



## **Economic Impact Analysis Virginia Department of Planning and Budget**

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### **18 VAC 50-22 – Board for Contractors Regulations Department of Professional and Occupational Regulation September 14, 2000**

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The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 9-6.14:7.1.G of the Administrative Process Act and Executive Order Number 25 (98). Section 9-6.14:7.1.G 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**

The Board for Contractors (board) proposes to make several changes to the regulation. Changes that may have a significant impact include: 1) adding new specialties for licensure, 2) permitting certain classifications to install backflow prevention devices upon passage of a board-approved training program, and 3) creating separate business and technical exams for building contractors.

### **Estimated Economic Impact**

The board proposes to add the following specialties for licensing: asphalt paving and sealcoating contracting, concrete contracting, environmental specialties contracting, liquefied petroleum gas contracting, natural gas fitter provider contracting, painting and wallcovering contracting, and swimming pool construction. Allowing firms to become licensed under these specialties would likely produce a net benefit. Generally, these specialty licenses allow firms to legally do a list of activities that are a subset of a classification. For example, the asphalt and

sealcoating specialty license allows the firm to only perform asphalt and sealcoating work, while the highway/heavy contractor license will permit the firm to do several areas of work including and beyond asphalt and sealcoating (for example, bridge construction, excavation, installation of utility lines, etc.). Individuals at a firm may have the knowledge and experience to qualify for an asphalt and sealcoating license, but not for a highway/heavy contractors license. Such firms will benefit by the proposed new asphalt and sealcoating license by being able to legally offer asphalt and sealcoating services to the public. Since individuals at these firms still need to demonstrate experience or proficiency in the area of their work and may be denied licensure due to criminal history or previous disciplinary action, the public would not likely be put at risk due to the creation of the new specialties. Thus, the proposal to create these new specialties will likely produce a net benefit.

The board proposes to newly allow some specified classifications and specialties to install backflow prevention devices incidental to their work upon passage of an installation competency-training program approved by the board. Given current related experience, the Department of Professional and Occupational Regulation (DPOR) estimates that the training would take two days and cost \$100 in fees. The classifications and specialties include: highway/heavy contractors, HVAC contractors, fire sprinkler contracting, and landscape irrigation contracting. Under the current regulations, legally an outside contractor who is currently permitted to install backflow prevention devices, such as a plumbing contractor, would have to be hired to perform the installation. By allowing other contractors who have passed a competency-training program to install backflow prevention devices incidental to their work to perform the installation, customers may save on expenses. For example, an outside plumbing contractor called in to just install the backflow device may charge more than an HVAC contractor who installs it incidental to other work. Assuming that the contractors gain the necessary expertise by passing the program, the public should not be put at risk by extending legal backflow prevention device installation to these additional classifications and specialties. On the other hand, plumbing contractors may lose some business.

Also, DPOR has heard anecdotally that it is common for some of these contractors to install backflow prevention devices when it is incidental to their work despite the current prohibition. This puts the public at risk. Improperly installed backflow prevention devices can, for example, contaminate a water supply. DPOR believes that by legally permitting these

classifications and specialties to perform the installation when it is incidental to their work and they are properly trained, these contractors are more likely to obtain the proper training, and thus less likely to improperly install the devices.

The benefits of newly permitting these classifications and specialties to install backflow prevention devices incidental to their work include the potential for reduced likelihood of improper installation and possible reduction in customer cost. The proposal may cost some plumbing contractors some business, but that business would be gained by the other classifications and specialties. Thus, this proposed amendment would likely produce a net benefit.

Under the current regulations, building contractors must have one employee pass an examination that includes both business and technical subject matter. The Board proposes creating separate business and technical exams for the building contractors classification. Firms would be permitted to have one employee pass one exam and a different employee pass the other. Allowing different employees to take and pass business and technical exams would permit a building contractor to have different employees specializing in office work and physical work, without incurring the cost of requiring an individual to obtain expertise in area for which he or she would not participate. Since the firm will still possess the necessary expertise in both categories, the public will not likely be put at risk. Thus, this proposed change would likely also produce a net benefit.

## **Businesses and Entities Affected**

The proposed regulatory amendments affect the 47,777<sup>1</sup> licensed contractors as well as potential contractors in Virginia. Customers of contractors may also be affected.

## **Localities Particularly Affected**

All Virginia localities are affected.

## **Projected Impact on Employment**

The creation of new specialties such as asphalt paving and sealcoating contracting, concrete contracting, environmental specialties contracting, liquefied petroleum gas contracting, natural gas fitter provider contracting, painting and wallcovering contracting, and swimming

pool construction may encourage the formation of new firms or encourage current firms to start offering new services. This would likely create new jobs.

The proposal to create separate business and technical exams for the building contractors classification and to allow different employees to pass them, may encourage the formation of a small number of building contracting firms. For example a wife with business knowledge and experience, and a husband with knowledge and experience relating to the physical skills of building, may form a new firm under the proposed language. Such potential new firms would likely create new jobs.

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

As stated above, the creation of the new specialties may encourage the formation of new firms or encourage current firms to start offering new services. The profits and value of these firms may increase.

The proposal to newly allow some specified classifications and specialties to install backflow prevention devices incidental to their work upon passage of an installation competency-training program would likely encourage these contractors to perform this service and perhaps increase the value of their businesses to a small degree. The same proposal may result in a reduction of business for plumbing contractors and a consequently a possible small reduction in the value of their businesses.

The proposal to create separate business and technical exams for the building contractors classification and to allow different employees to pass them, may reduce training costs for some potential building contractors. This could potentially increase the value of the firm marginally. As mentioned above, it may also encourage the formation of a small number building contracting firms.

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<sup>1</sup> Source: Department of Professional and Occupational Regulation (as of September 7, 2000)