



## **Economic Impact Analysis Virginia Department of Planning and Budget**

---

### **6 VAC 20 -171 – Regulations Relating to Private Security Services**

#### **Department of Criminal Justice Services**

February 4, 2003

---

The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 2.2-4007.G of the Administrative Process Act and Executive Order Number 21 (02). Section 2.2-4007.G requires that such economic impact analyses include, but need not be limited to, the projected number of businesses or other entities to whom the regulation would apply, the identity of any localities and types of businesses or other entities particularly affected, the projected number of persons and employment positions to be affected, the projected costs to affected businesses or entities to implement or comply with the regulation, and the impact on the use and value of private property. The analysis presented below represents DPB's best estimate of these economic impacts.

### **Summary of the Proposed Regulation**

The General Assembly states in §9.1-141 of the Code of Virginia that the Private Security Services Advisory Board may adopt, review, amend, or revise regulations pertaining to private security services. Specifically, the Code of Virginia allows the board to establish compulsory minimum standards, including entry-level, in-service, and advanced training standards, for persons employed by private security service businesses and training schools. The Code of Virginia also allows the Private Security Services Advisory Board to levy and collect fees in order to recover all expenses incurred in the administration and operation of a program of licensure, registration, and certification for private security service businesses and training schools.

The regulation proposes the following changes: (1) modifies the fee schedule, including standardizing the length of time for which all licenses, registrations, and certifications other than firearms endorsements are issued or renewed to two years, introducing new fees for business

license categories and firearms endorsements, and changing the fee structure by increasing fees for some license, registration, and certification categories and decreasing them for others; (2) increases the hours of entry-level training required for certain categories of registration and certification; (3) adds a requirement that all individuals applying for a license, registration, or certification under this regulation be U.S. citizens or legal resident aliens of the United States; (4) requires all individuals applying for certification as unarmed security officers to submit fingerprints and pay a \$50 fingerprint processing fee; (5) reduces from 90 days to 30 days the time following the expiration of a license, registration, or certification within which renewal requests are to be submitted in order for the license, registration, or certification to be reinstated; and (6) incorporates additional administration and standards of conduct requirements such as reducing from 30 days to 10 days the time that license-, registration-, or certification-holders have to report any instance of them or any employees working for them who are regulated under this chapter pleading guilty or being found guilty of committing a felony or a misdemeanor or violating the private security services statutes and regulations.

The regulation also adds language clarifying certain aspects of the regulation such as specifying that private security service businesses maintain documentation verifying their compliance with this regulation for no less than three years, incorporates changes that make the regulation consistent with current practice such as including fees that DCJS has been charging but are not currently in the regulation, and includes provisions that would allow for more effective enforcement of the regulation, such as laying out in more precise language the standards of conduct for license-, registration-, or certification-holders.

## **Estimated Economic Impact**

(1) The proposed regulation makes a number of modifications to the fee schedule for a license, registration, or certification issued by DCJS to a business or an individual in the private security services industry.

- The regulation standardizes the length of time for which licenses, registrations, and certifications (other than firearms endorsements, which are to be issued on an annual basis) are issued or renewed to two years. Under current policy, various categories of licenses, registrations, and certifications can be issued or renewed for varying lengths of time. For example, an initial business license and registration as an armed security officer

can be issued for a maximum of one year, certification as an unarmed security officer can be issued for a maximum period of two years, and certification as a training school instructor can be issued for a maximum period of three years. The proposed regulation moves all licenses, registrations, and certifications to a two-year cycle.

- The regulation introduces new fees. Along with the initial business license fee or a business license renewal fee, businesses are now required to pay an additional business license category fee. There are nine categories of security services for which businesses may be licensed (armed security officers, unarmed security officers, armed couriers, unarmed couriers, private investigators, electronic security personnel, armored car personnel, personal protection specialists, and security canine handlers), and a single business license can cover more than one category of service. The proposed regulation includes an additional fee of \$50 per category to businesses seeking to obtain or renew a license for more than one category. The proposed regulation also requires individuals who carry or have access to firearms while on duty to get a firearms endorsement. Each endorsement is valid for one year and needs to be renewed at the end of that period. Under current policy, the firearms endorsement was included in the fees charged for registration/certification.
- The regulation increases the fees for some license, registration, and certification categories and decreases it for others. For example, the regulation reduces the fees charged for the issuance of an initial business license. An initial business license valid for two years will now cost \$800. Under current policy, an initial business license valid for one year and a one-year renewal of that license costs \$850. On the other hand, the regulation raises the fees for some activities. Unarmed security officers now have to pay a higher certification fee and a fingerprint processing fee in order to be certified.

According to DCJS, the changes to the fee schedule were proposed in order to streamline the operation of the private security services license, registration, and certification program and make the fees more consistent with the resources used in issuing or renewing a license, registration, or certification.

Changes to the fee schedule are likely to increase the revenues generated by the program. The increased revenues are intended to cover the costs of running the program. In fiscal years

2000, 2001, and 2002, average expenditure in connection with the administration of the private security services program was a little less than \$1.6 million. Average revenues over the same period were a little over \$1.4 million. The program faced a revenue shortfall of approximately \$130,000. Assuming the same number of licenses, registrations, and certifications are issued or renewed, the proposed regulation will increase revenues to approximately \$2.1 million. However, DCJS also expects program costs to be higher in the future. A number of additional requirements, such as fingerprinting applicants for certification as unarmed security officers (the administrative cost of DCJS aside, just the cost of having the state police run criminal history checks on all applicants for unarmed security officers is expected to add approximately \$237,000) and verifying that all applicants are U.S. citizens or legal resident aliens, are likely to raise the cost of administering the program. Moreover, according to DCJS, the private security services program is understaffed with a number of unfilled positions. DCJS expects that some of the additional revenue will be used to fill the vacant positions.

Businesses and individuals involved in the private security services industry have the potential to create serious public safety hazards as a result of conducting their activities in an improper or inappropriate manner. The aim of the private security services program is to enforce certain compulsory minimum standards for persons employed in the private security services industry and to reduce the risk to public safety from their activities. The cost of obtaining a license, registration, or certification can be viewed as part of the compliance cost incurred by a business or an individual to ensure that they do not jeopardize public safety. Current program revenues fall short of expenditures by approximately \$130,000 (8.5% of the cost of running the program). Thus, businesses and individuals involved in the private security services industry are not paying the actual compliance cost associated with operating in a manner protective of public safety. Increasing the fees will transfer some or all of this cost to the private security services industry.

Transferring the cost will have a positive economic impact and result in more efficient use of resources. With some of the cost being subsidized by DCJS (and hence the taxpayers), businesses and individuals operating in the private security services industry are not paying costs commensurate with the risk posed to public safety from their activities. This could potentially result in more unsuitable and substandard businesses and individuals entering the industry than if fees reflected actual costs. Increasing fees such that they better reflect costs will ensure that

businesses and individuals entering the industry are of a certain quality and the risk to public safety from their activities is kept at a level deemed appropriate.

(2) The proposed regulation increases the minimum number of hours of entry-level training required for certain categories of registration and certification. The regulation increases the hours of entry-level training for armed security officers from 24 to 40 hours, for armored car personnel from 20 to 26 hours, for unarmed security officers from 16 to 18 hours, for alarm respondents from 16 to 18 hours, and for security canine handlers from 28 to 30 hours. The core training requirements for all security officers (armed security officers, unarmed security officers, alarm respondents, and security canine handlers) have been reorganized and increased by two hours. Entry-level handgun training requirements (affecting armed security officers and armored car personnel) have also been reorganized (to include additional training categories such as dim light shooting familiarization) and increased by six hours. Additional training sessions on arrest powers, policies, and procedures have increased the entry-level training for armed security officers by another eight hours.

The additional entry-level training requirements were based on the results of a job task analysis conducted by DCJS and the recommendations of an advisory committee made up of members of the regulated community. DCJS and the advisory committee believe that the additional training requirements, especially the dim light shooting familiarization requirement included in the handgun training requirements and the additional sessions on arrest powers, policies, and procedures for armed security guards, are necessary in order for security personnel to perform their duties in an appropriate manner. In the case of armed security officers, DCJS considered the 16-hour increase in entry-level training to 40 hours the minimum training necessary. Armed security officers are authorized to carry firearms and have the power to arrest individuals. A police officer with similar powers and responsibilities is required to undergo training for six months. The net economic impact of the proposed change will depend on whether the additional resources (in terms of time and money) spent in receiving the extra hours of training are greater than or less than the benefit (in terms of the improvement in public safety) of the extra hours of training.

(3) The proposed regulation requires all individuals applying for licenses, registrations, and certifications under this regulation to be U.S. citizens or legal resident aliens of the United

States (a legal resident alien is defined by the U.S. Department of Justice as is a non-U.S. citizen currently residing in the United States in the following categories: permanent resident, conditional resident, and returning resident). The change is being proposed in order to prevent individuals in the United States illegally from being registered/certified to provide private security services. The lack of such a requirement in the current regulation has been identified by the FBI, the state police, and the private security services industry as a potential source of security breaches. Individuals who obtain registration/certification under this regulation receive a state-issued photo identification card that can then be used for many purposes including opening a bank account and applying for a driver's license. Not checking whether these individuals are in the United States legally provides a loophole for illegal immigrants to seek and obtain state-issued identification. The proposed change closes the loophole.

The proposed change is likely to have a positive economic impact by closing the existing loophole and ensuring better enforcement of U.S. immigration laws. It is not likely to have any significant negative consequences as the proposed change will only affect individuals in the United States illegally and such individuals are anyway not allowed to work under U.S. immigration laws.

(4) The proposed regulation requires all individuals applying for certification as unarmed security officers to submit fingerprints. Section §9.1-145 of the Code of Virginia mandates that all applicants for initial licensure, registration, or certification to operate in the private security services industry submit fingerprints in order to enable DCJS to conduct a criminal records search. Under current policy, all applicants for an initial license, registration, or certification other than unarmed security officers are required to submit fingerprints. The proposed change will require that unarmed security officers also be fingerprinted.

In fiscal years 2000, 2001, and 2002, DCJS received an average 6,390 applications for initial certification as an unarmed security officer. These applicants will now have to undergo a criminal background check and pay a \$50 fingerprint processing fee. DCJS will generate an additional 319,500 per year in revenues from the initial certification of unarmed security officers and incur an additional \$236,430 in costs from running background checks.

The proposed regulation increases the cost of getting certified as an unarmed security officer three-fold (the initial certification fee is \$25). However, using fingerprints to run criminal

history checks will better enable DCJS to weed out unsuitable applicants. The net economic impact of the proposed change will depend on whether the additional cost of getting certified is greater than or less than the benefits from being able to perform criminal history checks.

(5) The proposed regulation reduces the time following the expiration of a license, registration, or certification within which renewal requests are to be submitted in order for the license, registration, or certification to be reinstated. Following the expiration of a license/registration/certification, businesses and individuals are given a grace period within which they can get their license/registration/certification reinstated. Once the grace period has passed, they are then required to apply for an initial license/registration/certification. The proposed regulation shortens the reinstatement period from 90 days to 30 days.

Shortening the reinstatement period is not likely to have a significant economic impact. DCJS believes that 30 days is more than adequate time for a business or individual to apply for reinstatement. Moreover, the shorter reinstatement period is not likely to impose an additional burden on businesses and individuals licensed, registered, or certified under this regulation. As none of these businesses or individuals can operate during the reinstatement period following the expiration of their license, their incentive will be to get reinstated as soon as possible. Thus, shortening the reinstatement period is likely to have little, if any, impact on them.

(6) The proposed regulation incorporates additional administration and standards of conduct requirements such as reducing the time that license-, registration-, or certification-holders have to report any instance of them or any employees working for them who are regulated under this chapter pleading guilty or being found guilty of committing a felony or a misdemeanor or violating the private security services statutes and regulations. The reporting period is reduced from 30 days to 10 days. As these convictions are required to be reported under current policy, shortening the time within which they have to be reported is not likely to impose any additional cost on the regulated community. In fact, to the extent that the proposed change makes DCJS information more up-to-date and allows for better implementation and enforcement of the regulation, it is likely to have a small positive economic impact.

## **Businesses and Entities Affected**

The proposed regulation will affect all businesses, training schools, and individuals licensed, registered, or certified to operate in the private security services industry. The

regulation modifies the fee structure for the issuance and renewal of licenses, registrations, and certifications. It standardizes the length of time for which various categories of license, registration, and certification are issued or renewed to two years, introduces additional categories of fees, and changes the fee structure by raising the fees for some categories of license, registration, or certification and lowering the fees for others. The regulation increases the minimum hours of entry-level training required to be registered/certified as a security officer. The regulation requires all individuals working in the private security services industry to be U.S. citizens or legal resident aliens of the United States. As mandated by the Code of Virginia, the regulation requires all unarmed security officers applying for initial certification to submit their fingerprints and pay an additional \$50 fingerprint processing fee. The regulation also shortens both the reinstatement period for businesses and individuals following the expiration of their license/registration/certification and the period within which felony or misdemeanor convictions of any individual regulated under this chapter are to be reported.

### **Localities Particularly Affected**

The proposed regulation will affect all localities in the Commonwealth.

### **Projected Impact on Employment**

The proposed regulation is likely to have some negative impact on employment in the security services industry. Higher fees for some categories of registration and certification, additional categories of fees, and extra hours of entry-level training are likely to make it more expensive to be registered/certified under this regulation. While training school instructors (who account for less than 0.5% of all registration/certification issuances and renewals) will find it cheaper to renew their certification under this regulation, unarmed security guards (who account for 26% of all registration/certification issuances and renewals) applying for initial certification will be required to pay an additional \$50 fee for fingerprint processing and spend two extra hours getting entry-level training. Armed security guards will be required to spend an extra 16 hours getting entry-level training.

### **Effects on the Use and Value of Private Property**

The proposed regulation is likely to increase the cost of operation of businesses and training schools in the private security services industry. The additional business license category fees and the higher cost associated with hiring registered/certified individuals to carry out



security functions are likely to raise the cost of operation. However, some private firms and training schools will benefit from lower business license issuance fees. Overall, the proposed regulation is likely to raise the costs of operation and lower the asset value of private firms and training schools engaged in this business. It will also tend to somewhat increase the costs that firms and individuals pay for private security services.