

Department of Legislative Services
 Maryland General Assembly
 2013 Session

FISCAL AND POLICY NOTE

House Bill 1275

(Delegate Cardin, *et al.*)

Judiciary

Public Safety - Regulated Firearms - Firearm and Permit Surcharge

This bill imposes a surcharge on the retail purchase of a regulated firearm and on handgun permit applications and renewals. All surcharge revenues are required to be deposited into a newly established Mental Health Services Fund within the Department of Health and Mental Hygiene (DHMH) and used to fund local and statewide mental health services programs.

Fiscal Summary

State Effect: Special fund revenues and expenditures increase by \$1.0 million in FY 2014. Out-year estimates reflect anticipated growth in firearms sales and handgun permit applications. Enforcement of surcharge collections can be handled with the existing budgeted resources of the Department of State Police (DSP). Administration of the fund can be handled with the existing budgeted resources of DHMH.

(in dollars)	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
SF Revenue	\$1,000,500	\$1,084,200	\$1,168,300	\$1,251,600	\$1,336,100
SF Expenditure	\$1,000,500	\$1,084,200	\$1,168,300	\$1,251,600	\$1,336,100
Net Effect	\$0	\$0	\$0	\$0	\$0

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

Local Effect: Local grant revenues for local mental health programs increase. Revenues likely vary by jurisdiction and cannot be estimated at this time.

Small Business Effect: Potential meaningful. By establishing a surcharge on the retail purchase of a regulated firearm, retailers could be negatively affected.

Analysis

Bill Summary: The bill imposes a surcharge of:

- \$10 for every retail purchase of a regulated firearm in the State; and
- \$25 for an initial handgun permit or a renewal or subsequent handgun permit.

The Secretary of State Police, in collaboration with DHMH, must adopt regulations necessary to carry out the provisions of the bill that relate to the surcharge.

All money generated from the surcharge must be deposited into the Mental Health Services Fund. In addition to the money generated from the surcharge, the fund consists of any other money accepted for the benefit of the fund from any other source as well as investment earnings. Money in the fund must be spent in accordance with a plan developed by DHMH in consultation with DSP, mental health providers, and mental health advocates.

Any unspent portions of the fund may not be transferred or revert to the general fund. Money expended from the fund is supplemental to and is not intended to take the place of other funding that would be appropriated for funding mental health services.

By January 1 of each year, the Secretary of Health and Mental Hygiene must submit a report to the General Assembly and the Department of Legislative Services (DLS) on the fund.

Current Law/Background:

Firearms Regulation

A firearm applicant must:

- submit to a firearm dealer licensee or designated law enforcement agency a firearm application on the form that the Secretary of State Police provides; and
- pay to the licensee or designated law enforcement agency an application fee of \$10.

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 initial applications and renewals.

Recent fatal shootings in several states by persons with histories of mental instability who were able to legally purchase and possess firearms have led to several studies and the introduction of legislation in some states. Under federal law, it is unlawful for any person to sell or otherwise transfer any firearm or ammunition to a person knowing or having reasonable cause to believe that the person has been adjudicated as “a mental defective” or has been committed to a mental institution. Current state laws vary, but most states prohibit a person from possessing a firearm if the person has been adjudicated mentally ill or mentally incompetent or committed involuntarily to a mental institution.

Chapter 131 of 2012 (HB 618) established a Task Force to Study Access of Individuals with Mental Illness to Regulated Firearms, with three specified areas of concern to consider. The task force is staffed by the Governor’s Office of Crime Control and Prevention and filed its report of findings and recommendations on December 31, 2012. The task force established three workgroups and assigned them specified tasks.

- The first workgroup studied the adequacy of State laws and policies relating to the access of law enforcement officers to mental health records and whether, and to what extent, the State should expand access of law enforcement officers to certain mental health records.
- The second workgroup studied whether existing statutory and regulatory provisions adequately protect the public, as well as the civil rights of individuals with mental illness.
- The third workgroup studied the adequacy of State laws and policies relating to the access of individuals with a history of mental illness to all regulated firearms.

The task force report has seven findings, with nine recommendations. The recommendations include the need for additional research, additional mandated reporting by mental health professionals and law enforcement, mandatory firearm seizures under certain circumstances, additional training for law enforcement personnel and mental health professionals, expansion of crisis intervention teams, changes in funding allocations for continuing education and local jurisdictions, and the establishment of a process for full restoration of firearms possession and purchasing rights in accordance with specified federal standards. The detailed findings and recommendations of the task force are contained in the full task force report which can be found online at: <http://www.goccp.maryland.gov/legislation/guns-mental-illness-task-force.php>.

On January 16, 2013, President Obama signed 23 executive actions to strengthen existing gun laws and to take related steps addressing mental health and school safety. The President also asked Congress to reinstate and strengthen the assault weapons ban that expired in 2004, to restrict ammunition magazines to no more than 10 rounds, and to

expand background checks to virtually all gun transactions. All of these presidential actions can be found online at: <http://www.whitehouse.gov/briefing-room/presidential-actions>.

Mental Hygiene Administration

The Mental Hygiene Administration (MHA) within DHMH is responsible for the treatment and rehabilitation of the mentally ill. MHA:

- plans and develops comprehensive services for the mentally ill;
- supervises State-run psychiatric facilities for the mentally ill;
- reviews and approves local plans and budgets for mental health programs;
- provides consultation to State agencies concerning mental health services; and
- establishes personnel standards and develops, directs, and assists in the formulation of educational and staff development programs for mental health professionals.

MHA administers its responsibilities through layers of organizational structure that includes the MHA headquarters, as well as core service agencies (CSAs), through signed agreements, to coordinate and deliver mental health services in the counties. There are currently 19 CSAs, some organized as part of local health departments, some as nonprofit agencies, and 2 as multicounty enterprises.

State Fiscal Effect: In calendar 2012, applications to transfer regulated firearms – primarily via sales from licensed dealers – rose significantly over prior years. In December 2012 alone, there were 11,362 applications received by DSP to transfer firearms (which includes sales by licensed dealers, secondary/private sales, gifts, and other voluntary transfers). The monthly average in 2012 prior to December was 5,295. New handgun permit applications have been growing by an average of 221 applications per year since 2008. **Exhibit 1** shows estimated new firearms sales applications, new and renewal handgun permit applications, and expected revenue from the surcharges imposed under the bill. These estimates assume that the establishment of the surcharge does not reduce sales of regulated firearms. To the extent the retail sale of firearms decreases, revenues decrease accordingly.

Exhibit 1
Firearms Sales, Handgun Permits, Applications and Renewals, and
Estimated Surcharge Revenue under the Bill

Firearms Sales	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Firearms Sold	85,051	92,798	100,544	108,291	116,038
Surcharge	\$10	\$10	\$10	\$10	\$10
<i>Revenue Subtotal</i>	<i>\$850,510</i>	<i>\$927,798</i>	<i>\$1,005,440</i>	<i>\$1,082,291</i>	<i>\$1,160,380</i>
Handgun Permits					
New Permit Apps.	2,945	3,166	3,387	3,608	3,829
Renewals	3,053	3,090	3,126	3,163	3,199
<i>Permits Subtotal</i>	<i>5,998</i>	<i>6,256</i>	<i>6,513</i>	<i>6,771</i>	<i>7,028</i>
Surcharge	\$25	\$25	\$25	\$25	\$25
<i>Revenue Subtotal</i>	<i>\$149,950</i>	<i>\$156,400</i>	<i>\$162,825</i>	<i>\$169,275</i>	<i>\$175,700</i>
Total Revenue	\$1,000,460	\$1,084,198	\$1,168,265	\$1,251,566	\$1,336,080

Source: Department of State Police; Department of Legislative Services

Surcharge revenue is deposited into the new Mental Health Services Fund. However, because a spending plan under the bill has not been developed by DHMH in consultation with DSP, mental health providers, and mental health advocates, an exact nature of spending from the fund cannot be reliably described or estimated. It is assumed that the fund is administered by MHA and that all new special fund revenue is generally spent or committed during the same fiscal year. Thus, special fund expenditures increase correspondingly in each year.

DHMH and DSP can implement the bill with existing staff.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Health and Mental Hygiene, Department of State Police, Department of Legislative Services

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