

Department of Legislative Services
 Maryland General Assembly
 2019 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 342 (Delegate Reilly, *et al.*)
 Judiciary

Public Safety - Permit to Carry, Wear, or Transport a Handgun - Qualifications

This bill specifies that, under provisions applicable to requirements for the issuance of a permit to wear, carry, or transport a handgun, personal protection or self-defense constitute a good and substantial reason for issuance of the permit. In addition, the bill states the intent of the General Assembly that the Governor include in the annual budget bill, for fiscal 2020 and each fiscal year thereafter, an amount representing the increase in general fund revenues realized from the increased number of permits to carry, wear, or transport a handgun issued as a result of the bill and the payment of associated fees, less increased general fund expenditures for the Department of State Police (DSP) to process additional permit applications, to fund school mental health programs administered by the Maryland Department of Health (MDH).

Fiscal Summary

State Effect: General fund revenues from handgun permit fees increase by \$7.5 million in FY 2020. Future year revenues reflect the licensure issuance and renewal cycle as well as a decrease in new permit applications and renewals over time. General fund expenditures increase correspondingly to process additional permit applications and to fund school mental health programs.

(in dollars)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
GF Revenue	\$7,500,000	\$6,375,000	\$9,918,800	\$8,656,000	\$7,560,100
GF Expenditure	\$7,500,000	\$6,375,000	\$9,918,800	\$8,656,000	\$7,560,100
Net Effect	\$0	\$0	\$0	\$0	\$0

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: None.

Small Business Effect: Meaningful.

Analysis

Current Law: Generally, an applicant for a handgun permit must, among other requirements, have a good and substantial reason to wear, carry, or transport a handgun. “Good and substantial reason” includes a finding that the permit is necessary as a reasonable precaution against apprehended danger.

Current law requirements and background relating to the issuance of handgun permits is summarized in the **Appendix – Handgun Permit Requirements – Current Law/Background.**

School Mental Health Services

Under the Code of Maryland Regulations, each local school system must provide a coordinated program of pupil services for all students, which must include school counseling, pupil personnel services, school psychology, and health services. The pupil services program must focus on the health, personal, interpersonal, academic, and career development of students.

Chapter 583 of 2017 requires MDH, in conjunction with the Maryland State Department of Education, to recommend best practices for local school systems to provide to students (1) behavioral needs assessments and (2) individualized or group behavioral health counseling services with a health care provider through a school-based health center or community-partnered school-based behavioral health services. “Behavioral health counseling services” means prevention, intervention, and treatment services for the social-emotional, psychological, behavioral, and physical health of students, including mental health and substance abuse disorders.

State Revenues: The Department of Legislative Services (DLS) estimates that this bill increases new handgun permit applications by about 100,000 in fiscal 2020. This is due in part to the surge in sales during recent years and assumes a similar experience to that which was experienced in Wisconsin in 2012 when nearly 99,000 additional carry permit applications were received after its law was changed.

Assuming an increase of about 100,000 permit applications in fiscal 2020, general fund revenues from handgun permit fees increase by an estimated \$7.5 million in fiscal 2020. By fiscal 2024, the increase in general fund revenues for initial applications and renewals decreases to \$7.6 million; this estimate assumes that, over time, initial handgun permit applications decline by 15% per year, and that the total number of permits renewed decreases by 10% annually. **Exhibit 1** shows the estimated increase in general fund revenues from additional handgun permit fees through fiscal 2024.

Exhibit 1
Estimated Handgun Permit Fee Revenue under the Bill

	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>
New Applications	100,000	85,000	72,250	61,413	52,201
Fee Revenue	\$7,500,000	\$6,375,000	\$5,418,750	\$4,605,975	\$3,915,075
Renewals	-	-	90,000	81,000	72,900
Fee Revenue	-	-	4,500,000	4,050,000	3,645,000
Total Revenue	\$7,500,000	\$6,375,000	\$9,918,750	\$8,655,975	\$7,560,075

Source: Department of Legislative Services

State Expenditures: General fund expenditures increase correspondingly to general fund revenues for DSP to process additional permit applications and to provide funding to MDH for school mental health programs, consistent with the bill’s intent language.

Department of State Police

General fund expenditures for DSP increase by an estimated \$4,447,215 in fiscal 2020, which reflects the bill’s October 1, 2019 effective date. DSP advises that its Licensing Division requires eight hours to process 1 application. Based on an anticipated increase of approximately 100,000 applications in fiscal 2020, this estimate reflects the cost to hire 10 full-time troopers, 18 office services clerks, and 44 contractual background check investigators to process and issue the additional handgun permit applications, review and issue renewal permits, and prepare information relating to hearings. The estimate includes salaries and fringe benefits, one-time start-up costs, and ongoing operating expenses.

Positions (Regular)	28
Positions (Contractual)	44
Salaries and Fringe Benefits (Regular)	\$1,680,269
Salaries and Fringe Benefits (Contractual)	1,745,121
Motor Vehicle Purchases and Operations	313,315
Additional Police and Civilian Equipment	674,760
Other Operating Expenses	<u>33,750</u>
Total FY 2020 DSP Expenditures	\$4,447,215

Future year expenditures, which are shown in **Exhibit 2**, reflect full salaries with annual increases and employee turnover and ongoing operating expenses. In fiscal 2023, it also reflects automobile replacement costs.

Exhibit 2
Estimated Expenditures for DSP
Fiscal 2021-2024

<u>Fiscal 2021</u>	<u>Fiscal 2022</u>	<u>Fiscal 2023</u>	<u>Fiscal 2024</u>
\$4,740,471	\$4,779,143	\$5,803,086	\$5,106,693

DSP: Department of State Police

Source: Department of Legislative Services

This estimate does not include any health insurance costs that could be incurred for specified contractual employees under the State's implementation of the federal Patient Protection and Affordable Care Act.

DSP's licensing division has utilized significant overtime in recent years to process handgun permit applications. In the first half of fiscal 2019, overtime increased by 13.2%. In addition to the personnel and programming costs estimated above, DSP projects considerable trooper and civilian overtime costs in fiscal 2020. However, DLS believes that a new, automated handgun permit application process that is anticipated to be operational prior to the bill's effective date will assist with processing the expected increase in handgun permit applications under the bill. Should overtime or additional personnel costs emerge in the future, DSP can request additional resources through the annual budget process.

Maryland Department of Health

The bill establishes the intent of the General Assembly that the Governor include in the annual budget bill, for fiscal 2020 and each fiscal year thereafter, an amount representing the increase in general fund revenues realized from the increased number of handgun permits issued as a result of the bill and the payment of associated fees, less increased general fund expenditures for DSP to process additional permit applications, to fund school mental health programs administered by MDH. Although the budget bill for fiscal 2020 has already been submitted to the General Assembly, and although the bill's intent language is not binding on the Governor, this analysis assumes that funding is provided to MDH for school mental health programs beginning in fiscal 2020 and that the bill's intent language in future years is met.

Accordingly, based on the anticipated revenue stream and the estimated expenditures for DSP, the increase in funding for MDH for school mental health programs is shown in **Exhibit 3**. The variation in available funding by year is due to the licensure issuance and renewal cycle, the decrease in new permit applications and renewals over time, and

increasing costs for DSP. For purposes of this fiscal and policy note, is assumed that MDH spends all available funding each year.

Exhibit 3
Available Funding for MDH for School Mental Health Programs

<u>Fiscal 2020</u>	<u>Fiscal 2021</u>	<u>Fiscal 2022</u>	<u>Fiscal 2023</u>	<u>Fiscal 2024</u>
\$3,052,785	\$1,634,529	\$5,139,607	\$2,852,889	\$2,453,382

MDH: Maryland Department of Health

Source: Department of Legislative Services

Small Business Effect: Because it is assumed that the bill leads to an increase in the number of handgun permits sought in the State, small businesses that provide firearm instruction may benefit from an increase in the demand for their services.

Additional Comments: In *Woollard v. Gallagher* (No. 12-1437), the U.S. Court of Appeals for the Fourth Circuit considered the constitutionality of Maryland’s “good and substantial reason” handgun permit requirement. On March 21, 2013, the Fourth Circuit reversed the District Court opinion, and Maryland’s “good and substantial” requirement was upheld as constitutional. The U.S. Supreme Court declined to review that decision.

Additional Information

Prior Introductions: HB 647 of 2018 received a hearing in the House Judiciary Committee, but no further action was taken. HB 663 of 2017 received a hearing in the House Judiciary Committee, but no further action was taken. Its cross file, SB 511, received a hearing in the Senate Judicial Proceedings Committee, but no further action was taken.

Cross File: None.

Information Source(s): Department of State Police; Maryland Department of Health; Department of Legislative Services

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mm/lgc

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Appendix

Handgun Permit Requirements – Current Law/Background

Generally, with certain exceptions, to be issued a handgun permit by the Secretary of State Police, an applicant (1) must be 18 or older; (2) must not have been convicted of a felony or misdemeanor for which a sentence of imprisonment for more than one year has been imposed or, if convicted, must have been pardoned or been granted relief under federal law; (3) must not have been convicted of a controlled dangerous substance violation and must not presently be an addict, a habitual user of a controlled dangerous substance, or an alcoholic; (4) must not exhibit a propensity for violence or instability which may reasonably render possession of a handgun a danger to the applicant or another; (5) must have successfully completed, prior to application and each renewal, a specified firearms training course approved by the Secretary; (6) if younger than 30, must not have been committed to a facility for juveniles for longer than one year or adjudicated delinquent for a crime of violence, a felony, or misdemeanor that carries a statutory penalty of more than two years; and (7) must have a good and substantial reason to wear, carry, or transport a handgun. “Good and substantial reason” includes a finding that the permit is necessary as a reasonable precaution against apprehended danger. The Secretary may limit the geographic area, circumstances, or times of day, week, month, or year in which a permit is effective.

A handgun permit applicant must successfully complete, prior to the application and each renewal, a firearms training course approved by the Secretary that includes (1) for an initial application, a minimum of 16 hours of instruction by a qualified handgun instructor, or 8 hours of instruction for a renewal application; (2) classroom instruction on State firearm law, home firearm safety, and handgun mechanisms and operation; and (3) a firearms qualification component that demonstrates the applicant’s proficiency and use of the firearm.

An applicant for a permit is not required to complete a certified firearms training course if the applicant:

- is a law enforcement officer or a person who is retired in good standing from service with a law enforcement agency of the United States, the State, or any local law enforcement agency in the State;
- is a member, retired member, or honorably discharged member of the U.S. Armed Forces or the National Guard;
- is a qualified handgun instructor; or
- has completed a firearms training course approved by the Secretary.

A handgun permit application costs \$75; two years after the initial permit and every three years thereafter, a \$50 renewal fee is due. In addition, the applicant must pay for fingerprint-based federal and State criminal history background checks for an initial application. A person who applies for a renewal of a handgun permit is not required to be fingerprinted unless the Secretary requires a set of the person's fingerprints to resolve a question of the person's identity.

Generally a handgun permit expires on the last day of the holder's birth month following two years after the date the permit is issued; however, the Secretary may establish an alternative expiration date for a permit to coincide with the expiration of a private detective license, a security guard certification, or a special police officer commission. A permit may be renewed for successive periods of three years each if, at the time of an application for renewal, the applicant possesses the qualifications for the issuance of a permit and pays the renewal fee.

In 2018, the Department of State Police (DSP) received 4,393 new applications for handgun permits and 5,383 handgun permit renewal applications. DSP denied 500 applications in the same year. There are currently approximately 22,177 active handgun permits in the State. It generally takes less than two days to receive the results of a national criminal history records check from the Federal Bureau of Investigation and approximately 90 days to process, investigate, and issue a permit.