

Department of Legislative Services  
 Maryland General Assembly  
 2012 Session

FISCAL AND POLICY NOTE

House Bill 755 (Delegate Summers, *et al.*)  
 Economic Matters

Precious Metal Object Dealers, Pawn Shops, Scrap Metal Processors, and  
 Automotive Dismantlers and Recyclers or Scrap Processors - Fingerprint  
 Requirement

This bill requires secondhand precious metal object dealers, pawnbrokers, junk dealers and scrap metal processors, and specified automotive dismantlers and recyclers or scrap metal processors to obtain and include in their transaction records a legible thumbprint of the individual who initiates a transaction. Except for designated automotive dismantlers and recyclers, the businesses must also include the thumbprint in the reports forwarded to local law enforcement.

Fiscal Summary

**State Effect:** General fund expenditures increase for the Department of State Police by (DSP) \$20,000 in FY 2013 due to a one-time cost to upgrade and expand the storage capacity of the State’s electronic recordkeeping system to accept digital thumbprint scans. General fund expenditures increase by \$20,000 in FY 2017 for additional system maintenance. The Department of Labor, Licensing, and Regulation (DLLR) can promulgate any necessary regulations with existing budgeted resources. The bill is not anticipated to affect the number of licensees in the State. The application of existing penalty provisions is not anticipated to materially affect State finances.

(in dollars)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	20,000	0	0	0	20,000
Net Effect	(\$20,000)	\$0	\$0	\$0	(\$20,000)

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

**Local Effect:** Minimal.

**Small Business Effect:** Meaningful.

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## Analysis

### Current Law:

#### *Precious Metal Object Dealers and Pawn Brokers*

DLLR regulates dealers who acquire and trade secondhand precious metal objects, including gold and silver, and pawned items. Dealers of these objects, including individuals, retail jewelers, and pawnbrokers not otherwise regulated by a county, must be licensed before doing business in the State in accordance with the Maryland Secondhand Precious Metal Object Dealers and Pawnbrokers Act.

Licensees are required to record specified information for each transaction on a form provided by DLLR. Records must be kept for at least three years at a location within the State. Further, dealers must submit records electronically, in a format acceptable to the receiving law enforcement unit, by noon of the business day following the transaction. Licensees are required to maintain written records of all transactions that involve the acquisition of secondhand precious metal objects and specified pawned items, including identifying information and a physical description of the person from whom the object was acquired. The transaction requirements do not apply to certain retail jewelers with a fixed Maryland business address in the State.

A person who willfully or knowingly violates the act is guilty of a misdemeanor and, on conviction, is subject to a fine of up to \$10,000 or imprisonment for up to two years, or both. Further, each associate, employee, manager, or partner who participates in or consents to a violation is subject to a fine of up to \$5,000 or imprisonment for up to one year, or both. A civil penalty of up to \$5,000 may also be imposed for each violation.

#### *Junk Dealers and Scrap Metal Processors*

A junk dealer or scrap metal processor is a person who does business buying or selling articles made of metals and compounds enumerated in State law, including aluminum, brass, bronze, light copper, heavy copper, pewter, nickel, and tin, among others. All junk dealers and scrap metal processors, including specified automotive dismantlers, recyclers, and scrap processors who obtain only vehicle parts but not whole vehicles, must keep records of specific identifying information for one year following a transaction, subject to review by State and local law enforcement as part of an investigation of a specific crime.

All transaction records must be submitted to the primary law enforcement unit by the end of the first business day following the date of the transaction. Each record submitted to the law enforcement unit must include (1) the date and time of purchase; (2) a description of the items and their weight, if applicable; (3) whether the amount paid for the items exceeds \$500; (4) the registration plate number of the seller's vehicle; (5) the name, address, driver's license number, date of birth, and physical description of the seller; and (6) an electronic scan or photocopy of the seller's State-issued identification card. A junk dealer and scrap metal processor must keep electronic transaction records unless waived from this requirement by the jurisdiction's primary law enforcement unit. A person who violates the recordkeeping and reporting requirements is guilty of a misdemeanor and subject to a fine of up to \$500 for a first offense and a fine of up to \$5,000 and/or imprisonment for up to one year for subsequent offenses.

### *Transfer of Hulks*

Each automotive dismantler and recycler or scrap processor must keep records of all vehicles acquired, including the name and address of the person from whom the vehicle was acquired, the date on which it was acquired, documentary evidence acceptable to the Motor Vehicle Administration of ownership of the vehicle, and any other information that the administration requires.

The process governing the disposition of abandoned vehicles is different for the transfer of certain vehicles referred to as "hulks," which are more than eight years old and have no engine or are otherwise totally inoperable. A person can transfer a hulk to an automotive dismantler and recycler or scrap processor without following specified notification procedures and without possessing a certificate of title. The business may, however, require the transferor of the hulk to execute an indemnity agreement. Under the bill, recipients of hulks must also obtain a thumbprint of the individual transferring the hulk, and retain the thumbprint in their records.

**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. Between 2005 and mid-2011, the price of gold increased from about \$500 per ounce to over \$1,600 per ounce. The 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. The number of such licensees increased from about 260 in 2005 to nearly 600 by February 2011.

Chapter 562 of 2009 established electronic reporting requirements for dealers, thereby repealing the authorization that allowed dealers to mail or submit paper transaction records to law enforcement. The State uses the Regional Automated Property Information Database (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. DSP advises that any electronic report from the specified businesses in the bill goes to the RAPID system, not to local law enforcement agencies.

**State Fiscal Effect:** The bill requires specified businesses to include a thumbprint as part of their electronic submission of records to local law enforcement. DSP advises that the RAPID software is currently configured to accept fingerprint data; however, the current data storage capabilities of the system are insufficient to support the additional storage requirements of the thumbprint data. DSP will need to acquire two servers to handle the increased data storage, as the State's information technology infrastructure protection practices require redundant data storage hardware at two separate sites. General fund expenditures for DSP increase by \$20,000 in fiscal 2013 to purchase two servers at approximately \$10,000 each. DSP advises that the hardware must be replaced four years after being placed in service, based on commonly accepted information technology hardware service and replacement practices. Thus, general fund expenditures increase by \$20,000 in fiscal 2017 as well.

DLLR may need to promulgate regulations specifying standards for thumbprint scanners and possibly provide education pertaining to their use; however, DLLR can promulgate any necessary regulations with existing budgeted resources. 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 impacted by the bill are generally small businesses. The bill will have a negative impact on these businesses to the extent that they are required to purchase the necessary fingerprint scanner (prices range from \$200 and up), and any necessary software or hardware upgrades necessary to connect the scanner with their computer equipment. DSP advises that there are over 600 pawnbrokers and 200 automotive dismantlers or recyclers licensed in the State.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Baltimore, Charles, and Frederick counties; Department of Labor, Licensing, and Regulation; Department of State Police; Maryland Department of Transportation; Department of Legislative Services

**Fiscal Note History:** First Reader - March 13, 2012  
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