

LEGISLATIVE AFFAIRS REPORT
NEW JERSEY LICENSED BEVERAGE ASSOCIATION
JULY 8, 2009
TRENTON, NJ

State Budget

On June 25, 2009, almost a week before the constitutional deadline, the FY 2010 NJ State \$29 billion Budget was passed by both houses of the Legislature.

After “finding” an unexpected \$600 million windfall because of the overwhelming success of the Tax Amnesty Program, lawmakers revised the State Budget to include the windfall with a majority of the proceeds directed to property tax rebates.

The budget will cut spending by 12 percent, but it also raises a number of taxes. On the tax side, the Budget continues a 4 percent surcharge on corporate income taxes that was supposed to expire this year, costing employers \$80 million; raises tax rates on income above \$400,000; increases the cigarette tax by 12.5 cents per pack and hikes hard alcohol and wine taxes by 25%.

Despite the dire revenue picture, lawmakers included an important \$120 million appropriation to shore up the Unemployment Insurance fund to avoid another \$350 million payroll tax increase on employers (about 87 per employee). As it is, payroll taxes still will automatically rise by \$350 million on July 1, because the fund’s balance is too low to pay increased unemployment claims. Without the State’s action, New Jersey employers would have faced a total increase of \$700 million or 40 percent.

NJLBA vigorously opposed the alcohol and tobacco tax increase, and wrote to all 120 members of the State Legislature, pointing out that their actions continue to target the hospitality industry and drive them out of business.

NJ Taxpayers Organization Says There is Plenty of Money

Last week, the New Jersey Taxpayers Association announced results of their recent review of the NJ FY 2008 comprehensive Annual Finances Report. The report uncovers what appears to be a conscious attempt by state agencies and institutions to conceal huge sums of money in an ongoing basis.

Jerry Cantrell, President of NJTPA says, “*We are borrowing \$2 billion to cover short-term expenses, incurring minimum interest of \$18.2 million when there is plenty of money sitting in the state coffers already. NJ has a “cash fund” of \$19 billion as of June 30*”. NJTPA requested a formal legislative and media investigative inquiry into how and why these institutions have been allowed to increase taxpayer fees and tuition and produce “profits”, but more importantly, how many of these institutions now have unrestricted fund balances that are excessive for any public “rainy day” purpose.

Legislative Action

- A-2896 – Cryan – Caps bids municipalities may require for certain hotel liquor licenses. **Passed both Houses and signed by the Governor.**
- A-3916 – Rible/Cryan – Permits bars and restaurants to serve alcohol at bingo games on premises. **Passed in Assembly 77-0 and received in Senate without committee reference.** S-2418 – Van Drew and Kean – Reported out of the Senate Committee on May 4. Bill expected to become law during “lame duck”.
- A-4103 – Diegnan – Raises cigarette tax rate from \$2.57 to \$2.70 per pack. Passed Assembly 45-33. Passed Senate 21-18. **Signed by Governor.**
- A-4104 – Wisniewski – Increased tax rate on liquor and wines. Passed Assembly 45-33 and Senate 21-18. **Signed by Governor.**
- A-3074/S-1926 – “Ricci’s Law”. Requires the use of ignition interlock devices for all drunk driving offenses. Bills were released from the Senate and Assembly committee with amendments. NJLBA strongly opposed these bills, especially for first time offenders. *We were able to have the bill amended to require that only those first time offenders with a BAC of 0.15 or higher would be required to install an ignition interlock device.*

Sports Betting in New Jersey

State Senator Ray Lesniak has filed a federal lawsuit to challenge the constitutionality of the Professional and Amateur Sports Protection Act. PASPA, signed into law in 1992, prohibits states or any person from offering or authorizing a lottery or other betting game based on the results of any competitive game in which amateur or professional athletes participate. If you read the law literally, this would outlaw a five-dollar bet at your local golf course. (Four states were implicitly exempted from PASPA: Nevada, Montana, Oregon and Delaware).

At first, Governor Corzine declined to join in the suit, saying he would “*wait for the federal law to be tested. . . .before instituting any type of sports betting.*” However, on July 7, Governor Corzine filed a motion to join in the lawsuit. The Governor said, “today’s filing sends a clear message that we will not sit back and allow the selective prohibitions of this law to deprive New Jersey from the economic benefits sports betting can generate.”

In the Motion, the Governor argues that PASPA:

1. Economically disadvantages New Jerseyans, while allowing select States, including Delaware, to collect revenues from regulated sports betting;
2. Precludes the Governor from proposing as a revenue option, a form of regulated gambling freely allowed in other states.

Delaware recently took advantage of its exemption in the federal law to legalize sports betting and table games at its three horse racing facilities.

If PASPA is declared unconstitutional, NJ could move to authorize. Both the Assembly and Senate have passed measures indicating their support for sports betting.

Video Lottery

If the Governor wants to be *competitive* in the gaming business, there is nothing stopping New Jersey from enacting Video Lottery in bars and taverns and other facilities which would bring in millions in new revenue and could be used for property tax relief, or to balance the budget. Pennsylvania and Delaware have enacted such laws and they are drawing gaming dollars away from New Jersey and Atlantic City and the state coffers.