

**ECONOMIC AND FISCAL IMPACT STATEMENT  
(REGULATIONS AND ORDERS)**

STD. 399 (REV. 12/2013)

**ECONOMIC IMPACT STATEMENT**

DEPARTMENT NAME <b>Justice</b>	CONTACT PERSON <b>Kelan Lowney</b>	EMAIL ADDRESS <b>BOFregulations@doj.ca.gov</b>	TELEPHONE NUMBER <b>916-227-7615</b>
DESCRIPTIVE TITLE FROM NOTICE REGISTER OR FORM 400 <b>Ammunition Purchases or Transfers</b>			NOTICE FILE NUMBER <b>Z 2018-1204-08</b>

**A. ESTIMATED PRIVATE SECTOR COST IMPACTS** *Include calculations and assumptions in the rulemaking record.*

1. Check the appropriate box(es) below to indicate whether this regulation:

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> a. Impacts business and/or employees | <input type="checkbox"/> e. Imposes reporting requirements              |
| <input checked="" type="checkbox"/> b. Impacts small businesses          | <input type="checkbox"/> f. Imposes prescriptive instead of performance |
| <input type="checkbox"/> c. Impacts jobs or occupations                  | <input checked="" type="checkbox"/> g. Impacts individuals              |
| <input type="checkbox"/> d. Impacts California competitiveness           | <input type="checkbox"/> h. None of the above (Explain below):          |

*If any box in Items 1 a through g is checked, complete this Economic Impact Statement.  
If box in Item 1.h. is checked, complete the Fiscal Impact Statement as appropriate.*

**Department of Justice**2. The \_\_\_\_\_ estimates that the economic impact of this regulation (which includes the fiscal impact) is:  
(Agency/Department)

- Below \$10 million
- Between \$10 and \$25 million
- Between \$25 and \$50 million
- Over \$50 million *(If the economic impact is over \$50 million, agencies are required to submit a [Standardized Regulatory Impact Assessment](#) as specified in Government Code Section 11346.3(c))*

3. Enter the total number of businesses impacted: Approx. 2600Describe the types of businesses (include nonprofits): Firearms dealers and businesses that sell ammunition to the public.Enter the number or percentage of total businesses impacted that are small businesses: Approx. 60 %4. Enter the number of businesses that will be created: Unknown eliminated: UnknownExplain: These regulations only apply to the sale or transfer of ammunition.5. Indicate the geographic extent of impacts:  Statewide Local or regional (List areas): \_\_\_\_\_6. Enter the number of jobs created: Unknown and eliminated: UnknownDescribe the types of jobs or occupations impacted: Individuals that own or operate an ammunition vendor business within the state of California.7. Will the regulation affect the ability of California businesses to compete with other states by making it more costly to produce goods or services here?  YES  NO

If YES, explain briefly: \_\_\_\_\_

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**B. ESTIMATED COSTS** *Include calculations and assumptions in the rulemaking record.*

1. What are the total statewide dollar costs that businesses and individuals may incur to comply with this regulation over its lifetime? \$ Undetermined

a. Initial costs for a small business: \$ See Attachment A Annual ongoing costs: \$ See Attachment A Years: N/A

b. Initial costs for a typical business: \$ See Attachment A Annual ongoing costs: \$ See Attachment A Years: N/A

c. Initial costs for an individual: \$ See Attachment A Annual ongoing costs: \$ See Attachment A Years: N/A

d. Describe other economic costs that may occur: See Attachment A.

2. If multiple industries are impacted, enter the share of total costs for each industry: N/A

3. If the regulation imposes reporting requirements, enter the annual costs a typical business may incur to comply with these requirements. *Include the dollar costs to do programming, record keeping, reporting, and other paperwork, whether or not the paperwork must be submitted.* \$ N/A

4. Will this regulation directly impact housing costs?  YES  NO

If YES, enter the annual dollar cost per housing unit: \$ \_\_\_\_\_

Number of units: \_\_\_\_\_

5. Are there comparable Federal regulations?  YES  NO

Explain the need for State regulation given the existence or absence of Federal regulations: The proposed regulations are necessary to allow the Department to authorize an individual to purchase or transfer ammunition as authorized by Penal Code section 30370.

Enter any additional costs to businesses and/or individuals that may be due to State - Federal differences: \$ N/A

**C. ESTIMATED BENEFITS** *Estimation of the dollar value of benefits is not specifically required by rulemaking law, but encouraged.*

1. Briefly summarize the benefits of the regulation, which may include among others, the health and welfare of California residents, worker safety and the State's environment: These regulations will increase public safety throughout the state of California by preventing convicted felons, the dangerously mentally ill, and other prohibited persons from acquiring ammunition.

2. Are the benefits the result of:  specific statutory requirements, or  goals developed by the agency based on broad statutory authority?

Explain: Pursuant to Penal Code sections 30352 and 30370, the DOJ is authorized to establish regulations.

3. What are the total statewide benefits from this regulation over its lifetime? \$ Undetermined

4. Briefly describe any expansion of businesses currently doing business within the State of California that would result from this regulation: Unknown

**D. ALTERNATIVES TO THE REGULATION** *Include calculations and assumptions in the rulemaking record. Estimation of the dollar value of benefits is not specifically required by rulemaking law, but encouraged.*

1. List alternatives considered and describe them below. If no alternatives were considered, explain why not: No alternatives were considered because pursuant to Penal Code section 30370, subdivision (c) and (e), the Department is statutorily mandated to collect a reasonable fee to cover the cost of regulatory and enforcement activities.

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2. Summarize the total statewide costs and benefits from this regulation and each alternative considered:

Regulation: Benefit: \$ Unquantifiable Cost: \$ Undetermined

Alternative 1: Benefit: \$ N/A Cost: \$ N/A

Alternative 2: Benefit: \$ N/A Cost: \$ N/A

3. Briefly discuss any quantification issues that are relevant to a comparison of estimated costs and benefits for this regulation or alternatives: N/A

4. Rulemaking law requires agencies to consider performance standards as an alternative, if a regulation mandates the use of specific technologies or equipment, or prescribes specific actions or procedures. Were performance standards considered to lower compliance costs?  YES  NO

Explain: Other methods of providing information to DOJ were considered but it was determined that requiring the use of the Dealer Record of Sale (DROS) Entry System was the best option since the majority of dealers and vendors already use it

**E. MAJOR REGULATIONS** *Include calculations and assumptions in the rulemaking record.*

*California Environmental Protection Agency (Cal/EPA) boards, offices and departments are required to submit the following (per Health and Safety Code section 57005). Otherwise, skip to E4.*

1. Will the estimated costs of this regulation to California business enterprises exceed \$10 million?  YES  NO

*If YES, complete E2. and E3  
If NO, skip to E4*

2. Briefly describe each alternative, or combination of alternatives, for which a cost-effectiveness analysis was performed:

Alternative 1: \_\_\_\_\_

Alternative 2: \_\_\_\_\_

*(Attach additional pages for other alternatives)*

3. For the regulation, and each alternative just described, enter the estimated total cost and overall cost-effectiveness ratio:

Regulation: Total Cost \$ \_\_\_\_\_ Cost-effectiveness ratio: \$ \_\_\_\_\_

Alternative 1: Total Cost \$ \_\_\_\_\_ Cost-effectiveness ratio: \$ \_\_\_\_\_

Alternative 2: Total Cost \$ \_\_\_\_\_ Cost-effectiveness ratio: \$ \_\_\_\_\_

4. Will the regulation subject to OAL review have an estimated economic impact to business enterprises and individuals located in or doing business in California exceeding \$50 million in any 12-month period between the date the major regulation is estimated to be filed with the Secretary of State through 12 months after the major regulation is estimated to be fully implemented?

YES  NO

*If YES, agencies are required to submit a Standardized Regulatory Impact Assessment (SRIA) as specified in Government Code Section 11346.3(c) and to include the SRIA in the Initial Statement of Reasons.*

5. Briefly describe the following:

The increase or decrease of investment in the State: None expected

The incentive for innovation in products, materials or processes: Unknown

The benefits of the regulations, including, but not limited to, benefits to the health, safety, and welfare of California residents, worker safety, and the state's environment and quality of life, among any other benefits identified by the agency: \_\_\_\_\_

Increased public safety as specified in the response to question C1 on the previous page.

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**FISCAL IMPACT STATEMENT**

**A. FISCAL EFFECT ON LOCAL GOVERNMENT** *Indicate appropriate boxes 1 through 6 and attach calculations and assumptions of fiscal impact for the current year and two subsequent Fiscal Years.*

1. Additional expenditures in the current State Fiscal Year which are reimbursable by the State. (Approximate)  
(Pursuant to Section 6 of Article XIII B of the California Constitution and Sections 17500 et seq. of the Government Code).

\$ \_\_\_\_\_

a. Funding provided in \_\_\_\_\_  
Budget Act of \_\_\_\_\_ or Chapter \_\_\_\_\_, Statutes of \_\_\_\_\_

b. Funding will be requested in the Governor's Budget Act of \_\_\_\_\_  
Fiscal Year: \_\_\_\_\_

2. Additional expenditures in the current State Fiscal Year which are NOT reimbursable by the State. (Approximate)  
(Pursuant to Section 6 of Article XIII B of the California Constitution and Sections 17500 et seq. of the Government Code).

\$ \_\_\_\_\_

*Check reason(s) this regulation is not reimbursable and provide the appropriate information:*

a. Implements the Federal mandate contained in \_\_\_\_\_

b. Implements the court mandate set forth by the \_\_\_\_\_ Court.

Case of: \_\_\_\_\_ vs. \_\_\_\_\_

c. Implements a mandate of the people of this State expressed in their approval of Proposition No. \_\_\_\_\_

Date of Election: \_\_\_\_\_

d. Issued only in response to a specific request from affected local entity(s).

Local entity(s) affected: \_\_\_\_\_  
\_\_\_\_\_

e. Will be fully financed from the fees, revenue, etc. from: \_\_\_\_\_

Authorized by Section: \_\_\_\_\_ of the \_\_\_\_\_ Code;

f. Provides for savings to each affected unit of local government which will, at a minimum, offset any additional costs to each;

g. Creates, eliminates, or changes the penalty for a new crime or infraction contained in \_\_\_\_\_

3. Annual Savings. (approximate)

\$ \_\_\_\_\_

4. No additional costs or savings. This regulation makes only technical, non-substantive or clarifying changes to current law regulations.

5. No fiscal impact exists. This regulation does not affect any local entity or program.

6. Other. Explain  
\_\_\_\_\_  
\_\_\_\_\_

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**FISCAL IMPACT STATEMENT (CONTINUED)**

**B. FISCAL EFFECT ON STATE GOVERNMENT** *Indicate appropriate boxes 1 through 4 and attach calculations and assumptions of fiscal impact for the current year and two subsequent Fiscal Years.*

1. Additional expenditures in the current State Fiscal Year. (Approximate)

\$ \$12,844,697

*It is anticipated that State agencies will:*

a. Absorb these additional costs within their existing budgets and resources.

b. Increase the currently authorized budget level for the \_\_\_\_\_ Fiscal Year

2. Savings in the current State Fiscal Year. (Approximate)

\$ \_\_\_\_\_

3. No fiscal impact exists. This regulation does not affect any State agency or program.

4. Other. Explain See Attachment A

**C. FISCAL EFFECT ON FEDERAL FUNDING OF STATE PROGRAMS** *Indicate appropriate boxes 1 through 4 and attach calculations and assumptions of fiscal impact for the current year and two subsequent Fiscal Years.*

1. Additional expenditures in the current State Fiscal Year. (Approximate)

\$ \_\_\_\_\_

2. Savings in the current State Fiscal Year. (Approximate)

\$ \_\_\_\_\_

3. No fiscal impact exists. This regulation does not affect any federally funded State agency or program.

4. Other. Explain \_\_\_\_\_

FISCAL OFFICER SIGNATURE

DATE



*The signature attests that the agency has completed the STD. 399 according to the instructions in SAM sections 6601-6616, and understands the impacts of the proposed rulemaking. State boards, offices, or departments not under an Agency Secretary must have the form signed by the highest ranking official in the organization.*

AGENCY SECRETARY

DATE



*Finance approval and signature is required when SAM sections 6601-6616 require completion of Fiscal Impact Statement in the STD. 399.*

DEPARTMENT OF FINANCE PROGRAM BUDGET MANAGER

DATE



**ATTACHMENT A**  
**Ammunition Purchases or Transfers**  
**Economic and Fiscal Impact Statement (Regulations and Orders)**  
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**Economic Impact Statement, Section B. Question 1.**

These regulations will have an economic impact on both businesses and individuals.

*Business Costs*

The implied economic costs for businesses that sell ammunition come from the processing time of the Standard Ammunition Eligibility Check. The Department estimates that it will take approximately two minutes to process a Standard Ammunition Eligibility Check or Certificate of Eligibility (COE) verification, so the direct costs for an ammunition vendor can be derived from taking the approximate two-minute processing time and multiplying it by the 13 million transactions while valuing ammunition vendor staff time at \$11 per hour. In total, the annual direct cost for ammunition vendors to process these transactions is \$4,766,667. The initial and ongoing costs to small businesses is 60 percent of \$4,766,667, or \$2,860,000. The total number of firearms dealers and ammunition vendors is 2,600, and the Department estimates 60 percent of those vendors are small businesses. The initial and ongoing costs to a typical business is 40 percent of \$4,766,667, or \$1,906,667.

*Individual Costs*

The projected cost for an individual depends on how many ammunition purchases the person makes and whether the person undergoes a Standard Ammunition Eligibility Check, Basic Ammunition Eligibility Check, or COE verification. The per-transaction cost for the Standard Ammunition Eligibility Check or COE verification is \$1.00. The cost for a Basic Ammunition Eligibility Check is \$19.00.

In addition, ammunition purchasers will have implied costs from the processing time of the Standard Ammunition Eligibility Check. Ammunition purchaser time is valued in the same manner as ammunition vendors, so the annual direct cost for ammunition purchasers is an estimated total of \$4,766,667.

Ultimately, the cost to an individual depends on the number of ammunition transactions the person makes in a year. If an individual elects to purchase all their ammunition for the entire year at once, his or her cost will only be \$1 or \$19, depending on the type of check the person has to undergo.

**Total Economic Impact Projections**

<b>Type of Direct Cost</b>	<b>Frequency</b>	<b>Unit Cost</b>	<b>Direct Cost</b>
Standard Ammunition Eligibility Check	13 million	\$1	\$ 13,000,000
COE Verification	154,000	\$1	\$ 154,000
Basic Ammunition Eligibility Check	50,000	\$19	\$ 950,000
Vendor Staff Time	13,154,000 x 2 minutes	\$11 per hour	\$ 4,819,833
Purchaser Time	13,154,000 x 2 minutes	\$11 per hour	\$ 4,819,833
		<b>Total Direct Cost:</b>	<b>\$ 23,743,666</b>

## Fiscal Impact Statement, Section B. Question 1.

### Fiscal Effect on State Government

The initial costs of implementing the ammunition authorization program required the Department to incur a debt of \$25,000,000 from the state's General Fund, as authorized by Penal Code section 30371. These initial program costs include personal services, operating expenses and equipment, system enhancements, infrastructure, and other costs. This debt will need to be repaid, with interest, as stipulated by the authorizing statute.

The Department estimates the annual fiscal expenses will be higher the first year, but will level out to \$9,886,506 per year thereafter, as seen in the chart below.

Additionally, the Department estimates the annual fee revenues will be \$14,104,000 per year. This calculation is based on an estimated 13 million Standard Ammunition Eligibility Checks, 154,000 COE verifications, and 50,000 estimated Basic Ammunition Eligibility Checks.

### **Fiscal Impacts on State Government**

Type of Cost	FY 19/20	FY 20/21	FY 21/22	FY 22/23	FY 23/24
Loan balance	(\$25,000,000)	(\$25,000,000)	(\$25,000,000)	(\$22,000,000)	(\$19,000,000)
Annual fiscal expenses	\$12,844,697	\$9,886,506	\$9,886,506	\$9,886,506	\$9,886,506
Repayment of Loan	\$ 0	\$ 0	\$ 0	\$3,000,000	\$3,000,000
Annual fee revenues	\$14,104,000	\$14,104,000	\$14,104,000	\$14,104,000	\$14,104,000
Net Balance	- \$23,740,697	- \$19,523,203	- \$15,305,709	- \$14,088,215	- \$12,870,721

For fiscal years 19/20, 20/21, and 21/22, the Department will allow for the fund to build a reserve for economic uncertainties. This reserve will also be used to repay the General Fund loan that was authorized to the Department for implementation of the ammunition authorization program. By fiscal year 22/23, the Department will have a better estimate for annual revenues based on actual numbers, and at that time can adjust the fee accordingly. Additionally, depending on the stability of the fund and revenue trends, the Department may begin paying back the loan in fiscal year 22/23. Please note: although the chart above indicates payments will be made in increments of \$3 million, the payment amount will depend on the stability of the fund and revenue trends.

Furthermore, these fiscal and economic estimates do not account for potential reductions in ammunition purchases due to individuals being prohibited because, in the Department's experience, often times individuals do not know they are prohibited until they attempt to purchase a firearm (and now ammunition.) The individual will pay the fee up front because all of the work will still be performed with the result being a denial upon finding an individual is prohibited.

Salaries are based on costs for both the Department's Bureau of Firearms (BOF) and California Justice Information Services division (CJIS). Resulting from the ammunition legislation, BOF has 59 new positions that are responsible for promulgating regulations, reviewing mental health and Automated Firearms System records, processing applications for Certificates of Eligibility, performing checks for the Basic Ammunition Eligibility Check, providing training to firearms dealers and ammunition vendors, inspecting firearm dealers and ammunition vendors, and enforcing ammunition laws.

The 14 new positions for CJIS are responsible for project planning, systems enhancements for multiple firearms systems, testing of the system enhancements, and ongoing maintenance of systems.

The annual fiscal expenses are broken down in the following chart.

<b>Year-to-Year Costs of Implementing the Ammunition Program</b>					
<b>Annual Fiscal Expenses</b>					
<b>PROJECTED FISCAL DETAIL EXPENDITURES</b>	<b>FY 19-20</b>	<b>FY 20-21</b>	<b>FY 21-22</b>	<b>FY 22-23</b>	<b>FY 22-23</b>
<b>PERSONAL SERVICES</b>					
Salaries	\$5,839,347	\$4,515,371	\$4,515,371	\$4,515,371	\$4,515,371
Staff Benefits	\$2,167,604	\$2,146,682	\$2,146,682	\$2,146,682	\$2,146,682
<b>Total Personal Services</b>	<b>\$8,006,951</b>	<b>\$6,662,053</b>	<b>\$6,662,053</b>	<b>\$6,662,053</b>	<b>\$6,662,053</b>
<b>OPERATING EXPENSES &amp; EQUIPMENT</b>					
Standard Complement	\$1,081,720	\$1,028,570	\$1,028,570	\$1,028,570	\$1,028,570
Departmental Services	\$154,079	\$154,079	\$154,079	\$154,079	\$154,079
<b>Total Operating Expenses &amp; Equipment</b>	<b>\$1,235,799</b>	<b>\$1,182,649</b>	<b>\$1,182,649</b>	<b>\$1,182,649</b>	<b>\$1,182,649</b>
<b>OTHER COSTS</b>					
Credit Card Processing Fees - First Data and American Express Contracts	\$1,679,500	\$1,679,500	\$1,679,500	\$1,679,500	\$1,679,500
System Maintenance/Record Keeping and Storage	\$442,485	\$362,304	\$362,304	\$362,304	\$362,304
<b>Total Other Costs</b>	<b>\$2,121,985</b>	<b>\$2,041,804</b>	<b>\$2,041,804</b>	<b>\$2,041,804</b>	<b>\$2,041,804</b>
<b>System Enhancements</b>					
AFS Database & Develop APRF Database	\$0	\$0	\$0	\$0	\$0
APPS Enhancements	\$873,448	\$0	\$0	\$0	\$0
BOF Systems Enhancements	\$0	\$0	\$0	\$0	\$0
<b>Total System Enhancements</b>	<b>\$873,448</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Infrastructure</b>					
Hardware	\$474,000	\$0	\$0	\$0	\$0
Software	\$132,514	\$0	\$0	\$0	\$0
<b>Total Infrastructure</b>	<b>\$606,514</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Grand Total Expenditures</b>	<b>\$12,844,697</b>	<b>\$9,886,506</b>	<b>\$9,886,506</b>	<b>\$9,886,506</b>	<b>\$9,886,506</b>
<b>PROJECTED FISCAL DETAIL REVENUE (1)</b>					
\$25 million GF Loan Repayment (2)	\$0	\$0	\$0	(\$3,000,000)	(\$3,000,000)
<b>Total Revenue</b>	<b>\$14,104,000</b>	<b>\$14,104,000</b>	<b>\$14,104,000</b>	<b>\$11,104,000</b>	<b>\$11,104,000</b>
(1) Revenue based on: 13 million Standard Ammunition Eligibility Checks @ \$1 154,000 COE verifications @ \$1 50,000 Basic Ammunition Eligibility Checks @ \$19					
(2) The Department Projects that it may be able to start paying off the GF loan in 22/23					