

CALIFORNIA LEGISLATURE

STATE CAPITOL
SACRAMENTO, CALIFORNIA
95814

March 20, 2013

Assembly Member Adam Gray, Chair
Joint Legislative Audit Committee
1020 N Street, Room 107
Sacramento, CA 95814

Dear Chairman Gray:

We respectfully request that the Joint Legislative Audit Committee approve an audit to examine the Dealers' Record of Sale (DROS) Special Account of the General Fund, established pursuant to Section 28235 of the Penal Code and administered by the Department of Justice (DOJ). Specifically, we are concerned that the DROS reserve has grown unnecessarily large over the years, which suggests that the fee charged to firearms purchasers may be excessive.

The DROS Account is a repository for fees paid by individuals who purchase or register firearms in the State of California. Generally, a DROS fee is paid by a buyer to a firearms dealer at the time of purchase. The dealer is required to remit the fee to the DOJ to cover the cost of performing a firearms eligibility (background) check on the purchaser. Since 2004, when the DROS fee was administratively increased from \$14 to \$19, the reserve in the DROS Account has steadily increased (see Attachment A). The Governor's Budget projects a reserve of \$11 million for 2012-13 and \$12.7 million for 2013-14. These projections do not account for the recent spike in gun sales that the DOJ projects will result in increased DROS revenues of \$7.2 million in 2012-13 and \$9.9 million in 2013-14.

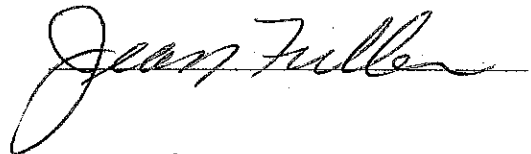
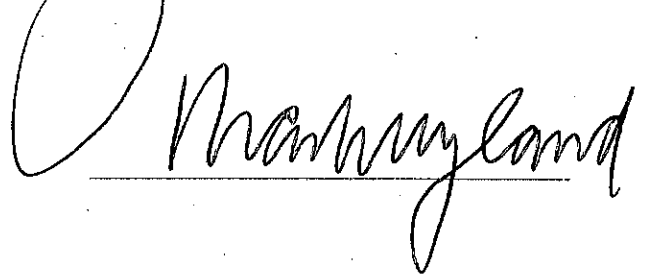
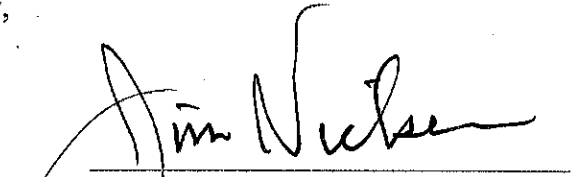
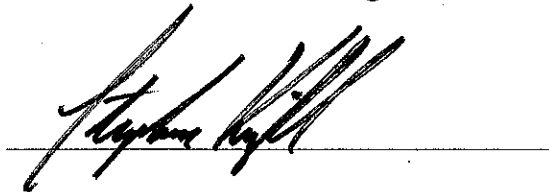
In 2009, then Assembly Member Jim Nielsen wrote a letter to then Attorney General Jerry Brown expressing concern about the surplus in the DROS Account. In his response, Attorney General Brown indicated that the DOJ budgets to maintain a six-month operating reserve in the DROS Account. As reflected in Attachment A, the DROS reserve has exceeded half-year expenditures every year since 2006-07. In fact, had the DROS not loaned \$11.5 million to the General Fund, the 2011-12 reserve would have been more than double annual expenditures.

Given recent state special fund scandals, it is incumbent upon the Legislature to ensure that special funds like the DROS Account are being managed appropriately. We believe the foregoing is cause for concern and that an audit is necessary to ensure that Californians who purchase firearms are not being overcharged for the state's administrative activities related to those purchases. At a minimum, the audit should examine the following:

- Why has the DROS reserve grown to the size it has since the last fee increase in 2004?
- Is the current DROS fee of \$19 more than is necessary to cover the actual costs of DOJ activities related to the sale, purchase, possession, loan, or transfer of firearms, as authorized in statute?
- Should the DROS fee be reduced? If so, what level is adequate to cover DOJ costs?
- Are DROS funds being used for activities not directly related to the purpose of the fee?

Thank you for your consideration. Should you have any questions do not hesitate to contact Doug Yoakam with the Senate Republican Policy Office at (916) 651-1501.

Sincerely,



Assembly Members:

Annie Conner

B. W. ...

Mr. Payne

James Grove

J. F. Gould

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R. J. G.

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Frank Byler

Wm. ...

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