

Adverse impact notification sent to Joint Commission on Administrative Rules, House Committee on Appropriations, and Senate Committee on Finance (COV § 2.2-4007.04.C): Yes Not Needed

If/when this economic impact analysis (EIA) is published in the *Virginia Register of Regulations*, notification will be sent to each member of the General Assembly (COV § 2.2-4007.04.B).



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

18 VAC 50-22 – Board of Contractors Regulations
Department of Professional and Occupational Regulation
Town Hall Action/Stage: 4311/7383
January 7, 2016

Summary of the Proposed Amendments to Regulation

In order to increase the integrity of information provided as a part of contractor licensure, the Board of Contractors (Board) proposes several new verification requirements for its licensees.

Result of Analysis

Benefits likely outweigh costs for these proposed regulatory changes.

Estimated Economic Impact

Board staff reports that the Board is dealing with an increasing problem, over the last 18 months or so, involving the submission of false documentation, forged verification forms and questionable identity representations. Board staff reports that, to date, nearly 100 cases have been heard or are scheduled to be heard by the Board and that more than 100 additional cases are currently in some investigative stage.

To address these problems, the Board is proposing several new documentation requirements. The Board proposes that applicants for licensure that are subject to experience requirements must have that experience verified by a building official, building inspector, registered design professional, a licensee of this Board or another regulatory agency or by any other individual/organization approved by the Board. The Board also proposes to require firms

that must supply information on past due debts, outstanding tax obligations and defaults, judgements and bankruptcies also supply a copy of their credit report to verify the information that they supply. Similarly, where the Board now requires firms to report and have a certain level of assets, the Board proposes to require verification that the reported assets are actually owned by, or titled to, the firm reporting them. The Board proposes to remove qualified individuals from the list of entities that must supply information on debts as any qualified individuals who are not also members of responsible management are just employees of the firm and their financial stability has no effect on the stability of the firm. People named by firms as qualified individuals (who are not also members of responsible management) will, however, have to provide proof that they are employed full time by the firm that has named them as qualifying individuals with submission of copies of I-9s, W-4s, insurance documents, or other documentation approved by the Board. The Board also proposes that firms be required to submit copies of a government issued photo ID for each member of responsible management and for each qualified individual for the firm. Members of responsible management and each qualified individual will also be required to sign the firm's application for licensure. If firms change members of responsible management or qualified individuals, the Board proposes to require the new individuals to provide the same information and documentation as required by members of responsible management and qualified individuals at the time of application for licensure. Lastly, the Board proposes to require all providers of pre-licensure education to send at least one representative every two years to attend a Board of Contractors remedial education course. These courses are held monthly.

Licensed firms would incur only minimal copying and postage costs for meeting most of the Board's proposed requirements. They may or may not incur slightly more than minimal costs to provide a credit report. Credit reports are available free at some websites but may cost as much as \$12. Pre-licensure education providers will incur costs to send a representative to Board training once every two years roughly equal to the prorated salary of the individual sent plus travel expenses (gas, tolls if applicable and vehicle wear and tear allowances). These costs are likely outweighed by the benefits that will accrue from the Board taking steps to curb fraud and forgery amongst their applicants for licensure.

Businesses and Entities Affected

Board staff reports that the Board received approximately 5,000 applications for licensure per year over the last five years; approximately 4,000 of the 5,000 applications each year are from firms that qualify as small businesses.

Localities Particularly Affected

No locality will be particularly affected by this regulatory change.

Projected Impact on Employment

These proposed changes are unlikely to impact employment in any firm except those that are unable to legitimately provide the documentation that the Board proposes to require.

Effects on the Use and Value of Private Property

These proposed regulatory changes are unlikely to affect the use or value of private property in the Commonwealth.

Real Estate Development Costs

These proposed regulatory changes are unlikely to affect real estate development costs in the Commonwealth.

Small Businesses:**Definition**

Pursuant to § 2.2-4007.04 of the Code of Virginia, small business is defined as “a business entity, including its affiliates, that (i) is independently owned and operated and (ii) employs fewer than 500 full-time employees or has gross annual sales of less than \$6 million.”

Costs and Other Effects

Small businesses may incur minimal costs to meet the Board's new documentation requirements and pre-licensure education providers will likely incur moderate costs once every two years to send a representative to a Board remedial education course.

Alternative Method that Minimizes Adverse Impact

There are likely no alternative methods that would both meet the Board's goal of curbing fraud amongst their applicants and further minimize adverse impacts.

Adverse Impacts:**Businesses:**

Small businesses may incur minimal costs to meet the Board's new documentation requirements and pre-licensure education providers will likely incur moderate costs once every two years to send a representative to a Board remedial education course.

Localities:

Localities in the Commonwealth are unlikely to see any adverse impacts on account of this proposed regulatory change.

Other Entities:

Other entities in the Commonwealth are unlikely to suffer any adverse impacts on account of this regulatory action.

Legal Mandates

General: The Department of Planning and Budget has analyzed the economic impact of this proposed regulation in accordance with § 2.2-4007.04 of the Code of Virginia (Code) and Executive Order Number 17 (2014). Code § 2.2-4007.04 requires that such economic impact analyses determine the public benefits and costs of the proposed amendments. Further the report should include but not be limited to: (1) the projected number of businesses or other entities to whom the proposed regulatory action would apply, (2) the identity of any localities and types of businesses or other entities particularly affected, (3) the projected number of persons and employment positions to be affected, (4) the projected costs to affected businesses or entities to implement or comply with the regulation, and (5) the impact on the use and value of private property.

Adverse impacts: Pursuant to Code § 2.2-4007.04(C): In the event this economic impact analysis reveals that the proposed regulation would have an adverse economic impact on businesses or would impose a significant adverse economic impact on a locality, business, or entity particularly affected, the Department of Planning and Budget shall advise the Joint Commission on Administrative Rules, the House Committee on Appropriations, and the Senate Committee on Finance within the 45-day period.

If the proposed regulatory action may have an adverse effect on small businesses, Code § 2.2-4007.04 requires that such economic impact analyses include: (1) an identification and estimate of the number of small businesses subject to the proposed regulation, (2) the projected reporting, recordkeeping, and other administrative costs required for small businesses to comply with the proposed regulation, including the type of professional skills necessary for preparing required reports and other documents, (3) a statement of the probable effect of the proposed regulation on affected small businesses, and (4) a description of any less intrusive or less costly alternative methods of achieving the purpose of the proposed regulation. Additionally, pursuant to Code § 2.2-4007.1, if there is a finding that a proposed regulation may have an adverse impact on small business, the Joint Commission on Administrative Rules shall be notified.

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