



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

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**6 VAC 20-230 – Regulations Relating to Special Conservators of the Peace**  
**Department Criminal Justice Services**  
May 22, 2015 (revised July 14, 2015)

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### **Summary of the Proposed Amendments to Regulation**

The Criminal Justice Services Board (Board) proposes to amend its regulation for special conservators of the peace (SCOP) to change the type of insurance that SCOPs must be covered under and to increase the amount of insurance required from \$10,000 to \$500,000. Pursuant to Chapter 772 of the 2015 Acts of the Assembly, the Board also proposes to eliminate language that allowed SCOPs to carry a surety bond instead of insurance.

### **Result of Analysis**

There is insufficient information to ascertain whether benefits will outweigh costs for this proposed regulatory action.

### **Estimated Economic Impact**

Current regulation requires that special conservators of the peace (SCOP) have either a surety bond worth at least \$10,000 or have at least \$10,000 in comprehensive general insurance. In 2015, the General Assembly eliminated the choice for SCOPs to secure surety bonds; Board staff reports that the General Assembly made this change to SCOP legislation because surety bonds normally only provide coverage against economic losses caused by the covered employees theft and, so, would be an inappropriate instrument to cover SCOPs for claims made against them and to provide protection for the public from the misconduct of SCOPs.

For this reason, the Board also proposes to change the type of insurance required for SCOPs from comprehensive general insurance liability insurance to professional law enforcement liability insurance which covers actions and misconduct that may arise during arrests or the enforcement of criminal laws. Upon consultation with the Private Security Services

Advisory Board, the Virginia Municipal League and the Department of Taxation's Division of Risk Management, the Board also proposes to increase the amount of insurance coverage required from \$10,000 to \$500,000. Board staff reports that the proposed insurance coverage will likely cost individual SCOPs or their employers in the range of \$2,500 to \$25,000 per year. Board staff reports that rates will vary widely based on any number of factors including the revenues, operational risk and history of the employing business as well as the scope of practice of the SCOPs. Changing the type and amount of insurance required will better protect the public from harm caused by SCOP misconduct. There is insufficient information about the scope of misconduct experienced by citizens of the Commonwealth in a typical year to ascertain whether benefits will outweigh costs for these regulatory changes.

### **Businesses and Entities Affected**

Board staff reports that there are 760 SCOPs registered with the Board. Board staff estimates that less than one percent of these SCOPs are individual proprietors that would qualify as small businesses and reports that all other SCOPs are in the employ of cities, counties, state agencies or large corporations. All of these entities and their employers will be affected by these regulatory changes.

### **Localities Particularly Affected**

Localities that employ SCOPs will be particularly affected by this proposed regulation. Localities that currently hold surety bonds on their SCOPs may see increased costs as they will have to obtain insurance for them instead. Board staff reports that five localities currently hold surety bonds on their SCOP employees. Board staff further reports that the other 30 localities that employ SCOPs have law enforcement insurance to cover them that is already greater than the limits set by the Board. These localities will likely not see increased costs.

### **Projected Impact on Employment**

Increasing insurance requirements in this regulatory action and the elimination of the surety bond alternative will likely increase costs for employing SCOPs and may, consequently, decrease the number of individuals who are employed in this field.

## Effects on the Use and Value of Private Property

To the extent that this regulatory action raises the cost of working as an SCOP, individual proprietor SCOPs will likely see decreased profits. Individual proprietor SCOPs whose costs increase to the point that their businesses are not profitable at all will likely close those businesses and find other employment.

Large corporations that employ SCOPs may experience some decrease in profits or they may choose to employ fewer SCOPs as a result of increasing insurance requirements.

## Small Businesses: Costs and Other Effects

Individual proprietor SCOPs will have to pay likely much higher insurance premiums on account of this regulatory action.

## Small Businesses: Alternative Method that Minimizes Adverse Impact

There are likely no alternative methods that would both meet the Board's goal and further reduce costs.

## Real Estate Development Costs

This regulatory action will likely have no effect on real estate development costs in the Commonwealth.

## Legal Mandate

**General:** The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with § 2.2-4007.04 of the Code of Virginia and Executive Order Number 17 (2014). Section 2.2-4007.04 requires that such economic impact analyses determine the public benefits and costs of the proposed amendments. Further the report should include but not be limited to:

- the projected number of businesses or other entities to whom the proposed 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.

**Small Businesses:** If the proposed regulation will have an adverse effect on small businesses, § 2.2-4007.04 requires that such economic impact analyses include:

- an identification and estimate of the number of small businesses subject to the proposed regulation,
- the projected reporting, recordkeeping, and other administrative costs required for small businesses to comply with the proposed regulation, including the type of professional skills necessary for preparing required reports and other documents,
- a statement of the probable effect of the proposed regulation on affected small businesses, and
- a description of any less intrusive or less costly alternative methods of achieving the purpose of the proposed regulation.

Additionally, pursuant to § 2.2-4007.1, if there is a finding that a proposed regulation may have an adverse impact on small business, the Joint Commission on Administrative Rules (JCAR) is notified at the time the proposed regulation is submitted to the *Virginia Register of Regulations* for publication. This analysis shall represent DPB's best estimate for the purposes of public review and comment on the proposed regulation.

AMH

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