

## Department of Planning and Budget 2006 Fiscal Impact Statement

1. **Bill Number:** HB 285

**House of Origin**    ☒ Introduced    ☐ Substitute    ☐ Engrossed  
**Second House**    ☐ In Committee    ☐ Substitute    ☐ Enrolled

2. **Patron:** Daniel W. Marshall, III

3. **Committee:** General Laws

4. **Title:** Criminal history background checks; required for applicants for license in real estate

5. **Summary/Purpose:** The bill requires applicants for licensure as a real estate salesperson or broker or for renewal of such licenses to submit a criminal history background check. If the background check reveals a prior felony conviction, no license or license renewal shall be issued by the board, unless the applicant submits proof that his civil rights have been restored by the Governor or other appropriate authority.

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

### Department of Professional and Occupational Regulation

#### 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	\$2,047,880	5.00	NGF
2007-08	\$1,958,066	5.00	NGF
2008-09	\$1,958,066	5.00	NGF
2009-10	\$1,958,066	5.00	NGF
2010-11	\$1,958,066	5.00	NGF
2011-12	\$1,958,066	5.00	NGF

### Department of State Police

#### 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	\$209,780	4.00	NGF
2007-08	\$146,180	4.00	NGF
2008-09	\$146,180	4.00	NGF
2009-10	\$146,180	4.00	NGF
2010-11	\$146,180	4.00	NGF
2011-12	\$146,180	4.00	NGF

**6b. Revenue Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2005-06	\$0	N/A
2006-07	\$2,115,000	NGF
2007-08	\$2,115,000	NGF
2008-09	\$2,115,000	NGF
2009-10	\$2,115,000	NGF
2010-11	\$2,115,000	NGF
2011-12	\$2,115,000	NGF

**7. Budget amendment necessary:** Yes; item numbers 118 and 413 of HB 30.

**8. Fiscal implications:**Department of Professional and Occupational Regulation

The bill increases the administrative and regulatory responsibilities of the Department of Professional and Occupational Regulation (DPOR) by requiring the Real Estate Board to conduct a criminal history background check on all applicants for licensure or renewal of license. Approximately 68,000 current regulants will be impacted by this legislation, as well as approximately 10,000 new applicants each year. The department assumes that approximately 5,000 licensees and 1,500 new applicants from the Richmond area would come directly to the department annually to be fingerprinted, and that the remaining licensees and applicants, estimated at about 35,500 annually, would be fingerprinted elsewhere, and then would submit their fingerprint cards or files and fee to the department by mail. Assumptions about how this new requirement will be handled are likely to change as the department obtains better information about processes for fingerprinting and handling criminal background checks, and could affect the anticipated fiscal impact.

Personal Service Costs: The legislation will require two classified band 3 positions to process approximately 42,000 fingerprint cards and files annually, submit requests for background checks to the State Police, review reports, update licensee records, resolve discrepancies, correspond with licensees, applicants, State Police, and other agencies taking fingerprints, and respond to questions and inquiries about fingerprinting and background reports.

It will require approximately 10-15 minutes to prepare fingerprint files or cards for each customer. One classified band 3 position will be needed to take fingerprints.

Because of security issues associated with personal information on fingerprint cards and files, the department expects to receive and process fingerprint fees in-house rather than through a lockbox. Two classified band 3 positions will be required to receive, process, and account for approximately 42,000 fingerprinting fees for licensees and applicants annually.

In addition, one band 3 wage employee will be needed to support digital preparation, conversion and storage of fingerprint records and background reports.

The cost of salary, wages, and benefits for these positions, based on the mid-point of the band range, is expected to be \$267,371 in FY 2007 (assuming 23 pay periods) and \$285,450 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 positions at an estimated cost of \$30,000. This is a one-time expenditure that will not continue into future years. Expansion of the Customer Assistance Section to accommodate additional fingerprinting transactions is estimated at \$5,000 in FY 2007 only. The department will need one digital fingerprint system at an estimated one-time cost of \$15,000 in FY 2007 only. Other operating costs include telephone, employee development, postage, printing, and supplies, and are estimated at \$27,000 each year. These are recurring costs that will continue into future years.

In the first year, the department expects to notify licensees of the new requirements through two additional mailings, at a one-time cost for postage of \$54,600. An additional mailing to all renewing licensees will be needed in the first year and on an ongoing basis to notify them of the requirement to be fingerprinted before renewing their license, for postage costs of \$13,650 annually.

Four additional meetings involving four board members are expected in the first year only, for a total cost of \$3,293 for travel and per diem.

The cost of the criminal background check is \$39 per individual. The department expects to request approximately 42,000 background checks annually for real estate licensees and applicants, at an annual cost of \$1,631,966. The licensees and applicants will be charged a fee to cover this cost.

Total costs are projected to be \$2,047,880 in FY 2007, and \$1,958,066 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. The board will adjust fees to ensure that revenue collected is sufficient to pay these additional expenses.

Additional revenue of approximately \$2,115,000 is anticipated annually.

Cost to Regulants: The department currently licenses 68,244 real estate practitioners, and receives almost 10,000 new applications annually. Each licensee will incur the \$39 charge for the criminal background check every two years, as well as an additional fingerprinting fee of up to \$10 if obtained from another agency. Other costs associated with this legislation will be allocated directly to the licensees. The total additional cost to each real estate licensee is expected to be about \$30 to \$35 annually, in addition to current licensing fees.

#### Department of State Police

The Department of State Police estimates that four full-time program support technicians will be needed to complete the additional 42,000 annual background investigations. The cost in the first year for the four positions (grade 5) includes office equipment, personal computers, and a transaction terminal to process the additional requests. The costs in the second year and subsequent years are for salary and fringe benefits.

- 9. Specific agency or political subdivisions affected:** Department of Professional and Occupational Regulation, Real Estate Board, Department of State Police.

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

**11. Other comments:** None.

**Date:** 1/26/06 kbs

**Document:** G:\06 FIS\DPOR\HB285.Doc