

House Bill 278 (Chairman, Economic Matters Committee)
 (Departmental - Labor, Licensing, and Regulation)

Economic Matters	Ref. to Economic & Environmental Affairs
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This amended departmental bill expands the regulation of secondhand precious metal object dealers and pawnbrokers by requiring additional reporting, restricting business transactions, establishing civil penalty provisions, and increasing criminal penalty provisions. The bill is prospective only. It does not apply to licensees or license applicants for employees hired before October 1, 1997, the effective date of the bill.

State Effect: The bill’s regulatory requirements could be handled within the Department of Labor, Licensing, and Regulation’s existing resources. Potential increase in general fund revenues and expenditures due to the bill’s penalty provisions. Additional minimal increase in general fund expenditures due to a potential increase in administrative hearings.

Local Effect: Potential increase in revenues and expenditures due to the bill's penalty provisions.

Small Business Effect: The Department of Labor, Licensing, and Regulation has determined that the bill has minimal or no impact on small business (attached). Fiscal Services disagrees with this assessment as discussed below. (The attached assessment does not reflect amendments to the bill.)

Fiscal Analysis

Bill Summary: The bill alters the regulation of secondhand precious metal dealers and pawnbrokers as follows:

- The bill requires secondhand precious metal object dealers and pawnbrokers to provide local law enforcement officials with a seven-day advance notice of the dealer's intent to conduct business anywhere but at the dealer's authorized business location if the dealer has acquired space at another location at which a transaction might occur or has advertised the event in any way. It also requires a dealer who acquires precious metal objects at another location to provide a record of the object to law enforcement by the day after the acquisition. The object and the record may be maintained at another location if local law enforcement provides written approval.
- The bill requires a dealer to submit a copy of each record to the primary law enforcement unit and, if applicable, the local law enforcement unit by delivering or mailing the record by the end of the next business day after the item was acquired. At the request of a dealer, a list of local law enforcement units must be provided by the Secretary of Labor, Licensing and Regulation (DLLR).
- Metal objects are presumed to be precious metal objects if the item reasonably appears to be such an object and it was received by a dealer in the course of business, is found at a dealer's place of business, or in a dealer's storage facility.
- The bill disallows the use of banks or safe deposit boxes as storage locations unless written consent is provided by the applicant and a bank official authorizing access to the storage facility and examination of its contents by law enforcement.
- The bill allows the Secretary of DLLR to require renewal applicants to submit to a national and State criminal background check before renewing a license. The Secretary may deny or revoke the license of an individual who knowingly employs someone whose precious metal dealer's license has been revoked.
- The bill also gives the Secretary of DLLR the authority to subpoena records if there is probable cause that a violation has occurred, and the circuit court has the power to compel compliance with the subpoena.
- The Secretary of DLLR must periodically distribute a list of individuals whose licenses have been revoked to all dealers in the State.
- A dealer must ensure that certain records are available to law enforcement officials and if a dealer refuses to provide access to records, the Secretary of DLLR may fine

the dealer up to \$500 for each violation.

- The bill increases the criminal penalty provisions by providing that a person who violates a law relating to secondhand precious metal object dealers and pawnbrokers is guilty of a misdemeanor and is subject to a fine not to exceed \$10,000 or imprisonment not to exceed two years, or both. This increases the current penalty provision which is a fine not to exceed \$5,000 or imprisonment not to exceed one year, or both.

State Revenues: General fund revenues could increase under the bill's civil and criminal penalty provisions for those cases heard in the District Court, depending on the fines imposed.

State Expenditures: General fund expenditures could increase as a result of a potential increase in administrative hearings at a cost of \$180 each based on a rate of \$90 per hour for a two-hour hearing. General fund expenditures could also increase as a result of the bill's incarceration penalty due to more people being committed to a Division of Correction (DOC) facility and increased payments to counties for reimbursement of inmate costs, depending upon the number of convictions and sentences imposed.

Local Revenues: Revenues could increase under the bill's monetary criminal penalty provision for those cases heard in the circuit courts, depending upon the number of convictions and fines imposed.

Local Expenditures: Expenditures could increase as a result of the bill's incarceration penalty depending upon the number of convictions and sentences imposed. Counties pay the full cost of incarceration for people in their facilities for the first 90 days of the sentence, plus part of the per diem cost after 90 days. Per diem operating costs of local detention facilities are expected to range from \$23 to \$83 per inmate in fiscal 1998.

Small Business Effect: There are currently 300 licensed secondhand precious metal object dealers and pawnbrokers in the State and the majority of these companies are small businesses. The bill could have a meaningful impact on new secondhand precious metal object and pawnbroker small businesses because the bill restricts trade, increases reporting requirements, prohibits certain actions, and includes substantial penalties for noncompliance.

Information Source(s): Baltimore City; Prince George's County; Queen Anne's County; Department of Labor, Licensing, and Regulation; Department of Public Safety and Correctional Services (Data Services Division); Department of Fiscal Services

Fiscal Note History: First Reader - January 27, 1997
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