

LEGISLATIVE FISCAL ESTIMATE
SENATE, No. 2398
STATE OF NEW JERSEY
219th LEGISLATURE

DATED: JUNE 11, 2020

SUMMARY

- Synopsis:** Requires State Treasurer to make loans to casino gaming properties for making required payments in lieu of property taxes to Atlantic City during current public health emergency and state of emergency.
- Type of Impact:** Short-term increase in State expenditures, short-term net neutral impact on Atlantic City’s finances, and indeterminate long-term impact on State and Atlantic City’s finances.
- Agencies Affected:** Department of the Treasury and Atlantic City.

Office of Legislative Services Estimate

Fiscal Impact	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
State Cost	\$75,000,000		
State Revenue			Indeterminate
Atlantic City Finances	Net Neutral		Indeterminate

- 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.

BILL DESCRIPTION

The bill would require the State Treasurer to make funds available from the Property Tax Relief Fund to the owners or licensees of 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. The 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 ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates the bill will lead to a short-term increase in State expenditures, an indeterminate long-term impact on State finances, and a net neutral impact on Atlantic City finances. The short-term increase in State expenditures is attributed to the bill requiring the State Treasurer to make short-term loans to casinos for the purpose of fulfilling their required PILOTs to Atlantic City during the COVID-19 pandemic. This pandemic has closed casinos for the indefinite future. 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 obligation to

repay the State for the loans permitted under the bill. The net neutral impact on Atlantic City finances in the short-term is due to the fact that casino gaming properties in Atlantic City are required to make these PILOT payments, calculated on the basis of GGR generated in the prior calendar year. 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 "Casino Property Tax Stabilization Act" provides that, beginning in Calendar Year 2017, and for the next succeeding nine years, casino gaming properties located in Atlantic City are exempt from ad valorem taxation on real property and are instead required to make annual PILOTs. The bill does not address the separate annual State payment also required of casinos under the act, which is \$5 million for Calendar Year 2020.

The PILOTs paid by casinos to Atlantic City are based on the total amount of gaming revenues generated in each year, specifically the prior year's GGR. In Calendar Year 2019, the GGR was \$3.29 billion. According to the PILOT tier system, this amount of GGR generated would result in \$150 million in PILOTs to Atlantic City for Calendar Year 2020. The bill directs the State Treasurer to make loans to casinos worth two quarterly PILOTs, payments for May 1 and August 1, which equates to \$75 million in State expenditures.

The OLS also notes that the loan from the State to casinos for the purposes of paying the PILOTs to Atlantic City will produce the benefit of a stabilization of Atlantic City's finances during the COVID-19 pandemic.

The OLS cannot determine the long-term impact on State finances from the bill because the OLS cannot predict whether or when a casino will repay its loan to the State. The bill requires the loan to be repaid by the casino no later than the first day of the 36th month following the date that the loan was provided. If the loan is not repaid in full 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 that the outstanding balance of the loan, and the penalty, would be due to the State within 60 days. If the State realizes additional monies from late penalties imposed on casinos, the State could see a revenue increase as a result of the bill.

If, by the close of business on the 60th day, the loan and penalty are not paid in full to the State, the State may take action to shut down the casino. If a casino were to shut down indefinitely, the State would likely not recover its loan and the shutting down of a casino would further destabilize the finances of Atlantic City.

Section: Local Government
Analyst: Benjamin A. Levy
Assistant Fiscal Analyst
Approved: Frank W. Haines III
Legislative Budget and Finance Officer

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

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