

DEPARTMENT OF JUSTICE

**Study of the Cost of Providing
Criminal Records Checks**

As Directed by Session Law 2005-276, Section 15.5(b)

March, 2006



Prepared By:

Office of State Budget and Management

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INTRODUCTION

Scope

Section 15.5(b) of Session Law 2005-276 directed the Office of State Budget and Management (OSBM) in consultation with the Department of Justice to “. . . *study the feasibility of adjusting the fees charged for criminal record checks conducted by the Division of Criminal Information of the Department of Justice as a result of the increase in receipts from criminal record checks. The study shall include an assessment of the Division's operational, personnel, and overhead costs related to providing criminal record checks and how those costs have changed since the prior fiscal year.*” (Appendix A contains the full text of the legislation.)

Methodology

To conduct the study, OSBM analysts performed the following tasks:

- Reviewed the current fee structure for the various criminal records checks,
- Reviewed allocation of staff and salaries to fee and non-fee criminal records checks (See Appendix C),
- Reviewed allocation of non-personnel costs to fee and non-fee records checks (See Appendix C),
- Reviewed the Service Billing Reports,
- Reviewed the annual mail log data which captures the processing method (processing with fingerprint card or electronic processing of fingerprints),
- Calculated the average time to conduct criminal records checks through use of time studies, time logs, and flowcharts,
- Studied the allocation of the costs of operation to the various types of criminal records checks,
- Determined, based on the volume of record checks processed and the time to complete those record checks, the percentage of time spent for fee record checks and non-fee record checks,
- Calculated, from the fixed assets ledger, an equipment replacement allowance (straight-line depreciation) to be added to the cost of conducting the check,
- Obtained the Department of Justice Overhead Rate to be added to the cost of conducting the criminal records checks,
- Analyzed the fee receipts associated with the for fee criminal records checks,
- Reviewed non-law enforcement agencies exempt from paying criminal history checks fee, and
- Calculated the costs for conducting the various types of criminal records checks.

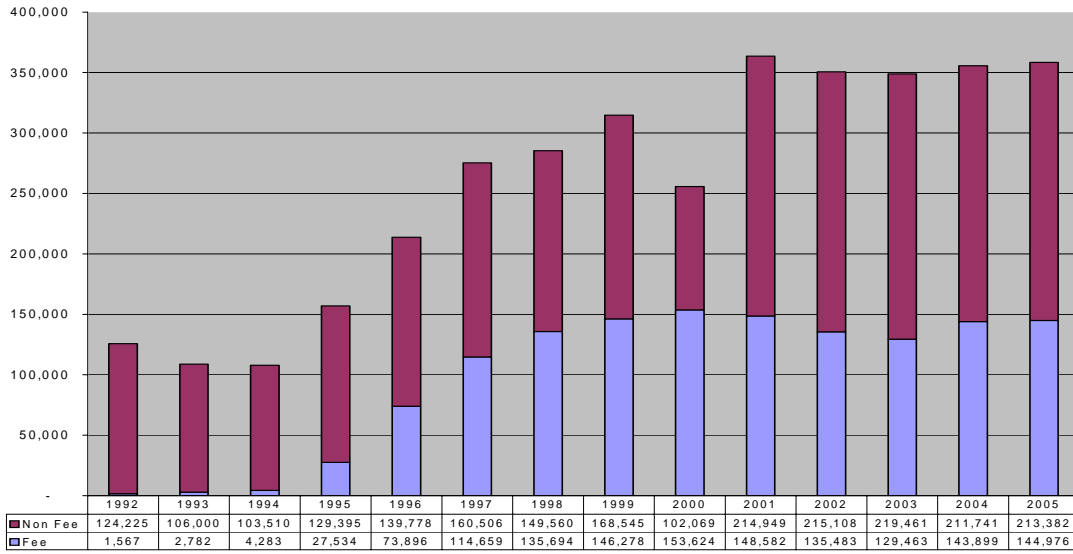
BACKGROUND

The Criminal Information and Identification Section within the Special Operations Division of the State Bureau of Investigation (SBI) conducts criminal record checks for the State. These checks are conducted for both law enforcement agencies for no fee and for non law enforcement agencies for a fee. Non law enforcement agencies typically request the checks to evaluate applications for employment. Appendix B lists both the source and the volumes of the criminal record checks conducted by the Criminal Information and Identification Section from calendar year 1991 through the end of 2005. During that time period, the growth of fee for service checks has gone from 1,121 in 1991 to 144,976 in calendar year 2005 (peaked at 153,624 in 2000). Overall, the total number of fingerprint checks (fee and non fee) has increased from approximately 157,000 in 1995 to over 358,000 for calendar year 2005.

The overall volume for fee and non fee fingerprint checks has grown tremendously. Chart 1 outlines the number of fee and non fee fingerprint checks since 1992. From the chart one can see that the non fee fingerprint checks on average are about 68% of the sections' total work. Non fee fingerprint checks have decreased by 1% for the past 4 years while fee fingerprint checks have decreased by 2%.

Chart 1

Comparison of Fee and Non Fee Criminal History Checks



FINDINGS

Fee Structure

Since the last report to the General Assembly, there have been no changes in the types of record checks that are processed. The types of record checks and the associated fees are outlined in Chart 2 below.

Chart 2

Fee Structures

Type of Record Check	Source of Request	Fee Charged to Agency	Amount Retained by North Carolina	Amount Forwarded to FBI
Name Check Only	Non-Criminal Justice Agencies	\$10.00	\$10.00	-\$0-
Fingerprint Check NC data only	Non-Criminal Justice Agencies	\$14.00	\$14.00	-\$0-
Fingerprint Check NC and FBI data	Non-Criminal Justice Agencies	\$38.00	\$14.00 for NC data \$2.00 for processing costs associated with forwarding request to and from FBI \$16.00 – Total DOJ receipts	\$22.00 to FBI
Concealed Handgun NC data, FBI data	Applicants for permits	\$45.00	\$14.00 for NC data \$2.00 for processing costs associated with forwarding request to and from FBI \$7.00 for support positions \$23.00 – Total DOJ receipts	\$22.00 to FBI
Criminal Justice Employment Applications	Law Enforcement Agencies (incl. Courts, correctional facilities, police and sheriffs, etc.)	No Charge	No Charge	No Charge
Criminal Record Checks – Name, Fingerprint (NC and FBI data)	Law Enforcement Agencies (incl. Courts, correctional facilities, police and sheriffs, etc.)	No Charge	No Charge	No Charge

Processing Times

The results of the time study where staff logged processing times over a one month period for all types of criminal history record checks are shown in Chart 3.

While there have been no changes in the fees being charged for criminal record checks for the non criminal justice organizations, the Section is continually monitoring the amount of time required to conduct these checks. As a result, the Criminal Information and Identification Section is still conducting verification by a second operator for positively identified fingerprints, second verifications on the billing process, and second sign offs by operators prior to transferring work to another unit. All of this is designed to ensure accuracy in the positive identification on record checks.

Chart 3

Processing Time Estimates by Type of Record Check for 2005

<i>Type of Record Check & Year of Time Estimate</i>	<i>Time Estimate to Process If Person Has No Prior Record (minutes)</i>	<i>% Estimated Frequency</i>	<i>Time Estimate If Person Is Found with Prior Record (minutes)</i>	<i>% Estimated Frequency</i>
Name Check Only	5.50	86%	7.10	14%
Hard Copy State Fingerprint Check	10.90	97%	14.80	3%
Hard Copy Federal Fingerprint Check	16.00	93%	20.40	7%
Live Scan Federal Fingerprint Check	9.90	93%	10.20	7%
Hard Copy Concealed Handgun Permit	10.10	93%	11.70	7%
Live Scan Concealed Handgun Permit	5.90	93%	7.20	7%

Unit Costs of Conducting Record Checks

In studies prior to 2001, the electronic submission of fingerprint cards for non criminal justice checks were less than 10% of the total volume. Electronic submissions, now account for approximately 13% of the total volume of submissions for non criminal justice checks. 2.4% of the criminal justice applicant checks are submitted via live scan. Submission of fingerprint cards via a live scan device allows for a much faster turnaround time, higher quality, and reduced processing. As shown in Chart 4 on the next page, this directly affects the cost of each type of fingerprint check. Based on the methodologies outlined earlier in the report, the costs to process the non criminal justice record checks, on average, are \$8.38 for name checks and an average of \$19.46 for all other types of fingerprint checks with the current reported staff allocation costs and associated non-personnel costs. Chart 4 also tracks the actual costs of each type of criminal history check since 1997. Note that OSBM started including an equipment allowance and a 12.5% overhead rate when computing the cost of each type of check in 2003.

Chart 4

Cost to Conduct Non Criminal Justice Record Checks Based on Processing Times

<i>TYPE OF RECORD CHECK</i>	<i>1997*</i>	<i>1999*</i>	<i>2001*</i>	<i>2003</i>	<i>2005</i>
Name Check Only	\$ 7.88	\$ 5.36	\$ 4.16	\$ 8.16	\$ 8.38
State Fingerprint Card	\$ 13.10	\$ 11.85	\$ 9.87	\$ 16.99	\$ 16.02
State & Federal Fingerprint Card	\$ 14.63	\$ 12.95	\$ 15.06	\$ 23.57	\$ 23.50
State & Federal Fingerprint Live Scan			\$ 9.49	\$ 15.08	\$ 14.54
Concealed Handgun Hard Copy			\$ 9.41	\$ 16.27	\$ 14.78
Concealed Handgun Live Scan			\$ 6.98	\$ 10.70	\$ 8.60

* Does not include an equipment allowance and DOJ overhead rate.

Fee Exemptions' Effect on Fees to Be Charged

As noted in Chart 2, the fee charged for the state's portion of a fingerprint-based check is \$16. However, there are several agencies that do not pay this fee, including Division of Child Development (on behalf of day care workers), foster and adoptive parents. This totals over 27,700 checks last year or 19.1% of the total non-criminal justice checks. Chart 5 lists the agencies that are exempt from fees and the percentage of name check and state or FBI fingerprint check requests they receive relative to the total number of checks that the agency requests. Chart 6 on the next page shows the receipts and expenditures based on the current fee structure with exempted agencies and the current fee structure without agencies being exempt from the current fees.

Chart 5

Non Criminal Justice Applicant Groups, Exempt from Fees

Authorized Agency Type	# Processed at SBI CY2005	% Getting Name Check	% Getting State or FBI Fingerprint
DHHS/Division of Social Services (Adoptive Parents)	1,200		100%
DHHS/Division of Social Services (Foster Parents)	5,750	5%	95%
DHHS/Division of Child Development (day care) (note: the legislature added nine positions and related funding in 1995 session to address the increased volume due to DCD. DOJ can only assess the federal portion of the fee to DCD)	20,755		100%
Total	27,705		
FTE to Process	5.4		

Chart 6: Current Fee Structure and Number of Record Checks for FY2005

Actual Receipts for Criminal Information and Identification Section Total Volume and Fee Charged	Calculations Based on			Actual Receipts	Expenditures	Over/Under
	Volume in Calendar			FY2005	FFS	Realized Receipts
	2005	Actual	Projected Receipts if All Agencies Assessed -	A	B	(A-B)
			Based on Actual Volume	\$ 2,459,393	\$ 2,392,626	\$ 66,767
Name Check Only	39,052	\$10	\$ 390,520.00			
Fingerprint Check NC Data Only	19,914	\$14	\$ 278,789.28			
Fingerprint Check NC and FBI Data	70,602	\$16	\$ 1,129,639.68			
Concealed Handgun NC Data, FBI Data	15,408	\$23	\$ 354,384.00			
			Projected Receipts	\$ 2,153,333	\$ 2,392,626	\$ (239,293)
			Based on Actual Volume			
Name Check Only	39,052	\$10	\$ 390,520.00			
Fingerprint Check NC Data Only	19,914	\$14	\$ 278,789.28			
Fingerprint Check NC and FBI Data	42,897	\$16	\$ 686,359.68			
Concealed Handgun NC Data, FBI Data	15,408	\$23	\$ 354,384.00			
			Projected Receipts Minus Exempt Agencies -	\$ 1,710,053	\$ 2,392,626	\$ (682,573)

27,705 Fingerprint Checks @ a Charge of \$16 per Check were Exempt in 2005. (\$443,280)

Chart 6 suggests that with the current fee structure in place, the Section can no longer absorb the costs of the non-criminal record check operations with or without the current exemptions. The cost of the exemptions to the division is approximately \$443,280 based on the current volume.

Chart 7 is an indication of what the receipts and expenditures would be for the section if the General Assembly were to alter the fee to reflect the actual cost of processing a record check. The first grouping shows that with all agencies paying the actual cost of processing (no exemptions); the Criminal Information and Identification Section could cover its expenditures with its receipts based on FY2005 processing times and volume. However, if the current exempt agencies remain exempt, AND the actual cost to process record checks is assessed, the section's expenditures would exceed receipts in non-criminal record activities by approximately \$621,607.

Chart 7: Fee Structure Using Actual Cost and Number of Record Checks for FY2005

Actual Receipts for Criminal Information and Identification Section Total Volume and Fee Charged	Calculations Based on			Actual Receipts	Expenditures	Over/Under
	Volume in Calendar			FY2005	FFS	Realized Receipts
	2005	Actual	Projected Receipts if All Agencies Assessed -	A	B	(A-B)
			Based on Actual Volume	\$ 2,459,393	\$ 2,392,626	\$ 66,767
Name Check Only	39,052	\$8.38	\$ 327,096			
Fingerprint Check NC Data Only	19,914	\$16.02	\$ 318,951			
Fingerprint Check NC and FBI Data	61,424	\$23.50	\$ 1,443,534			
Fingerprint Check NC and FBI Data Live Scan	9,178	\$14.54	\$ 133,426			
Concealed Handgun NC Data, FBI Data	5,547	\$14.78	\$ 82,004			
Concealed Handgun NC Data, FBI Data Live Scan	9,861	\$8.60	\$ 84,820			
			Projected Receipts	\$ 2,389,831	\$ 2,392,626	\$ (2,795)
			Based on Actual Volume			
Name Check Only	39,052	\$8.38	\$ 327,096			
Fingerprint Check NC Data Only	19,914	\$16.02	\$ 318,951			
Fingerprint Check NC and FBI Data	37,321	\$23.50	\$ 877,079			
Fingerprint Check NC and FBI Data Live Scan	5,577	\$14.54	\$ 81,069			
Concealed Handgun NC Data, FBI Data	5,547	\$14.78	\$ 82,004			
Concealed Handgun NC Data, FBI Data Live Scan	9,861	\$8.60	\$ 84,820			
			Projected Receipts Minus Exemptions	\$ 1,771,019	\$ 2,392,626	\$ (621,607)

27,705 Fingerprint Checks were Exempt in 2005 at a Cost of \$622,551 and Potential Revenue Loss of \$435,036.

The Criminal Information and Identification Section has sufficient staff to process the number of fingerprint checks that are submitted each calendar year. The calculation for total cost to process each type of fingerprint check has decreased slightly from 2003. In studies prior to 2003, an equipment allowance and the Department of Justice 12.5% overhead cost were not included; however, in the past two studies it has been allotted. The number of name checks has remained relatively the same over the past two years, and the number of fingerprint checks has increased by approximately 17%. This is noteworthy because the Section has only added one position, but has been able to process a higher volume at relatively the same cost.

The section is staffed for managing high volume, but the volume has remained the same in the past two years. Several factors can be driving this leveling off: 1) employers could be using private vendors to access records; and , 2) since concealed handgun permits are renewed every five years, and only one of the last two years, 2004, was a big renewal year, that total has leveled off.

ALTERNATIVES

The Department of Justice has the following alternatives regarding fees to process criminal record checks:

1. Keep the current fee structure with no change;
2. Set the fees to the actual cost of conducting the checks but keeping the current exemptions which will continue to result in a deficit; or
3. Set the fees to the actual cost and remove the current exemptions which should result in a breakeven situation plus accumulation of reserve for replacing equipment on schedule.

RECOMMENDATIONS

As recommended in the previous study, OSBM analysts suggest that DOJ establish a separate cost center for the Criminal Information and Identification Section in order to more accurately track costs.

Background to the Recommendation: In order to have accurate data on what it costs an agency to “do business”, the agency should be able to clearly attach direct and indirect costs to a certain process. For this study and previous studies, OSBM has had to parse through the division’s expenditures and revenues to determine which costs are directly tied to the Criminal Information and Identification Section. This has been accomplished using best management principles, however, having a separate cost center would allow for the division to monitor its own costs accurately and determine its actual cost to process record checks.

ACKNOWLEDGMENTS

OSBM analysts would like to express their appreciation for the assistance provided by the Department of Justice staff during the conduct of this study.

Appendix A

Legislation

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REPORT ON CRIMINAL RECORD CHECKS CONDUCTED FOR CONCEALED HANDGUN PERMITS

SECTION 15.5.(b) The Office of State Budget and Management, in consultation with the Department of Justice, shall study the feasibility of adjusting the fees charged for criminal record checks conducted by the Division of Criminal Information of the Department of Justice as a result of the increase in receipts from criminal record checks. The study shall include an assessment of the Division's operational, personnel, and overhead costs related to providing criminal record checks and how those costs have changed since the prior fiscal year. The Office of State Budget and Management shall report its findings and recommendations to the Chairs of the Senate and House of Representatives Appropriations Committees, the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety, and the Fiscal Research Division on or before **March 1, 2006.**

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Appendix B

Historical Criminal Records Check Activity

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Appendix C

Expenditures

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Summary of Expenditures for FY 03-04 thru FY04-05

	Expenditure Code	Expenditure Title	FY 2003-2004				FY 2004-2005			
			Division FY2003-2004	CIIS FY2003-2004	FFS	Criminal	Division FY2004-2005	CIIS FY2004-2005	FFS	Criminal
People Cost¹	531XXX	100% FFS		\$486,105.31	\$1,128,620.08	\$1,199,453.71		\$486,105.31	\$ 1,128,620.08	\$ 1,199,453.71
		100% Criminal Justice		\$655,714.59				\$655,714.59		
		Combination	\$ 6,306,589.39	\$1,186,253.89			\$6,726,465.44	\$1,186,253.89		
Purchased Services	532XXX		\$707,891.61	\$511,333.56	\$250,553.44	\$260,780.12	\$704,571.11	\$527,451.78	\$258,451.37	\$269,000.41
Supplies	533XXX		\$35,377.04	\$14,655.80	\$7,181.34	\$7,474.46	\$73,724.69	\$26,094.84	\$12,786.47	\$13,308.37
Plant, Prop, Equipment⁴	534XXX		\$123,838.24		\$0.00	\$0.00		\$0.00	\$0.00	\$0.00
Other Expenses & Adjustments			\$956,514.82	\$944,031.59	\$462,575.48	\$481,456.11	\$1,105,161.75	\$943,313.03	\$462,223.39	\$481,089.65
Subtotal			\$8,130,211.10	\$3,798,094.73	\$1,848,930.34	\$1,949,164.39	\$8,609,922.99	\$3,824,933.43	\$1,862,081.30	\$1,962,852.13
		Equipment Allowance		\$604,627.18	\$296,267.32	\$308,359.86		\$604,627.18	\$296,267.32	\$308,359.86
		Overhead Rate	\$1,016,276.39	\$474,761.84	\$232,633.30	\$242,128.54	\$1,076,240.37	\$478,116.68	\$234,277.17	\$243,839.51
Total			\$9,146,487.49	\$4,877,483.76	\$2,377,830.96	\$2,499,652.80	\$9,686,163.36	\$4,907,677.30	\$2,392,625.80	\$2,515,051.50

Note 1 - Personnel costs include retirement, temp services and all fringe benefits.
 Allocation for CIIS is based on the number of FTE in the section to the total FTE in the Special Operations Division.
 Allocation to the FFS and Criminal Expenditures is based on the number of FTE required to perform record checks for each category.