

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

SENATE, No. 4157

STATE OF NEW JERSEY 219th LEGISLATURE

DATED: DECEMBER 13, 2021

SUMMARY

- Synopsis:** Imposes temporary surcharge on casino hotel occupancies 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>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
Local Revenue Increase	\$10,725,000	\$11,700,000	\$975,000

- The Office of Legislative Services (OLS) estimates that this 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 the currently imposed casino hotel fee to extrapolate the number of hotel room rentals to which the new surcharge would apply.
- The bill requires the city 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 casino hotel occupancies. The bill requires all surcharges to be deposited into a public safety services trust fund and dedicated to fund public safety service for the host city.

The surcharge revenues are intended to supplement, rather than replace, appropriations for public safety services that are supported by general revenues, such as municipal State aid and the

property tax levy. To that end, the bill allows the municipality to appropriate the surcharge revenues in the municipal budget 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. The surcharge would sunset two years after the effective date. The State would collect the surcharges and remit the revenues therefrom to the city.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that the new hotel surcharge will result in an increase in municipal revenue 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 \$10.7 million in calendar year 2022, \$11.7 million in calendar 2023, and \$975,000 in 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.

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 are current subject to a "casino hotel fee" that is imposed at the rate of \$3.00 per day on each room in a casino hotel facility that is occupied by a guest. Casino hotel fee revenues do not support municipal government, but the collection data can nonetheless be used to estimate the impact of a similar fee imposed under this bill. The Division of Gaming Enforcement Report indicates that the casino hotel fee generated \$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.

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 Police Department, Fire Department, Emergency Services, and Uniform 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.

<i>Section:</i>	<i>Revenue, Finance, and Appropriations</i>
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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.).