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"Clock ticking for Atlantic City, as Christie signs financial rescue plan," New Jersey 101.5, May 27, 2016

"Atlantic City Financial Rescue Plan Signed by Governor Christie," Bloomberg, May 27, 2016

"Gov. Christie signs Atlantic City financial rescue package," Courier-Post, May 27, 2016

"Governor signs financial rescue package for Atlantic City," Daily Record, May 28, 2016

"Gov. Christie signs Atlantic City rescue package," New 12 New Jersey, May 27, 2016

"Atlantic City compromise legislation heads to Christie's desk," NJBIZ, May 27, 2016

"The Atlantic City saga is over: Christie signs rescue bill," nj.com, May 27, 2016

"Governor signs financial rescue package for Atlantic City," New Jersey Herald, May 27, 2016

"Christie signs financial rescue package for Atlantic City," NorthJersey.com, May 27, 2016

"Full text of Christie's announcement on A.C. reform bills," NorthJersey.com, May 27, 2016

"Chris Christie approves financial rescue plan for Atlantic City," The New York Times, May 27, 2016

"N.J. Governor Christie signs Atlantic City rescue package into law," The New York Times, May 27, 2016

"Christie signs Atlantic City compromise legislation," NJBIZ, May 29, 2016

"Atlantic City has 5 months to fix finances - Christie signs pair of reform bills," The Herald News, May 28, 2016

"Christie signs rescue package," The Press of Atlantic City, May 28, 2016

"Atlantic City has 5 months to fix finances - Christie signs pair of reform bills," The Record, May 28, 2016

"Troubled town gets lifeline – for now takeover still possible; city has 150 days to craft plan to balance budget," South Jersey Times, May 28, 2016

"Troubled town gets lifeline – for now takeover still possible; city has 150 days to craft plan to balance budget," The Star-Ledger, May 28, 2016

"Governor signs financial rescue package for Atlantic City," Associated Press State Wire: New Jersey, May 27, 2016

"Legislature clears bills to buy A.C. time – 5-month stopgap heads to Christie," Herald News, May 27, 2016

"Grapevine: 'Finally.'" NJBIZ, May 29, 2016

RWH/CL

§§1-7,9,10 -  
C.52:27BBBB-18  
to  
52:27BBBB-26  
§12 - Repealer  
§13 - Note

P.L.2016, CHAPTER 5, *approved May 27, 2016*  
Senate, No. 1715 (*Fourth Reprint*)

1 AN ACT concerning the stabilization of the finances of a  
2 municipality in which casino gaming is authorized, amending  
3 R.S.54:5-6 and P.L.2011, c.18, and supplementing Title 52 of the  
4 Revised Statutes.

5

6 **BE IT ENACTED** by the Senate and General Assembly of the State  
7 of New Jersey:

8

9 1. (New section) Sections 1 through <sup>1</sup>**[7]** <sup>8</sup>8<sup>1</sup> and section <sup>1</sup>**[9]**  
10 10<sup>1</sup> of P.L. , c. (C. ) (pending before the Legislature as this  
11 bill) shall be known and may be referred to as the “Casino Property  
12 Tax Stabilization Act.”

13

14 2. (New section) The Legislature finds and declares that:

15 a. In 1976, the voters of the State approved an amendment to  
16 the New Jersey Constitution (Article IV, Section VII, paragraph 2,  
17 subparagraph D), which authorized casino gaming in Atlantic City.

18 b. For over 30 years, casinos grew and profited in the City of  
19 Atlantic City, until competition from other states in our region,  
20 particularly Pennsylvania, siphoned off much of the out-of-State  
21 and foreign gamblers who had frequented Atlantic City casinos for  
22 many years.

23 c. The regional competition in casino gaming has had a  
24 deleterious effect on Atlantic City in several ways, including: an  
25 increase in unemployment due to the recent closing of four casino  
26 properties, representing fully one-third of the number of casinos  
27 operating in Atlantic City in 2013; a strain on Atlantic City’s  
28 municipal budget due to property tax refunds required by successful  
29 assessment appeals of casino gaming properties; and an increased  
30 property tax burden on Atlantic City and Atlantic County residents  
31 based on the decreasing value of casino gaming properties.

32 d. In the “New Jersey Economic Opportunity Act of 2013,”  
33 P.L.2013, c.161 (C.52:27D-489a et al.), the four New Jersey cities

**EXPLANATION** – Matter enclosed in bold-faced brackets **[thus]** in the above bill is not enacted and is intended to be omitted in the law.

**Matter underlined thus is new matter.**

**Matter enclosed in superscript numerals has been adopted as follows:**

<sup>1</sup>Senate SBA committee amendments adopted March 10, 2016.

<sup>2</sup>Senate floor amendments adopted March 14, 2016.

<sup>3</sup>Assembly AJU committee amendments adopted May 23, 2016.

<sup>4</sup>Assembly floor amendments adopted May 26, 2016.

1 with the lowest median family income based on the 2009 American  
2 Community Survey from the United States Census, (Table 708.  
3 Household, Family, and Per Capita Income and Individuals, and  
4 Families Below Poverty Level by City: 2009) were designated as  
5 Garden State Growth Zones and were declared blighted areas and  
6 areas in need of rehabilitation; provided, however, that the  
7 declaration alone could not be used to allow any property to be  
8 taken or acquired.

9 e. The Legislature has previously recognized the extraordinary  
10 situation in Atlantic City, by designating a municipality which  
11 contains a tourism district as established pursuant to section 5 of  
12 P.L.2011, c.18 (C.5:12-219) and regulated by the Casino  
13 Reinvestment Development Authority as a Garden State Growth  
14 Zone for purposes of incentive programs administered by the New  
15 Jersey Economic Development Authority in P.L.2014, c.63  
16 (C.34:1B-251 et al.).

17 f. Consistent with the Legislature's acts with respect to the  
18 other Garden State Growth Zones, a municipality which contains a  
19 tourism district as established pursuant to section 5 of P.L.2011,  
20 c.18 (C.5:12-219) and is regulated by the Casino Reinvestment  
21 Development Authority is hereby declared a blighted area and area  
22 in need of redevelopment; provided, however, that this declaration  
23 alone shall not be used to allow any property to be taken or  
24 acquired.

25 g. The accurate assessment of casino gaming properties is  
26 especially difficult because they are unique properties and their  
27 year-to-year value is greatly influenced by the performance of  
28 casino gaming properties in other nearby states and by extreme  
29 weather events like Super Storm Sandy.

30 h. It is appropriate for the Legislature to address the  
31 extraordinary situation in Atlantic City by devising a program that  
32 avoids costly assessment appeals for both the casino operators and  
33 Atlantic City, and that provides a certain mandatory minimum  
34 property-tax related payment by casino properties that Atlantic City  
35 can rely upon each year.

36 i. Article VIII, Section I, paragraph 2 of the New Jersey  
37 Constitution empowers the Legislature to grant property tax  
38 exemptions by general law.

39 j. It is constitutional to classify Atlantic City, the only  
40 municipality wherein casino gaming is authorized, as a special class  
41 unto itself for economic purposes related to casino gaming. Courts  
42 have routinely concluded that the Legislature has the ability to  
43 address the concerns of Atlantic City and the casino industry  
44 separately from other local entities and industries due to the unique  
45 role casino gambling plays in Atlantic City and the State. The fact  
46 that, even though almost 40 years have passed since the approval of  
47 casino gambling in New Jersey, Atlantic City remains the only  
48 municipality wherein casino gaming is authorized, proves that its  
49 unique classification continues to allow the Legislature to treat it as

1 a special case under State law, and permits changes to the casino  
2 “experiment” in Atlantic City.

3 k. Casino gaming properties represent a unique classification of  
4 property that can be exempted from normal property taxation by  
5 general law, in favor of a certain guaranteed mandatory minimum  
6 payment in lieu of property taxes when it is primarily in the public  
7 interest to do so.

8 l. In the interest of the revitalization of Atlantic City and the  
9 continuation of the casino industry and its associated economic  
10 benefits to the State, it is reasonable that the Legislature, in seeking  
11 to revitalize the city, should choose to experiment with a payment  
12 in lieu of property tax mechanism to address the issues of persistent  
13 property tax appeals and the damage that those appeals, together  
14 with declining casino property values, have wrought on the tax  
15 bases of both Atlantic City and Atlantic County.

16 m. It is a primary public purpose to grant casino gaming  
17 properties an exemption from normal property taxation for a limited  
18 period of time, in exchange for a guaranteed mandatory minimum  
19 payment in lieu of property taxes, because Atlantic City will be able  
20 to depend on a certain level of revenue from casino gaming  
21 properties each year, making the local property tax rate and need for  
22 State aid less volatile; casino revenue supports many social  
23 programs, such as property tax relief for seniors, medical assistance,  
24 housing for disabled residents, transportation assistance, and other  
25 social services programs for elderly and disabled New Jerseyans;  
26 casinos provide a unique recreational experience to the residents of  
27 New Jersey within the State; and because, with a long-term  
28 predictable payment in lieu of property tax liability, casino gaming  
29 properties will know how much of their income will be required to  
30 pay their obligation to Atlantic City, Atlantic County, and the  
31 Atlantic City School District. This ability to depend on a stable  
32 payment in lieu of property tax obligation will in turn help to  
33 stabilize the casino business models and the workforce required to  
34 run those business models, and the casino gaming properties will be  
35 better able to compete with out-of-State casino gaming properties in  
36 the region to preserve, and perhaps grow, the many benefits that  
37 casino gaming has brought to the State, and more particularly, to  
38 the Atlantic City region.

39 n. It is also a primary public purpose to stabilize the casino  
40 industry for the benefit of the casino employee workforce, many of  
41 whom have worked in the casinos since the first casino opened over  
42 30 years ago. It is anticipated that the financial stability granted to  
43 the casino gaming properties by a guaranteed mandatory minimum  
44 payment in lieu of property taxes for a 10-year period will greatly  
45 enhance the ability of the casino gaming properties to adapt their  
46 business models to the changes in the regional casino gaming  
47 market, which will in turn allow them to remain open for business  
48 and to pay their employees good wages and benefits, including  
49 health care and pension benefits, for many years to come.

1 o. This plan to provide a guaranteed minimum in lieu of  
2 property tax payment for 10 years, and ending casino property tax  
3 appeal litigation would provide some economic stabilization to  
4 Atlantic City and allow it time to plan for its future, which it cannot  
5 do if it descends further into an economic free-fall.

6 p. The public purpose of a property tax exemption and payment in  
7 lieu of property tax program for casino gaming properties seems  
8 evident without examining the specific local, regional, and Statewide  
9 economic benefits of the continued success of the casino industry and  
10 the general economic viability of Atlantic City. Arguably, the local,  
11 regional, and State economies could be bolstered by such a property  
12 tax exemption and, thus, be seen by a court as a primary public  
13 purpose furthered by the legislation. The exemption of casino  
14 property from property taxation is a proper exercise of the  
15 Legislature's power to grant property tax exemptions by general law,  
16 since Atlantic City casinos are a unique classification which does not  
17 exclude any similar properties in the State. Such an exemption  
18 primarily furthers several public purposes, while providing an  
19 incidental benefit to casino properties.

20 q. The Legislature intends to request in the budget process that  
21 \$10,000,000 is appropriated for economic development projects in  
22 Atlantic City and that \$8,000,000 is appropriated for funding for the  
23 promotion, marketing, and advertising of the City of Atlantic City.  
24 Any amount so appropriated to Atlantic City shall not impact, reduce,  
25 or otherwise affect the amount appropriated for Transitional Aid to  
26 Localities.

27  
28 3. (New section) a. As used in P.L. , c. (C. )  
29 (pending before the Legislature as this bill):

30 "Atlantic City" means the City of Atlantic City, in Atlantic  
31 County;

32 "Base amount" means the amount of the payment in lieu of taxes  
33 as determined by subparagraph <sup>1</sup>**[iv]** (d)<sup>1</sup> of paragraph (3) of  
34 subsection c. of this section;

35 "Casino gaming property" means one or more parcels of real  
36 property located in Atlantic City, and any adjacent property utilized  
37 in connection with such property, upon which there is located a  
38 facility licensed to be used for casino gaming in 2014 or thereafter,  
39 whether or not in actual operation, which has more than 500 guest  
40 hotel rooms, and is not subject to recorded covenants prohibiting  
41 casino gaming;

42 "Division" means the Division of Gaming Enforcement in the  
43 Department of Law and Public Safety;

44 "Gross gaming revenue" (GGR) means the total amount of  
45 revenue raised through casino gaming from all of the casino gaming  
46 properties located in Atlantic City as determined by the division  
47 <sup>2</sup>**[1]**, provided, however, that casino gaming revenue derived from a  
48 casino which is not participating in the "Casino Property Tax

1 Stabilization Act” pursuant to section 6 of this act shall not be  
2 included in the calculation of gross gaming revenue<sup>1</sup>2;

3 “Local Finance Board” means the Local Finance Board in the  
4 Division of Local Government Services in the Department of  
5 Community Affairs; and

6 “Treasury” means the Department of the Treasury.

7 b. Beginning with calendar year <sup>4</sup>~~[2016]~~ 2017<sup>4</sup>, and for the  
8 next succeeding nine calendar years, casino gaming properties  
9 located in Atlantic City shall be exempt from local property  
10 taxation on real property and improvements, including accessory  
11 hotels, conference centers, parking garages, and other appurtenant  
12 facilities, except that any new improvement developed on a casino  
13 gaming property that is made outside of the perimeter footprint of  
14 any improvement existing as of the effective date of this <sup>1</sup>~~[bill]~~ act<sup>1</sup>  
15 and any real property, not formerly qualified as casino gaming  
16 property <sup>4, 4</sup> <sup>1</sup>acquired after such date by an owner of casino gaming  
17 property<sup>1</sup> shall not be exempt from local property taxation in any  
18 calendar year and shall be subject to local property taxation  
19 annually at Atlantic City’s general property tax rate. The  
20 provisions of this section shall not apply to any casino property that  
21 operates under a small scale casino facility license or a staged  
22 casino facility license pursuant to section 1 of P.L.2010, c.115  
23 (C.5:12-80.1).

24 c. (1) In exchange for the property tax exemption granted in  
25 subsection b. of this section, each owner of each casino gaming  
26 property shall sign a 10-year financial agreement with <sup>1</sup>~~[the City~~  
27 ~~of]~~ <sup>1</sup>Atlantic City for each casino gaming property promising to  
28 make quarterly payments to the city of its allocated portion of the  
29 annual amount of the payment in lieu of taxes as determined by this  
30 section. The owner of each casino gaming property shall be  
31 responsible for the payments allocated to that property and shall be  
32 subject to the lien provisions of R.S.54:5-6 if those payments are  
33 not made.

34 (2) Any new owner of a casino gaming property following the  
35 effective date of P.L. , c. (C. ) (pending before the  
36 Legislature as this bill) shall immediately become responsible for  
37 signing a financial agreement with <sup>1</sup>~~[the City of]~~ <sup>1</sup>Atlantic City  
38 promising to make payments consistent with this section.

39 (3) <sup>1</sup>~~[(i)]~~ <sup>1</sup>~~(a)~~ The total amount of the payment in lieu of  
40 property taxes owed to Atlantic City for calendar year <sup>4</sup>~~[2016]~~  
41 2017<sup>4</sup> shall be \$120 million. To the extent that any owner of a  
42 casino gaming property has paid property taxes for calendar year  
43 <sup>4</sup>~~[2016]~~ 2017<sup>4</sup> prior to the <sup>4</sup>~~[effective]~~ <sup>4</sup>date <sup>4</sup>~~[of]~~ <sup>4</sup>P.L. ,  
44 c. (C. ) (pending before the Legislature as this bill) <sup>4</sup>becomes  
45 operative<sup>4</sup>, the amount of property taxes so paid shall be credited  
46 toward that owner’s allocated share of the \$120 million total  
47 payment in lieu of property taxes.

1       <sup>1</sup>[(ii)] (b)<sup>1</sup> For calendar year <sup>4</sup>[2017] 2018<sup>4</sup> and for each  
2 calendar year thereafter, the amount of the payment in lieu of  
3 property taxes owed to Atlantic City shall increase by two percent  
4 per year in every year in which there is no upward adjustment to the  
5 base amount of the payment in lieu of taxes from the previous  
6 calendar year as determined by subparagraph <sup>1</sup>[(iv)] (d)<sup>1</sup> of this  
7 paragraph.

8       <sup>1</sup>[(iii)] (c)<sup>1</sup> For calendar year <sup>4</sup>[2017] 2018<sup>4</sup> and for each  
9 calendar year thereafter, the total amount of the payment in lieu of  
10 property taxes owed to Atlantic City shall be the base amount as  
11 determined by subparagraph <sup>1</sup>[(iv)] (d)<sup>1</sup> of this paragraph and the  
12 total amount of the annual increases to date as determined by  
13 subparagraph <sup>1</sup>[(ii)] (b)<sup>1</sup> of this paragraph.

14       <sup>1</sup>[(iv)] (d)<sup>1</sup> <sup>3</sup>[Subject to section 6 of P.L. , c. (C. )  
15 (pending before the Legislature as this bill), for] For<sup>3</sup> calendar year  
16 <sup>4</sup>[2017] 2018<sup>4</sup> and for each calendar year thereafter, the base  
17 amount of the payment in lieu of taxes shall be determined as  
18 follows:

19       If the amount of the GGR in the preceding calendar year is  
20 between \$3.4 billion and \$3.8 billion, the base amount shall be \$165  
21 million, or in the case of an upward adjustment, \$15 million more  
22 than the PILOT in the previous year, whichever is greater;

23       If the amount of the GGR in the preceding calendar year is  
24 between \$3.0 billion and \$3.4 billion, the base amount shall be \$150  
25 million, or in the case of an upward adjustment, \$20 million more  
26 than the PILOT in the previous year, whichever is greater;

27       If the amount of the GGR in the preceding calendar year is  
28 between \$2.6 billion and \$3.0 billion, the base amount shall be \$130  
29 million, or in the case of an upward adjustment, \$10 million more  
30 than the PILOT in the previous year, whichever is greater;

31       If the amount of the GGR in the preceding calendar year is  
32 between \$2.2 billion and \$2.6 billion, the base amount shall be \$120  
33 million, or in the case of an upward adjustment, \$10 million more  
34 than the PILOT in the previous year, whichever is greater;

35       If the amount of the GGR in the preceding calendar year is  
36 between \$1.8 billion and \$2.2 billion and the aggregate gross  
37 revenues from all of the casino gaming properties located in  
38 Atlantic City from all revenue streams, excluding GGR, have not  
39 increased compared to the prior calendar year by more than the  
40 amount by which GGR is less than \$2.2 billion, as determined by  
41 the division, the base amount shall be \$110 million, or in the case of  
42 an upward adjustment, \$20 million more than the PILOT in the  
43 previous year, whichever is greater;

44       If the amount of the GGR in the preceding calendar year is \$1.8  
45 billion or less and the aggregate gross revenue from all of the casino  
46 gaming properties located in Atlantic City from all revenue streams,  
47 excluding GGR have not increased compared to the prior calendar  
48 year by more than the amount by which GGR is less than \$1.8



1 billion as determined by the division, the base amount shall be \$90  
2 million.

3 (4) The amount of the payment in lieu of property taxes owed  
4 pursuant to this subsection shall be calculated annually each  
5 calendar year for each casino gaming property using a formula  
6 implemented by the Local Finance Board, in consultation with the  
7 division, using the following criteria:

8 The geographic footprint of the real property, expressed in acres,  
9 owned by each casino gaming property;

10 The number of hotel guest rooms in each casino gaming  
11 property; and

12 The gross gaming revenue of the casino in each casino gaming  
13 property from the prior calendar year.

14 Each of these three criteria shall bear equal weight in the formula  
15 implemented by the Local Finance Board, in consultation with the  
16 division, pursuant to this paragraph, provided that during calendar  
17 years <sup>4</sup>[2016,]<sup>4</sup> 2017, 2018, 2019, <sup>4</sup>[and]<sup>4</sup> 2020 <sup>4</sup>, and 2021<sup>4</sup>, if  
18 the formula results in any individual casino gaming property being  
19 allocated an amount that is in excess of the total real property taxes  
20 due and payable by the casino gaming property in calendar year  
21 2015, then that casino gaming property shall receive a credit against  
22 the obligation of the operator of that property under paragraph (2)  
23 of subsection a. of section 3 of P.L.1984, c.218 (C.5:12-144.1) in  
24 the amount of such excess. If, after that credit against the  
25 obligation of the operator of that property under paragraph (2) of  
26 subsection a. of section 3 of P.L.1984, c.218 (C.5:12-144.1), that  
27 casino gaming property would still be liable for a payment in lieu of  
28 property taxes in excess of the total real property taxes due and  
29 payable by the casino gaming property in calendar year 2015, the  
30 casino gaming property shall not be required to make any additional  
31 payment in lieu of property tax payment. Instead, any additional  
32 amount that would have been owed by that casino gaming property  
33 shall be added, by proportional share, to the payment in lieu of  
34 property taxes to be paid by every other casino gaming property in  
35 order to provide Atlantic City the total amount of the payment in  
36 lieu of property taxes due and owing for that calendar year.

37 d. When a new casino gaming property is added or when an  
38 existing casino gaming property no longer qualifies as a casino  
39 gaming property as defined in subsection a. of <sup>1</sup>this<sup>1</sup> section <sup>1</sup>[3 of  
40 P.L. , c. (C. ) (pending before the Legislature as this  
41 bill)]<sup>1</sup>, Atlantic City's financial agreement with each owner of each  
42 casino gaming property shall be amended to reflect the change and  
43 the allocation of the payment in lieu of property taxes between the  
44 casino gaming properties.

45 e. The provisions of R.S.54:5-6 shall apply to any amount  
46 required to be paid under <sup>1</sup>this<sup>1</sup> section <sup>1</sup>[3 of P.L. , c. (C. )  
47 (pending before the Legislature as this bill)]<sup>1</sup>, and the municipality  
48 shall have the same rights against any casino gaming property for

1 such unpaid amounts relating to that property as if such amounts  
2 were unpaid property taxes.

3  
4 4. (New section) a. In addition to the amounts required to be  
5 remitted under section 3 of P.L. , c. (C. ) (pending before  
6 the Legislature as this bill), the owner of each casino gaming  
7 property shall make a separate payment to the State <sup>3</sup>[in] for<sup>3</sup>  
8 calendar years 2015, 2016 <sup>1</sup>; <sup>1</sup> 2017, 2018, 2019, 2020, 2021, 2022,  
9 and 2023, where the aggregate amount of these payments paid by  
10 the casino gaming properties shall equal the following: (1)  
11 \$30,000,000 for calendar year 2015 <sup>1</sup>[,] <sup>1</sup>; (2) \$30,000,000 for  
12 calendar year 2016; (3) \$15,000,000 for calendar year 2017; (4)  
13 \$10,000,000 for calendar year 2018 <sup>1</sup>[,] <sup>1</sup>; (5) \$5,000,000 for  
14 calendar year 2019; (6) \$5,000,000 for calendar year 2020; (7)  
15 \$5,000,000 for calendar year 2021; (8) \$5,000,000 for calendar year  
16 2022; and (9) \$5,000,000 for calendar year 2023 <sup>3</sup>[<sup>1</sup>, except that no  
17 further payments shall be due under this subsection from an owner  
18 of casino gaming property for any year following its withdraw from  
19 the financial agreement pursuant to section 6 of P.L. , c. (C. )  
20 (pending before the Legislature as this bill) and the total amount  
21 due under this section shall be reduced by the amount that would  
22 have been allocated to the owner of casino gaming property which  
23 has withdrawn<sup>1</sup>]<sup>3</sup>.

24 b. The Local Finance Board, in consultation with the division,  
25 shall determine the amount owed for each casino gaming property  
26 based on the proportion of gross gaming revenue of the casino in  
27 casino gaming property in the prior year. The owner of each casino  
28 gaming property where a casino is operated during the year in  
29 which the payments required by this section are due shall remit its  
30 payment to the State. The Local Finance Board shall provide the  
31 owner of each casino gaming property required to make a payment  
32 under this section with written notice of the amount of the payment  
33 for each casino gaming property, and instructions for how each  
34 payment shall be made. Each owner of a casino gaming property  
35 required to make a payment under this section shall remit its  
36 payment within five business days of receipt of the written notice  
37 from the Local Finance Board.

38 c. The funds comprised of the payments collected under this  
39 section shall be remitted from the State to <sup>1</sup>[the City of]<sup>1</sup> Atlantic  
40 City <sup>1</sup>[upon approval of the Local Finance Board, at the board's  
41 discretion, of a financial plan submitted by the City of Atlantic  
42 City. The financial plan shall, at a minimum, set forth specific  
43 actions that the City of Atlantic City shall take to improve its  
44 financial condition and address its fiscal imbalance. The Local  
45 Finance Board, at its discretion, may require that the City of  
46 Atlantic City take steps to implement the financial plan before  
47 releasing the funds comprised of the payments to the City of  
48 Atlantic City]<sup>1</sup> <sup>3</sup>, which, for purposes of preparing annual budgets

1 pursuant to the “Local Budget Law,” N.J.S.40A:4-1 et seq., must be  
 2 applied to the Atlantic City budget for the calendar year for which  
 3 funds are provided as identified in subsection a. of this section and  
 4 to no other Atlantic City calendar year budget<sup>3</sup>.

5  
 6 5. (New section) Annually, a portion of the payment in lieu of  
 7 property tax moneys collected pursuant to section 3 of P.L. ,  
 8 c. (C. ) (pending before the Legislature as this bill) shall be  
 9 remitted to the county and the school district for their own  
 10 purposes. These moneys shall be remitted to the county and to the  
 11 school district in the same manner as property taxes are paid to  
 12 counties and school districts pursuant to R.S.54:4-74, R.S.54:4-75,  
 13 and R.S.54:4-76, except that the Local Finance Board may, in its  
 14 discretion, apportion a specific percentage of the payment in lieu of  
 15 property tax moneys to be remitted to the county.

16  
 17 <sup>3</sup>[<sup>1</sup>6. (New section) Upon the commencement of the operation  
 18 of a casino gaming facility in New Jersey that is located outside of  
 19 Atlantic City at any time prior to the expiration of P.L. ,  
 20 c. (C. ) (pending before the Legislature as this bill), any  
 21 signatory to the financial agreement required under section 3 of this  
 22 act shall have the option to withdraw from the financial agreement  
 23 and to have its casino gaming property instead become subject to  
 24 regular property taxation. To exercise such option, the signatory  
 25 shall notify the division and the Atlantic City property tax assessor  
 26 in writing of its intent to withdraw no later than the September 15  
 27 next following the commencement of operation of the casino  
 28 gaming facility outside of Atlantic City. The withdrawal shall be  
 29 effective at the end of that calendar year.<sup>1</sup> <sup>2</sup>In each calendar year  
 30 following the withdrawal, the total amount of the payment in lieu of  
 31 property taxes owed to Atlantic City shall continue to be calculated  
 32 based on the formula in subsection c. of section 3 of P.L. ,  
 33 c. , (C. ) (pending before the Legislature as this bill), but only  
 34 those owners of casino gaming property who have not withdrawn  
 35 shall be obligated to pay their allocated share under the formula.<sup>2</sup><sup>3</sup>

36  
 37 <sup>1</sup>[<sup>6</sup>] <sup>3</sup>[<sup>7</sup>.] <sup>6</sup> (New section) a. On January 1, <sup>1</sup>[<sup>2026</sup>]  
 38 <sup>4</sup>[<sup>2024</sup><sup>1</sup>] <sup>2025</sup><sup>4</sup>, there shall be established the Atlantic City Review  
 39 Commission, to review and determine the efficacy of the payment  
 40 in lieu of property tax program established by P.L. , c. (C. )  
 41 (pending before the Legislature as this bill). Specifically, the  
 42 commission shall determine: the economic vitality and viability of  
 43 Atlantic City’s casinos; the economic vitality and viability of  
 44 Atlantic <sup>1</sup>[<sup>City</sup>] <sup>City’s</sup><sup>1</sup> government; the effect of the payment in  
 45 lieu of property tax program on the economic viability of the  
 46 casinos, and on Atlantic City’s ability to fund its own government  
 47 and to provide services to the residents of Atlantic City; and the

1 feasibility of continuing the payment in lieu of property tax  
2 program for an additional period of time.

3 b. The commission shall consist of seven members:

4 A member of the public, appointed by the Governor, who shall  
5 be the Chairperson of the Commission;

6 The Commissioner of Community Affairs, or the commissioner's  
7 designee;

8 The Atlantic City Mayor or the mayor's designee;

9 The Atlantic County Executive, or the county executive's  
10 designee;

11 A representative of the casino industry, appointed by the  
12 Governor;

13 A representative of a casino employees' union, appointed by the  
14 Governor upon the recommendation of the President of the Senate;  
15 and

16 A representative of the business community of Atlantic City,  
17 appointed by the Governor upon recommendation of the Speaker of  
18 the General Assembly. This member shall be a resident of Atlantic  
19 City and shall not be an executive or an employee of any of the  
20 casinos in Atlantic City. This member shall be appointed from, and  
21 shall represent on the commission, the interests of the non-gaming  
22 business interests in the city.

23 c. The commission shall issue its findings and  
24 recommendations in writing not later than July 1, <sup>4</sup>[2024] 2025<sup>4</sup> to  
25 the Governor, the President of the Senate, and the Speaker of the  
26 General Assembly pursuant to section 2 of P.L.1991, c.164  
27 (C.52:14-19.1). The commission shall expire on the 30th day next  
28 following the issuance of those findings and recommendations.  
29

30 <sup>1</sup> [7.] <sup>3</sup>[8.1] 7.<sup>3</sup> (New section) The State of New Jersey shall  
31 have a first priority lien on <sup>3</sup>[all]<sup>3</sup> payments made under <sup>3</sup>sections  
32 3 and 4 of <sup>3</sup>P.L. , c. (C. ) (pending before the Legislature as  
33 this bill) to secure repayment of any amounts outstanding,  
34 <sup>3</sup>including any accrued interest,<sup>3</sup> at the time of the payment,  
35 <sup>3</sup>including, without limitation, on any financial obligations of  
36 Atlantic City to the State of New Jersey, including any office,  
37 department, division, bureau, board, commission, or agency of the  
38 State,<sup>3</sup> on any loans made to <sup>3</sup>[the city of]<sup>3</sup> Atlantic City by the  
39 State of New Jersey, including any office, department, division,  
40 bureau, board, commission <sup>3,3</sup> or agency of the State, including  
41 without limitation loans made pursuant to the "Supplemental  
42 Municipal Property Tax Relief Act," P.L.1991, c.63 (C.52:27D-  
43 118.32 et seq.), or <sup>3</sup>for<sup>3</sup> any aid provided by the State of New  
44 Jersey, including any office, department, division, bureau, board,  
45 commission <sup>3,3</sup> or agency of the State, to Atlantic City requiring  
46 repayment. Atlantic City shall utilize amounts received under  
47 <sup>3</sup>sections 3 and 4<sup>3</sup> P.L. , c. (C. ) (pending before the  
48 Legislature as this bill) to first repay the State of New Jersey for

1 any such <sup>3</sup>financial obligation,<sup>3</sup> outstanding loan <sup>3,3</sup> or aid amounts.  
 2 <sup>3</sup>The first priority lien held by the State shall be superior and  
 3 paramount to any and all prior or subsequent liens or levies by any  
 4 creditors.<sup>3</sup>

5  
 6 <sup>1</sup>[~~8.~~] <sup>3</sup>[~~9.1~~] 8.<sup>3</sup> R.S.54:5-6 is amended to read as follows:  
 7 54:5-6. Taxes on lands and payments in lieu of property taxes  
 8 pursuant to section 3 of P.L. , c. (C. ) (pending before the  
 9 Legislature as this bill), shall be a continuous lien on the land on  
 10 which they are assessed and all subsequent taxes, or payments in  
 11 lieu of property taxes pursuant to section 3 of P.L. , c. (C. )  
 12 (pending before the Legislature as this bill), as appropriate, interest,  
 13 penalties and costs of collection which thereafter fall due or accrue  
 14 shall be added to and be a part of such initial lien.  
 15 (cf: P.L.1994, c.32, s.5)

16  
 17 <sup>1</sup>[~~9.~~] <sup>3</sup>[~~10.1~~] 9.<sup>3</sup> (New section) Notwithstanding the provisions  
 18 of section 3 of P.L.1984, c.218 (C.5:12-144.1) or any other law to  
 19 the contrary, including subsection k. of section 5 of P.L.2011, c.18  
 20 (C.5:12-219), the moneys received <sup>3</sup>after the effective date of  
 21 P.L. , c. (C. ) (pending before the Legislature as this bill),<sup>3</sup> by  
 22 the State Treasurer derived from the payment of the investment  
 23 alternative tax in the amount specified in paragraph (2) of  
 24 subsection a. of section 3 of P.L.1984, c.218 (C.5:12-144.1) and the  
 25 investment alternative in the amount as specified in section 17 of  
 26 P.L.2013, c.27 (C.5:12-95.19), except for any amount thereof  
 27 pledged for the payment of bonds issued by the Casino  
 28 Reinvestment Development Authority or otherwise contractually  
 29 obligated by the authority prior to the effective date of P.L. ,  
 30 c. (C. ) (pending before the Legislature as this bill), <sup>3</sup>or any  
 31 bonds issued to refund such bonds,<sup>3</sup> shall be allocated to <sup>3</sup>[~~the city~~  
 32 ~~of~~]<sup>3</sup> Atlantic City for the purposes of paying debt service on bonds  
 33 issued by Atlantic City prior to <sup>3</sup>and after<sup>3</sup> the effective date of  
 34 P.L. , c. (C. ) (pending before the Legislature as this bill).  
 35 <sup>3</sup>The provisions of this section shall expire on December 31,  
 36 <sup>4</sup>[~~2025~~] 2026<sup>4</sup> .<sup>3</sup>

37  
 38 <sup>1</sup>[~~10.~~] <sup>3</sup>[~~11.1~~] 10.<sup>3</sup> (New section) Notwithstanding any law,  
 39 rule, or regulation to the contrary, all monies allocated pursuant to  
 40 section 9 of P.L. , c. (C. ) (pending before the Legislature  
 41 as this bill) shall be considered “funds appropriated as State aid and  
 42 not otherwise dedicated to specific municipal programs <sup>3,3</sup>” so  
 43 payable to such municipality that are withheld or are required to be  
 44 withheld by the State Treasurer under <sup>3</sup>[~~P.L.1976, c.38 (C.40A:3-1~~  
 45 ~~et seq.) as set forth in~~]<sup>3</sup> the “Municipal Qualified Bond Act,”  
 46 P.L.1976, c.38 (C.40A:3-1 et seq.).

1       <sup>1</sup>【11.】<sup>3</sup>【12.1】<sup>11.3</sup> Section 1 of P.L.2011, c.18 (C.5:12-218) is  
2 amended to read as follows:

3       1. As used in P.L.2011, c.18 (C.5:12-218 et al.):

4       "Atlantic City" or "city" means the City of Atlantic City, Atlantic  
5 County.

6       "Atlantic City convention center project" or "convention center  
7 project" means the project authorized by paragraph (9) of  
8 subsection a. of section 6 of P.L.1971, c.137 (C.5:10-6).

9       "Atlantic City Tourism District" or "tourism district" means the  
10 district within Atlantic City established pursuant to section 5 of  
11 P.L.2011, c.18 (C.5:12-219).

12       "Authority" means the Casino Reinvestment Development  
13 Authority established pursuant to section 5 of P.L.1984, c.218  
14 (C.5:12-153).

15       "Convention center authority" means the Atlantic City  
16 Convention and Visitors Authority established pursuant to section 3  
17 of P.L.1981, c.459 (C.52:27H-31).

18       "Convention Center Division" or "division" means the division  
19 created pursuant to paragraph (1) of subsection b. of section 12 of  
20 P.L.2011, c.18 (C.5:12-226) to exist within the authority as a  
21 division of the authority.

22       【"Corporation" means the not-for-profit corporation with which  
23 the authority is to undertake an agreement pursuant to subsection a.  
24 of section 7 of P.L.2011, c.18 (C.5:12-221).】

25       "Development and design guidelines" means the development  
26 and design guidelines for site plan applications, which guidelines  
27 are to be adopted by the authority pursuant to section 6 of P.L.2011,  
28 c.18 (C.5:12-220).

29       "District land use regulations" means the regulations, applicable  
30 within the tourism district, that are to be adopted by the authority  
31 pursuant to P.L.2011, c.18 (C.5:12-218 et al.).

32       "Gaming" means, in addition to any meaning otherwise provided  
33 by law, any legalized form of gambling in New Jersey including,  
34 but not limited to, casino gambling and horse racing.

35       "Nonconforming use" means a legal or pre-existing use or  
36 activity which fails to conform to the development and design  
37 guidelines or land use regulations adopted by the authority pursuant  
38 to P.L.2011, c.18 (C.5:12-218 et al.).

39       "Public safety improvements" means the development of  
40 infrastructure in the tourism district made for the purpose of  
41 increasing safety. Such improvements would include the  
42 development of appropriate security technology and the installation  
43 of increased lighting in outdoor areas, the installation of  
44 surveillance cameras, and the installation of emergency phones and  
45 lights throughout the tourism district for use by appropriate security  
46 and law enforcement personnel.

47       "Road and highway authority" means any State or local entity,  
48 including, but not limited to, Atlantic City or any agency thereof,

1 Atlantic County or any agency thereof, the New Jersey Department  
2 of Transportation, and the South Jersey Transportation Authority  
3 established under section 4 of P.L.1991, c.252 (C.27:25A-4), or any  
4 other State or local entity having jurisdiction over (a) the roads and  
5 highways in the tourism district, (b) the roads and highways  
6 adjacent to the tourism district, (c) the land area in which the  
7 authority is an interested party pursuant to subsection c. of section 6  
8 of P.L.2011, c.18 (C.5:12-220), or (d) the portion of the roads and  
9 highways in Atlantic City which provide direct access to the  
10 tourism district.

11 "Tourism district master plan" or "Master plan," or "plan," means  
12 the authority's comprehensive master plan for the redevelopment of  
13 the tourism district.

14 "Transfer Date" means, with respect to the assumption by the  
15 authority of the powers, duties, assets, and responsibilities of the  
16 convention center authority, the date on which (a) the chairs of the  
17 authority and the convention center authority certify to the  
18 Governor that all of the bonds issued by the convention center  
19 authority cease to be outstanding within the meaning of the  
20 resolutions pursuant to which the bonds were issued, and (b) the  
21 authority assumes all debts and statutory responsibilities of the  
22 convention center authority.

23 (cf: P.L.2011, c.18, s.1)

24

25 <sup>1</sup>[12.] <sup>3</sup>[13.1] 12.<sup>3</sup> Sections 7 and 9 of P.L.2011, c.18 (C.5:12-  
26 221 and C.5:12-223) are repealed.

27

28 <sup>1</sup>[13.] <sup>3</sup>[14.1] 13.<sup>3</sup> This act shall take effect immediately <sup>3</sup>but  
29 shall remain inoperative unless and until Atlantic City is deemed a  
30 municipality in need of stabilization and recovery and the  
31 Commissioner of Community Affairs makes a determination  
32 regarding Atlantic City's recovery plan pursuant to subsections a.  
33 and c. of section 4 of P.L. , c. (C. ) (pending before the  
34 Legislature as Assembly Bill No. 2569 of 2016, or Senate Bill No.  
35 1711 of 2016, as amended)<sup>3</sup>, provided, however, that <sup>3</sup>[sections] if  
36 this act becomes operative, sections<sup>3</sup> 4, 11, and 12 shall be  
37 retroactive to January 1, 2015.

38

39

40

41

42 Concerns taxation of casino gaming property; redirects  
43 investment alternative tax proceeds; abolishes Atlantic City  
44 Alliance.

# SENATE, No. 1715

## STATE OF NEW JERSEY

### 217th LEGISLATURE

INTRODUCED FEBRUARY 29, 2016

**Sponsored by:**

**Senator STEPHEN M. SWEENEY**

**District 3 (Cumberland, Gloucester and Salem)**

**SYNOPSIS**

Concerns taxation of casino gaming property; redirects investment alternative tax proceeds; abolishes Atlantic City Alliance.

**CURRENT VERSION OF TEXT**

As introduced.





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2

1 AN ACT concerning the stabilization of the finances of a  
2 municipality in which casino gaming is authorized, amending  
3 R.S.54:5-6 and P.L.2011, c.18, and supplementing Title 52 of the  
4 Revised Statutes.

5

6 **BE IT ENACTED** by the Senate and General Assembly of the State  
7 of New Jersey:

8

9 1. (New section) Sections 1 through 7 and section 9 of P.L. ,  
10 c. (C. ) (pending before the Legislature as this bill) shall be  
11 known and may be referred to as the “Casino Property Tax  
12 Stabilization Act.”

13

14 2. (New section) The Legislature finds and declares that:

15 a. In 1976, the voters of the State approved an amendment to  
16 the New Jersey Constitution (Article IV, Section VII, paragraph 2,  
17 subparagraph D), which authorized casino gaming in Atlantic City.

18 b. For over 30 years, casinos grew and profited in the City of  
19 Atlantic City, until competition from other states in our region,  
20 particularly Pennsylvania, siphoned off much of the out-of-State  
21 and foreign gamblers who had frequented Atlantic City casinos for  
22 many years.

23 c. The regional competition in casino gaming has had a  
24 deleterious effect on Atlantic City in several ways, including: an  
25 increase in unemployment due to the recent closing of four casino  
26 properties, representing fully one-third of the number of casinos  
27 operating in Atlantic City in 2013; a strain on Atlantic City’s  
28 municipal budget due to property tax refunds required by successful  
29 assessment appeals of casino gaming properties; and an increased  
30 property tax burden on Atlantic City and Atlantic County residents  
31 based on the decreasing value of casino gaming properties.

32 d. In the “New Jersey Economic Opportunity Act of 2013,”  
33 P.L. 2013, c.161 (C.52:27D-489a et al.), the four New Jersey cities  
34 with the lowest median family income based on the 2009 American  
35 Community Survey from the United States Census, (Table 708.  
36 Household, Family, and Per Capita Income and Individuals, and  
37 Families Below Poverty Level by City: 2009) were designated as  
38 Garden State Growth Zones and were declared blighted areas and  
39 areas in need of rehabilitation; provided, however, that the  
40 declaration alone could not be used to allow any property to be  
41 taken or acquired.

42 e. The Legislature has previously recognized the extraordinary  
43 situation in Atlantic City, by designating a municipality which  
44 contains a tourism district as established pursuant to section 5 of  
45 P.L.2011, c.18 (C.5:12-219) and regulated by the Casino

**EXPLANATION – Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.**

**Matter underlined thus is new matter.**

1 Reinvestment Development Authority as a Garden State Growth  
2 Zone for purposes of incentive programs administered by the New  
3 Jersey Economic Development Authority in P.L.2014, c.63  
4 (C.34:1B-251 et al.).

5 f. Consistent with the Legislature's acts with respect to the  
6 other Garden State Growth Zones, a municipality which contains a  
7 tourism district as established pursuant to section 5 of P.L.2011,  
8 c.18 (C.5:12-219) and is regulated by the Casino Reinvestment  
9 Development Authority is hereby declared a blighted area and area  
10 in need of redevelopment; provided, however, that this declaration  
11 alone shall not be used to allow any property to be taken or  
12 acquired.

13 g. The accurate assessment of casino gaming properties is  
14 especially difficult because they are unique properties and their  
15 year-to-year value is greatly influenced by the performance of  
16 casino gaming properties in other nearby states and by extreme  
17 weather events like Super Storm Sandy.

18 h. It is appropriate for the Legislature to address the  
19 extraordinary situation in Atlantic City by devising a program that  
20 avoids costly assessment appeals for both the casino operators and  
21 Atlantic City, and that provides a certain mandatory minimum  
22 property-tax related payment by casino properties that Atlantic City  
23 can rely upon each year.

24 i. Article VIII, Section I, paragraph 2 of the New Jersey  
25 Constitution empowers the Legislature to grant property tax  
26 exemptions by general law.

27 j. It is constitutional to classify Atlantic City, the only  
28 municipality wherein casino gaming is authorized, as a special class  
29 unto itself for economic purposes related to casino gaming. Courts  
30 have routinely concluded that the Legislature has the ability to  
31 address the concerns of Atlantic City and the casino industry  
32 separately from other local entities and industries due to the unique  
33 role casino gambling plays in Atlantic City and the State. The fact  
34 that, even though almost 40 years have passed since the approval of  
35 casino gambling in New Jersey, Atlantic City remains the only  
36 municipality wherein casino gaming is authorized, proves that its  
37 unique classification continues to allow the Legislature to treat it as  
38 a special case under State law, and permits changes to the casino  
39 "experiment" in Atlantic City.

40 k. Casino gaming properties represent a unique classification of  
41 property that can be exempted from normal property taxation by  
42 general law, in favor of a certain guaranteed mandatory minimum  
43 payment in lieu of property taxes when it is primarily in the public  
44 interest to do so.

45 l. In the interest of the revitalization of Atlantic City and the  
46 continuation of the casino industry and its associated economic  
47 benefits to the State, it is reasonable that the Legislature, in seeking  
48 to revitalize the city, should choose to experiment with a payment

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1 in lieu of property tax mechanism to address the issues of persistent  
2 property tax appeals and the damage that those appeals, together  
3 with declining casino property values, have wrought on the tax  
4 bases of both Atlantic City and Atlantic County.

5 m. It is a primary public purpose to grant casino gaming  
6 properties an exemption from normal property taxation for a limited  
7 period of time, in exchange for a guaranteed mandatory minimum  
8 payment in lieu of property taxes, because Atlantic City will be able  
9 to depend on a certain level of revenue from casino gaming  
10 properties each year, making the local property tax rate and need for  
11 State aid less volatile; casino revenue supports many social  
12 programs, such as property tax relief for seniors, medical assistance,  
13 housing for disabled residents, transportation assistance, and other  
14 social services programs for elderly and disabled New Jerseyans;  
15 casinos provide a unique recreational experience to the residents of  
16 New Jersey within the State; and because, with a long-term  
17 predictable payment in lieu of property tax liability, casino gaming  
18 properties will know how much of their income will be required to  
19 pay their obligation to Atlantic City, Atlantic County, and the  
20 Atlantic City School District. This ability to depend on a stable  
21 payment in lieu of property tax obligation will in turn help to  
22 stabilize the casino business models and the workforce required to  
23 run those business models, and the casino gaming properties will be  
24 better able to compete with out-of-State casino gaming properties in  
25 the region to preserve, and perhaps grow, the many benefits that  
26 casino gaming has brought to the State, and more particularly, to  
27 the Atlantic City region.

28 n. It is also a primary public purpose to stabilize the casino  
29 industry for the benefit of the casino employee workforce, many of  
30 whom have worked in the casinos since the first casino opened over  
31 30 years ago. It is anticipated that the financial stability granted to  
32 the casino gaming properties by a guaranteed mandatory minimum  
33 payment in lieu of property taxes for a 10-year period will greatly  
34 enhance the ability of the casino gaming properties to adapt their  
35 business models to the changes in the regional casino gaming  
36 market, which will in turn allow them to remain open for business  
37 and to pay their employees good wages and benefits, including  
38 health care and pension benefits, for many years to come.

39 o. This plan to provide a guaranteed minimum in lieu of  
40 property tax payment for 10 years, and ending casino property tax  
41 appeal litigation would provide some economic stabilization to  
42 Atlantic City and allow it time to plan for its future, which it cannot  
43 do if it descends further into an economic free-fall.

44 p. The public purpose of a property tax exemption and payment in  
45 lieu of property tax program for casino gaming properties seems  
46 evident without examining the specific local, regional, and Statewide  
47 economic benefits of the continued success of the casino industry and  
48 the general economic viability of Atlantic City. Arguably, the local,

1 regional, and State economies could be bolstered by such a property  
2 tax exemption and, thus, be seen by a court as a primary public  
3 purpose furthered by the legislation. The exemption of casino  
4 property from property taxation is a proper exercise of the  
5 Legislature’s power to grant property tax exemptions by general law,  
6 since Atlantic City casinos are a unique classification which does not  
7 exclude any similar properties in the State. Such an exemption  
8 primarily furthers several public purposes, while providing an  
9 incidental benefit to casino properties.

10 q. The Legislature intends to request in the budget process that  
11 \$10,000,000 is appropriated for economic development projects in  
12 Atlantic City and that \$8,000,000 is appropriated for funding for the  
13 promotion, marketing, and advertising of the City of Atlantic City.  
14 Any amount so appropriated to Atlantic City shall not impact, reduce,  
15 or otherwise affect the amount appropriated for Transitional Aid to  
16 Localities.

17

18 3. (New section) a. As used in P.L. , c. (C. )  
19 (pending before the Legislature as this bill):

20 “Atlantic City” means the City of Atlantic City, in Atlantic  
21 County;

22 “Base amount” means the amount of the payment in lieu of taxes  
23 as determined by subparagraph iv of paragraph (3) of subsection c.  
24 of this section;

25 “Casino gaming property” means one or more parcels of real  
26 property located in Atlantic City, and any adjacent property utilized  
27 in connection with such property, upon which there is located a  
28 facility licensed to be used for casino gaming in 2014 or thereafter,  
29 whether or not in actual operation, which has more than 500 guest  
30 hotel rooms, and is not subject to recorded covenants prohibiting  
31 casino gaming;

32 “Division” means the Division of Gaming Enforcement in the  
33 Department of Law and Public Safety;

34 “Gross gaming revenue” (GGR) means the total amount of  
35 revenue raised through casino gaming from all of the casino gaming  
36 properties located in Atlantic City as determined by the division;

37 ”Local Finance Board” means the Local Finance Board in the  
38 Division of Local Government Services in the Department of  
39 Community Affairs; and

40 “Treasury” means the Department of the Treasury.

41 b. Beginning with calendar year 2016, and for the next  
42 succeeding nine calendar years, casino gaming properties located in  
43 Atlantic City shall be exempt from local property taxation on real  
44 property and improvements, including accessory hotels, conference  
45 centers, parking garages, and other appurtenant facilities, except  
46 that any new improvement developed on a casino gaming property  
47 that is made outside of the perimeter footprint of any improvement  
48 existing as of the effective date of this bill and any real property,

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1 not formerly qualified as casino gaming property shall not be  
2 exempt from local property taxation in any calendar year and shall  
3 be subject to local property taxation annually at Atlantic City's  
4 general property tax rate. The provisions of this section shall not  
5 apply to any casino property that operates under a small scale  
6 casino facility license or a staged casino facility license pursuant to  
7 section 1 of P.L.2010, c.115 (C.5:12-80.1).

8 c. (1) In exchange for the property tax exemption granted in  
9 subsection b. of this section, each owner of each casino gaming  
10 property shall sign a 10-year financial agreement with the City of  
11 Atlantic City for each casino gaming property promising to make  
12 quarterly payments to the city of its allocated portion of the annual  
13 amount of the payment in lieu of taxes as determined by this  
14 section. The owner of each casino gaming property shall be  
15 responsible for the payments allocated to that property and shall be  
16 subject to the lien provisions of R.S.54:5-6 if those payments are  
17 not made.

18 (2) Any new owner of a casino gaming property following the  
19 effective date of P.L. , c. (C. ) (pending before the  
20 Legislature as this bill) shall immediately become responsible for  
21 signing a financial agreement with the City of Atlantic City  
22 promising to make payments consistent with this section.

23 (3) (i) The total amount of the payment in lieu of property taxes  
24 owed to Atlantic City for calendar year 2016 shall be \$120 million.  
25 To the extent that any owner of a casino gaming property has paid  
26 property taxes for calendar year 2016 prior to the effective date of  
27 P.L. , c. (C. ) (pending before the Legislature as this bill), the  
28 amount of property taxes so paid shall be credited toward that  
29 owner's allocated share of the \$120 million total payment in lieu of  
30 property taxes.

31 (ii) For calendar year 2017 and for each calendar year thereafter,  
32 the amount of the payment in lieu of property taxes owed to  
33 Atlantic City shall increase by two percent per year in every year in  
34 which there is no upward adjustment to the base amount of the  
35 payment in lieu of taxes from the previous calendar year as  
36 determined by subparagraph (iv) of this paragraph.

37 (iii) For calendar year 2017 and for each calendar year thereafter,  
38 the total amount of the payment in lieu of property taxes owed to  
39 Atlantic City shall be the base amount as determined by  
40 subparagraph (iv) of this paragraph and the total amount of the  
41 annual increases to date as determined by subparagraph (ii) of this  
42 paragraph.

43 (iv) Subject to section 6 of P.L. , c. (C. ) (pending before  
44 the Legislature as this bill), for calendar year 2017 and for each  
45 calendar year thereafter, the base amount of the payment in lieu of  
46 taxes shall be determined as follows:

47 If the amount of the GGR in the preceding calendar year is  
48 between \$3.4 billion and \$3.8 billion, the base amount shall be \$165

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1 million, or in the case of an upward adjustment, \$15 million more  
2 than the PILOT in the previous year, whichever is greater;

3 If the amount of the GGR in the preceding calendar year is  
4 between \$3.0 billion and \$3.4 billion, the base amount shall be \$150  
5 million, or in the case of an upward adjustment, \$20 million more  
6 than the PILOT in the previous year, whichever is greater;

7 If the amount of the GGR in the preceding calendar year is  
8 between \$2.6 billion and \$3.0 billion, the base amount shall be \$130  
9 million, or in the case of an upward adjustment, \$10 million more  
10 than the PILOT in the previous year, whichever is greater;

11 If the amount of the GGR in the preceding calendar year is  
12 between \$2.2 billion and \$2.6 billion, the base amount shall be \$120  
13 million, or in the case of an upward adjustment, \$10 million more  
14 than the PILOT in the previous year, whichever is greater;

15 If the amount of the GGR in the preceding calendar year is  
16 between \$1.8 billion and \$2.2 billion and the aggregate gross  
17 revenues from all of the casino gaming properties located in  
18 Atlantic City from all revenue streams, excluding GGR, have not  
19 increased compared to the prior calendar year by more than the  
20 amount by which GGR is less than \$2.2 billion, as determined by  
21 the division, the base amount shall be \$110 million, or in the case of  
22 an upward adjustment, \$20 million more than the PILOT in the  
23 previous year, whichever is greater;

24 If the amount of the GGR in the preceding calendar year is \$1.8  
25 billion or less and the aggregate gross revenue from all of the casino  
26 gaming properties located in Atlantic City from all revenue streams,  
27 excluding GGR have not increased compared to the prior calendar  
28 year by more than the amount by which GGR is less than \$1.8  
29 billion as determined by the division, the base amount shall be \$90  
30 million.

31 (4) The amount of the payment in lieu of property taxes owed  
32 pursuant to this subsection shall be calculated annually each  
33 calendar year for each casino gaming property using a formula  
34 implemented by the Local Finance Board, in consultation with the  
35 division, using the following criteria:

36 The geographic footprint of the real property, expressed in acres,  
37 owned by each casino gaming property;

38 The number of hotel guest rooms in each casino gaming  
39 property; and

40 The gross gaming revenue of the casino in each casino gaming  
41 property from the prior calendar year.

42 Each of these three criteria shall bear equal weight in the formula  
43 implemented by the Local Finance Board, in consultation with the  
44 division, pursuant to this paragraph, provided that during calendar  
45 years 2016, 2017, 2018, 2019, and 2020, if the formula results in  
46 any individual casino gaming property being allocated an amount  
47 that is in excess of the total real property taxes due and payable by  
48 the casino gaming property in calendar year 2015, then that casino

1 gaming property shall receive a credit against the obligation of the  
2 operator of that property under paragraph (2) of subsection a. of  
3 section 3 of P.L.1984, c.218 (C.5:12-144.1) in the amount of such  
4 excess. If, after that credit against the obligation of the operator of  
5 that property under paragraph (2) of subsection a. of section 3 of  
6 P.L.1984, c.218 (C.5:12-144.1), that casino gaming property would  
7 still be liable for a payment in lieu of property taxes in excess of the  
8 total real property taxes due and payable by the casino gaming  
9 property in calendar year 2015, the casino gaming property shall not  
10 be required to make any additional payment in lieu of property tax  
11 payment. Instead, any additional amount that would have been  
12 owed by that casino gaming property shall be added, by  
13 proportional share, to the payment in lieu of property taxes to be  
14 paid by every other casino gaming property in order to provide  
15 Atlantic City the total amount of the payment in lieu of property  
16 taxes due and owing for that calendar year.

17 d. When a new casino gaming property is added or when an  
18 existing casino gaming property no longer qualifies as a casino  
19 gaming property as defined in subsection a. of section 3 of P.L. ,  
20 c. (C. ) (pending before the Legislature as this bill), Atlantic  
21 City's financial agreement with each owner of each casino gaming  
22 property shall be amended to reflect the change and the allocation  
23 of the payment in lieu of property taxes between the casino gaming  
24 properties.

25 e. The provisions of R.S.54:5-6 shall apply to any amount  
26 required to be paid under section 3 of P.L. , c. (C. )  
27 (pending before the Legislature as this bill), and the municipality  
28 shall have the same rights against any casino gaming property for  
29 such unpaid amounts relating to that property as if such amounts  
30 were unpaid property taxes.

31

32 4. (New section) a. In addition to the amounts required to be  
33 remitted under section 3 of P.L. , c. (C. ) (pending before  
34 the Legislature as this bill), the owner of each casino gaming  
35 property shall make a separate payment to the State in calendar  
36 years 2015, 2016 2017, 2018, 2019, 2020, 2021, 2022, and 2023,  
37 where the aggregate amount of these payments paid by the casino  
38 gaming properties shall equal the following: (1) \$30,000,000 for  
39 calendar year 2015, (2) \$30,000,000 for calendar year 2016; (3)  
40 \$15,000,000 for calendar year 2017; (4) \$10,000,000 for calendar  
41 year 2018, (5) \$5,000,000 for calendar year 2019; (6) \$5,000,000  
42 for calendar year 2020; (7) \$5,000,000 for calendar year 2021; (8)  
43 \$5,000,000 for calendar year 2022; and (9) \$5,000,000 for calendar  
44 year 2023.

45 b. The Local Finance Board, in consultation with the division,  
46 shall determine the amount owed for each casino gaming property  
47 based on the proportion of gross gaming revenue of the casino in  
48 casino gaming property in the prior year. The owner of each casino

1 gaming property where a casino is operated during the year in which  
2 the payments required by this section are due shall remit its payment to  
3 the State. The Local Finance Board shall provide the owner of each  
4 casino gaming property required to make a payment under this section  
5 with written notice of the amount of the payment for each casino  
6 gaming property, and instructions for how each payment shall be  
7 made. Each owner of a casino gaming property required to make a  
8 payment under this section shall remit its payment within five business  
9 days of receipt of the written notice from the Local Finance Board.

10 c. The funds comprised of the payments collected under this  
11 section shall be remitted from the State to the City of Atlantic City  
12 upon approval of the Local Finance Board, at the board's discretion, of  
13 a financial plan submitted by the City of Atlantic City. The financial  
14 plan shall, at a minimum, set forth specific actions that the City of  
15 Atlantic City shall take to improve its financial condition and address  
16 its fiscal imbalance. The Local Finance Board, at its discretion, may  
17 require that the City of Atlantic City take steps to implement the  
18 financial plan before releasing the funds comprised of the payments to  
19 the City of Atlantic City.

20

21 5. (New section) Annually, a portion of the payment in lieu of  
22 property tax moneys collected pursuant to section 3 of P.L. , c.  
23 (C. ) (pending before the Legislature as this bill) shall be  
24 remitted to the county and the school district for their own  
25 purposes. These moneys shall be remitted to the county and to the  
26 school district in the same manner as property taxes are paid to  
27 counties and school districts pursuant to R.S.54:4-74, R.S.54:4-75,  
28 and R.S.54:4-76, except that the Local Finance Board may, in its  
29 discretion, apportion a specific percentage of the payment in lieu of  
30 property tax moneys to be remitted to the county.

31

32 6. (New section) a. On January 1, 2026, there shall be  
33 established the Atlantic City Review Commission, to review and  
34 determine the efficacy of the payment in lieu of property tax  
35 program established by P.L. c. , (C. ) (pending before  
36 the Legislature as this bill). Specifically, the commission shall  
37 determine: the economic vitality and viability of Atlantic City's  
38 casinos; the economic vitality and viability of Atlantic City  
39 government; the effect of the payment in lieu of property tax  
40 program on the economic viability of the casinos, and on Atlantic  
41 City's ability to fund its own government and to provide services to  
42 the residents of Atlantic City; and the feasibility of continuing the  
43 payment in lieu of property tax program for an additional period of  
44 time.

45 b. The commission shall consist of seven members:

46 A member of the public, appointed by the Governor, who shall  
47 be the Chairperson of the Commission;



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1 The Commissioner of Community Affairs, or the commissioner's  
2 designee;

3 The Atlantic City Mayor or the mayor's designee;

4 The Atlantic County Executive, or the county executive's  
5 designee;

6 A representative of the casino industry, appointed by the  
7 Governor;

8 A representative of a casino employees' union, appointed by the  
9 Governor upon the recommendation of the President of the Senate;  
10 and

11 A representative of the business community of Atlantic City,  
12 appointed by the Governor upon recommendation of the Speaker of  
13 the General Assembly. This member shall be a resident of Atlantic  
14 City and shall not be an executive or an employee of any of the  
15 casinos in Atlantic City. This member shall be appointed from, and  
16 shall represent on the commission, the interests of the non-gaming  
17 business interests in the city.

18 c. The commission shall issue its findings and  
19 recommendations in writing not later than July 1, 2024 to the  
20 Governor, the President of the Senate, and the Speaker of the  
21 General Assembly pursuant to section 2 of P.L.1991, c.164  
22 (C.52:14-19.1). The commission shall expire on the 30<sup>th</sup> day next  
23 following the issuance of those findings and recommendations.  
24

25 7. (New section) The State of New Jersey shall have a first  
26 priority lien on all payments made under P.L. , c. (C. )  
27 (pending before the Legislature as this bill) to secure repayment of  
28 any amounts outstanding, at the time of the payment, on any loans  
29 made to the city of Atlantic City by the State of New Jersey,  
30 including any office, department, division, bureau, board,  
31 commission or agency of the State, including without limitation  
32 loans made pursuant to the "Supplemental Municipal Property Tax  
33 Relief Act," P.L.1991, c.63 (C.52:27D-118.32 et seq.), or any aid  
34 provided by the State of New Jersey, including any office,  
35 department, division, bureau, board, commission or agency of the  
36 State, to Atlantic City requiring repayment. Atlantic City shall  
37 utilize amounts received under P.L. , c. (C. ) (pending before  
38 the Legislature as this bill) to first repay the State of New Jersey for  
39 any such outstanding loan or aid amounts.  
40

41 8. R.S.54:5-6 is amended to read as follows:

42 54:5-6. Taxes on lands and payments in lieu of property taxes  
43 pursuant to section 3 of P.L. , c. (C. ) (pending before the  
44 Legislature as this bill), shall be a continuous lien on the land on  
45 which they are assessed and all subsequent taxes, or payments in  
46 lieu of property taxes pursuant to section 3 of P.L. , c. (C. )  
47 (pending before the Legislature as this bill), as appropriate, interest,

1 penalties and costs of collection which thereafter fall due or accrue  
2 shall be added to and be a part of such initial lien.

3 (cf: P.L.1994, c.32, s.5)

4

5 9. (New section) Notwithstanding the provisions of section 3  
6 of P.L.1984, c.218 (C.5:12-144.1) or any other law to the contrary,  
7 including subsection k. of section 5 of P.L.2011, c.18 (C.5:12-219),  
8 the moneys received by the State Treasurer derived from the  
9 payment of the investment alternative tax in the amount specified in  
10 paragraph (2) of subsection a. of section 3 of P.L.1984, c.218  
11 (C.5:12-144.1) and the investment alternative in the amount as  
12 specified in section 17 of P.L.2013, c.27 (C.5:12-95.19), except for  
13 any amount thereof pledged for the payment of bonds issued by the  
14 Casino Reinvestment Development Authority or otherwise  
15 contractually obligated by the authority prior to the effective date of  
16 P.L. , c. (C. ) (pending before the Legislature as this bill),  
17 shall be allocated to the city of Atlantic City for the purposes of  
18 paying debt service on bonds issued by Atlantic City prior to the  
19 effective date of P.L. , c. (C. ) (pending before the  
20 Legislature as this bill).

21

22 10. (New section) Notwithstanding any law, rule, or regulation  
23 to the contrary, all monies allocated pursuant to section 9 of P.L. ,  
24 c. (C. ) (pending before the Legislature as this bill) shall be  
25 considered "funds appropriated as State aid and not otherwise  
26 dedicated to specific municipal programs so payable to such  
27 municipality that are withheld or are required to be withheld by the  
28 State Treasurer under P.L.1976, c.38 (C.40A:3-1 et seq.) as set forth  
29 in the "Municipal Qualified Bond Act," P.L.1976, c.38 (C.40A:3-1  
30 et seq.).

31

32 11. Section 1 of P.L.2011, c.18 (C.5:12-218) is amended to read  
33 as follows:

34 1. As used in P.L.2011, c.18 (C.5:12-218 et al.):

35 "Atlantic City" or "city" means the City of Atlantic City, Atlantic  
36 County.

37 "Atlantic City convention center project" or "convention center  
38 project" means the project authorized by paragraph (9) of  
39 subsection a. of section 6 of P.L.1971, c.137 (C.5:10-6).

40 "Atlantic City Tourism District" or "tourism district" means the  
41 district within Atlantic City established pursuant to section 5 of  
42 P.L.2011, c.18 (C.5:12-219).

43 "Authority" means the Casino Reinvestment Development  
44 Authority established pursuant to section 5 of P.L.1984, c.218  
45 (C.5:12-153).

46 "Convention center authority" means the Atlantic City  
47 Convention and Visitors Authority established pursuant to section 3  
48 of P.L.1981, c.459 (C.52:27H-31).

1 "Convention Center Division" or "division" means the division  
2 created pursuant to paragraph (1) of subsection b. of section 12 of  
3 P.L.2011, c.18 (C.5:12-226) to exist within the authority as a  
4 division of the authority.

5 **["Corporation" means the not-for-profit corporation with which  
6 the authority is to undertake an agreement pursuant to subsection a.  
7 of section 7 of P.L.2011, c.18 (C.5:12-221).]**

8 "Development and design guidelines" means the development  
9 and design guidelines for site plan applications, which guidelines  
10 are to be adopted by the authority pursuant to section 6 of P.L.2011,  
11 c.18 (C.5:12-220).

12 "District land use regulations" means the regulations, applicable  
13 within the tourism district, that are to be adopted by the authority  
14 pursuant to P.L.2011, c.18 (C.5:12-218 et al.).

15 "Gaming" means, in addition to any meaning otherwise provided  
16 by law, any legalized form of gambling in New Jersey including,  
17 but not limited to, casino gambling and horse racing.

18 "Nonconforming use" means a legal or pre-existing use or  
19 activity which fails to conform to the development and design  
20 guidelines or land use regulations adopted by the authority pursuant  
21 to P.L.2011, c.18 (C.5:12-218 et al.).

22 "Public safety improvements" means the development of  
23 infrastructure in the tourism district made for the purpose of  
24 increasing safety. Such improvements would include the  
25 development of appropriate security technology and the installation  
26 of increased lighting in outdoor areas, the installation of  
27 surveillance cameras, and the installation of emergency phones and  
28 lights throughout the tourism district for use by appropriate security  
29 and law enforcement personnel.

30 "Road and highway authority" means any State or local entity,  
31 including, but not limited to, Atlantic City or any agency thereof,  
32 Atlantic County or any agency thereof, the New Jersey Department  
33 of Transportation, and the South Jersey Transportation Authority  
34 established under section 4 of P.L.1991, c.252 (C.27:25A-4), or any  
35 other State or local entity having jurisdiction over (a) the roads and  
36 highways in the tourism district, (b) the roads and highways  
37 adjacent to the tourism district, (c) the land area in which the  
38 authority is an interested party pursuant to subsection c. of section 6  
39 of P.L.2011, c.18 (C.5:12-220), or (d) the portion of the roads and  
40 highways in Atlantic City which provide direct access to the  
41 tourism district.

42 "Tourism district master plan" or "Master plan," or "plan," means  
43 the authority's comprehensive master plan for the redevelopment of  
44 the tourism district.

45 "Transfer Date" means, with respect to the assumption by the  
46 authority of the powers, duties, assets, and responsibilities of the  
47 convention center authority, the date on which (a) the chairs of the  
48 authority and the convention center authority certify to the

1 Governor that all of the bonds issued by the convention center  
2 authority cease to be outstanding within the meaning of the  
3 resolutions pursuant to which the bonds were issued, and (b) the  
4 authority assumes all debts and statutory responsibilities of the  
5 convention center authority.

6 (cf: P.L.2011, c.18, s.1)  
7

8 12. Sections 7 and 9 of P.L.2011, c.18 (C.5:12-221 and C.5:12-  
9 223) are repealed.  
10

11 13. This act shall take effect immediately, provided, however,  
12 that sections 4, 11, and 12 shall be retroactive to January 1, 2015.  
13

14  
15 STATEMENT  
16

17 This bill is intended to address the dire situation that has occurred  
18 in Atlantic City with the recent closure of four of the 12 casinos in the  
19 city. These closures, coupled with large property tax refunds owed by  
20 the city to several of the casinos as the result of successful real  
21 property assessment appeals have created fiscal challenges for the city.  
22 In addition, Atlantic County's property taxpayers will have to pay  
23 more property taxes for county purposes due to the city's declining  
24 property values.

25 The purpose of this bill is to provide certainty to the casinos with  
26 respect to their financial obligation to Atlantic City, and to provide  
27 certainty to Atlantic City about the financial obligation of the casinos  
28 to Atlantic City, Atlantic County, and the Atlantic City School  
29 District.

30 Under the bill, beginning with calendar year 2016, and for the  
31 next succeeding nine calendar years, casino gaming properties  
32 located in Atlantic City are exempt from local property taxation on  
33 real property and existing improvements, including accessory  
34 hotels, conference centers, parking garages, and other appurtenant  
35 facilities.

36 The provisions of the bill shall not apply to any casino property  
37 that operates under a small scale casino facility license or a staged  
38 casino facility license pursuant to section 1 of P.L.2010, c.115  
39 (C.5:12-80.1).

40 In exchange for the property tax exemption granted in the bill,  
41 each owner of each casino gaming property shall sign a financial  
42 agreement with Atlantic City for each casino gaming property  
43 promising to make quarterly payments to the city of its allocated  
44 portion of an annual payment in lieu of taxes (PILOT). The owner  
45 of each casino gaming property shall be responsible for the  
46 payments allocated to that property and shall be subject to the lien  
47 provisions of R.S.54:5-6 if those payments are not made. Any new  
48 owner of a casino gaming property following the effective date of

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14

1 the bill shall immediately become responsible for signing a  
2 financial agreement with Atlantic City promising to make payments  
3 consistent with the bill.

4 The total PILOT amount for calendar year 2016 is \$120 million.  
5 For calendar year 2017 and each calendar year thereafter, the total  
6 amount of the PILOT would increase by two percent per year  
7 provided that there was no upward adjustment in the base amount of  
8 the PILOT. For calendar year 2017 and for each tax year thereafter  
9 the base amount of the payment in lieu of taxes, excluding the  
10 amount of any annual two percent increase to date, would be  
11 determined as follows:

12 If the amount of the gross gaming revenue (GGR) in the  
13 preceding calendar year is between \$3.4 billion and \$3.8 billion, the  
14 base amount would be \$165 million;

15 If the amount of the GGR in the preceding calendar year is  
16 between \$3.0 billion and \$3.4 billion, the base amount would be  
17 \$150 million;

18 If the amount of the GGR in the preceding calendar year is  
19 between \$2.6 billion and \$3.0 billion, the base amount would be  
20 \$130 million;

21 If the amount of the GGR in the preceding calendar year is  
22 between \$2.2 billion and \$2.6 billion, the base amount would be  
23 \$120 million;

24 If the amount of the GGR in the preceding calendar year is  
25 between \$1.8 billion and \$2.2 billion and the aggregate gross  
26 revenues from all of the casino gaming properties located in  
27 Atlantic City from all revenue streams, excluding GGR, have not  
28 increased by more than the percentage by which GGR decreased  
29 compared to the prior calendar year, as determined by the Division  
30 of Gaming Enforcement, the base amount would be \$110 million;

31 If the amount of the GGR in the preceding calendar year is \$1.8  
32 billion or less and the aggregate gross revenue from all of the casino  
33 gaming properties located in Atlantic City from all revenue streams,  
34 excluding GGR have not increased compared to the prior calendar  
35 year by more than the amount by which GGR is less than \$1.8  
36 billion as determined by the division, the base amount shall be \$90  
37 million.

38 The amount of the payment in lieu of property taxes owed  
39 pursuant to the bill would be calculated annually each calendar year  
40 for each casino gaming property using a formula implemented by  
41 the Local Finance Board, in consultation with the division, using  
42 the following criteria:

43 The geographic footprint of the real property, expressed in acres,  
44 owned by each casino gaming property;

45 The number of hotel guest rooms in each casino gaming  
46 property; and

47 The gross gaming revenue of the casino in each casino gaming  
48 property from the prior calendar year.

1       When a new casino gaming property is added or when an  
2 existing casino gaming property no longer qualifies as a casino  
3 gaming property as defined in subsection a. of section 3 of the bill,  
4 Atlantic City's financial agreement with each owner of each casino  
5 gaming property would be amended to reflect the change and the  
6 allocation of the payment in lieu of property taxes between the  
7 casino gaming properties.

8       In addition to the amounts required to be remitted under the bill,  
9 the owner of each casino gaming property would be required to  
10 make a separate payment to the State in calendar years 2015, 2016  
11 2017, 2018, 2019, 2020, 2021, 2022, and 2023, where the aggregate  
12 amount of these payments paid by the casino gaming properties  
13 shall equal the following: \$30,000,000 for calendar year 2015,  
14 \$30,000,000 for calendar year 2016; \$15,000,000 for calendar year  
15 2017; \$10,000,000 for calendar year 2018, \$5,000,000 for calendar  
16 year 2019; \$5,000,000 for calendar year 2020; \$5,000,000 for  
17 calendar year 2021; \$5,000,000 for calendar year 2022; and  
18 \$5,000,000 for calendar year 2023. The amount remitted by each  
19 owner of a casino gaming property that operates as a casino during  
20 the year in which the payment is due would be based on the  
21 proportion of gross gaming revenue generated by the casino in each  
22 casino gaming property in the prior year.

23       The Local Finance Board, in consultation with the division, would  
24 have to determine the amount owed for each casino gaming property  
25 based on the proportion of gross gaming revenue of the casino in  
26 casino gaming property in the prior year. The owner of each casino  
27 gaming property where a casino is operated during the year in which  
28 the payments required by this section are due would remit its payment  
29 to the State.

30       The funds comprised of the payments collected under the bill  
31 would be remitted from the State to the City of Atlantic City upon  
32 approval of the Local Finance Board, at the board's discretion, of a  
33 financial plan submitted by the City of Atlantic City. The financial  
34 plan must, at a minimum, set forth specific actions that the City of  
35 Atlantic City shall take to improve its financial condition and address  
36 its fiscal imbalance. The Local Finance Board, at its discretion, may  
37 require that the City of Atlantic City take steps to implement the  
38 financial plan before releasing the funds comprised of the payments to  
39 the City of Atlantic City.

40       A portion of the annual payment in lieu of property tax moneys  
41 collected would be remitted to Atlantic County and to the school  
42 district. The three-year historical average of the county percentage  
43 of the total Atlantic City tax rate from 2013 to 2015 is 10.4%. With  
44 the expectation that Atlantic County will take on additional  
45 responsibility for and on behalf of Atlantic City, it is anticipated  
46 that 13.5% of the payment in lieu of property tax moneys collected  
47 by Atlantic City will be remitted to Atlantic County.

1 This bill would also require the Department of the Treasury to  
2 issue a report to the Governor and the Legislature no later than June  
3 30, 2021, which estimates the amount of property taxes that each  
4 casino gaming property would have likely paid in each year of the  
5 payment in lieu of taxes program established by the CPTSA. This  
6 report would be published on the Treasury's website. If the  
7 Treasury's estimate exceeds the total amount of the payments in  
8 lieu of taxes paid by the casino gaming properties over the  
9 preceding five years by 10% or more, then the base amounts of the  
10 PILOT would increase by that percentage and apply to future  
11 determinations of the base amount.

12 This bill also reallocates the receipts collected by the Casino  
13 Redevelopment Authority (CRDA) from the casino investment  
14 alternative tax (IAT) for the Atlantic City Tourism District to  
15 Atlantic City for the purposes of paying debt service on municipal  
16 bonds issued, excluding any amount of the revenues pledged for  
17 payment of bonds issued by the CRDA or otherwise contractually  
18 obligated by the authority prior to the effective date of the bill. All  
19 monies so allocated are to be considered State aid that is subject to  
20 the "Municipal Qualified Bond Act," P.L.1976, c.38 (C.40A:3-1 et  
21 seq.).

22 The bill also creates the Atlantic City Review Commission and  
23 provides that this commission would review the PILOT program in  
24 2024.

25 Finally, the bill provides that the State of New Jersey would have  
26 a first priority lien on all payments made under this bill to secure  
27 repayment of any loans, or aid requiring repayment made to  
28 Atlantic City by the State of New Jersey. Under the bill, the city  
29 would utilize amounts received under this bill to first repay the  
30 State of New Jersey.

# ASSEMBLY JUDICIARY COMMITTEE

## STATEMENT TO

[Second Reprint]  
**SENATE, No. 1715**

with committee amendments

# STATE OF NEW JERSEY

DATED: MAY 23, 2016

The Assembly Judiciary Committee reports favorably and with committee amendments Senate Bill No. 1715 (2R).

As amended, this bill addresses the dire fiscal situation that has occurred in Atlantic City due to the loss of property value in the city and provides certainty to the casinos and to Atlantic City about the financial obligation of the casinos to Atlantic City, Atlantic County, and the Atlantic City School District.

Under the bill, beginning with calendar year 2016, and for the next succeeding nine calendar years, casino gaming properties located in Atlantic City are exempt from local property taxation on real property and existing improvements, including accessory hotels, conference centers, parking garages, and other appurtenant facilities and are responsible for making a payment in lieu of taxation (PILOT).

The provisions of the bill do not apply to any casino property that operates under a small scale casino facility license or a staged casino facility license pursuant to section 1 of P.L.2010, c.115 (C.5:12-80.1).

The bill provides that the total PILOT amount for calendar year 2016 is \$120 million. For calendar year 2017 and for each tax year thereafter the base amount of the payment in lieu of taxes would be determined based on gross gaming revenue totals. For each of these calendar years, the total amount of the PILOT will increase by two percent per year provided that there is no upward adjustment in the base amount of the PILOT.

In addition to the amounts required to be remitted as a payment in lieu of taxation, the owner of each casino gaming property is required to make a separate payment to the State in calendar years 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, and 2023. Under the bill, the aggregate amount of these payments paid by the casino gaming properties must equal: \$30,000,000 for calendar year 2015; \$30,000,000 for calendar year 2016; \$15,000,000 for calendar year 2017; \$10,000,000 for calendar year 2018; \$5,000,000 for calendar year 2019; \$5,000,000 for calendar year 2020; \$5,000,000 for calendar



year 2021; \$5,000,000 for calendar year 2022; and \$5,000,000 for calendar year 2023.

The bill requires the Local Finance Board, in consultation with the Division of Gaming Enforcement, to determine the amount owed for each casino gaming property based on the proportion of gross gaming revenue of the casino in casino gaming property in the prior year. The owner of each casino gaming property where a casino is operated during the year in which the payments required by this bill are due is required to remit its payment to the State. The funds comprised of the payments collected under the bill are to be remitted from the State to Atlantic City.

Under the bill, a portion of the annual payment in lieu of property tax moneys collected is required to be remitted to Atlantic County and to the Atlantic City school district. The three-year historical average of the county percentage of the total Atlantic City tax rate from 2013 to 2015 is 10.4 percent. With the expectation that Atlantic County will take on additional responsibility for and on behalf of Atlantic City, it is anticipated that 13.5 percent of the payment in lieu of property tax moneys collected by Atlantic City will be remitted to Atlantic County.

This bill also reallocates the receipts collected by the Casino Redevelopment Authority (CRDA) from the casino investment alternative tax for the Atlantic City Tourism District to Atlantic City for the purposes of paying debt service on municipal bonds issued, excluding any amount of the revenues pledged for payment of bonds issued by the CRDA or otherwise contractually obligated by the CRDA prior to the effective date of the bill. All monies so allocated are to be considered State aid that is subject to the “Municipal Qualified Bond Act,” P.L.1976, c.38 (C.40A:3-1 et seq.).

The bill also creates the Atlantic City Review Commission and provides that this commission would review the PILOT program in 2024.

Finally, the bill provides that the State would have a first priority lien on all payments made under this bill to secure repayment of any loans, or aid requiring repayment made to Atlantic City by the State. Under the bill, the city would utilize amounts received under this bill to first repay the State of New Jersey.

These amendments make this bill identical to Assembly Bill No. 2570 which was also released by the committee on this date.

#### COMMITTEE AMENDMENTS:

The committee amendments are as follows:

- removes the authority of casino gaming properties to opt-out of the program.
- requires funds from additional payments made by casino gaming property owners to Atlantic City to support the municipal budget for the calendar year in which they are received.
- clarifies language with respect to liens.

-provides that investment alternative tax revenues shall be allocated to Atlantic City until December 31, 2025.

-revises the effective date to reflect that the bill would not become operative until the enactment of the “Municipal Stabilization and Recovery Act,” pending before the Legislature as Assembly Bill No. 2569, or Senate Bill No. 1711 of 2016, as amended.

# SENATE BUDGET AND APPROPRIATIONS COMMITTEE

## STATEMENT TO

### **SENATE, No. 1715**

with committee amendments

# **STATE OF NEW JERSEY**

DATED: MARCH 10, 2016

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 1715, with committee amendments.

As amended, this bill addresses the dire situation that has occurred in Atlantic City with the recent closure of four of the 12 casinos in the city. These closures, coupled with large property tax refunds owed by the city to several of the casinos as the result of successful real property assessment appeals have created fiscal challenges for the city. In addition, Atlantic County's property taxpayers will have to pay more property taxes for county purposes due to the city's declining property values.

The purpose of this bill is to provide certainty to the casinos with respect to their financial obligation to Atlantic City, and to provide certainty to Atlantic City about the financial obligation of the casinos to Atlantic City, Atlantic County, and the Atlantic City School District.

Under the bill, beginning with calendar year 2016, and for the next succeeding nine calendar years, casino gaming properties located in Atlantic City are exempt from local property taxation on real property and existing improvements, including accessory hotels, conference centers, parking garages, and other appurtenant facilities.

The provisions of the bill do not apply to any casino property that operates under a small scale casino facility license or a staged casino facility license pursuant to section 1 of P.L.2010, c.115 (C.5:12-80.1).

In exchange for the property tax exemption granted by the bill, each owner of each casino gaming property is required to sign a financial agreement with Atlantic City for each casino gaming property promising to make quarterly payments to the city of its allocated portion of an annual payment in lieu of taxes (PILOT). The owner of each casino gaming property is responsible for the payments allocated to that property and is subject to the lien provisions of R.S.54:5-6 if those payments are not made. The bill provides that any new owner of a casino gaming property following the effective date of the bill will immediately become responsible for signing a financial agreement with Atlantic City promising to make payments consistent with the bill.

The bill provides that the total PILOT amount for calendar year 2016 is \$120 million. For calendar year 2017 and each calendar year thereafter, the total amount of the PILOT will increase by two percent per year provided that there is no upward adjustment in the base amount of the PILOT. For calendar year 2017 and for each tax year thereafter the base amount of the payment in lieu of taxes, excluding the amount of any annual two percent increase to date, will be determined as follows:

If the amount of the gross gaming revenue (GGR) in the preceding calendar year is between \$3.4 billion and \$3.8 billion, the base amount will be \$165 million;

If the amount of the GGR in the preceding calendar year is between \$3.0 billion and \$3.4 billion, the base amount will be \$150 million;

If the amount of the GGR in the preceding calendar year is between \$2.6 billion and \$3.0 billion, the base amount will be \$130 million;

If the amount of the GGR in the preceding calendar year is between \$2.2 billion and \$2.6 billion, the base amount will be \$120 million;

If the amount of the GGR in the preceding calendar year is between \$1.8 billion and \$2.2 billion and the aggregate gross revenues from all of the casino gaming properties located in Atlantic City from all revenue streams, excluding GGR, have not increased by more than the percentage by which GGR decreased compared to the prior calendar year, as determined by the Division of Gaming Enforcement, the base amount will be \$110 million;

If the amount of the GGR in the preceding calendar year is \$1.8 billion or less and the aggregate gross revenue from all of the casino gaming properties located in Atlantic City from all revenue streams, excluding GGR have not increased compared to the prior calendar year by more than the amount by which GGR is less than \$1.8 billion as determined by the division, the base amount will be \$90 million.

The amount of the payment in lieu of property taxes owed pursuant to the bill will be calculated annually each calendar year for each casino gaming property using a formula implemented by the Local Finance Board, in consultation with the division, using the following criteria:

- The geographic footprint of the real property, expressed in acres, owned by each casino gaming property;

- The number of hotel guest rooms in each casino gaming property; and

- The gross gaming revenue of the casino in each casino gaming property from the prior calendar year.

When a new casino gaming property is added or when an existing casino gaming property no longer qualifies as a casino gaming property as defined in subsection a. of section 3 of the bill, Atlantic

City's financial agreement with each owner of each casino gaming property is to be amended to reflect the change and the allocation of the payment in lieu of property taxes between the casino gaming properties.

In addition to the amounts required to be remitted under the bill, the owner of each casino gaming property is required to make a separate payment to the State in calendar years 2015, 2016 2017, 2018, 2019, 2020, 2021, 2022, and 2023. Under the bill, the aggregate amount of these payments paid by the casino gaming properties must equal: \$30,000,000 for calendar year 2015; \$30,000,000 for calendar year 2016; \$15,000,000 for calendar year 2017; \$10,000,000 for calendar year 2018; \$5,000,000 for calendar year 2019; \$5,000,000 for calendar year 2020; \$5,000,000 for calendar year 2021; \$5,000,000 for calendar year 2022; and \$5,000,000 for calendar year 2023. The amount remitted by each owner of a casino gaming property that operates as a casino during the year in which the payment is due is to be based on the proportion of gross gaming revenue generated by the casino in each casino gaming property in the prior year. The bill provides that these payments are not required for any year, or prorated portion thereof, following the withdrawal of a casino from its financial agreement with Atlantic City.

The bill requires the Local Finance Board, in consultation with the division, to determine the amount owed for each casino gaming property based on the proportion of gross gaming revenue of the casino in casino gaming property in the prior year. The owner of each casino gaming property where a casino is operated during the year in which the payments required by this section are due is required to remit its payment to the State. The funds comprised of the payments collected under the bill are to be remitted from the State to Atlantic City.

Under the bill, a portion of the annual payment in lieu of property tax moneys collected is required to be remitted to Atlantic County and to the school district. The three-year historical average of the county percentage of the total Atlantic City tax rate from 2013 to 2015 is 10.4 percent. With the expectation that Atlantic County will take on additional responsibility for and on behalf of Atlantic City, it is anticipated that 13.5 percent of the payment in lieu of property tax moneys collected by Atlantic City will be remitted to Atlantic County.

The bill provides that upon the commencement of the operation of a casino gaming facility is outside of Atlantic City at any time prior to the expiration of the bill, any signatory to the financial agreement required under section 3 of the bill shall have the option to withdraw from the financial agreement and to have its casino gaming property instead become subject to regular property taxation. To exercise this option, the bill requires the signatory to notify the division and the Atlantic City property tax assessor in writing of its intent to withdraw no later than the September 15 next following the commencement of

operation of the casino gaming facility outside of Atlantic City. The bill provides for the withdrawal to be effective at the end of that calendar year.

This bill also reallocates the receipts collected by the Casino Redevelopment Authority (CRDA) from the casino investment alternative tax (IAT) for the Atlantic City Tourism District to Atlantic City for the purposes of paying debt service on municipal bonds issued, excluding any amount of the revenues pledged for payment of bonds issued by the CRDA or otherwise contractually obligated by the authority prior to the effective date of the bill. All monies so allocated are to be considered State aid that is subject to the “Municipal Qualified Bond Act,” P.L.1976, c.38 (C.40A:3-1 et seq.).

The bill also creates the Atlantic City Review Commission and provides that this commission would review the PILOT program in 2024.

Finally, the bill provides that the State of New Jersey would have a first priority lien on all payments made under this bill to secure repayment of any loans, or aid requiring repayment made to Atlantic City by the State of New Jersey. Under the bill, the city would utilize amounts received under this bill to first repay the State of New Jersey.

#### COMMITTEE AMENDMENTS:

The amendments:

-- Clarify the status of certain real property acquired by casino owners after the effective date of the bill for purposes of the property tax exemption provided by the bill.

-- Permit any signatory to the financial agreement required under section 3 of the bill to withdrawal from the financial agreement and to have its casino gaming property instead become subject to regular property taxation.

-- Discontinue certain payments made by casino gaming properties to the State if an owner of casino gaming property withdraws from its financial agreement with Atlantic City.

-- Revise the definition of gross gaming revenue to exclude casino gaming revenue derived from a casino which withdraws from its financial agreement with Atlantic City promising to make quarterly payments

-- Modify the statutory start date for the Atlantic City Review Commission established by the bill.

-- Remove a requirement of the Local Finance Board to approve the financial plan submitted to Atlantic City prior to certain additional funds being remitted to the State.

-- Make various technical corrections to the bill.

#### FISCAL IMPACT:

The Office of Legislative Services expects the bill will have an indeterminate net effect on State and local revenues and expenditures.

The OLS cannot predict whether the payments in lieu of tax and other casino payments required by the bill will be greater than or less than what would be collected locally if casino gaming properties were assessed for ad valorem taxation at general tax rates. The reallocation of casino investment alternative tax revenues from the CRDA to the City of Atlantic City will result a decrease in State revenues and an increase in local revenues. The repeal of provisions of law relating to the Atlantic City Alliance (ACA) will either have no impact on CRDA revenues, or reduce CRDA revenues by an indeterminate amount in calendar year 2016 only, depending on whether the CRDA will exercise its authority to cancel the five-year partnership agreement establishing the Atlantic City Alliance prior to its expiration.

STATEMENT TO  
[First Reprint]  
**SENATE, No. 1715**

with Senate Floor Amendments  
(Proposed by Senator SWEENEY)

ADOPTED: MARCH 14, 2016

These floor amendments clarify that a casino will only be obligated to pay its own share of the PILOT in the event one or more casinos withdraw from the program.



STATEMENT TO  
[Third Reprint]  
**SENATE, No. 1715**

with Assembly Floor Amendments  
(Proposed by Assemblyman PRIETO)

ADOPTED: MAY 26, 2016

These Assembly floor amendments make technical corrections to the bill to reflect the likelihood certain provisions would not be implemented until 2017.

# LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

## SENATE, No. 1715 STATE OF NEW JERSEY 217th LEGISLATURE

DATED: MARCH 28, 2016

### SUMMARY

- Synopsis:** Concerns taxation of casino gaming property; redirects investment alternative tax proceeds; abolishes Atlantic City Alliance
- Type of Impact:** Indeterminate impact on State and local revenues and expenditures
- Agencies Affected:** Division of Gaming Enforcement (Law and Public Safety), Local Finance Board (Community Affairs) Casino Reinvestment Development Authority (CRDA), Atlantic City Alliance, City of Atlantic City, Atlantic County School District, and Atlantic County

#### Office of Legislative Services Estimate

<b>Fiscal Impact</b>	<b><u>Year 1</u></b>	<b><u>Year 2</u></b>	<b><u>Year 3</u></b>
<b>State Cost</b>	Indeterminate Impact – See comments below		
<b>State Revenue</b>	Indeterminate Impact – See comments below		
<b>Local Cost</b>	Indeterminate Impact – See comments below		
<b>Local Revenue</b>	Indeterminate Impact – See comments below		

- The enactment of Senate Bill No. 1715 (1R) would have an indeterminate net effect on the revenues of the City of Atlantic City, the Atlantic City School District, and Atlantic County. The bill increases general State revenues by \$30 million in 2016 and \$15 million in 2017, and increases State expenditures in these years by indeterminate amounts.
- The bill exempts casino gaming properties from ad valorem property taxation and requires casino property owners to fulfill their financial obligations to all local governments serving Atlantic City through annual payments in lieu of taxes (PILOT). The Office of Legislative Services (OLS) cannot determine whether the PILOT amount will be greater than or less than what would be collected locally if casino gaming properties were assessed for ad valorem taxation at current rates.
- In addition to the PILOT, property tax revenues may be replaced by other casino non-tax payments from 2016 through 2023. The amount paid to the State by casino property owners

will total \$30 million in 2015 and decline to \$5 million by 2023. The amount received by the city will be determined by the Local Finance Board.

- The reallocation of casino investment alternative tax revenues from the Casino Reinvestment Development Authority (CRDA) to Atlantic City for the purpose of paying debt service will result in a decrease in dedicated State revenues but may make it easier for the city to fulfill its financial obligations and fund municipal services. Fiscal Year 2015 investment alternative tax revenues were estimated at \$31 million; Atlantic City appropriated \$34.6 million for debt service payments in calendar year 2015.
- The current five-year partnership between the CRDA and the Atlantic City Alliance (ACA) has less than one year remaining. The ACA is due to receive \$30 million per year under that partnership from the casino licensees.
- If the CRDA cancels its agreement with the ACA, the casino licensees would be subject to a fee payable to the CRDA for the same \$30 million per year that they would owe to the ACA over the cancelled portion of the agreement. The bill removes statutory language permitting the CRDA to impose this fee if the partnership between the ACA and the CRDA is cancelled. This would allow the CRDA to cancel the agreement with casino licensees having no subsequent financial responsibility for funding the functions that were previously supported by their contributions to the ACA.

## **BILL DESCRIPTION**

Senate Bill No. 1715 (1R) of 2016 is intended to address Atlantic City's financial difficulties following the closure of four of the 12 casinos in the city. These closures and the decline in the assessed value of casino gaming property have affected Atlantic City's ability to raise sufficient revenue through the property tax levy, which, in turn, affects municipal cash flow. Property owners, including owners of casino gaming properties, have also filed successful assessment appeals and Atlantic City has issued over \$150 million in bonds to resolve outstanding property tax appeal judgments. The bill is intended to reinforce Atlantic City's revenue base and allow the city to meet its obligations to Atlantic County and the Atlantic City School District.

Sections 1 through 8, and section 10, of Senate Bill No. 1715 (1R), the "Casino Property Tax Stabilization Act," provide that, beginning with calendar year 2016, and for the next succeeding nine tax years, casino gaming properties located in the City of Atlantic City, including accessory hotels, conference centers, parking garages, and other appurtenant facilities, would be exempt from local property taxation on real property. The bill defines "casino gaming property" as one or more parcels of property, and adjacent property utilized in connection with such property, upon which there is located a facility licensed to be used for casino gaming in 2014 or thereafter, whether or not in actual operation, which has more than 500 guest hotel rooms and is not subject to recorded covenants prohibiting casino gaming.

For this 10-year period, casino gaming properties are required to fulfill their property tax liabilities by making annual PILOT, the amount of which would be based on casino gaming revenues. The PILOT would be apportioned among casino gaming property owners by a formula that accounts for gaming revenues, the number of hotel rooms, and square feet of floor space at each casino gaming property. New improvements to casino gaming property outside of the perimeter footprint of any improvement existing as of the effective date of the bill, and any

real property not formerly qualified as casino gaming property acquired after the effective date of the bill by the owner of casino gaming property, remain subject to regular ad valorem taxation.

In exchange for the property tax exemption granted in the bill, the owners of casino gaming property must sign a financial agreement with the City of Atlantic City promising to make quarterly payments to the city totaling \$120 million in 2016. In 2017 and in each tax year thereafter, the total PILOT amount would be determined based on “gross gaming revenue,” which is defined in the bill as the total amount of revenue raised through casino gaming from all casino gaming properties in Atlantic City. Increases or decreases in the PILOT are based on total gross gaming revenues and, in certain instances, casino income from non-gaming sources. Although the bill requires Atlantic City to allocate an unspecified portion of the PILOT to Atlantic County and the Atlantic City School District, it permits the Local Finance board to apportion a specific percentage for Atlantic County.

The bill allows the owner of casino gaming property to withdraw from the financial agreement upon the commencement of the operation of a casino gaming facility in New Jersey that is located outside of Atlantic City. If a casino withdraws property would be subject to regular ad valorem taxation. The bill requires the owner of casino gaming property to notify the municipal tax assessor, in writing, of its intent to withdraw no later than the September 15 next following the commencement of operation of the casino gaming facility outside of Atlantic City. The withdrawal shall be effective at the end of that calendar year. The gross gaming revenue of a casino gaming property that withdraws from the financial agreement will not be included in the PILOT calculation.

In calendar years 2015 through 2023, the owners of casino gaming property will make separate payments totaling \$110 million to the State. The amount owed for each casino gaming property would be based on each casino gaming property’s proportion of gross gaming revenue for the prior year, as determined by the Local Finance Board in consultation with the Division of Gaming Enforcement. The State is granted a first priority lien on all payments made under the bill to secure repayment of any loans or aid to Atlantic City by the State. If a casino gaming property owner withdraws from the financial agreement, the amount of the non-tax payment will be reduced by the amount owed by the owner of casino gaming property which has withdrawn.

The bill also reallocates casino investment alternative tax (IAT) receipts collected by the Casino Reinvestment Development Authority (CRDA) to Atlantic City for the purpose of paying debt service on municipal bonds issued prior to the effective date of the bill. IAT revenues pledged for the payment of bonds issued by the CRDA or otherwise contractually obligated by the authority prior to the effective date of the bill are excluded from the reallocation. These revenues may be withheld by the State Treasurer for principal and interest payments on debt required by the “Municipal Qualified Bond Act,” P.L.1976, c.38 (C.40A:3-1 et seq.). Provisions of current law related to the establishment of the Atlantic City Alliance and the assessment of a fee on casino licensees if the Atlantic City Alliance is terminated or ended are also repealed by the bill.

Finally, the legislation establishes, on January 1, 2024, a seven-member Atlantic City Review Commission. The commission is charged with reviewing and determining: (1) the efficacy of the PILOT program; (2) the economic vitality and viability of Atlantic City’s casinos; (3) the vitality and viability of the Atlantic City municipal government; (4) the effect of the PILOT program on the economic vitality of the casinos, and Atlantic City’s ability to fund its government and provide services to its residents; and (5) the feasibility of continuing the PILOT program. The commission is required to issue its findings and recommendations in writing to the Governor, President of the Senate, and Speaker of the General Assembly by July 1, 2024.

## FISCAL ANALYSIS

### *EXECUTIVE BRANCH*

None received.

### *OFFICE OF LEGISLATIVE SERVICES*

When considered in its entirety, the enactment of Senate Bill No. 1715 (1R) would have an indeterminate net effect on State and local revenues and expenditures. The OLS cannot determine whether the PILOT amounts established by the bill will be greater than or less than what would be collected locally if casino gaming properties were assessed for ad valorem taxation at current rates. The reallocation of casino investment alternative tax revenues from the CRDA to the City of Atlantic City will result in a decrease in State revenues and an increase in local revenues. The repeal of provisions of law relating to the Atlantic City Alliance will either have no impact on CRDA revenues or reduce CRDA revenues by an indeterminate amount in calendar year 2016 only depending on whether the CRDA will exercise its authority to cancel the five-year partnership agreement establishing the Atlantic City Alliance prior to its expiration.

#### “Casino Property Tax Stabilization Act”

The “Casino Property Tax Stabilization Act” exempts casino gaming properties from the regular system of assessment used to determine the value of property for ad valorem taxation. Under that system, the assessed value of all casino property in Atlantic City in 2015 was approximately \$4.248 billion (approximately 58 percent of Atlantic City’s property tax base). By applying the total tax rate (the sum of the property tax rates for all taxing districts and dedicated levies) to that amount, the OLS estimates the total amount of property taxes assessed against casino property to be approximately \$145 million. Of that amount, approximately \$76 million was due to Atlantic City for general municipal purposes; approximately \$53 million was due to the Atlantic City School District; and \$22 million was due to Atlantic County. The OLS notes that some property values are the subject of assessment appeals, so the amounts due from casino property owners may be less than \$145 million.

Instead, in 2016, the City of Atlantic City would receive a maximum of \$150 million from the owners of casino gaming properties. Of that amount, \$120 million would be provided through the PILOT payment and up to \$30 million would be from the State, funded by additional payments from casino property owners, with the allocation of the latter based on the total amount of gross gaming revenues (GGR) generated by each casino gaming property in 2015. The total amount of the PILOT payments due in 2017 and 2018 would be based on GGR in 2016 and 2017, respectively. The additional payment declines, from \$30 million to \$15 million for 2017, and then from \$15 million to \$10 million for 2018. The OLS notes that no additional payments will be due in any year following the opening of a casino gaming facility in New Jersey outside of Atlantic City. The total PILOT payment is comparable to the total amount of property taxes assessed against casino gaming properties following the adjustment of property values following the closure of four casinos in 2014.

The impact of the “Casino Property Tax Stabilization Act” on the property tax revenues of the City of Atlantic City, Atlantic County, and the Atlantic City School District is uncertain. The OLS notes that the closure of four casino gaming properties in 2014 resulted in a reduction in the value of these properties to reflect their current status. The assessed value of casino property declined by 32 percent (from \$6.275 billion to \$4.248 billion) from 2014 to 2015 and the total

amount of property taxes collected by each local taxing district was less in 2015 than in 2014. It is likely that this decline continued from 2015 to 2016. Casino payments received by each local taxing district will substitute for the ability to levy property taxes on casino properties. To the extent payments received under the bill do not wholly replace property taxes otherwise payable by casino property owners and assuming no change in the general tax rate for all purposes, the municipality, school district, and county would experience a decrease in locally generated revenue. The OLS is unable to determine whether the total PILOT amount and additional payment will be greater than or less than what would be collected locally if casino gaming properties were assessed for ad valorem taxes.

The withdrawal of a casino gaming property owner from the financial agreement would have an indeterminate impact on the PILOT and would result in a reduction to the non-tax payments provided by casino gaming properties to the city through the Local Finance Board. Absent additional information on the property tax liability of an owner of casino gaming property, the OLS cannot determine the net effect of a withdrawal on local revenues provided under the bill. If casino gaming property becomes subject to ad valorem property taxation, property tax payments would be collected by the city, with the county and school district portions of the levy distributed in accordance with current law. The voters must approve a constitutional amendment authorizing casino gaming in New Jersey outside of Atlantic City. The OLS cannot predict when, if ever, a casino gaming facility in New Jersey outside of Atlantic City will become operational.

Neither current law nor the provisions of this bill prohibit the municipality, school district, or county from adjusting their tax rates, in effect reallocating the tax levy among all other property taxpayers, in order to make-up any revenue different resulting from the changes in payments made by casino property owners. (Although current law limits annual increases in the total property tax levy to 2 percent per year, local governments are permitted to increase rates in order to raise that levy amount when there is a decline in the value of ratables.) Other actions, such as the awarding of additional State aid to the school district and municipal government, reductions in appropriations by all affected governmental entities, or the redirection of existing State revenues to the municipal government may also ameliorate the effects of any revenue loss.

The City of Atlantic City anticipated \$33.5 million in revenues from “Casino Redirected Anticipated Payments” in its 2015 adopted budget. It is unclear whether these revenues were to be generated by the PILOT payment, the additional payment of \$30 million, or the redirection of casino investment alternative tax revenue from the Casino Reinvestment Development Authority. Consistent with section 1 of P.L.2015, c.143 (C.18A:7F-65), the State has provided \$20 million in Commercial Valuation Stabilization Aid to the Atlantic City School District. P.L.2015, c.143 authorizes the provision of additional State aid to a school district situated in a municipality in which: 1) commercial property valuation accounted for at least 75 percent of the municipality’s total assessed property valuation in 2008, and 2) the assessed value of commercial property declined by at least 25 percent between 2008 and 2013. The Governor’s Fiscal Year 2017 budget proposes an additional \$32 million for Commercial Valuation Stabilization Aid.

It is likely that the Atlantic City municipal government will not retain the entire PILOT payment because the bill requires the municipality to remit a portion of the PILOT payment to Atlantic County and the Atlantic City School District. The OLS notes that the combined property tax levies for county and school district purposes comprised 47 percent of the total tax levy for the City of Atlantic City in 2015. Casino property tax liabilities accounted for approximately 58 percent of the total school levy and 58 percent of the municipality’s portion of the total county levy in 2015 (prior to the impact of pending tax appeals). Because the bill does not establish a specific formula for determining the amount to be paid to Atlantic County and the

Atlantic City School District, any projection regarding how the enactment of Senate Bill No. 1715 (1R) may affect school and county finances is speculative.

The OLS notes that the City of Atlantic City operates the Atlantic City Free Public Library. Current law (R.S.40:54-8) requires municipalities that operate their own libraries to raise by taxation a sum equal to one-third of a mill on every dollar of assessable property within the municipality based on the equalized value of such property as certified by the Director of the Division of Taxation in the Department of the Treasury. According to the city's adopted budget for 2015, the total amount to be raised by taxation for the municipal library for 2015 was \$3.755 million. Casino property tax liabilities accounted for \$2.166 million of that amount. If casino gaming property is exempt from the regular system of ad valorem taxation, the municipal library levy for the support of the Atlantic City Free Public Library would decrease significantly. Notwithstanding this decrease, the municipality would have the option of funding the library at any level above the minimum tax levy through its annual budget.

#### Reallocation of Casino Investment Alternative Tax Revenues

Section 10 of Senate Bill No. 1715 (1R) reallocates IAT receipts collected by the CRDA, excluding any amount of IAT receipts pledged for the payment of bonds issued by the CRDA or otherwise contractually obligated by the CRDA prior to the effective date of the bill, to Atlantic City for the purpose of paying debt service on municipal bonds issued prior to the effective date of the bill. To the extent that the reallocation of IAT revenues support debt service payments, Atlantic City may redirect other municipal revenues, such as property taxes and State aid, for other general purposes.

Since 2010, Atlantic City's net debt (obligations secured by the property tax levy or other municipal revenues) has doubled, from \$122.4 million to \$247.9 million. This increase has largely been driven by the issuance of "Tax Appeal Refunding Bonds" by Atlantic City in order to pay amounts owed to property owners for property tax overpayments following successful assessment appeals or the settlement of property tax appeals. According to the city's 2015 Annual Debt Statement, there is \$144.6 million in outstanding debt for tax appeal bonds. Municipal appropriation for debt service has increased by 63 percent since 2010, from \$21.3 million to \$34.7 million in 2015. Recent downgrades in Atlantic City's bond rating, reflective of its overall financial situation, make it difficult for the city to access the bond market. The reallocation of investment alternative tax revenues to Atlantic City could make it easier for the city to resolve bonded and unbonded tax appeal settlement obligations.

Current law requires casino to pay 2.5 percent of gross gaming revenues to the State or 1.25 percent to the CRDA for investment in the Atlantic City Tourism District. This tax is also known as the IAT. Casinos are also required to pay IAT on Internet gaming gross revenues, but the tax rate on Internet gaming is five percent to be paid to the State or 2.5 percent for the CRDA for investment and community development purposes. The IAT revenues have declined by 21 percent since Fiscal Year 2011. Fiscal Year IAT revenues (most recent reported) were \$35.9 million and were projected by CRDA to \$31 million in Fiscal Year 2015 due to the anticipated closing of the Trump Taj Mahal casino. The CRDA also estimates \$8 million in IAT revenues was pledged for the payment of CRDA debt or was otherwise contractually obligated by the authority prior to the effective date of the bill. These amounts fluctuate based on the terms of bond covenants.

Section 11 of the bill allows the State Treasurer to withhold IAT revenues in order to make principal and interest payments on debt required by the "Municipal Qualified Bond Act," P.L.1976, c.38 (C.40A:3-1 et seq.). The "Municipal Qualified Bond Act" is intended to strengthen the credit of fiscally distressed municipalities by allowing a municipality to pledge its anticipated revenue from certain State aid programs to the payment of principal and interest on

bonds. Municipalities must receive approval from the Local Finance Board to participate in the qualified bond program. Procedurally, the State Treasurer pays directly to a municipality's paying agent, rather than to the municipality, a pre-determined amount of State aid for the purpose of making principal and interest payments on municipal bonds.

#### Provisions Affecting the Atlantic City Alliance

The repeal of provisions of law affecting the Atlantic City Alliance (ACA) will have either no impact on CRDA revenues, or reduce CRDA revenues by an indeterminate amount in calendar year 2016, depending upon whether the CRDA will make use of the bill's authority to cancel the five-year partnership agreement establishing the ACA prior to the expiration of the agreement.

The agreement provides the ACA with casino contributions or assessments totaling \$30 million per year for five years to promote the Atlantic City Tourism District and casinos. There is less than one year remaining in the agreement and up to \$30 million owed to the ACA over that period, depending on the payment schedule. The law outlining this agreement also provides that if the public-private partnership agreement is cancelled at any time before the five-year term is over, the CRDA is to impose a fee on casino licensees for the amount that they would have paid to the ACA. In that case, the CRDA is then directed to use the remaining amount owed to the ACA to facilitate the development of the tourism district, enhance the cleanliness and safety of the tourism district, and fund the marketing efforts of the CRDA concerning tourism in the district.

The bill repeals the provision of law enabling the CRDA to impose this fee, and therefore reduces the revenue potentially available to the CRDA in the event that the public-private partnership agreement forming the ACA is terminated. If the existing agreement were terminated, the bill would result in a loss of potential CRDA revenue equal to \$30 million per year over the proportional amount of time remaining on the funding agreement following enactment.

*Section: Local Government*

*Analyst: Scott A Brodsky  
Senior 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.).



# LEGISLATIVE FISCAL ESTIMATE

[Fourth Reprint]

## SENATE, No. 1715

### STATE OF NEW JERSEY 217th LEGISLATURE

DATED: JULY 6, 2016

#### SUMMARY

- Synopsis:** Concerns taxation of casino gaming property; redirects investment alternative tax proceeds; abolishes Atlantic City Alliance
- Type of Impact:** Indeterminate impact on State and local revenues and expenditures.
- Agencies Affected:** Division of Gaming Enforcement (Law and Public Safety), Local Finance Board (Community Affairs), Casino Reinvestment Development Authority (CRDA), Atlantic City Alliance, City of Atlantic City, Atlantic City School District, and Atlantic County

#### Office of Legislative Services Estimate

<b>Fiscal Impact</b>	<b><u>Year 1</u></b>	<b><u>Year 2</u></b>	<b><u>Year 3</u></b>
<b>State Cost</b>	Indeterminate Impact – See comments below		
<b>State Revenue</b>	Indeterminate Impact – See comments below		
<b>Local Cost</b>	Indeterminate Impact – See comments below		
<b>Local Revenue</b>	Indeterminate Impact – See comments below		

- The enactment of Senate Bill No. 1715 (4R) would have an indeterminate net effect on the revenues of the City of Atlantic City, the Atlantic City School District, and Atlantic County. The bill increases general State revenues by \$15 million in 2017, and \$10 million in 2017, and increases State expenditures in these years by equal amounts.
- The bill exempts casino gaming properties from ad valorem property taxation and requires casino property owners to fulfill their financial obligations to all local governments serving Atlantic City through annual payments in lieu of taxes (PILOT). The Office of Legislative Services (OLS) cannot determine whether the PILOT amount will be greater than or less than what would be collected locally if casino gaming properties were assessed for ad valorem taxation at current rates.
- In addition to the PILOT, property tax revenues may be replaced by other casino non-tax payments from 2016 through 2023. The amount paid to the State by casino property owners will total \$30 million in 2015 and decline to \$5 million by 2023.

- The reallocation of casino investment alternative tax revenues from the Casino Reinvestment Development Authority (CRDA) to Atlantic City for the purpose of paying debt service will result in a decrease in dedicated State revenues, but may make it easier for the city to fulfill its financial obligations and fund municipal services. Fiscal Year 2015 investment alternative tax revenues were estimated at \$31 million; Atlantic City appropriated \$34.6 million for debt service payments in calendar year 2015.
- The current five-year partnership between the CRDA and the Atlantic City Alliance (ACA) has less than one year remaining. The ACA is due to receive \$30 million per year under that partnership from the casino licensees.
- If the CRDA cancels its agreement with the ACA, the casino licensees would be subject to a fee payable to the CRDA for the same \$30 million per year that they would owe to the ACA over the cancelled portion of the agreement. The bill removes statutory language permitting the CRDA to impose this fee if the partnership is between the ACA and the CRDA is cancelled. This would allow the CRDA to cancel the agreement with casino licensees who would have no subsequent financial responsibility for funding the functions that were previously supported by their contributions to the ACA.

## **BILL DESCRIPTION**

Senate Bill No. 1715 (4R) of 2016 is intended to address Atlantic City's financial difficulties following the closure of four of the 12 casinos in the city. These closures and the decline in the assessed value of casino gaming property have affected Atlantic City's ability to raise sufficient revenue through the property tax levy, which, in turn, affects municipal cash flow. Property owners, including owners of casino gaming properties, have also filed successful assessment appeals and Atlantic City has issued over \$150 million in bonds to resolve outstanding property tax appeal judgments. The bill is intended to reinforce Atlantic City's revenue base and allow the city to meet its obligations to Atlantic County and the Atlantic City School District.

Sections 1 through 8, and section 10, of Senate Bill No. 1715 (4R), the "Casino Property Tax Stabilization Act," provide that, beginning with calendar year 2017, and for the next succeeding nine tax years, casino gaming properties located in Atlantic City, including accessory hotels, conference centers, parking garages, and other appurtenant facilities, would be exempt from local property taxation on real property. The bill defines "casino gaming property" as one or more parcels of property, and adjacent property utilized in connection with such property, upon which there is located a facility licensed to be used for casino gaming in 2014 or thereafter, whether or not in actual operation, which has more than 500 guest hotel rooms and is not subject to recorded covenants prohibiting casino gaming.

For this 10-year period, casino gaming properties are required to fulfill their property tax liabilities by making annual payments in lieu of taxes (PILOT), the amount of which would be based on casino gaming revenues. The PILOT would be apportioned among casino gaming property owners by a formula that accounts for gaming revenues, the number of hotel rooms, and square feet of floor space at each casino gaming property. New improvements to casino gaming property outside of the perimeter footprint of any improvement existing as of the effective date of the bill, and any real property not formerly qualified as casino gaming property acquired after the effective date of the bill by the owner of casino gaming property, remain subject to regular ad valorem taxation.

In exchange for the property tax exemption granted in the bill, the owners of casino gaming property must sign a financial agreement with Atlantic City promising to make quarterly payments to the city totaling \$120 million in 2017. In 2018 and in each tax year thereafter, the total PILOT amount would be determined based on “gross gaming revenue,” which is defined in the bill as the total amount of revenue raised through casino gaming from all casino gaming properties in Atlantic City. Increases or decreases in the PILOT are based on total gross gaming revenues and, in certain instances, casino income from non-gaming sources. Although the bill requires Atlantic City to allocate an unspecified portion of the PILOT to Atlantic County and the Atlantic City School District, it permits the Local Finance Board to apportion a specific percentage for Atlantic County.

In calendar years 2015 through 2023, the owners of casino gaming property will make separate payments totaling \$110 million to the State. The amount owed for each casino gaming property would be based on each casino gaming property’s proportion of gross gaming revenue for the prior year, as determined by the Local Finance Board in consultation with the Division of Gaming Enforcement. The State would have a first priority lien on all payments required to be made under the bill to secure repayment of any loans or aid to Atlantic City by the State.

The bill also reallocates, until December 31, 2026, casino investment alternative tax (IAT) receipts collected by the Casino Reinvestment Development Authority (CRDA) to Atlantic City for the purpose of paying debt service on municipal bonds issued prior to the effective date of the bill. IAT revenues pledged for the payment of bonds issued by the CRDA, or any bonds issued to refund those bonds, or otherwise contractually obligated by the authority prior to the effective date of the bill, are excluded from the reallocation. These revenues may be withheld by the State Treasurer for principal and interest payments on debt required by the “Municipal Qualified Bond Act,” P.L.1976, c.38 (C.40A:3-1 et seq.). Provisions of current law related to the establishment of the Atlantic City Alliance and the assessment of a fee on casino licensees if the Atlantic City Alliance is terminated or ended are also repealed by the bill.

Finally, the legislation establishes, on January 1, 2025, a seven-member Atlantic City Review Commission. The commission is charged with reviewing and determining: (1) the efficacy of the PILOT program; (2) the economic vitality and viability of Atlantic City’s casinos; (3) the vitality and viability of the Atlantic City municipal government; (4) the effect of the PILOT program on the economic vitality of the casinos, and Atlantic City’s ability to fund its government and provide services to its residents; and (5) the feasibility of continuing the PILOT program. The commission is required to issue its findings and recommendations in writing to the Governor, President of the Senate, and Speaker of the General Assembly by July 1, 2025.

## **FISCAL ANALYSIS**

### ***EXECUTIVE BRANCH***

None received.

### ***OFFICE OF LEGISLATIVE SERVICES***

When considered in its entirety, the enactment of Senate Bill No. 1715 (4R) would have an indeterminate net effect on State and local revenues and expenditures. The OLS cannot determine whether the PILOT amounts established by the bill will be greater than or less than what would be collected locally if casino gaming properties were assessed for ad valorem taxation at current rates. The reallocation of casino investment alternative tax revenues from the

CRDA to Atlantic City will result in a decrease in State revenues and an increase in local revenues. The repeal of provisions of law relating to the Atlantic City Alliance will either have no impact on CRDA revenues or reduce CRDA revenues by an indeterminate amount in calendar year 2016, only depending on whether the CRDA will exercise its authority to cancel the five-year partnership agreement establishing the Atlantic City Alliance prior to its expiration.

“Casino Property Tax Stabilization Act”

The “Casino Property Tax Stabilization Act” exempts casino gaming properties from the regular system of assessment used to determine the value of property for ad valorem taxation. Under that system, the assessed value of all casino property in Atlantic City in 2016 was approximately \$3.552 billion (approximately 55 percent of Atlantic City’s property tax base). By applying the 2015 total tax rate (the sum of the property tax rates for all taxing districts and dedicated levies) to that amount, the OLS estimates the total amount of property taxes assessed against casino property to be approximately \$122 million. (The 2015 tax rate is used because the 2016 rate has not yet been struck by the Atlantic County Board of Taxation.) Of that amount, approximately \$62 million was due to Atlantic City for general municipal purposes; approximately \$44 million was due to the Atlantic City School District; approximately \$14 million was due to Atlantic County; and approximately \$2 million was dedicated for the Atlantic City Free Public Library. The OLS notes that some property values are the subject of assessment appeals, so the amounts due from casino property owners may be less than \$122 million.

In 2017 Atlantic City would receive a maximum of \$135 million from the owners of casino gaming properties. Of that amount, \$120 million would be provided through the PILOT payment and up to \$15 million would be from the State, funded by additional payments from casino property owners, with the allocation of the latter based on the total amount of gross gaming revenues (GGR) generated by each casino gaming property in 2015. The total amount of the PILOT payments due in 2018 and 2019 would be based on GGR in 2017 and 2018, respectively. The additional GGR-based payments decline from \$30 million for 2015 and 2016 to \$5 million for 2023. The total PILOT payment is comparable to the total amount of property taxes assessed against casino gaming properties following the adjustment of property values subsequent the closure of four casinos in 2014.

The impact of the “Casino Property Tax Stabilization Act” on the property tax revenues of Atlantic City, Atlantic County, and the Atlantic City School District is uncertain. The OLS notes that the closure of four casino gaming properties in 2014 resulted in a reduction in the value of these properties to reflect their current status. The assessed value of casino property declined by 43 percent (from \$6.275 billion to \$3.552 billion) from 2014 to 2016 and the total amount of property taxes collected by each local taxing district was less in 2015 than in 2014. It is likely that this decline will continue from 2015 to 2016. Casino PILOT payments received by each local taxing district will substitute for the ability to levy property taxes on casino properties. To the extent payments received under the bill do not wholly replace property taxes otherwise payable by casino property owners, and assuming no change in the general tax rate for all purposes, the municipality, school district, and county would experience a decrease in locally generated revenue. The OLS is unable to determine whether the total PILOT amount and GGR-based additional payment will be greater than or less than what would be collected locally if casino gaming properties were assessed for ad valorem taxes.

Neither current law nor the provisions of this bill prohibit the municipality, school district, or county from adjusting their tax rates, in effect reallocating the tax levy among all other property taxpayers, in order to make-up any revenue difference resulting from the changes in payments made by casino property owners. (Although current law limits annual increases in the total property tax levy to 2 percent per year, local governments are permitted to increase rates in order

to levy the permissible amount when there is a decline in the value of ratables.) Other actions, such as the awarding of additional State aid to the school district and municipal government, reductions in appropriations by all affected governmental entities, or the redirection of existing State revenues to the municipal government may also ameliorate the effects of any revenue loss.

Atlantic City anticipated \$33.5 million in revenues from “Casino Redirected Anticipated Payments” in its 2015 adopted budget. It is unclear whether these revenues were to be generated by the PILOT payment, the additional payment of \$30 million, or the redirection of casino investment alternative tax revenue from the Casino Reinvestment Development Authority. Pursuant to section 1 of P.L.2015, c.143 (C.18A:7F-65), the State has provided \$20 million in Commercial Valuation Stabilization Aid to the Atlantic City School District. P.L.2015, c.143 authorizes the provision of additional State aid to a school district situated in a municipality in which: 1) commercial property valuation accounted for at least 75 percent of the municipality’s total assessed property valuation in 2008, and 2) the assessed value of commercial property declined by at least 25 percent between 2008 and 2013. The Governor’s Fiscal Year 2017 budget proposes an additional \$32 million for Commercial Valuation Stabilization Aid.

It is likely that the Atlantic City municipal government will not retain the entire PILOT payment because the bill requires the municipality to remit a portion of the PILOT payment to Atlantic County and the Atlantic City School District. The OLS notes that the combined property tax levies for county and school district purposes comprised 47 percent of the total tax levy for Atlantic City in 2015. Casino property tax liabilities accounted for approximately 58 percent of the total school levy and 58 percent of the municipality’s portion of the total county levy in 2015 (prior to the impact of pending tax appeals). Because the bill does not establish a specific formula for determining the amount to be paid to Atlantic County and the Atlantic City School District, any projection regarding how the enactment of Senate Bill No. 1715 (4R) may affect school and county finances is speculative.

The OLS notes that Atlantic City operates the Atlantic City Free Public Library. Current law (R.S.40:54-8) requires municipalities that operate their own libraries to raise by taxation a sum equal to one-third of a mill on every dollar of assessable property within the municipality based on the equalized value of such property, as certified by the Director of the Division of Taxation in the Department of the Treasury. According to the city’s adopted budget for 2015, the total amount to be raised by taxation for the municipal library for 2015 was \$3.755 million. Casino property tax liabilities accounted for \$2.166 million of that amount. If casino gaming property is exempt from the regular system of ad valorem taxation, the municipal library levy for the support of the Atlantic City Free Public Library would decrease significantly. Notwithstanding this decrease, the municipality would have the option of funding the library at any level above the minimum tax levy through its annual budget.

#### Reallocation of Casino Investment Alternative Tax Revenues

Section 9 of Senate Bill No. 1715 (4R) reallocates, until December 31, 2026, IAT receipts collected by the CRDA, excluding any amount of IAT receipts pledged for the payment of bonds issued by the CRDA or otherwise contractually obligated by the CRDA prior to the effective date of the bill, to Atlantic City for the purpose of paying debt services on municipal bonds issued prior to the effective date of the bill. To the extent that the reallocation of IAT revenues support debt service payments, Atlantic City may redirect other municipal revenues, such as property taxes and State aid, for other general purposes.

Since 2010, Atlantic City’s net debt (obligations secured by the property tax levy or other municipal revenues) has doubled, from \$122.4 million to \$247.9 million. This increase has largely been driven by the issuance of “Tax Appeal Refunding Bonds” by Atlantic City in order to pay amounts owed to property owners for property tax overpayments following successful

assessment (tax) appeals or the settlement of assessment (tax) appeals. According to the city's 2015 Annual Debt Statement, there is \$144.6 million in outstanding debt for tax appeal refunding bonds. The municipal appropriation for debt service has increased by 63 percent since 2010, from \$21.3 million to \$34.7 million in 2015. Recent downgrades in Atlantic City's bond rating, reflective of its overall financial situation, make it difficult for the city to access the bond market. The reallocation of investment alternative tax revenues to Atlantic City could make it easier for the city to resolve bonded and unbonded tax appeal settlement obligations.

Current law requires casinos to pay either 2.5 percent of gross gaming revenues to the State, or 1.25 percent of gross gaming revenues to the CRDA for investment in the Atlantic City Tourism District. This tax is also known as the IAT. Casinos are also required to pay IAT on Internet gaming gross revenues, but the tax rate in Internet gaming is either five percent to the State or 2.5 percent to the CRDA for investment and community development purposes. The IAT revenues have declined by 14 percent since calendar year 2011. Calendar year 2014 revenues were \$35.8 million and \$25.9 million through the third quarter of calendar year 2015. The CRDA estimates that \$8 million in IAT revenues were pledged for the payment of CRDA debt or otherwise contractually obligated by the authority prior to the effective date of the bill. These amounts fluctuate based on the terms of the bond covenants.

Section 10 of the bill allows the State Treasurer to withhold IAT revenues in order to make principal and interest payments on debt required by the "Municipal Qualified Bond Act," P.L.1976, c.38 (C.40A:3-1 et seq.). The "Municipal Qualified Bond Act" is intended to strengthen the credit of fiscally distressed municipalities by allowing a municipality to pledge its anticipated revenue from certain State aid programs to the payment of principal and interest on bonds. Municipalities must receive approval from the Local Finance Board to participate in the qualified bond program. Procedurally, the State Treasury pays directly to a municipality's paying agent, rather than to the municipality, a pre-determined amount of State aid for the purpose of making principal and interest payments on municipal bonds.

#### Provisions Affecting the Atlantic City Alliance

The repeal of provisions of law affecting ACA will have either no impact on CRDA revenues, or reduce CRDA revenues by an indeterminate amount in calendar year 2016, depending upon whether the CRDA will make use of the bill's authority to cancel the five-year partnership agreement establishing the ACA prior to the expiration of the agreement.

The agreement provides the ACA with casino contributions or assessments totaling \$30 million per year for five years to promote the Atlantic City Tourism District and casinos. There is less than one year remaining in the agreement and up to \$30 million owed to the ACA over that period, depending on the payment schedule. The law outlining this agreement also provides that if the public-private partnership agreement is cancelled at any time before the five-year term is over, the CRDA is to impose a fee on casino licensees for the amount that they would have paid to the ACA. In that case, the CRDA is then directed to use the remaining amount owed to the ACA to facilitate the development of the tourism district, enhance the cleanliness and safety of the tourism district, and fund the marketing efforts of the CRDA concerning tourism in the district.

The bill repeals the provision of law enabling the CRDA to impose this fee, and therefore reduces the revenue potentially available to the CRDA in the event that the public-private partnership agreement forming the ACA is terminated. If the existing agreement is terminated, the bill would result in a loss of potential CRDA revenue equal to \$30 million per year over the proportional amount of time remaining on the funding agreement following enactment.

*Section: Local Government*

*Analyst: Scott A. Brodsky  
Senior 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.).

# ASSEMBLY, No. 2570

## STATE OF NEW JERSEY 218th LEGISLATURE

INTRODUCED FEBRUARY 1, 2018

**Sponsored by:**

**Assemblyman RONALD S. DANCER**

**District 12 (Burlington, Middlesex, Monmouth and Ocean)**

**SYNOPSIS**

Permits persons at racetracks, off-track wagering facilities, and casino simulcasting facilities to place instant racing wagers.

**CURRENT VERSION OF TEXT**

As introduced.





1 AN ACT permitting persons at racetracks, off-track wagering  
2 facilities, and casino simulcasting facilities to place instant  
3 racing wagers, and supplementing chapter 5 of Title 5 of the  
4 Revised Statutes and P.L.1992, c.19 (C.5:12-191 et seq.).

5  
6 **BE IT ENACTED** by the Senate and General Assembly of the State  
7 of New Jersey:

8  
9 1. For the purposes of Article IV, Section VII, paragraph 2,  
10 subparagraphs E. and F. of the New Jersey Constitution, live or  
11 simulcast running and harness horse races shall include previously-  
12 recorded live horse races on which wagers are placed during an  
13 instant racing event authorized under this act, P.L. ,  
14 c. (C. ) (pending before the Legislature as this bill). For the  
15 purposes of this act, “instant racing event” means a previously-  
16 recorded live running or harness horse race, which does not identify  
17 the actual race, on which pari-mutuel wagers are placed by a person  
18 using an electronic wagering terminal located at a racetrack, off-  
19 track wagering facility, or casino simulcasting facility in this State.

20  
21 2. a. Notwithstanding the provisions of any other law or rule  
22 or regulation to the contrary, it shall be lawful for the New Jersey  
23 Racing Commission to authorize a permit holder that is licensed to  
24 conduct a horse race meeting in this State or an off-track wagering  
25 licensee to accept, under regulation of the commission, wagers on  
26 instant racing events, as defined in section 1 of P.L. , c. (C. )  
27 (pending before the Legislature as this bill), with wagers placed  
28 through electronic wagering terminals located at a licensed  
29 racetrack facility or off-track wagering facility by persons who are  
30 physically present at those racetracks or facilities.

31 b. To effectuate the provisions of this section, the commission  
32 shall promulgate rules and regulations necessary to:

33 (1) evaluate the type of equipment that may be used in wagering  
34 subject to approval by the commission;

35 (2) authorize the permit holder to enter into contracts with  
36 vendors, operators, and other entities, as may be necessary, for the  
37 establishment and operation of the electronic wagering terminals;

38 (3) ensure that proper payments are made to winning bettors,  
39 and that remaining amounts are properly distributed among the  
40 permit holder or licensee, applicable partner entities, and horse  
41 racing and breeding industry stakeholders in accordance with  
42 subsection c. of this section;

43 (4) ensure that necessary safeguards are in place to guarantee  
44 the security and integrity of the electronic wagering terminals and  
45 of the wagering conducted thereon and to prevent minors from  
46 wagering; and

47 (5) regulate any other aspects of the electronic wagering  
48 operation the commission deems appropriate.

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1 c. (1) As used in this subsection, "takeout" means that portion  
2 of a wager which is deducted from or not included in the parimutuel  
3 pool, and which is distributed other than to persons placing wagers.  
4 The takeout rate for instant racing shall be not more than 20%, and  
5 shall be 20% in the absence of an agreement prescribing a lesser  
6 takeout percentage. The amount resulting from the takeout rate for  
7 instant racing conducted at an off-track wagering facility or at a  
8 racetrack shall be distributed 16% to purses; 1% to breeder awards;  
9 15% to race technology fees; 3% to simulcasting fees; and 65% to  
10 the permit holder, who shall be responsible for operating expenses,  
11 marketing, and awards not to exceed 25% of win. Notwithstanding  
12 the provisions of this subsection to the contrary, a portion of the  
13 amounts dedicated for purses to the Standardbred Breeders' and  
14 Owners' Association of New Jersey or to a standardbred permit  
15 holder, and to the New Jersey Thoroughbred Horsemen's  
16 Association or to a thoroughbred permit holder, may be expended  
17 for other purposes that benefit the racing and breeding industries in  
18 this State, pursuant to an agreement between the respective permit  
19 holder and association, and subject to reporting in the annual  
20 financial reports required to be submitted to the commission. The  
21 provisions of this subsection shall not be construed as to abrogate  
22 any contractual agreement among permit holders in this State  
23 providing for instant racing revenue sharing.

24 (2) Subject to rules and regulations of the commission, a  
25 racetrack or off-track wagering facility may commingle instant  
26 racing wagers into interstate common pools for instant racing.

27  
28 3. a. Notwithstanding the provisions of any other law or rule  
29 or regulation to the contrary, it shall be lawful for the Division of  
30 Gaming Enforcement, in consultation with the New Jersey Racing  
31 Commission, to authorize a casino licensee, under regulation of the  
32 division and the commission, to conduct wagering on instant racing  
33 events, as defined in section 1 of P.L. , c. (C. ) (pending  
34 before the Legislature as this bill), with wagers placed through  
35 electronic wagering terminals located at the casino's simulcasting  
36 facility by persons who are physically present at that facility.

37 b. To effectuate the provisions of this section, the division and  
38 the commission shall promulgate rules and regulations necessary to:

39 (1) evaluate the type of equipment that may be used in wagering  
40 subject to approval by the division and the commission;

41 (2) authorize the casino licensee to enter into contracts with  
42 vendors, operators, and other entities, as may be necessary, for the  
43 establishment and operation of the electronic wagering terminals;

44 (3) ensure that proper payments are made to winning bettors,  
45 and that remaining amounts are properly distributed among the  
46 casino licensee, applicable partner entities, and horse racing and  
47 breeding industry stakeholders in accordance with subsection c. of  
48 this section;

1 (4) ensure that necessary safeguards are in place to guarantee  
2 the security and integrity of the electronic wagering terminals and  
3 of the wagering conducted thereon and to prevent minors from  
4 wagering; and

5 (5) regulate any other aspects of the electronic wagering  
6 operation the division and commission deem appropriate.

7 c. (1) As used in this subsection, "takeout" means that portion  
8 of a wager which is deducted from or not included in the parimutuel  
9 pool, and which is distributed other than to persons placing wagers.  
10 The takeout rate for instant racing shall be not more than 20%, and  
11 shall be 20% in the absence of an agreement prescribing a lesser  
12 takeout percentage. The amount resulting from the takeout rate for  
13 instant racing conducted at a casino simulcasting facility shall be  
14 distributed in accordance with an agreement between the casino  
15 licensee and horse racing permit holders in this State, which shall  
16 be subject to approval by the division and commission.

17 (2) Subject to rules and regulations of the commission and  
18 division, the casino licensee may commingle instant racing wagers  
19 into interstate common pools for instant racing.

20

21 4. The provisions of this act, P.L. , c. (C. ) (pending  
22 before the Legislature as this bill) shall be construed as severable  
23 and if any part of this law is held unconstitutional, or for any other  
24 reason invalid, any remaining parts thereof shall not be affected  
25 thereby.

26

27 5. This act shall take effect immediately

28

29

30

#### STATEMENT

31

32 This bill would permit wagering by persons at racetracks, off-  
33 track wagering facilities, and casino simulcasting facilities on  
34 instant racing events. Under the bill, an "instant racing event" is a  
35 previously-recorded live running or harness horse race, which does  
36 not identify the actual race, on which pari-mutuel wagers are placed  
37 by a person using an electronic wagering terminal located at a  
38 racetrack, off-track wagering facility, or casino simulcasting facility  
39 in this State.

40 The bill provides that the "takeout" or that portion of a wager  
41 which is deducted from or not included in the parimutuel pool, and  
42 which is distributed other than to persons placing wagers, will not  
43 be more than 20%, and will be 20% in the absence of an agreement  
44 prescribing a lesser takeout percentage. The takeout rate amount  
45 for instant racing conducted at an off-track wagering facility or at a  
46 racetrack will be distributed 16% to purses; 1% to breeder awards;  
47 15% to race technology fees; 3% to simulcasting fees; and 65% to  
48 the permit holder, who shall be responsible for operating expenses,

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1 marketing, and awards not to exceed 25% of win. The takeout rate  
2 amount for instant racing conducted at a casino simulcasting facility  
3 will be distributed in accordance with an agreement between the  
4 casino licensee and horse racing permit holders in this State. Under  
5 the bill, instant racing wagers may be commingled into interstate  
6 common pools for instant racing.

7 The bill further provides that a portion of the amounts dedicated  
8 for purses to the Standardbred Breeders' and Owners' Association  
9 of New Jersey or to a standardbred permit holder, and to the New  
10 Jersey Thoroughbred Horsemen's Association or to a thoroughbred  
11 permit holder, may be expended for other purposes that benefit the  
12 racing and breeding industries in this State, pursuant to an  
13 agreement between the respective permit holder and association,  
14 and subject to reporting in the annual financial reports required to  
15 be submitted to the commission. The distributions established in the  
16 bill would not be construed as to abrogate any contractual  
17 agreement among permit holders in this State providing for instant  
18 racing revenue sharing.

19 Under the bill, the New Jersey Racing Commission and the  
20 Division of Gaming Enforcement would promulgate rules and  
21 regulations necessary to implement the bill's provisions.

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## Governor Christie Signs Pro-Taxpayer Atlantic City Reform Legislation

Friday, May 27, 2016

Tags: [Taxes](#)

**Trenton, NJ** – After 73 days of partisan obstruction by the State Assembly Speaker on behalf of his public union bosses, Governor Chris Christie signed pro-taxpayer Atlantic City reform bills within one day of their final legislative passage.

**The new laws — S-1711/A-2569** (Sweeney, O’Toole, Sarlo/Prieto, McKeon, Mazzeo, Caputo), the Atlantic City “Municipal Stabilization and Recovery Act,” and S-1715/A-2570 (Sweeney, Whelan/Prieto, Mazzeo, Caputo), to help Atlantic City compensate for a decline in property assessments — include all provisions that the governor requested in the beginning of negotiations with legislative leaders.

“These new laws will ultimately accomplish my mission to reform Atlantic City’s overblown municipal government, and in turn protect local and state taxpayers from being perpetually abused by the special political interests who admit to owning this city’s elected officials,” Governor Christie said. “We all agree that Atlantic City’s government has not demonstrated the competence to properly manage the people’s money without state guidance and oversight, and as I’ve said all along they will not be getting any more blank checks from state taxpayers as the legislature had proposed last summer. This legislation means no more business as usual. It embraces my demand that Atlantic City immediately account for every dollar it receives and spends, and triggers a series of strict conditions and rigorous requirements the city must meet immediately.”

Today’s action requires Atlantic City to demonstrate fiscal responsibility immediately and to develop a comprehensive, sustainable recovery plan, including a balanced budget, over the next 150 days. If the Commissioner of the Department of Community Affairs ultimately determines an intervention is necessary, this reform law will, as the Governor has consistently insisted upon, provide his administration all of the requisite tools to effectuate meaningful change in Atlantic City’s finances.

“For Atlantic City officials, the final countdown starts today,” the Governor said. “They now have 150 days to develop and implement fiscally responsible reforms and finally meet the obligations of every other municipal government in our state. They know that if they fail to change their tendencies of wasteful spending and mismanagement, my administration will be empowered to immediately step in and do the job for them.”

The main reform provisions include:

No more grants; no more free money. The Governor is agreeing only to a secured bridge loan for the next six months, under terms and conditions set by the Commissioner of the Department of Community Affairs, the repayment of which must be factored into the recovery plan to be developed by the city;

The preparation of a detailed, five-year recovery plan, which includes a balanced budget for 2017 and identifies the specific actions undertaken by the city government to put its fiscal house in order, beginning immediately;

Atlantic City’s recovery plan must also include:

- o How it will cut its excessive, wasteful spending and increase its revenues;
- o How it will make on time payments in full to the school district;

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- o How it will make on time payments in full to Atlantic County;
- o How it will repay the secured state loan;
- o How it will repay debts owed to the state for pension and health coverage; and
- o How it will make good on all other debts and obligations that are outstanding to bondholders, tax appeal judgment holders, and other creditors.

The Commissioner of the Department of Community Affairs is empowered under this bill to determine whether the city government's proposed recovery plan is likely to achieve financial stability for Atlantic City and if he determines that the plan will fall short of this goal, the state will intervene and manage the city with all of the tools necessary to turn this troubled city around; and

To ensure that Atlantic City's government maintains fiscal discipline as the cloud of this longstanding financial crisis lifts, if the Commissioner approves its recovery plan, he has the authority to determine at any time that state intervention is necessary if Atlantic City fails to strictly comply with its plan or if circumstances indicate that the plan is no longer likely to achieve financial stability.

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