

BUREAU OF SECURITY AND INVESTIGATIVE SERVICES

INITIAL STATEMENT OF REASONS

Hearing Date: June 15, 2015

Subject Matter of Proposed Regulations: Alarm company operator and private investigator fee

Section(s) Affected: Amend Sections 639 and 641 in Division 7 of Title 16 of the California Code of Regulations (CCR)

Identification of Problem

CCR Sections 639 and 641

While alarm company operator (ACO) and private investigator (PI) licenses are not assignable, Senate Bill 1077 (Price, Chapter 291, Statutes of 2012) and Assembly Bill 1608 (Olsen, Chapter 669, Statutes of 2014) enacted BPC Sections 7570, and 7593.15 granting the Bureau authority to consent to an ACO's or PI's request to assign the ACO license or PI license to another business entity as long as the direct and indirect owners of the assignor own all of the assignee immediately after the assignment. Pursuant to BPC Sections 7593.15, 7599.70 (Alarm) and 7530, 7570 (PI) the Bureau processing fee may not exceed \$125.

In order to implement the newly enacted authority to assign an ACO or PI license, the Bureau must enact a specific processing fee via regulation. The Bureau is seeking to set the fee at \$125 because it will allow the ACO or PI to continue doing business without the break that is currently required to process a new application. It will also allow the ACO or PI to maintain their original license number.

Specific Changes and Factual Basis/Rationale

The changes proposed by this regulatory package are as follows:

1. Amend CCR Section 639 Private Investigator Fees

Proposed Change: This section is amended to add Sub-section (f) which specifies that the fee for the assignment of a PI license is \$125 pursuant to BPC Sections 7530 and 7570.

Rationale: This proposed amendment is necessary for the Bureau to establish the fee permitted under BPC 7570 (h) to carry out the activities related to its new authority to process applications for assignment of PI licenses under the conditions specified in BPC Section 7530 (b). Specifically, BPC Section 7530 was amended (AB 1608, Chapter 669, Statutes of 2014) to provide a pathway for PI companies licensed as a sole owner, partnership or corporation to be licensed as a limited liability company (LLC) under their existing license number. Absent this provision in law, an existing PI licensee seeking licensure under an LLC business structure would have to cancel its existing license and apply for a new PI license. The cost of a new PI license involves a \$50 application fee, a \$175 license fee, and Live Scan fees.

In addition to the licensing-related cost savings, the assignment of the license also benefits the PI license by enabling it to retain its existing license number. Retention of the license number provides two benefits: (1) a lower license number means the licensee has been in business for a longer period of time, which promotes consumer confidence; and (2) Avoid the costs required to make all the necessary business-related changes related to a new license number (e.g., place new license number on business vehicles, order new business cards and other printed materials, etc.).

Given that BPC 7570 uses the term “may not exceed,” the Bureau must establish the assignment fee in regulation. Establishing the fee at \$125 covers the costs the Bureau will incur to process a PI license assignment. Also, license assignments involve much less Bureau staff time to process than the cancellation of existing licenses and the issuance of new licenses.

Anticipated Benefit: Adoption of the proposed amendment will enable the Bureau to implement the intended changes established by AB 1608 resulting in licensing and business cost savings to PIs, and smaller workloads for the Bureau. As a result, private investigation companies will continue to conduct business without interruption, and the public will continue to benefit from their services, security and protection.

2. Amend CCR Section 641 Alarm Company Operator and Agent Fees

Proposed Change: This Section is amended to add Sub-section (k) which specifies that the fee for the assignment of an ACO license is \$125 pursuant to BPC Sections 7593.15 and 7599.70.

Rationale: This proposed amendment is necessary for the Bureau to establish the fee permitted under BPC 7599.70(o) to carry out the activities related to its new authority to process applications for assignment of ACO licenses under the conditions specified in BPC Section 7593.15(b). Specifically, BPC Section 7593.15 was amended (SB 1077, Chapter 291, Statutes of 2012) to provide a pathway for alarm companies licensed as a sole owner, partnership or corporation to be licensed as a limited liability company (LLC) under their existing license number. Absent this provision in law, an existing ACO licensee seeking licensure under an LLC business structure would have to cancel its existing license and apply for a new ACO license. The cost of a new ACO license involves a \$35 application fee, a \$280 license fee, and Live Scan fees.

In addition to the licensing-related cost savings, the assignment of the license also benefits the ACO license by enabling it to retain its existing license number. Retention of the license number provides two benefits: (1) a lower license number means the licensee has been in business for a longer period of time, which promotes consumer confidence; and (2) Avoid the costs required to make all the necessary business-related changes related to a new license number (e.g., place new license number on business vehicles, order new business cards and other printed materials, etc.).

Given that BPC 7599.70 uses the term “may not exceed,” the Bureau must establish the assignment fee in regulation. Establishing the fee at \$125 covers the costs the Bureau will incur to process an ACO license assignment. The Bureau prepared a workload analysis to determine what its costs would be to process these licenses. Specifically, for Fiscal Year 15/16 the Bureau estimates that there will be 500 applicants. Further, the Bureau estimates processing will approximately take 700 hours of program technician

staff time, 1300 hours of analytical staff time, and 125 hours of managerial staff time. Based on this assessment, the total projected cost per application would be \$130. In addition, setting the fee at \$125 mirrors the already existing license assignment fee for repossessors (BPC section 75111(l)), which was deemed an appropriate fee by the legislature. Lastly, license assignments involve much less Bureau staff time to process than the cancellation of existing licenses and the issuance of new licenses.

Anticipated Benefit: Adoption of the proposed amendment will enable the Bureau to implement the intended changes established by SB 1077, resulting in licensing and business cost savings to ACOs, and smaller workloads for the Bureau. As a result, alarm company operators will continue to conduct business without interruption, and the public will continue to benefit from their services, security and protection.

Underlying Data

1. Assembly Bill No. 1608, Chapter 669, Statutes of 2014
2. Senate Bill No. 1077, Chapter 291, Statutes of 2012

Business Impact

These regulations will not have a significant adverse economic impact on businesses. Establishing the fee to allow the Bureau to assign a license if an ACO or PI applies to change its business structure facilitates the process for these businesses licensed by the Bureau is not aware of any cost impacts that a business would necessarily incur in reasonable compliance with the proposed action.

Economic Impact Assessment

This regulatory proposal will have the following effects:

- It will not create or eliminate jobs within the State of California because it facilitates the ability for alarm companies and private investigator companies to change their business structures for purposes of licensure with the Bureau.
- It will not create new business or eliminate existing businesses within the State of California because it only facilitates the ability for alarm companies and private investigator companies to change their business structures for purposes of licensure with the Bureau.
- It will not affect the expansion of businesses currently doing business within the State of California because it only facilitates the ability for ACO's and PI's to change their business structures for purposes of licensure with the Bureau.
- It will not impact the welfare of California residents because these regulations only relate to a business transaction.
- It will not affect worker safety or the state's environment because these regulations only relate to a business transaction.

Specific Technologies or Equipment

These regulations do not mandate the use of specific technologies or equipment.

Consideration of Alternatives

No reasonable alternative to the regulatory proposal would be either more effective in carrying out the purpose for which the action is proposed or would be as effective or less burdensome to affected private persons and equally effective in achieving the purposes of the regulations in a manner that ensures full compliance with the law being implemented or made specific.

Set forth below are the alternatives which were considered and the reason each alternative was rejected:

1. Not adopt the regulations. This alternative was rejected because the Bureau has identified the need of ACO's and PI's to be able to assign their license to another business structure without going through the application process a second, redundant time.

Also, not establishing a fee for the assignment of ACO and PI licenses prevents the Bureau from approving ACO and PI applications requesting assignment of their license to another business structure. It also requires the Bureau to perform duplicative processes by having to cancel a license and then reissue it if there is a request from an ACO or PI that has already been licensed for years to change their business structure.

2. Adopt the regulations. The Bureau has determined that this alternative is the most feasible because these proposed regulations establish a fee for the assignment of a license of an ACO and PI. This will allow Bureau staff to save staff time when processing these requests, save the ACO or PI time and money, and give them the ability to keep their original license number.

The Bureau adopted reason 2 and rejected reason 1.