
SENATE COMMITTEE ON APPROPRIATIONS

Senator Anthony Portantino, Chair
2019 - 2020 Regular Session

AB 2362 (Muratsuchi) - Firearms dealers: conduct of business

Version: February 18, 2020

Urgency: No

Hearing Date: August 19, 2020

Policy Vote: PUB. S. 5 - 2, PUB. S. 5 - 2

Mandate: No

Consultant: Shaun Naidu

Bill Summary: AB 2362 would allow the Department of Justice (DOJ) to impose civil fines on firearms dealers for breaches of regulations or prohibitions related to their firearms dealers license.

Fiscal Impact: This measure would have short-term costs in the low hundreds of thousands of dollars annually for three years to promulgate regulations, process an increase in citation assessments and forfeiture hearings for licensed dealers, update IT infrastructure, and for licensing costs. It would pose an ongoing cost of \$175,000 annually for 1.0 Associate Governmental Program Analyst to, initially, work on the regulations and then track ongoing violations for approximately 1,800 firearms dealers. Costs would be offset, in part, by revenue generated from the fine. (General Fund, special funds*)

*Legal Services Revolving Fund & Dealers' Record of Sale Special Account (DROS)—structurally imbalanced

Background: To operate as a firearms dealer in California, a person must have a valid federal firearms license, have a regulatory or business license, have a valid seller's permit issued by the State Board of Equalization, have a certificate of eligibility issued by DOJ, have a license granted by a duly constituted licensing authority of any city or county, and be among those recorded in the centralized list of licensed firearms dealers kept by DOJ. Firearm dealers must follow a host of laws and regulations related to firearm transactions and storage and consumer screening and notification. A breach of specified prohibitions in existing law subjects a dealer's license to forfeiture.

Proposed Law: This bill would, beginning July 1, 2022, allow DOJ to impose a civil fine of up to \$1,000 for a violation of specified firearms-related prohibitions and a civil fine of up to \$3,000 for a violation of those prohibitions when the licensee has received written notification from the department regarding the violation and fails to take corrective action, as specified, or the department determines the licensee committed the violation knowingly or with gross negligence. It would allow DOJ to adopt regulations to carry out these provisions.

Related Legislation: AB 1064 (Muratsuchi, 2019-2020 Reg. Sess.) would have allowed DOJ to impose civil fines on firearms dealers for breaches of prohibitions, as specified. AB 1064 was held on the Suspense File of the Assembly Committee on Appropriations.

Staff Comments: The Dealers' Record of Sale Special Account has experienced spending that has outpaced revenue in recent years to the extent that it is structurally imbalanced. In FY 2018-2019, DROS expenditure exceeded revenues by 19.4 percent;

expenditure surpassed revenue in FY 2019-2020 by 7.6 percent; and proposed expenditures (\$29.4 million) is estimated to outpace anticipated revenue (\$28.2 million) in FY 2020-2021 by 4.4 percent, leaving a projected ending reserve of \$2.6 million in the fund. Given the operational deficit of DROS, the added expense resulting from AB 2362 could create cost pressure on the General Fund to backfill any shortage.

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