

Fiscal Note & Local Impact Statement

124th General Assembly of Ohio

Ohio Legislative Service Commission
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BILL: **H.B. 188** DATE: **October 10, 2001**

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

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

CONTENTS: **Changes licensing requirements for private investigators and security guards and transfers the duties under these areas to the Superintendent of Real Estate and Professional Licensing**

State Fiscal Highlights

STATE FUND	FY 2002	FY 2003	FUTURE YEARS
5B9 800-632 PI & Security Guard Provider (Commerce)			
Revenues	Potential \$3,000 gain	Potential \$3,000 gain	Potential \$3,000 gain
Expenditures	Potential decrease	Potential decrease	Potential decrease
590 055-633 Peace Officer Private-Security Fund (Attorney General)			
Revenues	Potential gain	Potential gain	Potential gain
Expenditures	Potential increase	Potential increase	Potential increase
106 055-612 General Reimbursement Fund (Attorney General)			
Revenues	Potential gain	Potential gain	Potential gain
Expenditures	Potential increase	Potential increase	Potential increase

Note: The state fiscal year is July 1 through June 30. For example, FY 2002 is July 1, 2001 – June 30, 2002.

- Potential revenue gain of \$7,000 to Fund 5B9 because the bill eliminates the requirement that the Department of Commerce refund licensure fees if licensure is rejected. Potential decrease in expenditures for examinations contracted out to private vendors; contracts may reduce department staff requirements and resources. Approximately \$4,000 could be lost in exam fee revenues. Thus, a net revenue gain of \$3,000 could be experienced by the fund.
- Potential revenue gain to Fund 590 from fees paid by private investigators to the Ohio Peace Officer Training Commission for basic firearm training and firearm training recertification. Potential expenditure increase to develop new curriculum and additional staff needed to train private investigators.
- Potential revenue gain to Fund 106 from fees collected by the Bureau of Criminal Identification & Investigation (BCII) for investigations requested by the superintendent of the Division of Real Estate and Professional Licensing. Potential expenditure increase for personnel and supply costs for additional requested investigations.

Local Fiscal Highlights

- No direct fiscal effect on political subdivisions

Detailed Fiscal Analysis

Background

H.B. 188 outlines the duties of the superintendent of the Division of Real Estate and Professional Licensing within the Department of Commerce, the duties of the executive director of the Ohio Peace Officer Training Commission, and the procedures for applicants of Class A, B, & C licensure.^[1] Currently, the licensing process for private investigators and security guards are overseen by the Director of Commerce.

H.B. 188 states any private investigator or person *in* the business of private investigation and in the business of *providing* security services must be

licensed by the Division of Real Estate and Professional Licensing. These licensed persons or entities will have several forms of identification serving as proof of licensure. A licensee may not carry a firearm in the course of engaging in the business of private investigation or security services unless: (1) the licensee has completed the basic firearm training program, (2) there is firearm-bearer notation on the licensee's identification card, (3) the licensee always carries his or her identification card, and (4) the licensee completes a re-qualification program every 12 months. Under current law, licenses may be issued to individual applicants and representatives of corporations. The license fee for individual applicants and corporations is \$250. The average number of *corporate* licenses issued in a year is 65. The average number of *individual* licenses issued in a year is 58. Therefore, the amount of revenue received by the Division of Real Estate and Professional Licensing from individual licenses is \$14,500 and \$16,250 for corporate licenses.

Under current law, upon written notification to the superintendent, completion of an application similar to that of the original application, surrender of the corporation's current license, and payment of \$25, a corporation's class A, B, or C may be transferred to another corporation. The Division estimates approximately 10 transfers occurring in a year resulting in roughly \$250 in transfer revenue.

Examinations

The Department of Commerce currently administers an examination for testing the qualifications of applicants. H.B. 188 allows the superintendent to enter into contracts with a testing service vendor to hold and administer examinations. The applicant for examination shall pay the testing vendor examination fee directly to the testing service vendor. The Department of Commerce feels it is more cost effective to contract out the testing services because the department will not incur expenses for holding the exam (personnel time for exam administration and grading, printing, office supplies, postage for scheduling notices, etc.). Should the division utilize the services of a testing service vendor, the costs would be absorbed by the vendor. The examination fee for testing the qualifications of applicants is \$25. The average number of exams given in a year is approximately 154; therefore, the amount of revenue vendors may receive is approximately \$3,850. If the Department of Commerce contracts out examination services, Fund 5B9 may see a potential decrease in revenue. However, contracting out to private vendors may also reduce department expenditures because of potential reduction in staffing requirements and resources to administer the examination.

Criminal Investigations

Under H.B. 188, the superintendent of Real Estate and Professional Licensing shall also request a criminal investigation of the applicant by the Bureau of Criminal Investigations (BCII). H.B. 188 states that if the BCII assesses the superintendent a fee for the investigation, the superintendent shall assess the applicant a fee that is equal to the fee assessed by the bureau. The investigation fee charged by BCII is \$15. In FY 2000, the Department of Commerce requested and paid BCII for approximately 18,040 investigations in FY 1999, and approximately 20,952 investigations in FY 2000; therefore BCII received revenue totaling \$270,600 in 1999 and \$314,280 in 2000.

H.B. 188 contains no language that will reduce BCII revenue. Current law provides, "If the director *requests* the BCII to conduct an investigation of a licensee's employee..." H.B. 188 modifies this to read, "The superintendent of real estate and professional licensing *shall request* the BCII to conduct an investigation..." The change in H.B. 188 is to codify current Division of Real Estate and Professional Licensing policy, which is to require a background check for every employee of a licensee. Also, H.B. 188 allows the Division to accept a FBI background check, provided the check covers the state of Ohio.

BCII deposits fees for civilian record checks paid by political subdivisions, private businesses, school districts and other state agencies into the General Reimbursement Fund, Fund 106. Fund 106 may experience a potential increase in fees collected for investigations because of the potential increase in requested investigations from the superintendent. With a potential increase in requested investigations, the division may experience a potential expenditure increase such as personnel and supply costs for additional requested investigations.

The Attorney General's office estimates that the new language will cause a minimal impact at most. The Attorney General's office also estimates that even if there are additional investigative demands on the bureau, new staff will probably not be needed. Currently BCII conducts approximately 500,000 criminal record checks in Ohio and 20,000 investigations for applicants for security guards and private investigators in Ohio (20,000 investigations represent 4% of the total number of investigations conducted by the bureau). The Attorney General's office estimates that even if there is an increase in the number of investigations due to the new language of the bill, the bureau will be able to absorb the costs.

Refunds

H.B. 188 removes the requirement that the Department of Commerce issue a refund for license fees if the license is not issued. The license may not be issued because lack of payment, insufficient submission of application forms, or results of the criminal investigation. In FY 2000, the Division issued \$7,250 in refunds for 29 license applicants. Therefore, the department could now gain approximately \$7,250 in additional revenue from license refunds.

Renewals

Any licensee may file to renew their license between March 1st and May 31st by filing the required renewal form with the superintendent. The standard renewal fee is \$250 and the average number of renewals per year is 633, resulting in approximately \$158,250 of revenue. The bill states that failure to renew a license by the 31st day of May in any given year may result in automatic revocation of a license. In the case of a corporation, the revocation of the corporation's license of each licensee affiliated with the corporation and the license of each individual who qualified the corporation for licensure. The bill provides for a late renewal fee of \$125. There is no late renewal fee in current law. Under current law, if the

license expires, the licensee must go through the time and expense of the original license process and re-register all of the registrants with the licensee.

The amount of revenue for late renewals can only be estimated. Hypothetically, if 10% of the licensees were late on their renewals, the approximate amount of revenue would be roughly \$7,800.

Civil Penalties

In lieu of suspending, revoking, or refusing to renew the class A, B, or C license, the superintendent by issuing an administrative order subject to the provisions of the chapter 119 of the Revised Code, may impose a civil penalty. Under current law, the director may impose a civil penalty of *not less* that \$100 or *more* than \$200 for each calendar day of violation. Under H.B. 188 the superintendent may impose a civil penalty of *not more* than \$100 for each calendar day of violation. The average amount of money the division received from imposition of civil penalties, based on a review of FY 1996 to FY 1999, was \$43,196. It is estimated that H.B. 188 will reduce the revenue received from civil penalties.

The Ohio Peace Officer Training Commission

Under H.B. 188, the executive director of the Ohio Peace Officer Training Commission shall have an additional duty. The director will certify and re-certify persons who have satisfactorily completed approved firearms training programs for private investigators or security guards as prescribed by the commission and issue appropriate certificates to those persons.

Currently the commission only offers academic training and firearm re-certification for security guards. The commission notes the new provisions in the bill will not likely affect the security guard training program but they may incur added costs if they have to offer training for private investigators. Currently, the commission does not offer academic training for private investigators. Private investigators working for a private security firm would have to attend the training. The requirement to certify and re-certify private investigators may dramatically increase curriculum development requirements and increase staffing and supply needs. The commission will be able to meet the certification and re-certification requirements outlined in H.B. 188 if it provides academic courses. Additional academic courses will also require more funding. Without additional funding the commission may be forced to make internal adjustments of current programs and funding, possibly hindering the services the commission provides.

The source of the Peace Officer Private-Security Fund 590 revenue are fees paid to the Ohio Peace Officer Training Commission. The commission could see an increase in revenue to Fund 590 from the fees paid by private investigators training. Also, the commission could see an increase in expenditures for new curriculum development costs and additional staff needed to train private investigators.

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[1] Ohio issues three types of licenses to private investigators and security guard providers: Class A – Private Investigation & Security Guard Provider, Class B – Private Investigator Provider, Class C – Security Guard Provider.