



## **Economic Impact Analysis Virginia Department of Planning and Budget**

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### **19 VAC 30-190 – Non-resident Concealed Handgun Carry Permit**

#### **Virginia State Police**

April 15, 2005

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The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 2.2-4007.G of the Administrative Process Act and Executive Order Number 21 (02). Section 2.2-4007.G requires that such economic impact analyses include, but need not be limited to, the projected number of businesses or other entities to whom the regulation would apply, the identity of any localities and types of businesses or other entities particularly affected, the projected number of persons and employment positions to be affected, the projected costs to affected businesses or entities to implement or comply with the regulation, and the impact on the use and value of private property. The analysis presented below represents DPB's best estimate of these economic impacts.

### **Summary of the Proposed Regulation**

§18.2-308 of the Code of Virginia requires the Superintendent of State Police to promulgate regulations for the implementation of an application process for obtaining a non-resident concealed handgun permit. Chapter 900 of the 2004 Acts of Assembly amended the Code of Virginia to allow non-residents to apply for and obtain a concealed handgun carry permit. The code amendment also established conditions under which such a permit may be issued.

The proposed regulation establishes conditions and procedures for the application, processing, and issuance of concealed handgun carry permits to non-residents. Virginia State Police (VSP) has been issuing non-resident concealed handgun carry permits since July 1, 2004.

## Estimated Economic Impact

### *Description of Regulation:*

Starting July 1, 2004, individuals from out of state are allowed to obtain a permit and carry a concealed handgun in Virginia. Prior to this date, only Virginia residents were permitted to carry concealed handguns. Concealed handgun carry permits are issued to residents by courts with jurisdiction over the applicant's area of residence. Permits to non-residents are issued by VSP.

In order to apply for a non-resident concealed handgun carry permit, individuals are required to submit an application package, including a completed application form, proof of identification, proof of competence with a handgun, fingerprints, two photographs, and a \$100 application fee. Proof of competence with a handgun, fingerprints, and two photographs are required by code when applying for a non-resident concealed handgun carry permit. In addition, the code caps the amount of fees that can be charged by VSP for the issuance of the permit at \$100. Individuals seeking a non-resident concealed handgun carry permit may request an application package from VSP. The application package includes an application form, requirement and qualification information, a fingerprint card, a brochure on Virginia firearms safety and laws, a checklist, and a return envelope for the completed application. As established in the Code of Virginia, the permit is to be issued for five years. Renewal requirements are identical to the requirements for initial application. The Code of Virginia also provides for reciprocity with other states that have similar gun laws.

According to VSP, most of the permit requirements are similar to those required for the issuance of a resident concealed handgun carry permit. A fingerprint check prior to issuing a resident permit is conducted based on whether it is required by local ordinance or not. According to VSP, courts in 36 jurisdictions currently require fingerprint checks for the issuance of a concealed handgun carry permit to residents. The application fee for a resident permit is \$50: the court receives \$10 for actually issuing the permit, the police or sheriff's department receive \$35 for running a criminal history background check, and the state police receive \$5 to cover costs associated with receiving and entering data relating to the permit into the Virginia Criminal Information Network. According to VSP, the state police's share of the fees for resident concealed handgun carry permits are not adequate to cover the costs incurred.

*Estimated Economic Impact:*

The proposed regulation is likely to impose economic costs and produce economic benefits. Individuals from out of state seeking to carry a concealed handgun in Virginia will now be required to obtain a permit. In order to obtain a permit, individuals will be required to submit a \$100 application fee. They will also incur additional costs associated with meeting the other application requirements. The Code of Virginia provides individuals with a number of options by which they can demonstrate their competence with a handgun, including completing training or safety courses offered by the various agencies and organizations, presenting evidence of equivalent experience with a firearm<sup>1</sup>, and obtaining or having previously held a license to carry a firearm in Virginia. VSP estimates that the safety or training courses demonstrating competence with a handgun generally cost \$50. The cost of providing two photographs meeting the requirements of the proposed regulation is estimated by VSP to be \$9. Only those individuals for whom the costs associated with obtaining the permit are less than or equal to the benefits of doing so will choose to apply for the permit.

In addition to the cost to applicants, the proposed regulation will also impose costs on VSP. During the first six months that this program has been in effect, it cost the agency \$23, 506 in employee salary costs. The agency also incurs \$1.06 in postage costs in response to requests for application packages and \$0.35 in postage costs for completed permit applications. The cost of issuing and laminating permit cards is approximately \$0.51 per permit. Finally, VSP incurs the costs associated with conducting the fingerprint check: \$37 in Federal Bureau of Investigation fingerprint processing costs and \$24 in state police fingerprint processing costs. During the first six months that this program has been in effect, VSP received 1,415 requests for an application package and issued 412 permits.

Based on the number of applications and requests for applications received in the first six months, it will cost VSP a little over \$100,000 on an annual basis to administer the program.<sup>2</sup>

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<sup>1</sup> Equivalent experience with a firearm can be demonstrated through participation in organized shooting competitions approved by VSP, current military service, or honorable discharge from any branch of the armed services.

<sup>2</sup> Extrapolating based on the first six months of data is likely to overestimate the number of requests for application packages and the number of permit applications received by VSP on an annual basis. The most applications are likely to be received in the first few months of program operation. Once the existing pent up demand for non-resident concealed handgun carry permits is exhausted, requests for application packages and permit applications are likely to decline.

Application fees are likely to cover only a proportion of this cost. Extrapolating based on the first six months that the program has been in effect, the agency can expect to receive a little over \$82,000 in fees per year. Thus, approximately 19% of the cost associated with administering the program will be incurred by VSP and, hence, the taxpayers.

Non-residents seeking to carry concealed handguns have the potential to create a serious public safety hazard. The aim of the concealed handgun carry permit program is to enforce certain compulsory minimum standards of training and to ensure that individuals permitted to carry a concealed handgun do not have a criminal history background that would disqualify them from obtaining a permit. This, in turn, is intended to reduce the risk to public safety from such individuals. The cost of obtaining a permit can be viewed as part of the compliance cost incurred by an individual to ensure that they do not jeopardize public safety. Program revenues in the first six months of operation fell short non-residents seeking a concealed handgun carry permit are not paying the actual compliance cost associated with ensuring that they operate in a manner that is protective of public safety.

Transferring the entire cost of compliance to applicants seeking the permit will result in the more efficient use of resources. With some of the cost being subsidized by VSP (and hence the taxpayers), non-residents seeking to carry a concealed handgun are not paying costs commensurate with the risk they pose to public safety. This, in turn, could potentially result in more unsuitable and unqualified individuals applying for and obtaining permits than if fees reflected actual costs. For example, lower compliance costs may result in a larger number of unqualified individuals applying for a permits than if permit costs were higher and reflected the actual cost to VSP in ensuring that some of the risk to public safety from these individuals is mitigated. Increasing fees such that they better reflect costs will increase economic efficiency and result in a more efficient use of resources.

Apart from the cost to applicants and VSP, the proposed regulation is also likely to have implications for public safety. By allowing non-residents to apply for and obtain a permit to carry a concealed handgun, the proposed regulation could result in increased risk to public health and safety. For example, an individual carrying a concealed handgun has the potential to cause injuries or fatalities, whether by accident or by design, through discharge of the weapon. The cost in terms of public safety has to be weighed against the benefits of allowing individuals that

meet certain standards the opportunity to carry concealed handguns in a manner that is protective of public safety. According to VSP, applicants for non-resident concealed handgun carry permits include individuals such as truck drivers whose profession requires them to travel across state lines, individuals transporting guns for recreational purposes such as to participate in gun shows, and gun fanciers and collectors.<sup>3</sup> Such individuals were not allowed to carry concealed handguns in Virginia prior to July 1, 2004. Allowing them to carry concealed handguns is likely to produce benefits for these individuals and related businesses in Virginia.

The net economic impact of the proposed regulation will depend on the relative magnitude of the costs and benefits to the public from allowing non-residents to carry concealed handguns. It is not possible at this time to precisely estimate the increase in risk to the public. However, based on the number of non-resident permits likely to be issued in any given year, the increase in risk is not likely to be very large. According to VSP, an average of approximately 30,000 resident concealed handgun carry permits were issued in each of the last three years. Even if we were to extrapolate based on the first six months of data and assume that VSP were to issue over 800 non-resident permits a year (a likely overestimate), it would still only account for a small proportion of concealed handgun carry permits issued by the state. Given that the requirements for issuance of a resident and a non-resident permit are similar, the increase in risk to the public from issuing 2-3% additional permits to non-residents is not likely to be very large. In addition, VSP believes that many of the individuals regulated under this regulation would probably carry concealed handguns with or without this regulation. By establishing training and other standards for individuals carrying concealed handguns, the proposed regulation could even produce some benefits for public safety. An estimate of the benefits of allowing non-residents to carry concealed handguns in Virginia is also not possible at this time. Such an estimate would require knowing the number of individuals and businesses likely to benefit from the proposed regulation and the magnitude of the benefit to them. Thus, while it is not possible to determine the net economic impact of the proposed change, it is possible to state that the downside risk (in terms of the increased risk to the public) associated with the proposed regulation is not likely to be very large.

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<sup>3</sup> Federal law allows law enforcement officers to carry concealed handguns across state lines without having to obtain a non-resident concealed handgun carry permit.

## **Businesses and Entities Affected**

The proposed regulation will affect all non-residents of Virginia seeking to carry a concealed handgun in the state. They will now be required to meet training and other standards established in the Code of Virginia and the proposed regulation prior to being permitted to carry a concealed handgun.

In the first six months of operation of the non-resident concealed handgun carry permit program, VSP has issued 412 permits. However, the number of applications and permits issued is not likely to continue at the same pace. As pent up demand for non-resident concealed handgun carry permits is exhausted, the number of permit applications is likely to fall.

## **Localities Particularly Affected**

The proposed regulation applies to all localities in the Commonwealth.

## **Projected Impact on Employment**

The proposed regulation is not likely to have a significant impact on employment in Virginia.

## **Effects on the Use and Value of Private Property**

By allowing non-residents to carry concealed handguns, the proposed regulation could increase the risk to public safety. This, in turn, will have a negative effect on the use and value of private property. On the other hand, the proposed regulation could have a positive effect on Virginia businesses (such as gun shows) that require or would benefit from allowing non-residents to carry concealed handguns.