To: The Honorable Philip D. Murphy
    Governor

    The Honorable Stephen M. Sweeney
    Senate President

    The Honorable Craig J. Coughlin
    Speaker of the General Assembly

Pursuant to P.L. 2016, c. 40, the Attorney General of the State of New Jersey hereby submits the Findings and Recommendations of the Secondhand Valuables Transaction Reporting Task Force.

On August 31, 2016, P.L. 2016, c. 40 established the Secondhand Valuables Transactions Reporting Task Force. The law directed the task force to study and make recommendations on a system to track secondhand, used jewelry and precious metals acquired through theft and other deceptive practices.

Attorney General

Gurbir S. Grewal

Attachment
c: Secondhand Valuables Transaction Reporting Task Force
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The Office of the Attorney General and Secondhand Valuables Transaction Reporting Task Force thanks the Division of Criminal Justice staff, Senior Management Assistant Holly Lees, Deputy Attorney General Sarah Luciano, and Deputy Attorney General Valerie Butler, whose efforts were essential in the production of this report.
Introduction

On August 31, 2016, P.L. 2016, c. 40 established the Secondhand Valuables Transaction Reporting Task Force (Task Force). The law directed the Task Force to study and make recommendations on a system to track secondhand, used jewelry and precious metals acquired through theft and other deceptive practices. The Task Force’s threshold objective was to recommend whether a uniform electronic State or county-wide program or system would improve reporting, tracking, and enforcement of law concerning secondhand and used jewelry, watches, and precious metal transactions with consideration given to the benefits and drawbacks for buyers, sellers, business owners and law enforcement. The Task Force was also tasked to make a recommendation with regard to implementation of a state-wide program or system for all retailers involved in buying or selling secondhand jewelry, watches, or precious metals, including pawnbrokers and auctioneers.

The Task Force consisted of 11 appointed members including, the Attorney General or a designee, who shall serve ex officio; the Superintendent of the New Jersey State Police, or a designee, who shall serve ex officio; three county prosecutors, who shall each represent a county in the northern, central, and southern regions of the State, as recommended by the County Prosecutors’ Association of New Jersey; three municipal law enforcement officers, who shall each represent a municipality in the northern, central, and southern regions of the State, appointed by the Governor upon the recommendation of the New Jersey State Association of Chiefs of Police; and three public members, one who shall be a jewelry retailer, wholesaler, or smelter in the business of purchasing used or secondhand jewelry; one who shall be a person in the business of buying precious metals, registered pursuant to section 2 of P.L.1981, c.96 (C.51:6A-2); and one who shall be a licensed pawnbroker.

On October 19, 2017, former Governor Chris Christie appointed the following individuals in accordance with the law:

- Attorney General Designee - Deputy Attorney General Analisa Sama Holmes, Chief, Prosecutors Supervision & Training Bureau, Chair ex officio;
- New Jersey State Police Superintendent Designee – Lieutenant Colonel Fritz G. Fragé, Vice Chair ex officio;
- New Jersey State Police Superintendent Designee - Lieutenant Mark Finnegan;
- Northern County Prosecutor - Prosecutor Michael H. Robertson, Somerset County Prosecutor’s Office;
- Central County Prosecutor - Prosecutor Andrew C. Carey, Middlesex County Prosecutor’s Office;
- Southern County Prosecutor - Prosecutor Scott Coffina, Burlington County Prosecutor’s Office;
Northern Municipal Law Enforcement Officer - Chief Jeremy Abrams, Montvale Police Department;
Central Municipal Law Enforcement Officer - Chief Glen Miller, Ocean County Prosecutor’s Office;
Southern Municipal Law Enforcement Officer - Chief Raymond Davis, Egg Harbor Township Police Department;
Jewelry Retailer, Wholesaler, or Smelter - John A. Catalano, Country Store Jewelers;
Business of Buying Precious Metals - Randy Block, RAAB Coins, Inc.; and

The Task Force organized and met on November 14, 2017, January 9, 2018, February 13, 2018, March 13, 2018, May 14, 2018, December 4, 2018, December 10, 2018, and December 17, 2018. During the Task Force meetings, speakers were invited to make presentations sharing their expertise in the areas of loss prevention, electronic reporting, insurance regulations, and business issues related to secondhand valuables dealers. Presentations were made by:

- Maryland State Police - Legislative Liaison Thomas Williams, Captain Ronald Fisher; First Sergeant Douglas Reiner, Maureen Walter
- Business Watch International – Regional Automated Property Information Database (RAPID): President Michael Jacobs, Chief Executive Officer Dion McArthur
- Leads on Line – Account Executive Nicole Blood, Officer Lloyd McNally, South Plainfield Police Department
- New Jersey State Weighs & Measures – Enforcement Supervisor John McGuire
- Toms River Police Department – Captain Michael Belcher and Detective Mark Bajada
- New Jersey Retail Merchants Association – President John R. Holub
- Staples - Loss Prevention Manager Mark Morro
- Wawa - Loss Prevention Manager Lou Mola
- New Jersey Pawnbroker’s Association – Scott McClain, Esq.
- New Jersey Department of Banking and Insurance – Assistant Division Director Thomas M. Hunt and Managing Examiner Stuart Graham, Office of Consumer Finance, Division of Banking

Based on the Task Force review and the presentations made, the Task Force developed the findings and recommendations contained in this Report.

Statement of Need

The current regulatory and statutory framework reflects arbitrary requirements that impose inconsistent reporting or antiquated procedures that fall short of the goals of reporting
secondhand valuables transactions, including the recovery of lost or stolen items by their rightful owner and deterring property crime.

For certain secondhand valuables merchants, statewide statutory and regulatory reporting is currently required. Secondhand dealers must comply with additional reporting requirements that vary by municipal ordinance. For example, a jewelry store owner who operates stores in several municipalities in the State may be faced with different electronic and paper reporting requirements at each location. Finally, the Department of Banking, the Division of Consumer Affairs - Office of Weights and Measures, and local police officers all review and inspect records of businesses involved in the industry. A Statewide system would create consistent reporting requirements across municipal and county lines.

A statewide system would also aid in the investigation and prosecution of theft crimes. Personal property crime and retail thefts affect everyone in New Jersey. According to the latest 2016 Uniform Crime Reports for the State of New Jersey, property thefts or larceny account for 63% of the total crime index and 74% of all nonviolent crimes. 2016 New Jersey UCR, Section Two, State Summary & Offense Analysis at 36. In 2016, an average of 278 larcenies were committed every day. 2016 New Jersey UCR, Section Two, State Summary & Offense Analysis at 10.

Critically, there is a low recovery rate for victims of retail and personal thefts. In 2016, a reported value of $44,558,753 of jewelry and precious metals were stolen while only $1,709,855 or 3.8% was recovered. 2016 New Jersey UCR, Section Two, State Summary & Offense Analysis at 15. Of the $5,745,019 stolen in clothing, only $1,287,712 or 22.4% was recovered. Id. Of the possible $77,504,338 stolen in miscellaneous goods, only $8,001,848 or 10.3% was recovered. Id.

The current statutory and regulatory paper reporting systems tracking secondhand sale transactions offer New Jersey law enforcement little support in the battle to combat property crime and return stolen property to its rightful owner. Local police officers are expected to review stacks of inconsistent paper reports to decipher compliance and look for stolen goods, contrary to the legislative intent of its original enactment. N.J.S.A. 2C:21-36 et seq.; L. 2009, c. 214, as amended, L. 2013, c. 247 (secondhand dealers of jewelry and precious metal reporting copies of transaction records to local law enforcement).

Neighboring states and cities have required pawnbrokers and secondhand dealers to report transactions to law enforcement using a uniform electronic reporting system. 24 Del. C. §2302 (Delaware), Md. Code, Bus. Reg. § 12-304 (Maryland); Phil. Code §9-603(3) (Philadelphia); 38 R.C.N.Y. §21-01 et seq. (New York City). Upon enactment and implementation of a comprehensive reporting system, Maryland noticed remarkable recoveries of stolen goods. In the absence of a uniform, statutory secondhand sales reporting system in
New Jersey, municipalities enacted different local ordinances requiring secondhand dealers to file electronic transactions into different systems.

Summary of Recommendations

Based on the Task Force’s review of the presentations made, and after thorough discussions among members, the Task Force developed the findings and recommendations contained in this Report. The Task Force recommends the following:

- A uniform reporting system for all secondhand dealers will benefit retailers by ensuring fair, efficient, and uniform reporting, and aid law enforcement in the investigation and prosecution of theft crimes.
- A statewide electronic reporting system should be adopted and its use required for select secondhand businesses.
- Adopt a statutory definition of secondhand goods to clearly establish which transactions will be subject to reporting.
- Any statewide electronic reporting system selected be Criminal Justice Information Services (CJIS) certified to ensure data is properly safeguarded and used for law enforcement purposes only pursuant to 28 C.F.R. § 20.1 et seq.
- An electronic reporting law should be implemented for secondhand dealers engaging in buy/sell transactions and pawnbrokers engaging in pawn transactions, including those dealing in precious metals and gift cards.
- Once the system is procured and implemented, state agencies should be given one year to train secondhand dealers and pawnbrokers on the selected system.
- Within two years of procurement, businesses and law enforcement agencies should be required to utilize electronic reporting on the selected system.

A statewide, uniform electronic reporting system for secondhand goods transactions gives law enforcement the ability to track sales, identify trends, and search for stolen property across multiple jurisdictions. Doing so is particularly useful in deterring organized retail theft and aiding in the investigation and prosecution of those engaged in theft crimes. The system may also assist in reducing the incentive for theft by those suffering heroin/opioid addiction and identifying those persons for criminal justice investigation and possible diversion to drug court and other rehabilitative diversionary programs.
The Current Statutory Reporting Requirements for Secondhand Dealers

The Current Legal Framework

To understand the current legal framework, there must be a clear definition of the term “pawnbroker” and a distinction between pawn transactions and buy/sell transactions. Pawnbrokers are those who engage in the lending of money in exchange for an item that is used as collateral. Secondhand dealers who buy secondhand goods from an individual with the intent to sell the items to another are distinguishable from pawnbrokers. While the two types of transactions are different, it is fairly common for businesses to engage in both types of transactions. For the purposes of this report, the term “pawnbroker” will be used to indicate a business engaged in pawn transactions, and the term “secondhand dealer” will be used to indicate a business engaged in buy/sell transactions of secondhand goods.

A pawnbroker is defined as “any person, partnership, association or corporation lending money on deposit or pledge of personal property, other than choses in action, securities, or printed evidences of indebtedness; or purchasing personal property on condition of selling it back at a stipulated price; or doing business as furniture storage warehouseman and lending money on goods, wares or merchandise pledged or deposited as collateral security.” N.J.S.A. 45:22-1. Pawnbrokers are licensed by the New Jersey Department of Banking and Insurance (“DOBI”). Applicants for a license pay a $500 application fee and are required to hold a $1,000 surety bond. N.J.A.C. 3:16-1.2. Under N.J.S.A. 45:22-34, pawnbrokers are required to track, via paper records, all pawn transactions received during the business day. The record contains a description of the item received, the amount of money loaned, and identifying information of the person who brought the item in. Records from the previous day’s transactions are required to be submitted to the municipal police department before noon the following day (except Sunday). Notably, the reporting requirement under N.J.S.A. 45:22-34 purports to also require secondhand goods dealers to report pledged activity. However, the pawnbroking law does not define secondhand dealers. Pawnbrokers must retain their documents and file an annual report with DOBI. As of January 22, 2019, there are 90 licensed pawnbroker locations in New Jersey.

Secondhand dealers are not licensed or regulated by a single government agency and there is no all-encompassing statutory or regulatory definition for secondhand dealers. Many industries can fall under the “secondhand dealer” umbrella, and each one is regulated by a different government entity. For example, the sale of secondhand jewelry is defined as anyone in the business of retailing, wholesaling, or smelting jewelry and who purchases any article of used or secondhand jewelry. N.J.S.A. 2C:21-36. Precious metals are defined as gold, silver, platinum, palladium, alloys thereof. N.J.A.C. 13:47C-1.1. Precious metals dealers are registered by municipal government and are not licensed by the State. However, the New Jersey Division
of Consumer Affairs, Office of Weights and Measures (DCA), has some oversight authority over such dealers. *N.J.S.A. 51:6A-1, et seq.* Precious metal dealers are required to report on their sales weekly and must retain records for five years. Businesses’ records must include the seller’s name, address, telephone number, copy of a state or federal issued photograph identification, photograph and physical description of the jewelry. *N.J.S.A. 2C:21-36.* Scrap metal businesses also register in the municipality where they operate. They are defined as commercial establishments which, “as one of its principal business purposes, purchases scrap metal for purposes of resale or processing.” *N.J.S.A. 45:28-1.* The New Jersey Department of Law and Public Safety, Office of the Attorney General has some oversight authority over scrap metal dealers pursuant to *N.J.S.A. 45:28-1, et seq.* The sale of secondhand auto parts is regulated in part by New Jersey Department of Law and Public Safety, Office of the Attorney General and, in part, by the New Jersey Motor Vehicle Commission.

There is no statewide statutory definition of dealers in secondhand goods. However, some local jurisdictions have established definitions and regulatory oversight for secondhand dealers. For example, the Township of Brick has defined secondhand goods as:

Used goods such as antiques, gold, silver, platinum, or other precious metals, jewelry, coins, gemstones, gift cards, any tools, telephones, typewriters, word processors, GPS devices, computers, computer hardware and software, television sets, radios, record or stereo sets, electronic devices, musical instruments, sporting goods, automotive equipment, collectibles, game cartridges, DVDs, CDs, and other electronically recorded material, firearms, cameras and camera equipment, video equipment, furniture, clothing, and other valuable articles. For the purposes of this chapter, secondhand goods shall not include goods transacted in the following manner:

A. Judicial sales or sales by executors or administrators;
B. Occasional or auction sales of household goods sold from private homes;
C. Auctions or real estate;
D. The occasional sale, purchase, or exchange of coins or stamps by a person at his permanent residence or in any municipally owned building who is engaged in the hobby of collecting coins or stamps and who does not solicit the sale, purchase, or exchange of such coins or stamps to or from the general public by billboard, sign, handbill, newspaper, magazine, radio, television, or other form of printed or electronic advertising. [BRICK, N.J. ORDINANCE, part II, ch. 345, § 2 (2014)].

Scope of Possible Law

There are a number of different industries that could be included under a secondhand valuables electronic reporting law. The main industries, and the main focus of this Task Force, are pawnbrokers, secondhand goods dealers, and precious metals dealers. Presentations made during Task Force meetings revealed that other states have expanded the reach of required
electronic reporting to include gift cards, vending machines that exchange electronics for cash, scrap metal, and motor vehicle parts. New Jersey should opt to expand its law to include secondhand dealers in the reporting of buy/sell transactions, in addition to the current reporting requirement for pawn transactions. Additionally, N.J.S.A. 2C:21-36 should be expanded to include precious metals, resulting in the regulation of these goods, along with secondhand jewelry.

In addition to the current reporting requirements prescribed by State law, electronic databases are capable of recording additional identifiers. These systems are able to capture the seller’s photo identification, photograph, and fingerprint. This enables law enforcement users to search by photograph of the seller or photograph of the item. System capabilities would also allow for the collection of fingerprints.

A statewide mandated framework for those engaged in the business of selling secondhand goods will create a unified, consistent and systematic playing field among retailers. The regulations will not be municipality-driven; rather, all secondhand dealers will be required to adhere to the same rules. This will benefit the business owners throughout the State.

Currently, various State and municipal agencies are responsible for the implementation and monitoring of laws pertaining to secondhand goods transactions. A statewide electronic reporting system necessitates the need to identify an appropriate regulatory agency to be responsible for oversight. Streamlining the regulation and monitoring of these businesses will ease the implementation and enforcement of electronic reporting. Retailers would benefit from uniform licensing and fines as well.

The current pawnbroking law already requires pawnbrokers to record certain information about the pawning customers and their pawned goods. Because pawn transactions are also regulated by banking laws and regulations, the Task Force recommends that electronic reporting of pawn transactions is consistent with existing reporting requirements under the New Jersey Pawnbroking Law, N.J.S.A. 45:22-34.

Industry-Wide Programs Reviewed

Types of Database Systems

Many of New Jersey’s municipalities have already made the switch to electronic reporting. As of September 12, 2018, 89 New Jersey Municipalities have enacted local ordinances requiring secondhand dealers to file electronic transactions into a database. Approximately 239
local, county, and state law enforcement agencies have active accounts with an electronic reporting database.¹

The benefits of a regional automated database are far-reaching.² Such a system allows investigators to search for stolen property throughout a region. Suspects are trackable by patterns like item type, description, identification, locality, etc. Investigators can identify those individuals who pawn or sell in high volume and secondhand goods dealers who continually receive large quantities of potentially stolen goods. Victims have a greater likelihood that their stolen property will be returned, even where a thief travels to different jurisdictions to sell or pawn items.

There are a few drawbacks of a statewide system. Namely, to maximize the benefit of a statewide system, the State would select a single reporting system. This would require jurisdictions with a different reporting system to switch to the one selected. This switch has the potential to create added financial burdens on jurisdictions or retailers that have already purchased a license for reporting system software. This is not a fatal drawback, simply one that requires a transition period into a statewide system.

The Secondhand Valuables Task Force met with representatives from two systems that are currently used by some municipalities in New Jersey: the Regional Automated Property Information Database (RAPID) and Leads-Online. The Task Force is not recommending the procurement of one system over the other; rather this report serves to identify each reporting service.

Regional Automated Property Information Database (RAPID)

The Regional Automated Property Information Database (RAPID) has been in existence since 2002. The RAPID system charges software fees to each secondhand dealer user, but not law enforcement agencies. RAPID is authorized to access stolen record article files through the National Crime Information Center (NCIC) system.

Leads-Online

Leads-Online operates nationwide and serves 41,000 customers. The Leads-Online system charges software fees to law enforcement agencies, but not secondhand dealers. Large corporate retailers and thousands of small businesses collaborate with Leads-Online by voluntarily sharing every transaction with law enforcement.

No matter which vendor is selected, any vendor providing an electronic reporting system should be Criminal Justice Information Services (CJIS) certified to ensure the data is properly

safeguarded and used for law enforcement purposes only pursuant to 28 C.F.R. § 20.1 et seq. Also, consideration should be given to electronic data storage, including who owns, shares and accesses the data, data security, recovery of data in case of loss and data retention.

Benefits and Drawbacks for Buyers, Sellers, and Law Enforcement

Results/Impact on Crime

Electronic reporting systems of secondhand goods transactions assist law enforcement in the investigation of theft-based property crimes. This traditionally is seen when individuals steal from family, friends, and acquaintances and then sell or pawn the items at a secondhand dealer store. However, in cases where a more elaborate scheme is at play, individuals may regularly steal from retail stores and then sell the items for cash at a secondhand dealer store. These criminal enterprises travel across municipal, county, and even state lines to sell stolen items at secondhand stores to avoid detection. Electronic reporting allows law enforcement officers to group transactions by individual, item type, and location. Electronic reporting has assisted law enforcement officers in tracking criminal activity across local municipalities, counties, and states. Using this technology, officers can track crime trends showing that sophisticated criminals will leave the municipality, county, and state to sell items to secondhand dealers. Using a paper-based system and without the benefit of statewide reporting, finding these items across jurisdictions is difficult. Utilizing electronic reporting, officers would be able to search for the specific items or persons of interest to determine whether the items had been sold to a nearby secondhand dealer store.

In addition to solving theft-based crimes and deterring illicit drug use, electronic reporting systems can be used to assist law enforcement in investigating other areas of property crime. Law enforcement agencies currently using electronic reporting systems found the system to be useful in a wide variety of investigations including fencing, money laundering, and shoplifting. Law enforcement officers also identified a correlation between drug dependent individuals and many secondhand dealer store clientele. Theft from family and friends is a common practice among drug addicts. Selling or pawning such items at a secondhand dealer or cash for gold store gives an addict cash to fund their addiction.3

The underground trade of stolen goods is one of the driving forces facilitating the heroin/opioid epidemic. A recent report released by the New Jersey State Commission of Investigation (SCI) found that drug addicts were ideal clients for some unscrupulous secondhand

dealers because they are “malleable enough to take direction and desperate enough to accept pennies on the dollar for stolen goods.” The report indicated that addicts are familiar with those secondhand dealers who are willing to accept stolen goods to increase their profits. This mutual understanding between dishonest business owners and drug dealers/users fuels organized retail theft and property crime activity. Further, the SCI found evidence that some secondhand dealers went beyond accepting goods they are brought to an arrangement where they “order” certain items that would then be stolen and brought to them. The case study described in the SCI report provided a detailed account of a secondhand dealer who “bought shoplifted merchandise on the cheap and who sometimes directed his partners to steal specific high-end items, from laptops to blenders, likely to fetch him a tidy return on eBay.” (SCI Report, page 24).

Using an electronic database of secondhand transactions, law enforcement officers can identify and locate drug dependent individuals who, in turn, can lead them directly to drug dealers. Drug dealers and others engaged in fraud schemes use drug addicts to perpetrate their fraud. The addicts use stolen credit cards to purchase merchandise or gift cards, sell the goods or gift cards to a secondhand dealer, and then give the money to the dealer in exchange for drugs.

A survey of our geographical neighbors by the New Jersey Regional Operations Intelligence Center (ROIC) revealed that both Maryland and Delaware have implemented electronic reporting for secondhand dealers. (See Attachment A). All licensed secondhand dealers and pawnbrokers in Maryland are required to report their transactions into RAPID. The unified statewide database generates leads efficiently allowing law enforcement investigators to spend more of their time following those leads than driving around the state looking for them. Specifically, since the implementation of their electronic reporting software (RAPID) in October 2009, the database has led to the arrest of 1,709 individuals, 2,364 cases closed, and recovered $18.2 million in stolen property.

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County-wide v. State System – Case Study

The Task Force was asked to consider both a state-wide and county-wide system. A review of a municipal system was conducted in *Markus v. Town of Kearny*, No. HUD-L-31-17 (NJ. Super. Ct. July 28, 2017). In an unpublished decision, the Honorable Peter F. Bariso, A.J.S.C., reviewed a proposed municipal ordinance in the Town of Kearny. The complainant argued that the New Jersey Pawnbroking Law, *N.J.S.A. 45:22-1, et seq.*, preempted the proposed ordinance. The complainant also raised the issue that the personal information required to be electronically submitted to law enforcement without a subpoena was in violation of *N.J. Const.* article I, §7 and protections against unlawful search and seizure under the U.S. Constitution. The court found that Kearny failed to provide any evidence showing a significant correlation between pawnbroker activity and criminal activity that would warrant the invasion of a pawn customer’s privacy.

While unpublished, the *Markus* case raises issues that should be considered when drafting legislation. A county-wide system covering pawnbrokers may face similar preemption issues that were highlighted in the *Markus* case. The creation of any county-wide or local ordinances should be drafted in compliance with the five-factor test established in *Overlook Terrace Mgmt. Corp. v. Rent Control Bd. of West N.Y.*, 71 N.J. 451 (1976).

Any legislation mandating either a state-wide or county-wide reporting system should be cognizant of the search and seizure issues that follow. In the *Markus* case, the court found that “pawnbrokers are a form of regulated financial institution, like banks, and customers should have the same reasonable expectation of privacy with respect to their borrowing activity and shared information.” (slip. op. at 7). The court concluded that an electronic reporting requirement did not violate constitutional protections. However, the customer information required under the ordinance has constitutional implications. The opinion suggests that demonstration of a substantial government interest, namely, a significant correlation between pawnbroker activity and criminal activity, would be sufficient to meet the ‘pervasively regulated industry’ exception to sustain future legal challenges to seek pawnbroker transaction data. Likewise, in the absence of such a correlation, electronic reporting requirements for pawnbrokers should be consistent with existing reporting requirements under the New Jersey Pawnbroking Law, *N.J.S.A. 45:22-1 et seq.*
Conclusions and Recommendations

The Task Force evaluated the current reporting requirements for certain New Jersey businesses, as well as the electronic reporting requirements for some of the surrounding states that have already implemented these programs. The Task Force also evaluated the impact these systems have on solving crimes in New Jersey and other jurisdictions.

The benefit of a statewide electronic reporting system is uncontroversial. Those jurisdictions already using electronic reporting have seen significant improvement in their ability to thoroughly investigate criminal activity. Thus, the Task Force has concluded that a state-wide system would vastly improve the tracking and recovery of stolen goods and assist in criminal investigations.

However, in order to ensure consistent application and enforcement of any requirements pertaining to this type of reporting, the Task Force recommends that the legislature consider establishing a regulatory framework for all secondhand dealers. The Task Force suggests that an appropriate state agency could provide the necessary government oversight by regulating the reporting requirements for specific businesses. The Task Force suggests that appropriate New Jersey law enforcement agencies monitor and access the electronic reports to further law enforcement investigations.

Based on the findings above, the Task Force recommends the following:

- A state-wide electronic reporting system should be selected and its use required for select secondhand businesses, including pawn transactions, auctions, precious metals, and secondhand buy/sell transactions.
- Business and law enforcement agencies should be given one year to implement the state selected system to mitigate switching from use of an existing reporting software to the State-selected program.
- Enactment of an electronic reporting law for pawnbrokers, auctioneers, second hand goods dealers and secondhand gold, precious metal, and jewelry retailers. The Task Force recommends expanding required electronic reporting to other retailers who sell valuable secondhand goods such as gift cards, personal electronic devices and cell phones. The definition of secondhand goods must be flexible to encompass the next crime trend in secondhand goods.
- Consideration should be given to imposing licensing and reporting requirements on short-term secondhand dealers such as kiosk machines and pop-up retailers of precious metal purchasers, who would be subject to electronic reporting as contemplated by this recommendation.
- Consider expanding the required reporting for secondhand dealer transactions under *N.J.S.A.* 2C:21-36 to require:
  i. Every secondhand dealer who purchases secondhand goods to record, using a unique transaction number, the name, address and telephone number of the seller(s); the time and date of the transaction; the net weight of the precious metals; fineness in terms of karats for gold, and sterling or coin for silver, in accordance with *N.J.S.A.* 51:5-1 *et seq.* and *N.J.S.A.* 51:6-1 *et seq.*, and any property containing a serial number.
  ii. Use an electronic reporting system approved by the state,
  iii. Document, through use of an electronic database software system, the information listed in subsection iv. (1) through (6). These records shall be subject to the inspection of any sworn law enforcement officer acting in the performance of his or her duties.
  iv. Enter all transactions into the electronic database by noon of the next business day, and include the following information:
     1. Name, address, date of birth, telephone number and governmental identification number of the seller/pawner;
     2. A full description of property sold or pawned by the seller/pawner, including, but not limited to, marks, numbers, dates, sizes, shapes, initials, monograms and serial numbers, face value and identifying numbers of gift cards;
     3. The price paid for the property;
     4. The name of the clerk or the dealer who accepted the transaction;
     5. A color photograph or color image of the seller’s presented governmental photo identification taken at the time of the transaction scanned into the transaction record; and
     6. A color photograph or color image of all property sold, positioned in a manner that is easily identifiable, scanned into the transaction record.

- Encourage prosecutors to seek restitution at sentencing for out of pocket losses suffered by secondhand dealers from defendants convicted of illegally selling stolen goods.
New Jersey State Police
Regional Operations Intelligence Center
A/DSG Mark Finneghan #6096

Secondhand Business Electronic Filing and Technology
Route 21 Corridor Initiative
Problem Statement

- The lack of legislative driven reporting requirements regarding secondhand transactions and the lack of technology suitable to capture these transactions has created a comfortable environment for the trade and compensation of stolen property in the State of New Jersey.
Route 21 Needs Assessment

- Clearance rate: 12.4%
- Recovery rate: 5.1%
- $777,106,854
- Total amount of jewelry and precious metals stolen
- 43,205 total burglaries in 2011 (11.4% increase)
- 2011 UCR Statewide Burglary Data:
  - Most prevalent crime problem: Burglaries
- June 2012 ROIC Personnel Conducted Outreach
  - to Police Departments along the Rt. 21 Corridor
- Learned about the Regional Automated Property
  Information Database (RAPID)
- Learned about legislation requiring "electronic reporting"

Practices: Delaware and Maryland State Police
Met with neighboring state to discuss best
- Measures to discuss crime initiative.
- Met with State Office ofWeights and
  Measures regarding secondhand business reporting.
Met with several County and Local agencies

Understanding the Problem
Limits investigative and analytical utility
Not searchable
Logs
This forces detectives to trudge through hundreds of buyer
Reporting is limited and not standardized

-Deliver via Fax, Mail, Email
-Items(s) exchanged for cash
-Name, address, phone number, and a detailed description of

having jurisdiction

deliver on a weekly basis to the police department


Current Legislation in NJ

REGIONAL OPERATIONS INTELLIGENCE CENTER
NEW JERSEY
close of each business day.

in a format acceptable to the receiving LEA, by the

by transmitting a copy of the record(s) electronically

any records maintained pursuant to this subsection

An operator of a secondhand business shall submit

"Legislation in NJ to require:

Similar to Delaware and Maryland, amended

Recommended Course of Action
Search for new sponsors who will support and draft new legislation

Sponsor: Assemblyman Angel Fuentes

motor vehicle delinquent, delivering scrap metal

pounds or $50 "and will require recording the license plate of
dealers by removing language stating that "in excess of 100
- Assembly Bill #3222: Strengthens regulations at scrap metal

Sponsor: Senator Shirley Turner

requirements as precious metal dealers

- Senate Bill #S1773: Requires scrap metal to be held to the same

Sponsor: Assemblyman John Burzichelli et al.

take digital photographic from buyers

- Assembly Bill #2940: Require certain metal and jewelry businesses

Add bill comments on the following pending legislation:

Pending Legislation
Registry stolen article files and the National Sex Offender
All transactions are cross referenced through NICC
transactions in a seamless and secure manner
transactions software that enables the uploading of
The system is able to communicate with pawn shops
transactions at the point of sale.
repository for capturing secondaryhand business
RAPID is a web based system that serves as a central
agencies using the system in Pennsylvania
Currently used by all of Delaware and Maryland, with 23

Informalation Database (RAPID)
Regional Automated Property

Regional Operations Intelligence Center
NEW JERSEY
more than $170,000 in stolen property. Already closed out 40 burglary cases and recovered
the Delaware State Police, the RAPID Program has begun using RAPID only nine weeks ago. According to

The State of Delaware requires electronic filing and

stolen property: 2,364 cases closed, and recovered $10.1 million in
database has led to the arrest of 1,709 individuals,
implementation of RAPID in October 2009, the
According to the Maryland State Police, since the

RAPID Return on Investment

REGIONAL OPERATIONS INTELLIGENCE CENTER
NEW JERSEY
CHAPTER 40

AN ACT establishing a task force to study certain jewelry transactions and reporting systems.

BE IT ENACTED by the Senate and General Assembly of the State of New Jersey:

1. a. There is established a task force to be known as the “Secondhand Valuables Transaction Reporting Task Force.” The purpose of the task force shall be to study and make recommendations on programs and systems to identify and track secondhand and used jewelry and precious metals acquired through theft and other deceptive practices in order to recover the jewelry and precious metals, return them to their rightful owners, and reduce attempts to steal and quickly sell jewelry and precious metals for liquid assets. The programs and systems to be evaluated shall include, but not be limited to, any program or system used by State, county, or municipal law enforcement before the date of enactment of P.L.2016, c.40.

The recommendations of the task force shall include a recommendation as to whether a uniform electronic State or county-wide program or system would improve reporting, tracking, and enforcement of laws concerning secondhand and used jewelry, watch, and precious metal transactions. In making this recommendation, consideration shall be given to the benefits and drawbacks for buyers, sellers, and law enforcement. The task force shall also make a recommendation with regard to implementing an industry-wide program or system in this State for all retailers involved in buying or selling secondhand jewelry, watches, or precious metals, including pawnbrokers and auctioneers.

b. The task force shall consist of 11 members, as follows:

1. the Attorney General or a designee, who shall serve ex officio;
2. the Superintendent of the New Jersey State Police, or a designee, who shall serve ex officio;
3. three county prosecutors, who shall each represent a county in the northern, central, and southern regions of the State, as recommended by the County Prosecutors’ Association of New Jersey;
4. three municipal law enforcement officers, who shall each represent a municipality in the northern, central, and southern regions of the State, appointed by the Governor upon the recommendation of the New Jersey State Association of Chiefs of Police; and
5. three public members, appointed by the Governor. One public member shall be a jewelry retailer, wholesaler, or smelter in the business of purchasing used or secondhand jewelry; one public member shall be a person in the business of buying precious metals, registered pursuant to section 2 of P.L.1981, c.96 (C.51:6A-2); and one public member shall be a licensed pawnbroker.

c. All appointments to the task force shall be made within 60 days after the effective date of this act. Recommendations by the County Prosecutors’ Association of New Jersey shall be submitted to the Attorney General, in writing, within 45 days after the effective date of this act. Recommendations by the New Jersey State Association of Chiefs of Police shall be submitted to the Governor, in writing, within 45 days after the effective date of this act. Vacancies shall be filled in the same manner as the original appointments.

d. The Attorney General shall serve as the chair and the superintendent shall serve as vice chair of the task force. The chair shall appoint a secretary who need not be a member of the task force.

e. The members of the task force shall serve without compensation but may be reimbursed, within the limits of funds made available to the task force, for necessary travel expenses incurred in the performance of their duties.
f. The chair shall call an initial meeting of the task force within 30 days of the appointment of a majority of its members and hold hearings at the times and in the places it may deem appropriate and necessary to fulfill its charge.

g. The task force shall be entitled to call to its assistance and avail itself of the services of the employees of any State, county or municipal department, board, bureau, commission, or agency as it may require and as may be available to it for its purposes. The task force may seek the advice of experts as deemed appropriate by the membership of the task force.

h. The task force shall issue a report of its findings and recommendations, which shall be submitted to the Governor and to the Legislature, pursuant to section 2 of P.L.1991, c.164 (C:52:14-19.1), no later than six months after the initial meeting of the task force, pursuant to subsection f. of this section.

2. This act shall take effect immediately and shall expire upon submission of the task force’s report to the Governor and Legislature pursuant to subsection h. of section 1 of this act.

Approved August 31, 2016.