

ASSEMBLY BUDGET COMMITTEE

STATEMENT TO

ASSEMBLY, No. 4031

STATE OF NEW JERSEY

DATED: JUNE 1, 2020

The Assembly Budget Committee reports favorably Assembly Bill No. 4031.

Due to the public health emergency and the state of emergency declared by Governor Murphy in Executive Order 103 on March 9, 2020 in response to the worldwide COVID-19 pandemic, and the required shutdown of casino gaming properties in Atlantic City on March 16, 2020, the owners or licensees of the casino gaming properties that are required to make payments in lieu of property taxes to Atlantic City pursuant to the provisions of P.L.2016, c.5 (C.52:27BBBB-18 et seq.) are concerned that they may not have sufficient funds on hand to make the quarterly payments in lieu of property taxes to Atlantic City that are due and owing to the city on May 1, 2020 and August 1, 2020. This bill would require the State Treasurer to make funds available from the "Property Tax Relief Fund" to the owners or licensees of those casino gaming properties as short term loans to be used solely for the purpose of paying those payments in lieu of property taxes due and owing to Atlantic City on May 1, 2020 and August 1, 2020.

A loan made to a casino gaming property owner or licensee under the bill would not accrue interest or penalty if repaid by the casino gaming property owner or licensee not later than the first day of the 36th month following the date that the loan proceeds were provided to the casino gaming property. If the loan has not been repaid in full by a casino gaming property owner or licensee by that date, the bill would require the State Treasurer to immediately impose a penalty equal to 10 percent of the original loan amount, and notify the casino gaming property owner or licensee that the outstanding balance of the loan together with the amount of the penalty would be due and payable to the State within 60 days. If, by the close of business on the 60th day, the loan and penalty have not been paid in full to the State by the casino gaming property owner or licensee, the State Treasurer would be required to notify the Casino Control Commission and the Division of Gaming Enforcement of the owner or licensee's nonpayment. This bill requires the commission to deem the owner or licensee disqualified to hold a casino license and the division to suspend the owner or licensee's operation certificate for the casino gaming property and to order the casino gaming property to be shut down until

the outstanding amount of the loan and the penalty are paid in full to the State Treasurer.

The bill further permits the commission to place the casino gaming property under an appointed conservator if it remains shut down due to the suspension of the property's operation certificate for a period in excess of 120 days. Under the "Casino Control Act," P.L.1977, c.100 (C.5:12-1 et seq.), a conservator is empowered by the commission to, among other duties, continue the business of the former or suspended casino licensee.

FISCAL IMPACT:

The Office of Legislative Services (OLS) estimates the bill will lead to short-term increases in State expenditures from the Property Tax Relief Fund due to requiring the State Treasurer to make short-term loans to casinos for their payments in lieu of property taxes (PILOTs) to Atlantic City during the COVID-19 pandemic.

The OLS is unable to determine the long-term impact of the bill on State finances because the OLS cannot definitively predict whether or when a casino will fulfill its future obligation to repay the State for the loans permitted under the bill. The loans to casinos would result in a net neutral impact on Atlantic City finances in the short-term because casino gaming properties in the city are already required to make PILOT payments to the city. The long-term impact on Atlantic City's finances is indeterminate because the OLS cannot predict the future revenue of casinos in the city.

The PILOTs received by Atlantic City from casinos are based on the prior year's gross gaming revenue (GGR). In Calendar Year 2019, the GGR was \$3.29 billion. This amount of GGR generated would result in \$150 million in required PILOTs to Atlantic City for property tax year 2020.

The bill directs the State Treasurer to make loans to casinos in the amount of two quarterly PILOT payments, for May 1 and August 1, which equates to \$75 million in State expenditures from the Property Tax Relief Fund.