

Department of Legislative Services
 Maryland General Assembly
 2016 Session

FISCAL AND POLICY NOTE
First Reader - Revised

House Bill 1490 (Delegates Lierman and Morales)
 Appropriations

**Public Safety - Internet Crimes Against Children Task Force Fund -
 Establishment (Alicia's Law)**

This bill establishes the Internet Crimes Against Children (ICAC) Task Force Fund administered by the Executive Director of the Governor’s Office of Crime Control and Prevention (GOCCP) to (1) provide grants to local law enforcement agencies for salaries, training, and equipment to be used for the investigation and prosecution of Internet crimes against children and (2) support the ongoing operations of the Maryland ICAC Task Force established by the Department of State Police (DSP). The first \$3 million in unclaimed State lottery prize money each fiscal year is redirected from the unclaimed prize fund in the State Lottery and Gaming Control Agency (SLGCA) to the new fund.

The bill takes effect June 1, 2016.

Fiscal Summary

State Effect: General fund revenues from lottery ticket sales decrease by at least \$3 million annually beginning in FY 2017 due to the redirection of funds. The redirection of funds results in an increase in special fund revenues of \$3 million annually beginning in FY 2017 for GOCCP; special fund expenditures increase correspondingly. General fund expenditures increase by \$32,900 in FY 2017 for GOCCP administrative costs; future year administrative expenditures reflect annualization and inflation. It is assumed that there is no impact in FY 2016.

(in dollars)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
GF Revenue	\$0	(\$3,000,000)	(\$3,000,000)	(\$3,000,000)	(\$3,000,000)
SF Revenue	\$0	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000
GF Expenditure	\$0	\$32,900	\$34,700	\$36,100	\$37,500
SF Expenditure	\$0	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000
Net Effect	\$0	(\$3,032,900)	(\$3,034,700)	(\$3,036,100)	(\$3,037,500)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: Local grant revenues increase by a total of \$1.2 million annually beginning in FY 2017 for salaries, training, and equipment to be used for the investigation and prosecution of Internet crimes against children.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: In addition to the first \$3 million in unclaimed lottery prizes, the fund consists of money appropriated in the State budget, accrued interest, and any other money from another source accepted for the benefit of the fund. Any interest earnings of the fund must be credited to the fund, and expenditures from the fund may be made only in accordance with the State budget. The accounts and transactions of the fund are subject to audit by the legislative auditor.

The bill establishes the following required distributions of money from the fund:

- 40% of the money in the fund must be distributed as grants to local law enforcement agencies for salaries, training, and equipment to be used for the investigation and prosecution of Internet crimes against children; and
- 60% of the money in the fund must be distributed to the ICAC Task Force in DSP to support ongoing operations.

The executive director must establish procedures for local law enforcement agencies to apply for grants from the fund. An applicant must provide the information that the executive director considers necessary, as specified. In accordance with the State budget, and as determined from the information provided by an applicant, the executive director must make grants for salaries, training, and equipment to be used for the investigation and prosecution of Internet crimes against children.

Before the distribution of grant funds, grant recipients must execute a memorandum of understanding with the task force and agree to work with the task force, abiding by the task force guidelines and protocols related to the investigation and prosecution of Internet crimes against children. After receiving a grant award, the local law enforcement agency must submit a report detailing the use of grant expenditures to the executive director.

The remainder of unclaimed lottery prize money, after the first \$3 million is distributed to the new fund in GOCCP, must be distributed to an unclaimed prize fund for use for other prizes.

Current Law/Background: The Computer Crimes Unit within DSP operates and administers the Maryland ICAC Task Force, a federally funded project designed to respond to and investigate complaints of online sexual child exploitation. The ICAC Task Force consists of law enforcement agencies from around the State and, in 2015, was responsible for 200 arrests relating to child exploitation crimes. The task force has received more than 1,500 cyber tips from the National Center for Missing and Exploited Children.

Generally, State lottery winners have 182 days to claim their prize money. After that, SLGCA deposits the unclaimed prize money in an unclaimed prize fund that must be used for prize money in other lottery games.

State Fiscal Effect: Although the bill takes effect June 1, 2016, it is assumed that there is no impact in fiscal 2016. Because the bill redirects the *first* \$3 million in unclaimed prizes each fiscal year from SLGCA's unclaimed prize fund to the new fund in GOCCP, it is assumed that, in fiscal 2016, this money will have already been spent by SLGCA prior to the bill's effective date. Thus, this analysis assumes no redirection of unclaimed prize funds until fiscal 2017.

Decrease in Lottery Revenues

SLGCA advises that unclaimed prizes are used as a funding source for the prizes awarded in promotional games and programs conducted each year. If revenues available for those games and programs are reduced, players may become dissatisfied and spend less money on those games. Thus, by redirecting the first \$3 million in unclaimed prize money from the unclaimed prize fund to the new fund established by the bill, the bill results in a decrease in general fund revenues from lottery ticket sales. It is assumed that the decrease in general fund revenues is at least \$3 million annually.

Redistribution of Unclaimed Prizes

As noted above, under the bill, the first \$3 million in unclaimed prizes, that otherwise would have been spent by SLGCA, is redirected to GOCCP. This analysis assumes that there is at least \$3 million in unclaimed prizes each year. Thus, beginning in fiscal 2017, GOCCP's special fund revenues increase by \$3 million, and GOCCP's special fund expenditures increase correspondingly to provide (1) 40% of the funds (\$1.2 million) in grants to local law enforcement agencies, as specified, and (2) 60% of the funds (\$1.8 million) to support the ongoing operation of the Maryland ICAC Task Force within DSP. This analysis does not reflect any investment earnings of the new fund; thus, fund activity could be higher.

As a result of the required distribution of the new fund, special fund revenues for DSP increase by \$1.8 million annually beginning in fiscal 2017, and special fund expenditures

increase correspondingly to support the ongoing work of the task force. DSP advises that, in fiscal 2016, it received \$338,648 in federal grant funding for the task force. DSP currently has three full-time investigators, one sergeant, and a detective sergeant for ICAC cases. In addition, DSP has a digital forensics laboratory with three digital forensic examiners and a laboratory manager. DSP advises that there is a backlog of ICAC-related cases and that, under the bill, DSP plans to use the additional funding to hire additional investigators and digital forensic examiners and, if possible, to expand its digital forensics work across the State. This analysis assumes that funding provided to DSP under the bill is supplemental to any federal funds it receives.

GOCCP's Costs to Administer the New Fund

General fund expenditures for GOCCP increase by \$32,936 in fiscal 2017, which reflects a 90-day startup delay. This estimate reflects the cost of hiring one part-time programming specialist to administer the new fund. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses. Because the bill does not explicitly allow GOCCP to use the new fund to cover its administrative costs, it is assumed that these costs are borne by the general fund.

Position	0.5
Salary and Fringe Benefits	\$28,323
Equipment/Operating Expenses	<u>4,613</u>
Total FY 2017 Admin. Expenditures	\$32,936

Future year administrative expenditures in GOCCP reflect a full salary with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

Office of Legislative Audits

The Office of Legislative Audits can audit the new fund during its regular audit of the Governor's Office. Thus, it can implement the bill with existing resources.

Local Fiscal Effect: Local law enforcement agencies benefit as they receive \$1.2 million annually in grants from the new fund for salaries, training, and equipment to be used for the investigation and prosecution of Internet crimes against children.

Small Business Effect: Lottery tickets are sold through a large network of mainly small businesses that receive a 5.5% commission on the sale of lottery tickets. To the extent that the bill results in a decrease in lottery ticket sales, these small businesses earn less in commissions.

Additional Information

Prior Introductions: None.

Cross File: SB 864 (Senator Lee, *et al.*) - Judicial Proceedings.

Information Source(s): Governor's Office of Crime Control and Prevention, Maryland State Lottery and Gaming Control Agency, Department of State Police, Comptroller's Office, Montgomery and Prince George's counties, cities of Bowie and Takoma Park, Department of Legislative Services

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