

February 15, 2011

Testimony of Glastonbury Police Chief Thomas J. Sweeney to the Public Safety Committee regarding Raised Bill No. 5795 – ***AN ACT CONCERNING THE LICENSING AND RECORD KEEPING OF PAWNBROKERS AND PRECIOUS METAL AND STONE DEALERS, THE RETENTION OF CERTAIN GOODS AND CERTAIN FEES CHARGED BY PAWNBROKERS***, and Raised Bill No. 5939 – ***AN ACT CONCERNING PRECIOUS METAL AND STONE DEALERS***

As I address Raised Bills 5795 and 5939 which are before you today concerning the licensing and record keeping of pawnbrokers and precious metal dealers I do so not only as a representative of the Connecticut Police Chief's Association but also as the Chief of one of the six police departments which were centrally involved with the 2009 wide scale investigation of illegal fencing activities being conducted through a number of Connecticut pawn shops. That investigation demonstrated that systematic fencing activities were being conducted through a segment of the pawnshops in the State. Such fencing activity facilitates the criminal activity of career thieves engaged in systematic burglaries, larcenies and organized retail theft across the State. Pawnbroking is recognized in the law as an industry particularly well situated to dispose of stolen merchandise. Accordingly, the Connecticut Police Chiefs recognize and strongly support the need for improved licensing and regulation of the pawnbroking industry and the related activities of secondhand and precious metal dealers. House Bills No. 5795 and 5939 as currently worded do not, however, even begin to approach the scope of legislative revisions needed.

What is required is a comprehensive revision of the related statutes which at a minimum;

1. Clarifies and fixes responsibility for licensing and oversight of the activities of pawnbrokers and precious metal dealers;
2. Establishes a comprehensive and effective system for documenting, tracking and reporting merchandise going into the State's pawnshops; and
3. Establishes a parallel system to regulate the trafficking of stolen merchandise through second-hand dealers who are not engaged in the business of pawning merchandise.

I recognize that legitimate pawnbrokers provide an important service to those individuals who don't have ready access to other means of credit or short term financial support. I also appreciate the fact that the Connecticut Association of Pawnbrokers has recognized the need for improved legislation to clean up the criminal activity by some pawn businesses which have given a bad image to their profession. Our 2009 investigation tested eleven pawnbroking businesses. Nine of those establishments proceeded to purchase new in box tools which were clearly and unequivocally represented as stolen. In violation of existing statutes several of the businesses paid cash for the merchandise received. Some of the merchandise sold in this operation was subsequently listed and sold within hours on an internet auction site.

The scope and continuing nature of the problems presented by the systematic trafficking in stolen and potentially stolen merchandise through pawnshops and second hand dealers is demonstrated in the facts that:

Our background research for the 2009 investigation clearly identified career criminals who were regularly selling a high volume new in box merchandise to certain pawnshops. One such individual with seventy-two prior convictions over his twenty-two year criminal career collected \$12,703 in one month selling approximately \$40,000 worth of new stolen tools to two Waterbury pawnshops.

- In connection with the 2009 investigation we identified other non-pawnbroker businesses which were regularly purchasing and reselling new in box retail merchandise. Because they did not do any pawning or pledging, the purchasing activity of those second hand dealers was not subject to any of the licensing, reporting, or regulatory provisions governing pawnshops.
- In 2010, two of the businesses caught in the 2009 pawnshop investigation were again subject of arrests for trafficking in stolen merchandise. The scope and systematic nature of their trafficking activity resulted in charges being brought under the States' racketeering statutes.
- Last month of this year five police agencies in the Capitol Region conducted the first compliance checks of precious metal dealers in their communities. Of the twenty-eight businesses tested six purchased the presented precious metals without demanding positive identification and/or paid cash for the items purchased in direct violation of the existing statutes.

The above noted violations portray a wide open form of business operation in pawnshops and to a lesser degree with precious metal dealers that provide enormous potential for trafficking

stolen merchandise and weak or non-existent regulations to effectively constrain or detect that illegal activity. Last year near the close of the legislative session, a comprehensive proposal was developed to address the spectrum of problems law enforcement was facing in connection with these secondary sales of potentially stolen property. That proposal was the product of discussions between representatives of law enforcement, the pawnbroking industry and the precious metal dealers. With the assistance of Representatives Dargen and Nafis that proposal was prepared as a potential amendment to last year's HB 5342. Unfortunately, that revised legislation died as an uncalled amendment (LCO #5328) when budget issues which consumed the last days of last year's session.

Given the extensive work done last year to arrive at proposed legislation which balances the interests of the affected groups I would urge the Public Safety Committee to bring last year's uncalled amendment forward as substitute wording under HB 5795. That wording provides:

1. Clearly fixed responsibility for licensing and regulation of pawnbrokers, second hand dealers and precious metal dealers,
2. Requires full disclosure on all principals in a pawnbroking and second hand business,
3. Requires electronic reporting to police of all items received by pawnbrokers and second hand dealers,
4. Establishes digital photo records of the seller and merchandise received by pawnbrokers and second hand dealers,

5. Requires a minimum retention period of merchandise received by pawnbrokers and second hand dealers and full disclosure of all locations used to receive and store such merchandise,
6. Requires disclosure of all internet addresses used by pawnbrokers and second hand dealers to dispose of merchandise via the Internet.

I urge the Committee's favorable action on legislation to improve the regulation of pawnbrokers, second hand dealers and precious metal dealers. While I would hope that the Committee would pick up where last year's efforts left off, I and the Connecticut Police Chief's Association are prepared to assist the Legislature in any way possible to move forward these necessary changes.