

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: Senate Bill 1122

SHORT TITLE: Bingo Study Recommendations

SPONSOR(S): Senator Weinstein

	FISCAL IMPACT				
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 1998-99</u>	<u>FY 1999-00</u>	<u>FY 2000-01</u>	<u>FY 2001-02</u>	<u>FY 2002-03</u>
<i>NC Bingo Commission</i>					
Revenues	\$246,000	\$253,500	\$261,000	\$268,500	\$276,000
Expenditures	(\$246,000)	(\$251,535)	(\$256,599)	(\$262,014)	(\$267,778)
Revenues/Expenditures	\$0	\$1,965	\$4,401	\$6,486	\$8,222
<i>Health & Human Services</i>					
Revenue	(\$32,000)	(\$32,000)	(\$32,000)	(\$32,000)	(\$32,000)
<i>Corrections</i>			<u>No Fiscal Impact</u>		
<i>Judicial</i>			<u>No Fiscal Impact</u>		
POSITIONS:	4	5	5	5	5
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED:					
Department of Health & Human Services					
Division of Facility Services					
Department of Corrections					
Judicial Branch					
North Carolina State Bingo Commission (NEW)					
EFFECTIVE DATE: Upon Ratification.					

BILL SUMMARY:

Repeals GS 14-309.5 through 14-309.14 and rewrites Part 2 of Art. 37 of GS Chapter 14.

Bingo Commission. Creates independent, fee-supported NC State Bingo Commission consisting of three members appointed for three-year terms (after initial staggering established). One member will be appointed by Governor, one by General Assembly on recommendation of Speaker, and one by General Assembly on recommendation of President Pro Tempore. Members serve without pay. Commission has authority to regulate all forms of bingo and to issue rules pursuant to Administrative Procedure Act.

Charitable bingo. Authorizes specified nonprofit organizations to conduct bingo games as fund-raising activity, including organizations exempt from federal income tax or exempt from taxation under NC law as bona fide nonprofit charitable, civic, fraternal, patriotic, religious, or veterans' organization, volunteer fire department, or volunteer rescue squad. Organization must have been in existence for one year in county where games are conducted. Requires annual or special license for each location. Commission may set annual license fee not to exceed \$300. Special licenses for one or two games per year may be issued for \$100 fee. Organization must have a special bingo committee of at least three members who are responsible for complying with relevant law and rules. Organization may pay one member on hourly basis for conducting bingo sessions, but not more than 1.5 times the existing NC minimum wage. Prohibits organization from contracting with anyone for purpose of conducting bingo sessions, and requires that sessions be conducted on property owned or leased by the organization directly. Places limits on amount of rent that can be paid for leased premises. Limits number of games per week, length of a session, and other operational details. If organization conducts two bingo sessions during a week, maximum prize for any one game is \$750, and maximum aggregate amount of prizes limited to \$2,000; if only one game conducted per week, aggregate limit is \$3,000. Specifies purposes for which organization may disburse funds. Prohibits use of proceeds for social functions for members of the organization. Requires audit of bingo accounts. Requires that any session open to anyone other than members of the organization and immediate family must be open to general public.

Commercial bingo (formerly, "beach bingo"). Authorizes Commission to issue license for commercial bingo business and to set annual fee, not to exceed \$500. Requires business to have designated agent. Regulates locations. Allows issuance of special licenses for one or two games per year for \$100 fee. Allows commercial bingo sessions only on days, at locations, and at times approved by Commission and listed on license. Limits maximum prize per game in cash or merchandise to \$20.

Enforcement. Upon finding probable cause that licensee has violated law or Commission rules, Commission may seize license for up to 30 days before holding fact-finding hearing, and may issue order imposing civil penalty of up to \$1,000 per violation. Willful violation of most portions of statute constitutes Class 2 misdemeanor; willful violation of statutory limits on prizes is Class I felony.

ASSUMPTIONS AND METHODOLOGY:

North Carolina State Bingo Commission

A. Background

Under current law, the Division of Facility Services, in the Department of Health and Human Services, is responsible for regulating charitable bingo and beach bingo is unregulated. The proposed legislation repeals the Department of Health and Human Services responsibilities for regulating charitable bingo. The proposed legislation establishes a new North Carolina State Bingo Commission to regulate charitable bingo and commercial bingo (formerly called “beach bingo”).

B. Assumptions and Methodology

1. Expenditures

This fiscal note assumes that the Bingo Commission will need five positions and their related support costs to implement the proposed legislation. The five positions are as follows : one administrative officer to oversee the regulatory activities of the Commission, two clerical positions to process the paper work generated by the fee collection and regulatory activities of the Commission, and two field investigators to monitor charitable and commercial bingo and investigate complaints. Assumes one of the clerical positions will not be needed until the second year of operation.

The salaries and benefits for the five positions have been increased over the five year period of the fiscal note to reflect the following inflation factors:

1998-99	3.7%
1999-00	3.5%
2000-01	3.4%
2001-02	3.2%
2002-03	3.3%

This fiscal note includes the basic operating costs for a new program such as telephone, printing, postage, equipment, supplies, and travel. In addition, the fiscal note has assumed that the Commission will need funding for legal services to carry out its responsibilities under the proposed legislation. These support cost are held constant throughout the five year period. Since the proposed legislation is effective upon ratification, the fiscal note assumes that expenditures will begin July 1, 1998.

2. Revenues

The Division of Facility Services issues 320 charitable bingo licenses each year and this fiscal note assumes that the number of charitable bingo licenses will remain stable during the next five years. Revenue from charitable bingo is currently \$32,000 per year (320 times \$100 per license). This revenue will no longer accrue to the Division of Facility Services under the proposed legislation.

Since commercial bingo has never been licensed by the state, an accurate estimate of the existing beach bingo operators is not available. Representatives from the beach bingo industry have estimated that there are 300 beach bingo operations in North Carolina which would be affected by the proposed legislation. This fiscal note assumes that the number of commercial bingo licenses will increase by 5% each year over the next five years. The following chart documents the assumed number of charitable and commercial bingo licenses:

Licenses	1998-99	1999-00	2000-01	2001-02	2002-03
Charitable Bingo	320	320	320	320	320
Commercial Bingo	300	315	330	345	360
Total	620	635	650	665	680

The revenue estimates are derived by multiplying the number of charitable bingo licenses times the annual license fee of \$300 and multiplying the number of commercial bingo licenses times the annual license fee of \$500.

Judicial Branch

The Judicial Branch believes this bill will have no substantial impact on the court system. Although this bill adds or amends many provisions, violations of which can be a crime, the Judicial branch expects that the organizations subject to this law would comply with its provisions. Based on this expectation, few cases would be affected. Any new cases, can be absorbed within existing court resources.

Department of Correction

The Judicial Branch estimates that organizations subject to this law would comply with its provisions and that this bill would result in few new cases of incarceration. Therefore, the Sentencing and Advisory Policy Commission estimates this bill to have no significant impact on the state prison system. This bill establishes both a Class I felony penalty and a misdemeanor penalty. The following explains the effects the Class I felony penalty noted in this bill would have on the state prison system. For example, if there were 10 convictions for this offense each year, this could increase prison populations by one inmate. If there were 30 convictions for this offense each year, this could increase prison populations by two inmates. Any additional inmates convicted of a Class I felony under this bill, can be absorbed within existing state prison resources.

This bill also establishes a misdemeanor penalty. Since the Judicial Branch estimates that few cases would result from this bill, the Sentencing Commission notes there will not be a significant fiscal impact on the state prison system. The Sentencing Commission also notes there will be only a small impact on county jail populations.

TECHNICAL CONSIDERATIONS:

1. The proposed legislation repeals the existing charitable bingo regulation without a transition period for the new State Bingo Commission to become operational which means there will be no agency for several months to collect license fees or regulate the bingo industry until the Commission can hire staff and set up systems for collecting revenue and regulating the industry.
2. The proposed legislation requires the State Bingo Commission to operate from license and other fees collected under the law. Since the Commission is independent and not assigned to a State agency that could cover start-up costs, the Commission may need to have initial start-up funding appropriated to it that can be used to fund Commission expenses until license fees are collected. The initial appropriation could be refunded to the General Fund once the Commission begins to collect revenue.

FISCAL RESEARCH DIVISION

733-4910

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