

SENATE COMMUNITY AND URBAN AFFAIRS COMMITTEE

STATEMENT TO

SENATE, No. 4007

STATE OF NEW JERSEY

DATED: NOVEMBER 15, 2021

The Senate Community and Urban Affairs Committee reports favorably Senate Bill No. 4007.

This bill concerns the State's casino gaming industry, and revises and supplements existing law relating to requirements for a casino license, and the casino gaming industry's financial responsibility to Atlantic City, Atlantic County, and the Atlantic City School District, which are all affected by, and dependent on, the success of the casino gaming industry.

Section 2 of the bill amends the "Casino Control Act," P.L.1977, c. 110 (C. 5:12-1 et seq.) with respect to financial requirements required to be met by an applicant for a casino license. Current law requires that an applicant demonstrate the ability to make necessary capital and maintenance expenditures in a timely manner to ensure the maintenance of a superior, first class facility of exceptional quality, and demonstrate having met that standard if its capital expenditures, over a five-year period, average five percent of net revenue annually. The bill would require that an applicant demonstrate the ability to make only necessary capital expenditures which are adequate to ensure a superior, first class facility of exceptional quality, as maintenance is generally performed as an ongoing process of upkeep, while the financial ability to make ongoing necessary capital expenditures is crucial in order to create and maintain a superior first class facility of exceptional quality which will attract and maintain a customer base.

Section 3 of the bill concerns the calculation of the annual payments in lieu of property taxes (PILOT) that are required under the "Casino Property Tax Stabilization Act," P.L.2016, c.5 to be made by casino gaming properties to Atlantic City annually from 2017 through 2026. The bill would require the casino gaming properties to pay Atlantic City \$110 million in PILOT payments for calendar year 2022. For calendar years 2023, 2024, 2025, and 2026, the base amount of the PILOT payment would be determined based on gross gaming revenue totals. For each of these calendar years, the total amount of the PILOT payments would increase by two percent per year provided that there is no upward adjustment in the base amount of the PILOT. This section redefines "gross gaming revenue," for calendar years 2021 through 2026, to exclude revenue derived from Internet casino gaming and Internet sports wagering. This section also places a limit on the

net liability of individual casino gaming properties resulting from the elimination of the investment alternative tax credit after 2021.

Section 4 of the bill revises the amount of the additional payments required to be remitted to the State by each casino gaming property. Pursuant to the “Casino Property Tax Stabilization Act,” these additional payments were to be made by each casino gaming property in decreasing amounts between 2015 and 2023, with the final payment in 2023 being \$5,000,000. The bill extends these additional payments to the State through 2026, and requires the payments to be made to the State not later than June 1 annually.

Section 5 of the bill concerns the portion of the funds collected by Atlantic City from the PILOT payments that are to be allocated annually to Atlantic County and the Atlantic City School District. The bill would require that for 2022, the portion allocated to those entities would be the same as 2021, with a required annual two percent increase for each year from 2023 through 2026, and required upward or downward adjustments based on whether there is an upward or downward adjustment in the base amount of the PILOT, as specified in the bill.

Section 6 of the bill concerns the investment alternative tax and the investment alternative paid to the State Treasurer annually by the casino gaming properties. Under current law, the moneys received by the State Treasurer from the investment alternative tax and the investment alternative, except for any amount thereof pledged for the payment of bonds issued by the Casino Reinvestment Development Authority or otherwise contractually obligated by the authority, or any bonds issued to refund such bonds, is allocated to Atlantic City for the purposes of paying debt service on bonds issued by Atlantic City prior to, and after the effective date of the “Casino Property Tax Stabilization Act”. This bill would provide that, for calendar years 2022 through 2026, in the event that moneys received by the State Treasurer from the payment of the investment alternative tax, in the amounts identified in law exceed the debt service on bonds issued by Atlantic City prior to and after the effective date of the “Casino Property Tax Stabilization Act,” in any year, then the amount in excess of the debt service is to be reallocated to the Casino Reinvestment Development Authority, the Clean and Safe Fund, established pursuant to section 7 of the bill, and the Infrastructure Fund, established pursuant to section 8 of the bill, and to Atlantic City for general municipal purposes, in different proportions, as described in the bill.

Sections 7 and 8 create the Clean and Safe Fund and the Infrastructure Fund, respectively, into which the excess investment alternative tax funds are to be appropriated pursuant to section 6 of the bill. These funds are to be held by the State Treasurer. The purpose of these funds is to set aside money for Atlantic City to use for specific purposes which benefit the public and the city while at the same time increasing the appeal of Atlantic City casino gaming, relative to

competitor markets. Clean and Safe Fund moneys would be used by Atlantic City, or another governmental entity working on behalf of Atlantic City, to pay for capital public safety expenses, streetscape improvements, planting, roadway median improvements, shade trees, beautification, wayfinding, lighting, cleaning equipment, waste receptacles, sidewalk repair, and related maintenance within Atlantic City. Moneys in the Infrastructure Fund would be used to pay for any local infrastructure improvements within Atlantic City.