

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 45** HLS 13RS 259
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 13, 2013 5:25 PM	Author: LOPINTO
Dept./Agy.: Department of Public Safety	Analyst: Alan M. Boxberger
Subject: LA Manufactured Firearms and Ammunition Act	

WEAPONS/FIREARMS RE INCREASE SD EX See Note Page 1 of 2
 Creates the La. Manufactured Firearms and Ammunition Act

Proposed law establishes an alternative regulatory framework for the manufacture of firearms, firearm accessories and ammunition within the boundaries of the state of La. Provides that all such products are not subject to federal law or federal regulation, including registration, under the authority of congress to regulate interstate commerce. Provides for specific definitions. Establishes qualifications and criteria for the issuance of a license to sell (dealer's license) and manufacture La. manufactured firearms, firearm accessories and ammunition. Provides for the inspection of manufacturing facilities. Provides that DPS may establish rules. Requires dealers and manufacturers to maintain records of the manufacture, shipment, receipt, sale or other disposition of all such products manufactured. Authorizes DPS to assess a fee for licenses, certain fines, and creates a statutory deduction. Provides that all such firearms be identified and stamped "Made in Louisiana." Creates an alternative background check procedure and establishes criteria for the purchase of such firearms. Provides for seizure and forfeiture of firearms and provides for appeals of department decisions.

EXPENDITURES	2013-14	2014-15	2015-16	2016-17	2017-18	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW					
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total						

REVENUES	2013-14	2014-15	2015-16	2016-17	2017-18	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total						

EXPENDITURE EXPLANATION

Proposed law will create a new licensing entity within the Office of State Police (OSP) for the purpose of regulating the manufacture and sale of the newly created Louisiana Manufactured Firearms and Ammunition category of firearms and accessories. The newly created entity within OSP will be responsible for receiving, issuing, suspending, revoking, denying and renewing licenses for those seeking to manufacture or sell specified firearms, accessories or ammunition within the state of Louisiana.

OSP estimates these activities will require a first year expenditure of \$2.2 M and 4 T.O. positions (one Criminal Records Analyst 4 and three Criminal Records Analyst 3's), and an annual expenditure in excess of \$600,000 in subsequent years. The Legislative Fiscal Office is unable to corroborate any increased workload demands that may be necessary as a result of the proposed law due to the inability to determine the number of persons or companies that would seek licensure and require regulation, and the increased workload may be scalable to require fewer or more positions depending upon demand.

OSP estimates operating services expenditures to include annual building maintenance costs as well as \$400,000 annually in years 2 and beyond for database maintenance and service agreements. OSP estimates supplies expenditures at an annual cost of \$275 per person for office and other personal supplies. The IAT expenditure category includes telephone charges at \$25 per month per person. The acquisitions category includes one time expenditures of \$17,000 in FY 14 to provide for office and computer equipment for additional employees required by the proposed law and provides \$12,400 in FY 18 for replacement of data equipment as per the department's regular replacement schedule. To the degree that OSP has existing office furniture and computers available due to attrition and unfilled positions, the acquisitions estimate can potentially be offset partially or in whole. To the degree that fewer than four positions are required to carry out the duties prescribed by proposed law, the operating services, supplies and IAT expenditure categories may be reduced proportionally.

DPS included in its implementation estimate a one-time expenditure in the amount of \$2 M associated with the outsourcing of hardware, software and vendor integration. This would entail the purchase and development of a new secure web-based licensing and inventory tracking portal system to integrate such tasks and functions as security, processing of new and renewal applications, licensing, suspension revocation, denial notification and processing, inspection and violation processing, inventory tracking, reporting, and auditing functionality. The system would also require interfaces with the DPS Funds Collection system and interface with various criminal, legal, military and health database systems. The Legislative Fiscal Office believes this functionality can potentially be realized through less

CONTINUED ON PAGE 2

REVENUE EXPLANATION

Proposed law creates a new statutory dedication, The Louisiana Manufactured Firearms and Ammunition Fund. The monies to be deposited into this fund include a fee of \$1,000 for a manufacturer's license, \$200 for a seller's license, and any potential fines as detailed in proposed law. The funds are to be used solely to implement the provisions of proposed law. The potential revenues generated is indeterminate, as it is dependent upon the number of manufacturers and dealers requesting licensure, as well as the level of compliance among licensees and firearm purchasers with the provisions detailed in proposed law.

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|--|--|--------------|
| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> |
| <input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | <input type="checkbox"/> 6.8(F) >= \$500,000 Annual Fiscal Cost {S} | |
| <input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} | |

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CONTINUED EXPLANATION from page one:
CONTINUED EXPENDITURE EXPLANATION:

expensive alternatives. While the total number of impacted manufacturers and dealers cannot be confirmed, the number is believed to be less than 200 total. To the degree that DPS can develop a paper-based system and utilize manual background and database checks, the potential one-time expenditure may be reduced significantly or eliminated. To the degree that such system is scaled down or eliminated, the \$400,000 maintenance cost discussed above in operating services may also be reduced significantly or eliminated.

The Department of Public Safety reports the proposed law will require 760 hours of overtime for the Information Services Section at \$32 per hour (\$32 x 760 hours = \$24,320) plus Medicare expenses of \$353 (\$24,320 x 1.45%), for a total expenditure of \$24,673. The legislation will require programming and database modifications performed by an IT Applications Programmer Analyst 2, an IT Technical Support Specialist 2, and an IT Applications Manager 2. This overtime work will complete the following tasks, development of a Unisys Application, program ISIS Revenue classification subsystems, and develop and update existing systems interfaces used by the department in order to fully integrate the new system. The Legislative Fiscal Office believes that additional IT work associated with this legislation will be incremental in nature, and that the Department can potentially accomplish these tasks utilizing existing resources and budget authority. To the extent that numerous pieces of legislation are enacted requiring programming efforts, the Department may require additional resources.

OSP Estimated Operating Budget Impact*

<u>EXPENDITURES</u>	<u>FY 2013/14</u>	<u>FY 2014/15</u>	<u>FY 2015/16</u>	<u>FY 2016/17</u>	<u>FY 2017/18</u>
<u>SALARIES</u>	<u>\$141,264</u>	<u>\$146,915</u>	<u>\$152,791</u>	<u>\$158,903</u>	<u>\$165,259</u>
<u>RELATED BENEFITS</u>	<u>\$66,851</u>	<u>\$68,026</u>	<u>\$69,249</u>	<u>\$70,520</u>	<u>\$71,842</u>
<u>OPERATING SERVICES</u>	<u>\$800</u>	<u>\$400,800</u>	<u>\$400,800</u>	<u>\$400,800</u>	<u>\$400,800</u>
<u>SUPPLIES</u>	<u>\$1,100</u>	<u>\$1,100</u>	<u>\$1,100</u>	<u>\$1,100</u>	<u>\$1,100</u>
<u>PROFESSIONAL SERVICES</u>	<u>\$2,000,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>INTERAGENCY TRANSFER</u>	<u>\$1,200</u>	<u>\$1,200</u>	<u>\$1,200</u>	<u>\$1,200</u>	<u>\$1,200</u>
<u>ACQUISITIONS</u>	<u>\$17,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$12,400</u>
<u>TOTAL</u>	<u>\$2,228,215</u>	<u>\$618,041</u>	<u>\$625,140</u>	<u>\$632,523</u>	<u>\$652,601</u>
<u>T.O.</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>

The operating budget impact assumes the addition of four (4) positions as noted above and adjusts relevant personal services expenditures by 4% in each year after the first to account for the possibility of merit increases.

*NOTE: Expenditures for this activity would be paid from the newly created Statutory Dedication - Louisiana Manufactured Firearms and Ammunition Fund. To the degree that costs exceeded available statutory dedication funding, the department may require the availability of State General Fund. The annual cost estimates range from a low of \$618,041 in year 2, up to \$2.2 M in the first year.

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