



Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: S.B. 186 of the 128th G.A.

Date: December 1, 2009

Status: As Introduced

Sponsor: Sen. Schuring

Local Impact Statement Procedure Required: No — Possible indirect local effects

Contents: Instant bingo dispensers and licensing

State Fiscal Highlights

STATE FUND

FY 2010 – FUTURE YEARS

Charitable Foundations Fund (Fund 4180)

Revenues

Net decrease in licensing fees, estimated at up to \$3.0 million annually

Expenditures

Potential increase in administrative and enforcement costs, not likely to exceed minimal annually

Note: The state fiscal year is July 1 through June 30. For example, FY 2010 is July 1, 2009 – June 30, 2010.

- **Attorney General operating expenditures.** It is uncertain how many new licensing applications from charitable organizations may be submitted to the Office of the Attorney General as a result of allowing instant bingo dispensers to be utilized. However, to the extent that the number increases, so too will the workload of the Office's Charitable Foundations Section. The associated administrative and enforcement costs, if any, appear unlikely to exceed minimal annually.
- **Attorney General licensing revenues.** According to staff of the Office of the Attorney General, by explicitly authorizing the use of instant bingo ticket dispensers, the bill may generate a slight increase in the number of licensing applications from charitable organizations. However, by eliminating the portion of the instant bingo fee tied to the percentage of gross profits, Fund 4180 could lose up to \$3.0 million annually.

Local Fiscal Highlights

- No direct fiscal effect on political subdivisions.

Detailed Fiscal Analysis

Overview

The bill amends existing law relating to charitable gambling as follows:

1. Authorizes a charitable organization to purchase, lease, and use instant bingo dispensers;
2. Changes the fees charged for a license to conduct instant bingo; and
3. Allows a charitable organization to spend a reasonable amount of its gross profit to pay certain property taxes and assessments.

State fiscal effects

Enactment of the bill will mainly affect the revenues and expenditures of the Office of the Attorney General. The Office's Charitable Foundations Section is responsible for licensing: (1) charitable organizations who apply for various bingo-related licenses and (2) manufacturers and distributors of bingo supplies. In addition to its licensing function, the Section is authorized, in cooperation with local law enforcement agencies when necessary and appropriate, to investigate, examine accounts and records, conduct inspections, and take any other necessary and reasonable actions to administer and enforce the Charitable Gambling Law. The Section's operating expenses are financed by moneys appropriated from Fund 4180, which include bingo license fee revenues, with any expenses of the Section in excess of moneys available in Fund 4180 paid from GRF line item 055321, Operating Expenses.

Office of the Attorney General

Instant bingo dispensers

By allowing charitable organizations to purchase, lease, and use instant bingo dispensers, it is possible that some organizations, not already licensed to conduct charitable gaming, may apply for a license and remit the applicable fees to the Office of the Attorney General and therefore be subjected to oversight by the Office. However, it is not possible to determine how many new licensing applications may be submitted as a result of the bill's enactment, or the extent to which the Charitable Foundations Section could be affected.

Instant bingo licenses

Under current law, licensing fees to conduct instant bingo are determined largely by the gross profits received by the charitable organization seeking the license. The fees include two portions: (1) a base fee amount and (2) an additional percentage amount of the gross profits. The bill eliminates the second portion of this fee. According to staff of the Office of the Attorney General, licensing revenue in calendar year (CY) 2008 totaled approximately \$4 million. If the percentage-based portion of the fee had been eliminated, licensing revenue would have decreased by almost \$3 million. Assuming

that future licensing activity mirrors CY 2008, then, subsequent to the bill's enactment, licensing fee revenues could decrease by up to \$3 million annually.

The bill also allows a charitable organization, in determining its net profits, to spend a portion of its gross profits to pay property taxes and assessments on the premises where the organization conducts bingo. This change is not expected to affect the annual licensing revenue stream, though, since gross profits are unaffected by expenses when determining the fee amounts.¹

Local fiscal effects

The bill will not directly affect local governments. It could, however, generate indirect effects in that local criminal justice-related agencies assist the Attorney General in the administration and enforcement of the Charitable Gambling Law. From the perspective of local governments, a mix of two possible indirect outcomes is possible as follows.

- Certain local criminal justice-related agencies will not expend resources in the investigation and subsequent prosecution of persons who, under current law, might otherwise have been in violation of the instant bingo ticket dispenser prohibition, which the bill eliminates.
- Certain local criminal justice-related agencies may expend resources in the investigation and subsequent prosecution of persons who, subsequent to the bill's enactment, violate the rules regulating the purchasing, leasing, or use of instant bingo ticket dispensers.

However, it is problematic to predict with any certainty the manner in which this mix of possible indirect outcomes may affect any given local criminal justice system in any given year.

¹ Gross profits means gross receipts minus the amount actually expended for the payment of prize awards.