



Economic Impact Analysis Virginia Department of Planning and Budget

**18 VAC 50-22 – Board of Contractor Regulations
Department of Professional and Occupational Regulation
May 20, 2013**

Summary of the Proposed Amendments to Regulation

The Board of Contractors (Board) proposes to amend its regulations to require that “a statement notifying consumers of the existence of the Virginia Contractor Transaction Recovery Fund that includes information on how to contact the Board for claim information” be included in all written contracts for residential contracting services.

Result of Analysis

Benefits likely outweigh costs for this proposed regulatory change.

Estimated Economic Impact

Current regulations include a list of nine specific elements that must be in each written contract for residential contractor projects. The Board proposes to amend this list to also require contractors to include a statement informing consumers of the existence of the Virginia Contractor Transaction Recovery Fund and how to contact the Board for claim information. Board staff reports that this recovery fund is a fund that contractors’ customers can apply to for reimbursement of monies paid to contractors for work that the contractors then utterly failed to do or does so inadequately that their customers find it necessary to try and recover their money.

Board staff reports that the claims against the recovery fund are a last resort solution for customers after they have sought relief in civil court and have tried to recover their money directly from their contractor through, for example, filing liens. Only after other possible solutions have been exhausted would individuals then be able to apply to this recovery fund to get their money back (up to the statutory limit of \$20,000). The recovery fund is funded through monies collected from contractors upon initial licensure (\$25) and when licensure is renewed

(\$50 biennially). Since 2003, 1,390 claims have been filed against the recovery fund and \$14,408,062 has been paid out (average claim of \$10,365.51). Board staff also reports that the Board can get back some or all of the money from claims if the claimant later is able to recover money directly from their contractor.

Adding the proposed required language to written contracts may cost contractors a likely small amount initially to reprint existing contracts with the added required language or to print an addendum that includes the required language. This should be a onetime cost, however, and would not be expected to be ongoing once the language is part of their base contract. Contracting customers will benefit from the additional disclosure of existence of the recovery fund and their right to access it.

Businesses and Entities Affected

Board staff reports that, as of February 1, 2013, there are 65,274 contractors that have either a Class A, B or C license in the Commonwealth and that the overwhelming majority of contractors qualify as small businesses. All of these individuals, plus their customers, will likely be affected by this proposed regulatory change.

Localities Particularly Affected

No localities will be particularly affected by these proposed regulations.

Projected Impact on Employment

This proposed regulatory action is unlikely to have any effect on employment in the Commonwealth.

Effects on the Use and Value of Private Property

The use and value of private property is unlikely to be affected by this proposed regulatory change.

Small Businesses: Costs and Other Effects

Affected small businesses may incur some small additional printing costs initially on account of this regulatory change but are unlikely to incur any recurring costs.

Small Businesses: Alternative Method that Minimizes Adverse Impact

There are likely no alternative methods that would both further minimize any adverse impact and meet the Board's goal of better informing contracting customers of the recovery fund and their right to access it.

Real Estate Development Costs

This regulatory action is unlikely to affect 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 2.2-4007.04 of the Administrative Process Act and Executive Order Number 14 (10). Section 2.2-4007.04 requires that such economic impact analyses include, but need not be limited to, a determination of the public benefit, 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 an adverse effect on small businesses, Section 2.2-4007.04 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.