



MEMORANDUM

DATE	December 2017
TO	Veterinary Medical Board
FROM	Ethan Mathes, Operations Manager
SUBJECT	Discussion and Possible Board Action on Regulatory Proposal Regarding Sections 2070 & 2071, Article 7, Division 20, of Title 16 of the California Code of Regulations Regarding Proposed Fee Increases

History

At its July 2017 Veterinary Medical Board (Board) Meeting staff presented Capitol Accounting Partners (CAP) comprehensive fee audit and report findings that included a costs analysis of the Board's Administrative, Licensing, Premises and Enforcement programs. Additionally, staff presented two proposed changes to Title 16, California Code of Regulations Section 2070 and 2071 that included a structured increase to application and licensing fees. The proposed increases bring the Board into statutory Fund reserve compliance of three to 10 months of reserve, and reverses the Board's ongoing structural imbalance.

The Board approved amended fee proposal 1 that increases application, licensing fees, and premises permit fees to the statutory maximum and directed staff to begin the regulatory rulemaking process. The approved fee regulations and fee schedule is attached.

Operational Expenditures and Contingency Fund – In accordance with BPC Section 4905, the Board's Contingency Fund (i.e. savings account) shall not have less than 3 months or more than 10 months reserve of annual authorized expenditures in the Fund.

Issues

At the time of the Board's approval in July 2017 the projected Fund Condition and reserve was healthy enough in future Fiscal Years (FY) to initiate a regular rulemaking that would take approximately 12 months to become effective. Due to recent analysis of current FY 2017-2018 spending the Board's Fund Condition reserve is expected to be insolvent in the coming FY 2018-2019. This is due to several factors including Attorney General expenditures, higher personnel costs, continuing BreEZe costs, mandated premises inspections, and Departmental pro rata.

Due to these factors that have increased Board expenditures while not adequately increasing revenues, the Board's core mission of consumer protection is threatened. Current FY 2017-2018 projections indicate the Board will expend all appropriated resources. For example, Attorney General expenditures are projected for more than \$840,000 in the current FY, whereas the Board is only appropriated \$560,000 for these expenditures. Attorney General expenditures are projected to be fully expended by mid-FY 2017-2018 necessitating the Board may have to curtail its enforcement efforts as the Board is unable to redirect resources to fund the rising Attorney General, Office of Administrative Hearings, and Division of Investigation costs at the current appropriation.

An emergency rulemaking is necessary to implement the approved fee increase expeditiously to begin collecting much needed revenue to fund the Board operations and its fund its Fund reserve. Due to the nature fee collection, and the share of revenue generated by biennial renewals, accruing increased revenue from higher renewal fees will take the Board 12-24 months after the effective date of regulations.

With approval of this emergency rulemaking, the Board will begin collecting additional revenue within 6 months.

The approval of this emergency rulemaking will provide the Board with resources necessary to fund its operations and fulfill its mission of consumer protection. Filing a regular rulemaking could take up to 12 months to effectuate and put the Board in a tenuous financial condition in FY 2018-2019 causing the Board to restrict its ability to process applications, inspect veterinary premises, investigate and discipline violations to the Act. Any restriction to the operational functions of the Board would threaten the Board's ability to achieve its statutory mandate of consumer protection and cause a severe loss of consumer protection.

Requested Action

Review and consider directing staff to initiate an emergency rulemaking filing of the proposed fee increase in order to bring the Board's operational needs and Fund into balance and satisfy statutory requirements.

Attachments

- Previously approved proposed CCR Sections 2070 and 2071 – Proposal 1
- Fee and Revenue Charts
- Analysis of Fund Condition

TITLE 16. PROFESSIONAL AND VOCATIONAL REGULATIONS
Division 20. Veterinary Medical Board

Proposed Language

Changes to existing language are shown in underline for new text and ~~strikeout~~ for deleted text.

§ 2070. Registration and Renewal Fees for Veterinarians.

Pursuant to the provisions of Section 4905 of the code, the following fees are fixed by the board for ~~licensing periods beginning on or after March 1, 2012:~~

- (a) The application eligibility review fee for all examinations shall be ~~\$125.00~~ \$150.00.
- (b) The fee for the California state board examination shall be ~~\$200.00~~ \$235.00.
- (c) The fee for the veterinary law examination shall be \$100.00.
- (d) The initial license fee for licenses issued for one year or more from the date on which they will expire shall be ~~\$290.00~~ \$350.00. ~~The initial license fee for licenses issued for less than one year shall be \$145.00.~~
- (e) The biennial renewal fee shall be ~~\$290.00~~ \$350.00.
- (f) The fee for a temporary license shall be ~~\$150.00~~ \$175.00.
- (g) The initial fee for registration of a veterinary premises shall be ~~\$200.00~~ \$350.00.
- (h) The annual renewal fee for registration of a veterinary premises shall be ~~\$200.00~~ \$400.00.
- (i) The fee for the Board's Diversion Program shall be \$2,000 per participant.
- (j) The delinquency fee shall be ~~\$25.00~~ \$35.00.

§ 2071. Application, Registration and Renewal Fees for Registered Veterinary Technicians.

Pursuant to the provisions of Section 4842.5 of the code, the following fees are fixed by the board for ~~licensing periods beginning on or after March 1, 2012:~~

- (a) The application eligibility review fee shall be ~~\$125.00~~ \$150.00.
- (b) The fee for the registered California veterinary technician examination shall be ~~\$175.00~~ \$200.00.
- (c) The initial registration fee for registrations issued for one year or more from the date on which it will expire shall be ~~\$140.00~~ \$160.00. ~~The initial registration fee for registrations issued for less than one year shall be \$70.00.~~
- (d) The biennial renewal fee shall be ~~\$140.00~~ \$160.00.
- (e) The delinquency fee shall be ~~\$25.00~~ \$35.00.

**DEPARTMENT OF CONSUMER AFFAIRS
SCHEDULE OF WORKLOAD AND REVENUE STATISTICS**

Calstars Account Numbers	FI\$Cal Account Numbers		Revenue	Fees	
			Category	CURRENT	NEW
125600 2Q	4129200	236	Dup. License/Cert. - VET	\$25.00	\$25.00
125600 2R	4129200	237	Failure to Rpt Add Chg - VET	\$25.00	\$25.00
125600 2U	4129200	238	Dup. License/Cert. - HSP	\$25.00	\$25.00
125600 4V	4129200	240	Dup. License/Cert. - TMP	\$25.00	\$25.00
125600 4W	4129200	241	Dup. License/Cert. - INT	\$25.00	\$25.00
125600 4Q	4129200		Letter of Good Standing	\$25.00	\$25.00
125600 5F	4129200	245	Letter of Good Standing	\$25.00	\$25.00
125600 5J	4129200	261	Failure to Rpt Add Chg - UNIV	\$25.00	\$25.00
125600 5K	4129200	262	Dup. License/Cert. - UNIV	\$25.00	\$25.00
125600 2S	4129200	246	Dup. License/Cert. - TEC	\$25.00	\$25.00
125600 2T	4129200	247	Failure to Rpt Add Chg - TEC	\$25.00	\$25.00
125600 4X	4129200	242	Dup. License/Cert. - VACS	\$25.00	\$25.00
125600 4Y	4129200	243	Failure to Rpt New Superv	\$25.00	\$25.00
125600 4Z	4129200	244	Fail to Rpt Addr Chg - VACS	\$25.00	\$25.00
125700 IV	4129400	493	4902 VET - over 5 years	\$425.00	\$485.00
125700 NM	4129400	494	Initial Premises Registration	\$200.00	\$400.00
125700 NP	4129400	495	Temp License - Intern	\$150.00	\$175.00
125700 NQ	4129400	496	Temp License - Reciprocity	\$150.00	\$175.00
125700 NS	4129400	497	Application - VET	\$125.00	\$150.00
125700 NT	4129400	498	CA State Bd - VET	\$200.00	\$235.00
125700 NW	4129400	499	Exam-Vet Law Exam	\$100.00	\$100.00
125700 PB	4129400	500	Initial Lic - VET	\$290.00	\$350.00
125700 PD	4129400	501	Temp App Fee - Reciprocity	\$125.00	\$150.00
125700 PG	4129400	502	Temp App Fee - Intern	\$125.00	\$150.00
1257007Z	4129400	532	4902 UNIV - over 5 years	\$425.00	\$485.00
125700 7X	4129400	530	Application - UNIV	\$125.00	\$150.00
125700 7Y	4129400	531	Initial Lic - UNIV	\$290.00	\$350.00
125700 IW	4129400	505	4844 TEC - over 5 years	\$300.00	\$350.00
125700 QU	4129400	506	CA State Exam - TEC	\$175.00	\$200.00
125700 QV	4129400	507	Application - TEC	\$125.00	\$150.00
125700 QX	4129400	508	Initial Reg-TEC	\$140.00	\$160.00
125700 VR	4129400	503	Application - VACS	\$50.00	\$50.00
125700 VS	4129400	504	Initial Permit - VACS	\$50.00	\$50.00
125800 6A	4127400	270	Annual Renewal - Premises	\$200.00	\$400.00
125800 6B	4127400	271	Biennial Renewal VET	\$290.00	\$350.00
125800 6E	4127400		Inactive Renewal - VET	\$290.00	\$350.00
125800 9N	4127400	283	Biennial Renewal - UNIV	\$290.00	\$350.00
125800 5Y	4127400	273	Biennial Renewal TEC	\$140.00	\$160.00
125800 5Z	4127400		Inactive Renewal-TEC	\$140.00	\$160.00
125800 7Z	4127400	272	Biennial Renewal - VACS	\$50.00	\$50.00
125900 XR	4121200	184	Delinquent Renewal VET	\$25.00	\$35.00
125900 XT	4121200	185	Delinquent Renewal HSP	\$25.00	\$35.00
125900 CU	4121200	191	Delinquent Renewal UNIV	\$25.00	\$35.00
125900 YC	4121200	186	Delinquent Renewal TEC	\$25.00	\$35.00
125900 4A	4121200	183	Delinquent Renewal VACS	\$25.00	\$25.00

0777 - Veterinary Medical Board

Analysis of Fund Condition

Based on Status Quo - with fee increase

	Actual 2016-17	CY 2017-18	BY 2018-19	BY+1 2019-20
BEGINNING BALANCE	\$ 2,873	\$ 1,822	\$ 772	\$ 1,287
Prior Year Adjustment	\$ -33	\$ -	\$ -	
Adjusted Beginning Balance	<u>\$ 2,840</u>	<u>\$ 1,822</u>	<u>\$ 772</u>	<u>\$ 1,287</u>
REVENUES AND TRANSFERS				
Revenues:				
125600 Other regulatory fees	\$ 83	\$ 86	\$ 88	\$ 88
125700 Other regulatory licenses and permits	\$ 1,302	\$ 1,098	\$ 1,485	\$ 1,485
125800 Renewal fees	\$ 2,778	\$ 2,819	\$ 4,089	\$ 4,089
125900 Delinquent fees	\$ 14	\$ 16	\$ 16	\$ 16
141200 Sales of documents	\$ 1	\$ 1	\$ 1	\$ 1
142500 Miscellaneous services to the public	\$ 1	\$ 1	\$ 1	\$ 1
150300 Income from surplus money investments	\$ 20	\$ 2	\$ 4	\$ 7
161000 Escheat of unclaimed checks and warrants	<u>\$ 4</u>	<u>\$ 4</u>	<u>\$ 4</u>	<u>\$ 4</u>
Totals, Revenues	\$ 4,203	\$ 4,027	\$ 5,688	\$ 5,691
Totals, Revenues and Transfers	\$ 4,203	\$ 4,027	\$ 5,688	\$ 5,691
Totals, Resources	<u>\$ 7,043</u>	<u>\$ 5,849</u>	<u>\$ 6,460</u>	<u>\$ 6,978</u>
EXPENDITURES				
Disbursements:				
1111 Program Expenditures (S/O)	\$ 4,917	\$ 4,716	\$ 4,850	\$ 4,947
8880 Financial Information System for California (S/O)	\$ 5	\$ 6	\$ 6	\$ -
9990 Statewide Pro Rata	<u>\$ 299</u>	<u>\$ 355</u>	<u>\$ 317</u>	<u>\$ 317</u>
Total Disbursements	<u>\$ 5,221</u>	<u>\$ 5,077</u>	<u>\$ 5,173</u>	<u>\$ 5,264</u>
FUND BALANCE				
Reserve for economic uncertainties	\$ 1,822	\$ 772	\$ 1,287	\$ 1,714
Months in Reserve	4.3	1.8	2.9	3.8

0777 - Veterinary Medical Board

Analysis of Fund Condition

Based on Status Quo - no fee increase

	Actual 2016-17	CY 2017-18	BY 2018-19	BY+1 2019-20
BEGINNING BALANCE	\$ 2,873	\$ 1,822	\$ 772	\$ (338)
Prior Year Adjustment	\$ -33	\$ -	\$ -	
Adjusted Beginning Balance	\$ 2,840	\$ 1,822	\$ 772	\$ (338)
REVENUES AND TRANSFERS				
Revenues:				
125600 Other regulatory fees	\$ 83	\$ 86	\$ 88	\$ 88
125700 Other regulatory licenses and permits	\$ 1,302	\$ 1,098	\$ 1,036	\$ 1,036
125800 Renewal fees	\$ 2,778	\$ 2,819	\$ 2,917	\$ 2,917
125900 Delinquent fees	\$ 14	\$ 16	\$ 16	\$ 16
141200 Sales of documents	\$ 1	\$ 1	\$ 1	\$ 1
142500 Miscellaneous services to the public	\$ 1	\$ 1	\$ 1	\$ 1
150300 Income from surplus money investments	\$ 20	\$ 2	\$ -	\$ -
161000 Escheat of unclaimed checks and warrants	\$ 4	\$ 4	\$ 4	\$ 4
Totals, Revenues	\$ 4,203	\$ 4,027	\$ 4,063	\$ 4,063
Totals, Revenues and Transfers	\$ 4,203	\$ 4,027	\$ 4,063	\$ 4,063
Totals, Resources	\$ 7,043	\$ 5,849	\$ 4,835	\$ 3,725
EXPENDITURES				
Disbursements:				
1111 Program Expenditures (S/O)	\$ 4,917	\$ 4,716	\$ 4,850	\$ 4,947
8880 Financial Information System for California (S/O)	\$ 5	\$ 6	\$ 6	\$ -
9990 Statewide Pro Rata	\$ 299	\$ 355	\$ 317	\$ 317
Total Disbursements	\$ 5,221	\$ 5,077	\$ 5,173	\$ 5,264
FUND BALANCE				
Reserve for economic uncertainties	\$ 1,822	\$ 772	\$ -338	\$ -1,539
Months in Reserve	4.3	1.8	-0.8	-3.4