

Colorado Legislative Council Staff Fiscal Note

**STATE and LOCAL
FISCAL IMPACT**

Drafting Number: LLS 15-0739 **Date:** April 2, 2015
Prime Sponsor(s): Rep. Ransom **Bill Status:** House SVMA
 Sen. Cooke **Fiscal Analyst:** Kerry White (303-866-3469)

BILL TOPIC: NO BACKGROUND CHECK CONCEALED HANDGUN PERMITTEES

| Fiscal Impact Summary* | FY 2014-2015 current year | FY 2015-2016 | FY 2016-2017 |
|--|--------------------------------------|---------------------|---------------------|
| State Revenue | (\$14,448) | (\$86,674) | (\$86,674) |
| Cash Funds | (\$14,448) | (\$86,674) | (\$86,674) |
| State Expenditures | \$9,284 | (\$40,004) | (\$40,257) |
| General Fund | 15,000 | 0 | 0 |
| Cash Funds | (4,567) | (31,967) | (31,967) |
| Centrally Appropriated Costs** | (1,149) | (8,037) | (8,290) |
| TABOR Set-Aside | (\$14,448) | (\$86,674) | (\$86,674) |
| FTE Position Change | (0.1 FTE) | (0.7 FTE) | (0.7 FTE) |
| Appropriation Required: \$10,433 - Department of Public Safety (FY 2014-15) (\$31,967) - Department of Public Safety (FY 2015-16). | | | |

* This summary shows changes from current law under the bill for each fiscal year. Parentheses indicate a decrease in funds.

** These costs are not included in the bill's appropriation. See the State Expenditures section for more information.

Summary of Legislation

This bill allows a person who holds a valid concealed handgun permit (permit) and provides a valid identification card to transfer a firearm at a Colorado gun show without an additional background check. In order to effect this change, the bill amends the application process to obtain a permit to satisfy federal requirements.

On or before October 1, 2015, the Colorado Bureau of Investigation (CBI) in the Department of Public Safety is required to develop and provide a permit template to each sheriff's office. Each sheriff's office is required to ensure that permits issued on or after January 1, 2016, conform with the template. After this date, a sheriff may not renew an existing permit; instead that permit must be confiscated and a new permit issued using the template developed by the CBI.

The bill clarifies that if a sheriff revokes a permit, he or she is required to confiscate the permit from the permit holder.

Background

In calendar year 2014, the CBI processed 17,689 background checks related to firearm transfers from Colorado gun shows. As of March 1, 2015, the fee to conduct this check is \$7.

State Revenue

Under the bill, cash fund revenue is reduced by \$86,674 per year. For the first year, the revenue reduction is prorated and assumes that the bill takes effect on May 1, 2015. Revenue reductions are based on the assumption that 70 percent of firearm transfers at Colorado gun shows are conducted by persons holding a permit and that these individuals will no longer pay the \$7 per transfer fee.

TABOR Impact

This bill reduces state cash fund revenue from fees, which will reduce the amount required to be refunded under TABOR. TABOR refunds are paid from the General Fund.

State Expenditures

Overall, this bill reduces state cash fund expenditures and FTE for the CBI in the Department of Public Safety. In the first year, the amount is prorated to reflect an assumed effective date of May 1, 2015, and includes a one-time cost of \$15,000 General Fund to establish a permit template. Table 1 and the discussion that follows describe the costs and reductions under the bill.

| Table 1. Expenditures Under HB15-1138 | | | |
|--|-------------------|-------------------|-------------------|
| Cost Components | FY 2014-15 | FY 2015-16 | FY 2016-17 |
| Personal Services | (\$4,472) | (\$31,302) | (\$31,302) |
| FTE | (0.1 FTE) | (0.7 FTE) | (0.7 FTE) |
| Operating Expenses and Capital Outlay Costs | (95) | (665) | (665) |
| Permit Template | 15,000 | 0 | 0 |
| Centrally Appropriated Costs* | (1,149) | (8,037) | (8,290) |
| TOTAL | \$9,284 | (\$40,004) | (\$40,257) |

* Centrally appropriated costs are not included in the bill's appropriation.

Department of Public Safety, CBI. The fiscal note assumes that about 70 percent of firearm transfers at Colorado gun shows are for persons who hold a permit. A reduction of 0.7 FTE at the Technician III level is required from the Instacheck unit. Standard operating costs and centrally appropriated costs for the existing position are also reduced. This amount is prorated for the current fiscal year based on the assumption that the bill will take effect on May 1, 2015.

One-time costs of \$15,000 General Fund are shown in the current FY 2014-15 to purchase a machine that will enable the creation of a standard template for the permit with holographic images.

Centrally appropriated costs. 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 estimated in the fiscal note for informational purposes and summarized in Table 2.

| Table 2. Centrally Appropriated Costs Under HB15-1138* | | | |
|---|-------------------|-------------------|-------------------|
| Cost Components | FY 2014-15 | FY 2015-16 | FY 2016-17 |
| Employee Insurance | (\$802) | (\$5,611) | (\$5,611) |
| Supplemental Employee Retirement Payments | (347) | (2,426) | (2,679) |
| TOTAL | (\$1,149) | (\$8,037) | (\$8,290) |

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

Local Government Impact

The bill is anticipated to increase costs for sheriffs to ensure that each permit conforms to the template. Depending on how the template is created, costs could increase for sheriffs to acquire specialized equipment or additional supplies. These amounts have not been estimated.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State Appropriations

For the current FY 2014-15, the CBI requires a reduction of \$4,567 cash funds from the Colorado Bureau of Investigation Unit Fund and an increase of \$15,000 General Fund. In addition, 0.1 FTE should be reduced from the Instacheck Unit. For FY 2015-16, the CBI requires a reduction of \$31,967 cash funds from the Colorado Bureau of Investigation Unit Fund and a reduction of 0.7 FTE from the Instacheck Unit.

Departmental Difference

The Department of Public Safety identified costs of \$2.3 million and 17.4 FTE in FY 2015-16 and \$2.3 million and 20.6 FTE in FY 2016-17, as well as increases in revenue of \$1.7 million in FY 2015-16 and \$2.1 million in FY 2016-17. The department's analysis assumed:

- 100 percent of gun show transferees are permit holders, thus the background check revenue for all of these transfers would be lost;
- allowing permit holders to avoid background checks at gun shows would result in a 28.5 percent per year increase in the number of permits issued;
- a web-based system for gun show vendors to verify the status of a permit holder is required;
- the CBI would be required to coordinate the issuance of all permits; and
- construction and leased space costs would be required to house the new FTE.

The fiscal note assumes that few additional permits will be issued under the bill because the potential to save money on background checks for gun show transfers is not an incentive to expend the costs and time to obtain a permit, and it is likely that persons who purchase large numbers of firearms are already permit holders. As such, no increased revenue, FTE, or costs are shown to expand the permit section in the CBI. The fiscal note also excludes costs related to creating a web-based permit verification system and to coordinate the issuance of all permits in the state as the bill does not require these activities.

State and Local Government Contacts

Counties
Public Safety

Judicial
Sheriffs

Municipalities