

## Department of Planning and Budget 2006 Fiscal Impact Statement

1. **Bill Number:** HB1118

**House of Origin**    ☐ Introduced    ☐ Substitute    ☐ Engrossed

**Second House**    ☐ In Committee    ☐ Substitute    ☒ Enrolled

2. **Patron:**    Athey

3. **Committee:** Passed both Houses

4. **Title:**    Department of Professional and Occupational Regulation; Board for Contractors; issuance of license.

5. **Summary/Purpose:** The bill requires the Board for Contractors to promulgate regulations for educational requirements as a condition for licensure. The regulations shall include the requirement for initial licensure as a contractor, the designated employee or a member of responsible management personnel shall complete a basic business course. The bill also requires the board to promulgate emergency regulations, effective within 280 days of the bill's enactment, to implement the education requirements.

6. **Fiscal impact estimates are:** Final.

**6a. Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2005-06	\$0	0.00	N/A
2006-07	\$55,265	1.00	NGF
2007-08	\$53,653	1.00	NGF
2008-09	\$53,653	1.00	NGF
2009-10	\$53,653	1.00	NGF
2010-11	\$53,653	1.00	NGF
2011-12	\$53,653	1.00	NGF

**6b. Revenue Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2005-06	\$0	N/A
2006-07	\$0	NGF
2007-08	\$0	NGF
2008-09	\$0	NGF
2009-10	\$0	NGF
2010-11	\$0	NGF
2011-12	\$0	NGF

7. **Budget amendment necessary:** No, the appropriation may be adjusted administratively and through the budget amendment process as needed.

- 8. Fiscal implications:** The bill increases the administrative and regulatory responsibilities of the Department of Professional and Occupational Regulation (DPOR) by requiring the Board for Contractors to implement and administer a pre-licensing education requirement for licensees classified as Responsible Management (owners, officers, partners, etc.) and Designated Employees of contracting firms. Most contracting firms have two or more members classified as responsible management. Every Class A and Class B contractor must have a designated employee who may or may not be classified as responsible management. The department estimates that more than 25,000 individuals annually would be affected by this new requirement. DPOR will require an increase in its nongeneral fund appropriation and one classified position to implement the provisions of this bill.

Personal Services Costs:

This legislation will require one classified band 3 position to verify that education requirements have been satisfied as part of application processing, respond to an estimated 7,000 additional telephone calls, prepare written correspondence, and make information available to the public, applicants, and regulants. The cost of salary and benefits for this position, based on the mid-point of the band range, is expected to be \$48,234 in FY 2007 (assuming 23 pay periods) and \$51,622 in FY 2008. These are recurring costs that will continue into future biennia.

Operating Costs:

In FY 2007, DPOR will need to purchase furniture and equipment for the new position at an estimated cost of \$5,000. This is a one-time expenditure that will not continue into future years. Other operating costs include telephone, employee development, postage, printing, and supplies, and are estimated at \$4,500 each year. These are recurring costs that will continue into future years.

Since pre-licensing education would address administrative violations such as contracts, address changes, and building permits, it is possible that the legislation could result in a reduction in violations and cases adjudicated by the board. Violations involving fraud, abandonment, or misconduct would not be impacted by this legislation. Based on the percentage of adjudicated cases that involve administrative violations and the percentage of cases resolved through a consent order, it is estimated that the board could see a reduction of about 100 informal fact-findings per year, for a savings of \$2,469 in board member travel and per diem.

Total costs are projected to be \$55,265 in FY 2007, and \$53,653 in FY 2008 and future years.

Revenue: In accordance with the provisions of §54.1-113 (Callahan Act) of the Code of Virginia, licensing fees are established at rates adequate to cover a program's operating costs and a proportionate share of agency support costs. Current fees will provide sufficient cash and revenue to cover these cost increases for the 2006-08 biennium. No change in revenue is projected.

Cost to Regulants: The Board currently regulates more than 100,000 businesses and individuals. No increases in the cost to become or remain licensed are anticipated in the next two biennia as a result of this legislation. The increased expenditures will be considered as

part of any need for future fee increases, but would contribute less than \$1.00 annually a regulant's cost.

**9. Specific agency or political subdivisions affected:** Department of Professional and Occupational Regulation, Board for Contractors.

**10. Technical amendment necessary:** No.

**11. Other comments:** None.

**Date:** 3/6/06 kbs

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cc: Secretary of Commerce and Trade