

## **Fiscal Impact Review 2017 General Assembly Session**

**Date:** February 27, 2017

**Bill number:** HB 2265: Concealed handgun permits

**Review requested by:** Chairman Lingamfelter, House Militia, Police, and Public Safety

### **JLARC Staff Fiscal Estimates**

Over the long term, JLARC staff concur with the fiscal impact statement issued by DPB, which indicates that the fiscal impact of HB 2265 is indeterminate. However, JLARC staff estimate that HB 2265 could result in a revenue loss of approximately \$660,000 (GF) annually in the first few years of implementation. HB 2265 would allow eligible individuals to carry a concealed handgun without a permit. The revenue loss would occur due to lost fee revenue, as fewer individuals would apply for concealed handgun permits and pay the application fee. Based on the recent experience of other states, Virginia could expect to receive approximately one-third fewer applications for concealed handgun permits following enactment of HB 2265. The long-term revenue impact is unknown, because the number of applications for concealed handgun permits varies significantly from year to year for many reasons other than whether a permit is required to carry a concealed handgun.

**An explanation of the JLARC staff review is included on the pages that follow.**

**Authorized for release:**



**Hal E. Greer, Director**

**Bill summary**

HB 2265 would allow any person who is otherwise eligible to obtain a concealed handgun permit to carry a concealed handgun without a permit anywhere he or she may lawfully carry a handgun openly in Virginia.

**Fiscal implications**

JLARC staff estimate that HB 2265 could result in an initial reduction in revenue of approximately \$660,000 (GF) annually. The revenue reduction would occur as a result of lost fee revenue. It is likely that fewer individuals would apply for concealed handgun permits and pay the application fee. The number of applications for concealed handgun permits varies annually for multiple reasons, so the long-term impact on revenue is unknown.

Similar legislation in other states has generally resulted in decline in applications

Several states, including Wyoming, Maine, Kansas, and Arizona, have passed legislation since 2010 allowing eligible individuals to carry a concealed weapon without a permit. Three of these states experienced a decrease in the number of applications for concealed weapons permits in the year following the change in law (Table 1). Arizona did not experience a decrease in applications. This is probably because of additional legislation, enacted at around the same time, that made permits easier to obtain and allowed permit holders to bypass the National Instant Criminal Background Check System (NICS) check when purchasing a firearm.

**TABLE 1: Initial decrease in permit applications following legislation allowing concealed carry without a permit**

Wyoming <sup>1</sup>	(21%)
Maine <sup>2</sup>	(33% estim.)
Kansas <sup>1</sup>	(40%)
Arizona	No decrease

SOURCE: State agencies responsible for issuing concealed handgun permits.

NOTE: Year statutory change allowing eligible individuals to carry a concealed weapon went into effect: Kansas, 2015; Maine, 2015; Wyoming, 2011, Arizona, 2010. <sup>1</sup> Concealed weapons permit holders can bypass the NICS check. <sup>2</sup> Estimate based on the decrease in applications received by Maine State Police. Localities in Maine can also issue concealed weapons permits, but data on the change in applications is not available.

Staff at the permit issuing agencies in other states indicate that some individuals continue to apply for concealed weapons permits even though they are not required to do so. Some state residents obtain permits so that they can carry a concealed weapon in other states with which their state has reciprocity. Some non-residents continue to apply for permits because it is easier to obtain a permit in another state than in their own state. (For example, the requirements to demonstrate competency with a handgun may be easier to meet in Virginia.) Some states allow individuals with concealed handgun permits to bypass the NICS check when purchasing a new firearm, providing a further incentive to obtain a permit. (Virginia does not allow permit holders to bypass the NICS check.) Also, some individuals simply prefer to have a permit.

### Estimate of revenue impact

HB 2265 would likely result in a reduction of general fund revenue due to a decrease in fee collections. Fewer individuals would apply for concealed handgun permits and pay the application fee. Under current law, applicants pay the following state-level fees to apply for a permit in Virginia. Virginia residents may also pay a fee to local law enforcement.

#### *Residents*

- Virginia State Police fee: \$5
- Circuit court fee: \$10

#### *Non-residents*

- Virginia State Police fee: \$100

The amount of the revenue reduction would depend on how many fewer individuals apply for a concealed handgun permit as a result of HB 2265. Based on the experience of the states that have recently passed similar legislation, Virginia could expect to receive approximately one-third fewer applications for permits. This would result in a revenue decrease of \$660,000 (GF) annually (Table 2). A one-third reduction in applications is approximately the mid-point of the range in reductions reported by other states. It is also the reduction reported by Maine, which is the state that is most comparable to Virginia. Like Virginia, Maine does not allow concealed weapon permit holders to bypass the NICS check when purchasing a firearm. It is difficult to precisely estimate the decrease in applications that would occur in Virginia because many variables impact the decision of an individual to obtain a concealed weapon permit, and these variables may be different across states.

**TABLE 2: Estimated annual reduction in revenue assuming 33% decrease in applications**

<b>Resident applications</b>	
Decrease in applications	(36,000)
VSP fee	\$5
<b>Reduced VSP collections (GF)</b>	<b>(\$180,000)</b>
Circuit court fee	\$10
Reduced circuit court collections	(\$360,000)
<b>GF share of reduced circuit court collections</b>	<b>(\$280,000)</b>
<b>Non-resident applications</b>	
Decrease in applications	(2,000)
VSP fee	\$100
<b>Reduced VSP collections (GF)</b>	<b>(\$200,000)</b>
<b>Estimated total reduction in revenue (GF)</b>	<b>(\$660,000)</b>

SOURCE: Virginia State Police and Virginia Compensation Board.

NOTE: There were an average of 108,683 concealed handgun permit applications from Virginia residents between 2013 and 2015. There was an average of 6,006 concealed handgun permit applications from non-Virginia residents between 2015 and 2016.

The revenue decrease estimated by JLARC staff is less than the maximum potential revenue loss of \$2.1 million (GF) indicated in the DPB fiscal impact statement. (The maximum is based on \$1.2 million in VSP fee collections and \$850,000 in circuit court collections, which is the state's share of court collections.) This is because the maximum is based on no individuals applying for concealed weapons permits under HB 2265.

Although approximately \$660,000 (GF) in revenue reductions could be expected in the first few years after enactment of HB 2265, the long term revenue impact is unknown. There are large swings in numbers of applications for concealed handgun permits from year to year, according to a review of Virginia, Wyoming, and Kansas applications. These swings may occur for many reasons other than whether a permit is required to carry a concealed handgun. However, it is also the case that states enacting legislation similar to HB 2265 experienced a decline in applications for permits in the years immediately following enactment. This suggests that Virginia would also experience a decline in applications immediately following enactment of HB 2265.

**Budget amendment necessary?** HB 2265 would not require a budget amendment. The bill would result in forgone general fund revenue rather than direct budget spending.

**Agencies affected:** Department of State Police, courts.

**Prepared by:** Kimberly Sarte

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