

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE

Senate Bill 61 (Chairman. Economic and Environmental Affairs Committee)
(Departmental - State Police)

Economic and Environmental Affairs

Security System Technicians - Security System - Definition

This departmental bill defines “security system” under the provision of law relating to the licensure of security system technicians to include: (1) a lock, dead bolt, or other device operated by a key, combination, keycard, or pass code used for securing a door or window; (2) an electronic system intended to provide a distress call in the event of fire or unlawful entry; and (3) a closed circuit television surveillance system.

Fiscal Summary

State Effect: General fund revenues could increase by \$55,600 in FY 1999, and general fund expenditures could increase by \$48,000. Out-year projections reflect a two-year license period, growth, and attrition.

(in dollars)	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
GF Revenues	\$55,600	\$1,800	\$20,900	\$2,000	\$21,000
GF Expenditures	48,000	1,400	20,000	1,400	20,000
Net Effect	\$7,600	\$400	\$900	\$600	\$1,000

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

Local Effect: None.

Small Business Effect: The Department of Labor, Licensing, and Regulation has determined that this bill has a meaningful impact on small business (attached). Legislative Services concurs with this assessment.

Fiscal Analysis

Background: Chapter 520 of 1997 (HB 1137) requires the Secretary of State Police to register individuals who personally provide security systems services and who have access to “circumventational information.” Circumventational information is defined as information which permits the individual to alter the operation of a security system.

However, Chapter 520 does not provide a definition of “security system.” The State Police have interpreted “security system” to include electronic alarm systems, and not locks. As a result, the State Police have not enforced the licensing requirements on locksmiths.

State Revenues: This bill defines “security system” to include electronic alarm systems and locks. The State Police already enforce the requirements of Chapter 520 on alarm systems providers. Therefore, the fiscal impact of this bill is measured by the cost of extending the requirements of Chapter 520 to locksmiths.

Anyone engaged in the business of providing security system services in Maryland must obtain a license from the State Police and submit a \$150 licensing fee for the first two-year period. However, this fee includes the \$42 cost of a Criminal Justice Information System (CJIS) and Federal Bureau of Investigation (FBI) criminal background check for one firm member. Additionally, the State Police must forward \$10 to local law enforcement agencies for fingerprinting fees. Thus, the State Police only retains \$98 in licensing fees while passing through \$52. Assuming that there are 350 locksmith firms currently operating in Maryland, the licensing fees are expected to generate \$34,300 in fiscal 1999. Further, Chapter 520 requires security system firms to renew their licenses on April 1 of odd numbered years. Therefore, 350 firms will be required to obtain a license on October 1, 1998 and to renew on April 1, 1999. The cost of renewal is \$100. However, \$52 passes through the State Police to cover the cost of the FBI and CJIS criminal background checks. As a consequence, the State Police are expected to collect \$16,800 in license renewal fees in fiscal 1999.

Individuals who are employed as security systems technicians or otherwise have access to circumventational information must register with the State Police and submit a \$15 registration fee for the first two-year period. Assuming that there are 150 locksmiths subject to the registration fee, the State Police expects the registration fees to generate \$2,250 in fiscal 1999. Further, Chapter 520 requires security systems technicians with access to circumventational information to renew their registration on April 1 of odd numbered years. Therefore, 150 locksmiths will be required to register on October 1, 1998 and to renew on April 1, 1999. The renewal fee is \$15. As a consequence, the State Police is expected to collect \$2,250 in registration renewal fees in fiscal 1999.

Certain fees retained by the FBI, CJIS, and local law enforcement agencies are used to cover the costs associated with the licensing and criminal background check process, and therefore do not impact State revenues.

In total, general fund revenue is expected to increase by \$55,600 in fiscal 1999. Out-year revenue streams reflect a two-year license period, a 5% market entry rate, and a 5% attrition rate. It is assumed that the total number of locksmiths and firms will remain constant.

State Expenditures: The State Police advises that extending the licensing and registration requirements of Chapter 520 to locksmiths will require an additional \$47,767 to process the additional 350 locksmith firms and 150 employees. This cost represents overtime pay to existing uniform and civilian staff, a new computer, and various other office expenses.

It should be noted that when Chapter 520 was proposed last year, the State Police advised the Department of Legislative Services (DLS) that expenditures would not be affected. During the review process of COMAR 29.04.05.01, *et al.*, which reflects the enactment of Chapter 520, the State Police estimated that 500 security systems firms were affected by the law. At that time, the State Police informed DLS that it could implement the regulations within existing resources. Furthermore, the State Police currently advises DLS that it has only registered 45 security system firms as a result of Chapter 520. While the need for additional funds may be valid, it is inconsistent with previous reports.

In total, general fund expenditures are expected to increase by approximately \$48,000 in fiscal 1999. This reflects a two-year license period, a 5% market entry rate, and a 5% attrition rate. It is assumed that the total number of locksmiths and firms will remain constant.

Small Business Effect: By defining “security systems” to include locksmith firms, this bill will create a meaningful impact on small businesses. Under Chapter 520, small security systems firms incur an average cost of \$370 during the initial two-year period and incur an average cost of \$320 for a subsequent two-year period. Additionally, locksmiths will be required to purchase a \$50,000 fidelity bond or purchase \$50,000 in general liability insurance. The price of the bond or the insurance ranges from \$500 to \$1,000 based on the risk profile of each firm. The risk profile is based on the firm’s financial history, the number of employees, the number of years the firm has been in business, and the location of the firm’s operations.

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

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