

# OVERVIEW

## *Analysis of a Proposal To Expand the Regulation of the Alarm Industry*

Report No. 01-11, June 2001

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### Summary

The Legislature, through House Concurrent Resolution No. 65, House Draft 1, of the 2000 Regular Session, requested the State Auditor to study the need to regulate the alarm industry and to consider House Bill No. 2125 of 2000, which proposed to expand regulation of the industry under Chapter 436M, Hawaii Revised Statutes. The resolution suggested that the proliferation of false alarms in Honolulu is detrimental to public health, safety, and welfare; is a costly diversion of county resources; and is partly the result of the absence of a licensing or permitting program.

Alarms are devices that signal a warning or alert. Security (or burglar) alarms are typically designed to detect an unauthorized intrusion into a building. While focusing on property protection, they may also protect life safety. Most security alarm systems sound an audible alert at the site and may notify a central monitoring station. Fire alarms focus on protecting both life safety and property. Fire alarms typically sound an audible alert at the site and may notify a central monitoring station or fire department.

Alarm businesses engage in such activities as selling, installing, and maintaining alarm systems. Alarm businesses may be required to have a contractor license, electrician license, or both, depending on the types of alarm services they provide. The number of alarm businesses in Hawaii is uncertain because of data limitations. However, based on listings in the GTE yellow pages and a survey that we conducted, we estimate that there are at least 80 alarm businesses in the state.

We concluded that expanded statewide regulation of the alarm industry would be difficult to justify. Security false alarms have social costs that warrant regulation. However, the harm is uncertain and solutions are limited. The regulatory options have drawbacks. If action is deemed necessary, certain regulatory options are more feasible and enforceable than others. Fire false alarms are a lesser problem requiring little action.

We also found that House Bill No. 2125 contained many flaws. Finally, we found that a “grandfather” clause in the existing alarm industry law is unfair.

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### Recommendations and Response

We recommended that before pursuing additional regulation of the alarm industry, legislators may wish to consider whether the benefits of such regulation would outweigh the costs and drawbacks. One option would be to leave the matter to the counties. For example, counties concerned about the dollar cost of security and fire false alarms could impose a tax at the time alarm systems are sold. We also



identified the regulatory options that appear most feasible and enforceable should the Legislature wish to pursue new, statewide regulation. We recommended that any new legislation avoid the flaws we identified in House Bill No. 2125. We suggested the Legislature may wish to repeal Section 436M-2(d), Hawaii Revised Statutes, to eliminate the unfair “grandfathering” provision.

The Honolulu Police Department, Hawaii Police Department, and Honolulu Fire Department responded to a draft of our report. The Honolulu Police Department observed that our report is comprehensive and fairly outlines the issues and probable effects of the proposal to expand regulation of the alarm industry. The department says that it has embarked on an education program for alarm system users. The department is soliciting support for a county ordinance that would effectively regulate the alarm industry and help reduce false alarms. The ordinance would require a permit and registration for all alarm users, create a tiered system of service fees for excessive false alarms, and authorize permit revocation and no police response to premises where assessed service fees are delinquent.

The Hawaii Police Department said that it concurs with our findings. The department also suggests consideration of a requirement that business owners, their representative, or the security alarm company respond to all alarms.

The Honolulu Fire Department said that it concurs with us that fire false alarms are not a major concern requiring further state regulation.

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