

Department of Legislative Services  
Maryland General Assembly  
2010 Session

FISCAL AND POLICY NOTE

House Bill 753  
Economic Matters

(Delegate Ross, *et al.*)

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**Business Regulation - Pawnbrokers - Prohibited Sale of Cosmetics, Drugs, and Food**

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This bill prohibits pawnbrokers from selling “cosmetics,” “devices,” “drugs,” “food,” or “food additives.” Pawnbrokers must conspicuously display a sign in their businesses stating that the sale of these items is prohibited.

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**Fiscal Summary**

**State Effect:** Any change in State activities is expected to be minimal and does not materially affect State finances.

**Local Effect:** It is assumed that the requirements of the bill can be handled with existing budgeted resources in most jurisdictions. To the extent a more rigorous enforcement program is determined to be needed in any jurisdiction, additional resources (including overtime) may be needed.

**Small Business Effect:** Potential minimal. However, if pawnbrokers currently sell the items prohibited by the bill, they lose revenue related to those sales.

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**Analysis**

**Bill Summary:** The Secretary of Labor, Licensing, and Regulation must revoke the license of pawnbroker found to have violated the bill’s provisions. Before the Secretary takes final disciplinary action, the licensee may contest the matter at a hearing.

Pawnbrokers who violate the bill’s provisions are not subject to the statutory criminal and civil penalties specified for pawnbrokers who violate other provisions of law.

**Current Law:** Pawnbrokers licensed by the Department of Labor, Licensing, and Regulation (DLLR) are subject to the Maryland Secondhand Precious Metal Object Dealers and Pawnbrokers Act. DLLR regulates dealers who acquire and trade secondhand precious metal objects; dealers of these objects, including individuals, retail jewelers, and pawnbrokers must be licensed before doing business in the State. Pawnbrokers, however, may be licensed by DLLR, a local government, or both. Licensees are subject to civil and criminal penalties for violations of the Act. There is currently no statutory provision pertaining to the sale of cosmetics, devices, drugs, food, or food additives by pawnbrokers.

State law, however, does prohibit auction sales of any drug, medicine, cosmetic, pharmaceutical preparation, or medicinal preparation without prior notification to the Secretary of Health and Mental Hygiene, who may regulate such sales. The Secretary may inspect any drugs, medicines, cosmetics, pharmaceutical preparations, or medicinal preparations that a person plans to sell at an auction, and can issue an order that prohibits the sale of any of these products if they are found to be unfit for consumption. Violators are subject to fines of up to \$500. Baby food and infant formula are not subject to these requirements.

**Background:** As of May 2009, there were 403 dealers licensed by DLLR; DLLR advises that about 20% have the term “pawn” or “pawn broker” in their trade names. Baltimore City advises that it currently licenses 37 pawnbrokers.

The Secretary must revoke the license of a pawnbroker who violates the bill’s provisions. Pawnbrokers who hold local licenses also typically hold a State dealer’s license so that they may sell precious metal objects or jewelry. Thus, pawnbrokers with local licenses who violate the bill’s provisions are likely subject to DLLR’s license revocation process.

**State Fiscal Effect:** The fiscal impact of the bill depends on the number of violations and the percentage of violators who exercise their right to a hearing. Legislative Services expects a limited number of violations due to the fact that pawnbrokers sell a wide variety of items and likely prefer not to sell the prohibited items so as not to incur the risk of losing their licenses. Given the limited number of licenses, Legislative Services believes that DLLR can handle the bill’s requirements with existing resources, and any reduction in revenues due to license revocations is also expected to be negligible. Accordingly, the Office of Administrative Hearings anticipates that the bill generates few additional cases per year and advises that such an increase in its workload can also be handled with existing resources.

**Local Fiscal Effect:** Local law enforcement units in most jurisdictions are currently responsible for oversight of pawnbrokers in the State. It is assumed that the requirements of this bill can be handled with the existing budgeted resources of local jurisdictions.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Baltimore City; Department of Labor, Licensing, and Regulation; Office of Administrative Hearings; Department of Legislative Services

**Fiscal Note History:** First Reader - March 1, 2010  
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