

**FINAL
FISCAL NOTE**

Drafting Number: LLS 13-0675
Prime Sponsor(s): Rep. Humphrey
 Sen. Brophy

Date: May 14, 2013
Bill Status: Postponed Indefinitely
Fiscal Analyst: Hillary Smith (303-866-3277)

TITLE: CONCERNING ALLOWING A VALID COLORADO CONCEALED HANDGUN PERMIT TO SUBSTITUTE AS AN OTHERWISE REQUIRED CRIMINAL BACKGROUND CHECK PURSUANT TO THE TRANSFER OF A FIREARM.

Fiscal Impact Summary	FY 2013-2014	FY 2014-2015
State Revenue		
Cash Funds		
Various Cash Funds	\$2,284,905	\$5,141,036
Federal Funds	1,118,145	2,515,826
State Expenditures	<u>\$538,025</u>	<u>\$1,747,546</u>
General Fund	(92,009)	(188,201)
Cash Funds		
Various Cash Funds	630,034	1,935,747
Federal Funds	1,118,145	2,515,826
FTE Position Change	13.7 FTE	32.2 FTE
Effective Date: The bill was postponed indefinitely by the House State, Veterans, and Military Affairs Committee on February 18, 2013.		
Appropriation Summary for FY 2013-2014: The Department of Public Safety would have required a General Fund reduction of \$92,009 and 2.2 FTE and an appropriation from the Identification Unit Cash Fund and the InstaCheck Unit of \$630,034 and 15.9 FTE.		
Local Government Impact: See Local Government Impact section.		

Summary of Legislation

Under current federal and state laws, licensed firearms dealers must conduct a background check prior to transferring a firearm to an individual. State law also requires gun show vendors to require a background check prior to transferring a firearm to an individual at a gun show. This bill would have allowed a person to satisfy federal and state background check requirements by presenting a valid Colorado concealed handgun permit and a valid identification card. The bill would have amended the application procedure for concealed handgun permits to satisfy federal background check requirements. Because the U.S. Bureau of Alcohol, Tobacco, and Firearms (ATF) would have to grant permission for concealed handgun permits to serve as an alternative to a background check, the fiscal impact of this bill was conditional.

On or before October 1, 2013, the bill would have required the Colorado Bureau of Investigation (CBI) within the Department of Public Safety to establish and make available to every sheriff a template for concealed handgun permits. Beginning January 1, 2014, every sheriff would have had to ensure that each concealed handgun permit issued complies with the state template.

State Revenue

If the ATF granted approval to use Colorado concealed handgun permits as an alternative to a background check, concealed handgun permit applications were expected to increase. **Assuming that permit applications increase by 64,820 in FY 2013-14, state revenue would have increased by \$2,284,905**, including \$842,660 to the Instacheck Unit and \$1,442,245 to the Identification Unit Cash Fund in the DPS. For FY 2014-15, applications were expected to increase by 145,845, leading to an increase in state revenue of \$5,141,036, including \$1,895,985 to the Instacheck Unit and \$3,245,051 to the Identification Unit Cash Fund. These estimates are described more fully in the State Expenditures section.

For each concealed handgun permit application, the DPS receives \$13 in fees to run an InstaCheck background check and \$22.25 to process fingerprints for the applicant. In addition, the DPS receives \$17.25 per application to pass through to the Federal Bureau of Investigation (FBI) to run a fingerprint check. These fees were estimated at \$1,118,145 in FY 2013-14 and \$2,515,826 in FY 2014-15.

State Expenditures

If the ATF granted approval to use Colorado concealed handgun permits as an alternative to a background check, this bill would have **decreased state expenditures in the Department of Public Safety by \$92,009 General Fund and 2.2 FTE in FY 2013-14 and by \$188,201 and 4.5 FTE in FY 2014-15, and would have increased cash fund expenditures by \$630,034 and 15.9 FTE in FY 2013-14, and by \$1,935,747 General Fund and 36.7 FTE in FY 2014-15**. The net change in expenditures and FTE for the Department of Public Safety would have been \$538,025 and 13.7 FTE in FY 2013-14, and \$1,747,546 and 32.2 FTE in FY 2014-15. The fiscal note assumes that the majority of the increased workload to account for new concealed handgun permits would have occurred within the first three years, and that future adjustments would have been accounted for during the annual budget process. Table 1 and the discussion that follows describe the cost components of the bill.

Cost Components	FY 2013-14	FY 2014-15
Personal Services	\$370,547	\$1,572,167
FTE	15.9	36.7
Operating Expenses and Capital Outlay	\$207,988	\$299,480
Training Expenses	\$12,000	\$15,100
Specialized Fingerprint Equipment	\$39,500	\$49,000
TOTAL	\$630,034	\$1,935,747

Because more people would have applied for concealed handgun permits, but fewer background checks would have been needed to be conducted on firearms transfers, workload will both increase and decrease for the Department of Public Safety (DPS). Estimates of workload impact are based on the following assumptions:

- no new appropriations are required in order to enable the CBI to establish a new template for concealed handgun permits;
- there are approximately 1.1 million adult gun owners in Colorado;
- there are approximately 126,000 valid concealed handgun permits in Colorado;
- almost all concealed handgun permit holders will renew their permit within the first few years after the new format is available, with 25 percent renewing in FY 2013-14, and 25 percent renewing in FY 2014-15. Because these numbers are assumed to be only slightly higher than renewal rates that would occur under current law, the fiscal note does not attempt to account for workload based on these renewals;
- of the estimated 926,000 adult gun owners in the state who do not have a concealed carry permit, 35 percent, or 324,100 people, would have applied for a concealed handgun permit as a result of the bill;
- these new applications would have been spaced out over the next few years, with an estimated 40 percent, or 129,640 applications occurring in the first full year after January 1, 2014, half of which—64,820 applications—would be processed in FY 2013-14, with 145,845 more applications processed in FY 2014-15; and
- because more people would have had a concealed handgun permit and will therefore not have needed a background check as a result of the bill, an estimated 20 percent fewer background checks for firearms transfers would have been needed. This assumes that not everyone who applies for a concealed handgun permit would also buy a firearm in the same year. From an estimated 400,000 background checks for firearm transfers in FY 2013-14, background checks for firearm transfers would have declined by 40,000 from January 1, 2014, through June 30, 2014.

Assuming that a DPS technician can process 17,796 background checks per year for firearm transfers, the need for technicians would have declined by 2.2 FTE due to the decline in background checks for firearm transfers. These FTE are funded through the General Fund. However, assuming that a technician can also process 17,796 background checks per year for a concealed handgun

permit, 3.6 new technicians and 0.5 FTE in administrative and supervisory staff would have been required to complete background checks for the estimated 64,820 applications for new concealed handgun permits that will occur between January 1, 2014, and June 30, 2014. In addition, 7.9 fingerprint examiners and 3.9 data specialists would have been required to process the fingerprints required with a concealed handgun permit application. All of these new FTE would have been funded through cash funds from the \$35.25 fee that the DPS charges for its background and fingerprint checks for concealed handgun permits (not including the \$17.25 that is passed through to the FBI). Therefore, the net change in FTE at the DPS would have been 13.7 FTE in FY 2013-14. It should be noted that fingerprint examiners and data specialists require specialized training and computer software. These costs are included in the operating costs of the bill.

In FY 2014-15, the fiscal note assumes that there would have continued to be a decline of 80,000 background checks for firearms transfers, and an associated decrease of 4.5 FTE, but that concealed handgun permit applications would have increased by 145,845, requiring 8.2 new technicians. A program assistant would have been needed for this year, as would a more senior technician to supervise the increased number of background check technicians. In addition, 17.7 fingerprint examiners and 8.8 data specialists would have been needed. The net change in total FTE at the DPS would have been 32.2 FTE in FY 2014-15.

Expenditures Not Included

Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. The centrally appropriated costs subject to this policy are summarized in Table 2.

Table 2. Expenditures Not Included Under HB13-1169*		
Cost Components	FY 2013-14	FY 2014-15
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$105,322	\$243,101
Supplemental Employee Retirement Payments	\$23,375	\$121,550
Indirect Costs	\$37,425	\$158,789
TOTAL	\$166,122	\$523,440

**More information is available at: <http://colorado.gov/fiscalnotes>*

Local Government Impact

Assuming that the ATF granted approval for the use of a concealed handgun permit in lieu of a background check, fee revenue for county sheriffs would have increased because the number of people who apply for concealed handgun permits would have increased. Currently, individuals who apply for a concealed handgun permit pay county sheriffs a fee of no more than \$100 in order to cover any administrative and training costs associated with granting the permit. Individuals who

apply to renew a concealed handgun permit pay a fee of no more than \$50. This fiscal note assumes that over the next few years, 324,100 additional people would have applied for a concealed handgun permit as a result of the bill. If this assumption is accurate, fees paid to county sheriffs would have increased by up to \$32.4 million. Any increase in workload as a result of the increase in applications was expected to be funded by fee revenue.

Departmental Differences

The requirements that a state must satisfy prior to gaining approval from the ATF to use concealed handgun permits as an alternative to a background check are not clear. The DPS assumes that the ATF would not grant such approval unless the state has a centralized database of permit holders to assist law enforcement agents with the revocation of permits. This database is estimated to cost \$150,000 General Fund in FY 2013-14. The fiscal note does not include expenditures for the database because it is not clear that the ATF would have required it prior to granting approval to the state to use concealed handgun permits as an alternative to a background check. However, if the ATF did indicate that such a database is necessary, the DPS would have required an appropriation of \$150,000 General Fund in FY 2013-14 in addition to the other appropriation requirements identified below.

State Appropriations

The Department of Public Safety would have required a General Fund reduction of \$92,009 and 2.2 FTE and an appropriation from the Identification Unit Cash Fund of \$630,034 and 15.9 FTE.

Departments Contacted

Counties
Local Affairs

District Attorneys
Municipalities

Judicial
Public Safety

Law
Sheriffs