

Department of Legislative Services
 Maryland General Assembly
 2008 Session

FISCAL AND POLICY NOTE

House Bill 1298 (Delegate King)
 Economic Matters

State Board of Security Systems Technicians and Locksmiths - Licensing

This bill establishes licensing requirements for locksmiths and establishes a State Board of Security Systems Technicians and Locksmiths in the Department of Labor, Licensing, and Regulation to safeguard life, health, and property and promote the public welfare. The bill transfers regulatory authority for licensed and registered security systems technicians from the Department of State Police to DLLR and repeals existing fingerprinting and records check requirements.

Fiscal Summary

State Effect: General fund expenditures could increase by \$369,100 in FY 2009 to hire board staff, develop credentialing materials, purchase equipment, and make programming changes. General fund revenues would increase as early as FY 2009 to reflect licensing and registration fees. Potential minimal general fund revenues and expenditures could result from the bill’s penalty provisions. Future years reflect annualization, inflation, and biennial licensing and registration cycles.

(in dollars)	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
GF Revenue	-	-	-	-	-
GF Expenditure	369,100	284,700	296,500	308,800	331,800
Net Effect	-	-	-	-	-

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

Local Effect: Potential minimal increase in revenues and expenditures due to the bill’s penalty provisions.

Small Business Effect: Potential meaningful for providers of security system and locksmith services.

Analysis

Bill Summary: The State Board of Security Systems Technicians and Locksmiths is an 11-member board appointed by the Secretary of Labor, Licensing, and Regulation consisting of 4 licensed security system technicians, 4 licensed locksmiths, and 3 consumer members. Licensed locksmith members must meet experience requirements. Board members must be appointed in a manner that provides adequate geographic representation, to the extent possible. Members serve up to two three-year staggered terms and may be removed by the Governor for incompetence or misconduct.

The board is authorized to adopt regulations and sue to enforce any provision of the Maryland Security Systems Technicians and Locksmiths Act. The board must maintain a list of all individuals licensed or registered and submit an annual report to the Secretary. The board's powers and duties include establishing qualifications for licensure, examination of each applicant, licensure of qualified applicants, investigation and disposition of complaints, promoting standards for licensure, and enforcing ethical standards. The board must also set reasonable fees that approximate board expenditures.

In general, a person is required to be licensed by the board before providing locksmith services in the State. Qualifications for licensure or registration as a security systems technician are largely unchanged; however, fingerprinting and background check requirements are repealed and the term of a license or registration is shortened from three years to two years. Temporary licensing of security systems technicians is also repealed and temporary registration requirements are modified.

The bill establishes that the board, rather than the Secretary of State Police, has the authority to issue credentials and regulate practitioners. Fee levels established in statute are repealed, replaced by the board's fee-setting authority.

The bill extends title protection to licensed locksmiths and establishes requirements for practitioners. Any licensed locksmith or locksmith apprentice who opens property for a client must complete a form that includes information about the client, a description of the property, the date of service, and the name and license number of the locksmith. A copy of the form must be retained by the locksmith for one year and remain open to inspection by the board within three days of a written request. A person may not possess lockpicking tools, safe opening tools, manuals, or code book unless licensed by the board.

To qualify for licensure as a locksmith, an applicant must be at least 18 years old, of good moral character, and meet any other standards established by the board. If convicted of a crime directly related to providing locksmith services, an applicant may request a hearing at his own expense in which the board is required to determine whether the applicant is fit

to provide services. An individual who has previously had a license revoked in any jurisdiction is ineligible for a license. An applicant must obtain liability insurance of \$300,000 per incident for damages that occur as a result of negligence. As of October 1, 2010 an examination is required as a condition of licensure or license renewal. The board has to waive licensure requirements for individuals who are licensed in another state and meet certain conditions.

To qualify for licensure as an apprentice locksmith, an applicant must be at least 18 years old and of good moral character. As an apprentice, an individual must work under the direct supervision of a licensed locksmith and register in an approved apprenticeship program. If convicted of a crime directly related to providing locksmith services, an applicant may request a hearing at his own expense in which the board is required to determine whether the applicant is fit to provide services. An applicant must obtain liability insurance of \$300,000 per incident for damages that occur as a result of negligence. As an apprentice, the licensee must complete 48 hours of board-approved education and clearly identify himself as an apprentice in all advertising and business transactions.

Each license or registration issued by the board is valid for two years. The board is required to issue a pocket identification card to each licensee that includes a photograph of the licensee and his full name, address, telephone number, and license expiration date.

The board is required to establish continuing education requirements as a condition of license renewal, which must include a minimum of 24 hours of board-approved education. Licensees may apply for inactive status; the bill establishes reinstatement requirements.

The board is authorized to deny a license to an applicant, reprimand any licensee, suspend or revoke a license, or fine a licensee for fraudulently using or obtaining a license, engaging in criminal activity, practicing without a license, misrepresenting oneself in board documents, negligence or gross misconduct, unfair or deceptive trade practices, failure to maintain liability insurance, and other violations under the Maryland Security Systems Technicians and Locksmiths Act. A person who is aggrieved by a decision of the board must be given an opportunity for hearing. The final decision of the board may be appealed as provided in State law. Any fines assessed may not exceed \$5,000 per violation and must be paid to the board within 10 days after final adjudication of any hearing.

A person who violates the Maryland Security Systems Technicians and Locksmiths Act is guilty of a misdemeanor and is subject to a fine of up to \$3,000 and imprisonment for up to three years.

Current Law: Locksmiths are not currently regulated under State law. The Secretary of State Police is responsible for the licensing of security systems agencies and the registration of security systems technicians who have access to circumventational information, defined as information that allows an individual to alter the operation of a security system. A person may not engage in the business of providing security systems services in the State unless licensed by the Secretary. Only those authorized to practice may use the titles “security systems agency” or “security systems technician.”

A licensee is authorized to engage in the business of providing security systems services. To qualify for a license as a technician or on behalf of a firm, an applicant must be at least 18 years old and of good moral character. An application must be accompanied by at least two written recommendations signed under oath, a set of legible fingerprints, a copy of a bond or proof of insurance, and an application fee of \$150. The Secretary may waive requirements for applicants licensed in another state with equivalent requirements after the applicant submits to a records check and pays the application fee.

A license is valid for a period of three years. A licensee may renew his credentials by paying a renewal fee of \$100, submitting a legible set of fingerprints for a criminal history records check and the required fee, and completing the renewal application. The Secretary may issue a temporary license pending the results of the records check if all documents are submitted prior to the renewal deadline.

Registration authorizes an individual to provide security systems services while employed by a licensed security systems agency. To qualify for registration, an applicant must be at least 18 years old and of good moral character. An application must be accompanied by a set of legible fingerprints and an application fee determined by the Secretary. The Secretary may waive requirements for applicants licensed or registered in another state with equivalent requirements once an applicant submits to a records check and pays all required fees.

Registration is valid for a period of three years. A registrant may renew his credentials by paying a renewal fee, submitting a legible set of fingerprints for a criminal history records check and all required fees, and completing the renewal application. The Secretary may issue a temporary registration pending the results of the records check if all documents were submitted prior to the renewal deadline.

Both licensees and registrants are issued pocket identification cards that include an expiration date and a photograph, provided by the licensee or registrant.

The Secretary is authorized to deny a license or registration to any applicant, reprimand a licensee or registrant, fine a licensee or registrant, or suspend or revoke a license or registration for fraudulent use of a license or registration, criminal activity, practicing

without a license or registration, misrepresenting oneself in board documents, and other violations under the Maryland Security Systems Technicians Act. An individual is entitled to a hearing before the Secretary before any action is taken; the final decision may be appealed as provided in State law. The board may assess fines of up to \$5,000.

A person who violates the Maryland Security Systems Technicians Act is guilty of a misdemeanor and is subject to a fine of up to \$1,000 and imprisonment for up to one year.

State Revenues: The timing and amount of board revenues would largely depend on the length of time required to establish the State Board of Security Systems Technicians and Locksmiths. The bill requires the board to assume full responsibility for all credentialing activity, including renewal of security systems licenses and registrations, as of October 1, 2008. The bill also shortens the length of time that licenses and registrations, including those previously issued by DSP, remain valid.

Given the current security system licensing and registration cycles under DSP and the shortened valid period of these credentials, the majority of agencies and individuals with these credentials would be required to renew in fiscal 2009. It is unclear that the board could be appointed with regulations fully established in sufficient time to begin issuing credentials in fiscal 2009. Other administrative requirements, including electronic licensing and photographic identification cards, would also require time to fully implement.

Once the board developed all appropriate credentialing requirements and administrative procedures, the board could begin to issue licenses and registrations. These credentials fall into four categories: licensed locksmith; licensed security system technician; licensed apprentice locksmith; and registered security systems technician. In addition to individual licensing and registration requirements, firms that provide security systems services are required to be licensed. Renewal licenses and applications would have to meet the continuing education requirements developed by the board.

While revenues could increase beginning in fiscal 2009 due to the bill's requirements, it is more likely that credentialing activity would actually begin in fiscal 2010. With so many variables unclear, a reliable estimate of revenue generation cannot be made at this time. However, *for illustrative purposes only*, all security systems licenses and registrations would require renewal due to the transition period and the conversion to a two-year cycle. DSP advises that there are currently 775 individuals and firms licensed to provide security systems services and an additional 4,822 registered technicians. An estimated 600 locksmiths would apply for licensure in fiscal 2010, with an additional 50 apprentices applying for licensure. In fiscal 2011, an additional 200 locksmiths and 50 apprentices are anticipated to apply for licensure.

The bill establishes fee-setting authority for the board; it is unknown how fees would be divided among licensees and registrants. For purposes of this illustration, it is assumed that the board continues to charge less for registration than licensure. The board could approximate estimated expenditures in the first biennial cycle if a fee of \$200 were charged for licensure as a locksmith or security systems technician and a fee of \$50 were charged for registration or licensure as an apprentice. At this rate, board revenues could total \$518,600 in fiscal 2010, with an additional \$42,500 generated in fiscal 2011. The licensing and registration activity currently undertaken by the State Police generates approximately \$150,000 in each three-year cycle. Thus, the new revenues to the State would be lower.

The penalty provisions of this bill are not expected to generate a significant amount of additional State revenues.

State Expenditures: General fund expenditures could increase by an estimated \$369,051 in fiscal 2009, which accounts for the bill’s October 1, 2008 effective date. This estimate reflects the cost of hiring one administrator, one administrative aide, one office clerk, and one half-time assistant Attorney General to provide the staff support necessary to regulate and credential locksmiths and security systems technicians. It includes salaries, fringe benefits, one-time programming and photographic equipment costs, and ongoing operating expenses. Programming costs, assumed at \$125,000 in fiscal 2009, reflect the complexities of instituting electronic licensing for the multiple categories of credentials and requirements established in this bill.

Positions	3.5
Salaries and Fringe Benefits	\$149,990
Electronic Credentialing and Database Programming	125,000
Identification Card Equipment and Processing	25,000
Other Operating Expenses	<u>69,061</u>
Total FY 2009 State Expenditures	\$369,051

Future year expenditures reflect • full salaries with 4.4% annual increases and 3% employee turnover; and • 2% annual increases in ongoing operating expenses.

Current licensing and registration have been handled by two uniformed staff personnel in the DSP Licensing Division. It is assumed that any staff currently performing this function would be redeployed within the division, pending passage of this bill.

The criminal penalty provisions of this bill are not expected to generate a significant amount of additional State expenditures.

Local Fiscal Effect: The penalty provisions of this bill are not expected to significantly affect local revenues or expenditures.

Small Business Effect: This bill could have a potentially significant impact on security systems technicians, who are not currently subject to continuing education requirements. Fees for licensure and registration could also increase due to the board's fee-setting authority. In addition, the bill could have a potentially significant impact on locksmiths, who currently practice without regulation. Licensing requirements – including insurance, examination, and continuing education requirements – could limit the number of practicing locksmiths and increase the costs for those who qualify for licensure.

Additional Comments: The bill establishes new licensing and registration requirements without providing for a transition period for transfer of functions between DSP and DLLR. This could prove problematic for continued regulation of security systems technicians, whose credentials could expire before the board is fully established. Equally problematic are licensure requirements for locksmiths, who would not be legally authorized to practice until licensed by the board. Without a grandfathering provision and adequate time to develop licensing procedures, many practicing locksmiths will be limited in their ability to provide services until board requirements are finalized. Some subset of locksmiths will not qualify under new guidelines, with significant effects on their employability.

Additional Information

Prior Introductions: A similar bill was introduced in the 2006 session as HB 667; the bill received an unfavorable report from the House Economic Matters Committee.

Cross File: None.

Information Source(s): Department of State Police; Department of Labor, Licensing, and Regulation; Department of Legislative Services

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