

Department of Legislative Services
 Maryland General Assembly
 2015 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 934 (Senators Conway and McFadden)
 Education, Health, and Environmental Affairs

Economic Matters

**Secondhand Precious Metal Object Dealers and Pawnbrokers - Required
 Records - Photograph of Precious Metal Object**

This bill requires a secondhand precious metal object dealer (including a pawnbroker if a transaction involves a precious metal object) to include a photograph of each precious metal object as part of the dealer’s transaction records.

Fiscal Summary

State Effect: General fund expenditures increase by \$48,000 in FY 2018 for the Department of State Police (DSP) to expand the storage capacity of the State’s electronic recordkeeping system. The bill is not anticipated to affect the number of licensees in the State or State revenue. The application of existing penalty provisions is not anticipated to materially affect State finances.

(in dollars)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	0	48,000	0	0
Net Effect	\$0	\$0	(\$48,000)	\$0	\$0

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

Local Effect: The bill does not materially affect local government finances or operations.

Small Business Effect: Minimal.

Analysis

Current Law: The Department of Labor, Licensing, and Regulation (DLLR) regulates dealers who acquire and trade secondhand precious metal objects, including gold and silver. Dealers of these objects, including individuals, retail jewelers, and pawnbrokers who deal in secondhand precious metal objects, must be licensed before doing business in the State in accordance with the Maryland Secondhand Precious Metal Object Dealers and Pawnbrokers Act.

A dealer must make a written record, on a form provided by the Secretary of Labor, Licensing, and Regulation, of each business transaction that involves the acquisition of a secondhand precious metal object when the transaction is made. The record must include:

- the date, place, and time of each transaction that involves the acquisition of a precious metal object;
- the name and address of the principal, if the transaction is by an agent;
- a description of the precious metal object;
- for each individual from whom the dealer acquires a precious metal object the name, date of birth, and driver's license number of the individual or specified identification information about the individual;
- a statement indicating whether or not the person making the transaction is personally known to the dealer; and
- the signature of the person from whom the precious metal object or personal property is acquired and the dealer or employee who accepted the precious metal object.

A different record is required for a pawn transaction that involves:

- lending money on pledge of personal property, other than a security or printed evidence of indebtedness;
- buying personal property on condition of selling it back at a stipulated price; or
- buying specified items for the purpose of resale, such as firearms, computers, watches, and bicycles.

For this type of transaction, in addition to any other information required by the Secretary, the records of a pawnbroker must include, for each item pawned (1) the type of item; (2) its manufacturer, model number, year of manufacture if known, and serial number if known; and (3) its color and size.

Records must be kept for at least three years at a location within the State. Further, the businesses must submit records electronically, in a format acceptable to the receiving law enforcement unit, by noon of the business day following the transaction.

Background: The amount of regulatory activity related to secondhand precious metal object dealers and pawnbrokers depends largely on the value of precious metals at a given time. The 2005 through 2012 increase in the price of gold coincided with a significant increase in the number of secondhand precious metal object dealers and pawnbrokers licensed by DLLR.

Chapter 562 of 2009 established electronic reporting requirements for dealers (including pawnbrokers), thereby repealing the authorization that allowed dealers to mail or submit paper transaction records to law enforcement. The State uses the RAPID system to transmit acquisition information from secondhand dealers to local law enforcement through an Internet interface. RAPID enables police departments statewide to immediately gain access to timely information about property that has been sold to pawnbrokers, precious metal dealers, or vehicle salvage yards.

State Fiscal Effect: The bill requires secondhand precious metal object dealers, including some pawnbrokers, to include a digital photograph as part of their electronic submission of records to local law enforcement. General fund expenditures for DSP increase by \$48,000 in fiscal 2018 to purchase four servers at a cost of approximately \$12,000 each; two servers are for original records and two serve as redundant backups. To the extent that DSP can reduce the size of photographs for digital storage, this cost may be reduced.

The bill is not anticipated to affect the number of licensees in the State. Finally, the application of existing penalty provisions is not anticipated to materially affect State finances.

Small Business Effect: The businesses affected by the bill are generally small businesses. The bill has a negative effect on these businesses to the extent that they are required to purchase any equipment or software to meet the bill's photograph requirement.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of State Police; Department of Labor, Licensing, and Regulation; Governor's Office of Crime Control and Prevention; Department of Legislative Services

Fiscal Note History: First Reader - March 23, 2015
md/mcr Revised - Senate Third Reader - April 10, 2015

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