

Preliminary Evaluation of the Licensing and Regulation of Security Systems Technicians

Recommendations:

Waive from full evaluation

Extend termination date by 10 years to July 1, 2031

Require preliminary evaluation by December 15, 2028

Increase licensing and registration fees

Date Established:

1994

Most Recent Prior Evaluation:

Preliminary evaluation in 2013, with an update in 2015

Waived from full evaluation and extended termination date by five years to July 1, 2021

Composition:

Staffed within the Licensing Division of the Maryland State Police

Staff:

Three (full-time administrative assistant, full-time trooper, and part-time sergeant)

Authorizing Statute:

Title 18, Business Occupations and Professions Article

Evaluation Completed by:

Heather Marchione, Department of Legislative Services, 2018

Overview of Regulatory Activity

The General Assembly started to regulate security systems services in the mid-1990s in response to the so-called “crossbow rapist” in the Washington Metropolitan area, who posed as a security systems consultant to gain information about and access to his victims. Chapter 362 of 1994 established licensing of security systems agencies and Chapter 520 of 1997 established registration of security systems technicians. **Appendix 1** summarizes significant legislation related to the licensing and regulation of security system technicians since the last preliminary evaluation.

More specifically, the Maryland State Police (MSP) administers the licensing and regulation of security systems agencies and technicians within its Licensing Division, which also handles the registration of firearms, among other responsibilities. In order to perform security systems services, an individual registered as a security systems technician must work for a licensed security systems agency. Each applicant for a license or a registration must undergo a criminal history records check, be age 18 or older, and be of good moral character. An applicant for an agency license must also carry a fidelity bond or maintain general liability insurance for at least \$50,000.

The Secretary of State Police has the ability to deny, suspend, or revoke a license or registration or reprimand or fine a licensee or registrant if an individual fraudulently obtains or uses a license; pleads guilty or is convicted of a felony; or engages in or advertises as providing security systems services while not licensed.

Licensing Application and Renewal Fees

Statute establishes an initial licensing fee of \$100 *plus* the cost of the Maryland and national criminal history records check and fingerprinting. The renewal fee for an agency is also established in statute at \$100, *plus* criminal history records fees (and any applicable late fees). Registrants pay an application fee that is the higher of \$15 or an amount set by the Secretary based on actual processing costs, *plus* the cost of any criminal history records checks; renewal fees are the same amounts. All applications for initial and renewal licenses and registrations must be accompanied by a set of fingerprints. See **Appendix 2** for current security system licensing and renewal fee structure. The fee structure is the same for initial and renewal registrations. Licenses and registrations are valid for three years.

Licensing and Registration Activity

According to MSP, there is a significant turnover among technicians and most technicians do not renew their registrations. Therefore, the number of renewals each year often is smaller than new registrations. As of July 11, 2018, MSP reports that there are 742 certified agencies and 8,225 active technicians. See **Appendix 3** for the number of applications received and approved each year. As the exhibit shows, only a small number of new applications are denied each year, and all renewals were approved over the previous five years. Over the same time period, MSP

denied one new agency application and between 3 and 18 new technician applications each year. MSP advises that all denials were based on the applicant having a criminal history.

Complaint Processing and Disposition

Chapter 57 of 2014 requires the Secretary to conduct an investigation that relates to any complaint alleging that an unauthorized person has provided security systems services. A complaint must (1) be in writing and under oath; (2) state specifically the facts on which the complaint is based; and (3) be filed with the Secretary. In response, MSP instituted procedures and developed forms to carry out the complaint processing requirements in Chapter 57. Under these new procedures, an investigator investigates a complaint and then determines, based on the preponderance of the evidence, whether to sustain or not sustain the complaint. The investigator's determination is subject to review by the division commander, who determines disciplinary action. Determinations and disciplinary actions are subject to appeal, with formal appeals handled by MSP's Administrative Hearing Office.

From fiscal 2015 to 2018, MSP received a total of six complaints. In fiscal 2015, MSP reports receiving one complaint filed against both an agency and a technician employed by the agency. The complaint was sustained and resulted in MSP issuing a "cease and desist" order to both the agency and the technician. In fiscal 2016, MSP reports receiving two complaints. MSP forwarded one of the complaints, filed against an agency, to the Attorney General's Office Consumer Protection Division because the basis of the complaint was a customer's contract issue. The second complaint, filed against both an agency and a technician, was not sustained following an investigation. In fiscal 2017, MSP reports receiving one complaint against an agency. MSP referred the complaint to the Attorney General's Office Consumer Protection Division because the basis of the complaint was a customer's contract issue. In fiscal 2018, MSP reports receiving two separate complaints. MSP found the complaint filed against a technician and an agency to be nonsustained. MSP also found the complaint filed against an agency to be nonsustained.

In January 2018, MSP became aware of an agency operating without a license. The owner of the agency was arrested for criminal violations unrelated to security systems. Although no complaint was filed, MSP initiated an investigation of the agency and sent a cease and desist letter to the unlicensed agency. During a follow-up investigation MSP concluded that the unlicensed agency was no longer in operation.

Revenue and Expenditures

As noted above, the licensing and registration of security system agencies and technicians is carried out by MSP's Licensing Division, which is responsible for other functions as well, including registration of firearms. MSP advises that one full-time trooper first class, a half-time sergeant, and a full-time secretary are assigned to the licensing and registration of security system agencies and technicians. Although MSP does not track time spent on the regulation of security system installers, it estimates that the two full-time positions spend approximately 80% of their

time on the licensing and regulation of security systems agencies and technicians, with the remaining 20% of their time spent on other duties within the Licensing Division. MSP was able to provide only salary data for these three positions, but not total compensation, including fringe benefits and health insurance costs. Based on personnel data provided by MSP, the Department of Legislative Services (DLS) estimated fringe benefit and health insurance costs for the three positions, which were then added to the salary data provided by MSP to arrive at estimated total compensation. For the 2015 update, DLS estimated fiscal 2014 regular compensation for these three individuals to be \$216,400; for fiscal 2018, DLS estimates regular compensation for the three individuals to be \$291,083, which accounts for the proportion of their time devoted to the licensing and regulation of security system agencies and technicians.

MSP advises that the Licensing Division incurred significant overtime costs in fiscal 2013 and 2014, but it cannot allocate overtime expenses to the Licensing Division's various responsibilities. The increase in overtime expenses coincided with the enactment of Chapter 427 of 2013, the Firearm Safety Act, which significantly expanded and modified the regulation of firearms, which falls under the purview of the Licensing Division. According to MSP, overtime expenses were negligible from fiscal 2015 through 2018, which suggests that the earlier increase was due to the Firearm Safety Act and not the regulation of security system agencies and technicians. Therefore, overtime expenses are not included in this analysis.

Revenues generated by the licensing and registration of security system agencies and technicians fluctuate modestly on a year-to-year basis, but have consistently been significantly less than the personnel costs incurred to carry out the regulatory function, as shown in **Exhibit 1**. From fiscal 2014 through 2018, the licensing and registration of security system agencies and technicians generated an average of approximately \$64,900 annually in general fund revenues. These amounts are well below the estimated personnel costs cited above, which have generally been between \$200,000 and \$300,000 annually.

Exhibit 1
Fee Revenues
Fiscal 2014-2018

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Revenues from Application Fees	\$58,535	\$68,392	\$78,453	\$57,555	\$61,520

Source: Maryland State Police

Policy Conclusions and Recommendations

MSP appears to be carrying out its statutorily required purpose of ensuring the integrity of security systems agencies and technicians. Additionally, MSP appears to have successfully implemented a new complaint adjudication process as required by statute and upgraded its data management system to provide adequate data for accountability and management purposes, with the minor exception of personnel costs. Therefore, DLS recommends that the licensing and registration of security systems agencies and technicians be maintained.

However, the program appears to cost far more to administer than it is generating in revenue. This issue was previously identified in the program's December 2015 preliminary evaluation update. DLS recommends that MSP establish and implement a time code to track expenditures relating to the licensing and regulation of security systems agencies and technicians. Additionally, a fee increase may be warranted. The current fee of \$100, *plus* the cost of the State and national criminal records check, for a three-year agency license amounts to approximately \$43 per year. The fee of \$15, *plus* the cost of the State and national criminal records check, for a three-year technician license amounts to approximately \$15 per year. Both of these annual amounts are relatively modest in terms of State licensing fees.

DLS recommends that the Legislative Policy Committee waive the licensing and registration of security systems agencies and technicians from full evaluation and that legislation be enacted to extend the program's termination date by 10 years to July 1, 2031. A preliminary evaluation of the program should be completed by December 15, 2028. DLS further recommends that the reauthorization legislation include:

- **a fee increase to \$250, *plus* the cost of the State and national criminal records check, for an initial agency license, and a fee increase to \$175, *plus* the cost of the State and national criminal records check, for a renewal agency license; and**
- **an increase in the minimum registration fee for technicians to \$25, *plus* the cost of the State and national criminal records check, along with a further recommendation that the Secretary consider exercising discretion to establish a higher fee to fully recoup costs associated with processing those registration applications.**

DLS projects that these changes to the fee structures could increase the general fund revenues by between approximately \$40,000 to \$60,000, depending on the volume of new and renewal licenses and registrations issued. Although that is not enough to fully close the gap between revenues and personnel expenditures, DLS recognizes that fully closing the gap in one step may create an undue burden on licensees and registrants. Therefore, this proposed statutory increase should be viewed as a first step, with the Secretary having authority to raise fees even more over time to fully close the funding gap.

Appendix 1

Legislative Changes Related to Security Systems Agencies and Technicians

<u>Year</u>	<u>Chapter</u>	<u>Change</u>
2014	57	Requires the Maryland State Police (MSP) to conduct an investigation that relates to any complaint alleging that an unauthorized person has provided security system services in the State.
2016	477	Modifies the initial application fee for a security systems agency license from \$150 (which includes the cost of the State and national criminal records check) to \$100, <i>plus</i> the cost of the State and national criminal records check; extends the termination date for the security systems technicians, licensing, and regulation by five years to July 1, 2021; requires a preliminary evaluation of the board by December 15, 2018.
2017	246 and 247	Authorizes MSP to send a renewal application form and related notice electronically to a licensed agency (instead of by standard mail).

Source: Laws of Maryland

Appendix 2

Licensing and Renewal Fee Structure

<u>Agency</u>	<u>Application</u>	<u>CJIS</u>	<u>FBI</u>	<u>Total</u>
New Application	\$100	\$18	\$12	\$130
Renewal	100	18	12	130
<u>Technician</u>				
New Application	\$15	\$18	\$12	\$45
Renewal	15	18	12*	45

CJIS: Criminal Justice Information System

FBI: Federal Bureau of Investigation

* Fees may be waived by the Secretary under certain circumstances.

Source: Maryland State Police

Appendix 3

Licensing and Registration Activity for Agencies and Technicians

Fiscal 2014-2018

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
<u>Agency</u>					
New Applications – Received	78	65	58	77	53
New Applications – Approved	78	65	58	76	53
Renewals – Received	103	144	300	121	153
Renewals – Approved	103	144	300	121	153
<u>Technician</u>					
New Applications – Received	2,056	2,367	1,949	1,929	1,929
New Applications – Approved	2,053	2,362	1,940	1,911	1,919
Renewals – Received	628	732	828	588	799
Renewals – Approved	628	732	828	588	799

Source: Maryland State Police

Appendix 4

Written Comments of the Maryland State Police

The Maryland State Police reviewed a draft of this preliminary evaluation and provided these written comments.



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COLONEL
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SUPERINTENDENT

December 11, 2018

Mr. Michael C. Rubenstein
Principal Policy Analyst
Department of Legislative Services
Legislative Services Building
90 State Circle
Annapolis MD 21401-1991

Dear Mr. Rubenstein,

This correspondence serves as a follow-up to your letter regarding the preliminary evaluation of the licensing and registration of security system agencies and technicians. The Maryland State Police does not agree with the following recommendations that the Department of Legislative Services has submitted for review:

1. The recommended fee increase to \$250.00, plus an additional \$30.00 for the cost of the State and National criminal record checks, for an initial agency license, would be a 115% increase and the recommended fee increase to \$175.00, plus an additional \$30.00 for the cost of the State and National criminal record checks, for a renewal agency license, would be a 57% increase.

The recommended fee increase to \$25.00, plus an additional \$30.00 for the cost of the State and National criminal record checks, for the initial and renewal technicians, would be a 22% increase.

The aforementioned fee increase for the license and certification does not take into account costs incurred from counties located in the State of Maryland and licensure from other States.

2. To establish and implement a time code to track expenditures relating to the licensing and regulation of security system agencies and technicians is not practical or feasible. Attempting to track specific costs related to the program would be counter-productive. A system would have to be set up to track costs for three individuals, which would lead to additional costs for personnel and software. It is extremely difficult to track employee's specific duties, as they are working on multiple programs.

Mr. Michael C. Rubenstein
December 11, 2018
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The Licensing Division's personnel performs multiple tasks and duties. If a time code to track expenditures were to be implemented for three individuals, the question would be posed, "Why not track all of the Units?" This would incur further expenditures for the State of Maryland.

The Maryland State Police does agree with the recommendation from the Department of Legislative Services to continue the program for ten more years. We agree the program should continue; however, we would like the program to become permanent.

During the 1994 legislative session, the General Assembly created a new licensing procedure for security systems agencies and their technicians under the Maryland State Police. In late 1999 and early 2000, the Maryland State Police began maintaining licensing and registration information of security systems agencies and technicians in its Application Tracking System.

For over 18 years, the Maryland State Police has maintained the statutory requirement for ensuring the integrity of licensure of agencies and certification of technicians. There are currently 742 certified agencies and 8,225 technicians, which are overseen by a unit comprised of three employees.

Sincerely,



Andrew J. Rossignol – Captain
Commander, Licensing Division
Maryland Department of State Police

AJR:ETB:cmh

cc: Sergeant Edwin T. Bowers, Supervisor, PSSU
Correspondence File 29-18-020