

Department of Fiscal Services  
Maryland General Assembly

FISCAL NOTE  
Revised

House Bill 1137 (Delegate Boston, *et al.*)

Economic Matters

Referred to Economic & Environmental Affairs

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**Business Occupations - Security Systems Technicians - Licensing and Registration**

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This amended bill requires the Secretary of State Police to register individuals who personally provide security systems services and individuals who have access to “circumventational information.” Circumventational information is defined as information which permits the individual to alter the operation of a security system. The bill does not require an individual providing security systems services to obtain more than one license or be registered in addition to being licensed. The bill also alters the fidelity bonding requirement of security systems providers. The bill sunsets on September 30, 2004.

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**Fiscal Summary**

**State Effect:** Indeterminate increase in general fund revenues as discussed below. Expenditures would not be affected.

**Local Effect:** None.

**Small Business Effect:** Meaningful impact on security systems firms as discussed below.

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**Fiscal Analysis**

**Bill Summary:** The major provisions of the bill include:

- The bill alters the fidelity bonding requirements for security system providers. A firm or person licensed to provide security system services must maintain a fidelity bond or general liability insurance. The fidelity bond covers individuals who are licensed to provide security systems services, are registered as security systems technicians, have access to circumventational information, or are applicants for a license or registration. The bond is used to benefit any person injured on the premises of a consumer of

security systems services by an fraudulent act of a licensee, technician or other person with circumventational knowledge that is willful or malicious. If the fidelity bond or general liability insurance is canceled, the insurer must notify the Secretary immediately after the date of cancellation.

- The bill's requirements do not apply to a commercial property owner performing routine operation of a security system that protects the owner's commercial property.
- The State licensing fee for a person licensed to engage in the business of security system services in another state changes from \$15 to \$150; the renewal fee increases from \$15 to \$100. The Secretary has the authority to waive the registration requirements for providers licensed by another state within one year but requires a fee that is the higher of \$15 or the actual processing costs.
- The requirement that a person who sells security systems but does not install, maintain, or repair those systems must be registered by the Secretary and pay the associated \$15 fee is repealed.
- Any local law or ordinance that requires registration, training, bonding, or insurance for security system technicians or others with access to circumventational information is superseded. The bill does not preempt local governments from licensing or regulating security systems agencies or users.
- The Secretary must: (1) adopt regulations to set standards for registration; (2) conduct a State and national criminal background check on all applicants; (3) keep a roster of registrants; (4) issue pocket photo identification cards with expiration dates; and (5) establish training requirements for security systems technicians and individuals with circumventational information. Applicants are required to pay the costs associated with the criminal checks.
- The Secretary must notify the registrant by mail one month in advance of the expiration of the registration. The applicant may renew the registration for a two-year term if the registrant: meets all the qualifications, pays a fee that is the higher of \$15 or the actual processing costs, and provides fingerprints and pays for any background checks.

- The Secretary must issue a temporary registration to applicants that have not completed training or completed the required criminal checks. This registration expires when training or criminal checks are complete. While temporarily registered applicants must work under the supervision of a registered security systems provider.

**Background:** Under current law, security systems providers are required to be licensed or registered in order to operate in the State. A license is issued for a two-year term. The initial licensing fee is \$150. Licenses are issued for a two-year term, but must be renewed before April 1, in an even-numbered year. The renewal fee is \$100. Salespeople are exempt from licensure but are required to be registered and pay the associated \$15 fee. These registrations may be renewed biennially for a \$15 fee. According to the Department of State Police, five salespeople are currently registered and one application for licensure is pending. Compliance with current law is minimal because of perceived or real problems for security systems providers in securing the fidelity bonds currently required.

**State Effect:** The bill alters the fidelity bonding requirements for security system providers so the \$50,000 bond now covers individuals who are licensed to provide security systems services, are registered as security system technicians, have circumventational access to information, or are applicants for a license or registration. It specifies that the bond is used to benefit any person injured on the premises of a consumer of security systems services by an fraudulent act of a licensee, technician or other person with circumventational knowledge, that is willful or malicious. Altering the bond requirements is assumed to allow for full compliance with current law licensure requirements and the bill's registration requirements. While full compliance will increase general fund revenues in fiscal 1998, estimates of the number of firms and individuals providing security systems services in the State varies widely. Thus, revenue increases cannot be reliably estimated at this time. Expenditures, however, would not be affected.

For illustrative purposes, the National Burglar and Fire Alarm Association reports that approximately 350 security systems firms are currently operating in Maryland based on membership information. The bill alters the licensing term by requiring that licenses expire on April 1 in an odd-numbered year. Thus, these firms would generate an estimated \$52,500 in licensing revenue in fiscal 1999 and an estimated \$35,000 in license renewal revenue in fiscal 2001.

In addition, individuals who provide security system services and those who have access to circumventational information must be registered. The registration fee is \$15. Certificates of registration are issued for a two-year term and may be renewed. The renewal fee is \$15. It is unknown how many of these individuals are currently operating in the State so potential revenues generated by these registration fees cannot be reliably estimated.

The bill also requires that security system providers licensed in another state and seeking licensure in Maryland are now required to pay \$150 for an initial license and \$100 for the renewal license. Under current law, these businesses or individuals pay \$15 for licensure and renewal. The Department of State Police advises that there are no out-of-state firms licensed in the State at this time and that the department has no estimate as to the number that may request licensure in the future. Thus, potential revenue increases as a result of the change in out-of-state applicant fees are indeterminate.

**Small Business Effect:** Although estimates as to the number of businesses engaged in providing security systems services varies widely, the National Burglar and Fire Alarm Association estimates that there are approximately 350 security services firms in Maryland. It is also estimated that 80% of security systems firms are small businesses. The bill benefits small Maryland security systems providers in two ways. First, it alters the fidelity bonding requirements for security systems firms by narrowing the coverage of the bond, thereby enabling firms to meet the licensing requirements at a reduced cost. Second, firms or providers licensed out-of-state would be required to pay \$150 for the initial license and \$100 for a renewal license in Maryland under the bill. Under current law, these providers must pay a \$15 processing fee for licensure and renewal. This could benefit small security systems firms in the State by increasing the costs for out-of-state firms.

The bill also increases the costs of operating security systems businesses. Each member of a security systems firm is required to pay \$42 for a State and national criminal background check in order to be licensed or registered. These fees must be paid again when the licenses and registrations are renewed. Registrants would also be required to pay the higher of \$15 or actual processing costs every two years to remain registered. Actual processing costs are unknown and may or may not be higher than the \$15 charge currently levied.

Finally, the Secretary of the State Police is required to establish registration and training requirements by regulation. These regulations could have a significant impact on such small businesses, however, the impact cannot be assessed at this time.

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**Information Source(s):** Department of State Police, National Burglar and Fire Alarm Association, Department of Fiscal Services

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