

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: HB 1072 (2nd Edition)

SHORT TITLE: Regulate Ticket Brokers

SPONSOR(S): Representatives Miner, Gibson

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2003-04</u>	<u>FY 2004-05</u>	<u>FY 2005-06</u>	<u>FY 2006-07</u>	<u>FY 2007-08</u>
REVENUES					
General Fund	* Revenue Increase – See Assumptions *				
Crime Control	\$42,000	\$42,000	\$42,000	\$42,000	\$42,000
EXPENDITURES					
Crime Control and Public Safety	\$36,734	\$34,749	\$34,749	\$34,749	\$34,749
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: NC Department of Revenue; Crime Control and Public Safety; Correction; and Administrative Office of the Court					
EFFECTIVE DATE: December 1, 2003.					

BILL SUMMARY: The legislation allows and regulates ticket brokering, and applies a 3% privilege tax on the service fees charged by these ticket brokers. Requires that no more than 5 percent of tickets to an event may be sold to ticket brokers. Adds regulatory function to the responsibilities of the State Boxing Commission. Renames the State Boxing Commission as the “North Carolina State Boxing and Entertainment Commission.” As a part of the regulation, brokers are required to register with the Secretary of Crime Control and Public Safety and pay an annual \$2,000 registration fee. Bonds are also required. Makes it unlawful to resell tickets for a price in excess of the face value unless the ticket is sold by a registered ticket broker. Prohibits the use of altered or counterfeit admission tickets or re-use of admission tickets. Establishes a civil penalty of up to \$25,000 and a Class 2 misdemeanor criminal penalty for violation of the act. Requires the Commission to conduct a study to determine the effectiveness of its regulation of ticket brokers and address any related issues. An interim study report is due during the 2004 Regular Session with a final report to be submitted to the 2005 General Assembly.

ASSUMPTIONS AND METHODOLOGY:

Tax Revenue

In 2000-01, the Department of Revenue collected \$27.6 million from the 3% privilege tax on amusements. Of this amount, approximately \$6.67 million was drawn from amusements that could be impacted by the bill. The legislation does not jeopardize this revenue. Because this is a new tax, it will result in a revenue gain. Neither Tax Research nor Fiscal Research can estimate the exact amount. However, the increase is expected to be relatively small.

Fee Receipts

According to the United States Ticket Brokers Association, there are 788 bonded ticket brokers in the United States, 11 of which are currently in North Carolina. The National Association of Ticket Brokers boasts approximately 170 members nationwide, only one of which is in North Carolina. Information provided by ticket brokers currently operating in North Carolina indicates that seven of the existing brokers would register under the new law with an average of three employees at each broker agency subject to the registration fee. The registration of existing North Carolina brokers would result in a revenue gain of approximately \$42,000 (21 x \$2,000).

Department of Crime Control and Public Safety Costs

The new regulatory function would be added to the duties of the NC State Boxing Commission within the Department of Crime Control and Public Safety (CCPS). The Commission would handle regulatory activities such as issuing rules, registration of brokers, issuing notices of violation, etc. However, criminal enforcement activities would be the responsibility of local law enforcement agencies.

CCPS staff estimates that the rulemaking process will require 48 hours of work by a staff attorney, whose annual salary is \$75,083, at a cost of \$1,985 NR, including salary and benefits. This is a one-time cost in the first year to develop and issue rules.

The Department would add a Grade 61 administrative support position which will be responsible for registering ticket brokers, receiving complaints, issuing notices of violations, assessing fines, and referring complaints to local law enforcement agencies. The annual salary cost is estimated using the midpoint salary of \$27,391 for a grade 61 position. The cost of benefits includes the state's share for FICA (7.65%), retirement (3.03%), and health insurance (\$2,933). The combined annual salary and benefits are estimated to be \$33,249 in fiscal year 2003-04. In addition, an annual amount of \$1,500 is included for the costs of forms, supplies, equipment, postage, travel, etc.

Department of Correction Costs

The Sentencing and Policy Advisory Commission prepares inmate population projections annually. The projections used for incarceration fiscal notes and fiscal memos are based on January 2003 projections. These projections are based on historical information on incarceration and release rates under Structured Sentencing, crime rate forecasts by a technical advisory board, probation and revocation rates, and the decline (parole and maxouts) of the stock prison population sentenced under previous sentencing acts. Based on the most recent population projections and estimated available prison bed capacity, there are no surplus prison beds available for the five-year fiscal note horizon and beyond. The number of beds needed will always be equal to the projected number of inmates due to a bill.

Because the proposed bill creates new Class 2 misdemeanor criminal offenses, the Sentencing and Policy Advisory Commission does not have any historical data from which to estimate the impact of this bill on the prison population. It is not known how many offenders might be sentenced under this bill. Only 12% (3,944) of total Class 2 misdemeanants convicted in 2002 (31,425) received active sentence. The average sentence is 23.4 days, so time served will be in local jails for which the Department of Correction (DOC) will not have to reimburse counties (DOC reimburses counties only for the cost of misdemeanants with sentences over 30 days. Active sentences between 1-90 days are served in local jails; the DOC reimburses counties for active sentences between 30-90 days). Because offenders serving active sentences of 90 days or less are housed in county jails, convictions under this bill would not be expected to have a significant impact on the prison population.

Judicial Branch Costs

For most criminal penalty bills, the Administrative Office of the Courts (AOC) provides Fiscal Research with an analysis of the fiscal impact of the specific bill. For these bills, fiscal impact is typically based on the assumption that court time will increase due to an expected increase in trials and a corresponding increase in the hours of work for judges, clerks and prosecutors. This increased court time is also expected to result in greater expenditures for jury fees and indigent defense. AOC does not expect a significant increase in the number of charges for as a result of this bill given the relatively small number of ticket brokers operating in the state.

SOURCES OF DATA: Department of Crime Control and Public Safety; NC Sentencing and Policy Advisory Commission; Administrative Office of the Court;

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