

Office of Regulatory Management

Economic Review Form

Agency name	Real Estate Board
Virginia Administrative Code (VAC) Chapter citation(s)	18 VAC 135-20
VAC Chapter title(s)	Virginia Real Estate Board Licensing Regulations
Action title	Fee Adjustment 2021
Date this document prepared	March 22, 2024
Regulatory Stage (including Issuance of Guidance Documents)	Final (Action 5711 / Stage 10302)

Cost Benefit Analysis

Complete Tables 1a and 1b for all regulatory actions. You do not need to complete Table 1c if the regulatory action is required by state statute or federal statute or regulation and leaves no discretion in its implementation.

Table 1a should provide analysis for the regulatory approach you are taking. Table 1b should provide analysis for the approach of leaving the current regulations intact (i.e., no further change is implemented). Table 1c should provide analysis for at least one alternative approach. You should not limit yourself to one alternative, however, and can add additional charts as needed.

Report both direct and indirect costs and benefits that can be monetized in Boxes 1 and 2. Report direct and indirect costs and benefits that cannot be monetized in Box 4. See the ORM Regulatory Economic Analysis Manual for additional guidance.

Table 1a: Costs and Benefits of the Proposed Changes (Primary Option)

<p>(1) Direct & Indirect Costs & Benefits (Monetized)</p>	<p>Based on current expenditures the Board will not have adequate fees to cover the costs to cover operational expenses. The Board must increase the fees for real estate professionals in order for the Board to remain solvent. Revenue projected by the end of the 2024 fiscal year is \$9,175,772, and expenditures is projected to be \$11,083,867. As it stands, the Board will operate in a deficit as early as June of 2024. The fee increase will allow the Board to continue to operate.</p> <p>This fee increase will result in a transfer from the licensees to the Board, resulting in offset of costs and benefits. DPOR does not expect a change in licensees or market participation due to this change.</p> <p>Direct Costs: As this regulatory action results in only a transfer payment, there are no additional monetizable direct costs associated with the regulatory change.</p> <p>Indirect Costs: As this regulatory action results in only a transfer payment, there are no additional monetizable indirect costs associated with the regulatory change.</p> <p>Direct Benefits: As this regulatory action results in only a transfer payment, there are no additional monetizable direct benefits associated with the regulatory change.</p> <p>Indirect Benefits: As this regulatory action results in only a transfer payment, there are no additional monetizable indirect benefits associated with the regulatory change.</p>	
<p>(2) Present Monetized Values</p>	<p>Direct & Indirect Costs</p>	<p>Direct & Indirect Benefits</p>
	<p>(a) \$0</p>	<p>(b) \$0</p>
<p>(3) Net Monetized Benefit</p>	<p>\$0</p>	
<p>(4) Other Costs & Benefits (Non-Monetized)</p>	<p>Benefits:</p> <ul style="list-style-type: none"> The regulatory change allows the Board to continue to deliver services to the regulated community and the public. There would be no delays in processing applications and issuing licenses to applicants who are required to obtain credentials to perform the business of real estate professionals. 	

	<ul style="list-style-type: none"> • The regulatory change allows the Board and DPOR to maintain public protection. DPOR would be effective in ensuring real estate services are performed in a manner that protects the health, safety, and welfare of the public. • The regulatory change allows DPOR and the Board to remain in compliance with the Callahan Act and other applicable statutes. <p>Costs: There are no identified nonmonetizable costs associated with the regulatory change.</p>
(5) Information Sources	<p>The revenue projections and fee analysis used in this research came from the budget section of DPOR. The number of applicants and renewals predicted by the revenue section stems from historic trends, expected renewal rates, and any anticipated changes in the profession with an impact on volumes.</p>

Table 1b: Costs and Benefits under the Status Quo (No change to the regulation)

(1) Direct & Indirect Costs & Benefits (Monetized)	<p>Currently, the Board has 78,716 licensees. Which is 3,000 more than projected in the biennium report for 2022-2024. Under DPOR practices, revenue from the Real Estate Board is being utilized to sustain the operations of the Board. However, once the revenue is depleted the Board may have to utilize funding from other programs to cover operating costs.</p> <p>This would be considered a transfer payment, from one set of licensees (most DPOR licensees) to another (real estate professionals).</p> <p>Direct Costs: There are no additional monetizable direct costs associated with maintaining the status quo.</p> <p>Indirect Costs: There are no additional monetizable indirect costs associated with maintaining the status quo.</p> <p>It is projected that for biennium 2024-2026, the agency will be responsible for paying over \$127,000,000 of the Real Estate Board’s administrative costs over the next decade, averaging \$12,700,000 a year.</p> <p>Direct Benefits: There are no additional monetizable direct benefits if the real estate fees remain the same.</p> <p>Indirect Benefits: There are no additional monetizable direct benefits if the real estate fees remain the same.</p>
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(2) Present Monetized Values	Direct & Indirect Costs	Direct & Indirect Benefits
	(a) \$0	(b) 0
(3) Net Monetized Benefit	\$0	
(4) Other Costs & Benefits (Non-Monetized)	<p>Costs:</p> <ul style="list-style-type: none"> • Maintaining the status quo would likely result in reduction of services by the Board. Reduction in services would result in delays issuing license, thereby creating barriers to applicants' and licensees' ability to work. It would also decrease DPOR's effectiveness in ensuring that licensee's conduct their activities in a manner adequate to protect the public health, safety, and welfare. • Funds from other DPOR regulatory boards may need to be used to continue funding the operations of the Board. This would likely adversely affect the operation of these programs. • DPOR may need to request a loan from the general fund to cover the Board's deficit and supplement ongoing operations. However, this would only be a short-term solution and only delay the need for fee increases. When eventually implemented, fee increases would need to be even greater to provide for loan repayment. • The Board may need to receive general funds to supplement Board activities. DPOR currently receives no general fund revenue, as its regulatory boards are intended by law to be self-funded, and this would require a change in the Code of Virginia and the Appropriation Act. <p>Benefits: There are no identified additional nonmonetizable benefits associated with maintaining the status quo.</p>	
(5) Information Sources	Information about the Real Estate Board revenue was provided by the DPOR budget section.	

Table 1c: Costs and Benefits under Alternative Approach(es)

(1) Direct & Indirect Costs & Benefits (Monetized)	See Box #4.
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(2) Present Monetized Values	Direct & Indirect Costs	Direct & Indirect Benefits
	(a) N/A	(b) N/A
(3) Net Monetized Benefit	N/A	
(4) Other Costs & Benefits (Non-Monetized)	As detailed in the “Alternatives to Regulation” section of the ABD for the Proposed stage of this regulation, alternatives considered by the Board included (i) reducing services; (ii) obtaining a Treasury loan to fund operations; and (iii) supplementing Board activities with general funds. These alternatives were determined to be not viable.	
(5) Information Sources	N/A	

Impact on Local Partners

Use this chart to describe impacts on local partners. See Part 8 of the ORM Cost Impact Analysis Guidance for additional guidance.

Local Partners are not directly or indirectly affected by the regulatory change.

Impacts on Families

Use this chart to describe impacts on families. See Part 8 of the ORM Cost Impact Analysis Guidance for additional guidance.

No direct or indirect impact to families is anticipated.

Impacts on Small Businesses

Use this chart to describe impacts on small businesses. See Part 8 of the ORM Cost Impact Analysis Guidance for additional guidance.

Table 4: Impact on Small Businesses

(1) Direct & Indirect Costs & Benefits (Monetized)	See Box #3.	
(2) Present Monetized Values	Direct & Indirect Costs	Direct & Indirect Benefits
	(a) N/A	(b) N/A
(3) Other Costs & Benefits (Non-Monetized)	<p>Most of the firms and business entities licensed or certified by the Board are considered small businesses and would be affected by the higher application fees for firms, business entities, and proprietary schools. However, the Board does not collect information regarding the size of these regulants and does not charge different fees to those that are small businesses and those that are not.</p> <p>In addition, to the extent that firm and business entity regulants choose to pay for licensing and certification fees for individuals who are licensed or certified by the Board, these firms and business entities would be affected by the higher application fees.</p> <p>The costs and benefits associated with this regulatory change are detailed in Table 1a.</p>	
(4) Alternatives	N/A	
(5) Information Sources	N/A	

Changes to Number of Regulatory Requirements

Table 5: Regulatory Reduction

For each individual action, please fill out the appropriate chart to reflect any change in regulatory requirements, costs, regulatory stringency, or the overall length of any guidance documents.

Change in Regulatory Requirements

VAC Section(s) Involved*	Authority of Change	Initial Count	Additions	Subtractions	Total Net Change in Requirements
20-80	(M/A):	0	0	0	0
	(D/A):	1	0	0	0
	(M/R):	0	0	0	0
	(D/R):	2	0	0	0
20-120	(M/A):	0	0	0	0
	(D/A):	1	0	0	0
	(M/R):	0	0	0	0
	(D/R):	2	0	0	0
20-140	(M/A):	0	0	0	0
	(D/A):	0	0	0	0
	(M/R):	1	0	0	0
	(D/R):	7	0	0	0
20-370	(M/A):	0	0	0	0
	(D/A):	0	0	0	0
	(M/R):	0	0	0	0
	(D/R):	11	0	0	0
Grand Total of Changes in Requirements:					(M/A): 0 (D/A): 0 (M/R): 0 (D/R): 0

Key:

Please use the following coding if change is mandatory or discretionary and whether it affects externally regulated parties or only the agency itself:

(M/A): Mandatory requirements mandated by federal and/or state statute affecting the agency itself

(D/A): Discretionary requirements affecting agency itself

(M/R): Mandatory requirements mandated by federal and/or state statute affecting external parties, including other agencies

(D/R): Discretionary requirements affecting external parties, including other agencies

Cost Reductions or Increases (if applicable)

VAC Section(s) Involved*	Description of Regulatory Requirement	Initial Cost	New Cost	Overall Cost Savings/Increases
20-80	Application fees for initial licenses, transfer applications, activate applications, downgrade to salesperson applications, and upgrade to broker licenses.	<p>Salesperson initial license: \$150</p> <p>Salesperson or broker initial license as a business entity: \$190</p> <p>Broker initial license: \$190</p> <p>Broker concurrent license: \$140</p> <p>Firm initial license: \$250</p> <p>Branch office initial license: \$190</p> <p>Activate/Transfer: \$60</p> <p>Downgrade to salesperson: \$150</p> <p>Upgrade to broker: \$85</p>	<p>Salesperson initial license: \$185</p> <p>Salesperson or broker initial license as a business entity: \$220</p> <p>Broker initial license: \$220</p> <p>Broker concurrent license: \$185</p> <p>Firm initial license: \$300</p> <p>Branch office initial license: \$220</p> <p>Activate/Transfer: \$90</p> <p>Downgrade to salesperson: \$120</p> <p>Upgrade to broker: \$120</p>	<p>Salesperson initial license: +\$35 (+23.33%)</p> <p>Salesperson or broker initial license as a business entity: +\$30 (+15.79%)</p> <p>Broker initial license: +\$30 (+15.79%)</p> <p>Broker concurrent license: +\$45 (+32.14%)</p> <p>Firm initial license: +\$50 (+20.00%)</p> <p>Branch office initial license: +\$30 (+15.79%)</p> <p>Activate/Transfer: +\$30 (+50.00%)</p> <p>Downgrade to salesperson: -\$30 (-20.00%)</p> <p>Upgrade to broker: +\$35 (+41.18%)</p>
20-120	Application fees for renewal of license.	Salesperson renewal: \$65	Salesperson renewal: \$95	Salesperson renewal: +\$30 (+46.15%)

		<p>Salesperson or broker business entity renewal: \$90</p> <p>Broker renewal: \$80</p> <p>Concurrent broker renewal: \$80</p> <p>Firm renewal: \$160</p> <p>Branch office renewal: \$90</p>	<p>Salesperson or broker business entity renewal: \$145</p> <p>Broker renewal: \$115</p> <p>Concurrent broker renewal: \$115</p> <p>Firm renewal: \$215</p> <p>Branch office renewal: \$145</p>	<p>Salesperson or broker business entity renewal: +\$55 (+61.11%)</p> <p>Broker renewal: +\$35(+43.75%)</p> <p>Concurrent broker renewal: +\$35 (+43.75%)</p> <p>Firm renewal: +\$55 (+34.38%)</p> <p>Branch office renewal: +\$55 (+61.11%)</p>
20-140	Application fees for reinstatement of license.	<p>Salesperson reinstatement: \$100</p> <p>Salesperson or broker business entity reinstatement: \$135</p> <p>Broker reinstatement: \$120</p> <p>Concurrent broker reinstatement: \$120</p> <p>Firm reinstatement: \$245</p> <p>Branch office reinstatement: \$135</p>	<p>Salesperson reinstatement: \$145</p> <p>Salesperson or broker business entity reinstatement: \$220</p> <p>Broker reinstatement: \$180</p> <p>Concurrent broker reinstatement: \$180</p> <p>Firm reinstatement: \$315</p> <p>Branch office reinstatement: \$220</p>	<p>Salesperson reinstatement: +\$45 (+45.00%)</p> <p>Salesperson or broker business entity reinstatement: +\$85 (+62.96%)</p> <p>Broker reinstatement: +\$60(+50.00%)</p> <p>Concurrent broker reinstatement: +\$60 (+50.00%)</p> <p>Firm reinstatement: +\$70 (+28.57%)</p> <p>Branch office reinstatement: +\$85 (+62.96%)</p>

20-370	Application, renewal, and reinstatement fees for certification of proprietary schools and pre-license education instructors.	Proprietary school initial certificate: \$190	Proprietary school initial certificate: \$220	Proprietary school initial certificate: +\$30 (+15.79%)
		Proprietary school certificate renewal: \$90	Proprietary school certificate renewal: \$145	Proprietary school certificate renewal: +\$55 (+61.11%)
		Proprietary school certificate reinstatement: \$135	Proprietary school certificate reinstatement: \$220	Proprietary school certificate reinstatement: +\$85 (+62.96%)
		Pre-license education instructor initial certificate: \$190	Pre-license education instructor initial certificate: \$220	Pre-license education instructor initial certificate: +\$30 (+15.79%)
		Pre-license education instructor certificate renewal: \$75	Pre-license education instructor certificate renewal: \$120	Pre-license education instructor certificate renewal: +\$45 (+60.00%)
		Pre-license education instructor certificate reinstatement: \$110	Pre-license education instructor certificate reinstatement: \$180	Pre-license education instructor certificate reinstatement: +\$70 (+63.63%)

Other Decreases or Increases in Regulatory Stringency (if applicable)

VAC Section(s) Involved*	Description of Regulatory Change	Overview of How It Reduces or Increases Regulatory Burden
N/A	N/A	N/A

Length of Guidance Documents (only applicable if guidance document is being revised)

Title of Guidance Document	Original Word Count	New Word Count	Net Change in Word Count
N/A	N/A	N/A	N/A

*If the agency is modifying a guidance document that has regulatory requirements, it should report any change in requirements in the appropriate chart(s).