
TITLE 874 PRIVATE INVESTIGATOR AND SECURITY GUARD LICENSING BOARD

Economic Impact Statement

LSA Document #09-3

IC 4-22-2.1-5 Statement Concerning Rules Affecting Small Businesses

This proposed rule adds [874 IAC 2](#) concerning private investigators and security guards to establish fees and implement the requirements of SEA 506, P.L.185-2007. P.L.185-2007 significantly improves the manner in which state government regulates the private investigator and security guard industries.

Prior to the enactment of P.L.185-2007, the Indiana Professional Licensing Agency (IPLA) issued a private detective agency license to both actual private detective agencies and security guard companies. The prior law did not distinguish between the two.

IPLA did not issue individual licenses to private detectives or to security guards. Rather, individuals were issued authorized employee ID cards that tied them to a licensed private detective agency. If an individual wished to leave one licensed private detective agency to become employed by another licensed agency, then that individual was required to obtain a new authorized employee ID card.

The prior law also provided for many exemptions from the need to obtain and maintain a valid private detective agency license or the authorized employee ID card. The exemptions from the need to obtain these licenses resulted in the wrong persons being regulated within the security industry.

The prior law did not distinguish between the two types of industries and hence, both industries were issued identical license types by IPLA. True security guard companies should not receive licenses that read private detective agency. An employee of a security guard company should not be issued an ID card that is the same as an ID card issued to a private investigator.

Potentially, the biggest flaw was in regard to the issuance of these identical licenses to both the private investigations industry and the security guard industry. Under the prior process, a 16-year-old could become employed by a security guard company that provided security staff at the RCA Dome. That 16-year-old would then be issued the same authorized employee ID card that was issued to an experienced private detective. Once that 16-year-old had this ID card, he or she could obtain personal information on anyone in the same manner a real private investigator could. In this age of identity theft, this loophole needed to be closed.

Tying the authorized employees to the licensed agency by which they were employed created an unnecessary work-intensive process for the staff of IPLA. It was not uncommon for individuals to move from one security company to another several times in one year. Each time, IPLA had to process the paperwork and issue a new ID card. Tracking the place of employment for these individuals is unnecessary and burdensome. Of the 37 licensing boards under IPLA, only the State Board of Nursing issued more licenses in 2006 than the Private Detectives Licensing Board.

Impact on Small Businesses**1. Estimate of the number of small businesses, classified by industry sector, that will be subject to the proposed rule:**

| | | |
|-------|----------------------------|-----|
| NAICS | Private Investigator Firms | 441 |
| NAICS | Security Guard Agencies | 251 |

IPLA does not maintain data on licenses issued to small businesses. As of the date of this memo, there are a total of 692 licensees. Because data is not collected regarding business size, we are unable to estimate how many of these licensees are small businesses. Therefore, the exact number of small businesses affected by this rule is currently 692 or less.

2. Estimate of the average annual reporting, record keeping, and other administrative costs that small business will incur to comply with the proposed rule:

There will be no annual reporting, administrative costs, or record keeping requirements incurred by small businesses to comply with this rule.

3. Estimate of the total annual economic impact that compliance with the proposed rule will have on all small businesses subject to the rule:

The proposed rule will impose a licensing fee of \$300 for each license issued and a renewal fee of \$300 every four years. IPLA issued a total of 631 licenses during the first year under the new statutory requirements, from July 1, 2007, through June 30, 2008. During the first six months under the new statutory requirements, private detective agencies were allowed to transfer (grandfather) their licenses over to a private investigator firm or security guard agency license. Because the period for grandfathering a license has now ended, this rate of increase is not expected to continue throughout the four year licensure period.

Under the statutory provisions in effect prior to the effective date (July 1, 2007) of SEA 506, an average of 101 agency licenses were issued annually and an average of 272 agency licenses were renewed annually. There is no data available that indicates how many of these licensees are categorized as small businesses.

The Board expects that the issuance of licenses will remain at the past rate of an average of 101 agency licenses issued per year. IPLA's database indicates that there were a total of 744 active licensed agencies on June 30, 2007, before the effective date of SEA 506. Currently there are 692 active licensees. The Board believes that the total number of licensees will increase to at least 744 by the renewal date of October 1, 2011.

The data below is calculated on the aforementioned number of licenses expected to be issued and renewed.

| | | | | |
|---------------------------------|----------|---------------------|----------|--------------|
| Licenses issued Annually | x | Proposed Fee | = | Total |
| 101 ¹ | | \$300 | = | \$30,000 |

| | | | | |
|-------------------------|----------|---------------------|----------|---------------------------------------|
| Licenses renewed | x | Proposed Fee | = | Total |
| 744 ² | | \$300 | = | 23,200 / 4 years = \$5,800 (annually) |

Total Annual Economic Impact: \$85,800

¹ This number reflects the average number of agency licenses issued over a three year period before SEA 506 became effective.

² This number reflects the total number of active agency licenses on June 30, 2007, before SEA 506 became effective.

4. Statement justifying any requirement or cost that is imposed on small businesses by the rule or any other state or federal law:

P.L.185-2007 repealed the prior law thus necessitating the creation of a new article in the Indiana Administrative Code and the promulgation of new rules. Although this rulemaking document establishes a new fee structure, the fees assessed to private detective firms under the prior rule and this rule remain the same. IPLA has determined that the proposed rule will impose a cost on small businesses under [IC 4-22-2.1-5](#) although that cost is at the same rate that was in effect before the law was changed except that small businesses will experience a savings because they no longer must pay for the registration of authorized employees.

Under the previous licensing statute, the fee for the issuance and renewal of an agency license was \$150 for a two year license with the expiration date of the license being two years after the issuance of the license. SEA 506-2007 extended the licensing period to a four year license with the expiration date of all the licenses expiring every four years on October 1, and the proposed rule will assess a fee of \$300 for issuance and renewal of a license. In addition the proposed rule will only require a fee of \$150 for a license that was issued during the last year of the licensing period.

The change in the licensing period, the common expiration date, and the elimination of the AE card has made the processing and maintenance of the license more effective and efficient for IPLA staff and created a user friendly renewal process for licensees.

5. Regulatory flexibility analysis of alternative methods:

Although there is an overall decrease in revenue because authorized employees are no longer registered, the maintenance of fees at their current level was considered preferable to raising fees to generate additional revenue.

6. Conclusion:

This proposed rule will improve the regulation of both professions, private investigators and security guards, and result in an overall savings for the regulated entities.

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