

Office of Regulatory Management
Economic Review Form

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	Amendment of Prohibited Acts
Date this document prepared	February 21, 2024
Regulatory Stage (including Issuance of Guidance Documents)	Final (Action 5793 / Stage 10264)

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)

<p>(1) Direct & Indirect Costs & Benefits (Monetized)</p>	<p>The Board for Contractors Regulations outline the standards of practice and conduct for licensed contractors. These standards include minimum requirements for contracts for those that are engaged in residential contracting.</p> <p>This regulatory change amends the standards to permit contractors that engage in residential contracting to use cost-plus contracts and time and materials contracts. Currently, the standards require that all contracts contain a statement of the total cost of the contract (i.e. fixed price.) The change adjusts the regulation to reflect industry practice in which such contracts are commonly used.</p> <p>Direct Costs: There are no monetizable direct costs associated with the change.</p> <p>Indirect Costs: There are no monetizable indirect costs associated with the change.</p> <p>Direct Benefits: There are no monetizable direct benefits associated with the change.</p> <p>Indirect Benefits: There are no monetizable indirect benefits associated with the change.</p>	
<p>(2) Present Monetized Values</p>	<p>Direct & Indirect Costs</p>	<p>Direct & Indirect Benefits</p>
	<p>(a) \$0</p>	<p>(b) \$0</p>
<p>(3) Net Monetized Benefit</p>	<p>\$0</p>	
<p>(4) Other Costs & Benefits (Non-Monetized)</p>	<p>Costs:</p> <ul style="list-style-type: none"> • Contractors that use cost-plus or time and materials contracts for residential contracting will need to ensure that such contracts meet the minimum disclosure standards in the regulation for such contracts. This may entail additional time and administrative costs to contractors. <p>Benefits:</p> <ul style="list-style-type: none"> • Contractors that engage in residential contracting will have the flexibility to use cost-plus and time and materials contracts 	

	<p>without the risk of being in non-compliance with the Board’s standards for contracts.</p> <ul style="list-style-type: none"> • The agency may see a reduction in the number of disciplinary cases that are presented to the Board involving violations of the Board’s contract standards. • Consumers would have the benefit of clear disclosure standards for residential construction contracts that take a cost-plus or time and materials approach.
(5) Information Sources	N/A

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

(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
	(a) \$0	(b) \$0
(3) Net Monetized Benefit	\$0	
(4) Other Costs & Benefits (Non-Monetized)	<p>Costs:</p> <ul style="list-style-type: none"> • Contractors that engage in residential contracting and that use cost-plus or time and materials contracts may be subject to discipline by the Board for using contracts that do not comply with the current regulation. Discipline by the Board for this infraction typically includes the imposition of monetary penalties and a requirement for company responsible management to attend a remedial education course. • Consumers run the risk of entering into contracts that lack a true and accurate picture of the costs associated with a residential 	

	<p>construction project if the contractor uses a cost-plus or time and materials contract.</p> <p>Benefits: No benefits of maintaining the status quo have been identified.</p>
(5) Information Sources	N/A

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

(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

(1) Direct & Indirect Costs & Benefits (Monetized)	N/A – 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)	There are no anticipated direct or indirect costs to local partners. There are no anticipated direct or indirect benefits to local partners.
(4) Assistance	N/A
(5) Information Sources	N/A

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

(1) Direct & Indirect Costs & Benefits (Monetized)	N/A – 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)	There are no anticipated direct or indirect costs to families. There are no anticipated direct or indirect benefits to families.	
(4) Information Sources	N/A	

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

(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>Licenses issued under this regulation are issued to business entities. Many licensees are likely business entities that meet the definition of "small business" in § 2.2-4007.1 of the Code of Virginia.</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 small business entities, this regulatory change would impact small businesses.</p>	
(4) Alternatives	No less intrusive or less costly alternatives to achieve the purpose of the regulatory change were identified.	
(5) Information Sources	N/A	

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
22-260	(M/A):	0	0	0	0
	(D/A):	3	0	0	0
	(M/R):	1	0	0	0
	(D/R):	61	3	3	0
Grand Total of Changes in Requirements:					(M/A): 0 (D/A): 0 (M/R): 0 (D/R): 0

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
N/A	N/A	N/A	N/A	N/A

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
22-260	The standards for residential construction contracts are changed to permit (i) cost-plus and (ii) time and materials contracts. The amendment establishes the requirements for	The amendment reduces the stringency of the regulation by allowing for cost-plus and time and materials contracts. Currently, a contractor that uses such a contract for

	<p>disclosure of costs for both types of contracts.</p> <p>Currently, the regulation requires residential construction contracts state the total cost of the contract (i.e. fixed price.)</p>	<p>residential projects would likely be in violation of the Board’s regulations and potentially subject to discipline.</p> <p>The change permits the use of these types of contracts for residential contracting and adjusts the regulation to be reflective of industry practice, in which such contracts are commonly used, while still ensuring protections for consumers.</p>
--	---	---

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

Title of Guidance Document	Original Length	New Length	Net Change in Length
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).