



Economic Impact Analysis Virginia Department of Planning and Budget

18 VAC 135-40 – Board for Contractors Rules and Regulations Board for Contractors – Tradesman Rules and Regulations Department of Professional and Occupational Regulation November 1, 2001

The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 9-6.14:7.1.G of the Administrative Process Act and Executive Order Number 25 (98). Section 9-6.14:7.1.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 Board of Contractors proposes to raise licensing fees.

Estimated Economic Impact

The Board of Contractors (board) attempts to approximately match revenues from fee collection with expenses. The Department of Professional and Occupational Regulation (DPOR) expects that the board's revenues for the 2000-02 biennium will finish at 8.0 percent less than expenses. The board proposes to raise fees for licenses under the Board for Contractors Rules and Regulations and the Board for Contractors – Tradesman Rules and Regulations in order to approximately match their expenses. The board proposes to raise fees by the following amounts:

Contractors

Class C Initial License: increase from \$65 to \$125

Class C License Renewal: increase from \$50 to \$100

Class C License Reinstatement: increase from \$140 to \$225

Class B Initial License: increase from \$85 to \$150

Class B License Renewal: increase from \$70 to \$135

Class B License Reinstatement: increase from \$170 to \$285

Class A Initial License: increase from \$100 to \$175

Class A License Renewal: increase from \$90 to \$150

Class A License Reinstatement: increase from \$190 to \$325

Change a Designated Employee or Qualified Individual: increase from \$25 to \$30

Additional Classification or Specialty Designation: increase from \$25 to \$30

Tradesmen

Tradesman Initial License: increase from \$40 to \$75

Tradesman License Renewal: increase from \$25 to \$35

Tradesman License Reinstatement: \$50 to \$75

Tradesman Card Exchange Application and Processing: increase from \$10 to \$20

Backflow Prevention Device Worker Certification Card Exchange Application and
Processing: increase from \$10 to \$20

Backflow Prevention Device Worker Certification Card Renewal: increase from \$25 to
\$35

Backflow Prevention Device Worker Certification Card Reinstatement: increase from
\$50 to \$75

Duplicate Card, First Request: increase from \$10 to \$30

Duplicate Card, Second Request: increase from \$20 to \$30

Duplicate Card, First Request: increase from \$40 to \$45

Additional Trade Designation: increase from \$25 to \$30

A major factor in the increase in expenses relative to fees collected is a projected 31 percent increase in enforcement costs from the 1998-00 biennium to the 2000-02 biennium. DPOR attributes much of this increase to improved public awareness of the agency's enforcement role, leading to increased reporting of unscrupulous behavior by contractors and tradesmen. Increased enforcement can increase public welfare by reducing the incidence of fraud and substandard workmanship encountered by the public. Unscrupulous contractors and tradesmen may lose their licenses and as the increase in enforcement becomes better known, some potentially unscrupulous contractors or tradesmen may refrain from unscrupulous behavior because of increased fear of being caught. If customers of contractors and tradesmen become significantly less likely to encounter substandard work or fraudulent financial practices due to the increased enforcement, then perhaps the benefit of increased enforcement will exceed the cost of higher licensing fees for contractors and tradesmen.

Businesses and Entities Affected

The proposed regulations affect the 47,475¹ contractors and 29,900² tradesmen licensed in Virginia.

Localities Particularly Affected

The proposed increase licensing fees affect contractors and tradesmen throughout the Commonwealth.

¹ Source: DPOR

² Ibid

Projected Impact on Employment

The proposed rise in licensing fees increases the cost of doing business. The increased cost of doing business may make a small number of potential projects no longer profitable. Thus, the increase in fees may have a small negative impact on employment.

Effects on the Use and Value of Private Property

The proposed fee increases will slightly decrease the value of contractors and tradesmen's businesses.