



# NORTH CAROLINA GENERAL ASSEMBLY

Session 2021

## Legislative Fiscal Note

**Short Title:** Const. Amend./Concealed Carry.  
**Bill Number:** House Bill 254 (First Edition)  
**Sponsor(s):** Representatives Pittman and Kidwell

### SUMMARY TABLE

#### FISCAL IMPACT OF H.B. 254, V.1 (\$ in millions)

	<u>FY 2021-22</u>	<u>FY 2022-23</u>	<u>FY 2023-24</u>	<u>FY 2024-25</u>	<u>FY 2025-26</u>
<b>State Impact</b>					
General Fund Revenue	-	-	-	-	-
<u>Less Expenditures</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>General Fund Impact</b>	<b>No Estimate Available - Refer to Fiscal Analysis section</b>				

<b>NET STATE IMPACT</b>	<b>No Estimate Available - Refer to Fiscal Analysis section</b>				
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<b>Local Impact</b>					
Local Revenue	-	-	-	-	-
<u>Less Local Expenditures</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

<b>NET LOCAL IMPACT</b>	<b>No Estimate Available - Refer to Fiscal Analysis section</b>				
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<b>STATE POSITIONS</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
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### FISCAL IMPACT SUMMARY

The bill proposes a constitutional amendment that would allow most individuals to carry any legal weapon for self-defense, either openly or concealed, with or without a permit, with some exceptions. The bill would carry administrative costs for the Secretary of State of approximately \$11,000, as would any bill seeking to change the North Carolina Constitution. The bill could also result in an unknown amount of revenue loss for the State Bureau of Investigation (SBI) and for Sheriffs' Offices throughout the State. This analysis focuses on potential costs to the State. The fees associated with concealed handgun permits support various activities at the SBI, including fingerprint processing and other criminal database work. It is likely that there will be some reduction in fee collection if this amendment were to become law, as fewer individuals may seek a concealed handgun permit (CHP) if it is not legally required. To the extent revenues are lower and not replaced, the operational activities partially supported by those revenues at the SBI and at

Sheriffs' Offices may be negatively impacted. However, Fiscal Research is unable to determine how many fewer permits are likely to be issued/renewed under the new paradigm and therefore cannot provide an estimate for these lost revenues and costs.

## **FISCAL ANALYSIS**

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### *Potential Impact to Secretary of State*

The Department of the Secretary of State (SOS) staffs the Constitutional Amendments Publication Commission (CAPC) and is responsible for distributing explanations of proposed constitutional amendments to county boards of elections.

Assuming 2 hours are required for a CAPC meeting, the cost for holding a meeting is approximately \$1,140. That estimate includes charges for a videographer (\$475 for half a day), court reporting and transcription services ( $\$127.50 \times 2 \text{ hours} = \$255$ ), and security services (5 law enforcement officers at  $\$41.25 \text{ per hour} \times 2 \text{ hours} = \$412.50$ ). In the past, meeting space has been donated for CAPC meetings. If space is not donated in the future, the costs for holding a meeting would increase by \$850.

Moreover, SOS estimates a cost of \$10,000 for printing and mailing constitutional amendment explanations to all 100 county boards of elections.

### *Potential Impact to Law Enforcement*

The bill proposes a constitutional amendment that would allow any citizen of the United States who (i) has not been indicted or convicted of a violent crime or possession or distribution of a controlled substance and (ii) has not been adjudicated mentally incompetent to carry any legal weapon for self-defense, either openly or concealed, with or without a permit, with an exception for public or private property that is legally posted against it. The bill also requires the State to maintain a system of concealed carry permits for purposes of reciprocity with other States and for ease of weapon purchases.

Because the bill no longer requires a permit for concealed carry, it is reasonable to assume that some number of either future or current CHP holders may choose to not purchase or renew a permit should this constitutional amendment become law. Fiscal Research cannot estimate the number of new or renewed permits that may be issued under this new paradigm. Because CHPs provide reciprocity with other states, and because CHPs ease the process of purchasing a handgun, some individuals may choose to continue purchasing new permits and renewing them despite that step no longer being legally required. Some individuals may no longer see the need to hold a CHP (for example, those who may only wish to purchase a single gun) and will therefore either not renew their existing permit or not purchase a new one. Fiscal Research cannot estimate what percentage of the populace may change their behavior because of the proposed Constitutional amendment.

However, any significant drop in CHP applications will have a significant fiscal impact for both the SBI and the county sheriff's offices throughout the State. This Fiscal Note concentrates on the fiscal

impact to State agencies, but this proposal could also result in an unknown amount of revenue loss for sheriffs.

Currently, individuals apply for a CHP through their local sheriff's office. The sheriff's office charges the applicant \$90 for new permits and \$85 for a permit renewal. Of those charges, the sheriff's office retains \$45 and remits \$45 or \$40 (depending on the permit) to the State Bureau of Investigation. As part of the background check process, the SBI pays \$11.25 of the collected fee to the Federal Bureau of Investigation (FBI) to access the national criminal database. (\$11.25 is the current fee charged by the FBI but it is subject to change and has increased over the past five State fiscal years.) The following table shows the permit fees collected from FY 2015-16 through FY 2019-20.

Year	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	5-Year Average
<b>Applications for New Permits</b>	97,681	90,857	66,706	61,343	68,957	77,109
<b>\$45 SBI</b>	\$4,395,645	\$4,088,565	\$3,001,770	\$2,760,435	\$3,103,065	\$3,469,896
<b>\$35 Sheriff's Office</b>	\$3,418,835	\$3,179,995	\$2,334,710	\$2,147,005	\$2,413,495	\$2,698,808
<b>\$80 Total</b>	\$7,814,480	\$7,268,560	\$5,336,480	\$4,907,440	\$5,516,560	\$6,168,704
Year	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	5-Year Average <sup>1</sup>
<b>Applications for Renewed Permits</b>	43,011	53,914	84,238	84,506	67,463	66,626
<b>\$40 SBI</b>	\$1,720,440	\$2,156,560	\$3,369,520	\$3,380,240	\$2,698,520	\$2,665,056
<b>\$35 Sheriff's Office</b>	\$1,505,385	\$1,886,990	\$2,948,330	\$2,957,710	\$2,361,205	\$2,331,924
<b>\$75 Total</b>	\$3,225,825	\$4,043,550	\$6,317,850	\$6,337,950	\$5,059,725	\$4,996,980
<sup>1</sup> FY 2020-21 data has been excluded for two reasons. First, it is currently incomplete; second, it is substantially higher than the previous five-year trend and may have had a distorting effect on the averages. For FY 2020-21 year-to-date, there have been 144,192 applications for new permits (\$11.5m) and 93,656 applications for renewals (\$7m). These numbers represent a doubling of the new permit 5-year average and a 50% increase for the renewal 5-year average. Source: SBI						

The Criminal Information and Identification Section (CIIS) of the SBI processes fingerprints and other criminal history record information. Activities of the CIIS and the Information Technology (IT) sections of the SBI provide the databases and processes required to run the CHP system. These include the State Automated Fingerprint Identification System (SAFIS), the Division of Criminal Information Network system (DCIN), the CHP Applicant Tracking system, and others. These interconnected systems are used for a variety of criminal information tracking and background check purposes.

CIIS and IT are primarily supported by receipts from various background check fees, including those for CHPs. While CHPs make up the largest proportion of these receipts (on average, around 40%), none of these interconnected systems are exclusively supported by one receipt type or another. For example, when cost-centering a contract related to maintaining these databases, SBI may attribute 40% of the cost to CHP receipts, 40% to State and Federal fingerprint receipts, and 20% to General Fund appropriations. Regardless of funding source, these systems are required for SBI to perform its statutory duties related to criminal information and background checks, including (but not limited to) those required for operating the CHP program.

There are 12.5 FTE in CIIS supported at least in part by CHP receipts, and an additional 10 FTE between the CIIS and IT sections that are appropriation-supported who also work on CHP information processing. SBI estimates that around 3 or 4 positions are fully dedicated to CHP processing, with the remaining positions counting CHP processing as part of their list of duties.<sup>1</sup> In addition, parts of SBI’s IT section provide technical support to maintain the required servers and databases for both the CHP program and other criminal information activities.

If this proposed constitutional amendment results in a significant drop in receipts from CHPs, it may have an impact on SBI. To the extent that demand for CHP processing is reduced, some existing positions may be deemed redundant, although existing demands on SBI’s CIIS and IT divisions may result in the agency seeking to repurpose those positions. In addition, for SBI to maintain the current operating capacity of its CIIS and IT divisions, any loss in receipts due to fewer CHP applications would need to be replaced with General Fund appropriations. As previously stated, however, Fiscal Research has no way of determining how much CHP demand may drop (if at all) as a result of this Constitutional amendment taking effect, and therefore Fiscal Research is unable to provide an estimate on the fiscal impact of this proposal.

For informational purposes, the following table shows a few scenarios at different percentages of reduced applications and the impact it may have on SBI CHP receipts.

Percent Reduction in CHP Applications	Total SBI Revenue Loss
10%	\$613,495
30%	\$1,840,486
50%	\$3,067,476
100%	\$6,134,952

**TECHNICAL CONSIDERATIONS**

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N/A.

**DATA SOURCES**

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<sup>1</sup>According to the Sheriffs’ Association, many Sheriff’s Offices have a similar overlapping division of labor. Offices in larger counties may have a few dedicated CHP-processing staff with others providing split-duty support, while smaller offices may have only one designated employee who processes CHPs as part of their many duties.

**LEGISLATIVE FISCAL NOTE – PURPOSE AND LIMITATIONS**

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This document is an official fiscal analysis prepared pursuant to Chapter 120 of the General Statutes and rules adopted by the Senate and House of Representatives. The estimates in this analysis are based on the data, assumptions, and methodology described in the Fiscal Analysis section of this document. This document only addresses sections of the bill that have projected direct fiscal impacts on State or local governments and does not address sections that have no projected fiscal impacts.

**CONTACT INFORMATION**

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Questions on this analysis should be directed to the Fiscal Research Division at (919) 733-4910.

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July 9, 2021

Signed copy located in the NCGA Principal Clerk's Offices

