

Department of Planning and Budget 2018 Fiscal Impact Statement

1. Bill Number: HB78

House of Origin	<input checked="" type="checkbox"/>	Introduced	<input type="checkbox"/>	Substitute	<input type="checkbox"/>	Engrossed
Second House	<input type="checkbox"/>	In Committee	<input type="checkbox"/>	Substitute	<input type="checkbox"/>	Enrolled

2. Patron: Yancey

3. Committee: General Laws

4. Title: Professional and Occupational Regulation, Department of; waiver of first-time licensing fees.

5. Summary: Requires any regulatory board within the Department of Professional and Occupational Regulation to waive the initial application fee for any low-income individual applying for any license, certificate, or registration issued by the regulatory board or the Department. The bill defines "low-income individual" as any individual whose gross annual income is less than \$25,000 per year.

6. Budget Amendment Necessary: No.

7. Fiscal Impact Estimates: Preliminary. See Item 8, below.

8. Fiscal Implications: This bill increases the administrative and regulatory responsibilities of the Department of Professional and Occupational Regulation (DPOR) by requiring the waiver of initial application fees for applicants who satisfy the eligibility requirements for low-income status. According to DPOR, implementation of this bill would require verification of each applicant's gross annual income to determine whether an applicant is eligible for the fee waiver, as the bill does not make the waiver conditional on an applicant's request for such determination. Verification could include the review of tax forms and returns. It is anticipated that this legislation will have an expenditure impact to DPOR that can be absorbed within existing appropriations and therefore a budget amendment is not needed.

Expenditure Impact: It is anticipated that this legislation will require the addition of four classified administrative office specialist positions to review applicants' tax documents, answer telephone and e-mail inquiries, correspond and follow-up with applicants, and enter data into the licensing system. The need for four additional positions is based on an estimation of the number of low-income applicants and the total volume of initial applications received in FY 2017. In FY 2017, DPOR had over 19,600 initial individual applications, of which approximately 4,120 applicants would be considered low-income. As the bill does not make the waiver conditional on an applicant's request for waiver, DPOR anticipates the need to process income documentation and verify income for at least 19,600 applicants. The total cost of salary and benefits for the four positions, based on the mid-point for the band 3 salary range, is expected to be \$299,676 in FY 2019 (assuming 23 pay

periods) and \$312,704 annually beginning in FY 2020. This is a recurring cost that will continue into future biennia.

In FY 2019, DPOR will need to purchase furniture and equipment for the new positions at an estimated cost of \$28,000. This is a one-time expenditure that will not continue into future years. Other operating costs beginning in FY 2019 and recurring in future years include telephone, employee development, computer operating support, and supplies. These costs are estimated at \$56,800 each year.

If an applicant appeals a decision not to waive the application fee based on the income verification process, additional workload will result for DPOR to investigate and conduct informal fact-finding conferences in accordance with the Administrative Process Act (APA). The number of such appeals is indeterminate.

Existing staff resources would also need to be utilized to modify and update all individual applications to include sections for income data collection.

Revenue Impact: It is anticipated that this bill may result in a revenue loss. However, any decrease will depend on the number of applicants for whom the fee is waived. In FY 2017, had this bill been effective, 4,120 applicants would have been considered low-income.

In accordance with the provisions of § 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. The average initial application fee for applications received in FY 2017 was approximately \$95. The 17 boards act independently. As a result, DPOR cannot reasonably estimate when any fee increases to offset any revenue decrease may be necessary.

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

10. Technical Amendment Necessary: No.

11. Other Comments: None.