

**REPORT OF THE
BOARD OF COMMERCE ON**

**The Need for
Regulation of Electronic
Security Businesses**

**TO THE GOVERNOR AND
THE GENERAL ASSEMBLY OF VIRGINIA**



HOUSE DOCUMENT NO. 3

**COMMONWEALTH OF VIRGINIA
RICHMOND
1993**

Board of Commerce Report
on the Need for
Regulation of Electronic Security Businesses
(House Joint Resolution 365)

Study Subcommittee Members

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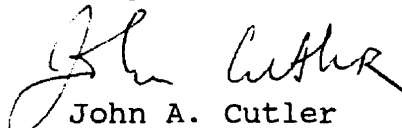
September 15, 1992

The Honorable Douglas L. Wilder
Governor of Virginia, and
The General Assembly of Virginia
3rd Floor, State Capitol
Richmond, Virginia 23219

Dear Governor Wilder and Members of the General Assembly:

The report transmitted herewith is pursuant to House Joint Resolution 365 of the 1991 session of the General Assembly of Virginia. This Resolution requested the Board of Commerce to study the need for regulation of electronic security businesses and report its findings and recommendations to the 1993 session of the General Assembly.

Respectfully submitted,


John A. Cutler
Chairman

VIRGINIA BOARD OF COMMERCE
REPORT ON THE NEED FOR REGULATION OF
ELECTRONIC SECURITY BUSINESSES

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I. EXECUTIVE SUMMARY

A. Study Overview

B. Key Findings

C. Conclusions

D. Recommendations

I. Executive Summary

A. Study Overview

House Joint Resolution 365, passed in the 1991 Session of the General Assembly, requested the Board of Commerce to study the necessity and feasibility of regulating electronic security businesses and report its findings to the Governor and the 1993 Session of the General Assembly.

The Board of Commerce, through the means of surveys, a public hearing, and written comments, reviewed the nature of this occupation, its effect on public health, safety and welfare, and the existing statutory requirements affecting the occupation.

The Board's recommendations are based on an extensive analysis of this information.

B. Key Findings

1. An existing statute requires that a state Class B contractor's license be obtained when contracting for improvements to real property if the total value referred to in a single contract is more than \$1,500, but less than \$70,000. A Class A license is required for contracts which exceed \$70,000. This includes installation of alarm/security system services.
2. Local jurisdictions have the statutory authority to regulate the installation and maintenance of all alarm systems installed by alarm companies, including the authority to charge fees for excessive instances of "false alarms."
3. False alarms have become a problem in certain communities where incomes and property values are high and alarm systems are numerous. This has resulted in concern by those local governments that answering false alarms ties up police manpower and puts an additional strain on police services. The problem appears not to be one of state-wide proportions. For many communities it is not a problem at all.
4. The industry's trade association asserts that the lack of criminal background checks for entry into this occupation can allow ex-felons and criminals to work in the alarm industry and use the inside information obtained to burglarize their own customers.

C. Conclusions

Four major conclusions have been drawn as a result of this study:

1. The information and data received does not support the need for criminal background checks or any other drastic controlling measures in this occupation. The Board believes that excessive use of this kind of job-entry requirement, lacking clear and overwhelming evidence that the public is at immediate risk, is an unnecessary intrusion of police powers into the right of people to earn a living and be left alone.
2. The regulatory burden and costs associated with creating a separate, new program could not be justified.
3. An examination specific to the industry may be the most fair and efficient method of providing the public with some assurance of competence in the licensed security alarm industry.
4. An existing statute already provides the authority for local jurisdictions to control problems with the security alarm industry as they may arise.

D. Recommendations

Based on the above conclusions, the Board of Commerce recommends that no additional form of occupational regulation be imposed upon this occupation, but does recommend that the Board for Contractors develop an examination specific to the security alarm industry, and require that the owner or the Designated Employee of each security alarm firm successfully complete this examination when applying for a contractor's license applicable to this specialty.

The Board also recommends that a copy of this report be sent to the governing body of each Virginia city, town and county for the purpose of calling attention to regulatory powers already available, and to encourage local jurisdictions to enact appropriate ordinances where improper installations, use of faulty equipment, false alarms, or other issues involving this occupation are problematic.

II. INTRODUCTION

A. Background and Purpose of this Report

B. Profile of the Occupation

II. Introduction

A. Background and Purpose of this Report

The Board of Commerce has the legislative mandate for evaluating the need for regulation of occupations and making recommendations to the General Assembly.

Section 54.1-100 of the Code of Virginia (1950, as amended) states that "no regulation shall be imposed upon any profession or occupation except for the exclusive purpose of protecting the public interest when:

1. The unregulated practice of the profession or occupation can harm or endanger the health, safety, or welfare of the public, and the potential for harm is recognizable and not remote or dependent upon tenuous argument;
2. The practice of the profession or occupation has inherent qualities peculiar to it that distinguish it from ordinary work and labor;
3. The practice of the profession or occupation requires specialized skill or training and the public needs, and will benefit by, assurances of initial and continuing professional and occupational ability; and
4. The public is not effectively protected by other means."

In the 1991 Session of the Virginia General Assembly, Delegate Kenneth R. Plum introduced House Joint Resolution 365 requesting the Board of Commerce to study the necessity and feasibility of regulating electronic security businesses through licensing, certification or registration, and to submit its findings to the Governor and the 1993 Session of the General Assembly. (See Appendix A for a copy of HJR 365.)

Using the requirements set forth in Section 54.1-100 and Section 54.1-311 of the Code of Virginia which outline the degrees of regulation as well as the requirements for such regulation, the Board of Commerce began several months of study of this issue. The study included information gathering from various sources, several surveys and a public hearing. This report will serve to outline the results of the study and recommend the most appropriate action after considering the findings.

B. Profile of the Occupation

As the fear of crime has heightened, many home and business owners have looked to security systems to guard against burglary. Current estimates from the National Burglar and Fire Alarm Association are that about eight percent of American homes have security systems at an average installation cost of about \$1,500, and that about one-third of American businesses have more sophisticated security systems installed at somewhat higher costs.

In response to the demand for security systems, the electronic security industry has developed systems that are speedy, sophisticated and unobtrusive. Most modern security systems involve three main parts: sensors, the control unit, and the alert mechanism. The sensors communicate with the control unit either via wires in a hard-wired system, or via radio transmissions in a "wireless" system. Systems now combine devices that tell if a door is open or a window broken with sensors that measure microwave, infrared, ultrasonic or infrasonic energy to detect motion in a given area. Other sensors can be added which are triggered by weight changes in capacitance, seismic disturbances or vibrations. Sensors are now installed in a wide variety of locations including doors, windows, walls, floors, ceilings, fences, or buried underground.

These steady improvements in the technology of alarm systems have also required installers to provide proper consultation in assessing the needs of the consumer, to properly install the system and then provide consumer education in operating the system. Unfortunately, members of the industry admitted during the public hearing that entry into the occupation is quite easy. With a little knowledge of the technology, a little capital, and a little training almost any person can begin selling security alarm systems. If an individual or firm contracts to do this kind of work at a price of \$1,500 or more, Title 54.1 of the Code of Virginia requires that a contractor's license must be obtained.

The number of people employed in the electronic security business in Virginia is not certain. While there are approximately 100 members of the Virginia Burglar and Fire Alarm Association, the Association provided the Department of Commerce an extensive list of security businesses supposedly operating in the state. In conducting its survey of the industry, the Department attempted to notify 451 businesses using the list, but only 156 completed surveys were returned and many letters were returned by the Postal Service as undeliverable. It is possible that some of these businesses may have been within the category of independent alarm

installers who operate primarily from their homes and/or their automobiles.

III. KEY ISSUES

- A. Existing State Regulations for Security System Installers**
- B. Existing Statutory Authority for Localities to Regulate**
- C. Increasing False Alarms**
- D. Criminal Background Checks**
- E. The Industry's Self-Regulation**

III. Key Issues

A. Existing State Regulations for Security System Installers

Title 54.1 of the Code of Virginia requires that a Class B contractors license be obtained when the total value referred to in a single contract or project is more than \$1,500, but less than \$70,000. Section 1.2 of the Regulations of the Board for Contractors defines specialty services performed under the specialty contractors license classification, "alarm/security systems contracting," as that service which provides for the installation, repair, improvement or removal of alarm systems or security systems annexed to real property.

In order to obtain a Class A or Class B license, an individual shall complete an application with the Board for Contractors and shall be required to successfully complete an examination to determine general knowledge of contracting, including the statutory and regulatory requirements governing contractors in the Commonwealth.

In the survey of alarm installers in Virginia, results showed that of the 156 individuals who completed the survey, 77.6% were licensed as contractors (20.5% were not; 1.9% did not respond). The data also showed that 41.7% held a Class B license while 35.9% held a Class A license. The latter is an indicator that gross annual revenues exceed the \$300,000 permitted for a Class B license until this year, when the amount was raised to \$500,000. The 22.4% who did not respond to that question were those not licensed as contractors. It is also important to note that 27.6% of the installers who responded to the survey estimated the total contract price for most of the alarm installations they perform at \$1,500 or less. Under current regulations, a state contractor license is not required for those individuals.

B. Existing Statutory Authority for Localities to Regulate

Section 15.1-28.2 of the Code of Virginia states that the governing body of any county, city, or town may, by ordinance, regulate the installation and maintenance of alarm systems operated by alarm company operators. The statute also does not preclude the levying of fees or fines against owners for excessive instances of "false alarms." Several Virginia jurisdictions have indeed approved ordinances which charge the user for excessive numbers of "false alarms."

C. Increasing False Alarms

Media attention to the "false alarm" has heightened the concern that local jurisdictions incur unnecessary additional manpower costs when police respond to burglar alarms at businesses and residences which are found to be "false." The Department of Commerce surveyed 674 fire and police chiefs with 305 completed surveys returned. Of the 305 surveys, 67.5% said that false alarms were not a problem in their community while 32.1% said they were a problem (.3% did not respond). This seems to indicate that security alarm systems are indeed a problem in some localities, but not in most.

The concern among local jurisdictions is that answering false alarms ties up police manpower and puts an additional strain on police services. In jurisdictions where "false alarms" have become a major problem, alarm users are charged service fees for each false alarm in an effort to recoup the cost of responding to the alarms and to discourage repeated alarm activations. Written comments received from jurisdictions like Prince William County (Police Department) emphasized the number of "false alarm" calls. In 1991, Prince William County received 5,789 false alarm calls identified as follows:

Business Accidental	1,773
Business Malfunction	1,633
Residential Accidental	381
Residential Malfunction	490
Call canceled	1,512

Fairfax County submitted that the majority (80%) of the "false alarms" occur in the first few weeks after installation. Fairfax County has experienced a 12% decrease in the number of false alarms since approving an ordinance which charges the user for excessive numbers of false alarms. The cause of these "false alarms" is most often attributed to user error or faulty equipment. Police and fire chiefs responding to the survey indicated that the number one cause of false alarms was faulty equipment (42.0%) with user error at 35.7% and poor installation at 10.2% (12.1% did not respond). Members of the industry, however, believe that false alarms are most often a result of user error -- 84.6% of those responding to the survey found user error to be the number one cause of "false alarms" with 0.6% finding faulty equipment and 9.0% choosing poor installation as the number one cause (5.8% did not respond).

Whatever the cause, "false alarms" can be a problem in communities where alarm systems are numerous. Members of the industry and local governments who favor state regulation argue that if security system installers are better qualified

and their competence has been proven they will help ensure that the system is installed properly and the consumer is adequately educated and trained in its use. The Board of Commerce also received comments from others in the industry who feel that state regulation is unnecessary and that a system of reasonable charges for false alarms is a good way of providing incentive for alarm owners to learn how to use their system properly, and for defraying some of the costs incurred by law enforcement response agencies.

D. Criminal Background Checks

Burglar alarm installers, by the very nature of their business, become privy to specific information on the vulnerability of property. When a security alarm installer visits a home or business to advise a potential customer of the type and cost of a security system, a survey of the premises is conducted and questions generally are asked regarding the location of valuables, the schedules of occupants, the times when the premises are unoccupied, and the details of any prior burglaries. The information flow continues once an alarm system is installed. Alarm companies are routinely advised of vacations, and often have a record of the procedures and "secret" codes used to turn on and off the consumer's alarm system.

The Board of Commerce was informed of "horror stories" in which ex-felons or criminals had supposedly worked in the alarm industry and had been convicted of burglarizing their own customers, but specific names or cases were never provided by those who indicated that it was a problem, even though a request was made at the public hearing that such evidence, in the form of press stories, police or court records, be made available to the Board.

The survey of police and fire chiefs revealed that only 2.6% could verify, from personal knowledge or experience, instances of criminal activities by security/fire alarm businesses or their employees. However, the survey of members of the industry found that 20.5% of those responding said they could verify, from personal knowledge or experience, instances of criminal activities by security/fire alarm businesses or their employees. The industry survey demonstrated a high level of agreement that criminal background checks should be required for every employee prior to hiring (72.4% yes; 14.1% no; 11.5% undecided and 1.9% did not respond).

Members of the industry who support stricter regulation argue that criminal background checks should be required to ensure that individuals entering the electronic security business who have been convicted of a felony at any time in their past or who have been convicted of a misdemeanor involving moral turpitude in the last five to ten years should not be qualified to install security systems in Virginia.

The Board of Commerce questions whether the data supports this need since many other service occupations, including locksmiths, have regular and routine access within people's homes and businesses and are not required to have criminal background checks. The Board is convinced that no amount of state regulation, including criminal background checks, can prevent a few determined individuals from committing crimes. The Board is thus reluctant to endorse a new level of occupational entry requirements that would be burdensome, inefficient, and not always reliable when the applicant has been less than truthful.

The Board would also like to point out that the application form for a contractor license specifically asks about criminal convictions, and that individuals can be prosecuted for making false statements on the application.

E. The Industry's Self-Regulation

As stated earlier in this report, the Virginia Burglar and Fire Alarm Association (VBFAA) has a current membership list of approximately 100. The Association provides a training school in a cooperative venture with the Security Industry Association, an association that represents manufacturers of security equipment. The training offered is a three day course which includes both fire alarm and prevention training, and security alarm equipment training. Upon successful completion of the course and an examination, an individual is certified as a Level I installer and must maintain a level of continuing education units in order to maintain that designation. Survey results showed that of those in the industry responding to the survey, 55.8% had completed a training program from the VBFAA.

The Virginia Burglar and Fire Alarm Association also has a Code of Ethics, but members stress that since membership is voluntary the ability of the Association and its officers to enforce compliance is limited.

IV. RESEARCH AND COMPLAINTS

- A. Methodology**
- B. Survey of Electronic Security Systems Industry**
- C. Survey of Police and Fire Chiefs**
- D. Survey of Consumer Affairs Offices and Better Business Bureaus**
- E. Survey of Other States**
- F. Public Hearing**
- G. Written Comments**

IV. Research and Complaints

A. Methodology

Due to the high direct and indirect costs inherent in establishing any new or expanded level of occupational regulation, the Board felt it was necessary to conduct an extensive search and analysis of complaints from consumers and abuses by practitioners to ensure that any problems are properly addressed at minimal costs and in the most efficient and effective manner.

The following section will analyze data compiled from the Board of Commerce surveys in addressing the major issues of this report.

B. Survey of Electronic Security Systems Industry

Using the list provided by the Virginia Burglar and Fire Alarm Association, staff to the Board of Commerce sent 451 surveys to security alarm businesses in the Commonwealth. Many were no longer in business and many others had moved leaving no forwarding address. Only 156 surveys were completed and returned.

According to installers who responded to the survey, the annual income of an installer's customer is typically above \$35,000 (52.6% checked \$35,000 to \$75,000; 26.3% checked \$75,000 or more; 11.5% checked under \$35,000; and 9.6% did not respond.) The Board considers this information useful in projecting the presumed education and intelligence level of the typical consumer of these services and the ability to be a discriminating customer.

Of those installers who responded, the Board also found it interesting that 82.1% indicated that the primary source for their customers had been a recommendation by a previous customer. This seems to indicate that knowledgeable consumers who are considering an alarm system are more likely to consider a proven system and installer than to deal with an installer whose work and product are unknown.

Just over one-half of the industry respondents (53.2%) think stricter regulation of this occupation is necessary to protect the public (37.2% said no; 8.3% were undecided, and 1.3% did not respond). (See Appendix B for a copy of the survey and results.)

C. Survey of Police and Fire Chiefs

The Board of Commerce staff mailed a survey to 674 police and fire chief jurisdictions throughout the Commonwealth, of which 305 completed surveys were returned. Results showed that whereas almost a third of the respondents (32.1%) found false alarms to be a major problem in their community, more than two-thirds (67.5%) said that false alarms were not a problem (.3% did not respond). This was a rather clear indication that the issue of false alarms was not state-wide, but rather was one likely to be concentrated in a few geographical areas of the state.

The fact that 13.1% of the respondents said that their communities had imposed a monetary charge against customers whose systems were responsible for excessive numbers of false alarms was an indication that nearly half of the communities affected were taking action to reduce false alarms or at least put them on a pay-for-service basis. It was also in this survey that 94.8% of the respondents had no knowledge of actual instances of criminal behavior by owners or employees of security alarm businesses. (See Appendix C for a copy of the survey and results.)

D. Survey of Consumer Affairs Offices and Better Business Bureaus

The 14 Consumer Affairs Offices and Better Business Bureaus in the Commonwealth received surveys requesting information about complaints against security alarm installers. Six completed surveys were returned and from those, 83.3% responded that they had received complaints against burglar and fire alarm installers, with every complaint attributed to "improper installation." The Board noted that almost the same percentage (84.6%) of alarm installers, when asked the same question, responded that the number one cause of false alarms was "user error."

Half of the consumer agencies/Better Business Bureaus who responded said that they had experienced no complaints against alarm installers in the past year, and the other half had experienced less than five complaints. It should also be noted that 83.5% of the respondents, who are often a good barometer for abusive business practices against consumers, feel that this industry is not a problem for consumers at this time (16.7% did not respond to that question). (See Appendix D for a copy of the survey and results.)

E. Survey of Other States

Section 54.1-311.B of the Code of Virginia states that in determining the proper degree of regulation, if any, the Board should consider several factors including the number of states which have regulatory provisions similar to those proposed. The Board of Commerce surveyed the 49 other states and 26 completed surveys were returned. Of those responding 57.7% of the states regulate burglar and fire alarm installers with 53.9% describing the regulation as licensure. The survey also showed that 38.5% of those states which regulate also require passage of an examination specifically tailored to the installation of security alarm systems (23.0% did not have such an exam; 38.5% did not respond).

In an attempt to further define the number of states which regulate this occupation, staff initiated a telephone survey of those states which had not responded to the survey. Combined results showed that one state has a registration program; 26 states have a licensure program and 23 states have no form of regulation for this occupation. (See Appendix E for a copy of the survey and results.)

F. Public Hearing

The Board of Commerce conducted a public hearing in Vienna, Virginia on April 2, 1992 to gather information about the nature of the security alarm industry and complaints relating to the need for state regulation of the occupation.

Over 30 individuals were present at the hearing and 14 presented testimony. Representatives from the National Burglar and Fire Alarm Association and the Virginia Burglar and Fire Alarm Association supported adoption of a regulatory program and offered their assistance in designing an examination which tests for competency in the occupation. Members of the industry described problems with "trunk slammers" (itinerant alarm salesmen who literally operate from their automobiles, rather than from a fixed business location) and convicted criminals who have been able to enter the occupation.

While most of the speakers were members of the industry and supported stronger regulation, representatives from two security alarm businesses in the Commonwealth argued that a regulatory program for installers was unnecessary. They felt state regulation would be costly and doubted that it would discourage the "trunk slammers" or prevent unethical practices from occurring. (See Appendix F for a list of public hearing participants.)

G. Written Comments

Ten written comments were submitted to the Board of Commerce for the purpose of being placed in the official record of this study. (See Appendix G for a list of the written comments.)

The Board of Commerce received written comments from four jurisdictions including Herndon, Chesterfield County, Prince William County, and Fairfax County, all of which supported regulation of security alarm installers. Both Fairfax County and the Prince William police department expressed concern with the time police officers spent on responding to "false alarms." Prince William's police department argued that officers need to be available for legitimate calls for police assistance, but that high numbers of false alarms result in complacency by officers when responding. This complacency could ultimately place an officer's life in danger.

Written comments from the industry generally favored stricter regulation. However, a concern was raised by the chief security officer of a corporation, who feels that companies who install their own systems, and have their own security employees, should be exempted from additional regulation. One letter suggested that standards for alarm installers be added to the Virginia Tradesmen Certification Standards.

V. SUMMARY

A. Findings

B. Regulatory Options

C. Conclusions

D. Recommendations

V. SUMMARY

A. Findings

In order to analyze properly all the information gathered through this study, the Board of Commerce returned to Section 54.1-100 of the Code of Virginia and considered these statutory constraints:

No regulation shall be imposed upon any profession or occupation except for the exclusive purpose of protecting the public interest when:

1. The unregulated practice of the profession or occupation can harm or endanger the health, safety or welfare of the public, and the potential for harm is recognizable and not remote or dependent upon tenuous argument.

The Board of Commerce recognizes that burglar and fire alarm systems which are improperly installed, or which make use of inferior or faulty equipment, can impact upon the safety of the public. But based upon the information and testimony offered during this study, the evidence was not that the systems did not work, but that frequently they work too well! Examples were given of cooking meals setting off fire/smoke alarm systems, and household pets setting off motion detector devices.

The Board was not convinced by the data, however, that criminals and ex-felons are a major problem in this occupation to the point of necessitating criminal background checks. While testimony described isolated cases of criminals or ex-felons entering the occupation for purposes of criminal activities, no specifics were provided to prove that such instances had actually occurred. Accordingly, the Board concluded that such stories were not reliable enough to constitute a major area for deliberation.

2. The practice of the profession or occupation has inherent qualities to it that distinguish it from ordinary work and labor.

The new technologies and better, more advanced systems that have come on the market in recent years do require installers who are more sophisticated and skilled at selecting the proper security system for a home or business and correctly installing such a system. However, much the same can be said for advances in other electronic information and communications systems like home computer systems and

the wide assortments of telephone options, many of which intelligent consumers are perfectly capable of purchasing, installing, and operating themselves without outside professional assistance. While it may appear that almost anyone can enter this occupation, most security installations of the type that cause problems for local law enforcement agencies cost \$1,500 or more to install, and therefore require the installer to have a contractor's license.

3. **The practice of the profession or occupation requires specialized skill or training and the public needs and will benefit by assurances of initial and continuing professional and occupational ability.**

While the Board does not see the need to create a special, or separate, regulatory program for this occupation, the Board does believe that a specialty-specific examination may be desirable to ensure competency. The Board finds that some special skills are required to protect the public, but also recognizes that individuals offering limited services (below the \$1,500 threshold requiring a contractor's license) should not be restrained from operating in the marketplace. The Board also encourages the efforts by occupational trade associations to provide training and educational programs for its members and the public.

4. **The public is not effectively protected by other means.**

Every local government in Virginia already has the authority under existing statutes (Section 15.1-28.2) to enact ordinances regulating the installation and maintenance of alarm systems by alarm company operators. The Board believes that this provides those jurisdictions in which regulation is necessary or desirable ample authority to deal with problems without imposing an additional level of regulation throughout the state which is not necessary.

The existing contractor's licensing requirements also protect the public by testing the candidate's knowledge of statutory and regulatory requirements as well as general administrative and business knowledge necessary to engage in contracting activities. The Virginia Contractor Transaction Recovery Fund also provides consumers a source of reimbursement for unpaid court judgments in which licensed contractors are found to have engaged in improper or dishonest conduct.

B. Regulatory Options

The Board of Commerce identified and considered each of the following four different regulatory options that it felt merited full consideration:

1. If the Board agreed that a thorough criminal history background check was to be an essential ingredient for protecting the public, the Board could recommend that regulation of this occupation be transferred from the Board for Contractors to the Department of Criminal Justice Services as a part of the Private Security regulatory program and recommend that criminal background checks, including FBI and fingerprint comparisons, be made for every industry owner, supervisor, and employee.

The information and data received simply did not support, in the Board's opinion, the need for criminal background checks or any other drastic controlling measures in this occupation. Routine administrative processing for criminal background and fingerprint checks can take as long as three months. After considering that this information is not required for other service occupations with routine access to people's homes and businesses, the Board determined that placing this kind of impediment to entering the marketplace would be excessively burdensome and would almost certainly result in immediate and significant increases in the costs of this product and service to the public.

2. The Board could recommend the creation of a separate regulatory program for this occupation, with its own board and require either certification or licensure.

The Board did not feel that the regulatory burden and cost of creating a separate, new program could be justified. The threat to public health, safety and welfare appears to be controllable by the existing regulation available through the contractor's licensing program. The problem of "false alarms" is being and can be further contained by the authority already resting with local jurisdictions.

3. The Contractor's statute could be amended to require that all alarm installers (disregarding the \$1,500 threshold) have a contractor's license.

The Board found that the lack of immediacy of the threat to public safety does not warrant this action at this time. The only contractors for which this requirement has been instituted are those that directly affect the public's health (water wells and irrigation systems). The alarm security systems which require higher levels of installation expertise,

and which cause most of the problems, cost more than \$1,500 and thus require a contractor's license to install. Further, Section 15.1-28.2 of the Code of Virginia gives each locality the power to regulate the activities of all alarm installers, the \$1,500 threshold notwithstanding. The Board does recommend that the Department of Commerce and the Board for Contractors increase public information and enforcement activities in this area to ensure that many installers do not continue to operate unaware of the state contractor licensure requirements.

4. The Board could recommend that the Board for Contractors consider the development of an examination specific to the security alarm industry, and make that a future requirement for the owner or the Designated Employee of each security alarm firm to complete successfully.

The Board of Commerce recognizes that the public has a right to expect some assurance of competence for business people in specialized areas of electronics like this one, and that an examination specific to the industry may be the most fair and efficient method of accomplishing that objective.

While no additional state regulation seems necessary at this time, existing provisions of Section 15.1-28.2 of the Code of Virginia should be pointed out as perfectly proper alternatives for those local jurisdictions now encountering problems with the security alarm industry.

The Board recommends that a copy of this report be sent to the governing body of every Virginia city, town and county for the purpose of calling attention to regulatory powers already available, and to encourage local jurisdictions to enact appropriate ordinances where improper installations, use of faulty equipment, false alarms, or other issues involving this occupational specialty become problematic for the community.

C. Conclusions

After considering the findings and the regulatory options, the following conclusions have been made:

1. The information and data received does not support the need for criminal background checks or any other drastic controlling measures in this occupation.
2. The regulatory burden and cost of creating a separate, new program could not be justified.

3. An examination specific to the industry may be the most fair and efficient method of providing the public with some assurance of competence in the security alarm industry.
4. Existing statute provides the authority for local jurisdictions to control problems with the security alarm industry as they may arise.

D. Recommendations

Based on the above conclusions, the Board of Commerce recommends that no additional form of occupational regulation be imposed upon this occupation, but does recommend that the Board for Contractors develop an examination specific to the security alarm industry, and require that the owner or the Designated Employee of each security alarm firm successfully complete this examination when applying for a contractor's license applicable to this specialty.

The Board also recommends that a copy of this report be sent to the governing body of each Virginia city, town and county for the purpose of calling attention to regulatory powers already available, and to encourage local jurisdictions to enact appropriate ordinances where improper installations, use of faulty equipment, false alarms, or other issues involving this occupation are problematic.

VI. APPENDICES

- A. House Joint Resolution 365**
- B. Survey of Electronic Security Systems Industry**
- C. Survey of Police and Fire Chiefs**
- D. Survey of Consumer Affairs Offices and Better Business Bureaus**
- E. Survey of Other States**
- F. List of Public Hearing Participants**
- G. List of Written Comments**

GENERAL ASSEMBLY OF VIRGINIA--1991 SESSION
HOUSE JOINT RESOLUTION NO. 365

Requesting the Board of Commerce to study the necessity and feasibility of regulation of electronic security businesses through licensing, certification or registration.

Agreed to by the House of Delegates, February 22, 1991

Agreed to by the Senate, February 21, 1991

WHEREAS, over 46,000 burglaries and over 6,400 robberies occurred in Virginia which cost Virginians over \$50 million in 1989; and

WHEREAS, these facts have led over seven percent of American homeowners and over 33 percent of American business owners to spend over \$5 billion each year on security systems; and

WHEREAS, nationwide there are 15,000 companies employing over 64,000 people and statewide there are over 760 companies employing over 7,500 people, involved in monitoring, installing, selling and servicing electronic security equipment; and

WHEREAS, several jurisdictions in Virginia are currently regulating electronic security systems by charging alarm users service fees for each false alarm in an effort to recoup the cost of responding to these alarms; and

WHEREAS, police and crime prevention officials point out that poor installation and faulty workmanship are among the most common causes of false alarms; and

WHEREAS, false alarms can lull police into a false belief that all alarm responses result from no criminal activity; and

WHEREAS, several national, state and local groups have supported state licensing of electronic security companies as a method to reduce false alarms; and

WHEREAS, electronic security companies are licensed in 25 states and regulated in ten other states; and

WHEREAS, the efforts of existing professional organizations have failed to impact all those who practice the profession; and

WHEREAS, the complexity of the electronic security profession requires such skill that the public generally is not qualified to select a competent practitioner without some assurance that he has met minimum qualifications; and

WHEREAS, the electronic security profession gains access to confidential information through the performance of its duties; and

WHEREAS, no current laws or regulations adequately protect the public from improper use of this confidential information or the improper installation of electronic security devices; and

WHEREAS, § 54.1-310 of the Code of Virginia gives the Board of Commerce the duty to evaluate constantly each profession and occupation for consideration as to whether the profession or occupation should be regulated; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That the Board of Commerce be requested to study the necessity and feasibility of regulation of electronic security businesses.

The Board of Commerce shall complete its work in time to submit its findings to the Governor and the 1993 Session of the General Assembly as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents.

APPENDIX B

SURVEY OF ELECTRONIC SECURITY ALARM INSTALLERS

451 Surveys Sent
156 Surveys Returned

1. Estimate the annual income of your typical customer.
11.5% under \$35,000
52.6% \$35,000 to \$75,000
26.3% \$75,000 or more
9.6% Did Not Respond
2. Are you licensed as a contractor in Virginia?
77.6% yes 20.5% no 1.9% did not respond
3. If yes, what type of license do you have?
35.9% Class A 41.7% Class B 22.4% did not respond
4. Please estimate the total contract price for most of the alarm installations you perform?
27.6% \$1,500 or less
52.6% \$1,500 to \$3,000
14.7% \$3,000 or more
5.1% did not respond
5. Do you think stricter regulation of this occupation is necessary to protect the public?
53.2% yes 37.2% no 8.3% undecided
1.3% did not respond
6. Can you verify, from personal knowledge or experience, instances of criminal activities by security/fire alarm businesses or their employees?
20.5% yes 78.2% no 1.3% did not respond
7. How do you get most of your customers (choose only one)?
9.6% advertisement in yellow pages
1.9% news media advertising
82.1% recommendation by a previous customer
0% advertising circular
6.4% did not respond

8. What is your next most successful source for customers?
44.2% advertisement in yellow pages
3.2% news media advertising
32.1% recommendation by a previous customer
10.9% advertising circular
9.6% did not respond
9. In your community is a building (electrical) permit required to install an electronic system?
20.5% yes 73.7% no 2.6% do not know 3.2% did not respond
10. Do you believe that criminal background checks (state police, FBI) should be required for every employee prior to hiring in this occupation?
72.4% yes 14.1% no 11.5% undecided 1.9% did not respond
11. False alarms are considered to be a major problem in some jurisdictions. What do you find to be the number one cause of false alarms?
84.6% user error 0.6% faulty equipment
9.0% poor installation 5.8% did not respond
12. Are you a member of the National Burglar and Fire Alarm Association?
71.2% yes 28.8% no
13. Have you completed the training program offered by the National Burglar and Fire Alarm Association?
55.8% Yes 42.3% No 1.9% did not respond
14. Do you favor a monetary charge (user-fee) against customers whose systems are responsible for high numbers of "false alarms?"
67.3% yes 27.6% no 5.1% did not respond

APPENDIX C

SURVEY OF FIRE AND POLICE CHIEFS

674 Surveys Sent
305 Surveys Returned

1. Are false alarms (connected with electronic security/fire alarm systems) a major problem in your community?
32.1% yes 67.5% no .3% missing

2. What do you find to be the number one cause of false alarms?
35.7% user error 42.0% faulty equipment 10.2% poor installation 12.1% missing

3. Does your community impose a monetary charge (user fee) against customers whose systems are responsible for excessive numbers of "false alarms?"
13.1% yes 84.9% no 2.0% missing

4. Can you verify, from personal knowledge or experience, instances of criminal activities by security/fire alarm businesses or their employees?
2.6% yes 94.8% no 2.7% missing

APPENDIX D

SURVEY OF CONSUMER AFFAIRS AND BETTER BUSINESS BUREAUS

14 Surveys Sent
6 Completed Surveys Returned

1. Do you ever receive complaints against burglar/fire alarm installers?

83.3% yes 16.7% no

2. If yes, did the complaint involve:

83.3% improper installation
0% cost of the installation
0% both
16.7% Did Not Respond

3. How many complaints against burglar/fire alarm installers have you received

in the past year?		in the past five years?	
<u>50.0%</u>	none	<u>16.7%</u>	none
<u>50.0%</u>	less than 5	<u>66.6%</u>	less than 10
<u>0%</u>	less than 10	<u>16.7%</u>	10-50
<u>0%</u>	more than 10	<u>0%</u>	more than 50

4. Do you feel this industry is a problem for consumers at this time?

0.0% yes 83.3% no 16.7% undecided

APPENDIX E

VIRGINIA SURVEY OF THE REGULATION OF BURGLAR AND
FIRE ALARM INSTALLERS

49 Surveys Sent

26 Completed Surveys Returned

1. Does your state regulate burglar/fire alarm installers?

57.7% yes 42.3% no

2. If yes, what category best describes the regulatory program for burglar/fire alarm installers in your state?

3.8% registration - any person may engage in the occupation, but that person submits certain information to the appropriate authorities.

0.0% certification - any person may practice the occupation, but only those who have met certain educational and/or experience requirements may use the title "Certified Burglar/Fire Alarm Installer."

53.9% licensure - a person is prohibited from engaging in the occupation without meeting certain educational and/or experience requirements and obtaining a license.

42.3% did not respond

3. If these individuals are regulated, are they licensed as part of a larger group (i.e. contractors or private security firms)?

34.6% yes 19.2% no 46.2% did not respond

4. Does your state's regulatory program require passage of an examination specifically tailored to the installation of burglar/fire alarms?

38.5% yes 23.0% no 38.5% did not respond

5. If a regulatory program is in place, what was the total number of complaints against this occupation in your state last year?

30.8% 1 -25 7.7% 26-50 3.8% 51-100 3.8% over 100
53.9% did not respond

State Survey Results
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6. What percentage of these complaints resulted in disciplinary action against the regulant?

38.5% responded that 0-25% of these complaints had resulted in disciplinary action against the regulant;

7.7% responded that 26-50% of these complaints resulted in disciplinary action against the regulant;

0.0% responded that 51-75% of these complaints resulted in disciplinary action against the regulant;

0.0% responded that 76-100% of these complaints resulted in disciplinary action against the regulant.

53.9% did not respond

APPENDIX F**Public Hearing Participants
Vienna, Virginia
April 2, 1992**

SPEAKER	AFFILIATION	POSITION
Brad Shipp	National Burglar and Fire Alarm Association	Supports state regulation of the occupation
Gary Walsh	Security Alarm Service	Supports state regulation of the occupation
Steve Buckley	Brink's Home Security	Does not support state regulation
Ron Cain	Cain Security	Supports state regulation of the occupation
Randy Ellington	Security Systems, Inc.	Supports state regulation of the occupation
Patricia Smith	National Capital Alarm Assoc.	Supports state regulation of the occupation
John Seay	Police Patrol Security Co.	Supports state regulation of the occupation
Steve Eanes	Virginia Fire Service Board	Offered Board's assistance in this issue
Emil Wengel	Virginia Burglar & Fire Alarm Association	Supports state regulation of the occupation
Martha Clancy	Virginia Police and Private Security Alliance	Supports state regulation of the occupation
Thomas Johnson	Central Alarm Service	Supports state regulation of the occupation

SPEAKER	AFFILIATION	POSITION
George Haudricourt	ADT Security Systems	Does not believe state regulation is necessary
Thomas F. Smith	Central States Alarm Association	Supports state regulation of the occupation
Jim Williams	CIS Security Systems Corp.	Supports state regulation of the occupation

APPENDIX G

**SUMMARY OF WRITTEN COMMENTS SUBMITTED
TO THE BOARD OF COMMERCE
HOUSE JOINT RESOLUTION 365**

Col. J. E. Pittman, Jr., Chief of Police for Chesterfield County - Does not believe that regulation of this occupation would reduce false alarms, but believes inspections of installations and proper training of the user would reduce such occurrences. Supports criminal background reports on employer and employee. Supports expansion of Section 15.1-28.2 which allows local ordinances to regulate the installation and maintenance of alarm systems.

Charlie T. Deane, Colonel, Chief of Police for Prince William County - Police Department supports the regulation of dealers and installers of electronic security systems. False alarms require alot of the police department's time which could be put to better use elsewhere. Police officers may also become complacent when responding to false alarms, thus threatening officer safety.

Irving Birmingham, Fairfax County Board of Supervisors - Fairfax County supports the regulation of electronic security businesses at the state level by the Criminal Justice Services Board. The Board of Supervisors endorses more stringent requirements for technical training and testing of installers as a means of reducing the frequency of false alarms. Noting the potential for burglary of protected premises, the Board also believes that criminal background checks, licensing, registration and bonding are necessary.

George E. Kranda, Herndon Police Department - Department supports the regulation of electronic security installers in order to reduce the many false alarms caused by malfunctions in the security systems.

Charles E. Lawhorn, The Christian Broadcasting Network, Inc. - Urged the Board of Commerce to address the issue of whether companies who install their own systems, and have their own security employees, should be exempted from additional regulation.

Larry Badash, NAPCO Security Systems, Inc. - Supports the regulation of the occupation and notes states which have licensing laws in place.

Max D. Ames, Ames Custom Security Systems - Supports state regulation of the occupation including criminal background checks as a means of preventing convicted felons from entering the occupation.

Milton V. Richards, Dominion Security Systems, Inc. - Concludes that false alarms are primarily operator error and can be reduced

Summary of Written Comments

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by local regulations which impose penalties on owner/operators for excessive nuisance alarms and proper instruction of owner/operators. Supports establishing a license classification of "Electrical-Low voltage" under the specialty contractors license and the addition of standards to the Virginia Tradesmen Certification Standards. Does not want to over-regulate the occupation which would inhibit competition and drive up costs.

George R. Corron, Security Systems of Northern Virginia - Questions the need for criminal background checks when other occupations which regularly enter homes and businesses are not so required. Believes that alarms serve their function well and that the salesmen who sell security devices to untrained individuals should be regulated.

Bruce C. Shenberger, Commonwealth Security Systems, Inc. - Concern regarding the outcome of the report and wants to be included in further discussions.

Earle H. Shumate, Chairman, Virginia Board for Contractors - Board for Contractors submitted a letter July 29, 1992 recommending no change in current practices. The Board cited difficulty, expense and complexity of producing an occupational-specific examination.