

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 1400 – SB 1672

April 2, 2014

SUMMARY OF ORIGINAL BILL: Requires all handgun permits issued or renewed by the Department of Safety and Homeland Security (DOS) to be issued for a period of five years and to expire on the permit holder's birthdate. Authorizes the Commissioner of Safety to issue initial permits for periods of three to seven years to result in permit holders' driver license and handgun carry permit expiring on the same date. For purposes of implementing the staggered handgun permit renewal dates, the bill shall take effect when the A-list driver program of the DOS is complete and operational; however, the effective date shall be no later than January 1, 2016.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue - \$982,000/FY15-16
\$2,805,700/FY16-17
\$1,806,000/FY17-18
\$982,000/FY18-19

Other Fiscal Impact – The additional state revenue in FY15-16 through FY18-19 (a cumulative total of \$6,575,700) is considered a one-time increase of state revenue that will be recognized over a three calendar-year period (2016, 2017, and 2018) following passage, which impacts the four fiscal years noted above. Under current law, this revenue would be collected in subsequent years, but under the provisions of the bill will shift forward and be collected during the three calendar-year period (or the four fiscal years noted). Beginning in FY19-20, the new fee payment cycle will have been established and the net impact to state revenue is estimated to be not significant.

SUMMARY OF AMENDMENT (015645): Adds new language to the bill stating that the following individuals will only be required to pay the portion of the initial handgun carry application fee necessary to conduct the required criminal history records check: any person who has been honorably discharged from any branch of the United States armed forces; any person who is on active duty in any branch of the armed forces; and any person currently serving in the national guard or armed forces reserve. Deletes and rewrites the effective date section for the bill as amended.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Revenue – Net Impact –

\$972,800/Department of Safety/FY15-16
\$2,787,200/Department of Safety/FY16-17
\$1,787,500/Department of Safety/FY17-18
\$963,500/Department of Safety/FY18-19

Decrease State Revenue –

\$18,500/Department of Safety/FY19-20 and Subsequent Years

Forgone State Revenue –

\$1,900/FY15-16
\$3,700/FY16-17 and Subsequent Years

Increase State Expenditures –

Exceeds \$100/FY15-16
Exceeds \$300/FY16-17 and Subsequent Years

Assumptions relative to Section 1 of the bill as amended:

- The fiscal impact is based on the assumption that the staggered renewal dates will be implemented on January 1, 2016, the date for which DOS estimated the A-List driver license program to be capable of implementing this act. As a result, the first-year impact will occur in FY15-16, which will be a half-year impact.
- The fee for an initial permit is \$115. Permits are valid for a period of four years under current law, after which renewal is required.
- The current fee for handgun carry permit renewal is \$50. The annualized cost of the permit after renewal is \$12.50 (\$50 / 4 years).
- DOS will issue permits and permit renewals for periods of three to seven years in order to align handgun carry permit expiration dates with driver license expiration dates.
- Initial permits valid for three years issued by DOS will be charged at \$102.50. Initial permits issued for an additional year will be charged an additional \$12.50 per year. Initial permits for periods longer than three years will be charged as follows: four years, \$115; five years, \$127.50; six years, \$140; and seven years, \$152.50.
- DOS estimates an average of 70,000 permits being issued each year. The first-year impact (FY15-16) will be 50 percent of the first full-year impact, or 35,000 (70,000 x 50%), due to the projected effective date.
- Under the proposed bill, the number of permits issued for a period of three, four, five, six, and seven years will be evenly distributed across three calendar years (2016, 2017, and 2018), essentially impacting four fiscal years (FY15-16 through FY18-19). Due to the effective date, 7,000 (35,000 / 5 periods) will be issued for each period in FY15-16 (January 1, 2016 until June 30, 2016). In FY16-17 and FY17-18, 14,000 (70,000 / 5

periods) will be issued for each period. In FY18-19 (July 1, 2018 until December 31, 2018), 7,000 (35,000 / 5 periods) will be issued for each period. Beginning January 1, 2019, the modifications made to the issuance cycle will be completed.

- Under current law, annual revenue for handgun carry permits would be approximately \$8,050,000 (70,000 x \$115). Revenue for one half-year would be \$4,025,000 (\$8,050,000 x 50%).
- Recurring revenue for initial permits issued under this bill will be \$8,925,000 [(14,000 three-year x \$102.50) + (14,000 four-year x \$115) + (14,000 five-year x \$127.50) + (14,000 six-year x \$140) + (14,000 seven-year x \$152.50)]. The impact will be half or \$4,462,500 in both FY15-16 and FY18-19. The impact for FY16-17 and FY17-18 will be \$8,925,000. Therefore, an increase in state revenue of \$437,500 (\$4,462,500 - \$4,025,000) in both FY15-16 and FY18-19; and an increase in state revenue of \$875,000 (\$8,925,000 - \$8,050,000) in both FY16-17 and FY17-18.
- Permit renewals will be renewed as follows until all permits are aligned with driver license renewal dates: three years, \$37.50; four years, \$50.00; five years, \$62.50; six years, \$75.00; and seven years, \$87.50.
- According to DOS, there are 43,560 permits to be renewed in the last six months of FY15-16 (January 1, 2016 until June 30, 2016), 154,455 to be renewed in FY16-17, 74,480 to be renewed in FY17-18, and 43,560 to be renewed in the first six months of FY18-19 (July 1, 2018 until December 31, 2018).
- Under current law, revenue will be as follows: \$2,178,000 (43,560 x \$50) in FY15-16 (from January 1, 2016 until June 30, 2016), \$7,722,750 in FY16-17 (154,455 x \$50), \$3,724,000 in FY17-18 (74,480 x \$50), and \$2,178,000 (43,560 x \$50) in FY18-19 (July 1, 2018 until December 31, 2018).
- Under the proposed bill, permits renewed during the three calendar years (across the four fiscal years) will be evenly distributed from three- to seven-year validity in order to align with driver license renewal dates. In FY15-16 (January 1, 2016 until June 30, 2016), 8,712 (43,560 / 5 periods) of each permit type will be renewed, 30,891 (154,455 / 5 periods) of each permit type will be renewed in FY16-17, 14,896 (74,480 / 5 periods) of each permit type will be renewed in FY17-18, and 8,712 (43,560 / 5 periods) of each permit type will be renewed in FY18-19 (July 1, 2018 until December 31, 2018).
- Total permit renewal revenue in the last six months of FY15-16 (January 1, 2016 until June 30, 2016) will be \$2,722,500 [(8,712 three-year x \$37.50) + (8,712 four-year x \$50) + (8,712 five-year x \$62.50) + (8,712 six-year x \$75) + (8,712 seven-year x \$87.50)] for an increase in state revenue of \$544,500 (\$2,722,500 - \$2,178,000).
- Total permit renewal revenue in FY16-17 will be \$9,653,438 [(30,891 three-year x \$37.50) + (30,891 four-year x \$50) + (30,891 five-year x \$62.50) + (30,891 six-year x \$75) + (30,891 seven-year x \$87.50)] for an increase in state revenue of \$1,930,688 (\$9,653,438 - \$7,722,750).
- Total permit renewal revenue in FY17-18 will be \$4,655,000 [(14,896 three-year x \$37.50) + (14,896 four-year x \$50) + (14,896 five-year x \$62.50) + (14,896 six-year x \$75) + (14,896 seven-year x \$87.50)] for an increase in state revenue of \$931,000 (\$4,655,000 - \$3,724,000).
- Total permit renewal revenue in the first six months of FY18-19 (July 1, 2018 until December 31, 2018) will be \$2,722,500 [(8,712 three-year x \$37.50) + (8,712 four-year

x \$50) + (8,712 five-year x \$62.50) + (8,712 six-year x \$75) + (8,712 seven-year x \$87.50)] for an increase in state revenue of \$544,500 (\$2,722,500 - \$2,178,000).

- A total increase in state revenue of \$982,000 in FY15-16 (\$437,500 + \$544,500); \$2,805,688 in FY16-17 (\$875,000 + \$1,930,688); \$1,806,000 in FY17-18 (\$875,000 + \$931,000); and \$982,000 in FY18-19 (\$437,500 + \$544,500).
- Based on information provided by DOS, any decrease in state expenditures as a result of an extended authorization period for handgun carry permits is considered not significant.

Assumptions relative to Section 2 of the bill as amended:

- According to the Department of Safety and Homeland Security (DOS), there are 500 military applicants each year who use military handgun training to be exempt from the required training portion of the handgun permit application process. It is assumed that 100 percent of all military applicants use their military handgun training to be exempt from the required training. Therefore, the total number of military applicants is estimated to be 500 each year under current law. Such applicants are required to pay the initial application and processing fee of \$115.
- According to DOS, \$78 of the initial application and processing fee is allocated for the costs of conducting the criminal history record check. This \$78 will continue to be collected under the provisions of this bill as amended.
- There will be a \$37 discount for each new military applicant (\$115 - \$78) that would apply under current law and have been retained by the DOS.
- The effective date for Section 2 of the bill as amended is January 1, 2016. As a result, there will be a half-year impact in FY15-16. The first full-year impact will occur in FY16-17.
- The recurring decrease in state revenue to DOS beginning in FY16-17 is estimated to be \$18,500 (\$37 discount x 500 current applicants); the decrease in state revenue in FY15-16 is estimated to be \$9,250 (\$18,500 x 50%).
- The proposed discounted price of the initial application and processing fee is anticipated to generate at least 100 additional military applicants each year that would not otherwise apply under current law.
- The recurring forgone state revenue beginning in FY16-17 is estimated to exceed \$3,700 (\$37 discount x 100 minimum additional applicants); the forgone state revenue in FY15-16 is estimated to be \$1,850 (\$3,700 x 50%).
- DOS indicates the cost to print a new handgun carry permit for the additional applicants is \$2.23, and the cost to mail the permit is \$0.413, for a total cost of \$2.64 (\$2.23 + \$0.413) per applicant.
- The recurring increase in state expenditures beginning in FY16-17 is estimated to exceed \$264 (100 minimum additional applicants x \$2.64); the increase in state expenditures in FY15-16 is estimated to exceed \$132 (\$264 x 50%).

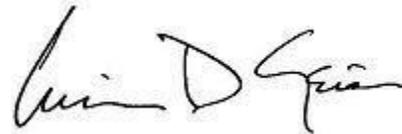
Assumptions for the bill as amended:

- The following assumptions are the total estimated fiscal impacts for the bill as amended.

- The net increase in state revenue to DOS for FY15-16 is estimated to be \$972,750 (\$982,000 - \$9,250).
- The net increase in state revenue to DOS for FY16-17 is estimated to be \$2,787,188 (\$2,805,688 - \$18,500).
- The net increase in state revenue to DOS for FY17-18 is estimated to be \$1,787,500 (\$1,806,000 - \$18,500).
- The net increase in state revenue to DOS for FY18-19 is estimated to be \$963,500 (\$982,000 - \$18,500).
- The recurring decrease in state revenue to DOS for FY19-20 and subsequent years will be \$18,500.
- Forgone state revenue in FY15-16 will be \$1,850, and in FY16-17 and subsequent years will be \$3,700.
- The increase in state expenditures for DOS in FY15-16 will exceed \$132, and will exceed \$264 in FY16-17 and subsequent years.

CERTIFICATION:

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



Lucian D. Geise, Executive Director

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