

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 50-30 – Board of Contractors Individual License and Certification Regulations
Department of Professional and Occupational Regulation
Town Hall Action/Stage: 4312/7384
January 13, 2016

Summary of the Proposed Amendments to Regulation

In order to increase the integrity of information provided as a part of tradesmen licensure/certification, the Board of Contractors (Board) proposes several new verification requirements for its individual tradesmen licensees/certificate holders.

Result of Analysis

Benefits likely outweigh costs for most proposed regulatory changes. For one proposed regulatory change, the benefits of the change could likely be ensured at a lower cost for regulated entities than would likely accrue under the current proposed language.

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 or certification who 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. Board staff reports that the Board is moving toward requiring that verification come from some licensed entity under some Board's authority because then the verifying entity can be disciplined if they falsely verify someone's experience. In most cases, this verification will be new. Applicants for journeyman or master status who are applying using 10 years of experience in a trade to qualify currently have to have their experience verified. Current regulation allows verification to come from the groups approved for verification in this proposed regulation plus former or current clients or former or current employers. While the proposed regulation allows the Board to approve additional entities (which may include current or former clients or employers on a case by case basis), some applicants may be worse off under the proposed regulation than they are under current the regulation which always allows them to use employer/client verification. All other applicants would likely incur only minimal copying and postage costs for meeting most of the Board's proposed requirements.

The Board also proposes that applicants for individual licensure be required to submit copies of a government issued ID and a 2 X 2 photograph that meets the requirements set forth by the U.S. Department of State for passports. These requirements include that the picture be:

- 1) In color,
- 2) Printed on matte or glossy photo quality paper
- 3) 2 X 2 inches in size,
- 4) Sized such that the head is between 1" and 1 and 3/8" from the chin to the top of the head,
- 5) Taken within the last six months
- 6) Taken in front of a white or off-white background,
- 7) Taken in full-face view looking directly at the camera and
- 8) Taken with a neutral expression or a natural smile with both eyes open.

Board staff reports that the Board wants to require a government issued ID to verify the identity of the individuals who are submitting an application but that the Board also wants to require a photo that meets passport standards to 1) have an electronic copy of a photo for comparison with photos taken at exam sites during check-in and 2) because the Board is exploring the possibility

of issuing photo licenses/certificates and requiring a passport compliant photo now will allow them to have photos to facilitate issuing such credentials. Board staff further reports that the Board will accept any photo that meets the State Department criteria. Assuming that individuals choose to take their own photos, they will incur likely fairly large time costs ensuring that their photo meets all criteria above and then will either have to print that photo in a standard available size (4 X 6 or 3 X 5, both available at most photo kiosks for less than 50 cents), and hand crop it while ensuring that head size in the photo matches requirements, or will have to pay to have 2 X 2 copies printed. Information found via internet search indicates that Walmart will print passport size photos from a customer's own electronic photo file for \$7.44 per two photos (photos such as this can only be purchased in sets of two). Alternately, applicants can get a passport photo taken at a number of places including Walmart and Walgreens. Again the photos are sold in sets of two and cost between \$12 and \$13.

While requiring individuals to submit a picture and ID with their application will likely decrease cases of applicants misrepresenting their identity or sending another individual to take their Board exam, it may not be the least costly way to affect that goal. Most people have a government issued photo ID, even if they do not have a driver's license, because they need a photo ID for many things (from proving identification when writing a check or using a credit card to voting). Just requiring a government issued ID that includes a photo would likely reduce the cost of complying with this proposed requirement. Also worth noting, the Board has not implemented photo license/certificates yet and it may be many months (or even years) before they can get such credentialing into place. As State Department rules require that a photo be taken within six months of its use, any delay in photo credentialing past a few months may see some applicants having to pay for and submit an additional photo when and if the Board changes licenses/certificates. While there is a very worthwhile benefit in the Board's efforts to curtail fraud, those benefits could likely be ensured at a lower cost for regulated entities by only requiring a government issued photo ID.

Finally, the Board is currently required to license/certify as a master any individual that successfully passed a Class A contractors trade examination prior to January 1, 1991. The Board proposes to change this so that they may issue a masters license or certificate only upon submission of verification of an individual's continuous work in the trade since he passed his exam. This change may mean fewer individuals in this category are able to obtain masters

licensure/certification. To the extent that the contractors trade exam has undergone large changes in the information required to pass and to the extent that continuous or recent practice ensures competency, the benefits accrued by not licensing/certifying individuals who passed the exam approximately 25 years ago and who may not be competent to practice likely outweigh the costs for individuals who would have to meet current experience requirements and take an exam to get their masters designation.

Businesses and Entities Affected

Board staff reports that the Board received approximately 2,000 applications for licensure per year over the last five years. Some of these individuals may be (or may plan to be once licensed/certified) individual proprietor small businesses; some other of these individuals may work for small businesses that pay for their licensure.

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 for any applicant tradesperson 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 that pay their applicant tradesmen's licenure/certification costs and fees, and individual applicant tradesmen who intend to be single proprietor small businesses once they are licensed or certified, will likely incur minimal costs to meet the Board's new verification requirements. These entities will likely also incur costs for meeting the proposed requirements for providing both a government issued ID and a State Department compliant passport size photo.

Alternative Method that Minimizes Adverse Impact

Costs for applicants could likely be decreased without decreasing benefits by requiring a copy of a government issued photo ID rather than requiring a government issued ID and a 2 X 2 photo.

Adverse Impacts:

Businesses:

Businesses that pay their applicant tradesmen's Board costs and fees, and individual applicant tradesmen who intend to be single proprietor small businesses once they are licensed or certified, will likely incur minimal costs to meet the Board's new verification requirements. These entities will likely also incur costs for meeting the proposed requirements for providing both a government issued ID and a State Department compliant passport size photo.

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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