

Office of Regulatory Management
Economic Review Form

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| Agency name | Board for Contractors |
| Virginia Administrative Code (VAC) Chapter citation(s) | 18 VAC 50-22 |
| VAC Chapter title(s) | Board for Contractors Regulations |
| Action title | Eligibility Requirement Amendment |
| Date this document prepared | July 10, 2024 |
| Regulatory Stage (including Issuance of Guidance Documents) | Proposed (Action 6129 / Stage 10413) |

Cost Benefit Analysis

Complete Tables 1a and 1b for all regulatory actions. You do not need to complete Table 1c if the regulatory action is required by state statute or federal statute or regulation and leaves no discretion in its implementation.

Table 1a should provide analysis for the regulatory approach you are taking. Table 1b should provide analysis for the approach of leaving the current regulations intact (i.e., no further change is implemented). Table 1c should provide analysis for at least one alternative approach. You should not limit yourself to one alternative, however, and can add additional charts as needed.

Report both direct and indirect costs and benefits that can be monetized in Boxes 1 and 2. Report direct and indirect costs and benefits that cannot be monetized in Box 4. See the ORM Regulatory Economic Analysis Manual for additional guidance.

Table 1a: Costs and Benefits of the Proposed Changes (Primary Option)

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| <p>(1) Direct & Indirect Costs & Benefits (Monetized)</p> | <p>1. This regulatory action will reduce the minimum experience requirement for a firm to receive a Class C contractor license from two (2) years to one (1) year. A Class C contractor is licensed to undertake projects that do not exceed \$10,000 in the total value of the work. The total value of contracts or projects a Class C contractor may undertake in any 12-month period is about \$150,000.</p> <p>2. This regulatory action will reduce requirements for Class C and Class B contractor license applicants to disclose an adverse financial history (e.g. outstanding past-due debts or judgments, prior bankruptcies). Class C contractor license applicants must disclose an adverse financial history for the prior three years, while Class B contractor license applicants must disclose an adverse financial history for the prior four years. Applicants that disclose an adverse financial history must be considered by the Board prior to being approved.</p> <p>3. This regulatory action makes other changes that will streamline the regulation, making it easier for applicants, regulants, and the general public to read and understand.</p> <p>Direct Costs: There are no anticipated monetizable direct costs associated with the regulatory change.</p> <p>Indirect Costs: There are no anticipated monetizable indirect costs associated with the regulatory change.</p> <p>Direct Benefits:</p> <ul style="list-style-type: none"> • Increase in revenue to the Board as a result of increased number of Class C contractor license applications. <ul style="list-style-type: none"> ○ The Board anticipates an increase of 15% in Class C applications as a result of the reduced experience requirement. ○ The Board receives about 650 Class C contractor license applications per year. ○ A 15% increase results in an estimated 98 additional applications per year. ○ The application fee for a Class C contractor is \$235 per application. ○ Additional number of Class C applications x Class C license application fee: \$175,780. • Increase in revenue to the Board as a result of increased number of licensees renewing licensure. <ul style="list-style-type: none"> ○ A Class C contractor license must be renewed every two years. |
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| | <ul style="list-style-type: none"> ○ The Board anticipates an additional 98 Class C licenses per year. ○ The license renewal fee for a Class C contractor is \$195. ○ Additional number of Class C contractor licensees x \$195: \$19,110 every two years. ● Additional Class C licensed contractors would generate additional income for contractors. <ul style="list-style-type: none"> ○ By law, the total value of contracts or projects a Class C contractor may undertake in any 12-month period is about \$150,000. ○ Assuming all additional Class C license applicants the Board anticipates receiving become licensed. ○ Number of additional Class C contractor licensees x Total value of contracts or projects per 12-month period: \$14.7 million. <p>Indirect Benefits:</p> <ul style="list-style-type: none"> ● DPOR anticipates a savings as a result of conducting fewer licensing informal fact-finding conferences (IFFs) due to reduced adverse financial history reporting requirement. <ul style="list-style-type: none"> ○ Board procedure is to conduct an IFF and have the Board consider a license application for any application that has a reportable adverse financial history. ○ From January 2020 to December 2023, DPOR held six IFFs for Class B and Class C contractor license applicants who reported an adverse financial history. The average is about two (2) cases per year. ○ The cost to DPOR to conduct an IFF is about \$471 per IFF. ○ Number of IFFs per year x Cost to DPOR to conduct IFF: \$942. | |
| (2) Present Monetized Values | Direct & Indirect Costs | Direct & Indirect Benefits |
| | (a) \$0 | (b) \$70,227,442 |
| (3) Net Monetized Benefit | \$70,227,442 | |
| (4) Other Costs & Benefits (Non-Monetized) | <p>Benefits:</p> <ul style="list-style-type: none"> ● Reduced adverse financial history disclosure requirements could result in applicants receiving a Class C or Class B license sooner. The average time for an applicant with an adverse financial | |

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| | <p>history to receive approval for licensure is six (6) to eight (8) months.</p> <ul style="list-style-type: none"> • Reduced experience qualifications for issuance of Class C license could result in applicants obtaining a license sooner. <ul style="list-style-type: none"> ○ Many individuals who currently cannot operate their own firm, and must work for a licensed firm, may be able to start their own contracting firm. • Reduced requirements may result in additional licensees, increasing the supply of Class C contractors available to perform construction projects. • Consumers may experience cost savings in the form of reduced prices for home repairs and smaller residential projects that Class C contractors typically perform. • Less restrictive entry requirements for Class C licenses will allow for more firms to achieve a “stepping stone” toward higher classes of licenses. Many Class C licensees eventually become licensed as Class A contractors (the highest of the license classes.) • Regulators and the general public will benefit from changes that streamline the regulation to make its provisions clearer. <p>Costs:</p> <ul style="list-style-type: none"> • Reduced experience requirement for Class C license could result in more problematic jobs due to improper project management or project estimation. May result in increased complaints against Class C contractors. |
| (5) Information Sources | Agency staff |

Table 1b: Costs and Benefits under the Status Quo (No change to the regulation)

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| (1) Direct & Indirect Costs & Benefits (Monetized) | <p>Direct Costs: There are no new monetizable direct costs associated with maintaining the status quo.</p> <p>Indirect Costs: There are no new monetizable indirect costs associated with maintaining the status quo.</p> <p>Direct Benefits: There are no new monetizable direct benefits associated with maintaining the status quo.</p> <p>Indirect Benefits: There are no new monetizable indirect benefits associated with maintaining the status quo.</p> | |
| (2) Present Monetized Values | Direct & Indirect Costs | Direct & Indirect Benefits |

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| | (a) \$0 | (b) \$0 |
| (3) Net Monetized Benefit | \$0 | |
| (4) Other Costs & Benefits (Non-Monetized) | Costs: <ul style="list-style-type: none"> • Applicants will continue to experience 6-8 month waiting periods when applying for Class C and Class B contractor licenses where an adverse financial history is disclosed. • Consumers may continue to experience lack of available contractors to perform home repairs and smaller renovation projects. | |
| (5) Information Sources | Agency staff | |

Table 1c: Costs and Benefits under Alternative Approach(es)

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| (1) Direct & Indirect Costs & Benefits (Monetized) | Refer to Box #4. | |
| (2) Present Monetized Values | Direct & Indirect Costs | Direct & Indirect Benefits |
| | (a) N/A | (b) N/A |
| (3) Net Monetized Benefit | N/A | |
| (4) Other Costs & Benefits (Non-Monetized) | No less intrusive or less costly alternatives to achieve the purpose of the regulatory change were identified. | |
| (5) Information Sources | N/A | |

Impact on Local Partners

Use this chart to describe impacts on local partners. See Part 8 of the ORM Cost Impact Analysis Guidance for additional guidance.

Table 2: Impact on Local Partners

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| (1) Direct & Indirect Costs & Benefits | Direct Costs: There are no anticipated monetizable direct costs associated with the regulatory change. |
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| Benefits (Monetized) | <p>Indirect Costs: There are no anticipated monetizable indirect costs associated with the regulatory change.</p> <p>Direct Benefits: There are no anticipate monetizable direct benefits to local partners.</p> <p>Indirect Benefits: There are no anticipated indirect benefits associated with the regulatory change.</p> | |
| (2) Present Monetized Values | Direct & Indirect Costs | Direct & Indirect Benefits |
| | (a) \$0 | (b) \$0 |
| (3) Other Costs & Benefits (Non-Monetized) | <p>Benefits: An increase in Class C contractors may result in an increase in permit applications, which will result in more money to localities. The increase a specific locality might experience will vary.</p> <ul style="list-style-type: none"> In Virginia, a building permit for small jobs, including plumbing, electrical, fence, and deck permits average in range from \$50-\$300, while permits for construction, remodeling, and house building average in range from \$500-\$2,000. Generally, permits cost between 0.50% and 2.00% of the total construction cost. <p>Costs:</p> <ul style="list-style-type: none"> Increased permit applications due to more licensed Class C contractors may result in an increased workload to localities. | |
| (4) Assistance | N/A | |
| (5) Information Sources | https://homeguide.com/costs/building-permit-cost | |

Impacts on Families

Use this chart to describe impacts on families. See Part 8 of the ORM Cost Impact Analysis Guidance for additional guidance.

Table 3: Impact on Families

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| (1) Direct & Indirect Costs & Benefits (Monetized) | <p>Direct Costs: There are no anticipated monetizable direct costs associated with the regulatory change.</p> <p>Indirect Costs: There are no anticipated monetizable indirect costs associated with the regulatory change.</p> |
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| | <p>Direct Benefits: There are no anticipated monetizable direct benefits associated with the regulatory change.</p> <p>Indirect Benefits: There are no anticipated monetizable indirect benefits associated with the regulatory change.</p> | |
| (2) Present Monetized Values | Direct & Indirect Costs | Direct & Indirect Benefits |
| | (a) \$0 | (b) \$0 |
| (3) Other Costs & Benefits (Non-Monetized) | <p>Benefits:</p> <ul style="list-style-type: none"> • More contractors available to undertake small residential projects allows for increased ability to have home repairs/small projects completed. • Cost of home repairs and small residential projects may decrease due to more available contractors. | |
| (4) Information Sources | | |

Impacts on Small Businesses

Use this chart to describe impacts on small businesses. See Part 8 of the ORM Cost Impact Analysis Guidance for additional guidance.

Table 4: Impact on Small Businesses

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| (1) Direct & Indirect Costs & Benefits (Monetized) | See Box #3. | |
| (2) Present Monetized Values | Direct & Indirect Costs | Direct & Indirect Benefits |
| | (a) N/A | (b) N/A |
| (3) Other Costs & Benefits (Non-Monetized) | <p>As noted in the ABD, licenses issued under this regulation are issued to business entities. Many licensees are likely to be business entities that meet the definition of "small business" as defined in § 2.2-4007.1 of the Code of Virginia. All Class C and Class B contractor licensees would meet the definition of "small business." No less intrusive or less costly</p> | |

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| | <p>alternatives to achieve the purpose of the regulatory change were identified.</p> <p>The costs and benefits of this regulatory change are identified in Table 1(a). To the extent that any additional costs are assumed by a small business entities, this regulatory change would impact small businesses.</p> |
| (4) Alternatives | N/A |
| (5) Information Sources | |

Changes to Number of Regulatory Requirements

Table 5: Regulatory Reduction

For each individual action, please fill out the appropriate chart to reflect any change in regulatory requirements, costs, regulatory stringency, or the overall length of any guidance documents.

Change in Regulatory Requirements

| VAC Section(s) Involved* | Authority of Change | Initial Count | Additions | Subtractions | Total Net Change in Requirements |
|--|---------------------|---------------|-----------|--------------|--|
| 22-35 | (M/A): | 0 | 0 | 0 | 0 |
| | (D/A): | 0 | 1 | 0 | +1 |
| | (M/R): | 0 | 0 | 0 | 0 |
| | (D/R): | 0 | 9 | 0 | +9 |
| 22-40 | (M/A): | 1 | 0 | 1 | -1 |
| | (D/A): | 2 | 0 | 2 | -2 |
| | (M/R): | 1 | 1 | 1 | 0 |
| | (D/R): | 32 | 2 | 14 | -12 |
| 22-50 | (M/A): | 1 | 0 | 1 | -1 |
| | (D/A): | 2 | 0 | 2 | -2 |
| | (M/R): | 3 | 1 | 1 | 0 |
| | (D/R): | 43 | 2 | 15 | -13 |
| 22-60 | (M/A): | 1 | 0 | 1 | -1 |
| | (D/A): | 2 | 0 | 2 | -2 |
| | (M/R): | 3 | 1 | 1 | 0 |
| | (D/R): | 42 | 2 | 15 | -13 |
| 22-62 | (M/A): | 1 | 0 | 1 | -1 |
| | (D/A): | 2 | 0 | 2 | -2 |
| | (M/R): | 0 | 0 | 0 | 0 |
| | (D/R): | 25 | 0 | 1 | -1 |
| Grand Total of Changes in Requirements: | | | | | (M/A): -4 (D/A): -7 (M/R): 0 (D/R): -30 |

Key:

Please use the following coding if change is mandatory or discretionary and whether it affects externally regulated parties or only the agency itself:

(M/A): Mandatory requirements mandated by federal and/or state statute affecting the agency itself

(D/A): Discretionary requirements affecting agency itself

(M/R): Mandatory requirements mandated by federal and/or state statute affecting external parties, including other agencies

(D/R): Discretionary requirements affecting external parties, including other agencies

Cost Reductions or Increases (if applicable)

| VAC Section(s) Involved* | Description of Regulatory Requirement | Initial Cost | New Cost | Overall Cost Savings/Increases |
|---------------------------------|---|---|---|--|
| <p>22-40 22-50</p> | <p>Applicants for contractor licenses must provide adverse financial information for the firm for the five (5) years prior to application which includes any outstanding, past-due debts and judgments; outstanding tax obligations; defaults on bonds; or pending or past bankruptcies.</p> <p>For a Class C contractor, the “look-back” period will be reduced from five (5) years to three (3) years. For a Class B contractor, the “look-back” period will be reduced from five (5) years to four (4) years.</p> <p>The agency is expected to experience cost savings related to contractor</p> | <p>The Board considers about two (2) applications for Class B and Class C contractors every year. The estimated cost to conduct informal fact-finding conferences for such applications is \$942 per year.</p> <p>In addition, the Board’s review process usually delays issuance of licenses by six (6) to eight (8) months.</p> | <p>The new cost would be \$0 for applications that no longer require Board review.</p> <p>There would be no additional delay in the review and processing of license applications for which the adverse financial disclosure is not required.</p> | <p>Estimated cost saving is \$942 per year.</p> <p>Estimated time savings is 6-8 months.</p> |

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| | <p>applicants that will no longer need to have the Board review and consider their applications prior to licensure.</p> | | | |
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Other Decreases or Increases in Regulatory Stringency (if applicable)

| VAC Section(s) Involved* | Description of Regulatory Change | Overview of How It Reduces or Increases Regulatory Burden |
|---------------------------------|---|---|
| <p>22-40</p> | <p>An applicant for a Class C contractor license must name a Qualified Individual who has a minimum of one (1) year of experience in the license classification or specialty service for which the individual is the qualifier.</p> <p>The current requirement is for the Qualified Individual for a Class C contractor license applicant to have two (2) years of experience.</p> | <p>The change reduces the stringency of the current requirement by 50%.</p> |
| <p>22-40</p> | <p>An applicant for a Class C contractor license must provide adverse financial information for the past three (3) years prior to application which includes any outstanding, past-due debts and judgments; outstanding tax obligations; defaults on bonds; or pending or past bankruptcies.</p> <p>The current requirement is for Class C contractor applicants to provide this adverse financial information for the five (5) years prior to application.</p> | <p>The change reduces the stringency of the current requirement by 40%.</p> |

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| <p>22-50</p> | <p>An applicant for a Class B contractor license must provide adverse financial information for the past four (4) years prior to application which includes any outstanding, past-due debts and judgments; outstanding tax obligations; defaults on bonds; or pending or past bankruptcies.</p> <p>The current requirement is for Class B contractor applicants to provide this adverse financial information for the five (5) years prior to application.</p> | <p>The change reduces the stringency of the current requirement by 20%.</p> |
| <p>22-40 22-50 22-60 22-61</p> | <p>Applicants seeking to qualify for an alternative energy system contracting (AES) specialty service will be allowed to qualify by either (i) meeting the minimum required years of experience in the specialty service and passing the technical examination for the specialty service; or (ii) qualify and obtain a roofing contracting (ROC) specialty service by examination and complete the North American Board of Certified Energy Practitioners (NABCEP) certification, or a Board-approved certification, and passing the technical examination.</p> <p>Currently, applicants may only qualify based on years of experience in the specialty service and passing the technical examination.</p> | <p>Reduces the stringency of the requirement by allowing for an alternative pathway for a contractor to qualify for the AES specialty service.</p> |

Length of Guidance Documents (only applicable if guidance document is being revised)

| Title of Guidance Document | Original Word Count | New Word Count | Net Change in Word Count |
|-----------------------------------|----------------------------|-----------------------|---------------------------------|
| N/A | N/A | N/A | N/A |

*If the agency is modifying a guidance document that has regulatory requirements, it should report any change in requirements in the appropriate chart(s).