

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 August 2, 2023, there were 1,799 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 1,799.

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 1,519 licensed firearms dealers, or 84%, are "small businesses."

Section B – Estimated Costs

Any cost impact to businesses would be due to the additional time it will take to notify the Department when a firearm is retained for a period of up to 45 days so that the transferor or seller or the person loaning the firearm may designate a person to take possession of that firearm. The Department estimates that it will take ten minutes to complete the report. Assuming the additional staff time for a retail worker costs a minimum of \$15.50 per hour, the Department estimates that each notification to the Department when a firearm is retained for a period of up to 45 days will indirectly cost each firearms dealer an additional \$2.58 per report.

The Department recorded 546,965 attempted private party transfers between January 1, 2019, and December 31, 2022. Of those attempted transfers, 2,539 were denied for the attempted purchaser. During a private party transfer, the firearm is in the possession of a firearms dealer. During this time, the Department must perform a background check on the attempted seller before the dealer can release the firearm back to that person. (Pen. Code, § 28050, subd. (d).) Of the 2,539 denied private party transfers during that four-year period, 125 sellers were

prohibited by state or federal law from possessing a firearm. This scenario would require the firearms dealer to retain possession of the firearm for a period of up to 45 days or to surrender the firearm to local law enforcement, and then notify the Department of the retention or relinquishment. The Department has determined that the current number of these scenarios – approximately 31 each year – provides a reasonable approximation of the number of future scenarios each year.

There are 1,799 licensed firearms dealers in California, which means that the average firearms dealer will face the above scenario once every 58 years (1,799/31). At current wages, it will cost a firearms dealer \$2.58 in staff time to complete the required form.

Fiscal Impact Statement

Section B - Fiscal Effect on State Government

A Crime Analyst I will process each report 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 reports leads it to estimate that it will take approximately 20 minutes to process each report. The Department anticipates receiving 31 reports each year. Because it takes 20 minutes to process each form, this new program function will require 10.3 hours for a Crime Analyst I (31 x 20 = 620 minutes).

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 \$427 for the first 12 months subsequent to implementation of these regulations.

When dealers start reporting the information electronically via the DES on July 1, 2024, there will be no cost to the Department.