

# INITIAL STATEMENT OF REASONS

## Section 987.1 “Fees”

Penal Code (PC) section 12071 requires the Department to maintain a Centralized List of Firearms Dealers (“Centralized List”) and authorizes the Department to conduct dealership inspections to confirm compliance with California firearms laws. Penal Code Section 12071 (f) authorizes the Department to assess annual dealer fees to cover the cost of maintaining the Centralized List, including dealer inspections.

In 1999, the Department adopted regulations (Sections 986 through 989, of Title 11, California Code of Regulations (“CCR”) as required to implement the Centralized List program, including Section 987.1 which established the annual dealer fees as \$85 (\$20 Centralized list fee and \$65 inspection fee). Senate Bill 294 (signed into law by the Governor on 8/6/01) raised the maximum fee limit to \$115 (\$20 Centralized list fee and \$95 inspection fee).

### Specific purpose of the regulation:

The proposed amendment to CCR Section 987.1 would increase California firearms dealer annual inspection fees from \$65 to \$95. The current statutory exemption from the inspection fee for dealerships that are located in a jurisdiction with a local firearms dealer compliance inspection program would remain unchanged. The fee increase will enable the Department to increase the frequency rate of dealer inspections to an average of approximately once every 1.75 years.

### Technical, theoretical, and/or empirical study, reports, or documents.

The primary empirical source relied upon by the Department was the present operational costs of the Centralized List Program. These costs are detailed in the Economic And Fiscal Impact Statement (STD 399) included in the rulemaking record of this regulatory action.

### Reasonable alternatives to the proposed amendment and the Department’s reasons for rejecting those alternatives.

Alternative fee amounts considered by the Department were rejected because they would not generate sufficient revenue to cover the costs required to enable the Department to conduct firearms dealer inspections at a frequency rate sufficient to protect public and peace officer safety by ensuring dealer compliance with current firearm laws.

Reasonable alternatives to the proposed regulatory action that would lessen any adverse impact on small business

The Department finds that no alternatives it has considered would be as effective and less burdensome to affected small businesses than the proposed regulation. As stated above, lower fees would not enable the conduct dealer inspection fees at a sufficient rate of frequency. Because the statute mandates that the Department's costs be offset through dealer fees, the fiscal impact is unavoidable.

Evidence supporting finding of no significant adverse economic impact on any business

While acknowledging the \$30 per year fee increase will affect California firearm dealers, the Department does not consider the impact significant. Despite any tangible evidence, the Department believes it reasonable to conclude a \$30 per year increase is not a significant amount particularly in comparison to the total operating costs typically incurred by retail businesses.