



State of Connecticut
DIVISION OF CRIMINAL JUSTICE

Testimony of the Division of Criminal Justice

In Support of:

H.B. No. 5472 (RAISED) An Act Concerning Pawnbrokers, Precious Metal Dealers and Second Hand Dealers

Joint Committee on Judiciary
March 19, 2010

The Division of Criminal Justice supports the provisions of H.B. No. 5472, *An Act Concerning Pawnbrokers, Precious Metal Dealers and Second Hand Dealers*. The bill brings a comprehensive approach to a continuing problem vexing retail merchants and victims of residential and commercial burglaries in Connecticut by closing a wide gap in current law while exempting from regulation legitimate businesses. We would recommend a Joint Favorable Substitute Report combining the provisions of this bill with those of H.B. No. 5342, which has been favorably reported by the Joint Committee on Public Safety and Security.

Although the vast majority of persons engaged in the business of pawnbroker, precious metals dealer, and most significantly, dealer in second hand goods are honest and fair dealing business people, a tiny minority use their businesses to operate openly as receivers of stolen goods. The source of these stolen goods is as varied as the criminal activities carried on within the state. Some items are the proceeds of residential burglaries while others are the product of a large scale larceny of retail merchandise.

While historically some pawnbrokers and precious metals dealers have sometimes functioned as fences for stolen goods, the current statutory provisions governing pawn and precious metals transactions have provided law enforcement with a limited set of tools to address these offenses. Recent investigations by state and local law enforcement agencies revealed large scale systematic larceny and fencing operations that are not within the definition of traditional right-of-redemption pawnbroker transactions and therefore not covered by existing law unless one of the participants holds a pawnbroker or precious metals license. Indeed, in many jurisdictions the vast majority of transfers of stolen goods are outright sales without a right of redemption and bear no relationship to traditional pawnbroker activities.

While these recent investigations implicated at least nine licensed pawnbrokers, some of whom even assisted in removing security devices from the stolen merchandise, not all

of those implicated were licensed pawnbrokers. In one investigation, the value of the stolen goods was approximately \$40,000. Estimates of organized retail theft in Connecticut exceed \$100 million. These investigations, as well as much ordinary police work, reveal the need to close the loophole for what the bill defines as second hand dealers who are presently not subject to regulation. These outright sales of stolen goods to non-pawnbrokers do not qualify as pawn transactions, and therefore are not subject to the record keeping inspection requirements of existing law. The recent investigations, plus the accumulated experience of police agencies across the state, reveal the need for a uniform license and regulatory scheme for the various related businesses that lend themselves to the sale or receipt of stolen goods. These facts, and simple fairness, require that persons engaged in purchasing goods from the public at large in competition with licensed pawnbrokers and precious metal dealers be subject to the same requirements as those presently subject to licensure, record keeping, and inspection.

H.B. No. 5472 addresses the concerns of law enforcement while minimizing the intrusion of regulation to lawful businesses. The most significant aspect of the bill is the inclusion of what are defined as "second-hand dealers". A second hand dealer is defined as one who is engaged in the business of purchasing personal property of any type from one who is not a wholesaler for the purpose of reselling or exchanging the property. The definition excludes antiques dealers, art dealers, coin and stamp dealers, precious metals dealers, pawnbrokers, consignment shops, special collectibles dealers, musical instrument dealers, used book dealers, dealers in motor vehicles, auctioneers, junk dealers, recycling facilities, and bona fide charitable or religious corporations. Most of the businesses excluded from coverage are covered by other laws or have historically been unconnected to systematic criminal activity and require no oversight from law enforcement. Consequently, the scope of the proposed license and regulation provisions encompasses only those transactions which circumvent the pawnbroker and precious metals licenses and their concomitant record keeping and reporting requirements and thereby lend themselves to the fencing of stolen goods.

The bill establishes a single license and fee for all three regulated activities, i.e., pawnbroker, precious metals dealer, and second hand dealer, and a single uniform reporting and record keeping requirement. This is a benefit to businesses engaged in multiple activities. It also provides an application for exemption if the business fits within the technical definition of one subject to licensure, but its actual nature or conduct does not require the supervision necessary to those that lend themselves to criminal activity. Consequently, the legitimate business operator, such as a typical retail jewelry store, would not experience any change in the conduct of his business.

This bill also modernizes the licensing process by designating a uniform Licensing Authority in the police chief where there is an organized police department or the department of public safety where there is not, thus removing a mandate on selectmen to perform an essentially law-enforcement task.

H.B. No. 5472 also provides uniform due process for licensees by establishing a right of appeal to the superior court for denial and revocations to prevent arbitrary

enforcement by local licensing authorities and establishes a time limit for processing applications.

This bill also refines and limits existing record keeping, reporting, and inspection requirements and expands them to second hand dealers. These provisions close the wide loophole exploited by those engaged in criminal activity and protect victims of crime. The bill accomplishes this by:

1. requiring disclosure of all locations that will be used to purchase, receive, store or sell property so that all merchandise can be fully accounted for and inspected and disclosure of any internet presence;
2. requiring digital photo of the seller and the identification presented by that party, complete and detailed description and digital photos of property purchased;
3. requiring retention of all property purchased for a minimum period to allow sufficient time for police to identify and recover stolen property;
4. requiring criminal background checks of employees and those with an interest in the business.

While some may be opposed to a minimum retention period, such a provision is absolutely necessary to effective law enforcement and fairness to victims of crime. Many victims of residential burglary lose jewelry or other items of sentimental or financial value and are deprived of even the barest chance of recovery because their heirlooms are quickly rushed to the melter.

This bill closes the gaps in H.B. No. 5342 which we addressed before the Joint Committee on Public Safety and Security. The Division of Criminal Justice is in favor of the general purpose of H.B. No. 5342 and appreciates the positive contributions of the Connecticut Association of Pawnbrokers in addressing the concerns of victims and law enforcement. Combining the provisions of both H.B. No. 5472 and H.B. No. 5342 will close the substantial loopholes through which most of the criminal activity sought to be addressed is conducted. The Division of Criminal Justice supports a comprehensive approach for dealing with criminal activity which results in substantial economic and personal loss to victims, while providing exemptions for legitimate businesses. We urge consolidation of H.B. No. 5472 and H.B. No. 5342 in a Joint Favorable Substitute report.

Respectfully submitted,

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