



## Economic Impact Analysis Virginia Department of Planning and Budget

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**18 VAC 15-40 – Certified Home Inspector Regulations**  
**Department of Professional and Occupational Regulation**  
November 10, 2012 (May 7, 2013)

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### Summary of the Proposed Amendments to Regulation

The Board of Asbestos, Lead and Home Inspectors (Board) proposes to increase all fees paid by licensees, certificate holders 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

Under current regulations, home inspectors pay an initial certification fee of \$25, a biennial renewal fee of \$25, a late renewal fee of \$50 (if they renew between 30 days and 6 months after the renewal date) and a reinstatement fee of \$100 if they renew later than 6 months but sooner than 2 years after their certification expires. The Board now proposes to increase all of these fees.

Below is a comparison table for current and proposed fees:

<b>FEE TYPE</b>	<b>CURRENT FEE</b>	<b>PROPOSED FEE</b>	<b>% INCREASE</b>
Initial Home Inspector Certification	\$25	\$80	220%
Renewal of Home Inspector Certification	\$25	\$45	80%
Late Renewal of Home	\$50	\$80	60%

Inspector Certification			
Reinstatement of Home Inspector Certification	\$100	\$125	25%

Board staff reports that fees were reduced in 2000 because they were set at a level that was too high to be justified by Board expenditures. As a consequence of high fees prior to 2000, the Board had a large surplus that has offset fees that since then were too low to cover all Board expenses. Absent some fee increase, Board staff reports that the Board will run a deficit in the next biennium. In addition to a large surplus finally being depleted, Board staff reports that fees will need to be raised because expenses for developing Department of Professional and Occupational Regulation's (DPOR's) new customer support and licensure software have greatly increased information technology costs over the last several years.

While the number of entities that the Board regulates has increased, other things being equal, the fees from additional regulants would be expected to cover application costs, customer support services costs and any other expenses that the Board might incur in regulating them. Because fees have been kept artificially low for the last decade so that the Board could use up the very large surplus that it had accrued, fees from each new licensee, certificate holder or registrant may not, in this instance, been enough to cover the per person application and customer support costs. This notwithstanding, it is likely that the necessity of raising fees would not be as urgent as it now is without large and continuing increases in information technology (IT) expenses over the last few years.

Board staff reports that DPOR has already paid \$3.6 million, and expects to pay an additional \$1.6 million, for its new automated licensure system. These costs are additional to other IT (VITA) costs which have increased for all state agencies. It is likely that most of the per regulant expenditure increase in the last decade is due to these increased information systems costs. In FY2005, the Board spent \$32.13 per regulant; in FY2006, per regulant spending was \$31.40 and in FY2007 it was \$29.07. In FY2008, per regulant spending jumped to \$45.45. During FY2012, per regulant spending was to \$50.37. Board staff expects per regulant spending

to increase further in FY2013 (to \$57.07). Given this information, it is not at all clear that these increased information systems costs represent a net benefit for the Board's regulated entities.

Increasing fees will likely increase the cost of being licensed, certified or registered, and so may slightly decrease the number of people who choose to remain in these jobs or businesses. 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 given that the regulating will continue. There is insufficient information to ascertain whether the benefits of the continued regulation will outweigh the costs with higher fees.

### **Businesses and Entities Affected**

Board staff reports that the Board currently regulates 5,808 individuals, contractors, labs and training programs.

### **Localities Particularly Affected**

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

### **Projected Impact on Employment**

Fee increases in this regulatory action may 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 regulated fields than they would be in other jobs that do not require licensure or registration will be more likely to be affected.

### **Effects on the Use and Value of Private Property**

Fee increases will likely very slightly decrease business profits and make affected businesses slightly less valuable.

### **Small Businesses: Costs and Other Effects**

Board staff reports that most of the entities 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**

Outside of increasing the efficiency of the business practices of DPOR or lowering other expenses charged to the department, particularly information technology related, there are no

clear alternative methods that would reduce the adverse impact on small businesses from the proposed fee increases.

## **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.