



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

18 VAC 50-22 Board for Contractors Regulations
18 VAC 50-30 Individual License and Certification Regulations
Department of Professional and Occupational Regulation
Town Hall Action/Stage: 6670 / 10627
January 27, 2025

The Department of Planning and Budget (DPB) 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 19. The analysis presented below represents DPB’s best estimate of the potential economic impacts as of the date of this analysis.¹

Summary of the Proposed Amendments to Regulation

The Board for Contractors (Board) proposes to increase fees paid by contractor firms and individuals for applications for licensure or certification, renewal, and reinstatement.

Background

Code of Virginia § 54.1-201 A.4 imposes a duty on professional boards to “levy and collect fees for certification or licensure and renewal that are sufficient to cover all expenses for the administration and operation of the regulatory board and a proportional share of the expenses of the Department of Professional and Occupational Regulation (DPOR)...” In addition, Virginia Code § 54.1-113, known as the Callahan Act, requires DPOR boards to distribute excess revenue to current regulants and reduce the fees when “unspent and unencumbered revenue exceeds \$100,000 or 20 percent of the total expenses allocated to the regulatory board

¹ Code § 2.2-4007.04 requires that such economic impact analyses determine the public benefits and costs of the proposed amendments. Further the analysis 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.

for the past biennium, whichever is greater.”² Because this action would increase fees, the Callahan Act does not appear to be directly invoked. Lastly, the Appropriation Act was amended in 2019 to require DPOR to hold funds in reserve to “offset the anticipated, future costs of restructuring its organization, including additional staffing needs and the replacement or upgrade of the Department’s information technology systems requirements.” The most recent version of this language appears in Item 353 of the 2024 Appropriation Act.³

Data provided by DPOR indicates that this Board had a cash balance of approximately \$8.5 million at the beginning of fiscal year 2019, but that total expenditures have exceeded total revenues in each biennium since then, leading to a cash balance of \$4.5 million at the beginning of fiscal year 2025. DPOR reports that the Board’s costs have increased by 12 percent in the last five years and by 16 percent since the last fee change in 2010; they report that staffing, facility, and information technology related costs have been the primary drivers of these increases. Further, DPOR is deploying a new IT system that is expected to cost this Board \$3,721,832 in the current biennium, and \$719,686 per biennium thereafter. Thus, even with a projected revenue of \$19,497,853 for the current biennium, the total expenditures are projected to be \$25,186,114, which would result in a deficit of \$1,173,466 by the end of fiscal year 2026.

The proposed fee increases, summarized in the tables below, are expected to increase the Board’s revenues by \$4,723,375 in FY 2026, which would prevent the expected deficit. It would also increase the Board’s projected revenue by roughly \$8 million per biennium thereafter, which is expected to restore the cash balance to its 2020 level by fiscal year 2030.

Fees for firms (18 VAC 50-22)				
FEE TYPE	CURRENT (\$)	NEW (\$)	CHANGE (\$)	CHANGE (%)
<i>Application Fees (18 VAC 50-22-100)</i>				
Class A Contractor	360	480	120	33.3%
Class B Contractor	345	460	115	33.3%

² See <https://law.lis.virginia.gov/vacode/title54.1/chapter1/section54.1-113/> for the full requirements of the Act. The new requirements regarding unspent revenue took effect on July 1, 2022; these changes were made by Chapters 517 and 697 of the 2019 Acts of Assembly.

³ See <https://budget.lis.virginia.gov/item/2024/2/HB6001/Chapter/1/353/>. Under Item 4-13.00 of the Appropriation Act, “the provisions of this act shall prevail over any conflicting provision of any other law, without regard to whether such other law is enacted before or after this act.” Consequently, if a situation were to arise where the Appropriation Act conflicted with the new provisions of the Callahan Act, the language in the Appropriation Act would apply.

Class C Contractor	210	280	70	33.3%
Temporary license	50	70	20	40.0%
Residential Building Energy Analyst (RBEA) Firm License	210	280	70	33.3%
<i>Renewal Fees (18 VAC 50-22-140)</i>				
Class A renewal	240	320	80	33.3%
Class B renewal	225	300	75	33.3%
Class C renewal	195	260	65	33.3%
RBEA Firm renewal	195	260	65	33.3%
<i>Reinstatement Fees (18 VAC 50-22-170)</i>				
Class A reinstatement	490	655	165	33.7%
Class B reinstatement	460	615	155	33.7%
Class C reinstatement	405	540	135	33.3%
RBEA Firm reinstatement	405	540	135	33.3%
<i>Other Fees (18 VAC 50-22-250)</i>				
Change of designated employee/qualified individual	110	150	40	36.4%
Addition of classification or specialty	110	150	40	36.4%

Fees for individuals (18 VAC 50-30)				
FEE TYPE	CURRENT (\$)	NEW (\$)	CHANGE (\$)	CHANGE (%)
<i>Fees for licensure and certification (18 VAC 50-30-90)</i>				
Original tradesman, liquefied petroleum gas fitter, or natural gas fitter provider license (with or without examination)	130	175	45	34.6%
Card exchange (exchange of locality-issued card for state-issued Virginia tradesman license)	95	130	35	36.8%
Additional tradesman designation	90	120	30	33.3%
Backflow prevention device worker certification, Elevator mechanic certification, Certified accessibility mechanic, Certified automatic fire sprinkler inspector, Water well systems provider certification, RBEA license	130	175	45	34.6%
Limited use/limited application endorsement	65	90	25	38.5%
<i>Renewal (18 VAC 50-30-120)</i>				

Tradesman, liquefied petroleum gas fitter, or natural gas fitter provider license	135	180	45	33.3%
Backflow prevention device worker certification, Elevator mechanic certification, Certified accessibility mechanic, Certified automatic fire sprinkler inspector, Water well systems provider certification, RBEA license	90	120	30	33.3%
<i>Reinstatement (18 VAC 50-30-130)</i>				
Tradesman, liquefied petroleum gas fitter, or natural gas fitter provider license	185	250	65	35.1%
Backflow prevention device worker certification, Elevator mechanic certification, Certified accessibility mechanic, Certified automatic fire sprinkler inspector, Water well systems provider certification, RBEA license	140	190	50	35.7%

In addition to changing these fees, the Board proposes to make the following changes:

- Strike language regarding examination fees in 18 VAC 50-22-100. The Board reports that these fees have not been collected since 1995.
- Add a \$30 Recovery Fund assessment to renewal fees in 18 VAC 50-22-140 and add that this fee will also be required to reinstate a contractor license in 18 VAC 50-22-170. The Board reports that these fees are currently required but are not reflected in the regulation.
- Strike obsolete language regarding temporary fee reductions.

Estimated Benefits and Costs

As mentioned previously, DPOR reports that the Board is expected to end the current biennium in a deficit of \$1,173,466. The proposed fees, which are expected to become effective starting FY 2026, would prevent such a deficit. Increased Board revenues would contribute towards allowing DPOR to continue to meet the agency's operating costs without needing General Fund allocations. The proposed changes would increase fees for firms and individuals who are currently licensed or certified by the Board, as well as for those that seek to become licensed or certified in the future.

Businesses and Other Entities Affected

The proposed fee increases would affect firms and individuals who are currently licensed or certified by the Board, as well as for those that seek to become licensed or certified in the

future. DPOR reports that as of October 1, 2024, this Board had 88,350 regulants in total. DPOR also reports that 7,590 new license or certification applications were processed in FY 2024.

The Code of Virginia requires DPB to assess whether an adverse impact may result from the proposed regulation.⁴ An adverse impact is indicated if there is any increase in net cost or reduction in net benefit for any entity, even if the benefits exceed the costs for all entities combined.⁵ Since the proposed amendments would increase fees, an adverse impact is indicated.

Small Businesses⁶ Affected:⁷

Types and Estimated Number of Small Businesses Affected

The Board reports that most of the firms licensed under the *Regulation for Contractors* (18 VAC 50-22) would meet the definition of small businesses. Data provided by DPOR indicates that in FY 2024, there were roughly 27,522 contractor and RBEA firms that renewed or reinstated a license, and 4,201 new applicants for a contractor or RBEA firm license.

Costs and Other Effects

These firms would face increased renewal and reinstatement fees as listed in the table above.

⁴ Pursuant to Virginia Code § 2.2-4007.04(D): 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.

⁵ Statute does not define “adverse impact,” state whether only Virginia entities should be considered, nor indicate whether an adverse impact results from regulatory requirements mandated by legislation. As a result, DPB has adopted a definition of adverse impact that assesses changes in net costs and benefits for each affected Virginia entity that directly results from discretionary changes to the regulation.

⁶ 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.”

⁷ 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.

Alternative Method that Minimizes Adverse Impact

There are no clear alternative methods that both reduce adverse impact and meet the intended policy goals.

Localities⁸ Affected⁹

The proposed amendments would neither affect any locality in particular nor directly create new costs for any local governments. Local governments may be affected to the extent that they hire contractors and face higher costs passed on to them as a result of the fee increases.

Projected Impact on Employment

The proposed amendments are not expected to substantively affect total employment.

Effects on the Use and Value of Private Property

The proposed fee increases would marginally raise costs and thus reduce the value of private contractor and RBEA firms. To the extent that these costs are passed on to real estate developers, real estate development costs may also marginally increase. However, any such increase is unlikely to make a significant difference relative to the overall cost of real estate development.

⁸ “Locality” can refer to either local governments or the locations in the Commonwealth where the activities relevant to the regulatory change are most likely to occur.

⁹ Virginia Code § 2.2-4007.04 defines “particularly affected” as bearing disproportionate material impact.