



Economic Impact Analysis Virginia Department of Planning and Budget

12VAC5-125 – Regulations for Bedding and Upholstered Furniture Inspection Program Department of Health November 16, 2005

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 21 (02). 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. The analysis presented below represents DPB's best estimate of these economic impacts.

Summary of the proposed regulation

In response to House Bill 2810 passed by the 2003 General Assembly, the Department of Health has proposed a new set of regulations (none existed previously) governing Bedding and Upholstered Furniture Inspections. The proposed new regulations will expand bedding and upholstered furniture definitions, outline causes for inspections, expand exemptions to the bedding laws, and outline penalties for violations. The purpose of the new regulations is to insure that safe and healthy bedding and upholstered furniture products are being sold in Virginia and that uniformity with other state bedding programs is maintained.

Estimated Economic Impact

The proposed new regulations are not expected to add any additional costs to the legitimate businesses involved in the bedding and upholstered furniture industries, which includes mattress manufacturers, renovators, sanitizers, upholstered furniture manufacturers,

retailers, and re-upholsterers. The Department of Health issues licenses and permits to businesses involved in the bedding and upholstered furniture industry. Licenses are issued to businesses which deal with products which include mattress manufacturers, upholstered furniture manufacturers, re-upholsterers, renovators, and retailers (Code of Virginia Section 32.1-216). The Department issues permits to businesses involved in processes which currently includes only sanitizers (Code of Virginia Section 32.1-217). A key element of the proposed new inspection regulations is to limit inspections of licensed vendors to only those cases where a complaint has been made to the Commissioner of Health, or where vendors do not possess a license or permit, or when a vendor makes application for a license or permit. The adoption of these new inspection regulations may result in a reduction in scheduled inspections but will not lead to reduced agency workload or increased agency and industry costs. The Bedding and Upholstered Furniture Program is a very small program with only 6 total employees, 4 of which are part time, and the program receives no state funding. Any reduction in inspections resulting from the proposed amendments dealing with inspection conditions will be replaced by other staff actions possibly involving more frequent inspections of eligible vendors or other inspection and policing actions involving retail operations or stores and gypsy sellers who are usually from out of state and are unlicensed and set up operations from trucks in parking lots. These inspection and policing actions may be beneficial to the public because there have been cases where gypsy sellers have sold unsafe bedding. If the department can reduce this risk through additional time spent inspecting those merchants in place of inspecting other merchants less likely to put the public at risk then this proposed amendment might produce a net benefit.

There will be no projected costs to the state government or the regulatory agency (Department of Health) for the adoption of the proposed regulatory amendments because the inspection program is totally self supporting through the license and permit fees.

Businesses and Entities Affected

There are approximately 5,300 businesses worldwide that hold Virginia licenses or permits dealing with the bedding and upholstered furniture industry. These businesses are involved in all aspects of the industry and include mattress manufacturers, renovators, sanitizers, upholstered furniture manufacturers, re-upholsterers, and retailers. It is estimated that less than 20% of these license or permit holders or roughly 1,000 are located in Virginia. Of the estimated

1,000 permit holders in Virginia, approximately 600-700 are estimated to qualify as small businesses that would be affected by the proposed new regulations.

Localities Particularly Affected

The proposed amendments do not disproportionately affect particular Virginia localities.

Projected Impact on Employment

The proposed amendments will have no impact on employment in legitimate businesses.

Impact on the Use and Value of Private Property

The proposed amendments will have no adverse impact on the use and value of legitimate private property and may have a positive impact on the health and safety of Virginia purchasers of bedding and upholstered furniture products if the amendments result in more enforcement and policing of gypsy sellers and other unlicensed vendors who are more likely to sell unsafe bedding and upholstered furniture products.

Small Businesses: Costs and Other Effects

The majority of license and permit holders in the bedding and upholstered furniture industry that are located in Virginia are estimated to be small businesses. Of the estimated 1,000 license and permit holders operating in Virginia, 600-700 or 60%-70% of the total are considered small businesses. Although small businesses make up the majority of license and permit holders, the proposed amendments do not impose upon them adverse costs or other adverse effects and they are treated the same as other license and permit holders provided that they adhere to the license and permit regulations. The proposed amendments do not add to the costs of permit holders. Non-permit holding gypsy sellers may be inspected more often and be prevented from selling unsafe products.

Small Businesses: Alternative Method that Minimizes Adverse Impact

The proposed amendments do not adversely affect legitimate small businesses.