

Casino industry's lackluster summer will dent Atlantic City's budget in 2021

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ATLANTIC CITY — The ongoing struggles of the casino industry as a result of the coronavirus pandemic, and subsequent state-imposed restrictions, will mean millions of dollars lost for the city's budget next year.

The amount paid to Atlantic City by the casinos is directly tied to the industry's annual gaming revenue performance because of the 10-year payment in lieu of taxes, or PILOT, bill enacted in 2016.

The PILOT bill outlines total gaming revenue tiers and correlating amounts to be paid to Atlantic City, as opposed to paying property taxes based on the casino's assessed value.

After eclipsing \$3.2 billion in total gaming revenue last year and paying more than \$150 million in taxes to the city, the casino industry is highly unlikely to repeat that performance in 2020.

"DCA projects that 2020 gross gaming revenues will be lower, which will result in lower PILOT payments to the City of Atlantic City in 2021," said Lisa Ryan, spokesperson for the state Department of Community Affairs, which has direct oversight of Atlantic City. "DCA believes there will be enough of an IAT (investment alternative tax) offset so that casino payments in 2021 don't appear to present any dramatic concerns for the city's budget. With that said, the city and DCA in partnership continue to operate a very lean municipal budget and, as a result, are in a position to handle deviations in PILOT payments. Therefore, the department doesn't contemplate changes to the PILOT at this time."

[State and city officials were aware of such a possibility as far back as March](#), when Gov. Phil Murphy ordered the indefinite closure of Atlantic City's nine casinos.

But, even after being permitted to reopen in early July, [the industry's most recent revenue reports highlighted just how much ground was lost during the 107-day shutdown](#).

Through July of this year, the casino industry's reported gaming revenue was slightly more than \$1.2 billion, compared with nearly \$1.845 billion through the first seven months of 2019.

"I think (the casinos) are going to have a tough time even meeting the amount that they have to pay (for 2021)," said Michael Busler, a public policy analyst and finance professor at Stockton University. "Atlantic City is going to be in for some very difficult financial times, at least for the next year, and I'm not sure how they're going to get out of it."

From August 2019 to the end of the year, total gaming revenue increased by an average of 11.28% per month compared to the prior year, meaning the casino industry would have to significantly overperform for the last five months of 2020 to even come close to matching last year's total.

Casino win, or revenue generated from table games and slots, is down more than 58% through July, emphasizing the impact the state's travel restrictions and prohibitions on indoor dining — as well as other

variables, such as consumer confidence — are having on the gaming, tourism and hospitality industries in Atlantic City.

Busler, who [penned an op-ed for The Press](#) in April calling for Murphy to reopen the Jersey Shore by Memorial Day, said immediately allowing indoor dining, even with a capacity limitation, may be the best hope for salvaging the remainder of the year for Atlantic City and the casino industry. Without an easing of the state's restrictions, many small businesses in Atlantic City may not be able to survive, which would only further deplete the city's tax base and compound its financial woes, he added.

Assemblyman Vince Mazzeo, D-Atlantic, was a prime sponsor of the PILOT legislation that was designed to put a stop to the costly property tax appeals filed by the casinos and stabilize the city's tax base. On Wednesday, Mazzeo said the PILOT bill had been working as intended before COVID-19, but noted the extraordinary circumstances both the industry and the city are now in.

“We have to walk a fine line here because we want the casino industry back to where it was prior to COVID, but we don't want it on the backs of the residents of Atlantic City or Atlantic County,” he said about the possibility of either amending the PILOT law or taking state legislative action to compensate for the looming revenue shortfall. “We're going to have to be careful how we navigate through this.”

State Sen. Chris Brown, R-Atlantic, voted in favor of the PILOT bill as a member of the Assembly in 2016 but has recognized the need for modifications to the legislation. Last year, when a [crediting mechanism built into the PILOT bill resulted in a multimillion-dollar loss of investment alternative taxes to Atlantic City](#), Brown called for reforms.

“My primary concern is the well-being of our Atlantic County families who are currently struggling to make ends meet,” Brown said Wednesday. “Obviously, no one in 2016 foresaw this pandemic, which put over 55,000 of our friends and neighbors out of work, so of course, since circumstances have dramatically changed, it's only right to revisit the PILOT in a bipartisan manner to find a way to ease the tax burden on Atlantic County's middle class families.”

Absent any tangible solution, some locals are concerned that higher property taxes, a reduction in municipal services or a combination of both are imminent.

Tom Forkin, the Republican candidate for mayor and vocal critic of the PILOT legislation since its inception, said the “expected” loss of tax revenue to Atlantic City was “highly problematic, made more so by the current state and city administrations' lack of a plan.” Forkin has repeatedly called for the city to take the state to court to challenge both the PILOT and Trenton's siphoning of other revenue streams generated in Atlantic City, such as luxury and parking taxes.

“The state has bled our city of tax revenue far too long, and now this?” he said.