

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2015

Legislative Fiscal Note

BILL NUMBER: Senate Bill 432 (First Edition)

SHORT TITLE: Electronic Pawn & Metals Database.

SPONSOR(S): Senator Randleman

FISCAL IMPACT					
(\$ in millions)					
<input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> No Estimate Available					
	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
State Impact					
General Fund Revenues:					
General Fund Expenditures:					
State Positions:					
NET STATE IMPACT	No estimate available. Please see Assumptions & Methodology section for additional details.				
Local Impact					
Revenues:					
Expenditures:					
NET LOCAL IMPACT	No estimate available. Please see Assumptions & Methodology section for additional details.				
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Office of Information Technology Services, Department of Revenue					
EFFECTIVE DATE: October 1, 2015					
TECHNICAL CONSIDERATIONS: Yes - See Technical Considerations Section					

BILL SUMMARY:

S432. ELECTRONIC PAWN & METALS DATABASE. (March 25, 2015)

AN ACT TO REQUIRE THAT PAWNBROKERS, CURRENCY CONVERTERS, PRECIOUS METALS DEALERS, AND SECONDARY METALS RECYCLERS REPORT INFORMATION ABOUT PAWN TRANSACTIONS AND PURCHASES TO AN ELECTRONIC DATABASE THAT IS ACCESSIBLE TO LAW ENFORCEMENT OFFICERS AND AGENCIES.

This bill enacts a new G.S. 147-33.124 to require the Office of Information Technology Services to contract with a third party to operate an electronic database to store and access information reported by pawnbrokers, currency converters, precious metals dealers, and secondary metal recyclers. The bill specifies four things that the database must do, including:

- Allowing pawnbrokers, currency converters, precious metal dealers, and secondary metal recyclers to submit information to the database.
- Allowing State law enforcement officers and agencies to access the database via the Internet.
- Ensuring that the information in the database is secure and accessible only by law enforcement.
- Ensuring that the State maintains ownership and control of the data.

The bill specifies that information in the database is not a public record. It amends G.S. 66-391, G.S. 66-392, G.S. 66-410, and G.S. 66-421 to require pawnbrokers, currency converters, precious metals dealers, and secondary metal recyclers to enter the information recorded for each purchase or transaction into the database within 12 hours of the transaction. It adds a new Part 4 to Article 45 of Chapter 66, providing that nothing in Article 45 (pawnbrokers, metal dealers, and scrap dealers) is to be construed to require information be entered into the database when the database is offline or inaccessible (in which case, the reporting deadline is extended from 12 hours after the transaction to 36 hours from the time that the database is accessible again), or an entity that would otherwise be required to enter information lacks the technology needed to access the database. This bill becomes effective October 1, 2015.

ASSUMPTIONS AND METHODOLOGY: This bill does not specify a funding source, so it is not possible to estimate the cost to the State or local governments, or to the pawnbrokers, currency converter, precious metal dealers, and secondary metal recyclers required to submit information to the database. However, there is data available from other states that have implemented similar requirements, so it is possible to gain some understanding of potential overall costs.

There will be some costs for State agencies to implement the requirements in the bill. The vendor will have to be paid for operating and maintaining the database. The Office of Information Technology Services will have to manage the contract with whatever vendor the State chooses for the database. If a decision is made to charge pawnbrokers, currency converters, precious metals dealers, and secondary metal recyclers, or possibly charge law enforcement for use of the system, then the Department of Revenue will most likely need to collect any fee that is imposed.

The terms of the contract with a vendor will affect the cost for database operations and maintenance. Currently, Georgia has established a fixed price contract with a vendor that costs \$150,000 per year, covering “system items, products, software and services.” Maryland uses a different vendor at a cost of approximately \$280,000 a year, but has a significant number of out-of-state users. In Utah, one of the counties won the contract to run the state system. There was an initial cost of \$40,000, and the county charges the state approximately \$30,000 a year, half the cost for the person on that county’s staff who runs the system. (Note: The county operates the system using an Oracle database they developed internally.)

How the system is managed will impact the cost, as well as how that cost is funded. Maryland initially spent \$841,608 to fund three years of system operation, including an enhanced server, user licenses, and funding for two positions, an administrator and a help desk technician. An investigator was later added at an annual cost of \$49,386. Utah funds an investigator at a cost of

\$80,000 per year, in addition to half the salary of the administrator managing the system in the hosting county.

The data available from other states indicates that the cost of the database could depend on the number of participating entities. For example, Maryland estimates their cost at \$250 per user, while Utah charges \$300 per year for each participating merchant and three dollars per month for each sworn officer using the system. The North Carolina Pawnbrokers Association estimates that they have between 750 and 800 members, although the North Carolina Department of Revenue shows 320 pawnbrokers, based on fiscal year 2013-2014 license collections. The Recycling Association of North Carolina lists 58 members. Assuming that there are potentially 800 participants, using a \$250 cost per merchant, the cost of the system could be approximately \$200,000 per year.

SOURCES OF DATA: North Carolina Department of Revenue; North Carolina Pawnbrokers Association; Recycling Association of North Carolina; Georgia Bureau of Investigation; Maryland Department of Public Safety and Correctional Services; Maryland Governor’s Office of Crime Control and Prevention; Utah Department of Commerce, Division of Consumer Protection.

TECHNICAL CONSIDERATIONS:

To ensure maximum usage, any database should ideally be able to interface with various law enforcement information systems, such as the National Crime Information Center system and the Law Enforcement Information Exchange.

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