

NEW JERSEY SPORTS AND EXPOSITION AUTHORITY
2013 CONSOLIDATED BUSINESS PLAN
(000's OMITTED)

	<u>2013 PLAN</u>
REVENUE FROM OPERATIONS	
RACETRACK	-
MONMOUTH PARK	-
ACCOUNT WAGERING	2,855.4
OFF TRACK WAGERING	-
STADIUM	-
ARENA	18,565.0
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TOTAL REVENUE	21,420.4
OPERATING EXPENSES	
RACETRACK	-
MONMOUTH PARK	21.1
ACCOUNT WAGERING	2,929.5
OFF TRACK WAGERING	-
STADIUM	-
ARENA	19,023.7
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TOTAL OPERATING EXPENSES	21,974.3
INCOME FROM OPERATIONS	
RACETRACK	-
MONMOUTH PARK	(21.1)
ACCOUNT WAGERING	(74.1)
OFF TRACK WAGERING	-
STADIUM	-
ARENA	(458.7)
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INCOME FROM OPERATIONS	(553.9)
GENERAL & ADMINISTRATIVE EXPENSES	(18,129.4)
INTEREST & OTHER INCOME	13,685.0
DISCONTINUED OPERATIONS	(4,306.2)
OTHER EXPENSE	(968.7)
PAYMENT IN LIEU OF TAXES SC	(12,339.8)
MAINTENANCE CHARGES	(8,278.7)
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TOTAL NET INCOME (DEFICIT)	<u><u>(30,891.7)</u></u>

Discussion Points

1. The New Jersey State Council on the Arts provides State and federal grants to art organizations and artists in New Jersey whose projects show professional merit and promise. The council's State grant funding comes from revenue generated by the hotel and motel occupancy fee established pursuant to P.L.2003, c.114 and is distributed as cultural project grants. The Governor's FY 2015 Budget recommendation includes \$16 million in Grants-In-Aid funding for cultural projects and continues a trend of flat-funding for cultural projects. Prior to the trend of flat-funding, the last fiscal year in which the appropriation for cultural projects exceeded \$16 million was in FY 2011, when the appropriation was \$20.3 million. Pursuant to continuing budget language, 25 percent of grant awards must be allocated to the eight southernmost counties (Cape May, Salem, Cumberland, Gloucester, Camden, Ocean, Atlantic and Burlington.)

Under the law, for the occupancy taxes collected in FY 2004, \$16 million was to be allocated to the council for cultural projects. For occupancy taxes collected in FY 2005 and thereafter, the statute increased the dedication to 22.68 percent of the tax revenue, provided that the amount is not less than \$22.68 million. While the FY 2015 recommended funding amount is well below the statutorily required amount of \$22.68 million, it is equal to the level of funding below which, under the law, the authority to impose and collect the fee would be terminated.

- **Question:** According to the Governor's FY 2015 Budget recommendation, 208 grants for cultural projects were awarded by the New Jersey State Council on the Arts in FY 2014. Please identify which grantees represent first-time recipients. What is the total of their grant awards? How many FY 2013 grantees received no funding in FY 2014? If any 2013 grantees applied for but did not receive a 2014 grant, please explain why they were denied a grant. Is the continuing language provision an effective – and necessary – mechanism for generating financial support for the arts in southern New Jersey? How many, and which specific, grant recipients within the eight southernmost counties would not have received a cultural projects grant in FY 2014 if the Budget language was discontinued? Absent the language, would any applicants in the other 13 counties have received a grant or a larger grant?
- **Question:** Based on applications for FY 2015 received to date, what percentage of qualified funding requests could be approved and funded with the recommended appropriation? What was the percentage of qualified requests funded in FY 2014? How many additional qualified requests could be funded if the council is funded at the statutorily required amount?
- **Question:** From FY 2012 to FY 2014, the number of grant applications dropped from 296 to 239, or 19.3 percent. Please explain the reduction.

2. The New Jersey Historical Commission implements programs to advance public knowledge of New Jersey's historical heritage. The commission's State grant funding comes from revenue generated by the hotel and motel occupancy fee established pursuant to P.L.2003, c.114 and is distributed as agency grants to historical organizations, museums and other similar organizations with collections or programming related to New Jersey's history.

Discussion Points (Cont'd)

The Governor's FY 2015 Budget recommendation includes \$2.7 million in Grants-In-Aid funding for the commission's agency grants and continues a trend of flat-funding for agency grants. Prior to the trend of flat-funding, the last fiscal year in which the appropriation for historical agency grants exceeded \$2.7 million was in FY 2010, when the appropriation was \$2.9 million.

Under the law, for the occupancy taxes collected in FY 2004, \$2.7 million was to be allocated to the commission for cultural agency grants. For occupancy taxes collected in FY 2005 and thereafter, the statute increased the dedication to 3.84 percent of the tax revenue, provided that the amount is not less than \$3.84 million. While the FY 2015 recommended funding amount is well below the statutorily required amount of \$3.84 million, it is equal to the level of funding below which, under the law, the authority to impose and collect the fee would be terminated.

- **Question:** How many agency grants were awarded by the New Jersey Historical Commission in FY 2014? Please provide a list of grantees and grant awards distributed in FY 2014 and a brief description of the purpose for which the grant was used. Please identify which grantees represent first-time recipients. What is the total of their grant awards? How many FY 2013 grantees received no funding in FY 2014? If any 2013 grantees applied for but did not receive a 2014 grant, please explain why they were denied a grant.
- **Question:** Based on applications for FY 2015 received to date, what percentage of qualified funding requests could be approved and funded with the recommended appropriation? What was the percentage of qualified requests funded in FY 2014? How many additional qualified requests could be funded if the commission is funded at the statutorily required amount?

3. Tourism advertising and promotion funding comes from revenue generated by the hotel and motel occupancy fee established pursuant to P.L.2003, c.114 and is allocated to the Division of Travel and Tourism. The division currently oversees two marketing and promotion grant programs: the Cooperative Marketing Grant Program, which is open to any New Jersey organization that can demonstrate a significant interest in the New Jersey tourism industry, and the Destination Marketing Organization (DMO) Grant Program, which is open to any organization that meets the qualifications of an established DMO. In both cases, an organization is required to show a match equal to 25 percent of the grant request, from partners or sponsors that are non-State funding sources.

There are 20 DMOs located throughout the State which promote the arts, culture, history, the outdoors, shopping, and heritage activities and events. DMOs are primarily intended to attract tourism to certain regions through general marketing campaigns that advertise a given destination such as a single city, a group of municipalities, or a defined region (Skylands region, Shore region, etc.). DMOs often comprise both private and public entities, including Chambers of Commerce, downtown associations, or not-for-profit Convention or Visitor Bureaus, and work with hotels, restaurants, attractions, and smaller tourism entities to offer visitor information.

Discussion Points (Cont'd)

The Governor's FY 2015 Budget recommendation includes \$9 million in Direct State Services funding for travel and tourism advertising and promotion and continues a trend of flat-funding. Prior to the trend of flat-funding, the last fiscal year in which the appropriation for travel and tourism advertising and promotion exceeded \$9 million was in FY 2009, when the appropriation was \$11.9 million.

Under the law, for the occupancy taxes collected in FY 2004, \$9 million was to be allocated for tourism advertising and promotion. For occupancy taxes collected in FY 2005 and thereafter, the statute increased the dedication to 12.76 percent of the tax revenue, provided that the amount is not less than \$12.76 million. While the FY 2015 recommended funding amount is well below the statutorily required amount of \$12.76 million, it is equal to the level of funding below which, under the law, the authority to impose and collect the fee would be terminated.

- **Question:** What amount and percentage of the State occupancy fee dedicated for travel and tourism has been allocated to cooperative marketing grants in each of the previous five fiscal years? How many cooperative marketing grants have been approved by the division, and to what entities, in each of the previous five fiscal years?
- **Question:** What amount and percentage of the State occupancy fee dedicated for travel and tourism has been allocated to each DMO for each of the previous five fiscal years? What percentage of each DMO's advertising and promotion budget is reliant on the State occupancy fee?
- **Question:** Does the division collect data concerning the number of overnight visitors based on advertising and promotion efforts made by the State? Is this information also collected by each DMO for its respective advertising and promotion efforts? What is the correlation, if any, between the amount of funding received by a DMO from a cooperative marketing or DMO grant and the number of overnight visitors to that area of New Jersey?
- **Question:** Summarize the application and review process, and describe the particular information required to be submitted to the division in an application for a cooperative marketing or DMO grant. What criteria must be met in order for a DMO or other organization to receive this funding? How are the proposals approved or rejected? What action does the division take to audit a DMO or organization and ensure State funds are used appropriately and effectively?
- **Question:** How many additional qualified cooperative marketing or DMO grant requests could be funded if the division is funded at the statutorily required amount?

4. In advance of the 2013 summer season, several neighboring states advertised heavily in the New Jersey market in an attempt to attract regular New Jersey shore visitors. The State dedicated a federal \$25 million Community Development Block Grant for a tourism marketing campaign, later designated the "Stronger than the Storm" campaign designed by the MWW Group, a New Jersey-based public relations firm, to promote the Jersey Shore as "open for business." MWW's December 2013 "Stronger than the Storm Recap Report" declares that,

Discussion Points (Cont'd)

despite dire predictions about the State's shore tourism, the 2013 summer vacation season exceeded expectations.

- **Question:** What was the division's relationship to MWW in crafting or supporting the "Stronger than the Storm" campaign? What was the primary strategy to dispel the myth of closed beaches and draw regular visitors to return to the Jersey shore for the 2013 season? Is there any particular effort underway by the division to attract visitors who traveled elsewhere in 2013 back to their favorite destinations in New Jersey?
- **Question:** The report offers some information about hotel occupancies, illustrating the percentage of occupied hotel rooms. Since the total availability of hotel rooms affects the occupancy and vacancy percentage, was the total number of available hotel rooms the same, more, or less than previous years? Please explain why the average hotel revenue per available room decreased in 2013 compared to 2012.
- **Question:** As indicated in the report, hotel tax receipts in Ocean County dropped significantly (14.3 percent) compared to 2012, and dropped 6.1 percent from 2008 to 2012, making Ocean County an outlier in contrast to the other three shore counties. What factors specifically affect Ocean County hotel receipts? Does it appear that Ocean County hotel receipts will increase in 2014?

5. On February 2, 2014, Super Bowl XLVIII was held at the MetLife Stadium in East Rutherford, New Jersey, marking the first time a Super Bowl was held in an open-air stadium in a cold-weather region. The Super Bowl brought with it numerous media-related events, and thousands of visitors from all around the world. In response to discussion point 3 in the OLS analysis of the FY 2014 budget recommendations concerning the planning and anticipated costs and revenues associated with hosting the Super Bowl, the New Jersey Sports and Exposition Authority (NJSEA) stated that, according to the Super Bowl Bid Regional Analysis report, the State anticipated a \$550 million estimated economic impact in the New Jersey/New York region, the securing of 4,022 hotel rooms by the NFL in New Jersey, and a non-game attendance of 400,000 people.

NFL specifications in the bid contract for hosting a Super Bowl prohibit the host State from collecting sales tax on ticket sales, parking, luxury box sales, etc. According to an article by the Newark Star Ledger, this provision likely cost the State \$8 million in lost revenue. The contract also specifies that the NFL is not responsible for paying for security. Approximately 700 State troopers were used for patrolling in and around MetLife Stadium and providing police escorts for the teams and news media from all events leading up to the game, and local police and New Jersey National Guard monitored rail lines and the stadium perimeter.

- **Question:** Please provide the total State and local costs and revenues associated with hosting Super Bowl XLVIII. How do the actual numbers compare to the anticipated numbers presented in the impact analysis? For the \$550 million anticipated for the New Jersey/New York region, how much revenue was actually generated, and how much of that amount went specifically to New Jersey?

The NJSEA has no knowledge of the total State and local costs and revenues associated with hosting Super Bowl XLVIII.

Discussion Points (Cont'd)

As part of New Jersey’s Bid Proposal to secure the Super Bowl, the NJSEA committed to providing certain services through its Fire Department and Emergency Medical Services. The NJSEA is seeking reimbursement from the NFL for a portion of these costs.

The NJSEA has not commissioned a study to assess the economic impact of the Super Bowl. The NJSEA has requested to be furnished with such a study if conducted by the NFL or Super Bowl Host Committee.

- **Question:** An entire section of Times Square in New York was designated for Super Bowl-related events. What events were specifically designated for New Jersey? Were these events sanctioned by the NFL? If not, why not? When and where did they take place? What type of turn-out did such events generate?

NFL Sanctioned Events

Opening Week Ceremonies @ Liberty State Park- 1/27/14	
4,000 est.	
Media Day @ Prudential Center- 1/28/14	7,500 est.
NFL On Location @ IZOD Center- 2/02/14	3,600
NFL Tailgate @ Meadowlands Racetrack- 2/02/14	10, 260
Fox Sports @ Meadowlands Racetrack- 2/02/14	935
Host Committee Party @ New Meadowlands Racetrack- 2/02/14	3,000 est.
Super Bowl XLVIII @ MetLife Stadium- 2/02/14	
82,529	

- **Question:** Did any particular local governments incur significant or unforeseen Super Bowl-related costs? If so, did the direct economic benefit and revenue generated from hosting the Super Bowl offset these costs without the need for State financial support?

NJSEA has no information related to local government costs incurred in providing local services associated with the Super Bowl. Local governments were not requested to provide any services at Met Life Stadium and the Sports Complex. Any local EMS or fire services that may have been provided would be reimbursed pursuant to NJSEA’s standard operating procedure.

6. In FY 2014, the Division of Elections received a supplemental appropriation of \$26 million in State Aid for Extended Polling Place Hours. According to the division, the supplemental appropriation was dedicated for costs associated with holding the New Jersey Special Election for United States Senate to fill the remainder of the term vacated with the passing of five-term Senator Frank Lautenberg, who passed away in June 2013. The Governor set the date for a Special Primary Election in August 2013 and for a Special General Election in October 2013. Assembly Bill No. 4237 of the 2012-2013 legislative session would have

Discussion Points (Cont'd)

changed the date of the 2013 general election from November 5th to October 16th, combining the two elections, to dispel concerns of cost, voter turnout, and practicality of holding a Special General Election just 20 days prior to the regularly-scheduled General Election. The bill passed both houses but was vetoed by the Governor on September 9, 2013. The State held the Special Primary Election on August 13, 2013 and the Special General Election on October 16, 2013.

- **Question:** What were the total costs associated with holding both the Special Primary Election and the Special General Election? What was the voter turn-out for both elections? What plans did the division develop to avoid any difficulties with holding the Special General Election just 20 days prior to the regularly-scheduled General Election, including any concerns with the voting machines and their associated hardware and software, and the need to hire additional workers?

7. According to continuing budget language, in addition to the line-item amount specifically appropriated for Extending Polling Place Hours, there are appropriated such sums as are required to provide reimbursements to the county boards of election. As noted in discussion point 6, the Division of Elections received a supplemental appropriation of \$26 million in State Aid for Extended Polling Place Hours. As was also noted, the supplemental appropriation was dedicated for costs associated with holding the New Jersey Special Election for United States Senate, including the reimbursement of the county boards of election for the entire cost of the Special Primary Election and the Special General Election, and not just for Extended Polling Place Hours.

- **Question:** What interpretation of the budget language supports a supplemental appropriation to reimburse for costs that do not appear to be the result of Extended Polling Place Hours? Please explain why, and under what authority, the county boards of election may be reimbursed for the entire costs associated with the New Jersey Special Election for United States Senate and not just for Extended Polling Place Hours.

8. In FY 2012, the New Jersey Sports and Exposition Authority (NJSEA) received a supplemental appropriation of \$27.4 million in operational aid pursuant to budget language authorizing the Executive to approve funding to maintain NJSEA core operating functions. The FY 2015 recommended budget recommends \$15 million (Interdepartmental Accounts, p. D-426), for NJSEA operations and continues the same language so that this funding can be increased. The NJSEA will thus receive an operating subsidy in addition to debt service appropriations for the fourth consecutive fiscal year. The budget does not provide any FY 2015 funding under the Department of State but includes the same language authorizing supplemental funding for core operating functions under Interdepartmental Accounts.

In response to an OLS discussion point on the FY 2013 budget, the NJSEA informed the Legislature that it had relied on State funding in its 2011 operating year (January-December) of \$19 million, or 6 percent of its CY 2011 operating resources; and that it anticipated receiving a similar amount which would, due to changes in operating costs from racetrack privatization, comprise about 14 percent of total operating resources. The NJSEA was unable to project a need for FY 2013 State funding at that time; it indicated that it expected the need for assistance to decline "going forward" but that that the amount could change significantly depending on organizational changes and cost trends.

Discussion Points (Cont'd)

In FY 2014, the NJSEA is projected to receive supplemental appropriations totaling \$47.3 million, with \$34.3 million of that total approved as of April 14, 2014.

In response to an OLS discussion point on the FY 2014 budget, the NJSEA informed the Legislature that the loss of rental income from the Stadium lease signed in 2006 “significantly challenged the NJSEA operations,” and that the restructuring of racing has “increased costs in the short-term but will result in better income and expenditure positions in the future.” The NJSEA also noted that additional assistance was needed during 2013 to fund the NJSEA’s racetrack lease obligations and one-time capital upgrades, the most significant being electrical upgrades associated with hosting WrestleMania and the Super Bowl.

- **Question:** What percentage of the NJSEA total operating resources on a budgetary basis, and for which NJSEA fiscal years, were provided by State FY 2012 funding, FY 2013 funding, and were/will be provided by State FY 2014 funding and State FY 2015 funding, respectively? Please provide a copy of the NJSEA’s operating budget or financial plan as adopted and as concluded for CY 2013. Please also provide a copy of the NJSEA approved or proposed budgets or operating plans that support the level of State operating support provided by FY 2014 and FY 2015 appropriations. What accounts for the decrease in State operating support from \$47.3 million to \$15 million? What impact will reduced state support have on the operations of the NJSEA?
- **Question:** If the NJSEA is “in, but not of” the Department of State, why isn’t the funding included as a specific line-item under the department? Why is the NJSEA’s budget reflected only in Interdepartmental Accounts?

The FY15 Budget provides NJSEA with funding to cover costs such as salaries and benefits of staff, operating and maintaining the Meadowlands sports complex, PILOT payments, retiree pension and medical obligations, capital maintenance, and Racing Commission program costs. To the extent costs exceed \$15m, there is directory letter authority for additional appropriation in order to maintain their operations. The percentage of State support as part of NJSEA total operating resources was approximately 22% in FY13 and 33% in FY14. The higher percentage in FY14 is attributable to the costs of hosting the Super Bowl and the Special Olympics USA Games, as well as the utilization of one-time NJSEA resources in FY13 that were no longer available for FY14.

The appropriation to NJSEA is included in the Interdepartmental section of the Budget, which is consistent with prior year budgets and where other independent authorities reside. Prior to the legislation that reorganized NJSEA under the Department of State, NJSEA was statutorily located under the Department of Community Affairs and budgeted in the Interdepartmental Accounts.

Attached is a copy of NJSEA’s approved 2013 financial plan. A 2014 financial plan has not been finalized.