

Department of Planning and Budget 2013 Fiscal Impact Statement

1. Bill Number: SB1267

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

2. Patron: Ruff, F. M.

3. Committee: Finance

4. Title: Department of Professional and Occupational Regulation; Board for Contractors; licensure of tree care service providers; penalties.

5. Summary: This bill requires the licensure of tree care service providers by the Board for Contractors as of January 1, 2014. The Board, housed under the Department of Professional and Occupational Regulation (DPOR), shall not issue a license until the applicant has furnished evidence of financial responsibility, consisting of a liability insurance policy that protects persons who suffer legal damages as a result of the performance of tree care services. The amount of financial responsibility shall be established by the Board at a minimum of \$100,000 for property damage, \$100,000 for personal injury to or death of one person, and \$300,000 per occurrence. Performing tree care services without a license or without the required liability insurance is punishable as a Class 1 misdemeanor.

In addition, the bill requires that a tree care service provider give customers a signed statement affirming that the provider has the required liability insurance and that the customer's property insurer shall have no liability for damages to the property of the customer and for injuries to the persons performing the tree care services.

The substitute bill defines tree care services as those in a residential setting and removes the obligations of public utilities section.

6. Budget Amendment Necessary: Yes. Item 122 of HB1500/SB800.

7. Fiscal Impact Estimates: Preliminary. See #8.

7a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2013	\$0	0.0	n/a
2014	\$133,004	2.0	Dedicated Special Revenue
2015	\$136,408	2.0	Dedicated Special Revenue
2016	\$136,408	2.0	Dedicated Special Revenue
2017	\$136,408	2.0	Dedicated Special Revenue
2018	\$136,408	2.0	Dedicated Special Revenue
2019	\$136,408	2.0	Dedicated Special Revenue

7b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2013	\$0	n/a
2014	\$130,000	Dedicated Special Revenue
2015	\$195,000	Dedicated Special Revenue
2016	\$ 94,000	Dedicated Special Revenue
2017	\$134,500	Dedicated Special Revenue
2018	\$ 94,000	Dedicated Special Revenue
2019	\$134,500	Dedicated Special Revenue

- 8. Fiscal Implications:** This bill increases the administrative and regulatory responsibilities of the DPOR by implementing and administering a mandatory licensing program for tree care service providers. The licensure program would be added to the Board for Contractors. DPOR estimates that approximately 2,500 individuals would be required to be licensed through this program.

Expenditure Impact: This legislation will require two classified Band 3 positions to process the applications for initial licensure and renewals; provide statuses of applications and other requested information; respond to telephone inquiries and e-mails from applicants and the public about the program; gather and maintain insurance information for each licensed tree care service provider; and prepare written correspondence with applicants, licensees, and the public. The cost of salary and benefits for these positions, based on the mid-point for the band 3 salary range, is expected to be \$52,804 in FY2014 (assuming 11 pay periods) and \$115,208 annually beginning in FY 2015. These are recurring costs that will continue into future biennia.

In FY 2014, DPOR will need to purchase furniture and equipment for the new positions at an estimated cost of \$14,000. Also in FY 2014, DPOR will incur costs estimated at \$45,000 for exam development, printing and mailing applications, regulations, letters, and notices to affected parties. These are one-time expenditures that will not continue into future years. Other operating costs beginning in FY 2014 and recurring in future years include telephone, employee development, computer operating support, and supplies. These costs are estimated at \$21,200 each year, or \$10,600 per employee per year.

Revenue Impact: In accordance with the provisions of Section 54.1-113 (Callahan Act), 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. Approximately 1,000 new tree care service provider applications are expected in FY 2014 and about 1,500 applications are expected in FY 2015. One hundred applications are expected each year thereafter. DPOR estimates that approximately 900 licensees will renew their licenses in FY 2016 and 1,350 will renew in FY 2017. Similar renewal rates are expected in subsequent years. In order to be consistent with other individual programs within the Board for Contractors and to provide sufficient revenue to cover ongoing operating costs, application fees are expected to be \$130 and renewal fees are expected to be \$90, or a cost of \$45 per year. No additional cost to other current contractor or tradesman licensees is expected as a result of this legislation. Total additional revenue is estimated to be \$130,000 in FY 2014, \$195,000 in FY 2015, \$94,000 in FY 2016, and \$228,500 in each biennium thereafter. While the anticipated revenue is

insufficient to cover all of the additional expenses associated with this legislation, the Board's current cash and revenue are expected to be sufficient to cover the remaining additional costs.

Lastly, the bill provides that any violation of the provisions of the article is subject to a Class 1 misdemeanor. As such, the legislation could result in an increase in the jail population since Class 1 misdemeanor outcomes result in sentences of up to 12 months in jail (and a fine up to \$2,500). Any increase in jail population will increase costs to the state. The Commonwealth presently pays the localities \$4.00 a day for each misdemeanant or otherwise local responsible prisoner held in a jail. It also funds most of the jails' operating costs, e.g. correctional officers. The state's share of these costs on a per prisoner, per day basis varies from locality to locality. However, according to the Compensation Board's FY 2012 Jail Cost Report (November 1, 2012), the estimated total state support for local and regional jails averaged \$26.54 per state inmate, per day in FY 2011.

9. Specific Agency or Political Subdivisions Affected: Department of Professional and Occupational Regulation; state and local courts, jails, correctional facilities.

10. Technical Amendment Necessary: No.

11. Other Comments: None.

Date: 1/30/13

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