



Economic Impact Analysis Virginia Department of Planning and Budget

18 VAC 65-20 – Regulations of the Board of Funeral Directors and Embalmers
18 VAC 65-40 – Regulations for the Funeral Service Intern Program
Department of Health Professions
July 26, 2012

Summary of the Proposed Amendments to Regulation

The Board of Funeral Directors and Embalmers (Board) proposes to separate out one fee from its previous grouping (a fee for renewal of funeral service intern registration) and increase most fees paid by licensees and registrants that are subject to the Board's authority.

Result of Analysis

There is insufficient information to accurately gauge whether benefits are likely to outweigh costs for these proposed changes.

Estimated Economic Impact

The Board proposes to change most of its fees for funeral service providers and establishments, funeral directors, embalmers, surface transportation service establishments, crematories and funeral service interns. Below is a comparison table for current and proposed fees:

FEE TYPE	CURRENT FEE	PROPOSED FEE	% INCREASE
Initial license to practice funeral services or as a funeral director or embalmer	\$275	\$325	18.18%
Initial funeral service establishment license	\$500	\$600	20%

Initial surface transportation and removal registration	\$300	\$325	8.3%
Initial courtesy card	\$275	\$325	18.18%
Initial crematory registration	\$200	\$250	25%
Renewal of license to practice funeral services or as a funeral director or embalmer	\$175	\$225	30%
Renewal of funeral service establishment license	\$300	\$400	33.33%
Renewal of surface transportation and removal registration	\$250	\$300	20%
Renewal of courtesy card	\$275	\$300	9.09%
Renewal of crematory registration	\$150	\$200	33.33%
Additional fee for late renewal of license to practice funeral services or as a funeral director or embalmer	\$60	\$75	25%
Additional fee for late renewal of funeral service establishment license	\$100	\$135	35%
Additional fee for late renewal of surface transportation and removal registration	\$85	\$100	17.65%
Additional fee for late renewal of courtesy card	\$90	\$100	11.11%

Additional fee for late renewal of crematory registration	\$50	\$75	50%
Reinstatement of license to practice funeral services or as a funeral director or embalmer	\$275	\$400	45.45%
Reinstatement of funeral service establishment license	\$500	\$635	27%
Reinstatement of surface transportation and removal registration	\$350	\$425	21.43%
Reinstatement of courtesy card	\$275	\$425	54.55%
Reinstatement of crematory registration	\$225	\$275	22.22%
Reinstatement following Suspension	\$500	\$1,000	100%
Reinstatement following Revocation	\$1,000	\$2,000	100%
Change of manager or establishment name	\$75	\$100	33.33%
Duplicate license, registration or courtesy card	\$15	\$25	66.67%
Non-routine reinspection	\$300	\$400	33.33%
Application for renewal of continuing education provider	\$300	\$400	33.33%
Renewal fee for inactive licensure	\$90	\$115	27.78%

Additional fee for late renewal of an inactive license	\$30	\$40	33.33%
Funeral service intern registration	\$100	\$150	50%
Funeral services intern registration renewal	\$100	\$125	25%
Additional fee for late renewal of funeral services intern registration	\$35	\$45	28.57%
Registration of supervisor	\$25	\$35	40%
Change of supervisor	\$25	\$35	40%
Reinstatement fee	\$170	\$195	14.71%

Board staff reports that the Board had a surplus for FY 2009 of \$19,797 and a surplus of \$40,298 for FY2010 but expects to run a deficit of 90,300 for FY2012 and every fiscal year thereafter. Board staff reports that these fee increases are needed because 1) the costs of healthcare for Board employees and lease payments for office space have increased, 2) some Board non-general funds were transferred in FY2010 to the General Fund to help close the budget gap and, so, won't be available to cover the cost of licensure services, 3) costs for information technology (IT) services have skyrocketed and 4) enforcement and adjudications costs have run well over budget.

The Department of Health Professions (DHP) reports that a large portion of the expected expenditure increases over their forecast horizon are needed to cover increased costs for services from the Virginia Information Technologies Agency (VITA). DHP reports that its VITA services costs have more than tripled from FY2005 to FY2011, from \$850,000 to \$3.6 million, and are expected to be \$4.4 million in FY2012. A large portion of the increase in costs, at least for FY 2010 and FY 2011, can be attributed to the planned move of DHP's licensing servers

from DHP to Northrop Grumman. DHP anticipates that this will increase the costs for maintaining these servers by approximately \$80,000 per month (\$960,000 per year). This Board is and will be responsible for a proportional share of these costs. Although it is likely beyond the capacity of DHP to control the very rapid growth of these costs, licensees of this Board (and all other DHP Boards) would benefit from increased scrutiny of services provided to DHP through VITA.

Board Staff also reports that a portion of DHP's non-general fund bank account balances that would have partially offset the need for fee increases were instead moved to the General Fund by the Budget Bill of 2010 to help close the gap between revenue and expenditures. Staff reports that the Board's portion of this transfer was \$20,270. The General Assembly's budgets for FY2011 and FY2012 transferred additional funds: the Board's loss due to these transfers was \$4,808 in FY2011 and \$3,043 in FY2012. Staff further reports that there is a possibility that further transfers could be required in future budgets. Licensees likely are harmed by these transfers as funds that were collected from them (and the interest those funds earned) that would have been used to cover the costs of administering their licensure program are instead used to offset the need for an increase in general taxes or for further budget cuts.

Increasing fees will likely increase the cost of being licensed and, so, will likely slightly decrease the number of people who choose to work in the field of funeral services and/or will likely slightly decrease the income of individuals that choose to remain licensed. To the extent that the public benefits from the Board regulating these professional populations, they will also likely benefit from the Board's proposed action that will increase fees to support Board activities. There is insufficient information to ascertain whether benefits will outweigh costs.

Businesses and Entities Affected

Board staff reports that the Board currently regulates 500 funeral establishments, 1,450 funeral service licensees, 75 funeral directors, 5 embalmers, 145 funeral interns, 90 crematories, 85 courtesy card holders, 50 surface transportation companies and 25 continuing education providers. All of these entities, as well as any individuals or entities who may wish to become licensed or registered in the future, will be affected by these proposed regulations.

Localities Particularly Affected

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

Projected Impact on Employment

Fee increases in this regulatory action will likely marginally decrease the number of individuals who choose to work in professional fields that are regulated by the Board. Individuals who work part time or whose earnings are only slightly higher in these licensed fields than they would be in other jobs that do not require licensure will be more likely to be affected.

Effects on the Use and Value of Private Property

To the extent that affected licensees are in private practice, fee increases will likely slightly decrease business profits and make their businesses slightly less valuable.

Small Businesses: Costs and Other Effects

Board staff reports that most of the firms regulated by the Board likely qualify as small businesses. Affected small businesses will bear the costs of proposed increased fees.

Small Businesses: Alternative Method that Minimizes Adverse Impact

There are several actions that the Board could take that might mitigate the necessity of raising fees overall. The Board could slightly lengthen the time that it takes to process both license applications and complaints so that staff costs could be cut. This option would benefit current licensees but would slightly delay licensure, and the ability to legally work, for new applicants. Affected small businesses would also likely benefit from increased scrutiny of the IT costs that are driving increases in both agency and Board expenditures.

Real Estate Development Costs

This regulatory action will likely have no effect on 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.