

**VIDEO GAMING MACHINES:
COST OF REGISTRATION AND ENFORCEMENT**

**A REPORT TO THE
JOINT LEGISLATIVE COMMITTEE
ON GOVERNMENTAL OPERATIONS**



Provided Pursuant to:

**Session Law 2000-151
[N.C. GEN. STAT. § 14-306.1(f)]**

**REPORT FROM THE
NORTH CAROLINA SHERIFFS' ASSOCIATION, INC.**

INTRODUCTION

Session Law 2000-151 enacted North Carolina General Statute § 14-306.1 (f) during the 2000 Session of the General Assembly. Pursuant to this statute, the North Carolina General Assembly asked the North Carolina Sheriffs' Association to report to the Joint Legislative Commission on Governmental Operations "its estimates of the costs of the registration process and the cost of enforcement of this [law], along with suggested fees to make the registration and enforcement self-supporting, and recommendations as to a system with registration at the State level and primary enforcement at the local level."

Pursuant to the legislation, the Sheriffs' Association was to consult with the Division of Alcohol Law Enforcement (ALE) and the Conference of District Attorneys of North Carolina. The Sheriffs' Association has consulted with ALE, and ALE's report is attached. The Conference of District Attorneys of North Carolina advised that the number of prosecutions for violations of this new law, when compared to the demands already placed on our State's District Attorneys for prosecuting other crimes, would not be significant enough to warrant special funding to the District Attorneys for the prosecution of these crimes.

REPORT OF THE NORTH CAROLINA SHERIFFS' ASSOCIATION

The North Carolina Sheriffs' Association surveyed ten (10) Sheriffs' offices in North Carolina to obtain the data for this report. This survey included counties from the West, the Piedmont and the East, and included rural counties and urban counties. The survey also included counties with very few registered video gaming machines, as well as counties with the highest number of registered video gaming machines.

As specified in the legislation, the Sheriffs' Association's analysis included estimates of the cost of the video gaming registration process as well as the cost of enforcement of the video gaming machine law. It was recognized by the Sheriffs that the new video gaming machine law will require enforcement for video gaming machines that are lawfully registered, as well as enforcement of the law against numerous video gaming machines that are believed to remain in North Carolina in violation of the registration law. The Sheriffs also considered the burden placed on their personnel by the requirement in the law that machines must be re-registered when they are moved from one location to a new location.

It is the position of the North Carolina Sheriffs' Association, as it was during the 2000 legislative session, that video gaming machines should be completely outlawed in North Carolina. Should the 2001 General Assembly decide to allow these devices to remain in North Carolina, the North Carolina Sheriffs' Association believes that the law should be amended to require an annual registration of the machines and payment of an annual registration fee.

The Sheriffs' Association also believes that the registration of video gaming machines should remain with the Sheriffs' offices and should not be transferred to a State agency. This will keep the registration records available at the local level, where the video gaming machines are located, and provide deputies and other area law enforcement officers ready access to the records on a 24-hour a day, seven day a week, basis when needed for the enforcement of these laws.

Based on their experience, the Sheriffs' surveyed believe that the number of additional personnel needed by each Sheriffs' office will depend on the number of registered video gaming machines in the county, and adopted a formula as follows:

- - - For counties with 100 or less machines, the Sheriffs' office needs one-half of a full time deputy.
- - - For counties with between 101 and 200 machines, the Sheriffs' office needs one full time deputy.
- - - For counties with between 201 and 300 machines, the Sheriffs' office needs two full time deputies.
- - - For counties with between 301 and 400 machines, the Sheriffs' office needs three full time deputies.
- - - For counties with more than 400 machines, the Sheriffs' office needs four full time deputies and one full time administrative assistant.

Each Sheriff that participated in the survey was asked to provide information on the cost of salary and benefits for one full time deputy in their county. Any county with more than 400 machines was also asked to supply information on the cost of the salary and benefits for a full time administrative assistant. The Sheriffs also provided the cost of providing uniforms, vehicles and other equipment for a deputy, and the Sheriffs advised that the average life span for this equipment is four years. Therefore, one-fourth of the cost of the deputies' equipment was added to the annual cost of the deputies' salary and benefits, and the total of these two numbers constitutes the cost of one full time, equipped and trained deputy in each of the respective counties.

For each of the counties surveyed, the Sheriffs' Association multiplied the annual cost of one full time deputy by the number of deputies needed in that county (pursuant to the formula set out above), and then divided that number by the total number of registered video gaming machines in that county. This formula generated the cost per machine for each of the counties. The cost per machine for each of the 10 counties was then averaged, and the average cost is \$433.20. This fee should be increased by an amount to cover other video gaming machine expenses incurred by Sheriffs, to include the cost of storage of seized machines and the cost of defending lawsuits filed against Sheriffs challenging the law as enacted by the General Assembly.

Therefore, based upon the information above, it is the recommendation of the North Carolina Sheriffs' Association that legislation be enacted during the 2001 Session of the General Assembly to outlaw all video gaming machines, or in the alternative, to require annual registration of the video gaming machines and to require the machine owner to pay an annual registration fee for use by the Sheriffs' office of no less than \$433.20 per machine.

On the page that follows, the Alcohol Law Enforcement Division has reported the Division's needs for video gaming machine enforcement.

[See next page for the Report from the Alcohol Law Enforcement Division]

**REPORT FROM THE
ALCOHOL LAW ENFORCEMENT (ALE) DIVISION**

Many of the 10,000 plus registered video gaming machines are located in establishments that have alcoholic beverage control (ABC) permits. Accordingly, the Division of Alcohol Law Enforcement routinely receives complaints from the public and from Chiefs of Police and Sheriffs related to alleged violations of law. ALE has been enforcing video gaming machine related gambling laws for years and has developed a reputation for expertise in this unique area. Consequently, ALE is routinely called upon for advice and assistance and to provide necessary expert testimony at trial.

During calendar year 2000, ALE spent countless hours conducting video gaming machines related undercover operations. The incidental costs include storage costs for seized machines, costs of transporting seized machines, undercover funds, and travel and man-hour costs related to undercover operations and investigations. The monetary costs have been coming out of ALE's operating budget; the man-hour investment, of course, competes with other operational commitments.

In order to effectively investigate video gaming machine- related complaints and to continue to provide expert assistance to Chiefs of Police, Sheriffs' and District Attorneys, ALE estimates it needs an additional 22 agents statewide (an average of 2 agents per district) and 1 additional clerical position. These agents would be specially trained in the operation of video gaming machines and related North Carolina law, and would be available to assist local law enforcement and to provide expert testimony in both civil and criminal cases throughout the state.

The total manpower cost equates to \$1,698,859 in the first year, and approximately \$1 million per year in recurring costs. If the General Assembly decides to impose a fee on each machine, this would shift the enforcement expense from the taxpayers to the industry and would support the costs of enforcement.