



Economic Impact Analysis Virginia Department of Planning and Budget

18 VAC 50-30 – Board of Contractors Individuals License and Certification Regulations
Department of Professional and Occupational Regulations
June 10, 2013 (revised June 21, 2013)

Summary of the Proposed Amendments to Regulation

The Board of Contractors (Board) proposes to amend its regulations that govern individual licenses and certifications. Specifically, the Board proposes to no longer require continuing education for all categories of tradesmen but certified elevator mechanics and certified water well systems providers (continuing education is required by statute for these two certifications). The Board also proposes to eliminate the inactive licensure classification for tradesmen who will no longer have to complete continuing education.

Result of Analysis

Benefits likely outweigh costs for these proposed regulatory changes.

Estimated Economic Impact

Currently, these regulations require tradesmen with plumbing, electrical, and heating ventilation and cooling designations to complete three hours of continuing education for each designation as a condition of biennial active license or certification renewal. Tradesmen with liquid petroleum gas fitters and natural gas fitter provider designations must currently complete one hour of continuing education for each designation biennially. Tradesmen who, for whatever reason, want to keep their license or certification but who do not plan to practice their trade may currently pay a renewal fee and obtain an inactive license or certification without completing the continuing education required for active renewal.

Board staff reports that requiring continuing education has not appreciably decreased the number of disciplinary cases brought before the Board but that there is anecdotal evidence that

requiring continuing education is leading to tradesmen foregoing licensure in large numbers.¹ Board staff further reports that tradesmen usually maintain more than one designation and that requiring continuing education likely adds at least \$400 (on average) plus time costs and possibly travel expenses to the \$90 fee for renewing a tradesmen license or certificate. Because continuing education for tradesmen does not seem to have an appreciable benefit and because it is an added expense that might affect tradesmen ability to maintain licensure or certification, the Board now proposes to do away with the continuing education requirements for the tradesmen designations listed above. At the same time, the Board proposes to eliminate inactive licensure since the only difference between inactive and active licensure is the continuing education requirement.

These changes will benefit the Board, whose staff will no longer have to field queries and complaints about tradesmen continuing education (34.33% of the calls fielded between January and April of 2013). These changes will also benefit tradesmen, who will no longer have to pay for relatively expensive continuing education in order to maintain licensure or certification. Continuing education providers will not benefit from these changes as they will no longer have a state enforced requirement that tradesmen pay for and complete continuing education in order to renew their licenses or certificates. Providers of continuing education will likely suffer a loss that is close in total to the fees that they would collect from providing classes minus the money they could earn at some other task during the time they now spend training others on account of current regulations. Since this loss will likely be less than the benefit to tradesmen in general and to the State, and since the public is unlikely to be harmed on account of elimination of continuing education requirements, benefits likely outweigh costs for this proposed regulatory action.

Businesses and Entities Affected

These proposed regulatory changes will affect almost all tradesmen licensed or certified by the Board. Board staff reports that the Board currently licenses or certifies 27,780 tradesmen. All tradesmen but those certified as elevator mechanics and water well systems providers will be

¹ Board staff reports that, in the last five years since continuing education has been required, the Board has experienced a 18.59% drop in the number of tradesmen licensed or certified by the Board; with the largest drop occurring in the number of plumbing and gas fitting specialty licenses which dropped more than 25%. The number of contractors licensed by the Board only decreased 8.33% during this same time period. Board staff reports that phone calls, letters and emails from tradesmen support an assertion that maintaining licensure with the added expense of continuing education is too burdensome, especially during economic downturns.

affected. All providers of eliminated continuing education will also be affected by these proposed changes. Board staff reports that there are 161 entities that provide continuing education in the Commonwealth for affected tradesmen. This continuing education provider total comprises nine state government agencies and three private companies (that provide continuing education only for their employees), 17 trade organizations and nine union halls (providing continuing education for their members), four other government entities, 29 community colleges or other institutions of higher learning and 90 other providers of continuing education. Board staff reports that approximately half of the 90 other providers of continuing education in the state are small business tradesmen or contractors who provide continuing education as a side business. Board staff further reports that 52 of the 161 continuing education providers listed above are based outside of the Commonwealth.

Localities Particularly Affected

No locality will be particularly affected by this proposed regulatory action.

Projected Impact on Employment

Without the requirement that they complete relatively expensive continuing education requirements as a condition of license renewal, more individuals may choose to maintain licensure or certification and work as tradesmen in the Commonwealth. Since continuing education will no longer be required, providers of continuing education will see a likely sharp decrease in demand for their services. Continuing education providers will, however, be able to partly or fully mitigate their lost income by earning money working at other tasks instead of offering classes.

Effects on the Use and Value of Private Property

These proposed regulatory changes are unlikely to affect the use or value of private property in the Commonwealth.

Small Businesses: Costs and Other Effects

No small businesses tradesmen who do not provide continuing education will likely be adversely affected by this regulatory action. The approximately 45 tradesmen or contractors who provide continuing education will lose the income derived from having continuing education as a requirement of tradesmen license or certificate renewal. Continuing education providers will,

however, be able to partly or fully mitigate their lost income by earning money working at other tasks instead of offering classes.

Small Businesses: Alternative Method that Minimizes Adverse Impact

There are likely no alternatives to this regulatory change that would decrease the adverse impact.

Real Estate Development Costs

This regulatory action will likely have no effect on real estate development costs in the Commonwealth.

Legal Mandate

The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 2.2-4007.04 of the Administrative Process Act and Executive Order Number 14 (10). Section 2.2-4007.04 requires that such economic impact analyses include, but need not be limited to, a determination of the public benefit, 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. Further, if the proposed regulation has an adverse effect on small businesses, Section 2.2-4007.04 requires that such economic impact analyses include (i) an identification and estimate of the number of small businesses subject to the regulation; (ii) the projected reporting, recordkeeping, and other administrative costs required for small businesses to comply with the regulation, including the type of professional skills necessary for preparing required reports and other documents; (iii) a statement of the probable effect of the regulation on affected small businesses; and (iv) a description of any less intrusive or less costly alternative methods of achieving the purpose of the regulation. The analysis presented above represents DPB's best estimate of these economic impacts.