

# Fiscal Note & Local Impact Statement

127<sup>th</sup> General Assembly of Ohio

Ohio Legislative Service Commission  
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BILL: **H.B. 41** DATE: **March 27, 2007**

STATUS: **As Introduced** SPONSOR: **Rep. Uecker**

LOCAL IMPACT STATEMENT REQUIRED: **No — No local cost**

CONTENTS: **Requires the licensure of persons operating security systems companies, provides for the registration of individuals performing specified types of security systems work, provides for the regulation of security systems companies and employees, and establishes the Security Systems Advisory Board in the Department of Commerce**

## State Fiscal Highlights

STATE FUND	FY 2008	FY 2009	FUTURE YEARS
<b>Security Systems Fund (New Fund) – Department of Commerce</b>			
Revenues	- 0 -	Uncertain gain, dependent on license and fine collections	Uncertain gain, dependent on license and fine collections
Expenditures	- 0 -	Increase in the hundreds of thousands of dollars, up to available revenues	Increase in the hundreds of thousands of dollars, up to available revenues

Note: The state fiscal year is July 1 through June 30. For example, FY 2007 is July 1, 2006 – June 30, 2007.

- **Security Systems Fund.** The bill creates the Security Systems Fund in order to pay for the costs associated with the licensing and registration requirements of the bill. The timing and the magnitude of the Fund's revenues is uncertain as (1) fees for licensing security systems companies and registering security systems company employees are to be set by rule, and (2) the fact that the registration provisions do not take effect until 480 days after the bill's effective date.

Expenses cannot be estimated until the Board adopts rules. Presumably, fees will be set in an amount necessary to defray the costs of administering the program. Costs to operate the Advisory Board and carry out the activities noted in the bill may be in the hundreds of thousands of dollars, depending on the number of staff needed.

- **Short-term funding for the licensing and regulatory program.** 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 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.



## ***Local Fiscal Highlights***

- No direct fiscal effect on political subdivisions.
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## ***Detailed Fiscal Analysis***

### **Overview**

This bill: (1) generally requires security systems companies to be licensed by the Director of Commerce and their employees who are technicians, salespersons, or operators to register with the Director, (2) creates the seven-person Security Systems Advisory Board within the Department of Commerce and requires the Board to adopt rules governing the licensing and activities of security systems companies and their registered employees, (3) generally prohibits local authorities from enacting any ordinance that conflicts with the bill, and (4) creates the Security Systems Fund and requires the money in the fund to be used to pay the costs the Department and Board incur in administering the bill.

The Ohio Burglar and Fire Alarm Association, a nonprofit security professional association, reported that there are between 450 and 500 alarm dealers operating in the state. Fewer than 30 of those are part of national corporations such as ADT. Most dealers are sole proprietors that generally have one to five employees, indicating there may be several thousand security systems company employees working in Ohio.

### **Short-term funding for the licensing and regulatory program**

The bill creates the Security Systems Fund to provide operating revenue for the Board, but there would not be any revenue in the short term. This is because the bill: (1) requires Board members to be appointed no later than 30 days after its effective date, (2) requires the Board no later than 180 days after the appointment of its initial members to adopt the prescribed rules, and (3) provides that the licensing and registration provisions take effect 480 days after its effective date. Thus, the Department of Commerce would pay for the program's development and implementation through other sources.

### **State fiscal effects**

#### **Start-up and ongoing costs**

There would be a number of start-up costs associated with performing the duties and responsibilities required by the bill. It is uncertain how many companies will need to be licensed or how many employees will need to be registered, and given that the Security Systems Advisory Board does not yet exist and no rules governing the licensing and activities security companies and their registered employees have been adopted, it is difficult to make a very reliable projection of these start-up costs or any ongoing operating expenses. Start-up costs for such things as a system to track licenses and registrations; equipment such as computers, phone, and furniture; initial payroll costs; contracted legal

services; and maintenance, travel, and other miscellaneous expenses may be in the hundreds of thousands of dollars.

It is uncertain how many personnel would be needed to help carry out the likely requirements to be imposed by the Security Systems Advisory Board. However, the Department of Commerce would likely need administrative staff as well as investigators. Ongoing expenses for payroll, hearing officers, and maintenance costs may be in the hundreds of thousands annually.

### **Security Systems Fund**

The bill creates the Security Systems Fund in order to pay for the costs associated with the licensing and registration requirements of the bill, as well as to receive license and registration fees and any fines issued as a result of violations. The timing and the amount of the Fund's revenues is uncertain as fees for licensing security systems companies and registering security systems company employees are to be set by rule. Also, the registration provisions do not take effect until 480 days after the bill's effective date. In terms of expenses, it is likely that fees will be set in an amount necessary to defray the costs of administering the program. As noted above, costs to operate the Advisory Board and carry out the activities noted in the bill may be in the hundreds of thousands of dollars, depending on the number of staff needed.

### **Security Systems Advisory Board**

The bill creates the seven-person Security Systems Advisory Board within the Department of Commerce. The Board will be responsible for adopting the rules governing the licensing and activities of security systems companies and their registered 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 reimbursement may only cost the state several thousands of dollars or so annually.

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