

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 42 (Delegate McClenahan)
Economic Matters

Private Detective and Security Guard Certification and Agency Licensing

This bill reduces the application and renewal fees for licensing a private detective agency and provides that an individual or a firm must obtain a security guard agency license from the Secretary of State Police before conducting a business that provides security guard services. In addition, the bill provides that anyone who performs security guard services must be certified by the Secretary of State Police.

The bill includes provisions related to the qualification, terms, licensing and renewal of security guard agencies and security guards and provides that a person who is already licensed or certified before October 1, 1996, is not required to obtain a new license or certification until the next renewal date.

Fiscal Summary

State Effect: General fund revenues could decrease by \$71,100 in FY 1997. Future year revenue decreases reflect turnover and industry growth. General fund expenditures could increase by \$12,900, including \$10,350 for one-time, start-up costs.

(in dollars)	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
GF Revenues	(\$71,100)	(\$107,500)	(\$115,600)	(\$124,100)	(\$133,500)
GF Expenditures	12,900	2,700	3,000	3,200	3,400
Net Effect	\$84,000	\$110,200	\$118,600	\$127,300	\$136,900

Note: () - decrease; GF - general funds; FF - federal funds; SF - special funds

Local Effect: None.

Fiscal Analysis

Background: Under current law, a firm must obtain a private detective agency license before providing security guard services.

State Revenues: The bill reduces the initial license fee for a firm operating as a private detective agency from \$750 to \$375 and reduces the renewal license fee from \$400 to \$200. In addition, the bill establishes an initial license fee for a firm operating as a security guard agency at \$375 and a renewal fee at \$200. The bill maintains the \$15 certification fee for certifying individual security guards.

The bill also adjusts the licensing fees for individuals conducting a private detective business and establishes licensing fees for individuals conducting a security guard business. However, to date every license issued by the Maryland State Police has been issued to a firm, rather than to an individual. Therefore, the Department of Fiscal Services (DFS) does not anticipate that this provision would have any fiscal impact.

There are currently 440 private detective agencies licensed with the Maryland State Police. It is estimated that 20% of these agencies will elect to license as security guard agencies in fiscal 1997 and will not renew their private detective licenses. In addition, another 20% will elect to license as both a security guard agency and as a private detective agency. Based on the number of new private detective agencies licensed in 1995, DFS estimates industry turnover at 7.5% and industry growth at 7.5%.

Using these assumptions, DFS compared revenue projections based on the current law with revenue projections based on House Bill 42.

Revenue Projections based on Current Law

Current Law:	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
Prv. Det. Renewal Fees	\$162,800	\$175,200	\$188,400	\$202,400	\$217,600
Prv. Det. Initial Fees	\$49,500	\$53,250	\$57,000	\$61,500	\$66,000
Total	\$212,300	\$228,450	\$245,400	\$263,900	\$283,600

Revenue Projections based on House Bill 42

House Bill 42	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
Prv. Det. Renewal Fees	\$53,800	\$57,800	\$62,200	\$66,800	\$71,800
Prv. Det. Initial Fees	\$16,500	\$17,625	\$18,750	\$20,250	\$21,750
Secr. Acy. Renewal Fees	N/A	\$35,000	\$37,600	\$40,400	\$43,400
Secr. Acy. Initial Fees	\$70,875	\$10,500	\$11,250	\$12,375	\$13,125
Total	\$141,175	\$120,925	\$129,800	\$139,825	\$150,075

Impact on Revenues

House Bill 42	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
Impact on Revenues	(\$71,125)	(\$107,625)	(\$115,600)	(\$124,075)	(\$133,525)

State Expenditures: The Department of State Police advises it will need \$10,350 in fiscal 1997 to establish a computer system to handle the licensing and administrative duties required by this bill. This figure includes the cost of one computer, a work station, and computer programming expenses.

The department will also need to conduct investigations of complaints filed against security guards or agencies. The department advises that these investigations will be handled with overtime. DFS estimates that the cost of investigating complaints will be \$2,550 in fiscal 1997 based on the assumption that complaints will be generated at a rate of 10% of the number of licensed security guard agencies and each complaint will require five hours of an investigator's time.

Future year expenditures reflect recurring costs only adjusted to reflect 7.5% growth in the industry.

Information Source(s): Department of State Police, Department of Fiscal Services

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