Department of Planning and Budget
2025 General Assembly Session
State Fiscal Impact Statement

PUBLISHED: 2/12/2025 11:32 AM **ORIGINAL**

Bill Number: HB1707 ER **Patron:** Bulova

Bill Title: Virginia Contractor Transaction Recovery Fund; claim limits; license threshold amounts.

Bill Summary: Increases from \$20,000 to \$30,000 per claim the individual limit of claims against the Virginia Contractor Transaction Recovery Fund based upon an unpaid judgment arising out of the improper or dishonest conduct of a licensed contractor in connection with a single transaction involving contracting and increases from \$40,000 to \$100,000 during any biennium the aggregate claim limit against a single licensed contractor. The bill also raises the thresholds for the value of single contracts or projects and the total value of all construction, removal, repair, or improvements undertaken by a contractor in a 12-month period that govern each class of contractor's licenses.

Budget Amendment Necessary: **No.** **Items Impacted:** **N/A**

Explanation: This bill involves the Department of Professional and Occupational Regulation (DPOR); however, no budget action is needed.

Fiscal Summary: It is anticipated that DPOR can absorb any impact that may result from this bill. An indeterminate impact to balances in the Virginia Contractor Transaction Recovery Fund is anticipated.

Fiscal Analysis: The bill would increase the revenue thresholds for contractor class definitions. It would raise the maximum allowable revenue for a Class C contractor from \$10,000 per project or \$150,000 per year to \$30,000 per project or \$250,000 per year, and for a Class B contractor from \$120,000 per project or \$750,000 per year to \$250,000 per project or \$1 million. The application fee amounts vary by class: C \$235, B \$370, A \$385. The higher limits may result in contractors registering at a lower class than they would currently need based on expected project revenue, resulting in reduced revenue for DPOR. Alternatively, higher limits may induce more contractors to enter the market or increase their class level, resulting in additional revenue. If revenue is not sufficient to cover expenses, the Board may need to raise fees. If revenue exceeds expenses by more than twenty percent or \$100,000 (whichever is greater), the Board would need to lower fees in compliance with the Callahan Act (54.1-113).

Additionally, the bill would increase the maximum claim award under the Virginia Contractor Transaction Recovery Act (VCTRA) from \$20,000 to \$30,000 and the maximum total claims against a contractor from \$40,000 to \$100,000 per biennium. Recovery awards are paid from a dedicated fund which is administered by DPOR and currently has a balance of \$4 million. The fund is sustained by application fees (\$25) and renewal fees (\$50) paid by contractors, and includes \$0.6 million of interest income set aside for administration. Over the past ten years, the fund has paid on average 66 claims totaling \$793,000 per year. The fund does not receive any general fund support. The Code (54.1-1119) directs that fees be increased if the fund balance falls below \$400,000.

The bill also clarifies that all contractor applicants must pay the $25 fee to support the VCTRA at the time of application. Current language requires "regulants" to pay the fee at the time of application. DPOR has interpreted this to mean that anyone who applies but is not approved is entitled to a refund of their fee. The amount of savings the agency would realize by no longer refunding unsuccessful applicants is variable and depends on the number of unsuccessful applications. According to the agency, savings in FY22 would have been $38,000.

Other: This bill is the companion to SB 1059.