



Economic Impact Analysis Virginia Department of Planning and Budget

18 VAC 50-22 – Board of Contractors Regulations
Department of Professional and Occupational Regulation
October 20, 2008

Summary of the Proposed Amendments to Regulation

The Board of Contractors (Board) proposes to amend its regulations for contractors to increase fees.

Result of Analysis

There is insufficient information to determine if benefits outweigh costs for these proposed regulatory changes.

Estimated Economic Impact

Board of Contractor regulations set fees for initial licensure, renewal of licensure and for reinstatement of licensure for Class A, B and C contractors.

Currently, Class C contractors must pay \$150 for initial licensure and \$110 biennially for license renewal. Any licenses not renewed within 30 days of license expiration must be reinstated. Class C contractors who must reinstate their licenses are currently subject to a \$260 fee.

Currently, Class B contractors must pay \$175 for initial licensure and \$150 biennially for license renewal. Class B contractors who must reinstate their licenses are currently subject to a \$325 fee.

Currently, Class A contractors must pay \$200 for initial licensure and \$165 biennially for license renewal. Class A contractors who must reinstate their licenses are currently subject to a \$365 fee.

The Board proposes to increase all of these fees in order to cover anticipated program revenue deficits. The Department of Professional and Occupational Regulation (DPOR) reports that the Board has incurred increased expenses for enforcement activities, information systems development costs and application processing/customer support services.

The Board proposes to increase the fee for initial licensure of Class C contractors to \$200 (from \$150), increase the renewal fee to \$175 (from \$110) and increase the reinstatement fee to \$375 (from \$260). Also under these proposed regulations, the fee for initial licensure for Class B contractors will increase to \$305 (from \$175), the Class B renewal fee will increase to \$200 (from \$150) and Class B reinstatement fee will increase to \$425 (from \$325). The Class A initial licensure fee will increase to \$330 (from \$200), the renewal fee will increase to \$225 (from \$165) and the Class A reinstatement fee will increase to \$475 (from \$365).

The Board also has other miscellaneous fees, for change of designated employee, change of qualified individual and for addition of classification or specialty, which are increasing under this proposed regulatory action. These fees are currently all set at \$40; the Board proposes to double them to \$80.

DPOR reports that these fee increases will allow investigation of complaints against regulated entities to continue to be carried out in a timely fashion; absent these fee increases, DPOR reports, the public might be adversely affected by contractors who continue to work after a complaint is filed but before their cases are adjudicated. To the extent that possible customers for contractors rely on the Board for information about whom to hire (or, more importantly, whom not to hire) a slow down in complaint investigations would likely lead to questionable contractors being hired. To the extent that possible customers rely on private sources of information, such as references from trusted friends or family or information from the Better Business Bureau, any bad effects of a slow down are likely to be partially or completely mitigated.

The possible benefits of these proposed regulations must be weighed against the adverse impact that these fee increases will have on contractor businesses in the Commonwealth. For healthy, full-time contractor businesses, these fees will likely be absorbed and at least partially passed on to customers who will likely pay slightly higher fees for contracting work. These fee increases may, however, serve as the tipping point for some marginally profitable and/or part-

time contracting businesses so that fewer individuals choose to renew their licenses. Entry into this field will also likely decrease slightly on account of the higher proposed initial licensure fees.

Additionally the Board proposes to eliminate a fee listing for the water well exam, since it is no longer applicable to contractors, and add a statutory \$50 Recovery Fund assessment to regulatory language for renewal fees and reinstatement fees. Since it appears that contractors were already subject to the Recovery Fund fee, adding this fee to the proposed regulations will not increase costs but will add clarity for contractors who might have been confused about what they had to pay for renewal or reinstatement of licensure.

Businesses and Entities Affected

These proposed regulations will affect all licensed contractors in the Commonwealth. DPOR reports that the Board currently licenses 101,714 contractors and tradesmen (whose fees are increasing in a separate proposed regulatory action).

Localities Particularly Affected

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

Projected Impact on Employment

This regulatory action is likely to slightly decrease the number of licensed contractors doing business in the Commonwealth.

Effects on the Use and Value of Private Property

To the extent that this proposed regulatory action increases the cost of maintaining a contracting business, profits for some businesses may slightly decrease. Any businesses that do experience a decrease in profits will also likely experience a corresponding decrease in their value.

Small Businesses: Costs and Other Effects

Most, if not all, licensed contractors in the Commonwealth qualify as small businesses. All of these small businesses will have to pay the proposed higher fees discussed above to continue operating.

Small Businesses: Alternative Method that Minimizes Adverse Impact

In general small businesses will benefit from agency actions that look toward cutting agency costs, when doing so will not adversely affect their mission, rather than raising fees.

Real Estate Development Costs

To the extent that licensed contractors are involved with real estate development, this regulatory action is likely to slightly increase 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.H of the Administrative Process Act and Executive Order Number 36 (06). Section 2.2-4007.H 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. Further, if the proposed regulation has adverse effect on small businesses, Section 2.2-4007.H 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.