

Michigan Office of Administrative Hearings and Rules

Administrative Rules Division (ARD)

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**REGULATORY IMPACT STATEMENT
and COST-BENEFIT ANALYSIS (RIS)**

Agency Information:

Department name:

Licensing and Regulatory Affairs

Bureau name:

Corporations, Securities, & Commercial Licensing

Name of person filling out RIS:

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Rule Set Information:

ARD assigned rule set number:

2023-80 LR

Title of proposed rule set:

Private Security Guard and Security Alarm Agencies

Comparison of Rule(s) to Federal/State/Association Standard

1. Compare the proposed rules to parallel federal rules or standards set by a state or national licensing agency or accreditation association, if any exist.

The department did not find there to be model rules by a national accreditation association for private security guards or security alarm contractors, nor is there a national licensing agency that sets standards. There are no parallel federal rules.

A. Are these rules required by state law or federal mandate?

No.

B. If these rules exceed a federal standard, please identify the federal standard or citation, describe why it is necessary that the proposed rules exceed the federal standard or law, and specify the costs and benefits arising out of the deviation.

The proposed rules do not exceed a federal standard, as there is no federal regulation of this industry. The private security business and security alarm act, 1968 PA 330, MCL 338.1051 to 338.1092, is the sole standard.

2. Compare the proposed rules to standards in similarly situated states, based on geographic location, topography, natural resources, commonalities, or economic similarities.

The proposed rules aim to adopt similar standards to those in other Great Lakes states of similar size to Michigan: Minnesota, Ohio, and Wisconsin. All of these states and Michigan license and regulate private security in their jurisdictions. However, all 3 other states have administrative rules in place for the private security profession while Michigan does not. The proposed rules would bring Michigan closer to Ohio's regulatory scheme, which has the role of "qualifying officer", but they refer to as "agent" instead of "officer" laid out in rule. The proposed rules compare to Minnesota and Wisconsin in that they are less complex than Minnesota's, which has a regulatory board devoted to the profession, and are less stringent than Wisconsin, which lays out in more detail the requirements all employees must meet in order to be hired, but are similar to those two states in that they too require background checks for employees and specify the wearing of uniforms for all employed private security personnel.

A. If the rules exceed standards in those states, please explain why and specify the costs and benefits arising out of the deviation.

The rules do not exceed standards in those states. In fact, even with the rules, Michigan would not be as stringent as Minnesota for example, which has a state Board devoted to the oversight of this industry. The proposed rules are also less stringent than Wisconsin which has more in-depth employee qualifications. The proposed rules are as stringent as Ohio's rules, which lay out the requirements for a "qualifying agent" similar to the "qualifying officer" in the proposed rules, and require criminal background checks of all employees.

3. Identify any laws, rules, and other legal requirements that may duplicate, overlap, or conflict with the proposed rules.

The proposed rules do not duplicate, overlap, or conflict with any laws, rules, or legal requirements.

A. Explain how the rules have been coordinated, to the extent practicable, with other federal, state, and local laws applicable to the same activity or subject matter. This section should include a discussion of the efforts undertaken by the agency to avoid or minimize duplication.

In developing the proposed rules, the department first analyzed issues that had been experienced by licensing staff in administering the act, then parsed through which of these issues could be addressed via administrative rule and which were limited by statute. The department reviewed the rescinded ruleset for this act and considered which of these rules warranted being brought back into existence, which additional language needed to be added to assist in administration, and which language needed to be eliminated or reworked to avoid duplication, exceeding statute, or redundancy. The rescinded ruleset was not eliminated for substantive reasons, but due to broader changes sought by the executive prior to 2019, seeking a wholesale reduction in the number of administrative rules. (See: <https://www.freep.com/story/news/local/michigan/2015/11/12/michigan-reduction-rules/75633812/>)

Purpose and Objectives of the Rule(s)

4. Identify the behavior and frequency of behavior that the proposed rules are designed to alter.

The behavior that private security businesses engage in that is attempting to be altered includes agencies that may present themselves as being similar to a law enforcement or paramilitary organization, employees not wearing a uniform while engaging in licensed activity, qualifying officers in charge of supervision not maintaining regular hours at the agency, and agencies using misleading symbols and phrases in their names, uniforms, and advertising. The department is informed of this behavior occurring regularly since the rescission of the administrative rules through complaints and inquiries from the public and licensees.

A. Estimate the change in the frequency of the targeted behavior expected from the proposed rules.

The department estimates that the frequency of the targeted behavior will be significantly curbed and prevented as a result of the proposed rules, because the proposed rules explicitly detail the responsibilities of qualifying officers and prohibit certain behaviors outright, such as misrepresentation.

B. Describe the difference between current behavior/practice and desired behavior/practice.

The difference between current behavior/practice and desired behavior/practice is the clarity of expectations. As it stands with no administrative rules in place, there is too much gray area and confusion about the parameters of the act, leaving too many practices up to individual interpretation rather than a defined set of expectations.

C. What is the desired outcome?

The department desires to see less misleading advertising by private security businesses, uniforms always being worn while engaging in agency business, a qualifying officer that supervises operations with regular hours, and maintenance of personnel files by agencies.

5. Identify the harm resulting from the behavior that the proposed rules are designed to alter and the likelihood that the harm will occur in the absence of the rule.

The harm that results from the targeted behavior described above is that the public suffers confusion about what authority a private security business operates with and may lose trust in both the industry and other law enforcement organizations and the regulatory agencies. The public also suffers from the behavior when the responsibility of an employee and employer differs by interpretation of a business and leads to uneven enforcement of the act. The rules are designed to reign in some of these behaviors, and in particular, the rules requiring security businesses to run annual multijurisdictional criminal background checks of employees will ensure that the public is protected from bad actors.

A. What is the rationale for changing the rules instead of leaving them as currently written?

As it stands, the department has been administering the act for many years with no rules in place. That route of regulation has left the public, the industry, and the department with confusion when it comes to the efficiency of the application process and the extent of permissible behavior for licensees, and a gray area of responsibility to engage in ethical business practices. The proposed rules aim to ameliorate all of these problems and thus increase the public trust in how the industry is regulated and ensure an even playing field for licensees.

6. Describe how the proposed rules protect the health, safety, and welfare of Michigan citizens while promoting a regulatory environment in Michigan that is the least burdensome alternative for those required to comply.

The proposed rules will increase the efficiency of the department in processing applications and complaints associated with this profession because a significant portion of the application process is made up of the department reviewing agency names, badges, uniforms, and patches. By having rules that clearly explain which terms, badge-designs, emblems, and uniform patches are permissible, as opposed to now where there is ambiguity, the safety of Michigan citizens who rely on these security services is better protected. The badge, naming, and advertising rules (R 28.4001, 28.4002, 28.4003, and 28.4004) will help prevent deceit of the public by prohibiting advertising and presentation by businesses that could mislead the public about what services are being provided and the authority with which they conduct business. The clarification of employer and employee responsibilities (R 28.4006) will help maintain high standards of conduct to ensure that these licensees have outlined authorities and responsibilities under the act.

7. Describe any rules in the affected rule set that are obsolete or unnecessary and can be rescinded.

No rules existed prior to this ruleset, thus there are no rules found to be obsolete or unnecessary and can be rescinded.

Fiscal Impact on the Agency

Fiscal impact is an increase or decrease in expenditures from the current level of expenditures, i.e. hiring additional staff, higher contract costs, programming costs, changes in reimbursements rates, etc. over and above what is currently expended for that function. It does not include more intangible costs for benefits, such as opportunity costs, the value of time saved or lost, etc., unless those issues result in a measurable impact on expenditures.

8. Please provide the fiscal impact on the agency (an estimate of the cost of rule imposition or potential savings for the agency promulgating the rule).

There will be no explicit fiscal impact on the department as a result of these rules. There will be potential savings for the department in the form of saved time for staff; that is, because the application process consists of the department reviewing agency names, badges, and uniforms, and advertising is currently ambiguous, there is more back-and forth about submissions, and more time spent deliberating internally if something complies with the act. The proposed rules seek to streamline this process by making it clear what is permissible. The time saved from this allows more time for staff to complete more of their duties.

9. Describe whether or not an agency appropriation has been made or a funding source provided for any expenditures associated with the proposed rules.

There has not been an agency appropriation made, or funding source provided, and there are no anticipated costs associated with the proposed rules.

10. Describe how the proposed rules are necessary and suitable to accomplish their purpose, in relationship to the burden(s) the rules place on individuals. Burdens may include fiscal or administrative burdens, or duplicative acts.

The proposed rules are necessary and suitable to accomplish their purpose, as they bring clarity for licensees and licensing staff, formalize longstanding practices, and establish uniformity for enforcement. They do so by laying out which words are permitted in an agency name and how it advertises itself, establishing clear guidelines for the responsibilities of employers and employees, and introduces standard terms of art such as “qualifying officer”.

The burdens that may be faced by an individual because of these rules are minor, and in many cases are already in practice. For instance, R 28.4005 requires that the qualifying officer must maintain regular hours at a security business agency, which could be an added time burden, but it is likely that many individuals already do so. It is unknown what the costs associated with this may be, as hourly wages differ by employer, employee, seniority, etc. The costs also vary because regular hours can differ by agency. As a hypothetical example, if the qualifying officer makes the Michigan minimum wage of \$12.48, and maintains regular hours of 40 hours a week, the earned gross wage for that qualifying officer would be \$499.20 per week. That payroll cost will vary depending on wage and hours maintained, and in many cases is already being expended by agencies through current practice, in which case this proposed rule would add no additional cost burdens. Furthermore, this requirement will ensure that there is daily supervision of the business which assists the department should there be complaint investigations and encourages responsibility by individuals to follow the law and rules while engaging in licensed work.

In the case of R 28.4006, which requires an individual to wear a uniform of the agency if they are hired by the agency and listed on the roster, should be standard practice for employees, but formalizing this in rule ensures compliance with the goal that the public is always aware of an employee and the line of work they are engaging in, which outweighs the cost burden it may be for an employee or employer to obtain and wear a uniform while on the job. A new uniform may cost anywhere from \$40-\$150 based upon an online search of common work uniforms. It is possible that the employer may cover this new cost as a term of employment (or just provide one), or that the individual may have to. It is also possible that agencies already have previously worn uniforms that continue to be used by individuals over time, in which case there would be no cost burden associated with this rule.

R 28.4002 requires that an employee must wear a uniform and that it must have the employee’s name and have on it the designated patches and emblems of the agency. It is possible that the costs associated with this may not be paid by the employee but covered by the employer. But, in the case where an individual was to have to purchase these, the costs for embroidered patches vary from \$1.50-\$5 each depending on size, vendor, etc.

A. Despite the identified burden(s), identify how the requirements in the rules are still needed and reasonable compared to the burdens.

Despite the burdens such as added time spent from R 28.4005, or obtaining a proper uniform that follows naming and insignia guidelines in R 28.4002 through R 28.4004, the requirements in the rules are reasonable because they assist the department in completing investigations more efficiently since the rules establish consistent and clear guidelines that eliminate gray areas of interpretation, ensure awareness by the public of licensed activity, and encourage compliance with statute.

Impact on Other State or Local Governmental Units

11. Estimate any increase or decrease in revenues to other state or local governmental units (i.e. cities, counties, school districts) as a result of the rule. Estimate the cost increases or reductions for other state or local governmental units (i.e. cities, counties, school districts) as a result of the rule. Include the cost of equipment, supplies, labor, and increased administrative costs in both the initial imposition of the rule and any ongoing monitoring.

There will be no expected increase or decrease in revenues to other state or local governmental units as a result of the rule.

12. Discuss any program, service, duty, or responsibility imposed upon any city, county, town, village, or school district by the rules.

There will be no program, service, duty, or responsibility imposed upon any city, county, town, village, or school district by the rules.

A. Describe any actions that governmental units must take to be in compliance with the rules. This section should include items such as record keeping and reporting requirements or changing operational practices.

There are no anticipated actions that governmental units must take to be in compliance with the rules.

13. Describe whether or not an appropriation to state or local governmental units has been made or a funding source provided for any additional expenditures associated with the proposed rules.

No appropriation to state or local governmental units has been made nor a funding source provided for any additional expenditures associated with the proposed rules.

Rural Impact

14. In general, what impact will the rules have on rural areas?

The rules will not have any specific impacts on rural areas that also aren't affecting urban or suburban areas.

Licensees that happen to reside or work in rural areas will have to comply with the same requirements as those in other areas of the state.

A. Describe the types of public or private interests in rural areas that will be affected by the rules.

The rules will not affect public or private interests in rural areas any differently than public or private interests in urban or suburban areas.

Environmental Impact

15. Do the proposed rules have any impact on the environment? If yes, please explain.

The proposed rules have no known impact on the environment.

Small Business Impact Statement

16. Describe whether and how the agency considered exempting small businesses from the proposed rules.

The department did not consider exempting small businesses from the proposed rules. While some private security and security alarm businesses may be considered "small business" by the definition laid out in section 40 of the administrative procedures act, MCL 24.240, allowing exemptions to the rules for some licensees would expose the public to possible harm and deviate from the department's even application of its laws and rules. In other words, the proposed rules are important to protect the safety and welfare of the public no matter the size of the business.

17. If small businesses are not exempt, describe (a) the manner in which the agency reduced the economic impact of the proposed rules on small businesses, including a detailed recitation of the efforts of the agency to comply with the mandate to reduce the disproportionate impact of the rules upon small businesses as described below (in accordance with MCL 24.240(1)(a-d)), or (b) the reasons such a reduction was not lawful or feasible.

A reduction in the economic impact of the proposed rules on small businesses is not lawful or feasible, as licensed private security or security alarm businesses must comply with the act no matter their size. The department has an obligation to protect the public and carving out exceptions to the rules for certain licensees would leave the public susceptible to harm. While many businesses that are licensed under this act may be considered a "small business" by the definition laid out in section 40 of the administrative procedures act, MCL 24.240, the department administers the act evenly for all licensees. The proposed rules intend to make the application process more transparent and streamlined for everyone involved, which in turn will help applicants and licensees who may represent "small businesses" get through the process in a more efficient manner. Small businesses will also benefit generally from the clarity and formalized processes established by the proposed rules.

A. Identify and estimate the number of small businesses affected by the proposed rules and the probable effect on small businesses.

The department does not collect from licensees the total number of individuals that they employ, and whether it is on a full or part time basis. Therefore, the department is unable to calculate with certainty the exact number of small businesses that will be affected by the proposed rules. However, it is probable that there will be many licensees which fall under the definition of a small business as laid out in section 40 of the administrative procedures act, MCL 24.240, of having 249 or fewer employees. For those that will be affected, the probable effect on them will be to begin conducting, if they have not already, annual criminal background checks on their guards, ensuring that their guards are wearing the proper uniforms, badges, and insignias while engaging in the work of the business, ensuring that there is a qualifying officer who maintains regular hours at the place of business and is responsible for daily supervision and operation of the agency, and maintaining employee records for at least 1 year following the last day of employment of an employee.

A probable effect is that if the small business is not already engaged in these behaviors, it may create a new cost for them in the form of paying for a criminal background check at about \$40 per check in accordance with section 3 of 1935 PA 120, fingerprinting residents of the state act, MCL 28.273, a cost of providing a new uniform for an employee at around \$40-\$150 each, a cost of ensuring there are proper badges and patches at around \$1.50-\$5 each, and ensuring storage of personnel files, which could cost around \$70 if they don't already have a filing cabinet.

In addition to the new costs, a probable effect may include increased time spent ordering criminal background checks and for the qualifying officer to ensure the guards meet compliance with the proposed rules generally. The benefits to the public's safety and welfare greatly outweigh these costs and may lead to increased trust by the public in these businesses, which is also to the small business's benefit.

B. Describe how the agency established differing compliance or reporting requirements or timetables for small businesses under the rules after projecting the required reporting, record-keeping, and other administrative costs.

The department did not establish differing compliance or reporting requirements or timetable for small businesses under the rules. The department administers the act evenly for all licensees no matter the size a business may be to ensure the welfare of the public.

C. Describe how the agency consolidated or simplified the compliance and reporting requirements for small businesses and identify the skills necessary to comply with the reporting requirements.

The department did not consolidate or simplify the compliance and reporting requirements for small businesses. To comply with the reporting requirements in MCL 338.1067(3), licensees already must maintain records of personnel, and R 28.4006 clarifies that this includes criminal background checks. This will require organization and clerical skills to some extent. To comply with department investigations of complaints, or to renew licensure, good communication skills are necessary.

D. Describe how the agency established performance standards to replace design or operation standards required by the proposed rules.

The department did not establish performance standards to replace design or operation standards required by the proposed rules.

18. Identify any disproportionate impact the proposed rules may have on small businesses because of their size or geographic location.

The proposed rules will not have disproportionate impact on small businesses because of their size or geographic location.

19. Identify the nature of any report and the estimated cost of its preparation by small businesses required to comply with the proposed rules.

The proposed rules do not create any new report that must be prepared by a small business.

20. Analyze the costs of compliance for all small businesses affected by the proposed rules, including costs of equipment, supplies, labor, and increased administrative costs.

There may be a cost associated with R 28.4002 ensuring that all uniforms include the name of the employee and the designated patches and emblems of the agency. The department does not know whether a business will decide to cover this cost or place the cost burden on their employee. If they do cover it, the cost for a custom embroidered patch could cost anywhere from \$1.50-\$5 each depending on the vendor or method used. The cost would be slightly less for a printed patch.

In addition, a business may have to provide a work uniform for their new employees. Based upon an online search, generic work uniforms may cost anywhere from \$40-150 each. This could vary depending on the type of uniform, the vendor, or the color. A business may decide to cover the cost of new uniforms for employees, or they may already have uniforms that they provide to employees, in which case the only new costs associated with the rules are for patches.

Also, there may be a cost associated with R 28.4005 which mandates that a qualifying officer maintain regular hours at the place of business. It is unknown what the costs associated with this may be, as hourly wages differ by employer, employee, seniority, etc. The costs also vary because regular hours can differ by agency. As a hypothetical example, if the qualifying officer makes the Michigan minimum wage of \$12.48, and maintains regular hours of 40 hours a week, the earned gross wage for that qualifying officer would be \$499.20 per week. That payroll cost will vary depending on wage and hours maintained, and it is important to note that in many cases this is already being expended by agencies through current practice, in which case this proposed rule would add no additional cost burdens.

21. Identify the nature and estimated cost of any legal, consulting, or accounting services that small businesses would incur in complying with the proposed rules.

There are no anticipated costs associated with legal, consulting, or accounting services as a result of the proposed rules.

22. Estimate the ability of small businesses to absorb the costs without suffering economic harm and without adversely affecting competition in the marketplace.

The proposed rules are not anticipated to place significant, if any, new costs on licensees, as many of the rules are already being adhered to through current practice of a business, and what new costs may arise are limited to minimal purchases such as providing a name patch or emblems to employees at a cost estimate of \$1.50-\$5 per patch. This means that a small business will be able to adapt to the new rules with ease through minor accessory purchases, and competition in the marketplace will not be adversely affected because the department is applying the rules evenly to all licensees.

23. Estimate the cost, if any, to the agency of administering or enforcing a rule that exempts or sets lesser standards for compliance by small businesses.

The department does not exempt small businesses from the proposed rules and as such will not incur any costs. If the department were to exempt small businesses with lesser standards for compliance, it would create significant cost burdens to the department in the form of time spent analyzing two separate sets of regulations for different businesses, enforcing two separate sets of regulations when conducting investigations and in enforcement actions, and time spent in creating entirely new forms for small businesses and updating the licensing website accordingly. There is no explicit number that can be placed on this estimate, as it would depend on the number of staff affected, their individual hourly wage, and would vary depending on the time of year, such as when renewals of licenses may incur more time and therefore costs to the department than at other points of the year. As a hypothetical, if the dual regulatory scheme were to be in place and as a result added 8 hours of work to the Licensing Division in a given week, those hours are taken away from other regulatory schemes and mandated tasks that the division still needs to complete, decreasing the efficiency of the department as a whole. If the staff working those 8 hours made a wage of \$25 an hour as an example, the cost of that added time would be \$200.

24. Identify the impact on the public interest of exempting or setting lesser standards of compliance for small businesses.

The public interest will be negatively impacted by an exemption or lesser standards of compliance for small businesses. The department has an obligation to protect the public from harm, and exempting certain licensees due to business size could open the public up to harm, not to mention the unfairness it would introduce into the industry and make administering the act less efficient.

25. Describe whether and how the agency has involved small businesses in the development of the proposed rules.

The department has not involved small businesses in the development of the proposed rules.

A. If small businesses were involved in the development of the rules, please identify the business(es).

The department has not involved small businesses in the development of the proposed rules.

Cost-Benefit Analysis of Rules (independent of statutory impact)

26. Estimate the actual statewide compliance costs of the rule amendments on businesses or groups.

There may be a cost associated with R 28.4002 ensuring that all uniforms include the name of the employee and the designated patches and emblems of the agency. The department does not know whether a business will decide to cover this cost or place the cost burden on their employee. If they do cover it, the cost for a custom embroidered patch could cost anywhere from \$1.50-\$5 each depending on the vendor or method used. The cost would be slightly less for a printed patch.

In addition, a business may have to provide a work uniform for their new employees. Based upon an online search, generic work uniforms may cost anywhere from \$40-150 each. This could vary depending on the type of uniform, the vendor, or the color. A business may decide to cover the cost of new uniforms for employees, or they may already have uniforms that they provide to employees, in which case the only new costs associated with the rules are for patches.

Also, there may be a cost associated with R 28.4005 which mandates that a qualifying officer maintain regular hours at the place of business. It is unknown what the costs associated with this may be, as hourly wages differ by employer, employee, seniority, etc. The costs also vary because regular hours can differ by agency. As a hypothetical example, if the qualifying officer makes the Michigan minimum wage of \$12.48, and maintains regular hours of 40 hours a week, the earned gross wage for that qualifying officer would be \$499.20 per week. That payroll cost will vary depending on wage and hours maintained, and it is important to note that in many cases this is already being expended by agencies through current practice, in which case this proposed rule would add no additional cost burdens.

The cost to comply with the criminal background check requirement in 28.4006 may be about \$40 per check, in accordance with section 3 of 1935 PA 120, fingerprinting residents of the state act, MCL 28.273.

A. Identify the businesses or groups who will be directly affected by, bear the cost of, or directly benefit from the proposed rules.

Private security businesses will be directly affected but will benefit from increased clarity about the parameters of the act. As of February 2025, there are 431 security guard licenses, and 367 security alarm licenses in Michigan.

B. What additional costs will be imposed on businesses and other groups as a result of these proposed rules (i.e. new equipment, supplies, labor, accounting, or recordkeeping)? Please identify the types and number of businesses and groups. Be sure to quantify how each entity will be affected.

There may be minor costs as a result of the proposed rules on businesses in requiring all employee uniforms have patches for the employee's name and patches and emblems for the agency. The cost associated with this is approximately \$1.50-\$5 per custom embroidered patch if they do not already have these. If a business needs to buy uniforms for employees, it may cost them anywhere from \$40-150 each if they do not already have these to provide.

If a business does not already have an employee maintaining regular hours at the place of business that would adhere to R 28.4005 regarding a qualifying officer, they may incur new costs of payroll. This cost could vary depending on a wide range of factors including hourly wage, number of regular hours, etc. As an example, a minimum wage employee earning \$12.48 per hour and working 40 hours in a week would incur a payroll cost of \$499.20.

The department does not dictate the method of organization for a business to comply with the recordkeeping requirements in R 28.4006, just that records be maintained in the event of an investigation. And, while it is likely that most businesses already own and organize records for their business in some sort of filing cabinet and/or computer software, a new filing cabinet may cost about \$70 or more on Amazon, for instance.

27. Estimate the actual statewide compliance costs of the proposed rules on individuals (regulated individuals or the public). Include the costs of education, training, application fees, examination fees, license fees, new equipment, supplies, labor, accounting, or recordkeeping.

If an employer does not cover the costs of a uniform and its patches, an individual employee may incur a cost of about \$40-\$150 for a new uniform, and \$1.50-\$5 for embroidered patches to comply with R 28.4002.

A. How many and what category of individuals will be affected by the rules?

Individuals that will be affected by the rules are employees of a private security agency or security alarm contractor business, and individuals that purchase the services of an agency. There are currently 798 licenses under the act, and each of these licenses may be an individual or a business that employs many individuals. So, upwards of 798 individuals will be affected by the rules. The department does not have access to the number of individuals who purchase services.

B. What qualitative and quantitative impact do the proposed changes in rules have on these individuals?

A qualitative impact from the proposed rules is that individuals will formally have to wear their uniform at all times that they are engaging in the services of the agency, which may result in changed behavior by individual employees or licensees, but this is often already standard practice and therefore would not impose a quantitative cost of purchasing a uniform and patches. If it is not already current practice and an employer does not cover the costs of providing a uniform and patches to the employee, an individual employee may have to spend \$40-\$150 on a new uniform, and \$1.50-\$5 per patch, constituting a quantitative impact.

28. Quantify any cost reductions to businesses, individuals, groups of individuals, or governmental units as a result of the proposed rules.

The proposed rules may lead to increased efficiency in the application process for businesses, individuals, or groups because part of the application process involves the department reviewing patches, emblems, uniforms, and badges of applicants for licensure. Without the proposed rules clarifying what types of designs and words are permitted, there is more time spent by the department in having to deliberate and analyze whether something may or may not fall within compliance, and then often a back-and-forth communication with applicants as they make corrections or changes to the application that may or may not be compliant. With the proposed rules, there is a clear requirement established for what words and designs are permitted for use, and therefore a clear way for both an applicant to comply on their first try, and for the department to easily accept or reject an application based on clear criteria. A cost reduction cannot be determined as there are a number of variables that contribute to it, such as the various hourly wages of staff.

29. Estimate the primary and direct benefits and any secondary or indirect benefits of the proposed rules. Please provide both quantitative and qualitative information, as well as your assumptions.

The primary and direct benefits of the proposed rules are that applicants and licensees will go into the application or renewal process with a clearer understanding of what they are expected to submit as it pertains to patch, emblem, uniform, and badge designs, maintain as it pertains to personnel files, and of the limitations of what practices their business may engage in.

For the public, these benefits are secondary and indirect as it is likely going to be felt in the perception of what authority and responsibility is associated with private security businesses. The largest benefit in this regard is trust; Both that the licensees are engaging in fair and honest behavior, and that the department is administering the act clearly and uniformly.

30. Explain how the proposed rules will impact business growth and job creation (or elimination) in Michigan.

The proposed rules will not directly impact the growth of the private security industry, but they will, through R 28.4002 – R 28.4004, make it easier for prospective licensees to navigate the regulatory scheme as it pertains to applying for licensure and knowing what words and designs are permitted for use and how a business may identify itself to the public, thus helping create a fairer and more efficient regulatory environment for this growing industry to thrive.

In addition to R 28.4001 – 28.4004, R 28.4005 and R 28.4006 help ensure that this growth of industry can be accomplished without sacrificing the health, safety, and welfare of the public since clear expectations for employers and employees are set, and the public can easily discern what authority and responsibility accompany a uniformed employee, including knowing that a criminal background check has been conducted, and that a qualifying officer is regularly present at the place of business to respond to business needs.

The department does not anticipate that the proposed rules will result in job elimination.

31. Identify any individuals or businesses who will be disproportionately affected by the rules as a result of their industrial sector, segment of the public, business size, or geographic location.

No individuals or businesses will be disproportionately affected by the rules as a result of their industrial sector, segment of the public, business size, or geographic location.

32. Identify the sources the agency relied upon in compiling the regulatory impact statement, including the methodology utilized in determining the existence and extent of the impact of the proposed rules and a cost-benefit analysis of the proposed rules.

The department crafted the rules through an extensive effort involving multiple different department sections. Through routine analysis, debate, and discussion, the department revised the rules and gauged hypothetical and potential impacts on businesses and individuals. The department evaluated peer regulators to learn more about methods of regulating this industry and how best to protect the public.

Specific sources of information were also found from the following:

Fortune Business Insights <https://www.fortunebusinessinsights.com/private-security-market-108283>

State of Minnesota Department of Public Safety

<https://dps.mn.gov/about-dps/associated-boards-cmtes-and-task-forces/private-detective-and-protective-agents-board/license-holders/general-licensing-information>

<https://dps.mn.gov/about-dps/associated-boards-cmtes-and-task-forces/private-detective-and-protective-agents-board/about-pdb/rules-and-statutes>

State of Ohio Homeland Security

<https://homelandsecurity.ohio.gov/private-investigators-and-security-guards>

State of Wisconsin Department of Safety and Professional Services

<https://dsps.wi.gov/Pages/RulesStatutes/PrivateDetectives.aspx>

<https://dsps.wi.gov/Pages/Professions/OtherForms.aspx>

A. How were estimates made, and what were your assumptions? Include internal and external sources, published reports, information provided by associations or organizations, etc., that demonstrate a need for the proposed rules.

No estimates or assumptions were made.

Alternative to Regulation

33. Identify any reasonable alternatives to the proposed rules that would achieve the same or similar goals.

There are no reasonable alternatives that would achieve the same or similar goals of ensuring more transparency for the public as R 28.4002, 28.4003, 28.4004, and 28.4006 do, increasing efficiency in the application process as R 28.4002-28.4004 do, and formalizing business practices as each rule 28.4001 – 28.4006 does.

A. Please include any statutory amendments that may be necessary to achieve such alternatives.

There are no reasonable alternatives that would achieve the same or similar goals of ensuring more transparency for the public, increasing efficiency in the application process, and formalizing business practices.

34. Discuss the feasibility of establishing a regulatory program similar to that proposed in the rules that would operate through private market-based mechanisms. Please include a discussion of private market-based systems utilized by other states.

General rulemaking authority is conferred on the department of licensing and regulatory affairs by section 27 of 1968 PA 330, MCL 338.1077. Promulgation authority is also granted jointly with the department of state police to facilitate the bifurcation of authority laid out in section 29 of the act, MCL 338.1079. Since the rules are permitted by statute, private market-based systems cannot serve as an alternative. Each state is responsible for the oversight and regulation of their private security industries. Private market-based systems are not used for oversight or regulation.

35. Discuss all significant alternatives the agency considered during rule development and why they were not incorporated into the rules. This section should include ideas considered both during internal discussions and discussions with stakeholders, affected parties, or advisory groups.

No alternatives were considered during rule development.

Additional Information

36. As required by MCL 24.245b(1)(c), please describe any instructions regarding the method of complying with the rules, if applicable.

In order to locate information about the administrative rules, act, and other pertinent information shared by the department, licensees should navigate to <https://www.michigan.gov/lara/bureau-list/cscl/licensing/prof/guards> . Compliance is the responsibility of licensees.

Employers should maintain personnel files for not less than 1 year following the last day of employment of an employee in accordance with the new rules.