

ATTACHMENT A

STD 399 Economic and Fiscal Impact Statement

Economic Impact Statement

Section A – Estimated Private Sector Cost Impacts

A.3

Number of Businesses Impacted

Per Penal Code section 26825, firearms dealers shall agree to process firearms transactions pursuant to the private party transfer requirements of section 28050 et. seq. According to the Department's records, as of January 25, 2022 there were 1,675 licensed firearms dealers in California. These numbers change daily, as new licenses are approved and old licenses expire. The Department estimates that the total number of businesses directly impacted by these regulations will be 1,675.

Although the Department does not have direct information regarding the business size of licensed firearms dealers, approximately 280 firearms dealers are one of five corporations: Bass Pro Outdoor World, Big 5 Sporting Goods, Dick's Sporting Goods, Sportsman's Warehouse and Turner's Outdoorsman. The remaining businesses have only one, two or (rarely) three locations, and, if set up as corporations, have corporate headquarters in California (i.e., are "independently owned" and not "dominant in its field of operation"). Therefore, using the consolidated small business definition in Government Code section 11346.3, subdivision (b)(4)(B), as a guide, the Department estimates that approximately 1,395 licensed firearms dealers, or 83%, are "small businesses."

Section B – Estimated Costs

B. 1

The Department has determined that any cost impact to businesses would be indirect and due to the additional time it will take to notify the Department when a firearm is transferred to law enforcement. The Department estimates that it will take ten minutes to complete the BOF 1041A (Orig. 01/2022) and, if necessary, BOF 1041B. Assuming the additional staff time for a retail worker costs a minimum of \$14 per hour, the Department estimates that each notification to the Department when a firearm is transferred to law enforcement will indirectly cost each firearms dealer an additional \$2.33 per form.

The Department recorded 417,254 attempted private party transfers between January 1, 2019 and December 31, 2021. Of those attempted transfers, 2,514 were denied for the attempted purchaser. During a private party transfer, the firearm is in the possession of a firearms dealer who must perform a background check on the attempted seller before releasing the firearm back

to that person. (Pen. Code, § 28050, subd. (d).) Of the 2,514 denied private party transfers during that three-year period, a total of 103 sellers were prohibited by state or federal law from possessing a firearm. This scenario would require the firearms dealer to surrender the firearm with local law enforcement, and then notify the Department. The Department has determined that the current number of these scenarios – approximately 34 each year – provides a reasonable approximation of the number of future scenarios each year ($103/3 = 34$).

There are 1,675 licensed firearms dealers in California, which means that the average firearms dealer will face the above scenario once every 49 years ($1,675/34$). At current wages, it will cost a firearms dealer \$2.33 in staff time to complete the required form.

Staff time to deliver the firearm to local law enforcement is a result of the preexisting requirement to relinquish the firearm pursuant to Penal Code section 28050, subdivision (e), and is not an effect of this regulation.

B. 3.

The regulation requires firearms dealers to notify the Department of Justice by sending the form BOF 1041A and, if necessary, BOF 1041B to the Department, either via email or postal mail. Assuming that a typical firearms dealer has access to email in the course of their business, the cost to notify the Department is anticipated to be nothing. Some dealers may choose to mail the form by post to the Department; at current rates, this will cost the dealer \$0.58 for postage. Approximately 34 dealers are expected to be impacted by this regulation each year.

Section D – Alternatives to the Regulation

D. 2

A firearms dealer that completes the required form and mails the form via USPS will incur \$2.91 ($\2.33 staff time + $\$0.58$ postage) total cost to comply with the regulation. If all 34 instances of a failed private party transfer result in the firearms dealer mailing the form to the Department via postal mail (instead of email), this could result in a total cost to the state economy of \$98.94 each year ($\2.91×34).

Fiscal Impact Statement

Section A - Fiscal Effect on Local Government

Local law enforcement will be asked to sign the form BOF 1041A (Orig. 01/2022) when a firearm is surrendered to them by a firearms dealer subsequent to a failed private party transfer, to acknowledge receipt of the firearm. The fiscal effect of signing the form is negligible.

Section B - Fiscal Effect on State Government

A Crime Analyst I will process each BOF 1041A and BOF 1041B form received by the Department, inputting information from the form into firearms IT systems (the Automated Firearms System and the Armed and Prohibited Persons System) and verifying the status of each firearm in those systems. The Department's experience processing similar forms leads it to estimate that it will take approximately 20 minutes to process each BOF 1041A and BOF 1041B form. The Department anticipates receiving these forms subsequent to 34 failed private party transfers each year. Because it takes 20 minutes to process each form, this new program function will require 11.3 hours for a Crime Analyst I ($34 \times 20 = 680$ minutes).

The Department considered submitting a Budget Change Proposal (BCP) for Fiscal Year 2022-23 to support this workload, but because the anticipated workload does not support a full position, the Department will instead absorb any immediate costs and may pursue a workload BCP next year, based on the actual number of forms processed.

At the hourly rate for overtime for a mid-step Crime Analyst I, plus incidentals, the cost to the Department for this absorbed workload will be approximately \$447 for the first 12 months subsequent to implementation of these regulations.