



Economic Impact Analysis Virginia Department of Planning and Budget

18 VAC 25-21 – Rules and Regulations of the Virginia Auctioneers Board Department of Professional and Occupational Regulation August 22, 2000

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 Auctioneers Board (board) proposes to add language specifying the reinstatement process for individuals and firms whose licenses have expired. Additionally, the board proposes to require that courses on auctioneering include coverage of these regulations in order to be approved for use in licensing.

Estimated Economic Impact

Reinstatement Process

Under the current regulations, “any individual or firm licensee ... who fails to renew his license within six calendar months after the expiration date of the license, shall be required to apply for reinstatement of the license. The applicant shall submit to the Department of Professional and Occupational Regulation (DPOR) a reinstatement application and fee.” The board proposes to add language specifying that if the license has expired for two years or more,

“the applicant shall be required to submit the examination fee and sit for and pass the Virginia Licensed Auctioneer’s Examination,” unless he or she is licensed by a state with whom the board has established reciprocity. According to DPOR, the board has had the authority to require licensees with expired licenses to retake the examination, but has not had occasion to exercise that option; all individuals or firms with licenses expired for at least two years who have applied for reinstatement have had licenses through other states and qualified for reinstatement through reciprocity.

Individuals seeking to regain their license will have been inactive in the profession, unless they were practicing illegally. It is possible that these individuals are less likely to be aware of changes in these regulations and the auctioneering profession than working auctioneers. The proposed requirement to retake and pass the examination for reinstatement may be beneficial to the public by reducing the risk that reinstated auctioneers, for example, improperly handle escrow money due to ignorance of changes in the law. There is no data available that would allow estimates of the magnitude of this potential benefit. Specifically, there is no known evidence that two years of inactivity by an auctioneer actually produces a significant risk to the public.

The only requirement to renew an auctioneer’s license is to pay a \$70 fee once every two years. There are no requirements for experience, continuing education, or reexamination. Thus, there is no reason to believe that someone who has paid the renewal fee on time, but has not actively worked as an auctioneer, is any more knowledgeable about changes in these regulations and the auctioneering profession than someone seeking to reinstate his or her license. For example say that Woman A and Woman B independently decide to have a baby and take two years off from auctioneering before returning to work. Woman A pays the \$70 renewal fee to remain licensed during her sabbatical, while Woman B does not. Woman A’s payment of the \$70 fee in no way makes her more knowledgeable about changes in these regulations and the auctioneering profession than Woman B; but under the proposal, Woman B would be required to retake the exam while Woman A would be exempt. In this case, two people who are identical in terms of their qualifications are treated differently by the regulations.

If auctioneers are to be required to retake the examination at all, perhaps the determination of who should retake the exam should be based upon whether the individual has

recent experience working as an auctioneer rather than whether a fee is paid or not. A provision could say that an individual who has not worked as an auctioneer during the last “x” years would be required to retake and pass the exam in order to retain or reinstate his or her license. Such a requirement would apply to all individuals whose lack of recent experience may put the public at risk due to ignorance of changes to laws and procedures relating to the profession. There is no available evidence that the potential risk to the public from an auctioneer with two years of inactivity is enough to warrant the cost to the auctioneer of retaking the test. Furthermore, if an auctioneer’s inactivity *does* produce a significant risk to the public, then it seems likely that this would be true of all inactive auctioneers, whether they pay a fee to remain licensed or not.

On the other hand, the board’s proposal to mandate that individuals who seek to regain their license after two years or more without it must retake the qualifying exam and apply anew for a license, would not likely create a large new burden for the potential people so situated. According to DPOR, the current pass rate for the exam, entirely taken by first-time applicants, is 88%. Thus, experienced auctioneers would likely not have much trouble passing, particularly if they take the time to review any changes in law since they last practiced. The exams are offered every day at five test centers dispersed across the state.¹ The cost would be \$40 for a new license, plus a \$40 examination fee and the time and travel associated with studying for and taking the exam. This compares to a \$120 reinstatement fee under the current regulations.

In summary, there is no data available to determine whether two years or more of inactivity by an auctioneer produces a significant risk to the public. Thus, we cannot accurately estimate the potential benefit to the public of requiring that individuals must retake the qualifying exam if their license has been expired for two years or more. The fees for affected individuals would be only \$80 under the proposed regulations, versus \$120 under the current regulations. But, the affected individuals would also have the added time and transportation costs associated with preparing and taking the exam and would face the small probability of failing the exam. Thus, affected individuals who value their time, transportation costs, and the problems associated with the small probability of failing at more than \$40 would find the costs to be higher under the proposed regulations; while affected individuals who value their time, transportation costs, and

¹ Source: Department of Professional and Occupational Regulation

the problems associated with the small probability of failing at less than \$40 would find the costs to be lower under the proposed regulations.

Course Approval

In order to obtain an auctioneering license, applicants are required to “successfully complete a course of study at a school of auctioneering which has obtained course approval from the board ...” In order to gain or maintain course approval, the board proposes to require schools to include coverage of these regulations in the coursework. The proposed requirement will produce some small costs to schools that seek approval for their auctioneering classes. Most schools that have courses approved by the board (13 out of 15)² are not located in the Commonwealth. Schools may comply with the requirement by distributing the regulations to students accompanied by a brief discussion.³ Also, DPOR does send free copies of the regulations to the schools. Thus, the actual cost to the schools will not be large.

The proposed requirement may be beneficial in that it may help reduce the likelihood that auctioneers licensed in Virginia put the public at risk due to ignorance of the specifics of these regulations. For example, understanding the requirements of the regulations may reduce the probability that auctioneers improperly handle escrow money (an issue addressed in the regulations). But, in order to gain a Virginia auctioneer’s license (other than by reciprocity), the individual is already required in the current regulations to pass an examination which tests knowledge about the regulations (as well as other subject matter). Thus, the benefit of the proposed requirement, while not easily measured, would likely be quite limited.

Businesses and Entities Affected

The approximately 1,320 individuals and 180 firms⁴ who currently possess a Virginia auctioneers license are potentially affected by the proposed amendments. The two Virginia schools and the 13 out-of-state schools that have courses approved by the board are also affected.

Localities Particularly Affected

The proposed amendments potentially affect all localities in Virginia.

² Ibid.

³ Ibid.

⁴ Ibid.

Projected Impact on Employment

The proposed amendments to these regulations are not expected to significantly affect employment.

Effects on the Use and Value of Private Property

Private schools that offer auctioneering classes will be required to add an element to their classes (Virginia regulations). This will have negligible effect on the value of the schools.