

LEGISLATIVE FISCAL ESTIMATE
SENATE, No. 4157
STATE OF NEW JERSEY
219th LEGISLATURE

DATED: DECEMBER 2, 2021

SUMMARY

Synopsis: Imposes temporary surcharge on hotel occupancies in certain cities to fund public safety services.

Type of Impact: Temporary increase in municipal revenues.

Agencies Affected: Department of the Treasury; City of Atlantic City.

Office of Legislative Services Estimate

Fiscal Impact	<u>CY 2022</u>	<u>CY 2023</u>	<u>CY 2024</u>
Local Revenue Increase	\$12.1 million	\$13.2 million	\$1.1 million

- The Office of Legislative Services (OLS) estimates that the bill will result in a temporary increase in municipal revenues for the City of Atlantic City. The amount of revenues to be realized in each calendar year was calculated using recent information on the collection of currently imposed hotel surcharges and to extrapolate the number of hotel room rentals to which the new surcharge would apply.
- The bill requires certain cities to use the hotel surcharge revenues to fund public safety services. However, these funds are available only if municipal appropriations for public safety services increase from year-to-year. The surcharge revenues are intended to supplement, rather than replace, appropriations for public safety services that are supported by general municipal revenues.

BILL DESCRIPTION

The bill imposes a daily \$3 per room surcharge on hotel occupancies in certain cities. The bill requires all surcharge revenues to be deposited into a public safety services trust fund and dedicated to support public services for each qualifying city. The bill allows a qualified municipality to appropriate the surcharge revenues only if municipal appropriations for public safety services in the current fiscal year are higher than municipal appropriations for public safety services in the prior fiscal year, exclusive of any amounts of revenue appropriated from the public safety services trust fund. The bill defines public safety services as the hiring, retention, and

training of and equipment for employees of the police and fire departments in a qualified municipality.

The surcharge would be imposed in all municipalities that levy a retail sales tax pursuant to P.L.1947, c.71 (C.40:48-8.15 et seq.), which is only available to “fourth class cities,” defined in State law as cities bordering on the Atlantic ocean which are seaside or summer resorts. Atlantic City is currently the only city that levies this tax and that would be subject to the surcharge provisions of the bill. The bill directs the State to collect the surcharge and remit the revenues therefrom to the city on a monthly basis. The surcharge imposed by the bill would be in addition to the daily fees levied on hotel occupancies pursuant to State law.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that the new hotel surcharge will result in an increase of municipal revenues distributed to the City of Atlantic City. If this bill is enacted into law in December 2021, it would take effect on February 1, 2022 and expire on February 1, 2024. The OLS anticipates that the surcharge will generate revenues of about \$12.1 million in calendar year 2022, \$13.2 million in calendar year 2023, and \$1.1 million calendar year 2024. These projections are presented on a calendar year basis because Atlantic City’s fiscal year begins on January 1 and ends on December 31.

As noted above, the bill permits the surcharge revenues to be appropriated to support public safety services only if appropriations for those services increase from one year to the next. If such an increase does not occur it is conceivable that there will be unappropriated balances in the trust fund after the bill expires. The OLS notes that total appropriations for the city’s Department of Public Safety (which includes the Police Department, Fire Department, Emergency Services, and Uniform Fire Code enforcement) increased from \$52.0 million in calendar year 2017 to \$57.1 million in calendar year 2020 and then declined to \$56.4 million for calendar year 2021.

This estimate was calculated using information reported in the August 2021 “Summary of Gaming and Atlantic City Taxes and Fees” prepared by the Division of Gaming Enforcement in the Department of Law and Public Safety. Hotel room rentals in Atlantic City are currently subject to two fees: a “casino hotel fee” and a “tourism promotion fee.” Neither fee supports the municipal government, but their collection data can nonetheless be used to estimate the impact of a similar fee imposed under the bill. The casino hotel fee is imposed at a rate of \$3 per day on each room in a casino hotel facility that is occupied by a guest. The Division of Gaming Enforcement report indicates that the casino hotel fee generated an average of \$11.7 million per year from calendar year 2015 through calendar year 2019. The casino hotel fee rate of \$3.00 is the same amount as the new surcharge proposed by the bill. Accordingly, the OLS estimates that casino hotel room rentals will generate about \$11.7 million annually.

The tourism promotion fee is imposed on each occupied room in a hotel at a rate of \$1.00 per day, except for occupied rooms in hotels that provide casino gaming, where the rate is \$2 per day. According to the Division of Gaming Enforcement, the tourism promotion fee generated an average of \$8.3 million per year from calendar year 2015 through calendar year 2019. Using the casino hotel fee data, the OLS estimates that there were an average of 3.9 million casino hotel

room rentals per year from calendar 2015 to calendar year 2019. These rentals would have generated \$7.8 million in tourism promotion fees. By subtracting these revenues from the average amount of revenue raised by the tourism promotion fee, the OLS estimates that non-casino hotel rentals generated about \$500,000 in tourism promotion fees. Because the tourism promotion fee for non-casino hotel rentals is \$1 per day, the amount of revenue raised is equal to the number of room rentals. To estimate the amount of public safety surcharge revenues to be generated by non-casino hotel room rentals, the number non-casino room rentals (500,000) was multiplied by the amount of the new surcharge (\$3.00) for a total of \$1.5 million in revenues. The estimated amount of annual surcharge revenues is the sum of the surcharges imposed on casino and non-casino hotel room rentals (\$11.7 million + \$1.5 million = \$13.2 million.). The OLS estimates have been adjusted to reflect the period in which the surcharge will be collected in each calendar year.

Section: Revenue, Finance and Appropriations

Analyst: Scott A. Brodsky
Principal Fiscal Analyst

Approved: Thomas Koenig
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.).