

Department of Legislative Services
Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1271 (Delegate Branch)
Economic Matters

Business Regulation - Security Systems - Permitting and Registration

This bill establishes a uniform basic permitting process for local governments that require permits for low-voltage security system projects. A local government that requires a permit for such a project must make a uniform basic permit developed by the Department of State Police (DSP) available to a contractor for purchase at a cost of no more than \$40, subject to specified conditions. A local government that requires a uniform basic permit must also develop a uniform notice and make it available to the contractor, subject to specified conditions. A local government may require that a security system be registered, but may not require a contractor or monitoring agency to register the system. A local government may assess a civil penalty against a contractor who does not comply with the bill's permitting or notification requirements but not for (1) failing to notify an owner or customer of the need to register a security system; (2) requesting a dispatch to an unregistered user; or (3) specified excessive false alarms.

Fiscal Summary

State Effect: DSP can develop a universal basic permit with existing budgeted resources, although the department may need to consult with various stakeholders during the process. Revenues are not affected.

Local Effect: Potential significant decrease in local revenues due to the loss of authority to issue fines against installers or monitors of security systems for false alarms of unregistered security systems. Local governments are prohibited from adopting or enforcing a local law or ordinance that is inconsistent with the bill. Local governments that issue permits for low-voltage security system projects must comply with the bill by adopting a uniform basic permit and a uniform notice. Further, they cannot require a security system company to register a security system, cannot issue fines against installers or monitors of security systems, and cannot charge more than \$40 for a permit.

Small Business Effect: Potential meaningful. Small businesses involved in the security system installation industry benefit from the uniform permit and notice process established under the bill and may benefit further if the \$40 limit on the cost of a permit reduces overall installation costs or if the prohibition against requiring a contractor to register a security system with a local government reduces administrative costs and penalties for false alarms.

Analysis

Bill Summary:

Definitions

“Low-voltage security system project” means a project related to the installation, maintenance, inspection, replacement, or service of a new or existing security alarm, electronic security system, or fire alarm, and any ancillary components or equipment connected to the security system or fire alarm that is hardwired and operates at a low voltage, as defined in the National Electric Code.

“Security system” includes a low-voltage security system project, a higher voltage, hardwired security system, and a wireless security system. “Contractor” means an individual that provides or a firm through which one or more individuals provide security system services.

“Uniform basic permit” means a single-use label that a contractor purchases from a local government to post on the premises of a low-voltage security system project while work is being performed. “Uniform notice of low-voltage security system project” means a notice submitted to a local government within 14 days after the date of completion of a low-voltage security system project.

Uniform Basic Permit

The following provisions do not apply to a higher voltage, hardwired security system or a wireless security system, and they may not be construed to alter State or local licensing requirements for security system businesses or to impose new licensing requirements. A local government may not adopt or enforce any local law or ordinance that is inconsistent with the bill’s provisions regarding the permitting of a low-voltage security system project. A local government that requires a permit for a low-voltage security system project must make uniform basic permits available to contractors for purchase and allow contractors to purchase the permits individually or in bulk for one or more unspecified current or future

projects. DSP must develop the permit and make it available to local governments. A permit is valid for one year in the local jurisdiction in which it is purchased.

A contractor must post a uniform basic permit in a conspicuous place that is visible from the exterior of the premises of a low-voltage security system project before work begins and while work is being performed.

A local government that requires a uniform basic permit for a low-voltage security system project must develop a uniform notice and make it available to a contractor at the time a contractor purchases one or more uniform basic permits. The notice must contain specified information related to the project and its location. A contractor must submit the notice to the local government within 14 days after the date the project is completed.

A local government may not require a contractor to:

- as a condition of purchasing a uniform basic permit, submit any information other than identification of the licensee and proof of registration required by State law or certification as a contractor;
- notify the local government before commencing work on a low-voltage security system project; or
- obtain a uniform basic permit for maintenance, inspection, or service of a low-voltage security system project for which the local government has received a uniform notice.

A local government may coordinate directly with an owner, a customer, a tenant, or an authorized representative of the property to provide for the inspection of the project to ensure compliance with applicable codes and standards. If the project fails an inspection, a contractor must take corrective action as necessary to pass inspection at no cost to the owner, customer, tenant, or authorized representative of the property.

For a wireless security system, a local government may not require a uniform basic permit, enforce a local law or ordinance requiring a permit, or charge a fee for a contractor to install, maintain, inspect, replace, or service the system.

Security System Registrations

A local government may require that a security system be registered, but it may not require a contractor or a security monitoring agency to register the system. Instead, the owner or customer of a property that has installed a security system must register the security system with the appropriate local government that requires registration within 30 days of the date of activating the security system. If a local government requires registration of a security system, before activating or reactivating a security system, a contractor or a security system

monitoring agency must provide notice of this requirement to an owner or a tenant, either orally or in writing.

Civil Penalties

A local government may assess or impose a civil penalty or fine against a contractor who fails to comply with the permit posting or uniform notice requirements in the bill. However, a local government may not assess or impose a civil penalty or fine on a contractor or a security system monitoring agency for (1) failing to notify an owner or a customer of a requirement to register a security system; (2) requesting dispatch to an unregistered user; or (3) excessive false alarms not attributed to error or improper installation by the contractor or security system monitoring agency.

Current Law/Background: Generally, a person may not engage, or solicit to engage, in the business of providing security systems services in the State unless the person obtains a license from DSP and meets specified requirements. Similarly, an individual may not personally provide security systems services unless the individual is registered as a security systems technician. There are limited exceptions. State law does not preempt local governments from licensing or regulating security systems agencies or security system users. Subject to the Maryland Program Evaluation Act (otherwise known as sunset review), State law related to the licensing and registration of security systems businesses and technicians terminates after July 1, 2021.

Local Fiscal Effect: Montgomery County and Baltimore City were the only local governments that responded to information requests for this fiscal and policy note. The extent to which other local governments are affected by the bill is unknown at this time, but the effects are likely similar to those discussed below.

Montgomery County licenses security system companies and registers security systems through the False Alarm Reduction Section of the Montgomery County Police Department, which administers the county's security system law. The county indicates that the bill transfers responsibility for registering individual security systems from security system companies to owners of security systems. Currently, the county requires security system companies to collect a fee from each security system user and remit the fee and a registration application to the county on the user's behalf. A full description of the county's requirements can be found on the county's [website](#). The county estimates that transferring registration responsibility requires one additional staff at an annual total cost of approximately \$71,000. The county is also concerned about the possibility of lost revenue associated with civil penalties for false alarms and an operational effect on its emergency and police personnel.

The county also advises that the \$40 permit fee limit in the bill does not cover the cost of administration and enforcement of the electrical permit issued by the county Department of Permitting Services and establishes permitting procedures that differ from procedures used for all other types of electrical permits.

Baltimore City advises that it also requires registration of security systems, which has reduced the number of false alarms from more than 20,000 in 2010 to fewer than 9,000 in 2016. Registration is free, and failure to register results in citations to both the monitoring company and the user in the case of false alarms. As the bill prohibits the city from issuing citations for false alarms to monitoring companies, it may experience a loss of revenue, but a reliable estimate cannot be determined.

Additional Information

Prior Introductions: None.

Cross File: SB 952 (Senators Young and Conway) - Finance.

Information Source(s): Montgomery County; Baltimore City; Department of State Police; Department of Legislative Services

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