LEGISLATIVE FISCAL ESTIMATE

SENATE, No. 2192

STATE OF NEW JERSEY
220th LEGISLATURE

DATED: MARCH 14, 2023

SUMMARY

Synopsis:	Establishes "County Tourism Incentive Grant Fund" within Department of Treasury to provide funding for grants to counties to support tourism advertising and promotion.
Type of Impact:	Potential annual increase in State costs. Potential annual increase in county costs and county revenues.
Agencies Affected:	Department of the Treasury. Counties.

Office of Legislative Services Estimate

Fiscal Impact	
State Cost Increase	None in certain fiscal years, up to $5 million in other fiscal years
County Cost Increase	None in certain fiscal years, up to $5 million in other fiscal years
County Revenue Increase	None in certain fiscal years, up to $5 million in other fiscal years

- The Office of Legislative Services (OLS) concludes that the bill will result in a potential increase in annual State expenditures to provide grants to counties to support tourism advertising and promotion. The OLS estimates that there will be no additional State expenditures in certain fiscal years, while in other fiscal years State expenditures could increase by up to $5 million.

- The magnitude of any State expenditure increase will vary annually depending on whether and by how much actual hotel and motel occupancy fee revenue collections exceed the amount anticipated to be collected in that fiscal year's appropriations act. For those fiscal years when there are no excess revenues collected, no State grants will be provided the following fiscal year.

- Data show that fee collections have exceeded anticipated amounts in three of the last 10 fiscal years: FY 2019 ($3.7 million), FY 2021 ($2.6 million), and FY 2022 ($2.3 million). These amounts would have been deposited into the County Tourism Incentive Grant Fund and distributed to counties as grants in the following fiscal year had this bill been in effect.

- Tourism incentive grants provided by the State to approved counties would represent revenue increases for these counties. In turn, costs to these counties would increase in those fiscal years when grants are provided as the bill requires counties to expend the grant awards on additional tourism advertising and promotion.

BILL DESCRIPTION

The bill establishes the County Tourism Incentive Grant Fund as a special, non-lapsing fund in the Department of the Treasury. The fund serves as the repository for any excess of actual State hotel and motel occupancy fee collections over the amount anticipated to be collected in that fiscal year's appropriations act. Fund balances are to be used for grants to counties to support tourism advertising and promotion. Each county that is approved for a grant receives a share of the excess fee revenue that is proportionate to the county's share of fee revenue generated by all counties that are approved for a grant.

On or before October 1 of each year, participating counties are required to apply to the State for funding and agree to certain terms regarding the use of grant funds. Failure to abide by the terms of the agreement will result in the counties returning the grant funds to the State with interest. The Department of the Treasury is to distribute the incentive grants annually by January 1.

The standard State hotel and motel occupancy fee is imposed at the rate of five percent on charges for the rental of hotel and motel rooms that are subject to the sales and use tax, with the rate being lower in certain municipalities. The fee is charged in addition to the sales and use tax and any applicable municipal occupancy tax.

FISCAL ANALYSIS

EXECUTIVE BRANCH

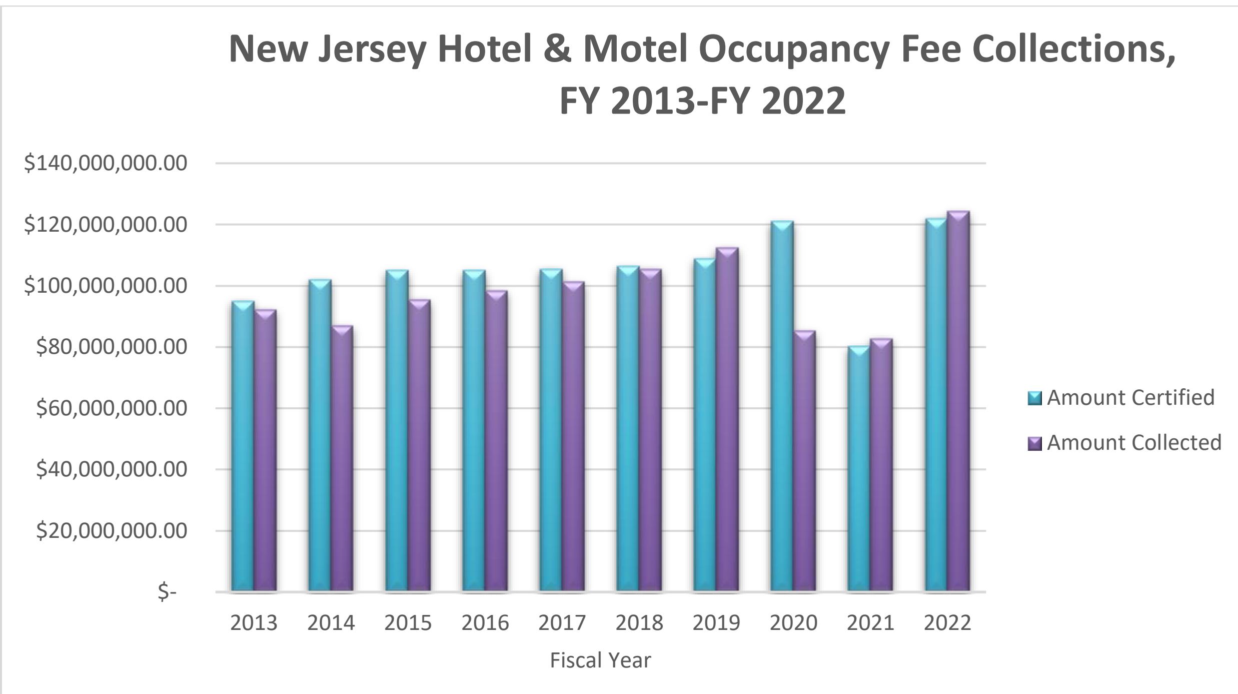
None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS concludes that the bill will result in a potential increase in annual State expenditures to provide grants to counties to support tourism advertising and promotion. The OLS estimates that there will be no additional State expenditures in certain fiscal years, while in other fiscal years State expenditures could increase by up to $5 million. The magnitude of any State expenditure increase will vary annually depending on whether and by how much actual hotel and motel occupancy fee revenue collections exceed the amount anticipated to be collected in that fiscal year's appropriations act. For those fiscal years when there are no excess revenues collected, no State grants will be provided the following fiscal year.

Tourism incentive grants provided by the State to approved counties would represent revenue increases for these counties. In turn, costs to these counties would increase in those fiscal years when grants are provided as the bill requires counties to expend the grant awards on additional tourism advertising and promotion. The amount of grant funding awarded to each county and the resultant increase in county costs will change annually based on the amount of excess revenues available for grants and on a county's proportionate share of fee revenue generated by all counties that are approved for a grant. The State may experience revenue increases periodically in the form of interest payments from counties that violate their agreements with the State and have to return the grant award.

State hotel and motel occupancy fee collections vary annually depending on the number of occupancies and on hotel and motel room rates. The chart below shows the amount of fee revenues anticipated and collected annually from FY 2013 through FY 2022. During that period, fee revenues ranged from $82.8 million to $124.3 million. Data show that fee collections have exceeded anticipated amounts in three of the last 10 fiscal years: FY 2019 ($3.7 million), FY 2021 ($2.6 million), and FY 2022 ($2.3 million). These represent the amounts that would have been deposited into the County Tourism Incentive Grant Fund and made available to counties as grants in the following fiscal year had this bill been in effect.



In FY 2022, total State hotel and motel occupancy fee collections were $124.3 million. Of that amount, $101.6 million can be attributed to hotel and motel occupancies in each county, while $22.7 million can be attributed to taxes derived from occupancies reserved through transient space marketplaces and cannot be attributed to a specific county. The bill requires each county that is approved for a grant to receive a share of the excess fee revenue that is proportionate to its share of fee revenue generated by all counties that are approved for a grant. Therefore, the tourism grant awards will be based on each county's proportion of the $101.6 million in fee revenues that can be attributed to a specific county.

The table below shows the amount each county would have received in FY 2023 from the $2.3 million in excess revenues generated in FY 2022 had the bill was in effect. For purposes of this estimate, the OLS assumes that all counties participate in the grant program.

Model Distribution of Excess FY 2022 State Hotel and Motel Occupancy Fee Revenues

County	Proportion of State Hotel & Motel Occupancy Fees	Estimated Tourism Incentive Grant Amount
Atlantic	6.51%	$152,995.05
Bergen	10.87%	$255,372.17
Burlington	5.84%	$137,189.03
Camden	2.58%	$60,536.05
Cape May	14.15%	$332,542.85
Cumberland	1.03%	$24,185.32
Essex	3.50%	$82,287.42
Gloucester	1.98%	$46,577.71
Hudson	6.91%	$162,436.14
Hunterdon	0.95%	$22,276.22
Mercer	3.84%	$91,124.90
Middlesex	10.69%	$251,091.30
Monmouth	7.31%	$171,747.40
Morris	6.63%	$155,852.08
Ocean	5.29%	$124,256.69
Passaic	1.77%	$41,485.32
Salem	0.44%	$10,356.13
Somerset	4.10%	$96,307.30
Sussex	2.16%	$50,717.67
Union	3.36%	$78,859.36
Warren	0.10%	$2,265.36
Totals	**100%**	**$2,349,461.97**

Section: *Revenue, Finance, and Appropriations*

Analyst: *Scott A. Brodsky*
Staff Fiscal & Budget Analyst

Approved: *Thomas Koenig*
Legislative Budget and Finance Officer

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).