

**NORTH CAROLINA GENERAL ASSEMBLY**

**LEGISLATIVE FISCAL NOTE**

**BILL NUMBER:** HB 1289 (2nd Edition)

**SHORT TITLE:** Amend Private Protective Services Act/Fees

**SPONSOR(S):** Representative Joe Hackney

<b>FISCAL IMPACT</b>					
	<b>Yes (X)</b>	<b>No ( )</b>	<b>No Estimate Available ( )</b>		
	<b><u>FY 2003-04</u></b>	<b><u>FY 2004-05</u></b>	<b><u>FY 2005-06</u></b>	<b><u>FY 2006-07</u></b>	<b><u>FY 2007-08</u></b>
<b>REVENUES:</b>					
<b>Board Special Account (no General Fund impact)</b>					
Sections 1-4, 7-10	No significant impact anticipated				
Sections 5 and 6	See assumptions and methodology				
Section 11	See assumptions and methodology				
<b>EXPENDITURES:</b>					
<b>Board Special Account (no General Fund impact)</b>					
Sections 1, 2, 4, 7-10	No significant impact anticipated				
Section 3	(\$14,000)	(\$14,000)	(\$14,000)	(\$14,000)	(\$14,000)
Sections 5 and 6	\$ 5,000	Some savings possible after first year			
Section 11	See assumptions and methodology				
<b>POSITIONS:</b>	None				
<b>PRINCIPAL DEPARTMENT(S) &amp; PROGRAM(S) AFFECTED:</b> Private Protective Services Board (in the Department of Justice)					
<b>EFFECTIVE DATE:</b> When it becomes law.					

**BILL SUMMARY:** This legislation would make changes to the Private Protective Services Act, including:

- Reducing from 14 to 9 the number of members on the Private Protective Services Board.
- Extending the term of a license from one year to two, three, or five years, at the election of the licensee.
- Requiring licensees to report within 30 days to the Board any arrests or convictions for certain misdemeanors and felonies.
- Authorizing the board to establish continuing education requirements for licensees, registered employees, firearms permit holders, and firearms trainers.
- Decreasing the required minimum balance in the Private Protective Services Recovery Fund.

## **ASSUMPTIONS AND METHODOLOGY:**

The Private Protective Services Board is supported entirely by receipts. As a result, changes to revenues or expenditures will not impact the General Fund.

***Section 3: Reduction in Board Members.*** This section would reduce the number of public board members appointed by the Attorney General from two to one and the number appointed by the Senate President pro Tempore and the House Speaker from five each to three each. (See technical considerations.) The elimination of five members will reduce the Board's annual operating expenses by approximately \$14,000 due to decreased travel and per diem costs for six meetings per year.

***Section 4: Approval of Badge/Shield Design.*** Section 8 prohibits designs that purport to represent law enforcement officers. The Board could incur minimal costs to review designs.

***Sections 4, 5, 7, 8 and 9: Continuing Education Requirements.*** The Board anticipates minimal costs associated with reviewing courses for approval. Costs for continuing education courses would be borne by the industry.

***Sections 5 and 6: Modification of License Terms.*** Licenses would be issued for two, three, or five years rather than one year, with no reduction in fees. Currently, a one-year basic license costs \$200; the Board is authorized to charge up to \$250 per year. Under this legislation, the licensee could choose a two-year, three-year, or five-year license. At the current rate, the cost would be \$400, \$600, or \$1,000 respectively; at the maximum rate, the cost would be \$500, \$759, or \$1,250. In the short term, this would accelerate revenue collections as licensees begin paying for multiple years up front. We cannot project the impact of this change in the fee structure on the number of current and future licensees. In addition, basic license holders may apply for additional licenses (i.e. counterintelligence) for \$50 annually. It appears that the same multi-year licensing structure would apply to those licenses. Finally, Board staff estimate one-time expenditures of \$5,000 to modify computer software, and potential workload reductions in later years due to less frequent renewals.

***Section 7: Timeframe for New Employee Registration.*** Licensees would be required to register new employees within 30 days, rather than 20 days. The Board does not anticipate any fiscal impact from this change.

***Section 8: Duty to Report Criminal Offenses.*** Licensees would be required to report to the Board within 30 days any criminal arrests, charges, or convictions for a range of offenses. Failure to do so would be grounds for license revocation. The Board has not identified any costs associated with this requirement.

***Section 9: Firearm Registration Permits.*** The Board does not anticipate any fiscal impact due to including "armed private investigators" as firearm registration permittees.

***Section 11: Private Protective Services Fund.*** The Fund is maintained for the purpose of paying claims against licensees. Claims are limited to \$5,000 per obligation and \$10,000 in aggregate against any one licensee within a year. The Board reports that, within the past five years, one claim – of less than \$5,000 – was made against the Fund. Staff records indicate that this is the only claim paid since the Fund's inception in 1983.

Each new applicant for a license or training permit pays a fee of \$50 into the Fund. For any year that the balance falls below the minimum, the Board is authorized to charge each licensee and trainee an additional fee (up to \$50) in order to reach the minimum threshold. Under current law, the Fund balance must be at least \$100,000. This bill would reduce the minimum balance to \$25,000. Currently, the Fund balance is approximately \$22,650. By reducing the minimum from \$100,000 to \$25,000, the Fund balance would be less than \$3,000 below the minimum, and the Board would be able to charge a lower additional fee.

The funds are invested by the State Treasurer, and the Board may use the proceeds from its investments to fund education and research in the area of private protective services. This legislation would allow the Board to use all except \$25,000 in the Fund for education and research purposes, and all except \$50,000 to offset operating expenses. Currently, the balance is below \$25,000, so no additional funds would be available for these purposes.

**SOURCES OF DATA:** Private Protective Services Board (within the Department of Justice)

**TECHNICAL CONSIDERATIONS:** This legislation is effective when it becomes law, and would eliminate five board member positions. At present, there is only one vacancy on the Board. However, one of the Attorney General's appointees is serving a term that expired June 30, 2001, and several of the House and Senate appointees are serving terms that expired June 30, 2003.

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**DATE:** July 18, 2003



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