

Department of Legislative Services
Maryland General Assembly
2015 Session

FISCAL AND POLICY NOTE

House Bill 479
Economic Matters

(Delegate McComas, *et al.*)

Private Detective Agencies - License Terms

This bill increases the term of a license for an agency to provide private detective services from two years to three years. License fees remain unchanged.

Fiscal Summary

State Effect: No effect until FY 2018 and 2019, due to the staggering of license renewal, when general fund revenues decrease – by as much as \$39,600 and \$13,200, respectively – as discussed below. Expenditures are not materially affected.

Local Effect: None.

Small Business Effect: Minimal. Private detective agencies benefit from a longer licensure term with no fee increase – essentially saving the equivalent of either \$67 a year for a firm license or \$33 a year for an individual license.

Analysis

Current Law: Under the Maryland Private Detectives Act, the Secretary of State Police is responsible for the licensing of private detective agencies and the certification of individuals who provide private detective services in the State.

A private detective agency licensee may:

- conduct business that provides private detective services for compensation;
- maintain an office for that business;

- employ individuals as private detectives; and
- represent itself to the public as a private detective agency.

Private detective services include, but are not limited to, conducting investigations, securing evidence for use before any investigating committee or board of arbitration, providing nonuniformed personal protection, and locating or apprehending fugitives.

The initial application fee for an agency license is \$200 if the applicant is an individual, and \$375 if the applicant is a firm, plus the costs of fingerprint cards for a criminal history records check. Applications must be accompanied by at least three names of individuals who can attest to the applicant's character. Agency license terms are staggered. Agency license renewals may occur every two years, at a cost of \$200 if the applicant is an individual, and \$400 if the applicant is a firm.

A private detective agency that employs five or more individuals as private detectives must maintain commercial general liability insurance, including errors and omissions and completed operations with a \$1 million total aggregate, and submit proof of the required insurance to the Secretary.

An individual may be certified as a private detective by paying a fee of \$15 and submitting fingerprint cards for a criminal history records check; the applicant must be employed by a licensed agency.

State Fiscal Effect: General fund revenues decrease because the bill modifies the licensure term from two to three years but does not make a corresponding change to the annualized fee. Thus, each agency licensee continues to pay either \$400 (for a firm) or \$200 (for an individual) at renewal, but the fee covers an additional year.

As all current private detective agencies hold biennial licenses, they are either due to renew in fiscal 2016 or 2017 and will still do so under the bill at the same fee. Therefore, general fund revenues are not affected in those two years.

Even so, in fiscal 2016, agencies either renew again for a two-year period (if their current license expires before the bill's October 1, 2015 effective date) or do so under the new structure for a three-year period (if their current license expires after October 1, 2015). Thus, in fiscal 2018, the agencies that renewed in the first quarter of fiscal 2016 renew for the first time under the triennial license structure; the remainder of agencies that renewed in fiscal 2016 renew again in fiscal 2019, while those that renewed in fiscal 2017 renew again in fiscal 2020. This impact is illustrated in **Exhibit 1**. Accordingly, the first impact of the bill is in fiscal 2018, when general fund revenues could decline by as much as \$39,600; in the following year, general fund revenues could decline by as much as \$13,200.

In fiscal 2020, there should not be a revenue impact due to the bill; however, the triennial impact for fiscal 2018 through 2020 continues to repeat in future years.

This illustrative analysis assumes that, on average, 132 agency licenses are currently renewed each year (based on the Department of State Police (DSP) reporting that there were 136 agency renewals in fiscal 2012, 151 in fiscal 2013, and 108 in fiscal 2014). It also assumes that all such agencies hold firm licenses rather than individual licenses, thereby paying the \$400 fee. To the extent that they hold individual licenses instead, the amount of foregone revenue is less.

Although moving to triennial licensure for agencies could impact the workload for DSP, this analysis acknowledges that some agency licenses must be renewed each year. Moreover, it assumes that any workload efficiencies result in staff being redirected to other priorities within the Licensing Division. Any other expenditure impact is likely to be minimal.

Additional Information

Prior Introductions: None.

Cross File: SB 328 (Senator Klausmeier, *et al.*) - Judicial Proceedings.

Information Source(s): Department of State Police, Department of Legislative Services

Fiscal Note History: First Reader - February 24, 2015
md/mcr

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Exhibit 1
Illustrative Revenue Impact of Shifting to Three-year Renewal with No Proportionate Increase in Fee
Fiscal 2016-2020

| | <u>Under Current Law</u> | | <u>Under the Bill</u> | | |
|--------------------------|--|-----------------|---|-----------------|-------------------|
| | <u>Renewals</u> | <u>Revenues</u> | <u>Renewals</u> | <u>Revenues</u> | <u>Difference</u> |
| FY 2016 | 132 (first 1/2 of agency licensees) renew for a two-year term (due for renewal in FY 2018); all pay the \$400 fee | \$52,800 | 132 (first 1/2 of agency licensees) renew but in two groups, with 33 for a two-year term before the bill's effective date (due for renewal in FY 2018) and the other 99 for a three-year term after the bill's effective date (due for renewal in FY 2019); all pay the \$400 fee | \$52,800 | \$0 |
| FY 2017 | 132 (second 1/2 of agency licensees) renew for a two-year term (due for renewal in FY 2019); all pay the \$400 fee | \$52,800 | 132 (second 1/2 of agency licensees) renew for a three-year term (due again for renewal in FY 2020); all pay the \$400 fee | \$52,800 | \$0 |
| FY 2018 | 132 (first 1/2 of agency licensees) renew for a two-year term (due for renewal in FY 2020); all pay the \$400 fee | \$52,800 | 33 renew for a three-year term for the first time (those who had to renew in FY 2016 before the bill's effective date) (due for renewal in FY 2021); all pay the \$400 fee | \$13,200 | -\$39,600 |
| FY 2019 | 132 (second 1/2 of agency licensees) renew for a two-year term (due for renewal in FY 2021); all pay the \$400 fee | \$52,800 | 99 renew for a three-year term (those who renewed in FY 2016 after the bill's effective date) (due for renewal in FY 2022); all pay the \$400 fee | \$39,600 | -\$13,200 |
| FY 2020 | 132 (first 1/2 of agency licensees) renew for a two-year term (due for renewal in FY 2022); all pay the \$400 fee | \$52,800 | 132 (second 1/2 of agency licensees) renew for a three-year term (due for renewal in FY 2023); all pay the \$400 fee | \$52,800 | \$0 |
| Total Over 5-year Period | | \$264,000 | | \$211,200 | -\$52,800 |

Note: This estimate assumes the average number of agency licensees over the past three years is due to renew each year under current law. It also assumes that all agency licensees renew at the firm rate of \$400; to the extent that some renew at the \$200 individual rate, the revenue impact is lower.

Source: Department of Legislative Services