



## **Economic Impact Analysis Virginia Department of Planning and Budget**

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### **18 VAC 160-20: Real Estate Board Licensing Regulations Department of Professional and Occupational Regulation August 21, 2003**

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The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 2.2-4007.G of the Administrative Process Act and Executive Order Number 21 (02). Section 2.2-4007.G requires that such economic impact analyses include, but need not be limited to, the projected number of businesses or other entities to whom the regulation would apply, the identity of any localities and types of businesses or other entities particularly affected, the projected number of persons and employment positions to be affected, the projected costs to affected businesses or entities to implement or comply with the regulation, and the impact on the use and value of private property. The analysis presented below represents DPB's best estimate of these economic impacts.

### **Summary of the Proposed Regulation**

The Real Estate Board (board) proposes to raise its licensure fees.

### **Estimated Economic Impact**

Currently, the board's expenditures far exceed its revenues; during the 2000-2002 biennium expenditures exceeded revenues by \$1,122,301. The Department of Professional and Occupational Licensing (department) projects that during the 2002-2004 biennium expenditures will exceed revenues by \$1,651,068, and that the board's cash balance will turn negative. In order to avoid negative cash balances, the board proposes to raise fees. The following table (Table 1) displays current and proposed application fees:

**Table 1: Application Fees**

<u>Profession/Entity</u>	<u>Current Fee</u>	<u>Proposed Fee</u>
Salesperson by education and examination	\$75	\$150
Salesperson by reciprocity	\$64	\$150
Salesperson's or associate broker's license as a business entity	\$75	\$190
Broker by education and examination	\$85	\$190
Broker by reciprocity	\$85	\$190
Concurrent broker license	\$65	\$140
Firm license	\$125	\$250
Branch office license	\$65	\$190
Transfer application	\$35	\$60
Activate application	\$35	\$60

Table 2 displays current and proposed renewal fees:

**Table 2: Renewal Fees**

<u>Profession/Entity</u>	<u>Current Fee</u>	<u>Proposed Fee</u>
Salesperson	\$39	\$65
Salesperson's or associate broker's license as a business entity	\$39	\$90
Broker	\$42	\$80
Concurrent broker license	\$42	\$80
Firm license	\$65	\$160
Branch office license	\$38	\$90

Part of the increase in the board's expenditures is due to the department's development of a new computer licensing system. Among other attributes, the new system will permit citizens to apply for licenses and license renewals on-line. The use of on-line applications should speed licensure application; mailing time will be eliminated. Also, the cost of mailing materials and postage will be saved. The resulting reduction in licensing transaction costs provides an economic benefit that offsets at least part of the increased fees.

### **Businesses and Entities Affected**

The proposed regulations affect the 59,400<sup>1</sup> real estate practitioners and firms licensed by the Commonwealth, as well as individuals considering applying for licensure.

### **Localities Particularly Affected**

All localities in the Commonwealth are affected.

### **Projected Impact on Employment**

Higher fees may discourage some individuals, particularly individuals considering part-time work, from seeking licensure and offering their services. This impact is unlikely to be large. The impact of the increased fees is reduced somewhat by the lower licensing transaction costs resulting from the new online licensing system.

### **Effects on the Use and Value of Private Property**

The higher fees will reduce the net worth of licensees and license applicants by the amount of the fee changes minus the reduced licensing transaction costs.

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<sup>1</sup> Estimated figure provided by the Department of Professional and Occupational Licensing