

Department of Planning and Budget 2010 Fiscal Impact Statement

1. Bill Number: HB192

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

2. Patron: Cosgrove

3. Committee: General Laws and Technology

4. Title: Fair Housing Board certification program.

5. Summary: This bill requires the Fair Housing Board to promulgate regulations establishing fair housing training and certification for persons in the business or activity of selling or renting dwellings without a real estate broker. Civil penalties shall be assessed for noncompliance.

6. Fiscal Impact Estimates: Preliminary.

6a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2010-11	554,546	6.00	NGF
2011-12	490,958	6.00	NGF
2012-13	490,958	6.00	NGF
2013-14	490,958	6.00	NGF
2014-15	490,958	6.00	NGF
2015-16	490,958	6.00	NGF

6b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2010-11	3,480,000	NGF
2011-12	3,480,000	NGF
2012-13	3,480,000	NGF
2013-14	3,480,000	NGF
2014-15	3,480,000	NGF
2015-16	3,480,000	NGF

7. Budget Amendment Necessary: Yes, item number 113.

8. Fiscal Implications: This bill increases the administrative and regulatory responsibilities of the Department of Professional and Occupational Regulation (DPOR) by implementing a requirement for any person in the business or activity of selling or renting dwellings to maintain a mandatory certification and to obtain a minimum of two hours of fair housing training every two years. Any person failing to obtain the training and maintain the certification would be subject to a civil penalty of up to \$250, which would be paid into a special nonreverting fund known as the Fair Housing Fund. This fund would be established on the books of the Comptroller for the purpose of improving educational programs on Fair Housing law. The current voluntary program

has about 2,000 certificate holders. The Department estimates that this bill, by mandating certification, would result in approximately 58,000 new regulants. Both current and new certificate holders would be affected by this legislation.

Personal Service Costs: This legislation may require two classified Band 3 Licensing Specialists to support licensing activities for 58,000 new regulants. The positions will process applications for initial applications and renewals of certifications, process applications for training providers, instructors, and courses, respond to telephone calls and emails, and correspond with applicants, certificate holders, and the public. The cost of salary and benefits for these positions, based on the mid-point of the band range, is expected to be \$113,242 in FY 2011 (assuming 23 pay periods) and \$118,164 in future years. These are recurring costs that will continue into future biennia.

This legislation may require two classified Band 3 Fiscal Specialists to support fee processing activities for 58,000 new regulants. The positions will process application fees, assist walk-in customers, account for fee transactions, and handle other financial transactions related to the increased volume of regulants, such as adjustments and revenue refunds. The cost of salary and benefits for these positions, based on the mid-point of the band range, is expected to be \$113,242 in FY 2011 (assuming 23 pay periods) and \$118,164 in future years. These are recurring costs that will continue into future biennia.

The legislation may require two classified Band 4 Investigators to respond to an additional 120 to 400 complaints annually. The positions will review incoming complaints, determine jurisdiction, work with alleged violators to obtain compliance with law and regulation, conduct investigations, document findings, and report cases involving violations to the Board. The cost of salary and benefits for these positions, based on the mid-point of the band range, is expected to be \$139,423 in FY 2011 (assuming 23 pay periods) and \$145,487 in future years. These are recurring costs that will continue into future biennia.

In addition, this legislation may require one Band 3 wage position to conduct records management activities, including scanning applications and making copies of files upon receipt of Freedom of Information requests. The cost of this wage position will be \$24,221. This is a recurring cost that will continue into future biennia.

Operating Costs: In FY 2011, DPOR may need to purchase furniture and equipment for the new positions at an estimated cost of \$49,000. This is a one-time expenditure that will not continue into future years.

Other operating costs beginning in FY 2011 include telephone, employee development, computer operating support, postage, printing, and supplies, and are estimated at \$80,500 each year for the requested positions. Travel costs for the investigator positions are expected to be \$4,422 annually. These are recurring costs that will continue into future years.

Board regulations will be revised to reflect the new requirements. Board member travel for four additional meetings will be \$3,656 in FY 2011 only. Postage costs for notifications and mailings to current and potential regulants will be \$26,840 in FY 2011 only.

Total costs are projected to be \$554,546 in FY 2011, and \$490,958 in future years.

Revenue: In accordance with the provisions of Section 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's current cash and revenues are not sufficient to pay its operating costs, therefore the Real Estate Board pays for expenditures in excess of revenue collected by the Board. Based on the estimated increase in number of regulants from this legislation, the Department would expect the Fair Housing Board to pay for its total operating costs, which will add about \$325,000 – 350,000 annually to the Board's costs. In addition, because revenues have been insufficient to pay the program's operating costs, agency support costs have not been charged to the Fair Housing Board. Agency support costs include administration, facilities, information systems, and legal expenses, and are approximately \$41 per regulant. With the additional certificate holders resulting from this legislation, the Department would expect to establish fees that would provide adequate revenue to pay all operating and agency support costs of the Fair Housing program, eliminating the need to charge excess expenditures to the Real Estate Board.

This legislation provides for a civil penalty of up to \$250 for any person failing to obtain the required training and maintain the certification. Revenue from civil penalties is expected to be about \$10,000 annually. The revenue would be deposited to a special nonreverting fund known as the Fair Housing Fund, which will be established on the books of the Comptroller. Moneys in the fund may be used only for improving educational programs on Fair Housing law.

Cost to Regulants: The current certification fee is \$25 for a two year period. As a result of this legislation, including charging all operating and support expenses to the Fair Housing Board in accordance with the Callahan Act, the certificate fee is expected to increase to about \$120 for a two year period.

Currently, the Real Estate Board pays for expenditures in excess of revenue collected by the Fair Housing Board. As a result of this legislation, the Fair Housing Board would have sufficient revenue to pay its operating and agency support costs, which will reduce expenses charged to the Real Estate Board. In FY 2009, those expenses were \$322,000. The Department has projected that an increase in Real Estate fees may need to be initiated during the FY 2012-14 biennium; this savings could delay the need for fee increases into the following biennium.

9. Specific Agency or Political Subdivisions Affected: Department of Professional and Occupational Regulations.

10. Technical Amendment Necessary: No.

11. Other Comments: None.

Date: 2/18/2010

Document: <http://dpb.virginia.gov/efis/fistemplate.doc>