

various effective dates is that, until licensing and regulatory activities commence, there will likely be no revenues generated for deposit in the Security or Life-Safety Systems Fund for the purpose of developing and implementing the bill's various provisions. Assuming that were true, then it is unclear as to how the Department of Commerce will finance the program's development and implementation. It may be that the State Fire Marshal's Office would pay for any of the program's initial activities through other resources.

- **Initial and ongoing license fee revenue.** Once licensing activities begin, assuming that all estimated companies and individual technician, operator, or salesperson employees become licensed shortly after the license requirements take effect, the Security or Life-Safety Systems Fund may gain \$250,000 or more in revenue the first year of licensing. In subsequent years, the Fund would likely receive less revenue due to the renewal fee amount for companies being less than the initial license fee. Ongoing revenue may be approximately \$200,000 annually.
- **State Fire Marshal expenses.** There would be a number of start-up costs associated with performing the duties and responsibilities required by the bill. Start-up costs for such things as a system to track licensees and applicants; equipment such as computers, phones, and other office overhead; initial payroll costs; and maintenance, travel, and other miscellaneous expenses may be in the hundreds of thousands of dollars.
- Ongoing expenses for payroll, hearing officers, and maintenance costs may be in the hundreds of thousands annually, but, presumably, would be limited to available revenues. At the outset of regulatory activities and with the estimated available revenue, the State Fire Marshal may be able to employ three to four additional employees to assist with administrative duties, examinations, continuing education requirements, and so forth as needed. In addition to these personnel expenses, the State Fire Marshal may also incur ongoing maintenance expenses and supplies as well as charges for network access, telephone, fax, and other information technology services, which could be several thousand dollars or so annually.
- **State Court Cost Revenue.** The bill creates a penalty for security or life-safety systems companies and individuals that operate for a profit without being licensed by the State Fire Marshal. This creates the possibility that the GRF and the Victims of Crime/Reparations Fund (Fund 402) may gain a negligible amount of state court cost revenue.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2007	FY 2008	FUTURE YEARS
Counties			
Revenues	- 0 -	Potential minimal gain from court cost and fine revenue	Potential minimal gain from court cost and fine revenue
Expenditures	- 0 -	Potential minimal increase for adjudication costs	Potential minimal increase for adjudication costs
Municipalities and Townships			
Revenues	- 0 -	Potential loss of licensing or registration fee revenue; potential minimal gain from court cost and fine revenue	Potential loss of licensing or registration fee revenue; potential minimal gain from court cost and fine revenue
Expenditures	- 0 -	Potential decrease in licensing and regulatory costs; potential minimal increase for adjudication costs	Potential decrease in licensing and regulatory costs; potential minimal increase for adjudication costs

Note: For most local governments, the fiscal year is the calendar year. The school district fiscal year is July 1 through June 30.

- Preemption of local licensing authority.** Currently, many municipalities and townships require alarm businesses and/or their employees to be licensed or registered. This bill generally prevents political subdivisions from requiring the licensure or registration of such companies. Since license and registration fees should relate at least loosely to the cost of licensing and regulation, if a municipality were to lose the authority to license or register alarm businesses and their associated employees, the municipality's costs should also be reduced. This indicates that there may be only a minimal loss of revenue for municipalities and townships.
- New criminal penalty.** The bill creates a penalty (misdemeanor of the third degree) for security or life-safety systems companies and employees that operate for a profit without being licensed by the State Fire Marshal. The new penalty may increase local criminal justice expenditures relating to investigating, prosecuting, adjudicating, and sanctioning offenders resulting from any new cases. It is uncertain how many new cases will result from the penalty, but it is likely that any new costs would be minimal as the bill also creates the potential for additional court cost and fine revenue to be collected by county and municipal courts that would help to offset any new costs.

Detailed Fiscal Analysis

Overview

This bill: (1) generally requires security and life-safety systems companies and individual technicians, salespersons, or operators to be licensed by the State Fire Marshal in the Department of Commerce. Security and life safety systems include burglar alarm detection systems, fire alarm and detection systems, access control systems, and closed circuit television. The bill also (2) creates the seven-member Security or Life-Safety Systems Advisory Board within the State Fire Marshal's Office and requires the Board to adopt rules governing the licensing and operations of security and life-safety systems companies and their registered employees as well as the procedures of the Board, (3) generally prohibits local authorities from enacting any ordinance that conflicts with the bill, and (4) creates the Security or Life-Safety Systems Fund and requires the money in the fund to be used to pay the costs the State Fire Marshal and the Board incur in administering the bill.

The Ohio Electronic Life Safety and Security Association (OELSSA), a nonprofit security professional association, reported that there are approximately 500 alarm dealers operating in the state. Fewer than 30 of those are branch offices of national or regional corporations such as ADT. Most dealers are sole proprietors that generally have one to five employees, suggesting there may be several thousand security systems company employees working in Ohio.

State fiscal effects

License fee revenue

As noted above, the bill creates the Security or Life-Safety Systems Fund in order to pay the costs associated with the regulatory requirements of the bill, as well as to receive license fees and any other related revenue. The bill sets the fees as follows: \$260 for the initial licensure for a security or life-safety systems company, \$150 for the annual renewal of a company license, and \$40 for initial licensure and renewal as a technician, operator, or salesperson.

While the bill designates the Security or Life-Safety Systems Fund to receive operating revenue for the State Fire Marshal in administering the licensing program, there would not be any revenue in the short term. This is because the bill provides that the licensing provisions take effect 480 days after its effective date. From all appearances, the practical effect of the bill's various effective dates is that, until licensing and regulatory activities commence, there will likely be no revenues generated for deposit in the Security or Life-Safety Systems Fund for the purpose of developing and implementing the bill's various provisions. Assuming that were true, then it is unclear as to how the Department of Commerce will finance the program's development and implementation. It may be that the State Fire Marshal's Office would pay for any of the program's initial activities through other resources.

However, once licensing activities commence, the Security or Life-Safety Systems Fund may gain \$250,000 or more in revenue the first year of licensing (as of this writing, the licensing requirements would become effective approximately midway through FY 2009, which may have

a limiting effect on revenue in that year). In subsequent years, the Fund would likely receive less revenue due to the renewal fee amount for companies being less than the initial license fee. Ongoing revenue may be approximately \$200,000 annually if there were few companies that would seek initial licensure in later years.

The estimates above use the Ohio alarm company and employee estimates supplied by OELSSA and assume that all estimated companies (500) and individual technicians, operators, or salespersons (which may be up to 3,000 or more) become licensed shortly after the license requirements take effect. The estimates also assume that each technician, salesperson, or operator would receive license in only one category or specialty. If individuals were to seek licensure in multiple categories or specialties and separate fees are charged, revenue to the Security or Life-Safety Systems Fund may be higher.

Regulatory costs

State Fire Marshal start-up costs

There would be a number of start-up costs associated with performing the duties and responsibilities required by the bill. Start-up costs for such things as a system to track licensees and applicants; equipment such as computers, phones, and other office overhead; initial payroll costs; and maintenance, travel, and other miscellaneous expenses may be in the hundreds of thousands of dollars. As noted above, the bill provides that the licensing provisions take effect 480 days after its effective date, so it may be that the State Fire Marshal's Office would pay for the program's development and implementation through other sources than license fee revenue.

Ongoing regulatory costs - personnel and maintenance

The bill allows the State Fire Marshal to employ administrative staff and field investigators as necessary to carry out licensing and regulatory activities for security or life-safety systems companies and their licensed employees. It is uncertain how many personnel would be needed to help carry out the bill's licensing and regulatory requirements, but it is likely that the Testing and Registration Bureau within the State Fire Marshal's Office would house the additional employees needed. The Testing and Registration Bureau currently has nine employees. Ongoing expenses for payroll, hearing officers, and maintenance costs may be in the hundreds of thousands annually, but, presumably, would be limited to available revenues. At the outset of regulatory activities and with the estimated available revenue, the State Fire Marshal may be able to employ three to four additional employees to assist with administrative duties, examinations, continuing education requirements, and so forth as needed.

In addition to these personnel expenses, the State Fire Marshal may also incur ongoing maintenance expenses for supplies as well as charges for network access, telephone, fax, and other information technology services. Such maintenance expenses may be several thousand dollars or so annually.

Background checks

The bill requires criminal background checks to be conducted for each applicant for any type of license and requires the Security or Life-Safety Systems Advisory Board to establish procedures to have criminal background checks conducted for all applicants. Thus, this would

be an added cost if the State Fire Marshal were required to pay for the checks. The Ohio Attorney General's Bureau of Criminal Identification and Investigation (BCII) ordinarily charges a \$15 fee to do a search of the state's criminal records database and \$24 for a search of the FBI's national databases.

If both state and national checks were conducted, such checks may add to the State Fire Marshal's expenses in carrying out the functions of the bill by approximately \$100,000 in the first year or so of licensing activities if most companies and their employees were to apply for licensure. In subsequent years, costs for the background checks would likely decrease significantly as background checks would be conducted only on applicants for initial licensure.

All of the criminal records check moneys would be deposited into the General Reimbursement Fund (Fund 106) in the Attorney General's Office, which is to be used to fund the ongoing costs of operating BCII's criminal records check system. The General Reimbursement Fund would experience a gain in revenue of up to \$100,000, but the actual amount may be less than this, as some local governments may currently require background checks as part of their licensure or registration requirements for alarm businesses or their employees.

Security or Life-Safety Systems Advisory Board expenses

The bill creates the seven-member Security or Life-Safety Systems Advisory Board within the State Fire Marshal's Office in the Department of Commerce. The Board will be responsible for adopting the rules governing the licensing and activities of security systems companies and their licensed employees. Board members will not be compensated, but are eligible for the reimbursement of actual expenses incurred in the performance of their duties, however, the bill does not specify how often board meetings are to take place. Such reimbursements may only cost the state several thousand dollars or so annually.

State Court Cost Revenue

The bill creates a penalty for security or life-safety systems companies and employees that operate for a profit without being licensed by the State Fire Marshal: a misdemeanor of the third degree. This creates the possibility that the GRF and the Victims of Crime/Reparations Fund (Fund 402) may gain a negligible amount of state court cost revenue. For each misdemeanor, the GRF receives \$15 per case and the Victims of Crime/Reparations Fund (Fund 402) receives \$9 per case.

Local fiscal effects

Preemption of local licensing authority

Currently, many municipalities and townships require alarm businesses and/or their employees to be licensed or registered. The regulatory authority in charge of such licensing or registration at the local level varies. For some communities, police or fire departments perform this function and for others it may be the local building department or some other agency. This bill generally prevents political subdivisions from requiring the licensure or registration of such companies.

Presumably, current license and registration fees assessed by local governments must relate at least loosely to the cost of licensing and regulating an activity. Therefore, if a municipality were to lose the authority to license or register alarm businesses or their associated employees, the municipality's costs should also be reduced at the same general level as revenue. The local governments most impacted by the loss of this regulatory authority would be those that have the largest number of licensees and would likely reduce expenses in an effort to offset the revenue lost. For example, the City of Cincinnati, which registers 165 alarm businesses annually, noted that there would be a reduction in expenditures to negate any loss of revenue. LSC fiscal staff makes this assessment from results obtained from an informal survey of municipalities by the Ohio Municipal League. Smaller communities that license and register a relatively small amount of companies annually would also likely experience only a minimal loss in revenue.

New criminal penalty

As noted above, the bill creates a third degree misdemeanor penalty for security or life-safety systems companies and employees that operate without being licensed by the State Fire Marshal, which carries a maximum sentence of 60 days and a maximum fine of \$500. Some persons who may not have been prosecuted and convicted under existing law could be prosecuted and sanctioned under the bill. These effects could in turn increase local criminal justice expenditures relating to investigating, prosecuting, adjudicating, and sanctioning offenders who violate the bill's prohibition. It is uncertain how many new cases will result from the penalty. The severity of the sentence in a case involving a misdemeanor is entirely up to the judge's discretion, as several factors, such as available bed space, severity of the crime, the presence of a repeat offender, and the judge's attitudes about the crime in question, can influence the decision.

With new criminal cases, there could be additional court cost and fine revenue to be collected by county and municipal courts that would help to offset any new costs brought about by the new penalty. As such, it is likely that any new costs for county and municipal criminal justice systems are likely to be minimal as a result of the bill.

Synopsis of Fiscal Changes

- The bill specifies license and annual renewal fees for security or life-safety system companies and technicians, operators, and salespersons as follows: \$260 for the initial licensure for a security or life-safety systems company, \$150 for the annual renewal of a company license, and \$40 for initial licensure and renewal as a technician, operator, or salesperson. The fees are estimated to result in estimated annual revenue of \$200,000 or more. The estimated available revenue would appear to sustain three to four additional employees to assist with administrative, examination, and continuing education requirements.

- The bill creates a third degree misdemeanor penalty for companies and individuals operating for a profit without a license. This new penalty may minimally increase local criminal justice expenditures through new criminal cases, but court cost and fine revenue would help to alleviate any new costs. The penalty may also result in a negligible gain in revenue to the GRF and the Victims of Crime/Reparations Fund (Fund 402).

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