

# Legislative Analysis

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## **INTERNET PROTOCOL-ENABLED PREMISES SECURITY, MONITORING, AND CONTROL ACT**

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**Senate Bill 1291 (Substitute S-1, as amended)**  
**Sponsor: Sen. Dave Hildenbrand**

**Senate Bill 1292 (Substitute S-1)**  
**Sponsor: Sen. Dave Hildenbrand**  
**House Committee: Energy and Technology**  
**Senate Committee: Economic Development**

**Complete to 11-8-12**

### **A SUMMARY OF SENATE BILLS 1291 & 1292 AS PASSED BY THE SENATE 9-27-12**

Senate Bill 1291 (S-1) would create a new act, known as the Internet Protocol-Enabled Premises Security, Monitoring, and Control Act. This new act would require providers of IP-enabled security, monitoring, and control systems to annually file a registration statement with the Department of Licensing and Regulatory Affairs (LARA) before operating in the state.

The provider would be required to affirm that it would conduct background checks of employees and independent contractors and pay a filing fee as determined by LARA. A more detailed description follows later.

Senate Bill 1292 (S-1) would amend the private Security Business and Security Alarm Act (MCL 338.1052) to exclude from regulation under that act a system provider that is registered under the newly created Internet Protocol-Enabled Premises Security, Monitoring and Control Act.

Senate Bill 1292 is tie-barred to Senate Bill 1291.

### **FISCAL IMPACT:**

Senate Bills 1291 and 1292, as passed by the Senate, would have an indeterminate fiscal impact on the Bureau of Commercial Services (BCS) within the Department of Licensing and Regulatory Affairs (LARA).

Currently, alarm security contractors are licensed under the Private Security Business and Security Alarm Act (1968 PA 330), which also licenses private security guards. The statutorily-established fees for an initial security alarm contractor license are \$500 with an additional \$100 per branch office and a renewal fee of \$250 every two years; 168 licenses were renewed in 2010 with 179 renewed in 2011, generating an average of \$61,825 in annual revenue over those years. While it is not possible to differentiate the expenditures disbursed to license security alarm contractors from those disbursed to

license private security guards, the aggregate expenditures disbursed for these two programs greatly exceeded the revenue generated by aggregate licensing fees.

By exempting both alarm systems that are not audible or centrally monitored and those that are monitored via internet protocol from licensing requirements under 1968 PA 330, SB 1292 would likely reduce, by an indeterminate amount, the revenue generated by the fees established under that act. Expenditures would also likely be reduced, but due to the relatively low number of licensees and relatively fixed costs of administration, not to an equivalent degree.

SB 1291 would permit the BCS to establish filing fees in an amount associated with the actual costs of processing and reviewing IP-enabled security system provider registration statements. Thus, excluding nominal expenses to create new forms and develop procedures, the registration requirements established by SB 1291 would ostensibly be fiscally neutral.

However, given that the BCS currently expends more than it collects in revenues to license security alarm contractors under 1968 PA 330, by allowing for fees equivalent to administrative costs, SB 1291 would have an indeterminately positive fiscal impact on the BCS to the extent that entities currently licensed under 1968 PA 330 would be registered under SB 1291.

## **DETAILED SUMMARY OF SENATE BILL 1291:**

### Section 1 - Establishment of New Act

The new act would be known and cited as the Internet Protocol-Enabled Premises Security, Monitoring and Control Act.

### Section 2 - Definitions

This section defines several important terms used throughout the bill, including:

"IP-enabled system" would mean a system that transmits signals to a central monitoring station by means of wired or wireless technologies capable of sending data using internet protocol or other communications protocols over the public internet or other networks and that provides security, monitoring, or control services and functions," and would include several instances contained in the bill.

"Internet Protocol" (IP) would mean transmission control protocol or a successor protocol or technology

"System provider" would mean a person that engages in the business of selling, leasing, renting, maintaining, repairing, installing, or otherwise providing IP-enabled systems to the public at the protected premises or by remote monitoring. It would not include any of the following:

- A person that purchases, rents, or uses an alarm system that is affixed to a motor vehicle.
- A person that owns or conducts a business of selling, leasing, renting, installing, maintaining, or monitoring an alarm system that is affixed to a motor vehicle.
- An alarm system that is operated by the state, a political subdivision of the state, an agency or department of the state, or a political subdivision of the state, or any other governmental agency or department.
- A person that installs a non-monitored alarm system for a business that the person owns, is employed by, or manages.
- A person that only manufactures or sells IP-enabled systems, unless that person services, installs, monitors, or responds to signals from IP-enabled systems at the protected premises.
- A person that sells IP-enabled systems that are designed to be installed and monitored by the customer, an affiliate of or contractor to the person selling the system, or a security alarm system contractor.

### Section 3 - Requirement to File a Registration Statement

The bill would prohibit anyone from acting as a system provider without first filing a registration statement with the Department of Licensing and Regulatory Affairs (LARA). Anyone found in violation of this prohibition would be subject to up to 180 days imprisonment and/or a \$1,000 maximum fine. Individuals that act as system provider in multiple locations within the state would only be required to file one registration statement.

### Section 4 - Registration Statements and Employee Background Checks

Registration statements that are filed with LARA would have to include a completed affidavit submitted by the registrant or applicant and signed by an officer or someone authorized to bind the registrant and that affirms the following:

- The registrant/applicant's legal name and any alias under which the individual does or will do business in Michigan.
- The address and phone number of the principal place of business and contact information for the individual responsible for ongoing communication with LARA.
- A description of the geographic service area.
- Information on the training provided to employees and independent contractors involved in the installation and monitoring of IP-enabled systems. LARA would be able to reject a registration statement upon determining the training is not commercially reasonable.
- A description of the IP-enabled system services to be provided.
- Acknowledgement that an updated registration statement will be filed each year or sooner if a material change in the required information occurs.

Background checks would have to be performed on each employee or independent contractor who, in the normal course of employment, enters a customer's premises to sell, lease, rent, maintain, repair, install, or provide other service to an IP-enabled system.

An applicant or registrant would be prohibited from employing or engaging an individual who will enter a customer's premises during the normal course of employment if any of the following apply to the individual:

- Is younger than 18 years old.
- Does not possess a high school diploma or a general education development (GED) certificate, or its equivalent.
- The required background check reveals any of the following:
  - \*within the preceding five years, was under any sentence for having committed a felony.
  - \*within the preceding five years, has been convicted of a felony involving (1) dishonesty or fraud; (2) unauthorized divulging or selling of information or evidence; (3) impersonation of a law enforcement officer or a governmental employee; (4) illegally using, carrying, or possessing a dangerous weapon; (5) two or more alcohol related offenses; (6) controlled substances; or (7) an assault.
  - \* has been adjudged insane unless restored to sanity by a court order.
  - \* has any outstanding arrest warrants.

#### Section 5 - Departmental Authority & Filing Fee

The bill would require LARA to accept registration statements as long as all of the requirements are met.

LARA's authority to administer the act would be limited to the powers and duties explicitly provided for in the act. LARA would not have the authority to limit or expand the obligations and requirements provided for in the act or to regulate a person to the extent that the person is providing IP-enabled system services except as provided for in the act.

LARA would be authorized to charge a filing fee it deems appropriate for registration statements. Filing fees would not be able to exceed the actual cost to process and review the registration statement.

#### Section 6 - Preemption of Local Regulation

The provisions of the act would supersede and preempt any rule, regulation, code, or ordinance of any local unit of government relating to the authorization or registration of system providers and their employees or independent contractors. Local units of government would be prohibited from requiring the issuance of a certificate, license, or permit, or otherwise regulate any person providing any form of IP-enabled security, monitoring, and control services, or the installation and maintenance of IP-enabled systems facilities. However, local units of government would be able to do the following via ordinance:

- Establish decibel limits, lengths, or time period of audible alarm sounding.

- Regulate or prohibit automated calls, automated signals, or other automated communications to local units of government, including public safety access points.
- Require a permit for high-voltage electrical or plumbing work to be performed by a system provider.
- Enforce any preexisting rights with respect to the use of its right-of-ways.

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.