  
4 are so many sources. That's the one market phenomena  
5 that we've been slow to recognize, that there are so  
6 many sources for drugs available now that even the  
7 arrest, prosecution, and RICO confiscation of the  
8 assets of a major multi-kilo dealer does little to even  
9 femorally interfere with the availability of drugs.

10 REPRESENTATIVE FAJT: So it's safe to say  
11 now that you see it generally as two separate entities?  
12 The gangs have not meshed wholeheartedly with the LCN.  
13 It's two separate organizations, two hierarchies, the  
14 whole nine yards?

15 MR. REILLY: That's exactly right, and  
16 they are the kind of phenomena that the police have  
17 historically been successful in dealing with. Sort of  
18 like the cycle gangs. I mean, they are high profile,  
19 they are violent, the community rejects them, and it  
20 facilitates the efforts of the police to control them.  
21 And the problem in a city like Los Angeles is once  
22 there gets to be so many of them, it's very difficult  
23 to control them. We haven't had that yet in  
24 Pennsylvania. We've got it to some extent in  
25 Philadelphia. I mean, it's a real problem, but you

1 will see that the Philadelphia Police have been very  
2 effective. You will see during this whole decade just  
3 waves of youth gangs or gangs of different  
4 nationalities coming onto the streets, being dominant  
5 for a period, and then being swept away.

6 REPRESENTATIVE FAJT: One other quick  
7 question, Mike. I don't mean to put you on the spot  
8 here, but if you can look into your crystal ball, I am  
9 concerned or I guess I have questions about the impact  
10 of riverboat gambling, video poker machines, other  
11 legislation that we are looking at right now and your  
12 sense of how that will affect organized crime, whether  
13 it will have any effect on or whether you see organized  
14 crime trying to move in and infiltrate those areas in  
15 the event riverboat gambling and something along that  
16 nature gets passed. I just, again, looking into the  
17 crystal ball, what do you see down the road?

18 MR. REILLY: Sure. What I would make my  
19 surmise on is the experience of New Jersey and other  
20 areas that have legalized different forms of gambling.  
21 Casino gambling, let's talk about that first. New  
22 Jersey, with the most sophisticated police intelligence  
23 network in the country, local police intelligence  
24 network in the country, has had its hands full trying  
25 to keep the mob from getting into casino gambling in

1 Atlantic City. They have been, as you know, everyone  
2 knows of the success of the mob in penetrating, in fact  
3 originating the activity out in Nevada. They are  
4 smart. When they come at you, they don't necessarily  
5 come to own the casino. I mean, there's a pretty good  
6 analysis in here that suggests that the reason for the  
7 rise of Nicodemo Scarfo was the decision to eliminate  
8 the former head of that family because of a battle  
9 about controlling labor unions, casino-related labor  
10 unions in Atlantic City. And they will come. I mean,  
11 if you build it, they will come. They will be there,  
12 they would attempt to be there, and it's going to take  
13 a full effort to try to control them. Now, we've got  
14 some advantages, we've got one other State at least  
15 trying to get into this business and see how successful  
16 they are. It doesn't apparently require the volume of  
17 business that the casinos do, and perhaps they will  
18 have more success, but I tell you, you will see the mob  
19 attempting to get its beak into that trough.

20 I don't have to speculate about video  
21 poker. The mob is strongly into video poker. One of  
22 the things that's talked about in here is one of the  
23 major New Jersey manufacturers of video poker equipment  
24 was a mob front, and it's discussed and the work that  
25 New Jersey did through "Operation Broadsword" in



1 tracking that, but that same organization sold a lot of  
2 video poker equipment here. The mob has been strong in  
3 a number of equipment distributors, vending equipment  
4 distributors, and I think it's how we structure, it's  
5 how we structure it here. And I am not taking any  
6 position on the appropriateness or morality of  
7 gambling, legalized gambling, but I'm suggesting to you  
8 that video poker, if the State wants to pursue it, is  
9 going to require very, very significant efforts to keep  
10 the mob from really profiting and dominating that  
11 industry.

12 REPRESENTATIVE FAJT: Thank you very  
13 much.

14 CHAIRMAN CALTAGIRONE: Representative  
15 Blaum.

16 REPRESENTATIVE BLAUM: Thank you, Mr.  
17 Chairman.

18 Mike, on page 325 of your report, as you  
19 look into the '90's, various items are highlighted, and  
20 one that grabs my attention reads that, "Most agencies  
21 surveyed," I assume that's law enforcement agencies,  
22 "Most agencies surveyed believe that local political  
23 interests preclude them from addressing organized crime  
24 seriously." Can you expand on that?

25 MR. REILLY: Well, that is a compilation.

1 That's what we were told. We talked to prosecutors, we  
2 talked to investigative agencies, we talked to police  
3 agencies, and there was a sense that there was not,  
4 other than in the narcotics area. The narcotics area  
5 is totally different. I mean, everybody is trying to  
6 deal with narcotics. But in the more traditional  
7 organized crime areas, areas like gambling,  
8 loansharking, prostitution, that there was not an  
9 outrage felt locally politically sufficient to support  
10 police efforts in that regard. Also, there was a very,  
11 very, very dangerous perception that those people had  
12 made -- those people being the practitioners, the  
13 criminals -- had made sufficient friends in the  
14 political establishment, and this was absolutely  
15 bipartisan. I mean, this was as true from people from  
16 Republican counties, Democratic counties, Republican  
17 cities, Democratic cities. There was a sense that  
18 these people had been smart enough. Other than the  
19 druggies, that these other people had been smart enough  
20 to position themselves to have a lot of friends in the  
21 political establishment and in the police  
22 establishment. This was not the police sneering at  
23 elected public officials. It was a sense that because  
24 of decades and decades of effort that organized crime  
25 has positioned itself very well with the establishment

1 in most of Pennsylvania. This was -- we were told this  
2 all across the State by very significant agencies.

3 REPRESENTATIVE BLAUM: Why aren't these  
4 areas listed? I mean, why don't we know where  
5 organized crime has friends in police departments and  
6 where they have friends in -- I mean, I just don't  
7 think that's a good enough answer. I would think that  
8 from the FBI to the Attorney General to district  
9 attorneys that we should know and you should list where  
10 these areas are where they have friends who aren't  
11 doing their job.

12 MR. REILLY: Well, let's start with when  
13 these people shared their feelings with us. And we  
14 went out and did interviews, too; we didn't just send  
15 out a questionnaire. They did so with the  
16 understanding, because again, they're frightened. They  
17 don't want a "Captain Mike Reilly of the Pittsburgh  
18 Police Department Intelligence Unit says...." They are  
19 apprehensive about that.

20 I don't know how much of it is true, but  
21 I know the apprehension and I know the perception is  
22 true, and the perception is reality. I mean, if  
23 they're pulling their punches or setting their  
24 priorities because of this fear, whether it's true or  
25 not, the mob has succeeded. And I think as we go

1 forward we will be in a position to point out more of  
2 these situations. We have always been derelict in our  
3 taking part of our mandate. As you know, our mandate  
4 is organized crime and public corruption. Our report  
5 mandate is organized crime, but our investigative  
6 mandate is organized crime and public corruption, and  
7 we are feeling that we are going to have to be a little  
8 more active in that area. In fact, we were discussing  
9 that this morning.

10 REPRESENTATIVE BLAUM: And I don't expect  
11 Captain Reilly's name to appear, you know, but I expect  
12 from you people that if you list, you know, that  
13 paragraph, that we should know, you know, where these  
14 places are. I mean, that's horrendous that that could  
15 possibly, possibly be true, and I believe you.

16 MR. REILLY: Sure.

17 REPRESENTATIVE BLAUM: But I also believe  
18 that it's your job, you know, to tell us where, I mean,  
19 and let's do something about it.

20 MR. REILLY: Let me give you a specific  
21 example, because we did a detailed survey and we were  
22 told it by so many people, with Berks County, the idea  
23 in Berks County that local gambling is fine. There's  
24 nothing wrong with local gambling. I mean, local  
25 gambling is, as long as they are local people, there's

1 no moral outrage, there's no sense that those people  
2 are financing narcotics and it's another business in  
3 town and if you want to gamble, you can gamble. And we  
4 heard that from so many different agencies and elected  
5 public officials. That's an example of those people  
6 say we can't deal with those organizations. We're  
7 foolish to try to deal with them.

8 Now, you've seen the State Police come in  
9 and try to deal with the organizations in that county  
10 and you've seen now a Grand Jury takes some shots at  
11 some of those organizations, but the perception was,  
12 and this is a perception going back three-plus years  
13 where we've been working to discover some of those  
14 things, the perception that there's nothing wrong. We  
15 don't care about those folks who are gamblers and that  
16 the gamblers are very good at supporting little league  
17 teams, making contributions to charitable campaigns,  
18 making contributions to political campaigns. If the  
19 perception there was so universal, I don't worry about  
20 pointing the finger at anybody to name that. I mean,  
21 we talked to almost every police chief in that county,  
22 people in the prosecutor's offices. That's an example  
23 that I can share.

24 I happen to disagree with some of these  
25 agencies, frankly. I can't disagree with their

1 perception, but I think they were wrong. I think some  
2 of these people have built a phantom about how powerful  
3 these people are and how influential they are. When  
4 you look at the reality, the only place where I see OC  
5 people being treated a little kindly is in sentencing  
6 on the gambling cases. But for that, I don't have a  
7 sense that the fix is in. I think a lot of this is, as  
8 a former police officer, police paranoia. I think a  
9 lot of this is finding an excuse for something that may  
10 or may not be true. When the Pennsylvania State  
11 Police, when the Attorney General's Office came in,  
12 when the district attorney moved with a Grand Jury on  
13 the local police, they met with some success. That  
14 doesn't suggest that the people were in fact bullet  
15 proof, yet that was the perception. That was the very  
16 strong perception in that county. And we hear the same  
17 kind of things in Philadelphia, we hear the same things  
18 in Allegheny, we hear the same things in Erie. I mean,  
19 as we go around the State and look at the major  
20 population centers, which is where you go to look at  
21 organized crime.

22 REPRESENTATIVE BLAUM: But do you agree  
23 or think that in the future that this can be elaborated  
24 upon?

25 MR. REILLY: Yeah. I would hope it could

1 be dispelled, because I really believe--

2 REPRESENTATIVE BLAUM: Or dispelled.

3 MR. REILLY: I really believe that a lot  
4 of that perception is erroneous, and I think what will  
5 tend to dispel it will be the activities of groups like  
6 the State Police and the Attorney General's Office and  
7 the district attorneys who elected to use, as Allegheny  
8 County has elected to use their Grand Juries  
9 cooperating with the State Police and the Pittsburgh  
10 Police. Westmoreland County. You know, when you get  
11 in and do the stuff, I think it takes the mystique  
12 away. I think you'll see--

13 REPRESENTATIVE BLAUM: Now, do you dispel  
14 that it's going on or do you dispel that the people  
15 that are doing it are in some way, you know, not  
16 gettable?

17 MR. REILLY: I think you do both. I  
18 think you dispel the idea that there is this awesome  
19 power and that they have corrupted the political  
20 system. Some places they have. They have in the city  
21 of Chester. I mean, that's a very sad situation, but  
22 we discuss it in some detail in the report. I don't  
23 have that sense in a lot of other places. They can  
24 periodically succeed in corrupting units, investigative  
25 units, and corrupting, you know, at one point in

1 Pittsburgh we lost most of our police administration.  
2 We lost from the assistant superintendent, the number  
3 two man in the department, down through most of our  
4 police inspectors. After that, I think we had a fairly  
5 clean department. We were blessed in that that  
6 corruption was at the top. Those of us at the bottom  
7 were spared that. If you went after a numbers guy, you  
8 walked a beat in a cemetery. So we were corruption  
9 proof. We had that good fortune. That turned over  
10 very quickly. I would like to think that they are not  
11 as powerful as they think they are or as powerful as a  
12 lot of police agencies think they are. I hope we can  
13 demonstrate that.

14 REPRESENTATIVE BLAUM: I would hope that,  
15 you know, that in the future that you can either  
16 elaborate upon this to the point where I think the  
17 people of Pennsylvania have more information on what is  
18 going on in their communities or dispel those unfounded  
19 perceptions which you may find out there to the point  
20 where people can be confident in their system.

21 MR. REILLY: What we've done is start to  
22 conduct regional investigations, start to go in and try  
23 to get an understanding of how the different  
24 communities, different counties in the Commonwealth  
25 work, and it's a slow process. I mean, we have limited



1 resources, we have things like this that we think are  
2 important that we focus a lot of our resources on, but  
3 I think there's -- it's a question of how many of the  
4 resources should be committed to the Pennsylvania Crime  
5 Commission? I have never come before the House and  
6 Senate and said, triple the size of the Crime  
7 Commission. Give us arrest powers. I think the Crime  
8 Commission is doing what it should do, and I think  
9 we're moving, given the priority of the problems that  
10 this legislature faces, I think you're probably  
11 appropriate in the decisions you've made.

12 We could do more with more people. I  
13 don't know that that's the best use of that money. But  
14 if we were to go out and do these kind of sting,  
15 proactive investigations, it requires a lot more  
16 resources than we have. That's why I suggested to you  
17 that I think the proof of the pudding will be in the  
18 work that the major law enforcement agencies of this  
19 Commonwealth, like the Attorney General's Office, the  
20 district attorney's office in the large counties,  
21 especially the Pennsylvania State Police, continue to  
22 do. The State Police are very active right now in a  
23 number of organized crime fields that historically have  
24 not been as closely watched as they are now, and I  
25 don't want to say any more than that, but my hat's off

1 to the efforts they are making.

2 REPRESENTATIVE BLAUM: And those efforts  
3 that are going on now and in the future would be the  
4 result of some of those things that may be behind this  
5 statement?

6 MR. REILLY: I think they will either  
7 show whether the perceptions are true or not. I think  
8 we'll know that. I think the kind of things that are  
9 being done will point that out pretty dramatically.

10 REPRESENTATIVE BLAUM: Thank you, Mr.  
11 Chairman.

12 CHAIRMAN CALTAGIRONE: I would like to  
13 introduce three additional members, if they would care  
14 to mention their name and the county they represent for  
15 the record.

16 REPRESENTATIVE McNALLY: Representative  
17 Chris McNally, Allegheny County.

18 REPRESENTATIVE KOSINSKI: Representative  
19 Jerry Kosinski, Philadelphia County, a proud student of  
20 Professor Charles Rogovin.

21 REPRESENTATIVE HAGARTY: We can blame  
22 him, huh?

23 REPRESENTATIVE BIRMELIN: Representative  
24 Birmelin, Wayne County.

25 REPRESENTATIVE KOSINSKI: You can blame

1 him for all the disputes.

2 CHAIRMAN CALTAGIRONE: There was a  
3 follow-up question that Counsel Mary Woolley would like  
4 to ask.

5 MS. WOOLLEY: Just following up on  
6 Representative Blaum's question. In terms of the  
7 survey that's referenced on page 325, you surveyed  
8 police departments and district attorneys in terms of  
9 these, only municipal police and DAs in terms of  
10 getting these responses?

11 MR. REILLY: That was the basic group,  
12 then we talked to some people in other agencies, but  
13 basically it was the local perception.

14 MS. WOOLLEY: Can you give me any idea of  
15 the numbers in terms of--

16 MR. REILLY: I'm not sure--

17 MS. WOOLLEY: Well, you don't have to  
18 give it to me today, but I would be interested in the  
19 number of individual police officers and individual  
20 district attorneys--

21 MR. REILLY: We talked, for example, I  
22 can tell you in certain points because I can remember  
23 them, Mary. In the City of Pittsburgh Police  
24 Department we talked to the people in their  
25 Intelligence and Organized Crime Unit. We talked to

1 two officers in there. In the Allegheny County  
2 District--

3 MS. WOOLEY: So these were personal  
4 interviews, now--

5 MR. REILLY: Well, first we sent out a  
6 form, but then we went in and conducted to give them a  
7 chance to crystallize their thinking.

8 MS. WOOLEY: So you had a survey  
9 instrument which you used during the personal  
10 interview?

11 MR. REILLY: Then we went out and did the  
12 personal interviews, that's correct. That's correct.

13 We just asked for comments in the past  
14 and we didn't find that that was as useful as a more  
15 structured investigative procedure. Also, one of the  
16 academics point out to us that a lot of what we had  
17 done in the past didn't have the same value as it would  
18 have if we used, just as you said, used a survey, a  
19 standard instrument to conduct interviews. We were  
20 amazed at the candor in those interviews.

21 CHAIRMAN CALTAGIRONE: Representative  
22 Gerlach.

23 REPRESENTATIVE GERLACH: Okay, thank you.

24 Mr. Reilly, I want to follow up a little  
25 bit of what was gotten into by Representative Blaum,

1 and it really is referenced on page 326 of your report,  
2 and you did a lot of work apparently in the city of  
3 Chester in investigating. I think you had public  
4 hearings down in Delaware County over the course of a  
5 number of months and then put together the information  
6 that's contained in this report. You then conclude on  
7 page 326 that, "Legislation to address the problem of  
8 systematically corrupt units of government is needed."  
9 Could you expand on what kinds of legislation, based on  
10 your findings of the city of Chester situation, that's  
11 needed at this point?

12 MR. REILLY: Sure. I think one of the  
13 things that we did in this report, in the past, as you  
14 know, we've made very specific legislative  
15 recommendations. We've written bills, we've put things  
16 in. We've found that to be really kind of fruitless  
17 because what we have to do is work -- we're not  
18 legislators. We have to work with the legislature to  
19 develop the appropriate bills. Now, this is an area  
20 where we've got some things that I think might be  
21 useful because we have a professor, one of the  
22 consultants named here who is a professor at Temple  
23 University School of Law, Professor Lubinotti, had done  
24 some work along that very line, developing what kind of  
25 legislative responses might be appropriate, and I would

1 be happy to share that with the committee or any member  
2 that has an interest.

3 REPRESENTATIVE GERLACH: Would you do  
4 that?

5 MR. REILLY: Certainly.

6 REPRESENTATIVE GERLACH: Because I think  
7 it might address some of the issues that Representative  
8 Blaum already talked about that if there is this kind  
9 of corruption not only in the city of Chester but in  
10 other municipalities, perhaps some legislation could  
11 deal with that situation.

12 MR. REILLY: We talked about that and we  
13 also talked about whether a unit of local government  
14 would be an appropriate RICO target, whether it would  
15 be something that could be taken over in a RICO action  
16 the way a labor union or a corporation or an authority  
17 could be.

18 REPRESENTATIVE GERLACH: All right, good.  
19 And then the only other question I have is on 325, the  
20 preceding page, and you state therein that "There is a  
21 prevailing influence of organized crime in certain  
22 legitimate industries and unions in Pennsylvania.  
23 Other industries and unions remain vulnerable." Again,  
24 it's not very specific. I have a few industries and  
25 unions in my mind that might have been touched on by

1 your previous reports over the past few years, but can  
2 you again elaborate on some more specific information  
3 that deals with infiltrating industries and unions in  
4 Pennsylvania?

5 MR. REILLY: Sure. The four traditional  
6 national unions that have been considered from the time  
7 of the McClellan Report and beyond that had significant  
8 organized crime influence of course were the Teamsters,  
9 that we've seen a national lawsuit settled with a new,  
10 more democratic model imposed. But again, when you  
11 look at something like the Teamsters, there are  
12 Teamster Locals that are run as organized crime  
13 fiefdoms; there are Teamsters Locals that are  
14 absolutely clean, that are run by their members through  
15 an appropriate democratic process. So you hesitate to  
16 -- I'm more comfortable discussing -- the same way with  
17 the Roofers. I mean, the Roofers in Philadelphia were  
18 an organized crime enterprise and had an alliance, an  
19 active, proven alliance with the LCN family there. But  
20 that's not to say if you've got a Roofers Local in  
21 Pittsburgh or Erie or Harrisburg that there's something  
22 about the Roofers.

23 The four international unions that are  
24 suspect were, as I said, the Teamsters, the Laborers,  
25 the Hotel and Restaurant Workers, and the East Coast

1 Stevedores, the folks that load and unload the cargo  
2 from ships in the east coast ports. And specific  
3 Locals you can track. I mean, we've put them in the  
4 reports, the locals where there has been organized  
5 crime infiltration. Industries, vending is an industry  
6 which traditionally has been vulnerable to OC  
7 influence, OC dominance. We did a whole report, the  
8 Crime Commission did a whole report on bars and  
9 restaurants. Trucking, we've talked about here in  
10 Pennsylvania waste disposal. In other States, in New  
11 York and New Jersey, those were industries dominated,  
12 the local carting, hauling of local refuse, absolutely  
13 dominated by organized crime. Those are the kind of  
14 examples. There's no breakthrough. We're not saying,  
15 by the way video production by Sony is somehow related.  
16 No, it's the traditional.

17 REPRESENTATIVE GERLACH: In the past you  
18 have reported in those various areas. Has there been  
19 anything new developed in those areas since your last  
20 reports from either the industry side or the union side  
21 that can be added to what you have already reported on  
22 or is it pretty much the same activity or decreased  
23 activity in those areas?

24 MR. REILLY: Well, I think with the  
25 Federal government becoming so active in the labor



1 field it's not just -- the Department of Labor has its  
2 own criminal investigative. I spent a  
3 not-so-delightful week in San Diego January of last  
4 year teaching for a week a course on the labor law side  
5 of this to the investigators from the Department of  
6 Labor. San Diego gets 9 inches of rain a year. The  
7 week I was there they had 3 inches. I mean, it was one  
8 of those not a happy occasion, but the Department of  
9 Labor was very active in doing that.

10 I'm a labor lawyer. I'm a lawyer in my  
11 real life, I represent companies in working with labor  
12 unions. I've never been approached by anybody from a  
13 labor union to suggest a shakedown, a pay-off, a  
14 sweetheart contract. I know that most times when these  
15 problems occur, if it's not the real hard mob  
16 situations, the mob dominated Locals, it is as likely  
17 to be the manufacturer or employer who raises the  
18 subject as to the union. I mean, all of us are human  
19 beings, all of us are subject to temptation, but I  
20 don't want in any way to try to besmirch the American  
21 labor movement. I mean, they have fought wars and a  
22 lot of people have died to try to keep the American  
23 labor movement as clean as it is, and overwhelmingly it  
24 is. There are some bad Locals, there are some bad  
25 unions, and people are working hard at it. I hope we

1 will be as successful in working at the crooked  
2 employers, the people who facilitate that.

3 REPRESENTATIVE GERLACH: So in answer to  
4 my question, there hasn't been any new developments or  
5 new information developed since your last reports in  
6 those areas?

7 MR. REILLY: Well, I think Professor  
8 Rogovin, my Vice-Chair, points out that in the solid  
9 waste area there's been an attempted legislative  
10 response. As you know, those two bills, one of them  
11 presumably will move, but there's a Senate response and  
12 a House response, and both of them--

13 REPRESENTATIVE GERLACH: I'm talking more  
14 in terms of intelligence gathering. Has there been any  
15 more intelligence gathered in these particular areas  
16 since you may have last reported on them, I guess is  
17 what I'm getting at?

18 MR. REILLY: Yes, there has been.  
19 There's been very significant intelligence gathered,  
20 and some of which will be reported on in future years.  
21 We've been very fortunate in some of the things we've  
22 learned in some of the regions of the State about  
23 attempts by organized crime to get into industries.

24 One of the things, not to get into and  
25 dominate, but one of the things that we have found

1 generally around the State, which came as a surprise to  
2 us, was the interrelationship between some banks and  
3 organized crime, both LCN or just local regional  
4 organized crime, and not so much that they owned them  
5 but that they were able to co-op or corrupt officials,  
6 loan officers, other people, and we're trying to pull  
7 that together because we think it appropriate that  
8 maybe we approach the Secretary of Banking and talk  
9 about some of these issues and try to raise that. That  
10 came as a surprise to us. The first time we found it  
11 we thought it was, you know, an aberration. Most  
12 regions we've gone into we found that they are smart  
13 enough, just as they corrupt police, they're smart  
14 enough to know how to corrupt bankers. And it's kind  
15 of frustrating to us because we find situations where  
16 the loansharks are lending bank money rather than  
17 loanshark money, where they're taking that loanshark  
18 cut out of a loan being made by ostensibly a legitimate  
19 loan being made by a bank. We have found that in more  
20 than one area.

21 REPRESENTATIVE GERLACH: Okay.

22 MR. REILLY: Well, as part of, as you  
23 know, in our report about the solid waste industry, we  
24 talk about, for example, the Royal Bank in the  
25 Philadelphia area having a person on its advisory group

1 to recommend who they should make loans to who had  
2 significant organized crime ties in New Jersey and then  
3 making loans to various enterprises that were closely  
4 affiliated with organized crime in New Jersey and to a  
5 lesser extent in Pennsylvania.

6 REPRESENTATIVE GERLACH: Okay. Thank  
7 you. That's all I have.

8 CHAIRMAN CALTAGIRONE: I'd like to  
9 recognize also another member that joined us, and  
10 that's Representative Mike Veon.

11 There's a question next from  
12 Representative Dermody.

13 REPRESENTATIVE DERMODY: Thank you, Mr.  
14 Chairman.

15 Mr. Reilly, I'm from Allegheny County, as  
16 you know. I'd like to ask an Allegheny County specific  
17 question.

18 MR. REILLY: Sure.

19 REPRESENTATIVE DERMODY: Over the last  
20 year or so, from reading the newspapers at least on the  
21 surface it appeared that the U.S. Attorney's Office in  
22 Pittsburgh had some pretty significant convictions and  
23 convicted some pretty important people in the organized  
24 crime area. The conclusion of the report is that  
25 organized crime in western Pennsylvania, I'll

1 paraphrase a little bit, but is as strong as ever,  
2 maybe getting stronger. I guess it's two parts. One,  
3 how is that? And if it's attributable to trafficking  
4 and narcotics, can we expect some kind of an increase  
5 in Allegheny County?

6 MR. REILLY: Well, I think you've got a  
7 couple of phenomena at work there. What we do, we in  
8 law enforcement occasionally make it easy. When you  
9 finally take the Tony Grosso organization out for the  
10 last, hopefully the last and final time, that creates a  
11 vacuum, and in our part of the State that vacuum was  
12 filled by gamblers who were more closely affiliated  
13 than Tony had been and his people. You've also seen  
14 them be able to take advantage of situations in  
15 southeastern Ohio and move into areas there that were  
16 at one point disputed but now with the demise of the  
17 Cleveland organized crime organization be able to move  
18 into there.

19 You've seen how in those convictions in  
20 Allegheny County, or in the Western District of  
21 Pennsylvania, you've seen how extensively mob members  
22 and mob associates were involved in the importation of  
23 drugs and the trafficking of drugs. I don't think -- I  
24 think that market is not created by organized crime,  
25 but I think organized crime is able to help to satisfy

1 it, to meet its needs.

2           You may see -- we're all watching, we're  
3 all waiting to see what happens. Is this conviction  
4 going to be followed up by hopefully with additional  
5 convictions? The FBI, the State Police, the people  
6 that worked on that case have done superb work. They  
7 would have done incredible work but for a tragic  
8 happenstance that a secretary in the FBI office was  
9 co-opted and some things happened. But for that you'd  
10 have seen another world class case with the good work  
11 that had been done in that area.

12           I think what we've seen, one of the  
13 things we've noticed about our family is that they have  
14 adopted a New York model. They have been getting  
15 tribute from a lot of other criminals who only pay that  
16 tribute because they think they're going to get  
17 something for it. That's a reality out in our part of  
18 the State.

19           We're waiting to see. I think that  
20 family, if continued successful law enforcement  
21 pressure, if they can turn some more people, they got a  
22 lot of good convictions, if that results in some other  
23 people turning, I mean, remember what happened out  
24 here. Remember that as people started to turn in the  
25 Scarfo organization, the ball started rolling downhill

1 kind of rapidly. You won't see the same phenomena you  
2 did in the Scarfo organization because they didn't let  
3 as many punks into the organization. They had a lot of  
4 affiliates, I mean a lot of people who were hangers on  
5 or associates who may turn and may help to get other  
6 people, but they didn't bring people into the  
7 organization who historically would not have been  
8 brought into the organization in our part of the State  
9 the way they did in Philadelphia. But I still think  
10 they are a very powerful organization, an organization  
11 which we, the Pennsylvania Crime Commission, has not  
12 adequately reviewed. I think we've got to get a lot  
13 better. I think they are a much more powerful  
14 organization than you would have believed had you read  
15 the prior reports of the Pennsylvania Crime Commission.

16 REPRESENTATIVE DERMODY: Okay, thank you.

17 CHAIRMAN CALTAGIRONE: Representative  
18 Hagarty.

19 REPRESENTATIVE HAGARTY: Thank you, Mr.  
20 Chairman.

21 In looking at the legislative proposals,  
22 there are several paragraphs here - loansharking, bail  
23 bonding, check cashing - in which you suggest that  
24 legislation would be appropriate and helpful in these  
25 areas. Is your answer I guess the same as you had

1 indicated to Representative Gerlach and if I'm  
2 interested in that you have ideas for that but didn't  
3 think this was the place to develop them in further  
4 detail?

5 MR. REILLY: That's correct,  
6 Representative Hagarty. In fact, that's a  
7 consolidation of some earlier things that have been  
8 done because -- let me make kind of a broad statement I  
9 perhaps should have put in my introduction.

10 We are committed to, as you know, since  
11 1978 we are a creature of the Pennsylvania legislature.  
12 Four of our five Commissioners are appointed by the  
13 legislature. We had a pretty serious sit-down amongst  
14 ourselves and said we can do one of two things. We can  
15 write the definitive history of organized crime in  
16 Pennsylvania, and none of us have an interest in doing  
17 that. We think the reason the legislature funds the  
18 Crime Commission, the reason those of us who serve on  
19 it serve is that we want to do something to affect  
20 organized crime. We think our best bet in doing that  
21 is to work with the State legislature, and rather than  
22 us presumptuously to draft what we think are  
23 appropriate bills or try to inspire interest where none  
24 exists, we think the appropriate thing for us to do is  
25 to point out what areas you can work in to try and



1 find, as we have, for example, in the solid waste area,  
2 as we have in some other areas, to try to find  
3 legislators who have an interest in sponsoring things  
4 in these areas and then work with them to develop and  
5 if necessary staff hearings.

6 We did a whole series of hearings with  
7 the joint Judiciary Committees about four years ago  
8 that we did backwards. We came in with our package and  
9 tried to explain that to the legislature, and we would  
10 have been much more prudent to bring in the background  
11 and find out if there was a legislative interest in  
12 that area. The other enterprise that we will continue  
13 to work with and that we think is a constant in this  
14 are the police, and we hope to be able to do more  
15 cooperative work in training and facilitating the  
16 intelligence functions in the police agencies around  
17 the Commonwealth.

18 REPRESENTATIVE HAGARTY: So I read that  
19 to mean that if I'm interested, and I would think many  
20 members or all members of the committee would be  
21 interested in knowing what to do in this area though,  
22 that you do have specific proposals that you could  
23 provide--

24 MR. REILLY: Sure. Yes, we do.

25 REPRESENTATIVE HAGARTY: --for how to

1 accomplish those results?

2 MR. REILLY: That, and if we wanted to  
3 try to raise the interest in some of those, we could  
4 facilitate hearings in some of those areas. I mean,  
5 things like the check cashing, the loansharking, and we  
6 have the ability to assist in that process.

7 REPRESENTATIVE HAGARTY: Well, I guess  
8 the more normal way we proceed is to introduce  
9 legislation and then to have a hearing on it, and so, I  
10 mean, if you have specific proposals for legislation,  
11 it seems to me that would be a good place to start.

12 MR. REILLY: We just didn't want to  
13 appear too presumptuous. As we started this process,  
14 we wanted to start it in as cooperative a mode as  
15 possible.

16 REPRESENTATIVE HAGARTY: Okay. Then the  
17 one other question I had, and I'm sorry if you answered  
18 it in response to Representative Caltagirone earlier,  
19 was your paragraph with regard to the legislature has  
20 enacted various gambling legalization measures and any  
21 such measures need to recognize and address the reality  
22 of organized crime in the affected markets. Did you  
23 specifically tell us what legislation we've enacted  
24 that you thought that organized crime has developed in  
25 those gambling areas?

1 MR. REILLY: No, I think, for example, in  
2 the video poker legislation, for example.

3 REPRESENTATIVE HAGARTY: But that's --  
4 okay.

5 MR. REILLY: No, the legislation that was  
6 vetoed. There was an attempt to recognize in that  
7 legislation that organized crime had a role in the  
8 distribution of equipment and in the manufacture of  
9 equipment, and to suggest that the enterprise that  
10 would oversee that area, which is sort of analogous to  
11 the New Jersey Casino Control Commission, would come up  
12 with guidelines and would have a mandate to try to keep  
13 organized crime out. There are other approaches.  
14 Another approach to that very area would be to, for  
15 example, have the machines like the Lotto machines, to  
16 have the State be the owner of the machines, to have  
17 the State own the machines and have them hard wired  
18 back to a central computer. That's another thing one  
19 State at least has attempted that experiment.

20 REPRESENTATIVE HAGARTY: So, the  
21 implication that I read from this was that legislation  
22 that we've already enacted in certain gambling areas,  
23 there is an organized crime presence in those areas?

24 MR. REILLY: Um-hum.

25 REPRESENTATIVE HAGARTY: Is that what

1 you're indicating or not?

2 MR. REILLY: Well, you enacted and the  
3 Governor vetoed the video poker legislation. There is  
4 a strong organized crime presence in video poker. That  
5 organized crime has attempted to move into bingos.  
6 Organized crime has attempted just--

7 REPRESENTATIVE HAGARTY: Okay, well, I  
8 guess that's my question then. All right. Video poker  
9 we don't have. Bingo, you're saying there's an  
10 organized crime presence there?

11 MR. REILLY: I'm saying -- absolutely.  
12 We've had them try -- you know, this is not a  
13 Pennsylvania phenomenon. We just had a monsignor and  
14 the officers of a Steelworkers Local and the district  
15 director of almost the largest Local of steelworkers,  
16 not here in Pennsylvania, in a neighboring State, all  
17 convicted for running a crooked bingo, running an OC  
18 bingo. Not a mob bingo, but an organized crime bingo.  
19 That happens. I mean, those phenomena occur. When you  
20 legalize bingo, the mob will do everything it can. Not  
21 the mob being the LCN, but the organized criminals will  
22 do what they can to get into these businesses.

23 REPRESENTATIVE HAGARTY: So your  
24 suggestion in this paragraph then is simply that if we  
25 enact gambling measures, that we should recognize that

1 there will be an organized crime presence?

2 MR. REILLY: And we should take that into  
3 account in either enacting the legislation or in  
4 developing the regulations that you provide to--

5 REPRESENTATIVE HAGARTY: But my further  
6 thought then, from what you said before, is that you  
7 don't think without spending enormous amounts of money  
8 in a very, very concerted effort like New Jersey, that  
9 it's possible to keep out organized crime from  
10 gambling?

11 MR. REILLY: I think it is possible to do  
12 that, but I think--

13 REPRESENTATIVE HAGARTY: And how?

14 MR. REILLY: Well, for example, in the  
15 video poker. If the State owns the machines, if  
16 they're hard wired so you can control the pay-off, the  
17 play, and what you get back, I don't think organized  
18 crime is playing a role in the Lotto machines, for  
19 example, here in Pennsylvania. I don't think it's  
20 playing a role other than being facilitated in the  
21 State Lottery. I mean, organized crime now can take  
22 numbers play. They didn't used to be able to have that  
23 kind of a play. They compete with us on paying higher  
24 odds and not, of course, requiring that you pay tax on  
25 the winnings. But the Department of Revenue isn't

1 co-opted by organized crime.

2 In some of these other areas where we  
3 push it more towards the community and look for local  
4 control, yeah, they've been able to advantage  
5 themselves in those areas.

6 REPRESENTATIVE HAGARTY: Okay, thank you.

7 MR. REILLY: Sure.

8 CHAIRMAN CALTAGIRONE: Representative  
9 Kosinski.

10 REPRESENTATIVE KOSINSKI: Just to  
11 piggyback on what Representative Hagarty said, I think  
12 it would be worth our while, before such legislation is  
13 introduced, to have Professor Lubinotti sit down with  
14 us and go over certain aspects, because that would  
15 probably lead up to a cleaner bill. So if I could  
16 impose on the Chairman to arrange that, along with his  
17 millions of other things to do, I think that would be  
18 an excellent idea. By the way, Professor Lubinotti  
19 also taught me legislation.

20 REPRESENTATIVE HAGARTY: When was he  
21 there? He sounds familiar.

22 REPRESENTATIVE WOGAN: He taught me also.

23 REPRESENTATIVE HAGARTY: Oh, then if he  
24 taught Chris, he was there when I was there.

25 CHAIRMAN CALTAGIRONE: Senator Hopper.

1 SENATOR HOPPER: Thank you, Mr. Chairman.

2 As you know, Tom, the appropriation for  
3 1991 and '92 of State funding for the Crime Commission  
4 is proposed at \$2.5 million. Can you give us some kind  
5 of a breakdown? Well, first of all, is that adequate?

6 MR. REILLY: I would hope that we could  
7 get a more generous appropriation, but I won't make  
8 that, with all due respect, Senator, I won't make that  
9 pitch here. I'll make that pitch to the--

10 SENATOR HOPPER: Could you give us some  
11 kind of a breakdown, you know, like how much for  
12 investigators and how much for various aspects?

13 MR. REILLY: Yeah. We could certainly do  
14 that. I can't, but I've got people here who can.

15 SENATOR HOPPER: Yeah, we'd like to have  
16 that information for the Senate Judiciary Committee.

17 MR. REILLY: Absolutely. Absolutely.

18 SENATOR HOPPER: Now, in your report  
19 here, on page 59 you talk about Jamaicans, specifically  
20 one organization here was dismantled because of the  
21 indictment of 23 members in December of '88, and  
22 there's been a report recently that the Jamaican group  
23 is building a power base in central Pennsylvania, and  
24 particularly in the Harrisburg area. And we also hear  
25 that they are about the most violent groups involved.

1       Would you want to comment on that?

2                       MR. ROGOVIN:  The specifics, Senator, as  
3       to the -- well, the specifics of the advance into  
4       central Pennsylvania I'm not in a position to deal  
5       with.  You correctly characterize the history of these  
6       organizations, known as posses, as remarkably violent.  
7       There is very little in the way of cunning or stealth  
8       in the effort to take control of the various narcotics  
9       activities that they interest themselves in.  Our  
10      companion commission in New Jersey has recently issued  
11      a report that I take it you're familiar with which  
12      describes the activities of such Jamaican organizations  
13      there, and again, it is consistent with what you just  
14      characterized.

15                      The difficulty, and I'm not making an  
16      appropriations pitch, with all due respect, Senator, or  
17      members of the committee.  There's only so much  
18      activity a body of people of the size of the Commission  
19      can carry out at any given time, as Chairman Reilly  
20      suggested.  You can't shift the intelligence focus  
21      overnight, because as you are well aware, Senator, you  
22      have to build an informant base, you have to put people  
23      on-site and they have to work.  These are particularly  
24      difficult organizations, as you know from your  
25      experience here, to penetrate.  So all I can suggest to



1 you is that this is the very kind of thing in which we  
2 are demonstrating an interest, and as resources permit  
3 the intelligence probing in various areas of the State,  
4 we will be reporting to you.

5 MR. REILLY: I think in contrast, this,  
6 again, is one of the groups that law enforcement  
7 succeeds with, because they are high profile, they are  
8 violent, they are not corruptive. In contrast, the  
9 Dominicans, who we haven't historically talked much  
10 about here, are also very, very tough, but they're  
11 non-violent. They have a reputation for violence,  
12 which is really all you need, but their competition has  
13 fundamentally been economic. They move in, they cut  
14 the prices, they improve the quality, pretty soon  
15 they're dominant in an area. And they have very, very  
16 gently moved into Pennsylvania and are now significant  
17 players.

18 MR. HORNBLUM: If I could add to that  
19 briefly, if I was not here I'd be working in City Hall  
20 of Philadelphia as the Chief of Staff in the Sheriff's  
21 Office, and a majority of the people who are in this  
22 book we have seen come through our cell room. We had  
23 nearly 70,000 people come through last year. Not all  
24 are involved in organized crime. The majority of them  
25 are not, but we've had everything from Nicky Scarfo to

1 the various Shower and Spangler and Jamaican posses to  
2 Dominicans and Puerto Ricans, and it just cuts across  
3 every ethnic group and racial group. What you will  
4 find, though, I think I could predict fairly safely, if  
5 they are moving in central Pennsylvania, you will not  
6 only see the addiction problem go up but also the  
7 homicide rate, because these particular posses are  
8 extremely violent, and it's one of the reasons why in  
9 Philadelphia City Council right now they are debating  
10 assault weapon legislation. Because there were 533  
11 homicides last year in Philadelphia, and a good  
12 percentage of those were over drugs, and the Jamaicans  
13 in particular get access to the Tech-9's, the Mac-10's,  
14 the Uzi's, the high-powered military assault rifles,  
15 and they will use them at will and it just is an  
16 extremely potent intimidation factor that people in the  
17 community who see it and don't feel as threatened by  
18 the fact that these are Jamaicans from out of the area,  
19 but they are threatened by is the fact that, you know,  
20 they use these weapons at random and will just blow you  
21 away, and it's tremendously intimidating.

22 We just had a situation in Philadelphia  
23 on Monday that some of the Representatives who read the  
24 Philly papers would maybe recall that we had a  
25 situation, it was actually thought to be a JBM case,

1 Junior Black Mafia, where there was a homicide trial  
2 taking place and there were friends of the deceased as  
3 well as friends of the accused in the hallway. There  
4 were over 60 of them there and we had an all-out melee  
5 take place where people were getting stomped and  
6 punched, and it turned into a track meet through center  
7 city. We preceded the Penn Relays by a week, and many  
8 of our deputies were running through center city trying  
9 to pick up guys who had weapons walking through the  
10 halls of city hall intimidating witnesses. The JBM is  
11 extremely violent, but the Jamaicans are even worse.  
12 So I would advise you to act with dispatch to try and  
13 rectify that situation.

14 SENATOR HOPPER: Do you get a sufficient  
15 amount of cooperation from like the district attorney  
16 Rich Lewis here in Dauphin County or the Attorney  
17 General?

18 MR. REILLY: Absolutely. I mean, these  
19 are the kind of people that are easy for us to  
20 cooperate. I mean, these are people that all of us  
21 will do what we can to contribute. We had, I told you,  
22 the Jamaicans were discovered in Pittsburgh by the  
23 Crime Commission. We came out and told -- they hadn't  
24 made the connection. They had had arrests. As they'd  
25 come to Pittsburgh, they'd show up in Pittsburgh and

1 the next day they'd be arrested by the Pittsburgh  
2 Police because the indigenous dope dealers, rather than  
3 getting their Mac-10 and going to war, would drop a  
4 dime on them and send the Pittsburgh Police out to, you  
5 know, inform on them, the Pittsburgh Police would  
6 arrest them. They had three of these arrests when one  
7 of our agents came out and said, here's who these  
8 people are, here's the posse they belong to, and here's  
9 where they came from. And that was something we were  
10 able to contribute and it started a lot of cooperation  
11 with the Pittsburgh Police intelligence and organized  
12 crime network.

13 But it's awfully important that we work  
14 together on these things, and we have our turf wars,  
15 unfortunately, but we try to cooperate in areas like  
16 this.

17 SENATOR HOPPER: And you find that  
18 there's frequent sharing of information so that these  
19 law enforcement people can take action?

20 MR. REILLY: We have situations where I  
21 might be publicly debating, in a somewhat acrimonious  
22 fashion, the head of a different agency where at the  
23 same time our agents are working hand-in-hand in  
24 cooperating, and both of us are fully aware of it. I  
25 mean, we may posture ourselves differently, but one of

1 these we were just laughing driving down, we were  
2 taking shots at each other publicly while our agencies  
3 are working on one will be an excellent series of  
4 indictments. But we both know it. We know what's  
5 important, but we posture ourselves in some of these  
6 things.

7 MR. ROGOVIN: Could I add to that,  
8 Senator?

9 SENATOR HOPPER: Yes.

10 MR. ROGOVIN: Because I think there's an  
11 important element here historically.

12 When you and -- as I look at the room,  
13 Senator, perhaps you and I are more contemporary than I  
14 am with perhaps some of the others, but as--

15 SENATOR HOPPER: Yeah, I'm a senior  
16 citizen plus.

17 MR. ROGOVIN: Yes, sir. Well, I can  
18 relate to that pretty soon.

19 When you constituted this agency, what  
20 you did not do, which I think has proven to be a very  
21 wise decision over time, was to make it a casemaking  
22 agency. We are, A, we have no power to make cases in  
23 the sense that a police department does.

24 SENATOR HOPPER: Right.

25 MR. ROGOVIN: What this means then,

1 Senator, is we are not competitive, with all due  
2 respect, with the State Police or the Attorney  
3 General's narcotics people or the Pittsburgh Police  
4 Department or the Philadelphia Police Department,  
5 because we're not looking for statistics on how many  
6 people we arrested and we're prosecuting. Therefore,  
7 our effort, which is an intelligence effort, to  
8 generate information is one which promotes the  
9 transmission of that information, just as the  
10 illustration that the Chairman, I'm sorry, our  
11 Chairman, Mr. Reilly, just gave you. There's no reason  
12 for us to withhold. We don't get any credit for  
13 numbers of files.

14 SENATOR HOPPER: Right.

15 MR. ROGOVIN: We only can contribute to  
16 the common good by passing this information along to  
17 people who will make the cases. And that's exactly  
18 what we did when we had our agent apprise the  
19 Pittsburgh authorities, and what we're certainly doing  
20 in a number of areas of the State, if I may leave it at  
21 that.

22 SENATOR HOPPER: Yeah, I can remember  
23 some years ago, not too many years ago, but it was  
24 recommended we abolish the Crime Commission and turn  
25 all the functions over to the Attorney General.

1           MR. ROGOVIN: And I might say I applauded  
2 the decision that the legislature made not to do it not  
3 because I get an overwhelming salary. I assure you, I  
4 don't. But because in the absence of an enterprise  
5 like the Crime Commission, there would be no  
6 intelligence base of the type that your colleague from  
7 the other side of the House has raised. There would be  
8 no enterprise developing the kind of information that  
9 we could provide to Pittsburgh to help them move more  
10 rapidly in the solution of a problem, no enterprise  
11 which would provide for the legislature the basis upon  
12 which the kinds of questions that Representative  
13 Hagarty has asked can be answered. So with all due  
14 respect, I understand the functions of the Attorney  
15 General and they are quite different.

16           SENATOR HOPPER: And I think that's why  
17 this group felt that it was good to have as much  
18 information as we could get from various sources in  
19 order to serve adequate warning to the criminal element  
20 that they better stay out of Pennsylvania, and we're  
21 appreciative of the information that we get from you  
22 folks.

23           MR. REILLY: Let me give another comment.  
24 We believe strongly, and I think everybody in this room  
25 believes strongly, that we have to focus a lot of our

1 effort in these drug wars on the demand side. The  
2 reason these folks are here is because there's a market  
3 for what they have to sell. In our case in drugs it's  
4 very clear, in gambling it's very clear, in  
5 prostitution, in loansharking. I think of those  
6 markets the one which we may hopefully be able to  
7 impact is the drug market, and I think this State, with  
8 the PennFree moneys and how they were allocated, has  
9 served as something of a model. That's not to say  
10 we're there yet, but we've at least focused our  
11 attention a little more broadly than on limiting our  
12 response to law enforcement, and I think that that was  
13 a very prudent decision on the part of this  
14 legislature.

15 SENATOR HOPPER: How do you folks feel  
16 about the bail bond business? Does that directly lead  
17 to public corruption? Do you have any examples or  
18 scenarios?

19 MR. REILLY: Sure. We've seen it -- it  
20 happens in multiple ways. One way is what we've seen  
21 in Allegheny County where it was used again as a way to  
22 corrupt police and public officials with kickbacks.  
23 You know, the bondsman paying kickbacks to various  
24 people to have them refer the bond to them. You can  
25 always make cases on towing scandals, you can always



1 make cases on bail bond kickback cases, ticket fixing  
2 cases. In some places in Pennsylvania those cases can  
3 be made any day of the week. Beyond that, though,  
4 what's happened in some areas of the State is that  
5 people who are in the business of crime, people who are  
6 organized criminals, have also significantly involved  
7 themselves in the bail bond business in order to use  
8 that, to have another service that they offer and to  
9 facilitate then when one of their people is  
10 apprehended, they provide the bond, they provide the  
11 attorney, they provide the facility to get the person  
12 back out on the street and get them working and to  
13 control in some of these illicit businesses -  
14 prostitution, gambling, numbers, drugs to an extent.  
15 And it is a problem. It's a problem, again, we weren't  
16 as surprised to find the problem as were to find the  
17 banking problems, but it's a problem we found in a  
18 number of regions of the State.

19 One of interesting ones on that list is  
20 the check cashing. Now, this is not the focus. There  
21 has been consumer protection focus on check cashing in  
22 the legislature before, but this is another area that  
23 might lend itself to some very interesting hearings.  
24 What we found around Pennsylvania and what our sister  
25 Commission in New Jersey has developed in New Jersey

1 about the uses of the check cashing industry as a  
2 facilitator and money launderer for organized crime, I  
3 think that might be of interest to the legislature.

4 SENATOR HOPPER: Mike, we were interested  
5 to hear your thoughts on the Jamaicans. Are there any  
6 other organizations or groups that you're aware of?

7 MR. REILLY: Yes, sir.

8 SENATOR HOPPER: I mean, I'm interested  
9 primarily in central Pennsylvania. Well, but I'm sure  
10 the folks from Allegheny County and Philadelphia County  
11 are interested, too.

12 MR. REILLY: Well, I think you'll find  
13 the Dominicans that we talked about, you'll find them  
14 discussed in the chapter on the Dominicans. This time  
15 we didn't do it all geographically, but when you look  
16 at the chapter on the Dominicans, you'll find some  
17 significant central Pennsylvania activities on their  
18 behalf.

19 SENATOR HOPPER: Right. Well, your  
20 report is well done.

21 How do you feel about the proposed tax on  
22 cigarettes, which is the highest in the nation, as far  
23 as bootlegging or organized crime getting involved in  
24 that? Do you have any comment on that?

25 MR. REILLY: Well, it will happen. I

1 mean, the more you provide that market, the more likely  
2 it is that people will try to take advantage of it.  
3 Back in 1978, when I was the Chief of Staff on the  
4 investigation that was styled as the Rhodes-Scirica  
5 Committee, Joe Rhodes and Tony Scirica had  
6 investigations of organized crime and public  
7 corruption. Mary Woolley was on our staff, was another  
8 member of our team. And one of the things that you  
9 will recall was the big issue back then was what they  
10 called "buttlegging," which was bringing in unlicensed  
11 cigarettes from out of State and then putting  
12 fraudulent tax stamps on them and selling them. And a  
13 number of the Philadelphia LCN people were  
14 significantly involved in that enterprise. And if you  
15 provide a market for "buttleg" cigarettes, it will be  
16 filled. If you tax it, they will come.

17 SENATOR HOPPER: It would seem that that  
18 sort of activity would be a lot more attractive than  
19 drugs or weapons. It would be a lot easier, I would  
20 think, for organized crime to get involved in, you  
21 know, like bringing truckloads from various other  
22 jurisdictions and--

23 MR. ROGOVIN: That used to be the case,  
24 Senator, but you have capital costs, you've got to have  
25 the vehicle, the large truck to make the shipments

1 useful. When you bring in a kilogram of cocaine, quite  
2 tidy as you know from the size, and the profit is  
3 enormous. You can make a heck of a lot more money on a  
4 couple of kilos of cocaine than you can on a tractor  
5 trailer load of cigarettes.

6           However, your point is very well taken.  
7 Whenever you change the tax balance and imbalance it  
8 against the citizens of a State, a Commonwealth like  
9 Pennsylvania, you will see those citizens anxious to  
10 buy at a lower rate. I mean, it's no secret. You're  
11 all familiar with the differences in prices of liquor  
12 between our sister State of New Jersey. We know that  
13 the Revenue agents look at the liquor outlets that are  
14 close to the Pennsylvania border for the very reason  
15 that you can buy less expensively.

16           So the point that you're making, and I  
17 think is a superb point, is the point that also emerged  
18 in a slightly different context before. Every time the  
19 legislature takes an action which has an economic or  
20 tax impact, I think you have to make an assessment of  
21 what the organized crime implications are, and that's  
22 the very thing I think Representative Kosinski was  
23 inviting your attention to and suggesting that a  
24 Professor like Lubinotti, who is a national expert,  
25 would be very useful for you in making those kind of

1 organized crime vulnerability assessments.

2 SENATOR HOPPER: Thank you. Thank you  
3 very much. Your information is most interesting. I  
4 could go on some more about the Magnelli's and the  
5 Cantone's and the gambling in this area, but that's all  
6 covered in your report, and I recommend that anybody  
7 interested in the Harrisburg area read it thoroughly.

8 Thank you very much. Thank you, Mr.  
9 Chairman.

10 CHAIRMAN CALTAGIRONE: Thank you, Senator  
11 Hopper.

12 It's almost like it's market-driven, and  
13 free enterprise takes over in almost any of those  
14 areas.

15 MR. REILLY: Well, as you see, it's not  
16 free enterprise.

17 CHAIRMAN CALTAGIRONE: For them.

18 MR. REILLY: Right. I mean, what happens  
19 is that's what organized crime rationalizes markets.  
20 These crazy "shoot 'em up" situations are more free  
21 enterprise than classic organized crime. Once  
22 organized crime gets control, the market is  
23 rationalized, then monopoly profits are realized. And  
24 that's what will happen, and we will help because we  
25 will drive out the inefficient, we, law enforcement,

1 will drive out the inefficient, the unorganized, and  
2 what will be left in these markets are the organized,  
3 the efficient, those that have the ability to have  
4 recourse to tear, to enforce their agreements and their  
5 profits, their territories.

6 CHAIRMAN CALTAGIRONE: Representative  
7 Wogan.

8 REPRESENTATIVE WOGAN: Thank you, Mr.  
9 Chairman.

10 I notice that Chapters 8, 9 and 10 for  
11 the most part cover organized crime activities on the  
12 part of groups who apparently recently arrived in the  
13 United States, recently arrived in Pennsylvania. I was  
14 wondering when you mentioned having an exchange of  
15 information between and among various law enforcement  
16 groups, have Federal authorities, specifically the  
17 Immigration and Naturalization Service, expressed any  
18 interest in information that the Commission may have or  
19 that local law enforcement agencies in Pennsylvania may  
20 have, or to phrase it another way, has there been any  
21 exchange of information that might seem relevant to  
22 know whether many of these people who are committing  
23 crimes are actually United States citizens?

24 MR. REILLY: The INS is one of the most  
25 cooperative of Federal agencies. We have learned more

1 from them than we've taught. They have been very,  
2 very, very active and very helpful with all levels of  
3 law enforcement, from other Federal agencies down  
4 through any local police department. They cooperate,  
5 they give, they trade. We've been able to develop some  
6 very good information on the Asians and we've been able  
7 assist them with some of the Korean prostitution  
8 activities and some of the things like that. But no,  
9 that's one area where the Federal government is  
10 extraordinarily cooperative and gives a high profile to  
11 their ability to deport, you know, that perhaps why  
12 should we keep somebody in a prison in Pennsylvania  
13 that's more expensive than Harvard Medical School when  
14 we could send them back to his native land?

15 REPRESENTATIVE WOGAN: Is the Commission  
16 aware of members of any of these groups in Pennsylvania  
17 who actually have been deported?

18 MR. ROGOVIN: I'm sorry, sir, I don't  
19 recall the specifics in terms of individuals, but as a  
20 general answer, yes, we are aware that INS has moved  
21 aggressively to deport.

22 REPRESENTATIVE WOGAN: Okay.

23 MR. ROGOVIN: But I don't have the case  
24 names for you, but that is their policy where they can  
25 accomplish it. You probably are aware, being a former

1 student of Professor Lubinotti's, of how complicated  
2 the Immigration and Naturalization statutes are, and  
3 the ultimate deportation is an exceptionally  
4 time-consuming operation. But, yes, they are moving  
5 aggressively.

6 REPRESENTATIVE ROGOVIN: Which you mean  
7 it might be a good idea to share some of this  
8 information with our U.S. Congress to perhaps make them  
9 less complicated.

10 Thank you, gentlemen.

11 MR. ROGOVIN: Your point is well taken,  
12 sir.

13 CHAIRMAN CALTAGIRONE: If I may add to  
14 that, we had a problem in Reading with the Dominicans,  
15 and it's still a problem but I don't know if it's any  
16 less, it appears to be, but we did get INS involved  
17 through the local police department in the drug busts,  
18 and many of them have, in fact, been deported. Some of  
19 them skipped bail and skipped going to jail and what  
20 not, but in our particular case we had invited the INS  
21 in. There were a number of them that were, in fact,  
22 deported.

23 Representative Ritter.

24 MR. ROGOVIN: With your indulgence,  
25 Representative, just one sort of follow-up point, Mr.



1 Chairman, if I might to Representative Wogan, and in  
2 anticipation of perhaps Representative Ritter.

3           You will see here, as you just  
4 appropriately noted, that this decade report has very  
5 deliberately sought to provide the broadest possible  
6 exposition of the phenomenon of organized crime in this  
7 State. There has been, and we contributed to it, I say  
8 "we" institutionally, the Pennsylvania Crime  
9 Commission, what I regard as and inordinate focus on  
10 the LCN. The Representative just made the point about  
11 groups which we just seem to have discovered, and in  
12 fact these are often newly discovered or newly being  
13 addressed but groups that have been around for some  
14 time but have been ignored. There's a phrase in the  
15 organized crime business called "the heretofore  
16 ignored." The phenomena of black organized crime,  
17 which we address very directly, is one such. And I'm  
18 pleased to note, and I say this with the most sincerity  
19 I can muster, that there's a recognition here in this  
20 committee apparently of the importance of the  
21 re-orientation of the Pennsylvania perspective on  
22 organized crime. We are finally at a junction point  
23 where the world is not only La Cosa Nostra and the  
24 Mafia, or people whose names end in vowels. The  
25 reality of the ethnic reach and the national origin

1 reach is a fact in Pennsylvania, as it is nationally,  
2 and we are extremely concerned and very pleased that  
3 this committee is recognizing it. And that's precisely  
4 one of the major objectives that we tried to reach in  
5 this report.

6 I'm sorry, Representative, but you gave  
7 me an opportunity to make a statement that I am very  
8 anxious to have made. Thank you.

9 REPRESENTATIVE RITTER: Thank you, Mr.  
10 Chairman.

11 I want to go back to something that  
12 Senator Hopper had brought up and a point that was sort  
13 of touched on briefly in your response to him regarding  
14 cigarette tax and alcohol tax, and I'm wondering if you  
15 might have an opinion or if you in fact would share  
16 that opinion regarding the privatization of the sale of  
17 alcohol in the State of Pennsylvania and what effect  
18 that might have.

19 MR. ROGOVIN: One of the difficulties,  
20 Representative Ritter, I'm merely responding as myself,  
21 we have no Commission position on that issue, thus it  
22 would be unfair of me to articulate a view which  
23 doesn't represent a Commission view frankly because  
24 we've not been asked to consider it. This is the kind  
25 of thing, and I would go to video poker, for example,

1 as an analogy. If the legislature says to us, what  
2 information do you have with regard to this problem?  
3 Give us as much as you can. And if they ask us to give  
4 them a Commission position, we would, of course, seek  
5 to respond. We are a legislative agency. But that's  
6 not one that we've had occasion to consider.

7 REPRESENTATIVE RITTER: Does it relate,  
8 though, do you think, to the situation regarding the  
9 excess taxes and that creates a market and therefore  
10 causes an opportunity?

11 MR. REILLY: It certainly is an area of  
12 traditional high interest, the wholesaling and  
13 retailing, from Prohibition forward, and you'd have to  
14 be very careful. I'm not suggesting that we don't want  
15 to raise certain taxes, certain luxury taxes.

16 REPRESENTATIVE RITTER: No.

17 MR. REILLY: But if we do that, we have  
18 to take into account that you're also -- we need to get  
19 the financial note on that. One of the things that  
20 should be considered in that note is that if you're  
21 going to be effective, you're also going to need more  
22 Troopers, more Attorney General's agents, more Revenue  
23 agents to deal with the problems, and they may well pay  
24 their costs in abundance.

25 REPRESENTATIVE RITTER: Taking any of the

1 savings away.

2 MR. REILLY: True.

3 REPRESENTATIVE RITTER: Okay, thank you.

4 CHAIRMAN CALTAGIRONE: I couldn't help  
5 but note, in going through the book since last Friday,  
6 that there's approximately 41 pages dedicated in some  
7 way to my own town of Reading, out of I guess a total  
8 of 340-some pages. That kind of is significant. Any  
9 commentary on that?

10 MR. REILLY: No. That's an area we're  
11 working in. I mentioned Berks County before, and  
12 that's an area where we're working, and when  
13 appropriate and when complete, we'll share that  
14 information with the legislature.

15 CHAIRMAN CALTAGIRONE: All right, on page  
16 87, you had indicated, and I think this is one of the  
17 points that I think a lot of people really miss with  
18 the gambling activities, it goes rolling over to page  
19 88 where there's \$100,000 a week in the one operation  
20 totaling over \$5 million a year, with implications that  
21 that money is probably being utilized to get into the  
22 drug operations, and that's kind of typical, I think,  
23 isn't it?

24 MR. REILLY: Well, again, I don't want to  
25 make -- I'm not one to cry wolf. Understand that the

1 volume wagered is not profit. I mean, when you talk  
2 about a \$5 million-a-year wager--

3 CHAIRMAN CALTAGIRONE: But' that's just  
4 one operation, too.

5 MR. REILLY: That's right. Remember, the  
6 profit, if that is done right, if that is run as well  
7 as some gambling businesses are run, there is a profit  
8 on each bet. I mean, there's a percentage on each bet.  
9 You always have the same amount bet on both sides, so  
10 you trade money with each other, not you don't take the  
11 bookies' money and you take the other gamblers'.  
12 That's why we have points in football games to  
13 encourage people to bet the equal pool of money on each  
14 side.

15 One of the things that we've noticed  
16 though is that often that doesn't happen, and a lot of  
17 professional gamblers are gamblers, and they'll take a  
18 chance and not balance the pool or take a chance and  
19 bet themselves or take a chance and not cover bets, and  
20 that's what has allowed them to then have to have  
21 recourse to traditional organized crime or  
22 loansharking, and a lot of those people, even though  
23 you're betting with local people or people from the  
24 area, that you may still find yourself funding  
25 narcotics operations and other things that the LCN has

1 an interest in. That is not to say that the local  
2 gamblers do not, in some specific cases, have an  
3 interest in funding gambling-- pardon me, funding  
4 narcotics.

5 CHAIRMAN CALTAGIRONE: One of things that  
6 I noticed also, and it's almost true throughout any  
7 section of your report and in previous reports that we  
8 have received over the years, that the cast of  
9 characters, it may broaden, but basically the names are  
10 the same. Many of the same people are still there. Is  
11 that not also indicative that they are still continuing  
12 their particular type of operation?

13 MR. REILLY: Sure. You look at what  
14 happened, the sanctions imposed on all that gambling in  
15 the Berks County area. A fellow when I was a  
16 Pittsburgh Police officer, I knew a fellow who was the  
17 last of the numbers men who gave receipts, walked down  
18 the street, wrote his numbers, handed out receipts. He  
19 went to jail about every 3 years for 30 days. He said,  
20 I'm not strong enough to be a steelworker, I'm not  
21 bright enough to be an accountant. He said, I live in  
22 a neighborhood of steelworkers and accountants in the  
23 nicest house in the neighborhood. Every three years I  
24 have to go to jail for 30 days because of at the level  
25 that I work. I've put my children through college. I

1 mean, if that's the sanction, you're going to have  
2 people that are willing to pay that, make that  
3 sacrifice to reap the rewards.

4 CHAIRMAN CALTAGIRONE: Do you feel that  
5 local officials are involved enough with not only  
6 enforcement and prosecution but prevention, so that  
7 these types of activities, and you can take almost any  
8 one of the gamut that we've discussed here today, to  
9 really get a handle in our local communities? And I  
10 think many of us share this same frustration, whether  
11 it's prostitution, narcotics, gambling, loansharking,  
12 how many legitimate people and legitimate businesses -  
13 bankers, doctors, lawyers, and others - that get  
14 involved on the edge or totally and think nothing of  
15 it?

16 MR. REILLY: Well, that's a very common  
17 phenomena, as you know. I mean, the dramatic way to  
18 see it is in the idea of fencing and stolen property.  
19 I mean, those BMW radios that are ripped off aren't  
20 being turned into boom boxes to walk around center city  
21 Philadelphia. Those are being installed in other BMWs,  
22 generally. And the Junior Black Mafia and some of  
23 those folks have an interest in some of those cars.

24 It's very interesting because the fellow  
25 who was our principle consultant, Darrell Steffensmeier

1 from Penn State, has done superb work on the area of  
2 fencing in Pennsylvania, and that's where that stuff  
3 goes. I mean, it's not sold to intercity Crack  
4 addicts. Those things that are stolen are sold  
5 generally to squares, to people like us. And the  
6 people don't understand. You're outraged if your car  
7 is broken into, but people then don't hesitate to buy,  
8 and in fact often there is a false characterization if  
9 something is stolen, because somebody will think  
10 they're getting a better deal because it's hot. You  
11 know, probably counterfeit is probably what it is, but  
12 it's sold as if it were a hot watch or TV or FAX  
13 machine or whatever.

14 Well, I will let my Vice-Chairman speak  
15 to the setting of a moral tone. I think he's a much  
16 more appropriate spokesman for moral tone setting.

17 MR. ROGOVIN: Representative Kosinski  
18 would suggest that law professors have no such  
19 business.

20 But certainly an aspect of what you said,  
21 Mr. Chairman, suggests that there is a responsibility  
22 on local leadership. Not just local leadership, on  
23 political leadership at any level to set a tone of  
24 morality in the community. If you don't, who will?  
25 I'm not denigrating the effects and impacts of the



1 leaders of the churches and the synagogues and  
2 elsewhere and the schools, but certainly, you people  
3 who are elected are representing the people of your  
4 communities, and it seems to me it is an inherent  
5 responsibility to set the appropriate tone. And that  
6 gets translated ultimately in what the community's  
7 attitude is with regard to the results of gambling  
8 investigations. There have been thousands and  
9 thousands of manhours spent by the State Police in this  
10 jurisdiction in your area and many others in this  
11 State, and the results, I would think, I'm not of the  
12 State Police but I'm an interested observer, I would  
13 think would be quite disappointing in terms of the  
14 impact of those exhaustive investigate hours. And  
15 that's a function of the attitude that prevails in the  
16 community.

17 MR. REILLY: We watched the Feds, we  
18 watched the Federal Bureau of Investigation essentially  
19 get out of this area because they did a cost benefit  
20 analysis and said it's just not worth, for the  
21 sanctions imposed, it's not worth the commitment of  
22 agents.

23 CHAIRMAN CALTAGIRONE: See, it was  
24 mentioned here also by several other members that many  
25 times I think we go through the frustration of having

1 the appropriate authorities take the time and effort to  
2 initiate the prosecution after citizen complaints, only  
3 to see that somebody's rapped on the knuckles or just  
4 given a little polite fine or very little time and out  
5 they're back on the street again before the ink is dry  
6 on the papers, and then you look at your local  
7 situation, and we all have it in every one of our  
8 neighborhoods, and it seems like it's absolute pure  
9 frustration. We can make all the laws in the world up  
10 here, but we don't enforce them. We don't sit in the  
11 courthouses back home or the police stations back home.  
12 They set their priorities.

13 And it's frustration also from this end  
14 as elected officials. True, we are elected officials  
15 at this end, but many times we're told at the other end  
16 when we go home, keep your nose out of our area, you've  
17 got enough to do in Harrisburg. Okay? And I think  
18 many of us have had that said to us at one time or  
19 another, whether it's through the courts, whether it's  
20 through the district attorney's office, the police  
21 chiefs, or whatever. Any other elected officials that  
22 run those offices. So we get the frustration, too,  
23 that many times these problems are not being addressed  
24 at the local level. And I don't think that we need any  
25 more laws. I think we need the laws to be enforced

1 that we have on the books.

2 MR. ROGOVIN: Points well taken.

3 CHAIRMAN CALTAGIRONE: I'm sorry.

4 REPRESENTATIVE GERLACH: If I can add a  
5 comment to the area you're getting into, and it's one I  
6 think that deals with using the analogy of supply and  
7 demand. If law enforcement deals with the supply, that  
8 being the organized crime individuals on a local level,  
9 what can be done to curb the demand for organized crime  
10 activity at the local level? And in particular, what  
11 can be done to make the public more aware of what  
12 organized crime is, what activities it gets involved  
13 in? My sense is, you know, every year you come up with  
14 a report and it gets some play in the newspapers and  
15 other things, which is great, which is the way it ought  
16 to be, but what can be done to make the public more  
17 aware of what organized crime is, what's going on in  
18 that particular area or region of the State, how can  
19 that be demonstrated to the public so that that may  
20 affect the demand side of organized crime activity? In  
21 particular, public hearings around the State, 67  
22 counties, regionalize and go around dispensing this  
23 information and how it affects, you know, tax revenues,  
24 how it affects the taxes people pay, how it affects the  
25 crime situation and become more active in a public

1 awareness standpoint of what organized crime is in  
2 Pennsylvania.

3 MR. ROGOVIN: I nod my head with  
4 enthusiasm to what the Representative says, and I note  
5 that we have undertaken an increased number of public  
6 hearings. We have, as you heard the testimony from my  
7 Chairman, Mike Reilly, we are doing these regional,  
8 in-depth investigations. We contemplate being able to  
9 do exactly the kind of thing that you just suggested,  
10 and I regard as a very good suggestion, albeit with the  
11 resource limitations that we have.

12 REPRESENTATIVE GERLACH: Right.  
13 Absolutely.

14 MR. ROGOVIN: My mind boggles when we  
15 think of the 67 counties of this massive Commonwealth.  
16 But we can do regional hearings. We propose to do  
17 those, and we are doing regional probes, which take a  
18 good bit of time and resource.

19 But I think that, again, the  
20 Representative has raised an issue which the Chair just  
21 reflected on, and that is the lack of creativity in the  
22 implementation of many of the laws that you pass with  
23 the best possible expectations. I recall talking  
24 several years ago with Representative Kosinski, long  
25 after he had left my tutelage, I hasten to point out,

1 and I raised the question with him about the following  
2 kind of sanction for gambling, because he raised with  
3 me, he said, "Professor, we investigate, we prosecute  
4 gambling, and it goes on and it's essentially  
5 unstoppable." And I said, "The judges who are  
6 reluctant to use the full force of the maximum  
7 sentences your legislation provides have a very simple  
8 device if they choose to exercise it. A judge could  
9 say, 'You have been found guilty of violation of the  
10 gambling statute. I am sentencing you to the 30 days  
11 in prison, and I direct you not to re-engage in the  
12 gambling business.'" Now, for the lawyers here, you  
13 know what the implications are. If you send the agents  
14 in and you can show that the fellow is back in the  
15 gambling business, now you don't have to prosecute him.  
16 You can put him in jail for violating your order. Use  
17 of the contempt power. But we don't have the judiciary  
18 doing that currently.

19 Again, I raise that with you only to  
20 suggest that there are a variety of additional  
21 approaches here, including those strategic approaches  
22 that Mr. Gerlach has talked about, and simple changes  
23 in procedure that could be employed.

24 CHAIRMAN CALTAGIRONE: Okay. Are there  
25 any other questions?

1 (No response.)

2 CHAIRMAN CALTAGIRONE: I want to thank  
3 you very much, and we'll adjourn the hearing.

4 MR. REILLY: Thank you.

5 REPRESENTATIVE HECKLER: I'm sorry, yes.

6 CHAIRMAN CALTAGIRONE: Excuse me.

7 REPRESENTATIVE HECKLER: If I may.

8 CHAIRMAN CALTAGIRONE: Representative  
9 Heckler.

10 REPRESENTATIVE HECKLER: Thank you.

11 Frankly, Professor, I was so taken back  
12 by your suggestion that a judge had contempt power.  
13 This is something new. Maybe I'll get a chance to  
14 learn something today.

15 If a sentence is imposed in which there's  
16 a sentence and then a tail of parole or probation,  
17 plainly violation of a condition is enforceable. Are  
18 you suggesting that a judge could impose a flat  
19 sentence, 30 days, and then in addition to that say,  
20 don't come back or don't get caught gambling again or  
21 I'll find you in contempt?

22 MR. ROGOVIN: I believe a judge could  
23 say, as a corollary of the sentence provided for the  
24 criminal violation, I direct you to withdraw from the  
25 gambling business, and if you fail to do so, you're

1 subject to contempt power.

2 REPRESENTATIVE HECKLER: Fascinating. I  
3 just wouldn't have thought that that was possible.

4 A specific question that we haven't  
5 touched on that I would just like to pursue. One of  
6 your recommendations on page 325 is that there be more  
7 strategic planning to address organized crime, and  
8 specifically through a variety of mechanisms, including  
9 a statewide council on organized crime. And it would  
10 appear that this council would actually use  
11 intelligence, specific intelligence information  
12 collected.

13 Could you tell us what you've proposed in  
14 this regard?

15 MR. REILLY: Yeah. This is, again, a  
16 reference back to what we proposed four years ago. It  
17 was a realization that we -- the same kind of  
18 cooperation which is occurring at the field level  
19 between agents from agencies that may in fact be  
20 feuding between themselves, that if we could eliminate  
21 that feuding and get the cooperation going and the  
22 priorities and the setting and the appropriate  
23 application of resources at the top level, and we  
24 talked about, as I recall the statute we talked about  
25 putting together to do that would call for the, for

1 example, representatives of the Governor's Office, the  
2 Attorney General, the Pennsylvania State Police, the  
3 large county prosecutors, the large municipal and  
4 county, in some counties, police agencies, to get  
5 together with the regulatory agencies and try to have  
6 structured with Federal cooperation and try to have --  
7 if you have to get together every three months to sit  
8 down and develop a strategy and then to check to see  
9 how it's going and you do it cooperatively, it was our  
10 hope that we could start to behave in a more  
11 structured, rational fashion.

12 Now, there has, I know from what I read  
13 in the newspaper, there's been a recent move in this  
14 direction between the Attorney General's Office and the  
15 State Police trying to formalize some of their  
16 cooperative relationships and eliminate the possibility  
17 of these kind of turf wars and struggles that occur,  
18 but I think if we do that, if we force people to focus  
19 on -- if we weren't here every year, there wouldn't be  
20 as much focus on this issue as there is. I mean, there  
21 is a plus to having -- when this bill was written, and  
22 I was the penman, the scribe when we wrote this bill,  
23 the realization was at least once a year the  
24 Pennsylvania Judiciary Committees should have to sit  
25 down and confront the reality and the existence of



1 organized crime. The thinking there is if some other  
2 enterprises at the top level periodically had to do the  
3 same confrontation and then would attempt to coordinate  
4 their efforts. The Federal government does this and  
5 sometimes they agree with what we would want to do and  
6 other times they don't. We don't want to be the tail  
7 of the dog. I mean, we want in Pennsylvania to pick  
8 the things, we think we should be in a position to pick  
9 the things that are important and start to craft  
10 Pennsylvania solutions for them, and we think that has  
11 to be done at the highest level. I mean, despite my  
12 talk about cooperation between agents, agency  
13 cooperation occurs at the highest level. If you don't  
14 have that cooperation, you don't have it.

15 MR. ROGOVIN: Could I add to that,  
16 Representative?

17 REPRESENTATIVE HECKLER: Oh, please.

18 MR. ROGOVIN: With another illustration.

19 It is no secret to any member here on  
20 either side of the Capitol, Senate or House, that we  
21 have serious waste problems in Pennsylvania, and you  
22 responded to it, because legislation was passed in both  
23 houses. The question of what is to be done and what  
24 should be done to deter the incursions of organized  
25 crime in that industry, to take advantage of that

1 opportunity in Pennsylvania, is the very kind of thing  
2 that could be before a council of this kind in  
3 anticipation of legislation or even following  
4 legislation. That's precisely what's envisioned. And  
5 you'd have an outreach so that you could do things that  
6 are non-traditional law enforcement.

7           For example, the illustration that was  
8 given to Representative Hagarty of a bank, a  
9 profit-making organization which saw the potential for  
10 lending money to waste disposers to do business in  
11 Pennsylvania putting on its advisory committee a  
12 clearly documented associate of organized criminal  
13 interests in the State of New Jersey and in New York.  
14 A council could anticipate that kind of thing, so that  
15 the banking industry, to the extent that it was willing  
16 and interested in hearing about the threats, could take  
17 appropriate preventive steps. That's not a law  
18 enforcement response, that's an economic and business  
19 response. A council functioning as a strategic  
20 activity, not a tactically oriented operation, could be  
21 of enormous benefit in this field.

22           REPRESENTATIVE HECKLER: Thank you. And  
23 again, I think my sentiments on budget matters that you  
24 folks historically are somewhat different from Senator  
25 Hopper, maybe we can figure out a way to save \$2 1/2

1 million a year by pursuing that, but we can look at  
2 that.

3 To close this on a humorous note that,  
4 Mr. Chairman, I had a reporter, who happens to be a  
5 female, mention to me, and it's interesting because the  
6 same thing had hit me in your executive summary, you  
7 may want to think for the second reprinting about  
8 revising the language on page 1, which refers to  
9 "exploiting people's weakness, enticing people into  
10 wasting their money on drugs, women, or gambling  
11 outlets." I think we all know what's intended, and I  
12 assume it's not my buying flowers for my wife, but it  
13 evidently caught at least somebody else's here.

14 MR. REILLY: You know, it's funny and  
15 what we've picked up though, your point is well made  
16 because a lot of the commercial prostitution is not  
17 female. Your point is well made.

18 SENATOR HOPPER: Mr. Chairman?

19 CHAIRMAN CALTAGIRONE: Yes.

20 SENATOR HOPPER: I'm sure that you folks  
21 are interested in the computerization of reports and  
22 that sort of thing, and that Representative Caltagirone  
23 and I have both been working on that. Now, and  
24 wiretapping, electronic surveillance is a very touchy  
25 thing. I don't imagine you folks are able to use that,

1 is that right? Would that help?

2 MR. REILLY: Well, right now you have a  
3 real Title III problem with that. Title III is the --  
4 the minimum standard that we have to meet is the  
5 Federal standard. We may and do have more restrictive  
6 laws in Pennsylvania, but you may not have less  
7 restrictive laws than Title III. And we have the  
8 ability to use the Pennsylvania Wiretap Law, but we  
9 have it -- in the limits of the wiretap law of course  
10 it's supposed to be leading to prosecution, part of  
11 criminal investigations. There's no provision, I don't  
12 think there's any provision that would pass Title III  
13 muster that would be for intelligence gathering.

14 MR. ROGOVIN: That's right.

15 MR. REILLY: Where you would just be  
16 taking taps just to learn things to gather  
17 intelligence. I don't think that can be done.

18 SENATOR HOPPER: Right.

19 Thank you, Mr. Chairman.

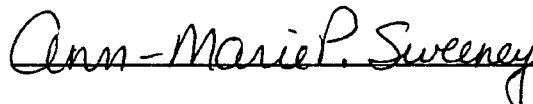
20 CHAIRMAN CALTAGIRONE: Thank you,  
21 Senator.

22 Thank you. We will adjourn the hearing.

23 (Whereupon, the proceedings were  
24 concluded at 3:50 p.m.)

25

1 I hereby certify that the proceedings  
2 and evidence are contained fully and accurately in the  
3 notes taken by me during the hearing of the within  
4 cause, and that this is a true and correct transcript  
5 of the same.

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16  
17 Ann-Marie P. Sweeney  
18 536 Orrs Bridge Road  
19 Camp Hill, PA 17011  
20 717-737-1367  
21  
22  
23  
24  
25