

# Legislative Analysis



## HOME MONITORING SYSTEMS

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**House Bills 4591 and 4737 as enrolled**  
**Public Acts 69 and 70 of 2013**  
**Sponsor: Rep. Aric Nesbitt**

**House Bill 4592 as enrolled**  
**Public Act 71 of 2013**  
**Sponsor: Rep. Bradford Jacobsen**

**House Committee: Energy and Technology**  
**Senate Committee: Energy and Technology**

**First Analysis (8-2-13)**

### ***BRIEF SUMMARY:*** House Bill 4591:

- Exempts a licensed or registered security alarm system provider from a local ordinance that requires a permit to install, maintain, or service a home monitoring system.
- Exempts a licensed or registered security alarm system provider from licensure as an electrical contractor or electrician, and from local permitting requirements under a local ordinance if installing, maintaining, or servicing a security alarm system.
- Exempts the installation, maintenance, or servicing of a security alarm system (formerly burglar alarm system) from the classes of work requiring licensing as an electrician or electrical contractor.

House Bill 4592 exempts a licensed or registered security alarm system provider, if installing or servicing a thermostat, from state or local licensing as a mechanical contractor for heating and cooling systems or local permit requirements. The bill would also prohibit a local government from prohibiting a licensed or registered security alarm system provider from engaging in work for which they are licensed or registered.

House Bill 4737 exempts licensed or registered security alarm system providers from permitting requirements under the State Construction Code Act or the state construction code when installing, maintaining, replacing, or servicing a home monitoring system.

***FISCAL IMPACT:*** The bills would have fiscal implications for state and local governments as discussed later in the analysis.

### ***THE APPARENT PROBLEM:***

Many products have been introduced into the market in recent years that allow homeowners and business owners to monitor their property when away, and even adjust

lighting and temperature controls from remote locations using just a smartphone. However, there have been complaints that under current building codes, the permit for a homeowner or installer to install some of the needed equipment, such as a thermostat or dimmer switch, can cost more than that piece of equipment. Legislation has been introduced to streamline the regulatory process regarding these home monitoring systems.

### ***THE CONTENT OF THE BILLS:***

**House Bill 4591** would amend the Electrical Administrative Act (MCL 338.886 & 887), which regulates electrical contractors and related professions. Generally speaking, a person is prohibited from engaging in the business of electrical contracting unless licensed as an electrical contractor under the act or under a local ordinance that is at least as stringent as the act. The act provides an exemption from licensure for certain classes of work, such as minor repair work. In addition, the act prohibits a local ordinance from requiring the procurement of a license or permit to execute certain of those exempted classes of work.

First, the bill revises one class of work currently exempted from licensure under the act [Section 7(3)(k)]. Currently, a license is not required under the act for the installation, maintenance, or servicing of burglar alarm systems within a building or structure. This provision would be eliminated and replaced with an exemption for work performed by a system provider that is registered under the Security Alarm Systems Act (added by Public Act 580 of 2012) or by a security alarm system contractor licensed under the Private Security Business and Security Alarm Act, hereinafter "provider."

Second, the bill prohibits a local municipality from requiring a permit for a provider to install, maintain, replace, or service a home monitoring system, and the installation, maintenance, replacement, or servicing of any electrical wiring, equipment, or devices associated with a home monitoring system. This provisions refers to a device or an assembly of equipment and devices that allow individuals to remotely monitor their home through audio, video, or sensor detection systems and that may allow them to remotely control the home's environment, including, but not limited to, controlling temperature, humidity, lighting, doors, or locks.

Lastly, the bill prohibits a local municipality from requiring a license or permit by a provider to install, maintain, replace, or service a "security alarm system," as defined in the Security Alarm Systems Act or Private Security Business and Security Alarm Act.

**House Bill 4592** would amend the Forbes Mechanical Contractors Act (MCL 338.977 and 338.979). Under the act, individuals, businesses, and public entities are required to use a person licensed under state statutes or by local governmental units for certain construction and repairs regulated by the Stille-DeRossett-Hale Single State Construction Code Act, and the licensee must obtain a local permit to perform the construction and/or repairs.

The bill would create an exemption from the above requirements for a person who is registered as a system provider under the Security Alarm Systems Act or licensed as a security alarm system contractor under the Private Security Business and Security Alarm Act in connection with the installation, maintenance, replacement, or servicing of a thermostat for a heating, ventilation, and air conditioning system or a hydronic heating and cooling system.

The bill would also prohibit a governmental subdivision from establishing or maintaining local licensing requirements for the work described above and from prohibiting a person registered as a system provider or licensed as security alarm system contractor as described above from engaging in work for which the person is licensed or registered.

**House Bill 4737** adds a new section to the Stille-DeRossett-Hale Single State Construction Code Act (MCL 125.1528a) to specify that a permit would not be required under the act or the construction code for work related to a home monitoring system if performed by a provider.

Thus, the installation, maintenance, replacement, or servicing of any electrical wiring, equipment, or devices related to, or associated with, a home monitoring system would not require a permit if performed by either a system provider registered under the Security Alarm Systems Act or a security alarm system contractor licensed under the Private Security Business and Security Alarm Act.

"Home monitoring system" would mean a device or an assembly of equipment and devices that allows an individual to remotely monitor his or her home through audio, video, or sensor detection systems and that may allow the individual to remotely control the home's environment, including, but not limited to, temperature, humidity, lighting, doors, or locks.

#### ***FISCAL INFORMATION:***

House Bill 4591 would not have a significant fiscal impact on the state or local units of government as the Electrical Administrative Act, 1956 PA 217, currently exempts electrical licensure for the installation, maintenance, or servicing of burglar alarms and House Bill 4591 amends the Electrical Administrative Act by specifying that the work exempted from licensure is the installation, maintenance, replacement, or servicing of security alarm systems or home monitoring systems performed by licensees under the Private Security Business and Security Alarm Act, 1968 PA 330, or registrants under the Security Alarm Systems Act, 2012 PA 580.

House Bill 4592 would have a negative fiscal impact on the state and local units of government to the extent that it exempts licensees under the Private Security Business and Security Alarm Act, 1968 PA 330, and registrants under the Security Alarm Systems Act, 2012 PA 580, from state mechanical contractor licensure and local unit of government licensure or permitting in connection with the installation, maintenance,

replacement, or servicing of a thermostat for a heating, ventilation, or air conditional system or a hydronic heating and cooling system.

House Bill 4737 would have an indeterminate fiscal impact on the Bureau of Construction Codes (BCC) within the Department of Licensing and Regulatory Affairs (LARA) and local building/planning departments. The impact would depend on the number of permits that would have been applied for under current law and whether the permit fees generate insufficient, adequate, or excessive revenues to cover the administrative costs to review permits.

## ***ARGUMENTS:***

### ***For:***

According to testimony presented at committee and in various media reports, the bills would streamline regulatory requirements related to the installation and maintenance of home monitoring systems so to reduce costs to homeowners by removing the requirement of obtaining permits from state or local agencies that enforce building codes.

### ***Against:***

At the very least, say critics, the bills are unclear as to exactly what they would do and appear to conflict with other statutory provisions. This could make it difficult for entities that enforce building codes to implement and enforce the new provisions, as well as make it difficult for homeowners and business owners, as well as those in the building or security alarm trades, to know if they are, or are not, in compliance with applicable codes.

For example of the confusion over the legislation, the descriptions of the bills contained in media reports and even on the state government website appear to be inaccurate. In the reports, the bills are described as exempting a homeowner from having to pull a permit if an electrician installs equipment for advanced home monitoring systems, such as a dimmer switch or thermostat (of the kind that allows a homeowner to adjust the temperature of a home from a remote location using a computer or smartphone).

However, as the bill is written, a homeowner, or more accurately, an electrician working for a homeowner, would still have to pull a permit for such an installation or repair under state or local building codes. The bills only exempt "providers" registered under the Security Alarm Systems Act or licensed under the Private Security Business and Security Alarm Act from permitting requirements, and then only in limited circumstances, such as when a local government acts as the enforcing entity for building codes (HB 4591).

Moreover, provisions in this package of bills appear to conflict with provisions in the two acts regulating security alarm providers. For instance, a local enforcing entity is authorized to require a system provider registered under the Security Alarm Systems Act to pull a permit if doing high voltage work. This bill package, however, appears to forbid this. It is unclear which provision would prevail.

Other weaknesses in the bill package include that, though it is said to apply to homeowners, nothing in the bills limits their application to single family dwellings. Nor does the legislation say that any permitting or licensing exemptions apply to low voltage work only, the only safe level for non-electricians or persons without a mechanical contractor's license to perform. Thus, the bills would tie the hands of local and possibly state code enforcers from requiring permits or doing inspections of installations in commercial buildings (including public schools) and large residential apartment buildings, even when high voltage equipment is involved. This could have significant public safety issues according to members of the licensed building trades.

In another example, HB 4592 states that a local government could not prohibit a provider regulated under the Security Alarm Systems Act or the Private Security Business and Security Alarm Act from engaging in work for which that person is licensed or registered. However, installing fire alarm systems or alarm systems that monitor temperature, humidity, or other conditions that are not directly related to the detection of intruders (as the media reports say the bills would allow these professions to do) is outside of the purview of either of these acts and therefore not a regulated activity under either act. Does this mean that local governments could prohibit alarm system providers from installing or maintaining advanced home monitoring systems that did not directly relate to the prevention or detection of intruders?

Some of these issues will need to be addressed in the future.

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