

Department of Legislative Services
 Maryland General Assembly
 2023 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 704
 Judiciary

(Delegate Queen)

Firearms – Tracking Technology

This bill prohibits a person from engaging in a “bulk firearm transfer” unless each firearm that is part of the transfer contains an embedded tracker. The Secretary of State Police must establish a database to store specified information about each bulk firearm transfer in the State. A seller or other transferor who engages in a bulk firearm transfer must transmit information required to be entered in the database in a manner required by the Secretary. There is a rebuttable presumption that a person who sells or otherwise transfers 10 or more firearms to another within a 30-day period has engaged in a bulk firearm transfer. A violator of the bill’s provisions is guilty of a civil offense and subject to a fine not exceeding \$2,500.

Fiscal Summary

State Effect: General fund expenditures increase by \$3.4 million in FY 2024 for the Department of State Police (DSP) to build a new system and the required database and for one-time programming costs for the Judiciary. Future years reflect annualization and ongoing staffing, contractual services, and software licensing costs. Revenues are not affected.

(\$ in millions)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	3.4	3.4	1.6	1.6	1.6
Net Effect	(\$3.4)	(\$3.4)	(\$1.6)	(\$1.6)	(\$1.6)

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

Local Effect: Potential minimal increase in revenues due to the bill’s civil penalty provision for those cases heard in the circuit courts. No material effect on expenditures.

Small Business Effect: Meaningful.

Analysis

Bill Summary: For each bulk firearm transfer, the database must include:

- the date, time, and location of the bulk firearm transfer;
- the name and address of each person who is a party to the bulk firearm transfer;
- for each firearm that is part of the bulk firearm transfer, (1) the unique tracking information associated with the firearm's embedded tracker; (2) the name of the manufacturer of the firearm; and (3) the serial number imprinted on the frame or receiver by the manufacturer or importer of the firearm; and
- any other information required by the Secretary.

The Secretary must approve equipment for scanning and recording unique tracking information.

The Secretary must adopt regulations to carry out the bill. The regulations must (1) specify the minimum requirements for and capabilities of equipment that may be used for scanning and recording unique tracking information and (2) establish procedures and requirements for sellers and other transferors who engage in bulk firearm transfers to transmit information required to be included in the database established under the bill.

“Bulk firearm transfer” means the sale or other transfer of 10 or more firearms together from one party to another party. “Embedded tracker” means an object that (1) is embedded in the frame or receiver of a firearm; (2) emits unique tracking information; and (3) is not readily capable of being removed, disabled, or destroyed without rendering permanently inoperable or destroying the frame or receiver. “Unique tracking information” means a unique radio frequency identification code that can be ascertained and recorded using equipment approved by the Secretary under the bill.

Current Law: The Handgun Roster Board is an entity within DSP. The Secretary of State Police serves as chair. The board must (1) compile and maintain a handgun roster of authorized handguns that are useful for legitimate sporting, self-protection, or law enforcement purposes; (2) annually publish the handgun roster; and (3) semiannually send a copy of the handgun roster to all persons who hold a State-regulated firearm dealer's license in the State. In general, a person may not manufacture, distribute, or sell a handgun in the State that is not included on the handgun roster.

The board must consider carefully each of the following characteristics of a handgun without placing undue weight on any one characteristic in determining whether any handgun should be placed on the handgun roster: (1) concealability; (2) ballistic accuracy; (3) weight; (4) quality of materials; (5) quality of manufacture; (6) reliability as to safety;

(7) caliber; (8) detectability by the standard security equipment that is commonly used at an airport or courthouse and that is approved by the Federal Aviation Administration for use at airports in the United States; and (9) utility for legitimate sporting activities, self-protection, or law enforcement.

The Secretary may seek an order from a circuit court to permanently or temporarily enjoin the willful and continuous manufacture, sale, or offer for sale of a handgun that is not included on the handgun roster. A person who manufactures a handgun for distribution or sale that is not included on the handgun roster is guilty of a misdemeanor and on conviction is subject to a fine not exceeding \$10,000 for each violation. A person who sells or offers to sell a handgun that is not included on the handgun roster is guilty of a misdemeanor and on conviction is subject to a fine not exceeding \$2,500 for each violation. Each handgun manufactured, sold, or offered for sale that is not included on the handgun roster is a separate violation.

State Expenditures:

Department of State Police

DSP advises that manufacturers generally ship firearms in bulk to distributors and distributors then ship the firearms to licensed dealers. Only a few firearm manufacturers are located in Maryland; however, under the bill, all firearms transferred in the State as part of a bulk firearm transfer must contain an embedded tracker. This includes firearms that are part of military contracts and law enforcement contracts and firearms that transfer through the ports in the State, even if the firearms are not sold in Maryland. DSP estimates that the bill applies to millions of firearms moving in and through the State.

As a result, DSP needs to (1) upgrade its existing licensing system portal; (2) develop a new system capable of reading the required unique tracking information associated with each firearm's embedded tracker; and (3) develop the required database. Thus, general fund expenditures for DSP increase by \$3.4 million in fiscal 2024, which accounts for the bill's October 1, 2023 effective date. This estimate reflects (1) the cost for contractual services to develop the new system and database and (2) the cost of hiring one program manager to work with the contractors and manage the database after it is built. In addition to the cost for contractual services, it includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses, including software licensing.

Position	1.0
Salary and Fringe Benefits	\$74,064
Contractual Services	2,700,000
Software Licensing	650,000
Other Operating Expenses	<u>7,409</u>
Total FY 2024 DSP Expenditures	\$3,431,473

Future year expenditures reflect (1) a full salary with annual increases and employee turnover; (2) ongoing contractual services and software licensing expenses; and (3) annual increases in ongoing operating expenses.

DSP can handle (1) approving equipment for scanning and recording unique tracking information and (2) adopting regulations with existing budgeted resources.

Judiciary

The Judiciary incurs \$13,568 in one-time costs for programming changes needed to reflect the bill’s civil penalty provision. The bill is not otherwise anticipated to materially affect the Administrative Office of the Courts.

Small Business Effect: The bill has a meaningful impact on firearm manufacturers that are small businesses in the State. Embedded tracker technology capable of being integrated into a firearm is not currently prevalent in the firearm industry; however, under the bill, a person that sells or otherwise transfers 10 or more firearms to another within a 30-day period is considered to have engaged in a bulk firearm transfer, and each firearm that is part of the transfer must include an embedded tracker. Firearm manufactures that are not able to meet the bill’s requirements are not able to sell firearms beginning October 1, 2023. As a result, firearms dealers are likewise affected.

Additional Information

Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Judiciary (Administrative Office of the Courts); Department of State Police; Department of Legislative Services

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km/lgc

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