

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



**CORRECTED
FISCAL MEMORANDUM**

SB 705 - HB 1264

March 6, 2019

SUMMARY OF ORIGINAL BILL: Reclassifies the current handgun carry permit as an “enhanced handgun carry permit” (EHCP). Specifies that the qualifications and authorizations for an EHCP are the same as those for the current handgun carry permit.

Creates a concealed handgun carry permit (CHCP). Authorizes a CHCP holder to carry in a concealed manner. Authorizes that a CHCP may be issued as a letter to the applicant, without the applicant’s photograph, and is valid for five years. Requires the applicant to undergo a name-based criminal record check. Prohibits an application fee for a CHCP. Specifies that a local government will not be required to provide metal detectors and security inspections in order to prohibit CHCP holders from possessing firearms on public property.

FISCAL IMPACT OF ORIGINAL BILL:

Decrease State Revenue –

Exceeds \$667,100/Recurring/Handgun Permit Division

Exceeds \$245,000/Recurring/Tennessee Bureau of Investigation

Increase State Expenditures –

Exceeds \$220,000/One-Time/Handgun Permit Division

Decrease State Expenditures –

Exceeds \$28,900/Recurring/Handgun Permit Division

Exceeds \$112,300/Recurring/Tennessee Bureau of Investigation

Decrease Local Revenue – Exceeds \$79,600/Recurring

SUMMARY OF AMENDMENT (005134): Deletes and rewrites all language after the enacting clause such that the only substantive changes are as follows:

- (1) requires a CCHP applicant to provide DOS with two sets of fingerprints;
- (2) requires an application and processing fee of \$65 to DOS;
- (3) requires DOS to forward the fingerprints to the Tennessee Bureau of Investigation (TBI) who shall conduct searches and record checks on the application and relay the results to DOS;
- (4) requires DOS to send a copy of the application to the sheriff of the county in which the applicant resides;

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- (5) changes the period in which a CCHP is valid from 5 years to 8 years;
- (6) requires a CCHP be issued on a wallet-sized laminated card the same approximate size as driver licenses with the holder's name, address, date of birth, physical description, permit number, issuance and expiration dates, and a color photograph; and
- (7) changes the effective date from upon becoming law to January 1, 2020.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

On March 5, 2019, a fiscal memorandum was issued for this legislation estimating the following impact:

Increase State Revenue –

Exceeds \$162,100/FY19-20/Handgun Permit Division

Exceeds \$324,300/FY20-21 and Subsequent Years/Handgun Permit Division

Decrease State Revenue –

Exceeds \$122,500/FY19-20/Tennessee Bureau of Investigation

Exceeds \$245,000/FY20-21 and Subsequent Years/

Tennessee Bureau of Investigation

Increase State Expenditures – Net Impact -

Exceeds \$220,700/FY19-20/Handgun Permit Division

Exceeds \$9,800/FY19-20/Tennessee Bureau of Investigation

Exceeds \$1,400/FY20-21 and Subsequent Years/Handgun Permit Division

Exceeds \$19,600/FY20-21 and Subsequent Years/Tennessee Bureau of Investigation

Decrease Local Revenue –

Exceeds \$39,800/FY19-20

Exceeds \$79,600/FY20-21 and Subsequent Years

Based on an incorrect assumption, the fiscal impact was determined to be in error. The fiscal impact has been corrected as follows:

(CORRECTED)

Increase State Revenue –

Exceeds \$117,100/FY19-20/Handgun Permit Division

Exceeds \$234,100/FY20-21 and Subsequent Years/Handgun Permit Division

Decrease State Revenue –

Exceeds \$183,700/FY19-20/Tennessee Bureau of Investigation

Exceeds \$367,500/FY20-21 and Subsequent Years/

Tennessee Bureau of Investigation

Increase State Expenditures – Net Impact -
Exceeds \$220,400/FY19-20/Handgun Permit Division
Exceeds \$800/FY20-21 and Subsequent Years/Handgun Permit Division

Decrease State Expenditures – Net Impact –
Exceeds \$48,000/FY19-20/Tennessee Bureau of Investigation
Exceeds \$96,100/FY20-21 and Subsequent Years/Tennessee Bureau of Investigation

Decrease Local Revenue –
Exceeds \$59,700/FY19-20
Exceeds \$119,400/FY20-21 and Subsequent Years

Corrected Assumptions for the bill as amended:

Enhanced Handgun Carry Permit Fiscal Impact

- For the purposes of this fiscal memorandum, it is assumed all permits issued will be standard, non-military or law enforcement permits.
- The cohort of individuals that would forego applying for or renewing an EHCP and instead apply for or renew a CHCP under the provisions of this legislation, would do so because: (1) they always intended to conceal carry, (2) the number of instances they feel compelled to carry a firearm on their person will be relatively limited, and (3) they can save money applying for a CHCP with the reduced application fee that would otherwise be spent on a new EHCP. Therefore, it can be reasonably estimated there will be a reduction of at least 15 percent in new EHCP applications as a result of this legislation. It is further estimated that the average annual lifetime and renewal EHCP applications will remain relatively unchanged.
- Based on the figures of the previous five fiscal years, the Department of Safety (DOS) issues an average of 53,085 new handgun carry permits each year.
- The minimum of a 15 percent reduction is equivalent to 7,963 new applications (53,085 annual issuances x 15% reduction).
- The cost of a new handgun carry permit is \$100.
- From every new permit fee paid, \$15 is allocated to the applicable sheriff's department to cover the cost of a local background check; \$15 is allocated to the Tennessee Bureau of Investigation (TBI) for updating and maintaining their databases; \$31.15 is allocated to the TBI to cover the cost of fingerprint vendors, TBI background checks, and Federal Bureau of Investigation (FBI) fingerprint background checks; the remaining \$38.85 is retained by the Handgun Permit Division (HPD) of DOS to specifically fund the administrative expenses of the HPD.
- Due to the proposed effective date of January 1, 2020, a half year impact will occur in FY19-20; therefore, the first full year impact will be in FY20-21.
- Pursuant to the current allocation of revenue derived from new handgun carry permit application fees, the recurring decrease in state revenue to the HPD in FY20-21 and subsequent years is estimated to exceed \$309,363 (7,963 x \$38.85); the recurring decrease in state revenue to the TBI in FY20-21 and subsequent years is estimated to

exceed \$367,492 [7,963 x (\$15 + \$31.15)]; and the mandatory decrease in local revenue in FY20-21 and subsequent years is estimated to exceed \$119,445 (7,963 x \$15).

- The decrease in state revenue in FY19-20 to the HPD is estimated to exceed \$154,682 (\$309,363 x 50%); the decrease in state revenue to the TBI in FY19-20 is estimated to exceed \$183,746 (\$367,492 x 50%); and the mandatory decrease in local revenue in FY19-20 is estimated to exceed \$59,723 (\$119,445 x 50%).
- In addition, there will be a recurring decrease in state expenditures as a result of producing fewer EHCP cards. The printing cost to produce one handgun carry permit is \$1.99. The recurring decrease in state expenditures for the HPD will exceed \$15,846 (7,963 x \$1.99).
- The TBI reports a cost for vendor fingerprinting expense of \$8.65 per background check. The recurring decrease in TBI vendor fingerprint expenditures is estimated to exceed \$68,880 (7,963 x \$8.65).
- The TBI reports a cost of \$12.50 payable to the FBI for each FBI national background check conducted on each initial permit application. The recurring decrease in TBI expenditures made to the FBI for EHCP applications is estimated to exceed \$99,538 (7,963 x \$12.50).
- The recurring decrease in state expenditures for TBI for EHCP applications is estimated to exceed \$168,418 (\$68,880 + \$99,538).

Concealed Carry Handgun Permit Fiscal Impact

- The estimated 15 percent of persons that will apply for a CCHP in lieu of applying for an EHCP will be at least 7,963 individuals.
- Under this legislation, it is reasonable to estimate there will be at least a five percent (398) increase in those persons that will apply for a CCHP that previously would not have applied for a handgun carry permit; therefore, it is estimated that the DOS will issue at least 8,361 CCHP [(7,963 x 5%) + 7,963] each year.
- This legislation requires a \$65 application and processing fee to be paid to DOS.
- The recurring increase in state revenue to the HPD is estimated to exceed \$543,465 (8,361 x \$65).
- The TBI reports a cost for vendor fingerprinting expense of \$8.65 per background check. The recurring increase in TBI vendor fingerprinting expenditures for CCHP applications is estimated to exceed \$72,323 (8,361 x \$8.65).
- The printing cost to produce one wallet-sized laminated card the approximate size of a driver license with a color photograph is \$1.99. The recurring increase in state expenditures as a result of printing CCHP cards is estimated to exceed \$16,638 (8,361 x \$1.99).
- Under the provisions of this legislation, a CCHP is valid for 8 years, the same period of time that a current handgun carry permit is valid; therefore, it can be estimated that the figures in terms of renewals will remain relatively constant.

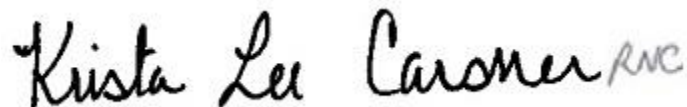
Net Fiscal Impact

- The net increase in state revenue to the HPD is estimated to exceed \$234,102 (\$543,465 - \$309,363) FY20-21 and subsequent years.

- Due to the proposed effective date of January 1, 2020, a half year impact will occur in FY19-20; therefore, the net increase in state revenue to the HPD in FY19-20 is estimated to exceed \$117,051 ($\$234,102 \times 50\%$).
- The net decrease in state expenditures to the TBI in FY20-21 and subsequent years is estimated to exceed \$96,095 ($\$168,418 \text{ EHCP} - \$72,323 \text{ CCHP}$).
- Due to the proposed effective date of January 1, 2020, a half year impact will occur in FY19-20; therefore, the net decrease in state expenditures to the TBI in FY19-20 is estimated to exceed \$48,048 ($\$96,095 \times 50\%$).
- The net increase in state expenditures to the HPD in FY20-21 and subsequent years is estimated to exceed \$792 ($\$16,638 \text{ CCHP} - \$15,846 \text{ EHCP}$).
- Due to the proposed effective date of January 1, 2020, a half year impact will occur in FY19-20; therefore, the increase in state expenditures to the HPD in FY19-20 is estimated to exceed \$396 ($\$792 \times 50\%$).
- Pursuant to Tenn. Code Ann. § 39-17-1359, an entity of local government is authorized to prohibit the possession of a handgun by a handgun carry permit holder only if they provide metal detection devices and a security officer.
- As the legislation specifies that a local government will not be required to provide metal detectors and security inspections in order to prohibit CHCP holders from possessing firearms on public property, locals governments that elect to prohibit firearms on public property will still be required to provide metal detectors and security inspections with respect to EHCP holders. Therefore, no significant change in local expenditures.
- Based on information provided by DOS and confirmed by third-party contract vendors responsible for the handgun carry permit systems, the one-time increase in state expenditures for a systems modification to reflect the EHCP and CHCP is estimated to exceed \$220,000.
- The net increase in state expenditures to the HPD in FY19-20 is estimated to exceed \$220,396 ($\$220,000 \text{ system modification} + \$396 \text{ half year impact}$).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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