

# GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2007

## Legislative Fiscal Note

**BILL NUMBER:** House Bill 1398 (First Edition)

**SHORT TITLE:** Pawn and Metal Transaction Database

**SPONSOR(S):** Representatives Setzer, Hilton, R. Warren, and Spear

<b>FISCAL IMPACT</b>					
	<b>Yes (X)</b>	<b>No ( )</b>	<b>No Estimate Available ( )</b>		
	<b><u>FY 2007-08</u></b>	<b><u>FY 2008-09</u></b>	<b><u>FY 2009-10</u></b>	<b><u>FY 2010-11</u></b>	<b><u>FY 2011-12</u></b>
<b>REVENUES</b>		<b>\$85,000</b>	<b>\$85,000</b>	<b>\$85,000</b>	<b>\$85,000</b>
<i>(Please refer to the Assumption and Methodology section for further details.)</i>					
<b>EXPENDITURES</b>	<b>\$420,000</b>	<b>\$85,000</b>	<b>\$85,000</b>	<b>\$85,000</b>	<b>\$85,000</b>
<i>(\$420,000 for database development and \$85,000 for annual system maintenance. Please refer to the Assumption and Methodology section for further details.)</i>					
<b>POSITIONS (cumulative):</b>					
<b>PRINCIPAL DEPARTMENT(S) &amp; PROGRAM(S) AFFECTED:</b>					
<b>EFFECTIVE DATE:</b> July 1, 2007					

**BILL SUMMARY:** Enacts new Article 8 of GS Chapter 114 requiring the Department of Justice (DOJ) to establish an electronic database system for reporting information related to transactions by pawnbrokers and purchases of regulated metals property by secondary metals recyclers, that allows information to be submitted to the database electronically, and provides internet-based access to law enforcement agencies. Requires the DOJ to adopt rules. Amends GS 66-11 and GS 91A-7 to require secondary metals recyclers and pawnbrokers to input complete information within 12 hours after purchases or transactions. Effective July 1, 2007

*Source: Bill Digest H.B. 1398 (04/11/2007).*

### ASSUMPTIONS AND METHODOLOGY:

This bill:

- 1) Amends G.S. 66-11 (b) by adding a new subdivision (4) to require that all pawnbrokers and secondary metal recyclers report information about pawn and metal purchase transactions.

2) Amends G.S. 91A -7 to add the reporting responsibilities to the record keeping responsibilities of pawn broker businesses.

3) Adds a new article (8) to G.S. 114 to establish a database to be developed and maintained by the Department of Justice to collect transaction information associated with this proposal

Currently, there are between 700 to 800 pawn shops in North Carolina. Also, it is estimated that there are between 100-200 scrap metal dealer businesses operating around the State (*These estimates are derived from Internet searches by business type*). Pawnbrokers and secondary metal recyclers are mostly regulated at the local level by sheriff offices and local law enforcement agencies. For the most part, these businesses are already required to report their daily transaction activity to local law enforcement. Some cities (Durham, Charlotte, Raleigh and Highpoint) already have electronic records management systems in place to collect business transaction information. Several pawnbroker businesses are routinely submitting information electronically and others who do not have access to the internet are submitting paper forms to meet the reporting requirements. Law enforcement officials review this information to track transactions that involve stolen property.

### **Department of Justice**

The Department of Justice developed and is currently managing a pseudophedrine database. This database cost about \$50,000 to develop and tracks the sale of products that contain pseudophedrine. The database collects data from 4-6 regional wholesalers who report to the State Bureau of Investigation (SBI). The agency has indicated that developing a new database for the proposed purpose may be in a range of 5 to 10 times broader in scope than the pseudophedrine database since data collection will rely on a larger number of businesses (about 1,000) accessing and making entries into the database. Based on the larger scope of this database, the Department of Justice is estimating that it would cost approximately \$2.5 million to develop the database. Contrary to the agency's assumption, the database is not expected to collect images of the items being bought/sold. The \$2.0 million included for work stations and digital cameras for registered businesses as well as amounts built in for a staff position and other maintenance costs were removed from the agency's estimate. These reductions yielded the development and maintenance cost estimates listed below.

#### **System Development Cost Estimate - (Nonrecurring)**

SQL DB System Development	\$	77,000
Web Interface Costs	\$	75,000
ITS PPM Tool/Project Manager Contractor Charges	\$	17,000
Power Edge Servers	\$	26,000
SAN Storage Shelf (2 TB)	\$	40,000
Sequel Enterprise Server Charges	\$	50,000
Hardware OS	\$	15,000
Training/System Deployment/Installation	\$	120,000
<b>Total System Development Estimate*</b>	<b>\$</b>	<b>420,000</b>

*\*Fiscal Research Division Estimates*

**Annual Maintenance Cost Estimate (Recurring)**

10 MB Network Charges	\$	23,000
Annual Maintenance of DOJ Hardware	\$	40,000
Annual Maintenance of Web Application	\$	22,000
<b>Total Annual Maintenance Estimate*</b>	<b>\$</b>	<b>85,000</b>

*\*Fiscal Research Division Estimate*

The Department of Justice estimates that maintenance expenses could cost up to \$100,000 annually.

The bill instructs the Department of Justice to establish user fees for businesses that will be using the database. The agency is estimating that system users would be charged between \$50 and \$100 annually for their use of this database. Using the chart below for the number of businesses that would be registered to use this database (1,000 users), charging each business an annual membership fee of \$85 would generate enough revenue to cover the annual maintenance cost for this database.

<b>Assumptions Regarding Total Users</b>		
Potential Law Enforcement Users	Agencies	Investigators X 2
Deputy Sheriffs	100	200
Municipal Police Agencies	400	800
<b><u>Total DB LE Users</u></b>	<b><u>500</u></b>	<b><u>1,000</u></b>
	Entities	Employees X 3
Scrap Dealers	200	600
Pawn Shops	800	2400
<b>Total Business Users</b>	<b>1,000</b>	<b>3,000</b>

**SOURCES OF DATA:** Department of Justice, private sector database vendors and the Internet.

**TECHNICAL CONSIDERATIONS:** None

**FISCAL RESEARCH DIVISION:** (919) 733-4910

**PREPARED BY:** Jean Sandaire

**APPROVED BY:** Lynn Muchmore, Director  
Fiscal Research Division

**DATE:** April 30, 2007



**Signed Copy Located in the NCGA Principal Clerk's Offices**