

SECURITY GUARD LICENSING FEES/TRAINING STANDARDS



Telephone: (517) 373-8080

Facsimile: (517) 373-5874

www.house.state.mi.us/hfa

FISCAL ANALYSIS

Mitchell Bean, Director

124 N. Capitol Avenue

4-N HOB Lansing, MI

SENATE BILL 420 AS PASSED THE SENATE

Sponsor: Sen. Gary Peters

REVISED COMMITTEE ANALYSIS - 4/30/02

Analyst(s): Kyle I. Jen

SENATE BILL 425 AS PASSED THE SENATE

Sponsor: Sen. Philip E. Hoffman

House Committee: Criminal Justice

SUMMARY

Senate Bills 420 (S-1) and 425 (S-2) would amend the Private Security Business and Security Alarm Act to increase licensing fees for security guard businesses and alarm system contractors and make a number of other changes to the provisions of the act, including the establishment of a commission and training standards. The two bills are tie-barred to each other.

The higher fee levels specified in Senate Bill 425 (S-2) would increase licensing fee revenue collected by the Department of State Police by an estimated \$275,000 to \$450,000 annually. The training-related requirements in the bills could result in increased administrative costs for the Department of State Police. Also, changes to the act's provisions regarding various background check-related fees would impact state and local revenue, with offsetting impacts on expenditures.

BACKGROUND

The licensing fees specified in the act—along with licensing fees for private detective businesses—were increased in Executive Order (EO) 2001-9 to offset a \$250,000 GF/GP reduction applied to the FY 2001-02 State Police budget. These increases are effective only for the current fiscal year. The FY 2002-03 State Police budget (as recommended by the Governor and passed by the House) also assumes \$250,000 in increased fee revenue to offset the GF/GP reduction. Enactment of permanent legislation would be necessary for that revenue to be realized.

FISCAL ANALYSIS

The table below compares the fees specified in current statute, EO 2001-9, and the Senate-passed version of Senate Bill 425:

| Category | Current Statute | EO 2001-9 | SB 425 (S-2) |
|--|-----------------|-----------|--------------|
| <u>Initial Application</u> | | | |
| Alarm System Contractor | \$500 | No change | \$1,500 |
| Security Guard—Firm, Partnership, etc. | 300 | No change | 1,500 |
| Security Guard—Sole Proprietorship | 200 | No change | 1,000 |

| Category | Current Statute | EO 2001-9 | SB 425 (S-2) |
|--|-----------------|-----------|--------------|
| <u>Two-Year Renewal</u> | | | |
| Alarm System Contractor | 250 | 1,500 | 1,500 |
| Security Guard—Firm, Partnership, etc. | 150 | 1,500 | 1,500 |
| Security Guard—Sole Proprietorship | 100 | 1,500 | 1,000 |
| <u>Branch Office</u> | | | |
| Alarm System Contractor | 100 | No change | 500 |
| Security Guard | 50 | No change | 250 |

Using current statute as the baseline, the fees specified in Senate Bill 425 (S-2) would result in an estimated \$275,000 to \$450,000 in increased annual revenue. The amount of the revenue increase would depend largely on whether the attrition rate of license holders since EO 2001-9 took effect (in the range of 30 to 50 percent) decreased once the higher fee amounts became permanent.

Other changes in the bills with potential fiscal impacts are summarized below:

(1) Create a Security Provider Advisory Commission. The commission would be required to recommend minimum mandatory training standards for private security guards, private security police, and private detectives to the director of the Department of State Police. The department would be required to prescribe training requirements for employees of private security guard licensees. The creation of the commission and other new training-related requirements could create additional administrative costs for the department.

(2) Create a Security Business Fund to receive licensing fee revenue. Interest and earnings on fund investments would be credited to the fund, and money in the fund at the close of a fiscal year would remain in the fund, rather than lapsing to the General Fund.

(3) Require that security guard company employees armed with a pistol in the course of their employment obtain a concealed weapon license. The fee for an initial concealed weapon license application is \$60 (\$45 is earmarked for the department, \$10 is earmarked for the county, and \$5 is earmarked for an enforcement training fund; counties may also charge \$15 for the cost of taking fingerprints).

(4) Require, in addition to the currently required state-level criminal history record check, a federal-level criminal history check. The department currently charges a fee of \$24—passed through to the FBI—for federal-level checks.

(5) Delete provisions allowing the department to charge a \$100 fee for fingerprint-related training and a \$15 fee for each person applying for employment. Instead, the act would reference the fee provided for by Public Act 120 of 1935, which is also currently \$15—although EO 2001-9 raised this fee to \$30. A provision allowing local law enforcement agencies to charge a \$15 fee for collecting fingerprints would also be eliminated.

(6) Delete provisions allowing provisional employment of security guards for 90 days on the basis of a name-based criminal history record check. In conjunction with EO 2001-9, the fee for a name-based check was increased from \$5 to \$15.

Item (3) to (6) above would impact state and local revenue, but these impacts would generally be offset by corresponding increases or decreases in costs associated with the services for which the fees are charged.