

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer

Natwar M. Gandhi
Chief Financial Officer



MEMORANDUM

TO: The Honorable Linda W. Cropp
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi [signature]
Chief Financial Officer

DATE: May 11, 2004

SUBJECT: Fiscal Impact Statement: "Security and Fire Alarm Systems
Regulations Act of 2004"

REFERENCE: Bill 15-528

Conclusion

Funds are not sufficient in the proposed FY 2005 through FY 2008 budget and financial plan to implement the "Security and Fire Alarm Systems Regulation Act of 2004." Implementing the proposed legislation will cost approximately \$2.16 million in FY 2005 and \$6 million over the period FY 2005 through FY 2008. The legislation intends that fines and fees be set to cover costs imposed in FY 2005 through FY 2008. Because the rates for fines and fees will be established through rulemaking, it is not yet known at what level they must be set for the five-year financial plan to remain in balance.

Background

The "Security and Fire Alarm Systems Regulation Act of 2004" requires the licensing of security and fire alarm agents in the District of Columbia and the registration of alarm system users and establishes the duties of alarm businesses and alarm users. It sets false alarm fees and a false alarm determination appeal process. Actions opposed by an applicant, licensee or alarm user are to be reviewed by a False Alarm Reduction Review Officer (FARRO). Further appeals are to be handled by the Office of Administrative Hearings (OAH).

In addition to the false alarm fees, the proposed legislation calls for a number of other fees and fines to be set by subsequent rulemaking, including alarm business license application fees, fines for alarm businesses operating without a license, fines for alarm agents operating without alarm agent licenses, and alarm user registration fees to be paid by alarm businesses.

The proposed legislation establishes a non-lapsing, revolving Security and Fire Alarm Regulatory Trust Fund into which all revenues from the fees and fines are to be deposited. This dedicated revenue fund is to be used to fund all activities under the proposed legislation. The fund is to be available without regard to fiscal year limitation, and the fund balance at the end of the fiscal year shall not revert to the General Fund.

Financial Plan Impact

The "Security and Fire Alarm Systems Act of 2004" involves the Department of Consumer and Regulatory Affairs (DCRA), the Metropolitan Police Department (MPD), Fire and Emergency Medical Services (FEMS), and the Office of Administrative Hearings (OAH).

Database Development and Management. The proposed legislation will require the development of an alarm database for recording alarm registrants and enabling MPD and FEMS to more easily recognize, track and analyze false and true alarm calls around the District. DCRA projects that the design, development, testing and deployment of the database will require a capital budget outlay of \$1,050,000 in FY 2005. In order to implement the licensure and tracking responsibilities in the proposed legislation, DCRA will require five new staff members, including a database administrator, a web master, and three call center representatives, plus about \$5,000 annually for non-personal services. These costs are detailed in the table below.

Fingerprinting and Inspections. The proposed legislation requires MPD to submit for FBI analysis the fingerprints of each person whose name is listed on an alarm business application and each alarm agent. The cost to process a set of fingerprints at the FBI is \$25. It is not possible to accurately estimate how many sets of fingerprints would need to be sent for FBI analysis. However, given that there are 26 alarm dealers and 181 alarm agents currently registered in the District, it is likely that the fiscal impact of this portion of the legislation would be small.

The proposed legislation also authorizes MPD to inspect the facilities of any alarm business, central alarm station or alarm user to determine whether the requirements of the act are being met and requires MPD and FEMS to report to the Mayor on each false alarm to which they respond. It is expected that these activities can be handled with existing resources.

Appeals Process. The proposed legislation does not assign responsibility for the first-level appeals to a specific agency, and the District currently does not have any similar

program. Based on information about the staffing at the Montgomery County False Alarm Unit (housed within the Montgomery County Police Department) and estimates of the numbers of appeals the District would face, it is estimated that the District agency operating the first-level appeals would require a director, two support staff and between six and 10 program specialists to act as FARROs. These costs, as well as additional resources for non-personal services, are detailed in the table below. It is also possible that the first-level appeals process could be contracted out, potentially reducing the cost of the program.

An applicant, licensee, or alarm user adversely affected or aggrieved by a decision of a FARRO may seek review by filing an appeal with OAH. In order to manage these new responsibilities, OAH will need an administrative law judge, 2/3 administrative clerk, and 1/3 law clerk, as well as funds to offset a small portion of central administration salaries. OAH also will require about \$40,000 for integrating its case management system with DCRA's alarm database. These costs are detailed in the table below.

Fees and Fines. As described above, the "Security and Fire Alarm Systems Regulation Act of 2004" creates a dedicated fund into which all revenues resulting from implementation of this bill will be deposited.¹ The various fees and fines are to be set through subsequent rulemakings at a level sufficient to offset the costs of implementing the proposed legislation. However, because the fees and fines have not as yet been determined, it is not possible to provide a revenue estimate at this time. Furthermore, until sufficient revenue has accrued in the proposed dedicated fund, revenue to support the implementation of the legislation will need to come from the General Fund. Implementation of the bill is expected to begin in FY 2005.

¹ It is the policy of the District government to discourage the allocation of dedicated revenue funds directly to agencies as proprietary receipts to operate programs, except in very limited cases where program funding cannot be properly accommodated through the annual budget process.

Summary. The following table details the impact of the proposed legislation on the District's budget and financial plan:

Fiscal Impact*						
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	Total
DCRA						
Personnel - salaries & benefits	-	\$288,750	\$298,279	\$308,122	\$318,290	\$1,213,441
Non-Personal Services	-	\$15,000	\$15,360	\$15,729	\$16,106	\$62,195
<i>Subtotal - DCRA</i>	-	\$303,750	\$313,639	\$323,851	\$334,396	\$1,275,635
OAH						
System integration	-	\$40,000	-	-	-	\$40,000
Personnel - salaries & benefits	-	\$151,369	\$156,364	\$161,524	\$166,854	\$636,110
Non-Personal Services	-	\$28,810	\$29,501	\$30,209	\$30,935	\$119,455
<i>Subtotal - OAH</i>	-	\$220,179	\$185,865	\$191,733	\$197,788	\$795,565
FARROs						
Personnel - Salaries & Benefits**	-	\$499,770	\$573,849	\$652,273	\$735,249	\$2,461,140
Non-Personal Services	-	\$84,645	\$96,307	\$108,480	\$111,084	\$400,517
<i>Subtotal - FARROs</i>		\$584,415	\$670,156	\$760,754	\$846,333	\$2,861,657
CAPITAL BUDGET IMPACT						
False alarm tracking system	-	\$1,050,000	-	-	-	\$1,050,000
TOTAL	-	\$2,158,343	\$1,169,660	\$1,276,337	\$1,378,517	\$5,982,858

*Benefits calculated at 15.5% of salary. Salaries & benefits inflated at 3.3% per year. Non-personal services inflated at 2.4% per year.

**Starting with six in FY 2005 and increasing by one per year in the out-years.