

**STATE OF CALIFORNIA**  
**Budget Change Proposal - Cover Sheet**  
 DF-46 (REV 10/20)

<b>Fiscal Year</b> 2023-24	<b>Business Unit</b> 0820	<b>Department</b> Department of Justice	<b>Priority No.</b> Click or tap here to enter text.
<b>Budget Request Name</b> 0820-136-BCP-2023-A1		<b>Program</b> Division of Law Enforcement, California Justice Information Services Division	<b>Subprogram</b> Bureau of Firearms, Hawkins Data Center

**Budget Request Description**  
 Ammunition Authorization Program Fee Increase

**Budget Request Summary**  
 The Department of Justice, Division of Law Enforcement and the California Justice Information Services Division requests a General Fund loan in the amount of \$4,300,000 in 2023-24 and 2024-25, as well as trailer bill language to authorize the Department to set the Ammunition Authorization Program fee via the regulatory process.

<b>Requires Legislation</b> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<b>Code Section(s) to be Added/Amended/Repealed</b> Penal Code section 30370, 30470	
<b>Does this BCP contain information technology (IT) components?</b> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If yes, departmental Chief Information Officer must sign.	<b>Department CIO</b> Click or tap here to enter text.	<b>Date</b> Click or tap to enter a date.

**For IT requests, specify the project number, the most recent project approval document (FSR, SPR, S1BA, S2AA, S3SD, S4PRA), and the approval date.**

**Project No.** Click or tap here to enter text.    **Project Approval Document:** Click or tap here to enter text.

**Approval Date:** Click or tap to enter a date.

**If proposal affects another department, does other department concur with proposal?**  Yes     No  
 Attach comments of affected department, signed and dated by the department director or designee.

<b>Prepared By</b> Mai Lia Chang	<b>Date</b> 4/1/2023	<b>Reviewed By</b> John Marsh	<b>Date</b> 4/1/2023
<b>Department Director</b> Chris Ryan	<b>Date</b> 4/1/2023	<b>Agency Secretary</b> Click or tap here to enter text.	<b>Date</b> Click or tap to enter a date.

**Department of Finance Use Only**

**Additional Review:**  Capital Outlay     ITCU     FSCU     OSAE     Dept. of Technology

<b>PPBA</b> Mark Jimenez	<b>Date submitted to the Legislature</b> 4/1/2023
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## A. Budget Request Summary

The Department of Justice (DOJ), Division of Law Enforcement (DLE), Bureau of Firearms (BOF) and the California Justice Information Services (CJIS) Division, Hawkins Data Center (HDC), requests a General Fund loan in the amount of \$4,300,000 in 2023-24 and 2024-25, as well as trailer bill language to authorize the Department to adjust fees associated with the Ammunition Authorization Program via the regulatory process.

The current and projected annual revenues to the Ammunition Safety and Enforcement Special Fund are insufficient to cover the program's ongoing costs and allow for the repayment of the initial \$25 million General Fund loan which supported the program's implementation. As such, the DOJ requests trailer bill language to authorize the DOJ to adjust the fees to ensure the fund can remain solvent on an ongoing basis.

## B. Background/History

Proposition 63 – The Safety for All Act of 2016 (as amended by Chapter 55, Statutes of 2016 (SB 1235)) was approved by voters on November 8, 2016. It requires the DOJ to regulate the sale and transfer of ammunition. In summary, the implemented laws require the DOJ to license ammunition vendors and maintain a corresponding registry; process Certificate of Eligibility applications for ammunition and firearm vendor employees or agents; conduct ammunition eligibility checks and electronically approve the purchase or transfer of ammunition within California; and establish the Ammunition Purchase Records File (APRF) which records ammunition purchases conducted by non-exempt individuals.

Proposition 63 (California Penal Code section 30371) appropriated \$25 million from the General Fund as a loan in Fiscal Year 2016-17 for the start-up costs of implementing, operating, and enforcing the provisions of the Ammunition Authorization Program provided for in California Penal Code sections 30352 and 30370. The funds were used to support the necessary resources to process ammunition transactions and enhance, develop, and implement system changes allowing the DOJ to meet the legislative requirements as outlined above.

On July 1, 2019, DOJ implemented the Ammunition Authorization Program. However, the revenue levels will not sustain program costs long term, or allow for the repayment of the General Fund loan. The DOJ will begin loan repayment once revenues are sufficient to support the program and the repayment of the loan.

### Resource History (Dollars in thousands)

Program Budget	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Authorized Expenditures	1,595	12,687	11,094	7,181	3,984	3,984
Actual Expenditures	1,219	7,723	8,680	2,579	2,832	3,772
Revenues	25,000*	352	391	1,861	2,362	1,648
Authorized Positions	0	24	65	73	27	27
Filled Positions	0	19	32	39	20	23
Vacancies	0	5	33	34	7	4

\*General Fund loan

## Analysis of Problem

### C. State Level Consideration

Proposition 63 requires the DOJ to regulate the sale, purchase and transfer of ammunition. Under the law, ammunition must be purchased from or transferred by a California Ammunition Vendor (CAV), in a face-to-face transaction. Furthermore, the law requires CAVs to submit eligibility checks for prospective purchasers to the DOJ, and obtain approval from the DOJ prior to selling or transferring ammunition. Thereafter, CAVs are required to submit ammunition purchase details to the DOJ. Eligibility checks ensure purchasers are not prohibited from owning or possessing ammunition due to a felony and/or violent misdemeanor conviction/warrant, domestic violence restraining order, or mental health issue.

The proposed trailer bill language, which authorizes the DOJ to adjust the fees associated with the Ammunition Authorization Program via the regulatory process, will ensure the DOJ's ability to continue the successful operation of this program and ensure the repayment of the initial \$25 million General Fund start-up loan and subsequent General Fund loans issued in 2023-24 and 2024-25 for \$4,300,000 each year.

### D. Justification

The DOJ is required to regulate the sale, purchase, and transfer of ammunition. This request addresses the need for trailer bill language authorizing the increase of ammunition eligibility check fees to support the continued operation, enforcement, and general fund loan repayment provided for the implementation of the program. Positions supporting this program conduct: CAV application processing, Certificate of Eligibility application processing, compliance inspections on CAVs, ammunition purchase eligibility checks (three types: (1) Certificate of Eligibility Check, (2) Standard Ammunition Eligibility Check, and (3) Basic Ammunition Eligibility Check), and general analytical and information technology support. CAV compliance inspections ensure vendors are processing ammunition sales and transfers in accordance with laws and associated regulations, and meet all necessary security and licensing requirements.

In 2016-17, the Ammunition Safety and Enforcement Fund was provided a \$25 million General Fund loan to support the program's initial costs. Funding from this loan is projected to be depleted by 2023-24. Ongoing revenue from the program is currently projected to be \$1.5 million annually, while ongoing DOJ costs are projected to be \$5.1 million plus a projected pro-rata of \$111,000, resulting in an accumulating annual deficit beginning 2023-24 and every year thereafter. The lack of sufficient revenue also prevents the fund from maintaining a reserve balance, which would allow for economic uncertainties and repayment of the loans. As such, the DOJ requests approval of trailer bill language to adjust the ammunition eligibility check fees to the level necessary to sustain the current program, and establish a loan repayment schedule. If the trailer bill language is not approved, the DOJ will be unable to increase the fees required to fund the program and support the primary objective of Proposition 63. In addition, redirecting workload to existing staff is not an option due to other legislative mandates. Finally, other fund sources such as the Dealer Record of Sale Fund, the Safety and Enforcement Special fund, or the Firearms Safety Account fund will be negatively impacted if we must move existing ammunition funded positions into those associated cost codes.

Current transaction levels, and subsequent revenues, are insufficient to support the DOJ's ongoing resource needs as mandated by Proposition 63. To adequately staff and administer this mandated program, a General Fund loan is required to maintain a sufficient level of funding to support personnel and operating expenses, as well as give the DOJ sufficient time to develop and implement a fee increase through the regulatory process. Such a fee increase will support a 10-year repayment schedule to reimburse the General Fund for the loan incurred during the program's inception in 2016, the additional \$8,600,000 General Fund

## Analysis of Problem

loan (\$4,300,000 in 2023-24 and \$4,300,000 in 2024-25), to retain a six month reserve of \$2,709,000, and to support the fund's pro-rata expenses.

CJIS requires \$2,960,000 ongoing to fund 14.0 positions, which are integral to keeping the DOJ's information technology related to ammunition functionality maintained, and to perform quality assurance testing with each code release to ensure functionality is not impacted. Although there is an Ammo Processor specific to ammunition transactions, ammunition functionality is woven into the code of many other firearms applications, which also needs to be maintained and tested. The \$2,960,000 ongoing costs include 1.0 Program Technician III, 9.0 Information Technology Specialist (ITS) I, 2.0 ITS II, 1.0 Information Technology Manager I, and 1.0 Information Technology Supervisor II.

The DLE requires \$2,347,000 in 2023-24 and ongoing to support 18.0 positions to conduct CAV inspections, process CAV and Certificate of Eligibility applications, ammunition purchase eligibility checks, and information technology support. The \$2,347,000 ongoing costs include 1.0 AGPA, 5.0 Crime Analyst I, 8.0 Crime Analyst II, 3.0 Field Representatives, 1.0 Program Technician, and fees related to credit card processing of transactions.

The requested General Fund loan of \$4,300,000 in fiscal year 2023-24 and \$4,300,000 in fiscal year 2024-25 will allow the DOJ sufficient time to increase the fee through the regulatory process and accumulate the revenue necessary to fund program mandates.

Types of Background Checks	Cost per Transaction	Estimated Annual Transactions	Estimated Annual Revenue
COE	\$ 1.00	3,479	\$ 3,479.00
SAEC	\$ 1.00	1,278,616	\$1,278,616.00
BAEC	\$ 19.00	8,187	\$ 155,553.00
AVLs	\$198.00	173	\$ 34,254.00
<b>Total Revenue</b>			<b>\$1,471,902.00</b>

Fiscal Year	2023-24	2024-25
Beginning Balance	\$ 497,471.24	\$ 851,373.14
Total Revenue	\$1,471,902.00	\$1,471,902.00
<b>Total Resources</b>	<b>\$1,969,373.24</b>	<b>\$2,323,275.14</b>
CJIS Ongoing Costs	\$2,960,000.00	\$2,960,000.00
DLE Ongoing Costs	\$2,347,000.00	\$2,347,000.00
Pro Rata	\$ 111,000.00	\$ 111,000.00
<b>Total Ongoing Cost</b>	<b>\$5,418,000.00</b>	<b>\$5,418,000.00</b>
Balance	(\$3,448,626.76)	(\$3,094,724.86)
General Fund Backfill	\$4,300,000.00	\$4,300,000.00
<b>Ending Balance</b>	<b>\$ 851,373.24</b>	<b>\$1,205,275.14</b>

## Analysis of Problem

### E. Outcomes and Accountability

The ability to adjust fees will support the primary objective of Proposition 63 – The Safety for All Act of 2016, which is to prevent prohibited persons from acquiring ammunition in an effort to prevent gun violence and maintain public safety. This request will result in an increase in revenue that will be sufficient to support the ongoing costs of the program and repayment of the General Fund loans.

### F. Analysis of All Feasible Alternatives

#### Alternative 1: Approve a General Fund loan and the Requested Trailer Bill Language

Approve a General Fund loan in the amount of \$4,300,000 in fiscal years 2023-24 and 2024-25, as well as trailer bill language to authorize the Department to set the Ammunition Authorization Program fee via the regulatory process.

#### Alternative 2: Deny this Request

If this request is denied, the DOJ will be forced to absorb the unfunded mandated workload within existing resources. This action will compound the DOJ's already heavy workload, increase processing times, and decrease the ability for DOJ to routinely conduct compliance inspections of licensed vendors, resulting in deteriorated customer service. Denying this request may also hinder DOJ's ability to meet other legislatively mandated workloads and negatively impact the morale and health of overworked staff. Finally, this alternative would place undue burden on the State's General Fund due to the DOJ's inability to repay its outstanding General Fund loan.

### G. Implementation Plan

Upon approval of this proposal, the DOJ will be able to continue meeting the mandates of Proposition 63 – The Safety of all Act of 2016.

### H. Supplemental Information

Trailer bill language is forthcoming.

### I. Recommendation

#### Alternative 1: Approve a General Fund loan and the Requested Trailer Bill Language

Approve a General Fund loan in the amount of \$4,300,000 in fiscal years 2023-24 and 2024-25, as well as trailer bill language to authorize the Department to set the Ammunition Authorization Program fee via the regulatory process.