

Fiscal Note & Local Impact Statement

127th General Assembly of Ohio

Ohio Legislative Service Commission
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BILL: **H.B. 49** DATE: **March 14, 2007**
STATUS: **As Introduced** SPONSOR: **Rep. Gibbs**
LOCAL IMPACT STATEMENT REQUIRED: **No — Minimal cost**
CONTENTS: **Short-term bingo licenses**

State Fiscal Highlights

STATE FUND	FY 2007*	FY 2008	FUTURE YEARS
General Revenue Fund (GRF)			
Revenues	- 0 -	Potential negligible gain in locally collected court costs	Potential negligible gain in locally collected court costs
Expenditures	- 0 -	Potential incarceration cost increase, not likely to exceed minimal	Potential incarceration cost increase, not likely to exceed minimal
Charitable Foundations Fund (Fund 418)			
Revenues	- 0 -	Minimal effect on bingo license fees	Minimal effect on bingo license fees
Expenditures	- 0 -	Potential increase in Gambling Law administrative and enforcement costs, not likely to exceed minimal	Potential increase in Gambling Law administrative and enforcement costs, not likely to exceed minimal
Victims of Crime/Reparations Fund (Fund 402)			
Revenues	- 0 -	Potential negligible gain in locally collected court costs	Potential negligible gain in locally collected court costs
Expenditures	- 0 -	- 0 -	- 0 -

Note: The state fiscal year is July 1 through June 30. For example, FY 2006 is July 1, 2006 – June 30, 2007.

* For the purposes of this fiscal analysis, it is assumed that any of the bill's state fiscal effects would occur sometime after FY 2007.

- **Office of the Attorney General expenditures.** As of this writing, LSC fiscal staff has not gathered any information suggesting that the bill will noticeably increase the administrative and enforcement workload and related annual operating costs of the Charitable Foundations Section. If that were true, then the potential effect on the Attorney General's expenditures, in particular those associated with Fund 418, appear unlikely to exceed minimal. In this context, "minimal" means an expenditure increase estimated at less than \$100,000 for the state per year.
- **Office of the Attorney General revenues.** The bill creates a short-term bingo license and related \$50 fee, which would be deposited in the state treasury to the credit of the Attorney General's Charitable Foundations Fund (Fund 418). Based on a prior conversation related to the matter of a short-term bingo license with a staff member of the



Attorney General, it appears: (1) the availability of the short-term license will largely affect certain charitable organizations by altering the type of license or licenses that those certain charitable organizations might otherwise have applied for under current law, and (2) the net fiscal effect of such a change in applicant behavior on Fund 418's annual revenue stream is not expected to produce any notable revenue gain or loss.

- **Court cost revenues.** If individuals are found to have violated the Gambling Law as changed by the bill, then an opportunity is created for the state to gain locally collected state court cost revenues. As the number of such violations and related convictions that might occur annually statewide appears to be relatively small, the amount of court cost revenues that those state funds may gain is likely to be no more than negligible. For the purposes of this fiscal analysis, "negligible" means an estimated revenue gain of less than \$1,000 for either state fund per year. It is also important to note that collecting court costs and fines from certain offenders can be problematic, especially in light of the fact that many are unwilling or unable to pay.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2007	FY 2008	FUTURE YEARS
Counties and Municipalities			
Revenues	Potential gain in court costs and fines, not likely to exceed minimal	Potential gain in court costs and fines, not likely to exceed minimal	Potential gain in court costs and fines, not likely to exceed minimal
Expenditures	Potential increase in criminal justice system operating costs, not likely to exceed minimal	Potential increase in criminal justice system operating costs, not likely to exceed minimal	Potential increase in criminal justice system operating costs, not likely to exceed minimal

Note: For most local governments, the fiscal year is the calendar year. The school district fiscal year is July 1 through June 30.

- **Criminal justice system expenditures.** It is possible that the bill's changes to the Gambling Law will lead to more alleged violations of that Law, thus creating the potential for additional criminal cases to be processed by county and municipal criminal justice systems. The fiscal impact of that possibility could be to increase local criminal justice system expenditures related to investigating, prosecuting, adjudicating, defending (if the violator is indigent), and sanctioning offenders who violate the Gambling Law. As of this writing, given the appearance that relatively few additional Gambling Law violations may occur in any given local jurisdiction at any given time, the magnitude of this potential expenditure increase is unlikely to exceed minimal for county and municipal criminal justice systems around the state. For the purposes of this fiscal analysis, a minimal expenditure increase means an estimated annual cost of no more than \$5,000 for any affected county or municipal criminal justice system.
- **Court cost and fine revenues.** As a result of the bill, it is possible that additional persons will violate the Gambling Law, and subsequently prosecuted, convicted, and sanctioned. This means that affected counties and municipalities may collect additional court cost and fine revenues. If, as previously mentioned, no more than a few such violators will be processed by any affected local jurisdiction, then the amount of revenues that a given county or municipality might gain seems unlikely to exceed minimal. For the purposes of this fiscal analysis, a minimal gain means an estimated increase in revenues of no more than \$5,000 for any affected local government per year.

Detailed Fiscal Analysis

Short-term bingo license

The bill creates a short-term bingo license, and allows a charitable organization that does not already have a license to conduct, at a specific event, regular bingo, instant bingo at a bingo session, or instant bingo at other than a bingo session, to apply to the Attorney General for a short-term license. The short-term license, if granted, would be in effect for 72 hours from the time the event begins. A charitable organization would be permitted to apply for no more than two short-term licenses during a calendar year. The license fee of \$50 would be deposited in the state treasury to the credit of the Attorney General's Charitable Foundations Fund (Fund 418).

On a prior occasion, a staff member of the Office of the Attorney General indicated to LSC fiscal staff that the creation of a \$50 short-term bingo license would not noticeably affect Fund 418's annual revenue stream.¹ It appears that the availability of the short-term license will largely affect certain charitable organizations by altering the type of license or licenses that those certain charitable organizations might otherwise have applied for under current law. The net fiscal effect of such a change in applicant behavior on Fund 418's annual revenue stream is not expected to produce any notable revenue gain or loss.

Administration and enforcement of the Gambling Law

The bill's change to the Gambling Law essentially expands the types of organizations that could apply annually to the Office of the Attorney General's Charitable Foundations Section for a license to conduct bingo or instant bingo. In addition to its licensing function, the Section is authorized, in cooperation with local law enforcement agencies as necessary and appropriate, to investigate, examine accounts and records, conduct inspections, and take any other necessary and reasonable actions to administer and enforce the Gambling Law. The Section's operating expenses are financed by moneys appropriated from Fund 418, which includes bingo license fee revenues, with any expenses of the Section in excess of moneys available in Fund 418 paid out of GRF line item 055-321, Operating Expenses.

As of this writing, LSC fiscal staff has not gathered any information suggesting that the bill will noticeably increase the administrative and enforcement workload and related annual operating costs of the Charitable Foundations Section. If that were true, then the potential effect on the Attorney General's expenditures, in particular those associated with Fund 418, appear unlikely to exceed minimal. In this context, "minimal" means an expenditure increase estimated at less than \$100,000 for the state per year.

¹ Based on a fiscal analysis (dated Dec. 9, 2003) for the As Introduced version of House Bill 325 of the 125th General Assembly, which proposed a short-term licensing fee in the amount of \$250, a staff member of the Office of the Attorney General estimated that the bill's effect on Fund 418's annual revenue stream would be minimal.

Criminal prohibitions

State and local criminal justice system expenditures

Local expenditures. It is possible that the bill's changes to the Gambling Law will lead to more alleged violations of that Law, thus creating the potential for additional criminal cases to be prosecuted and adjudicated by county and municipal criminal justice systems. The fiscal impact of that possibility could be to increase local criminal justice system expenditures related to investigating, prosecuting, adjudicating, defending (if the violator is indigent), and sanctioning offenders who violate the Gambling Law. That said, LSC fiscal staff has not gathered any information suggesting that more than a few violations and resulting criminal cases might be generated annually in any affected local jurisdiction. If that were true, then the magnitude of this potential expenditure increase seems unlikely to exceed minimal. For the purposes of this fiscal analysis, a minimal expenditure increase means an estimated annual cost of no more than \$5,000 for any affected county or municipal criminal justice system.

State expenditures. As noted, it is possible that the bill's changes to the Gambling Law will lead to more alleged violations of that Law, and, as a result, additional individuals may be convicted and subsequently sentenced to prison. Such an outcome would theoretically at least increase the Department of Rehabilitation and Correction's (DRC) GRF-funded incarceration costs from what those annual costs might otherwise have been absent the bill's enactment.

The annual cost associated with housing an offender in prison may be calculated using two separate annual inmate cost estimates: (1) marginal cost per inmate bed, and (2) total cost per inmate bed (fixed plus marginal). Marginal cost can be used when a relatively small number of offenders are likely to be added to DRC's total annual inmate population. Marginal costs include things such as food, clothing, medical care, and so on. According to DRC's web site, its total annual cost per inmate bed, as of March 2007, is \$24,426. Legislative Service Commission fiscal staff estimates that DRC's annual marginal cost is currently around \$2,800 per inmate.

As of this writing, LSC fiscal staff has not collected any information suggesting more than a few additional offenders could potentially be sentenced to prison for violating the Gambling Law as changed by the bill. If that were true, then the potential increase in DRC's annual incarceration costs would be no more than minimal. In this context, "minimal" means an estimated cost of less than \$100,000 per year for the state.

State and local court cost and fine revenues

If individuals are found to have violated the Gambling Law as changed by the bill, then an opportunity is created for the state and its political subdivisions to gain revenues. In the case of the latter, this means that affected counties and municipalities may collect additional court cost and fine revenues. If, as previously mentioned, no more than a few such violators will be processed by any affected local jurisdiction annually, then the amount of revenues that a given county or municipality might gain seems unlikely to exceed minimal. For the purposes of this fiscal analysis, a minimal gain means an estimated increase in revenues of no more than \$5,000 for any affected local government per year.

As noted, the state may gain locally collected court cost revenues that are deposited in the state treasury to the credit of the GRF and the Victims of Crime/Reparations Fund (Fund 402). State court costs for a misdemeanor conviction total \$24, with \$9 of that amount being credited to Fund 402 and the remainder, or \$15, being credited to the GRF. Similarly, the state court costs for a felony conviction total is \$45, with \$30 of that amount being credited to Fund 402 and the remainder, or \$15, being credited to the GRF.

As the number of persons that would be affected in this manner annually statewide appears likely to be relatively small, the amount of court cost revenues that those state funds may gain is likely to be no more than negligible. For the purposes of this fiscal analysis, "negligible" means an estimated revenue gain of less than \$1,000 for either state fund per year. It is also important to note that collecting court costs and fines from certain offenders can be problematic, especially in light of the fact that many are unwilling or unable to pay.

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