



Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: S.B. 270 of the 131st G.A.

Date: April 26, 2016

Status: As Introduced

Sponsor: Sen. Eklund

Local Impact Statement Procedure Required: No

Contents: Makes changes to the Ohio Pawnbroker's Law

State Fiscal Highlights

- The bill expands the definition of pawnbroker, possibly increasing the number of pawnbroker licenses issued by the Consumer Finance section of the Division of Financial Institutions within the Department of Commerce (COM).
- A pawnbroker license has an initial investigation fee of \$200 and a biennial license fee of \$800. Fifty percent of the licensing fee is used by the state and the other 50% is distributed to the municipal corporation or county in which the office of the licensee is located. The fees are deposited into the Consumer Finance Fund (Fund 5530).
- The bill permits pawnbrokers to operate multiple offices or places of business under one license, with the possible effect of decreasing the number of pawnbroker licenses issued by COM. If this is the case, based on the current number of licensed branch locations, there would be a corresponding loss in revenue of approximately \$72,000 deposited into Fund 5530.
- Additionally, the Consumer Finance section would be required to absorb the cost of investigating new locations without the ability to recoup that cost through the fees currently charged. Any costs would be paid out of Fund 5530.

Local Fiscal Highlights

- Pawnbroker license fee revenue distributed to municipal corporations or counties where a pawnbroker office is located could possibly increase (based on the expanded definition of pawnbroker) or decrease depending on the number of licenses issued (assuming most if not all pawnbroker businesses with branch locations would consolidate under one license) as a result of the bill.
- Because the bill eliminates the need for pawnbrokers to provide certain pawn transaction information to law enforcement electronically or through magnetic media, local police or county sheriffs may experience an increase in administrative costs to collect information about pawnbroker transactions.

Detailed Fiscal Analysis

Overview

The bill makes several changes to the Ohio Pawnbroker's Law. It expands the definition of pawnbroker, makes changes to pawnbroker operations, and modifies the procedures for reporting information to law enforcement agencies. The provisions that have a fiscal effect are discussed below. For further details on all the bill's provisions, please see the LSC Bill Analysis.

Pawnbroker license

The bill could affect the number of licensed pawnbrokers in different ways. First, it may increase the number of pawnbroker licenses issued by the Consumer Finance section of the Division of Financial Institutions within the Department of Commerce (COM) due to the apparent expansion of the definition of pawnbroker. The bill expands the definition of a pawnbroker to include a person engaged in the business of purchasing personal property from another person for resale. It also includes a person who purchases personal property from another person with an agreement that the property will be made available to that person for repurchase within an agreed-to time and for a price greater than the original purchase price. As a result, COM anticipates that the number of licenses will increase to some degree, but the number of possible new licenses is unknown.

Conversely, the number of pawnbroker licenses could decrease as a result of the bill's provision permitting pawnbrokers to operate multiple offices or places of business under one license. Currently, pawnbrokers are issued one license per location. A pawnbroker license has a nonrefundable initial investigation fee of \$200 and a biennial license fee of \$800. Fifty percent of the licensing fee is used by the state and the other 50% is paid by the state to the municipal corporation or county in which the office of the licensee is located. The fees are deposited into the Consumer Finance Fund (Fund 5530). According to COM, there are 146 main office licensees and 181 branch location licensees. Consequently, if all branch operators consolidated under a single license, it would result in a decrease of \$144,800 (181 branch licenses x \$800 biennial renewal fee). If this is the case, Fund 5530 would bear 50% of the revenue loss and the applicable municipal corporations or counties the other 50%. Additionally, if branch locations were to open under a current license, the Consumer Finance section would continue to be responsible for the cost of investigating that branch location's fitness to operate without the ability to recoup the cost through additional license and investigation fee revenue. Any such investigative costs would be paid out of Fund 5530.

Law enforcement agencies

Under current law, pawnbrokers are required daily to provide law enforcement agencies a description of all property pledged with or purchased by the licensee and the number of the pawn or purchase form the licensee used to document the pledge or purchase. This information is to be on a form provided by the law enforcement agency and is allowed to be communicated by electronic transfer or magnetic media. The bill removes the requirement that this information be submitted daily and instead requires the specified pawn transaction information to be reported directly to law enforcement. The bill also prohibits fees to be charged to pawnbrokers for complying with these transaction reporting requirements.

Overall, the likely result of these changes in pawn transaction reporting requirements would be an increase in administrative costs for law enforcement agencies. For example, in the city of Columbus pawnshops report their purchases to a database operated by a third-party company that is used by the Division of Police. This database costs approximately \$64,000 annually to maintain, and the Division does not charge pawnbrokers a fee to report their information to it. There are three employees in the pawnbroker unit. Under the bill, Division employees would have to enter the information if they continue to use a database. Consequently, the Division anticipates that additional personnel would be needed to handle the extra work under the bill, including culling transaction data after two years. As is likely the case with Columbus, it is possible that law enforcement agencies across the state may have to hire additional personnel to manage this information, depending on the number of reports received under the revised reporting requirements under the bill.