

## Department of Planning and Budget 2019 Fiscal Impact Statement

1. **Bill Number:** HB2099

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

2. **Patron:** Freitas

3. **Committee:** General Laws

4. **Title:** Professions and occupations; deregulation of certain professions.

5. **Summary:** Implements the recommendations of the Joint Legislative Audit and Review Commission in its report on Operations and Performance of the Department of Professional and Occupational Regulation by deregulating opticians, residential energy analysts, and common interest community managers. The bill also reorganizes provisions of the Code relating to the Common Interest Community Board to account for the removal of regulatory authority over common interest community managers.

6. **Budget Amendment Necessary:** No.

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

**7a. Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2019	\$10,850	0	NGF
2020	\$108,967	1.0	NGF
2021	\$105,924	1.0	NGF
2022	\$105,924	1.0	NGF
2023	\$105,924	1.0	NGF
2024	\$105,924	1.0	NGF
2025	\$105,924	1.0	NGF

**7b. Revenue Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2019	\$0	n/a
2020	(\$134,411)	NGF
2021	(\$211,573)	NGF
2022	(\$136,933)	NGF
2023	(\$208,839)	NGF
2024	(\$139,266)	NGF
2025	(\$206,271)	NGF

8. **Fiscal Implications:** This bill decreases the administrative, enforcement, and regulatory responsibilities of the Department of Professional and Occupational Regulation (DPOR) by deregulating opticians, residential energy analysts, and common interest community

managers. The Board for Hearing Aid Specialists and Opticians would become the Board for Hearing Aid Specialists (Hearing Aid Specialists). The Board for Contractors regulates residential energy analysts and the Common Interest Community Board (CIC) regulates common interest community managers.

Expenditures impact: As a result of deregulation, decreases in expenditures are anticipated by hearing aid specialists of approximately \$5,632 in FY 2020 and continuing into future years. Immaterial decreases in expenditures are expected by the Board for Contractors. CIC is anticipated to see an increase in expenditures, despite deregulation of managers, due to the requirement to establish and maintain an educational program. The increased expenditures total \$10,850 in FY 2019, \$114,599 in FY 2020 and \$111,556 in FY 2021. Similar increases are anticipated in future years.

The cost reductions beginning in FY 2020 for hearing aid specialists include a \$4,632 decrease in board meeting costs resulting from the eight member decrease in board membership and \$1,000 reduction in other direct costs of the board. Costs allocated by DPOR to hearing aid specialists will decrease by approximately \$76,000 annually due to the decrease in the number of regulants of the board. This reduction is a change in allocated costs to the Board for Hearing Aid Specialists but is not a reduction for the agency.

Additional administrative responsibilities for CIC resulting from this legislation include developing, establishing, and managing model standards, best practices, and an educational program for associations, managers, and employees. The best practices will enable associations or CIC managers to evaluate individuals providing management services, ensuring they possess the character and skills to provide management services. In FY 2019, CIC will need to conduct two additional board meetings to develop and update best practices and model standards at a cost of \$3,730. Mailings will be required in FY 2019 to all CIC regulants at a cost of \$7,120. Deregulation will have a minimal impact on current workload, but the other responsibilities cannot be absorbed by current staffing and require the addition of one staff position. One classified trainer and instructor II position is needed to develop, establish, and manage an educational program for associations, managers, and employees and to maintain the model standards and best practices. The total cost of salary, wages, and benefits for the position, based on the mid-point for the band 4 salary range, is anticipated to be \$90,999 in FY 2020 (assuming 23 pay periods) and \$94,956 annually beginning in FY 2021. This is a recurring cost that will continue into future years.

In FY 2020, DPOR will need to purchase furniture and equipment for the new position at an estimated cost of \$7,000. This is a one-time expenditure that will not continue into future years. Other operating costs beginning in FY 2020 and recurring in future years include telephone, employee development, computer operating support, and supplies. These costs are estimated at \$16,600 each year.

Revenues impact: The deregulation will result in a decrease in revenue of Hearing Aid Specialists by \$63,202 in FY 2020, and \$144,264 in FY 2021; of Contractors by \$13,540 in FY 2020, and \$9,640 in FY 2021; of CIC by \$57,669 in FY 2020 and \$57,669 in FY 2021. Similar revenue reductions would continue into future years. The reductions are based on the

number of regulants projected to apply and renew for each profession multiplied by the application and renewal fees currently in regulation.

Other Impacts: In accordance with the provisions of Section 54.1-113 (Callahan Act) of the Code of Virginia, DPOR uses a cost allocation system to distribute a proportionate share of agency operating costs to each regulatory program. Agency support and administrative functions provide services to all of the regulatory programs, and the abolishment of these programs from DPOR is not expected to reduce the costs of these support functions.

Therefore, the reduction in costs previously allocated to the Board for Hearing Aid Specialists and Opticians will be re-distributed to the remaining regulatory programs within the Department. Additionally, hearing aid specialist fee increases currently proposed will need to be approved and implemented in order for board revenue to sufficiently cover the remaining board expenses.

Regulants may pay application or renewal fees prior to the July 1, 2019, enactment for licenses that are not issued or are effective for a short duration. Refunds could be necessary to such regulants at the estimated cost of \$5.00 per check. Total refund costs are dependent on the number of refunds issued and are indeterminate. The reduction in fund balances due to the refunds may have an adverse effect to the remaining boards.

This bill includes an addendum that the terms of persons serving as licensed optician members or the ophthalmologist member and any citizen member of the Board for Hearing Aid Specialists and Opticians shall expire on the effective date of this act.

It is anticipated that DPOR can support the additional costs and position within existing appropriations and a budget amendment is not necessary.

It is anticipated that any costs resulting from this bill to the courts can be absorbed within existing resources.

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

**10. Technical Amendment Necessary:** No.

**11. Other Comments:** None.