

Agenda Item #7.



BUSINESS CONSUMER SERVICES AND HOUSING AGENCY • GOVERNOR EDMUND G. BROWN, JR.

Board of Vocational Nursing and Psychiatric Technicians
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DATE: October 12, 2016

TO: Board Members

FROM: Kameka Brown, PhD, MBA, NP
Executive Officer

SUBJECT: Discussion and Potential Action on Fee Audit Report

Attached for your review is the Board of Vocational Nursing and Psychiatric Technicians User Fee Audit Report by Capitol Accounting Partners.

California Board of Vocational Nursing and Psychiatric Technicians Report – User Fee Audit



To ensure that only qualified persons are licensed Vocational Nurses and Psychiatric Technicians by enforcing education requirements, standards of practice and by educating consumers of their rights.



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INTRODUCTION AND SCOPE

The mission of the California Board of Vocational Nursing and Psychiatric Technicians (Board) is to protect the public. Public protection is paramount to the Board and its highest priority in exercising its licensing, regulatory and disciplinary functions. The Board exists to protect the health and safety of consumers and promote quality care provided by Vocational Nurses and Psychiatric Technicians. As such, it provides an important public safety function. This project aligns with the mission of the Board by developing the resources so that this mission can be fully executed. Without adequate financial resources, the Board cannot meet this important role of consumer protection.

This report summarizes the processes, procedures, and findings of the Board's fee audit. It details the analysis that resulted in calculations of cost for individual and institutional licenses issued by the Board for licensees operating in the State of California.

In accordance with AB 179 (Hill), the Board of Vocational Nursing and Psychiatric Technicians engaged Capital Accounting Partners to prepare a detailed cost analysis of its fees. The Board's objectives for the study were to ensure that the Board is fully accounting for all of its costs and recovering adequate revenues to be reimbursed for its expenses. The Board's only sources of revenues are fees charged for each of the various licenses. Thus the Board is fully self-supporting so it is vital that the fees charged to licensees fully recover the costs of the program.

The scope of this study included the following objectives:

- Calculate full cost of licenses;
- Determine a fair and equitable method of allocating non-fee expenses, such as enforcement, to each license type;
- Develop revenue projections for 5-10 years to set the cap; and
- Review performance of core business processes.

The process used for collecting and analyzing the data required active participation by the Board's management and staff. We want to take this opportunity to recognize their participation, time, and effort to collect the data and discuss the analysis, results, and recommendations.

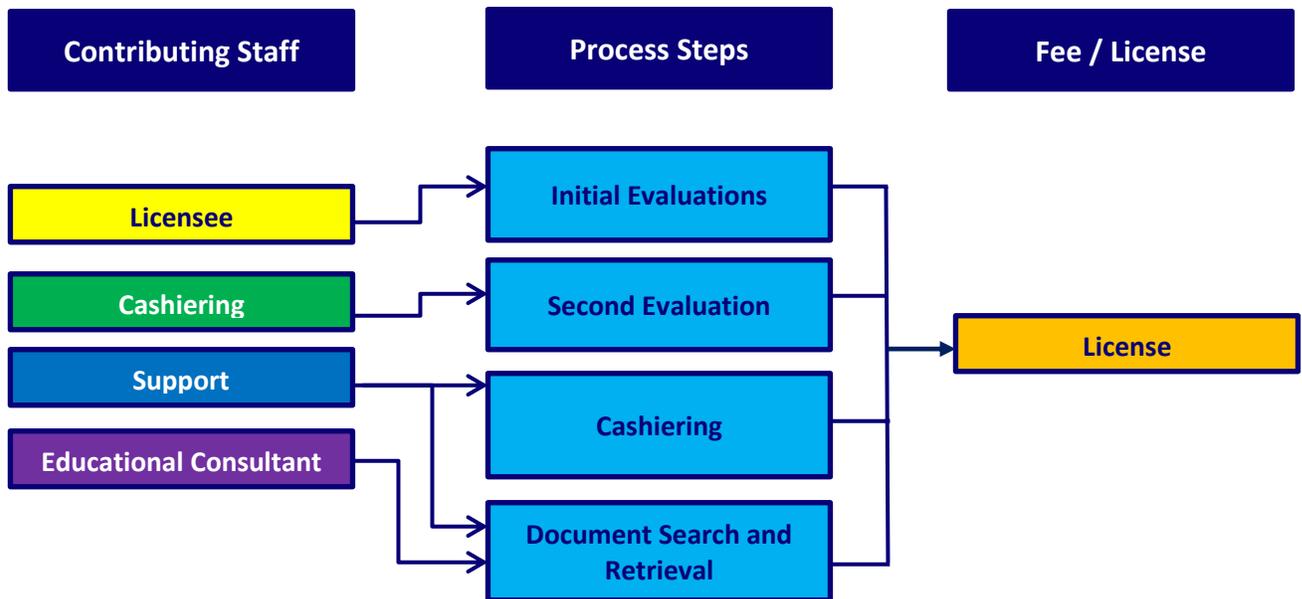
SUMMARY OF COSTING METHODOLOGIES

DRIVER BASED COSTING MODELS

Developing a driver based costing models is a detailed and robust method of calculating the cost of a specific service. It is based on the principles of activity based costing so it seeks to understand cost at an operational level. This means it relies on understanding the time staff invests in core business processes to process certificates and licenses as well as enforcement and administrative services. Graphically, the following figure illustrates this methodology.



Hypothetical Illustration of a Driver Based Costing Model



Step 1: Collect Data – This first step involves discussions with staff to identify those positions within each program that provide and support direct services. It also involves collecting program budget and expenditure data, identifying the salary and benefits for each position, and identifying non-personnel expenditures, as well as any program and Board overhead. Specifically, the steps involve the following:

- **Identifying staff positions** – This includes identifying both position titles and names.
- **Calculating the number of productive hours** – Frequently we will calculate the actual number of productive hours available on an annual basis. However, in this project we used the DCA pre-calculated number of 1,776 hours.
- **Identifying and allocating non-personnel costs** – Costs for materials and supplies are allocated to the salary and benefits for each position.
- **Assigning any other expenses that are budgeted in other areas** – There are often expenses that should be included with the total cost of services. Examples of such costs might include amortized capital expenses for vehicles and technology.
- **Identifying core business processes or activities** – This step also involves discussions with staff to understand, at an operational level, the work of the operating unit. Core business processes used to provide services are identified and then defined by the tasks that are involved. Processes are also organized by direct and indirect categories.
- **Direct processes and activities** – Those processes that directly contribute to the processing of an application or certificate are first identified. Evaluation of the license application is the most notable example.



- **Indirect processes and activities** – Those processes that support, but do not directly apply to the processing of a specific license. An example of an indirect activity is customer service and cashiering.

Step 2: Building cost structures – This second step involves significant interaction with staff and the development of time estimates for both direct and indirect processes in each program area. Specifically, this step is at the core of the analysis. There are three processes that comprise this step:

- **Gathering time estimates for direct processes** – By interviewing staff in individual and group meetings, an estimate of time was assigned to each service by the process that is indicated. The sum of all the process steps is the total time that is required to provide that specific service.
- **Assigning indirect time** – An annual time estimate is gathered from staff for those indirect or support processes in which they are involved. These include Board as well as program administration, customer service, and educational consultants.
- **Calculating fully loaded hourly rates and the cost of service** – Once the total time for each direct and indirect service is estimated, the cost of service is calculated by using the fully loaded hourly rates for each staff member or position that is involved with the service. The fully loaded hourly rate for each employee is based on the employee's salary and benefit costs plus a share of non-personnel and Board overhead costs divided by the employee's available work hours (i.e. 2,080 hours minus all leave hours). Thus, the direct and indirect cost by activity also includes program and Board overhead as well as non-labor costs.
- **Gathering activity or volume data** – A critical element in the analysis is the number of times a given license or certificate is provided on an annual basis. This is critical data for three reasons:
 - It allows a calculated projection of current revenue based on current prices. This is compared with actual revenue to see if there is a close match as the data should match.
 - It allows for a calculated projection of revenue at full cost. This is compared to actual expenditures to see if there is a close match as the data should match.
 - It allows for a calculation of total hours consumed. Hours consumed must closely match actual hours available.

If any of the three calculations do not approximate actual numbers, then time estimates and/or volume data need to be re-evaluated. These are critical quality checks for costing accuracy.

Step 3: Allocating enforcement and other support activities – This third step allocates enforcement activities to arrive at the full cost of service for each direct license or certificate. Thus, the final cost layers are brought together to establish the full cost of service. For the Board of Vocational Nursing and Psychiatric Technicians, this is a significant step as a high percentage of its costs are centered in enforcement activities, complaint resolutions, and discipline. To do this, we calculated a cost per license for enforcement activities.

Step 4: Set cost recovery policy – Depending on Board policies and other considerations, the level of cost recovery is a decision that should be made for each type or group of licenses. For example, the Board may want to subsidize one type of licenses with revenues from others.



Step 5: Set fees

Fees should be based on any cost recovery policy and at a price that will fully recover the Board's cost and provide a sustainable future.

QUALITY ASSURANCE

Assuring the accuracy and quality of results is an important function of the analysis. Our approach builds on the concept that a quality process assures a quality outcome. Besides focusing on a quality process we also incorporate quantitative checks of our results. These quantitative checks include:

1. Are the total costs that we have coming into the model (the budget) equal the total costs coming out of the model (projected revenues)?
2. Are the total number of staff hours available fully accounted for in the model?
3. Does the projection of annual revenues (current) built into the cost model reasonably match actual or projected revenues by the DCA budget office?

When our results fall into reasonable ranges, then we have the assurance that we have quality results. The following graphic reflects the results of our quality assurance checks.

<i>Resource and Revenue Comparisons</i>	
Total Resources Available (Budgeted)	\$ 15,194,000
Total Resources Assigned (Expenses Consumed)	\$ 15,194,000
Difference	\$ (0.00)
Total Hours Available (Budgeted Positions)	120,590
Total Hours Assigned (Hours Consumed)	120,590
Difference	(0.00)
Projected Revenue Based On Costing Model	\$ 15,194,000
Revenue Projected from Current Fees	\$ 12,003,578
Additional Revenue (Projected)	\$ 3,190,422
Projected Revenue from analysis	\$ 12,003,578
Actual Revenue Projected (15/16 Sunset Review)	\$ 12,002,000
Difference	\$ 1,578



SUMMARY OF FINDINGS – FISCAL 2016-2017

PRIMARY DATA SOURCES

For this project, there are three primary sources of data that has driven the analysis:

1. Budgeted expense data (2016/17), which includes:
 - a. Salaries and benefit expenditures;
 - b. Services and supplies;
 - c. Overhead, including both Department and State prorate allocations; and
 - d. External enforcement costs from the Attorney General's Office, the Office of Admin. Hearings, and evidence / witness fees.
2. Time estimates for staff to process each license type, broken down by core processes or activities. These included such activities as:
 - a. Cashiering and mail processing,
 - b. Evaluating the application or file,
 - c. Auditing of CE credits,
 - d. Coordinating testing retakes,
 - e. Enforcement review of new applications, and
 - f. Educational evaluation (to evaluate educational programs).
3. Activity data such as the annual number of processes each license type. The following table is an example of these data.



Vocational Nursing Fee Categories	
Application Type	Annual Licenses Issued
Initial application for examination and license fee - California Vocational Nursing Program Graduate *	7,878
Initial application for examination and license fee - Non California Vocational Nursing Program Graduate *	1,969
Endorsement and License Fee	1,590
Verification of a California License to another State Board *	
Certification of a California License to a non-state Board *	
Request of Educational Documentation *	
Reexamination application fee	5,868
Interim Permit	137
Biennial Renewal for 2 years**	42,498
Delinquent Fee	1,759
Duplicate License	1,022
Initial license fee	7,319

* Indicates a new fee or a fee that has been substantially revised

ASSUMPTIONS USED IN THE COSTING MODEL

EXPENSE DATA – CURRENT BUDGET

In all cases fiscal 2016/2017 budget data has been used. Outside of using a ten-year average for the inclusion additional costs for DCA enforcement costs, and annualizing some capital expenses no modifications to the current budget has been made. Therefore, the results are based on the assumption that all of the budget will be consumed in the services of the Board.

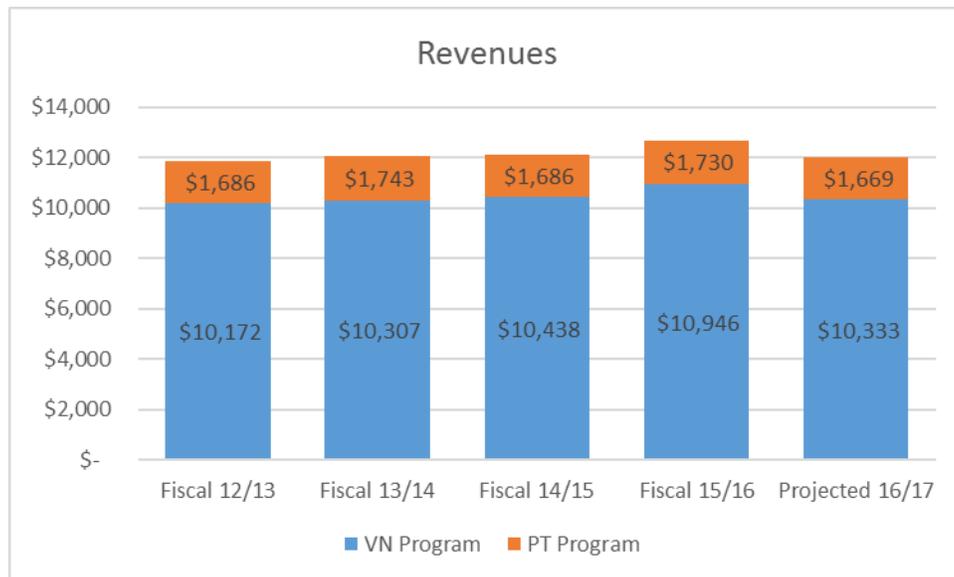
REVENUES – CONSISTENT ACTIVITY DATA

A significant component of the analysis is dependent upon annual activity data. Specifically, the number of times each license is processed on an annual basis. This is important to the analyses for two reasons:

- Activity data drives the total consumption of staff hours. If the activity data is not correct it will either over assign staff time or under estimate staff time relative to the total time that is available.
- Projecting revenue. If the number of applications for licenses vary wildly on an annual basis, projecting revenue will be challenging. However, if the number of applications for licenses is stable, then revenues will be stable.



In this analysis, we reviewed activity and revenue data (which is derived by the number of applicants) and the history reflects stable application data. In other words, the number of licensees applying for licenses is stable as the following graph illustrates:





DIRECT VS. INDIRECT ALLOCATED COSTS

For this analysis, direct costs are being defined as the direct time required to process a specific application type. This is driven off a calculation of a productive hourly rate for each staff position. This rate includes salaries, benefits, and a prorated amount for services and supplies. Then indirect costs are layered on top of the direct costs to establish the full cost of issuing the license. The following is an example:

Example - Cost Calculation			
Application Type	Processing Requirement (in hours)	Position PHR	Direct Cost Assignment
Curriculum revision - major	9.53	\$ 83.90	\$ 800
Sources of Indirect Costs			Total Indirect Cost Assignment
Dept/State ProRata	Allocation basis= Direct Cost		\$409
Dept Management & Administration			\$677
Provide Support Services (Counter, Mail Room, Info systems, Cashiering, etc)			\$1,052
Total Cost			\$2,939

RESULTS BASED ON FISCAL 2016/17 FISCAL YEAR

Based on fiscal 2016/17 budgeted expenditures and a projection of revenue we anticipate a revenue shortfall of \$3,190,422. This includes \$1,500,000 of additional projected costs from the use of DCA Enforcement staff, which is a projected average over the next ten years.

ALLOCATING COSTS OF ENFORCEMENT

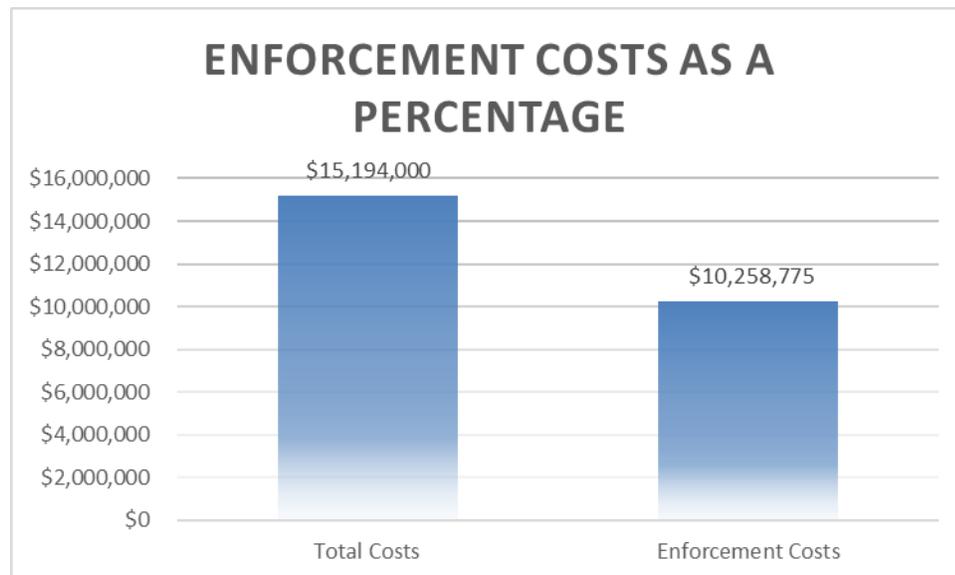
Enforcement costs are a significant cost of total Board expenditures. Enforcement costs come in three different types:

1. Internal costs associated with the following activities:
 - a. Provide complaint evaluation and resolution,
 - b. Provide investigations into complaints: and
 - c. Coordinate and manage discipline/probationers.



2. Additional DCA cost from their Peace Officers to provide investigations into complaints; and
3. External costs associated with the California State Attorney General's Office, Office of Administrative Hearings, and Evidence & Witness costs.

In total, enforcement accounts for 67.5% of total costs as the following graph will illustrate.



Therefore, the method of allocating or assigning these costs are important. There are several potential methods of allocating these costs. Among these are:

1. Treating enforcement like an administrative overhead function and allocating the cost on a simple prorated amount;
2. Allocating enforcement costs on the basis of direct cost of each license; and
3. Calculating a flat cost per license.

After discussions with staff, we determined that calculating a flat cost per license was the most equitable means of recovering the cost of enforcement activities. Therefore, every license carries a cost of \$134.61 to recover the cost of enforcement. The exception to this are the new educational provider licenses where the Educational Consultants are providing all enforcement activities.

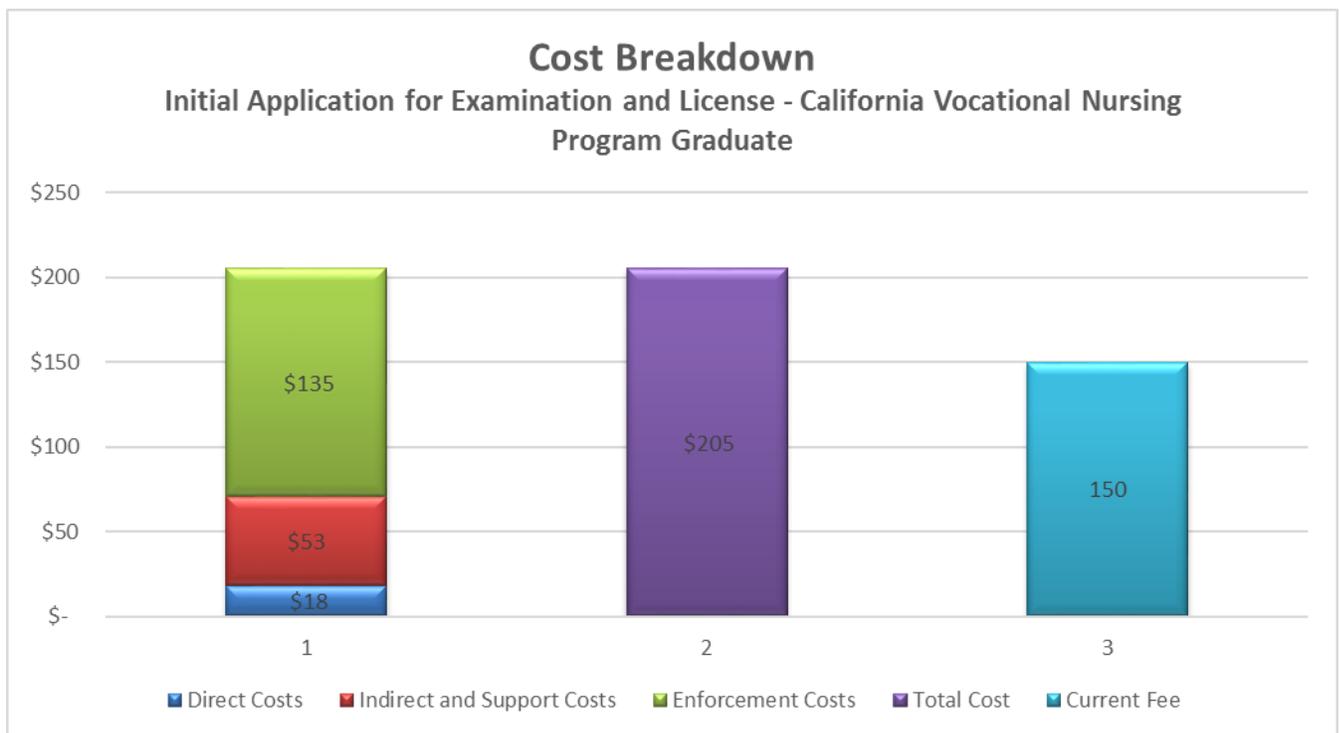
CHANGES TO DCA ASSIGNED COST OF ENFORCEMENT

Discussions with DCA and Board staff revealed that incoming cost for DCA Peace Officers and their use by the Board will be changing over the next several fiscal years. As a way of mitigating these fluctuations an additional \$1,500,000 was added to the current cost model. This is an amount that was agreed upon by DCA staff and Board staff as a reasonable average of additional cost over the next 10 years.



EXAMPLE OF IMPACT OF ENFORCEMENT ALLOCATION

The impact of this allocation model can best be seen in one of the new fees that has been developed. This new fee, in actuality, is a restructuring of a current fee – initial application for examination. The following graphic illustrates the impact of assigning a specific enforcement cost to each licensee and compares this to the current fee that is charged.

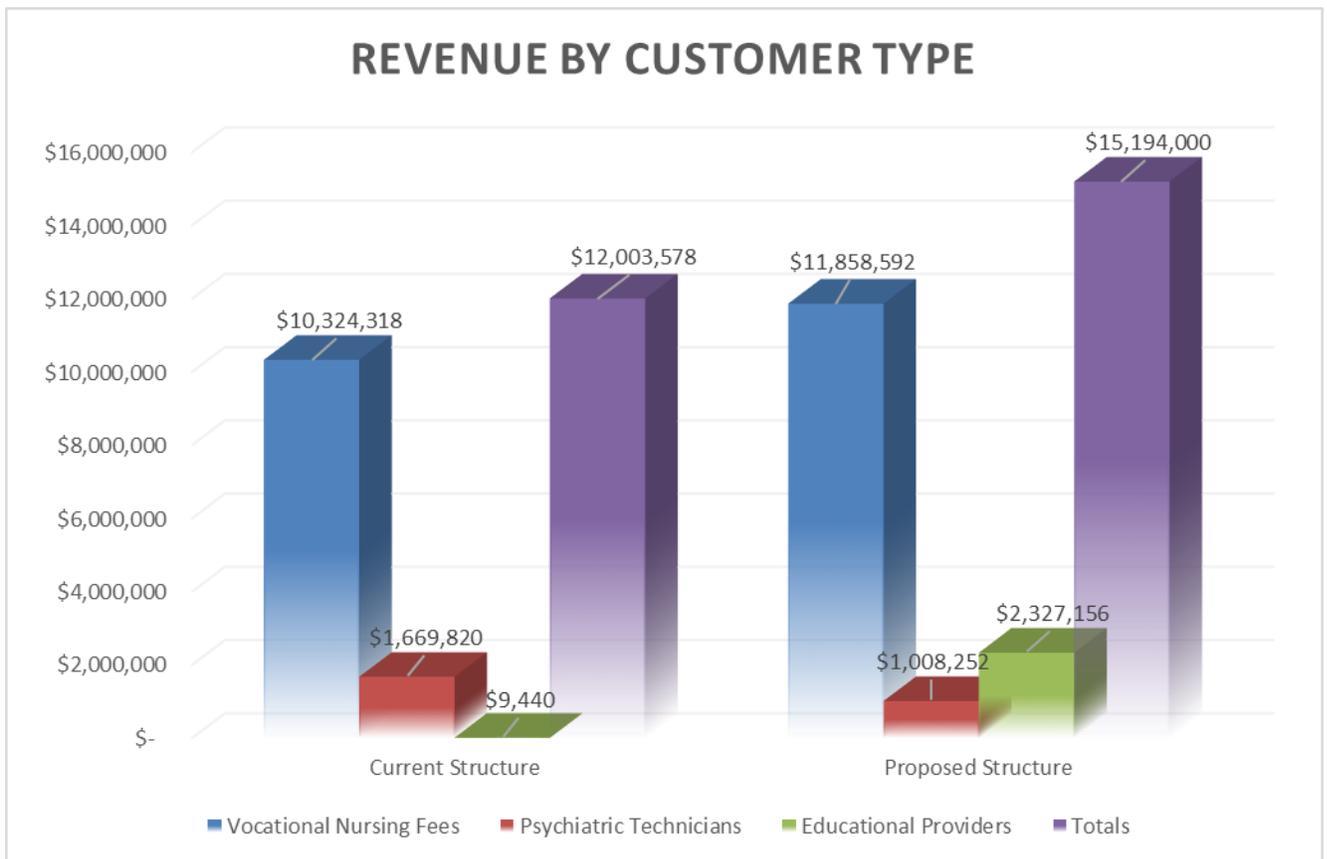


CHANGES TO FEE SCHEDULE

As part of the project, we reviewed individual fee items which resulted in a significant restructuring of fees. Because of this, new fees have been added and existing fees have been redesigned. The primary change comes in the addition of several new fees designed to charge providers of educational programs for the evaluation and oversight they require. Therefore, nine new fees have been added to the master fee schedule. Without these new fees, these institutional costs would have to be borne by individual Vocational Nurses and Psychiatric Technicians.



The result of this is a lowering of revenues from the Psychiatric Technicians and additional revenues coming from the educational providers. A comparison of revenues based on the current fee structure and the proposed fee structure follows.



A DETAILED BREAKDOWN OF COSTS ASSOCIATED WITH EACH FEE CAN BE REVIEWED IN APPENDIX #1.

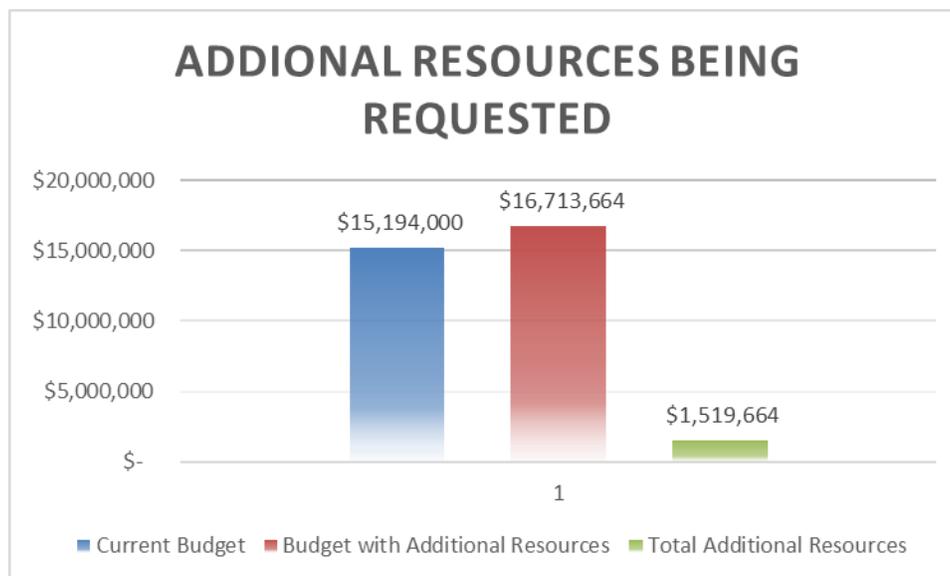


PROPOSED ADDITIONAL EXPENDITURES

Additional resources have been requested by the Board's executive leadership. In addition, usual and customary operating expenses have been included with the addition of new staff. Expenses for these additional resources have come from the DCA budget office. In summary, the additional costs can be outlined below.

Work Group or Technology	Additional Cost Requested
1. Nine additional staff for the Educational Consultants work group;	\$1,072,996 *
2. Six additional staff for responding to telephone calls which have been added to the Support work group; and	\$421,916 *
3. New phone system to allow more calls from licensees into the system.	\$110,000 * prorated over a ten-year useful life
* Indicates equipment has been prorated in the cost calculations.	

In graphical form, the additional costs that have been built into an additional costing model follow.





IMPACT OF ADDITIONAL RESOURCES

With no adjustments to fee levels, these additional resources will result in a revenue shortfall of \$4,707,334. As stated earlier, this includes \$1,500,000 of DCA enforcement staff. This is projected to be a 10 year average of DCA supplied enforcement costs.

For individual fee items, the greatest impact of these additional resources is seen in the new fees for educational institutions and secondarily on the Vocational Nursing and Psychiatric Nursing fees. The change in fees for educational institutions follow:

Educational Provider Fee Categories	Fees From Current Budget	Fees With New Resources
Initial approval to operate a nursing program	\$ 5,877	\$ 12,287
Program re-evaluation every 4 years	\$ 4,995	\$ 10,444
Curriculum revision - major	\$ 2,938	\$ 6,143
Curriculum revision - minor	\$ 1,469	\$ 3,072
Continuing Education Provider (Voc Nursing and Psych Tech)	\$ 1,175	\$ 2,457
I.V. Course provider certification	\$ 588	\$ 1,229
Blood Withdrawal Course provider certification (Voc Nursing and Psych Tech)	\$ 588	\$ 1,229
I.V. & B.W. Course provider certification (combination)	\$ 588	\$ 1,229

CHANGES IN ENFORCEMENT AND OTHER FEES

The reader will note that the cost for many individual fee categories drop with the additional resources that have been requested. For example, the cost associated with enforcement drops from \$134.61 to \$125.66 / license. The reason for this is that the costs associated with Board administrative overhead as well as State and Department overhead are now being spread over a different set of costs. In short, because the majority of new costs are being added to the Educational work group, more overhead costs are flowing to Educational fees and less to the individual nursing and technician fees.

A DETAILED BREAKDOWN OF COSTS ASSOCIATED WITH EACH FEE CAN BE REVIEWED IN APPENDIX #2.



OBSERVATIONS AND RECOMMENDATIONS

GENERAL OBSERVATIONS

The primary observation that we have in evaluating fees and appropriate fee levels is that there has not been a pattern, practice, or history of regular fee adjustments. This is not unlike many of the boards and bureaus that make up the Department.

SPECIFIC RECOMMENDATIONS

SET CAPS AND ADJUST FEES REGULARLY

In our view, one of the most important outcomes of a study of fees is a policy to adjust fees regularly. Staff generally receive regular cost of living adjustments, nurses and technicians generally receive cost of living adjustments, and fees should be adjusted regularly as well.

We have provided a 10 year forward projection of fees based on an annual increase of 4.5%. We would recommend working with the State Legislature to set the CAPS at either the 5 or 10 year amount. Then adjusting fees annually or at least bi-annually to maintain alignment of revenues and expenditures. We would also recommend a formal audit of fees at the 5 year mark as processing requirements can change dramatically within this time frame.

It would also be our recommendation that adjusting fees on a regular basis be established in either practice or policy.

ESTABLISH FEES FOR EDUCATIONAL INSTITUTIONS

Requirements of the Educational Consultants have increased in recent years. One of the challenges is that many of the new institutions that are developing programs for Vocational Nursing and Psychiatric Technicians are not traditional 2 and 4 year institutions of higher education. This trend is putting stress on the work group as they often have to review programs that are not up to a standard that the traditional 2 or 4-year institutions might produce. This also means that more of these institutions are coming under provisional approval which puts additional requirements for this work group.



APPENDICES

APPENDIX 1:

- Pages 1-2 shows the analysis of cost for each individual fee item and the comparison of revenues at full cost and at current prices;
- Pages 3-4 shows the results of applying a 4.5% annual escalator to the current fee. These can be used to set the CAPS for individual licenses.

APPENDIX 2:

The second appendix shows the same as appendix number 1 but with the costs of additional resources that have been requested by the Board's Executive staff.

- Pages 1-2 shows the analysis of cost for each individual fee item and the comparison of revenues at full cost and at current prices;
- Pages 3-4 shows the results of applying a 4.5% annual escalator to the current fee. These can be used to set the CAPS for individual licenses.

Board of Vocational Nursing and Psychiatric Technicians

Licensing & Misc Fees / Budgeted Costs



Service #	Fee Name	Notes	Actual Work Volume	Unit Cost Summary						Annual Cost Calculations w/o Reserves		
				Direct Unit Cost	Allocated Support Costs	Enforcement Allocation	Total Cost Assigned	Current Fee / Revenue	Unit Surcharge or (Subsidy)	Revenue at Full Cost of Services	Projection of Revenues at Current Fees	Annual Surplus (subsidy)
				\$ -						\$ -		
Educational Provider Fee Categories												
New	Initial approval to operate a nursing program		20	\$ 1,599	\$4,278		\$5,877		(\$5,877)	\$ 117,544.82		(\$117,545)
New	Program re-evaluation every 4 years		50	\$ 1,359	\$3,636		\$4,996		(\$4,996)	\$ 249,782.74		(\$249,783)
New	Curriculum revision - major		16	\$ 800	\$2,139		\$2,939		(\$2,939)	\$ 47,017.93		(\$47,018)
New	Curriculum revision - minor		1,250	\$ 400	\$1,070		\$1,469		(\$1,469)	\$ 1,836,637.81		(\$1,836,638)
New	Continuing Education Provider (Voc Nursing and Psych Tech)		46	\$ 320	\$856		\$1,175	\$ 200	(\$975)	\$ 54,070.62	\$9,200	(\$44,871)
New	I.V. Course provider certification		8	\$ 160	\$428		\$588		(\$588)	\$ 4,701.79		(\$4,702)
New	Blood Withdrawal Course provider certification (Voc Nursing and Psych Tech)		12	\$ 160	\$428		\$588	\$ 20	(\$568)	\$ 7,052.69	\$240	(\$6,813)
New	I.V. & B.W. Course provider certification (combination)		18	\$ 160	\$428		\$588		(\$588)	\$ 10,579		(\$10,579)
				\$ -						\$ -		
				\$ -						\$ -		
Fee # 325		Current		\$ -						\$ -		

Annual Revenue Impacts		
Revenue at Full Cost of Services	Projection of Revenues at Current Fees	Annual Surplus (subsidy)
\$ 15,194,000	\$ 12,003,578	(\$3,190,422)

Board of Vocational Nursing and Psychiatric Technicians

Licensing & Misc Fees / Budgeted Costs



Ten Year Projection of Fee Requirements											
Service #	Fee Name	Year #1	Year #2	Year #3	Year #4	Year #5	Year #6	Year #7	Year #8	Year #9	Year #10
Vocational Nursing Fee Categories		4.5% Annual Increase									
New	Initial application for examination and license fee - California Vocational Nursing Program Graduate	\$215	\$224	\$234	\$245	\$256	\$267	\$279	\$292	\$305	\$319
New	Initial application for examination and license fee - Non California Vocational Nursing Program Graduate	\$215	\$224	\$234	\$245	\$256	\$267	\$279	\$292	\$305	\$319
8	Endorsement and License Fee	\$174	\$182	\$190	\$198	\$207	\$217	\$226	\$236	\$247	\$258
New	Verification of a California License to another State Board	\$213	\$223	\$233	\$243	\$254	\$266	\$278	\$290	\$303	\$317
New	Certification of a California License to a non-state Board	\$213	\$223	\$233	\$243	\$254	\$266	\$278	\$290	\$303	\$317
New	Request of Educational Documentation	\$240	\$250	\$262	\$274	\$286	\$299	\$312	\$326	\$341	\$356
2	Reexamination application fee	\$174	\$182	\$190	\$198	\$207	\$217	\$226	\$236	\$247	\$258
3	Interim Permit	\$174	\$182	\$190	\$198	\$207	\$217	\$226	\$236	\$247	\$258
5	Biennial Renewal for 2 years**	\$173	\$181	\$189	\$198	\$207	\$216	\$226	\$236	\$247	\$258
6	Delinquent Fee	\$157	\$164	\$171	\$179	\$187	\$195	\$204	\$213	\$223	\$233
7	Duplicate License	\$157	\$164	\$171	\$179	\$187	\$195	\$204	\$213	\$223	\$233
4	Initial license fee	\$157	\$164	\$171	\$179	\$187	\$195	\$204	\$213	\$223	\$233
Psychiatric Technician Fee Categories		\$ -									
New (4)	Initial application for examination and license fee - California Psych Tech Program Graduate	\$277	\$289	\$302	\$316	\$330	\$345	\$360	\$377	\$394	\$411
New (4)	Initial application for examination and license fee - Non California Psych Tech Program Graduate	\$303	\$317	\$331	\$346	\$362	\$378	\$395	\$413	\$431	\$451
New (8)	Endorsement and License Fee	\$240	\$250	\$262	\$274	\$286	\$299	\$312	\$326	\$341	\$356
New	Verification of a California License to another State Board	\$240	\$250	\$262	\$274	\$286	\$299	\$312	\$326	\$341	\$356
New	Certification of a California License to a non-state Board	\$240	\$250	\$262	\$274	\$286	\$299	\$312	\$326	\$341	\$356
New	Request of Educational Documentation	\$240	\$250	\$262	\$274	\$286	\$299	\$312	\$326	\$341	\$356
2	Reexamination application fee	\$174	\$182	\$190	\$198	\$207	\$217	\$226	\$236	\$247	\$258
3	Interim Permit	\$174	\$182	\$190	\$198	\$207	\$217	\$226	\$236	\$247	\$258
5	Biennial Renewal for 2 years	\$173	\$181	\$189	\$198	\$207	\$216	\$226	\$236	\$247	\$258
6	Delinquent Fee	\$174	\$182	\$190	\$198	\$207	\$217	\$226	\$236	\$247	\$258
7	Duplicate License	\$174	\$182	\$190	\$198	\$207	\$217	\$226	\$236	\$247	\$258
4	Initial license for 2 years	\$157	\$164	\$171	\$179	\$187	\$195	\$204	\$213	\$223	\$233
Miscellaneous Fees		\$ -									
	Change in name and/or address	\$33	\$35	\$36	\$38	\$39	\$41	\$43	\$45	\$47	\$49

Board of Vocational Nursing and Psychiatric Technicians

Licensing & Misc Fees / Budgeted Costs



Ten Year Projection of Fee Requirements											
Service #	Fee Name	Year #1	Year #2	Year #3	Year #4	Year #5	Year #6	Year #7	Year #8	Year #9	Year #10
Educational Provider Fee Categories											
New	Initial approval to operate a nursing program	\$6,142	\$6,418	\$6,707	\$7,009	\$7,324	\$7,654	\$7,998	\$8,358	\$8,734	\$9,127
New	Program re-evaluation every 4 years	\$5,220	\$5,455	\$5,701	\$5,957	\$6,225	\$6,506	\$6,798	\$7,104	\$7,424	\$7,758
New	Curriculum revision - major	\$3,071	\$3,209	\$3,353	\$3,504	\$3,662	\$3,827	\$3,999	\$4,179	\$4,367	\$4,564
New	Curriculum revision - minor	\$1,535	\$1,605	\$1,677	\$1,752	\$1,831	\$1,913	\$2,000	\$2,090	\$2,184	\$2,282
New	Continuing Education Provider (Voc Nursing and Psych Tech)	\$1,228	\$1,284	\$1,341	\$1,402	\$1,465	\$1,531	\$1,600	\$1,672	\$1,747	\$1,825
New	I.V. Course provider certification	\$614	\$642	\$671	\$701	\$732	\$765	\$800	\$836	\$873	\$913
New	Blood Withdrawal Course provider certification (Voc Nursing and Psych Tech)	\$614	\$642	\$671	\$701	\$732	\$765	\$800	\$836	\$873	\$913
New	I.V. & B.W. Course provider certification (combination)	\$614	\$642	\$671	\$701	\$732	\$765	\$800	\$836	\$873	\$913
Fee # 325											

Annual Revenues (Projected)										
Year #1	Year #2	Year #3	Year #4	Year #5	Year #6	Year #7	Year #8	Year #9	Year #10	
\$ 15,879,355	\$ 16,593,926	\$ 17,340,653	\$ 18,120,982	\$ 18,936,427	\$ 19,788,566	\$ 20,679,051	\$ 21,609,608	\$ 22,582,041	\$ 23,598,233	

APPENDIX 2:

The second appendix shows the same as appendix number 1 but with the costs of additional resources that have been requested by the Board's Executive staff.

- Pages 1-2 shows the analysis of cost for each individual fee item and the comparison of revenues at full cost and at current prices;
- Pages 3-4 shows the results of applying a 4.5% annual escalator to the current fee. These can be used to set the CAPS for individual licenses.

Board of Vocational Nursing and Psychiatric Technicians

Licensing & Misc Fees / Additional Resources



Service #	Fee Name	Notes	Actual Work Volume	Unit Cost Summary						Annual Cost Calculations w/o Reserves		
				Direct Unit Cost	Allocated Support Costs	Enforcement Allocation	Total Cost Assigned	Current Fee / Revenue	Unit Surcharge or (Subsidy)	Revenue at Full Cost of Services	Projection of Revenues at Current Fees	Annual Surplus (subsidy)
				\$ -						\$ -		
Educational Provider Fee Categories												
New	Initial approval to operate a nursing program		20	\$ 4,234	\$8,053		\$12,287		(\$12,287)	\$ 245,747.94		(\$245,748)
New	Program re-evaluation every 4 years		50	\$ 3,599	\$6,845		\$10,444		(\$10,444)	\$ 522,214.37		(\$522,214)
New	Curriculum revision - major		16	\$ 2,117	\$4,026		\$6,144		(\$6,144)	\$ 98,299.18		(\$98,299)
New	Curriculum revision - minor		1,250	\$ 1,059	\$2,013		\$3,072		(\$3,072)	\$ 3,839,811.58		(\$3,839,812)
New	Continuing Education Provider (Voc Nursing and Psych Tech)		46	\$ 847	\$1,611		\$2,457	\$ 200	(\$2,257)	\$ 113,044.05	\$9,200	(\$103,844)
New	I.V. Course provider certification		8	\$ 423	\$805		\$1,229		(\$1,229)	\$ 9,829.92		(\$9,830)
New	Blood Withdrawal Course provider certification (Voc Nursing and Psych Tech)		12	\$ 423	\$805		\$1,229	\$ 20	(\$1,209)	\$ 14,744.88	\$240	(\$14,505)
New	I.V. & B.W. Course provider certification (combination)		18	\$ 423	\$805		\$1,229		(\$1,229)	\$ 22,117		(\$22,117)
				\$ -						\$ -		
				\$ -						\$ -		
Fee # 325		Current		\$ -						\$ -		

Annual Revenue Impacts		
Revenue at Full Cost of Services	Projection of Revenues at Current Fees	Annual Surplus (subsidy)
\$ 16,710,912	\$ 12,003,578	(\$4,707,334)

Board of Vocational Nursing and Psychiatric Technicians

Licensing & Misc Fees / Additional Resources



		Ten Year Projection of Fee Requirements									
Service #	Fee Name	Year #1	Year #2	Year #3	Year #4	Year #5	Year #6	Year #7	Year #8	Year #9	Year #10
Vocational Nursing Fee Categories		4.5% Annual Increase									
New	Initial application for examination and license fee - California Vocational Nursing Program Graduate	\$195	\$204	\$213	\$223	\$233	\$243	\$254	\$266	\$278	\$290
New	Initial application for examination and license fee - Non California Vocational Nursing Program Graduate	\$195	\$204	\$213	\$223	\$233	\$243	\$254	\$266	\$278	\$290
8	Endorsement and License Fee	\$160	\$167	\$175	\$183	\$191	\$200	\$209	\$218	\$228	\$238
New	Verification of a California License to another State Board	\$195	\$203	\$213	\$222	\$232	\$243	\$253	\$265	\$277	\$289
New	Certification of a California License to a non-state Board	\$195	\$203	\$213	\$222	\$232	\$243	\$253	\$265	\$277	\$289
New	Request of Educational Documentation	\$218	\$227	\$238	\$248	\$259	\$271	\$283	\$296	\$309	\$323
2	Reexamination application fee	\$160	\$167	\$175	\$183	\$191	\$200	\$209	\$218	\$228	\$238
3	Interim Permit	\$160	\$167	\$175	\$183	\$191	\$200	\$209	\$218	\$228	\$238
5	Biennial Renewal for 2 years**	\$160	\$167	\$175	\$182	\$191	\$199	\$208	\$218	\$227	\$238
6	Delinquent Fee	\$145	\$152	\$158	\$166	\$173	\$181	\$189	\$197	\$206	\$216
7	Duplicate License	\$145	\$152	\$158	\$166	\$173	\$181	\$189	\$197	\$206	\$216
4	Initial license fee	\$145	\$152	\$158	\$166	\$173	\$181	\$189	\$197	\$206	\$216
Psychiatric Technician Fee Categories		\$ -									
New (4)	Initial application for examination and license fee - California Psych Tech Program Graduate	\$249	\$261	\$272	\$285	\$297	\$311	\$325	\$339	\$355	\$371
New (4)	Initial application for examination and license fee - Non California Psych Tech Program Graduate	\$273	\$285	\$298	\$311	\$325	\$340	\$355	\$371	\$388	\$405
New (8)	Endorsement and License Fee	\$218	\$227	\$238	\$248	\$259	\$271	\$283	\$296	\$309	\$323
New	Verification of a California License to another State Board	\$218	\$227	\$238	\$248	\$259	\$271	\$283	\$296	\$309	\$323
New	Certification of a California License to a non-state Board	\$218	\$227	\$238	\$248	\$259	\$271	\$283	\$296	\$309	\$323
New	Request of Educational Documentation	\$218	\$227	\$238	\$248	\$259	\$271	\$283	\$296	\$309	\$323
2	Reexamination application fee	\$160	\$167	\$175	\$183	\$191	\$200	\$209	\$218	\$228	\$238
3	Interim Permit	\$160	\$167	\$175	\$183	\$191	\$200	\$209	\$218	\$228	\$238
5	Biennial Renewal for 2 years	\$160	\$167	\$175	\$182	\$191	\$199	\$208	\$218	\$227	\$238
6	Delinquent Fee	\$160	\$167	\$175	\$183	\$191	\$200	\$209	\$218	\$228	\$238
7	Duplicate License	\$160	\$167	\$175	\$183	\$191	\$200	\$209	\$218	\$228	\$238
4	Initial license for 2 years	\$145	\$152	\$158	\$166	\$173	\$181	\$189	\$197	\$206	\$216
Miscellaneous Fees		\$ -									
	Change in name and/or address	\$29	\$30	\$31	\$33	\$34	\$36	\$38	\$39	\$41	\$43

Board of Vocational Nursing and Psychiatric Technicians

Licensing & Misc Fees / Additional Resources



		Ten Year Projection of Fee Requirements									
Service #	Fee Name	Year #1	Year #2	Year #3	Year #4	Year #5	Year #6	Year #7	Year #8	Year #9	Year #10
Educational Provider Fee Categories											
New	Initial approval to operate a nursing program	\$12,840	\$13,418	\$14,022	\$14,653	\$15,312	\$16,001	\$16,721	\$17,474	\$18,260	\$19,082
New	Program re-evaluation every 4 years	\$10,914	\$11,405	\$11,919	\$12,455	\$13,015	\$13,601	\$14,213	\$14,853	\$15,521	\$16,220
New	Curriculum revision - major	\$6,420	\$6,709	\$7,011	\$7,326	\$7,656	\$8,001	\$8,361	\$8,737	\$9,130	\$9,541
New	Curriculum revision - minor	\$3,210	\$3,355	\$3,505	\$3,663	\$3,828	\$4,000	\$4,180	\$4,368	\$4,565	\$4,770
New	Continuing Education Provider (Voc Nursing and Psych Tech)	\$2,568	\$2,684	\$2,804	\$2,931	\$3,062	\$3,200	\$3,344	\$3,495	\$3,652	\$3,816
New	I.V. Course provider certification	\$1,284	\$1,342	\$1,402	\$1,465	\$1,531	\$1,600	\$1,672	\$1,747	\$1,826	\$1,908
New	Blood Withdrawal Course provider certification (Voc Nursing and Psych Tech)	\$1,284	\$1,342	\$1,402	\$1,465	\$1,531	\$1,600	\$1,672	\$1,747	\$1,826	\$1,908
New	I.V. & B.W. Course provider certification (combination)	\$1,284	\$1,342	\$1,402	\$1,465	\$1,531	\$1,600	\$1,672	\$1,747	\$1,826	\$1,908
Fee # 325											

Annual Revenues (Projected)									
Year #1	Year #2	Year #3	Year #4	Year #5	Year #6	Year #7	Year #8	Year #9	Year #10
\$ 17,464,380	\$ 18,250,277	\$ 19,071,540	\$ 19,929,759	\$ 20,826,598	\$ 21,763,795	\$ 22,743,166	\$ 23,766,609	\$ 24,836,106	\$ 25,953,731

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California Board of Vocational Nurses and Psychiatric Technicians

Report - Fee Audit
October 2016

Presentation Outline

1. Scope and Methodology;
2. Fee Requirements – Budget 2016/17;
3. Fee Requirements – Additional Resources Requested;
4. Recommendations.

The Project

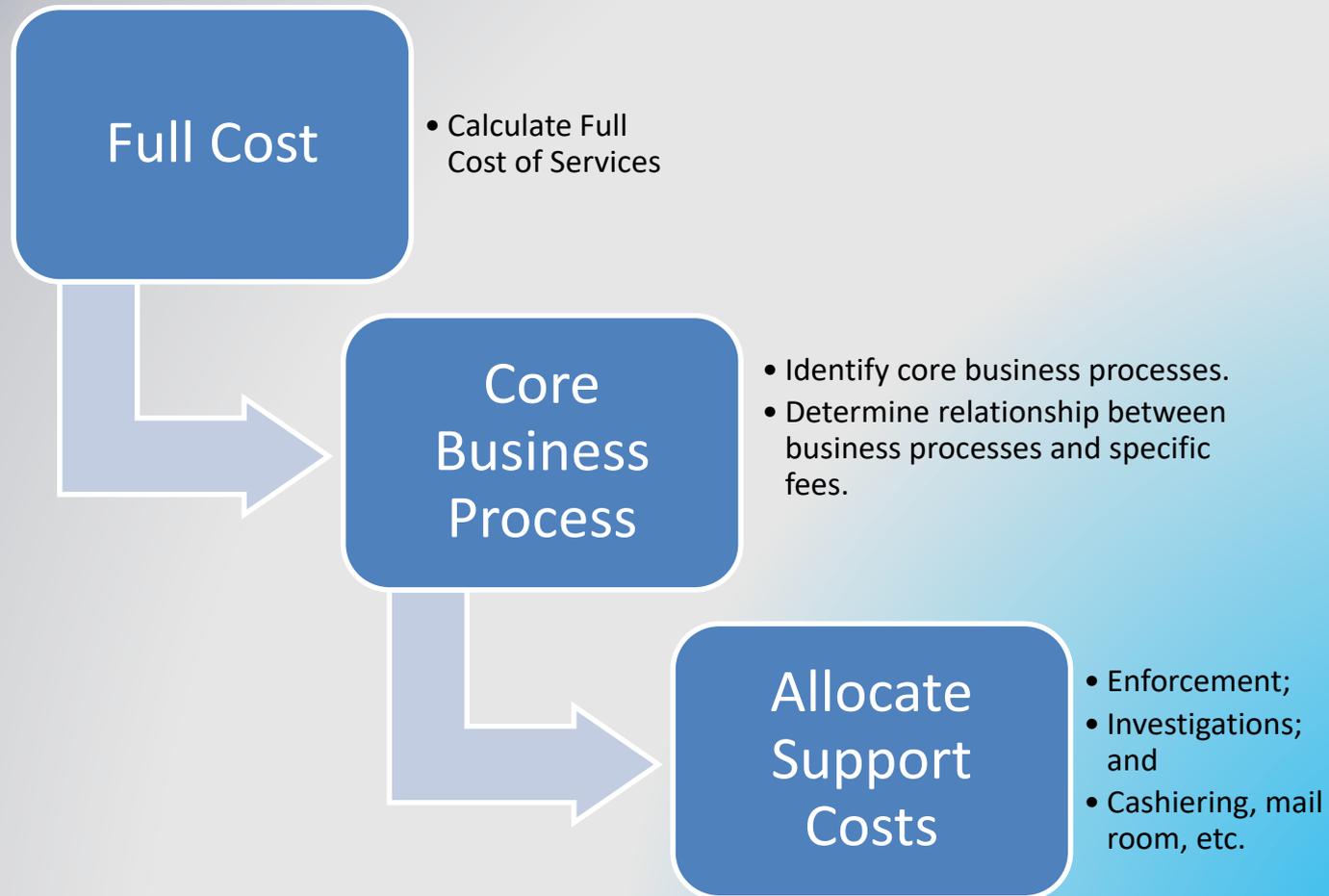
Scope and Methodology

Developing a Plan for Long
Term Sustainability

Project Scope

- Calculate full cost of processing licenses for individual licensees and educational institutions;
- Calculate the direct cost of processing licenses and the allocation of support costs such as:
 - Investigations;
 - Enforcement; and
 - Other support functions that may apply; and
- Develop long term fee projections for 5 - 10 years.

Process of Cost Analysis



Assuring Quality Data and Results

<i>Resource and Revenue Comparisons</i>	
Total Resources Available (Budgeted)	\$ 15,194,000
Total Resources Assigned (Expenses Consumed)	\$ 15,194,000
Difference	\$ (0.00)
Total Hours Available (Budgeted Positions)	120,590
Total Hours Assigned (Hours Consumed)	120,590
Difference	(0.00)
Projected Revenue Based On Costing Model	\$ 15,194,000
Revenue Projected From Current Fees	\$ 12,003,578
Additional Revenue (Projected)	\$ 3,190,422
Projected Revenue from analysis	\$ 12,003,578
Actual Revenue Projected (15/16 Sunset Review))	\$ 12,002,000
Difference	\$ 1,578

Board of Vocational Nursing and Psychiatric Technicians

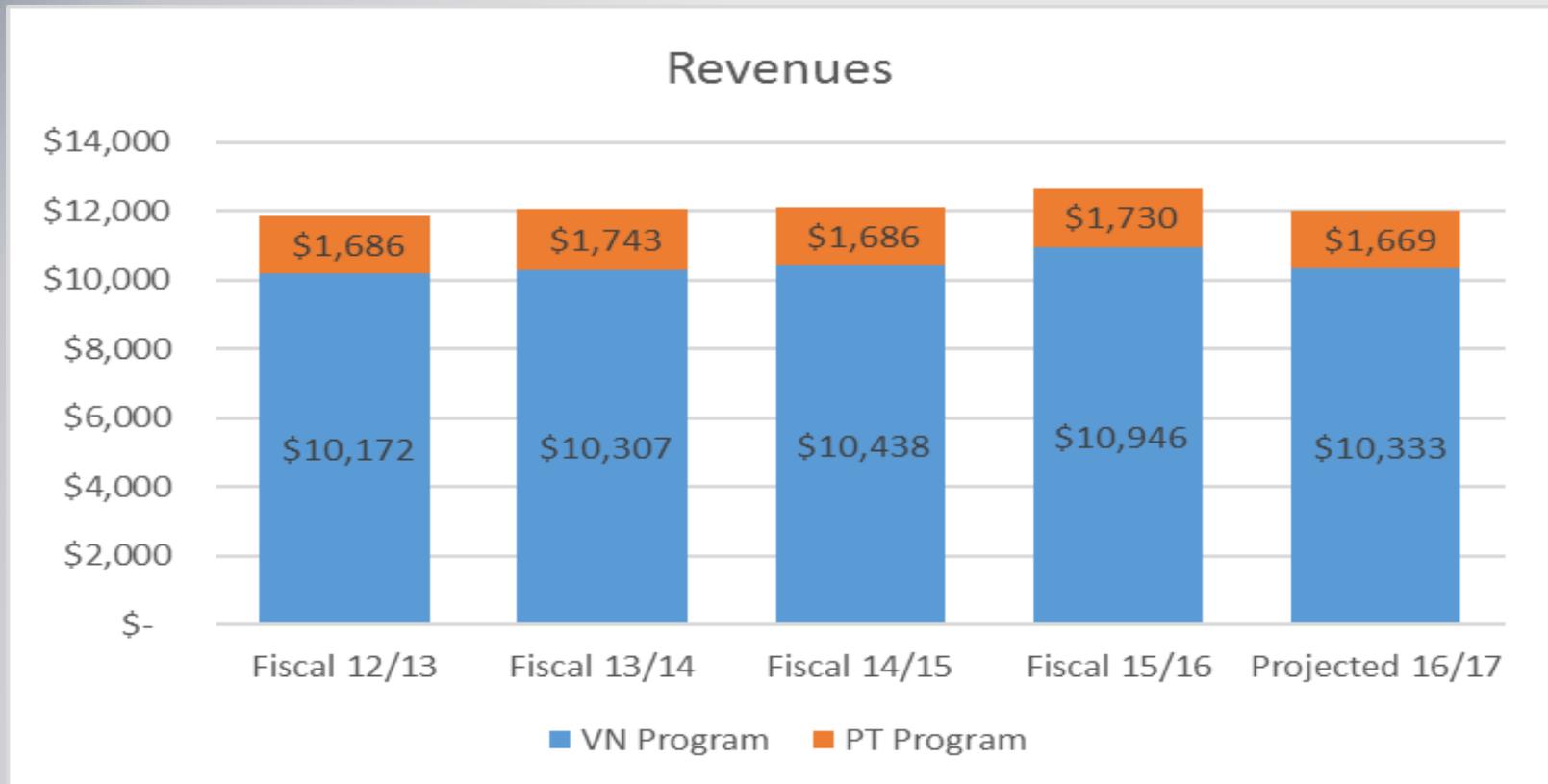
Building a Sustainable Future

Costs vs. Revenues

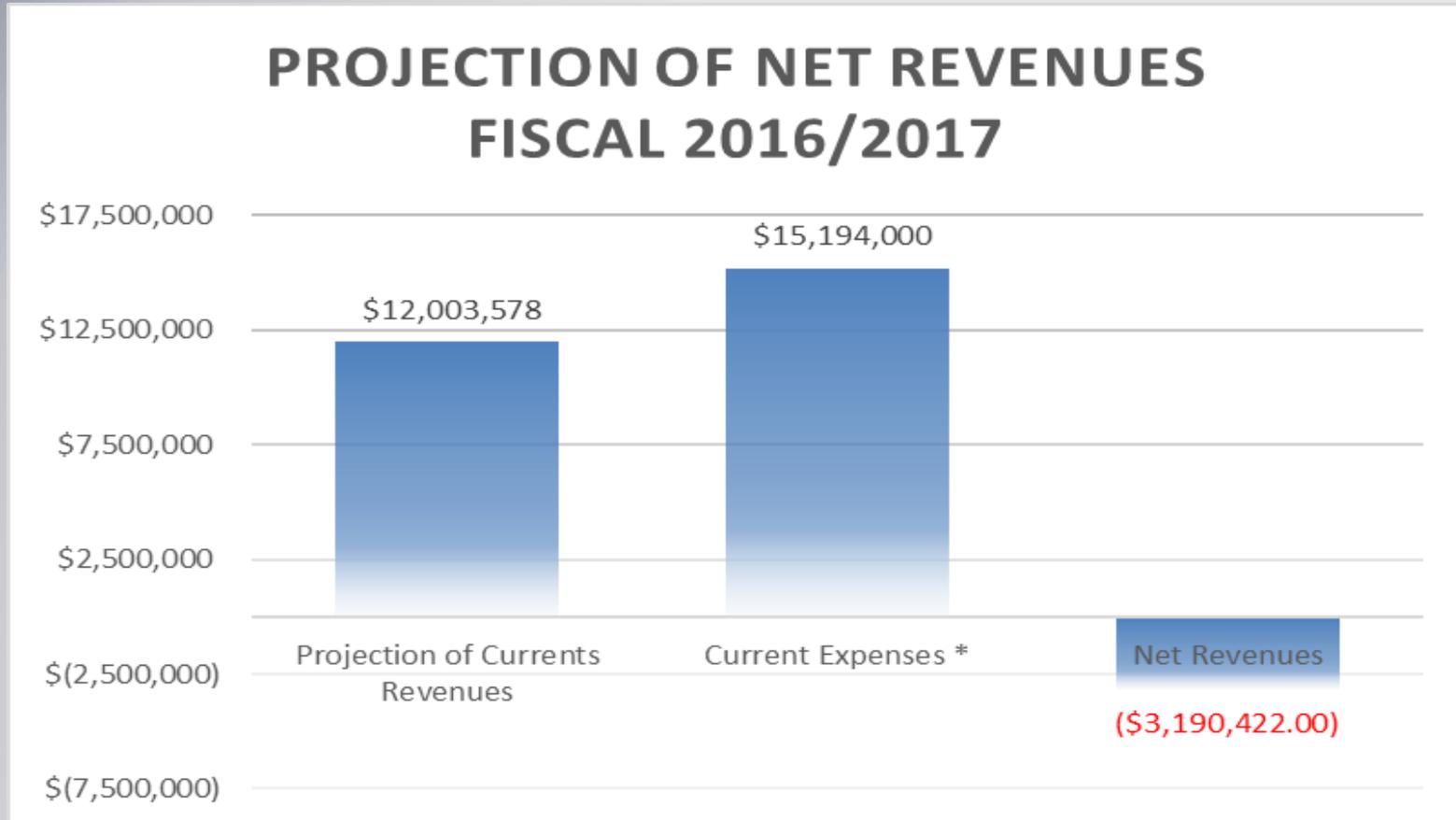
Basic Assumptions Critical to Analysis

1. Current budgeted expenditures will be spent; and
2. The number of licensees will stay constant.

Stable Licensee Population/Revenues



Projections of Net Revenues 2016/17



Data includes \$1,500,000 of additional DCA enforcement costs as a 10 year average

Example of Individual Fee Calculation

Example Cost Calculation					
Application Type	Processing hours)	Requirement (in	Position PHR	Direct Assignment	Cost
Curriculum revision major		9.53	\$ 83.90	\$ 800	
Sources of Indirect Costs				Total Indirect Cost Assignment	
Dept/State ProRata	Allocation basis= Direct Cost				\$409
Dept Management & Administration					\$677
Provide Support Services (Counter, Mail Room, Info systems, Cashiering, etc)					\$1,052
Total Cost					\$2,939

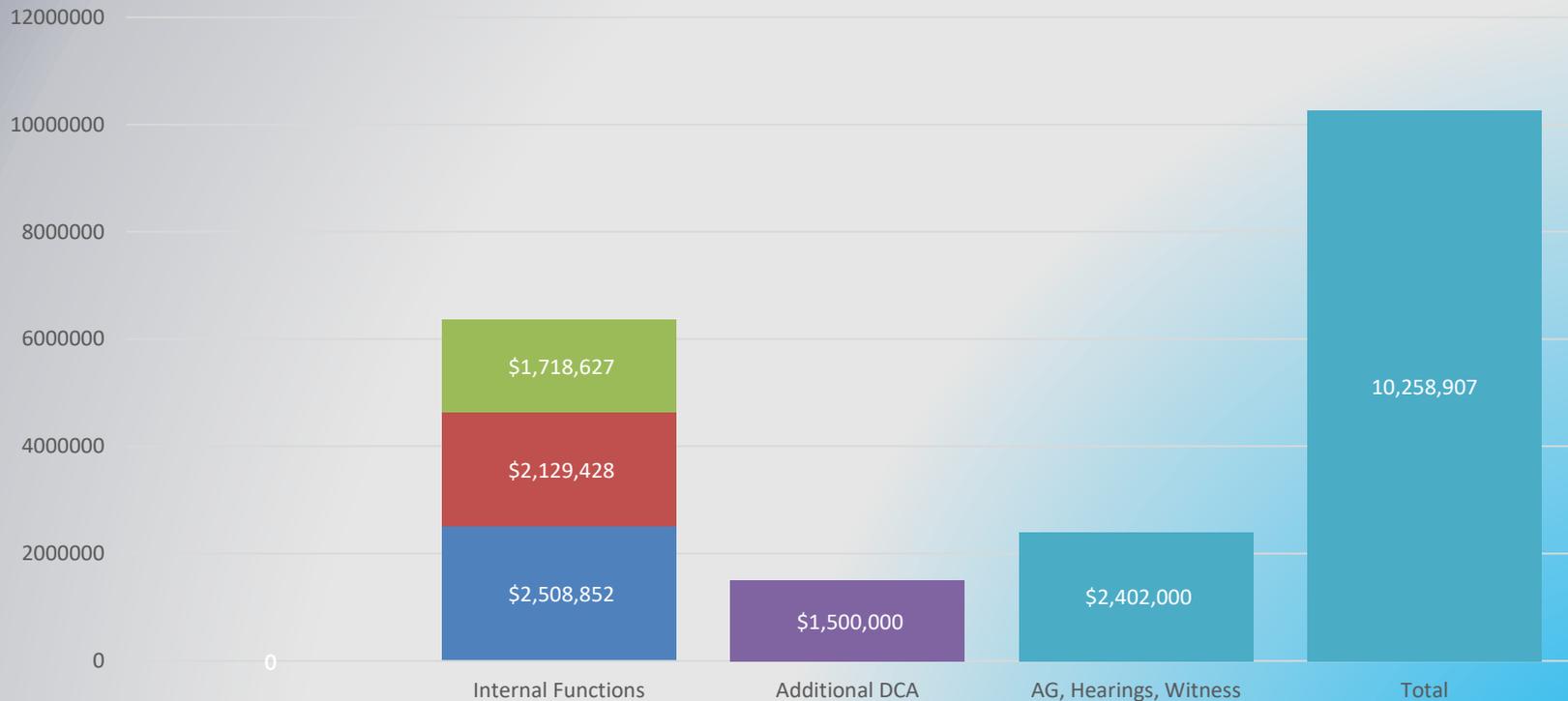
Review Board Operations- Enforcement

Total Costs Vs. Enforcement Costs



Review Board Operations- Enforcement

Breakdown Of Enforcement Costs



Costs include all Board, Department, and State overhead allocations.

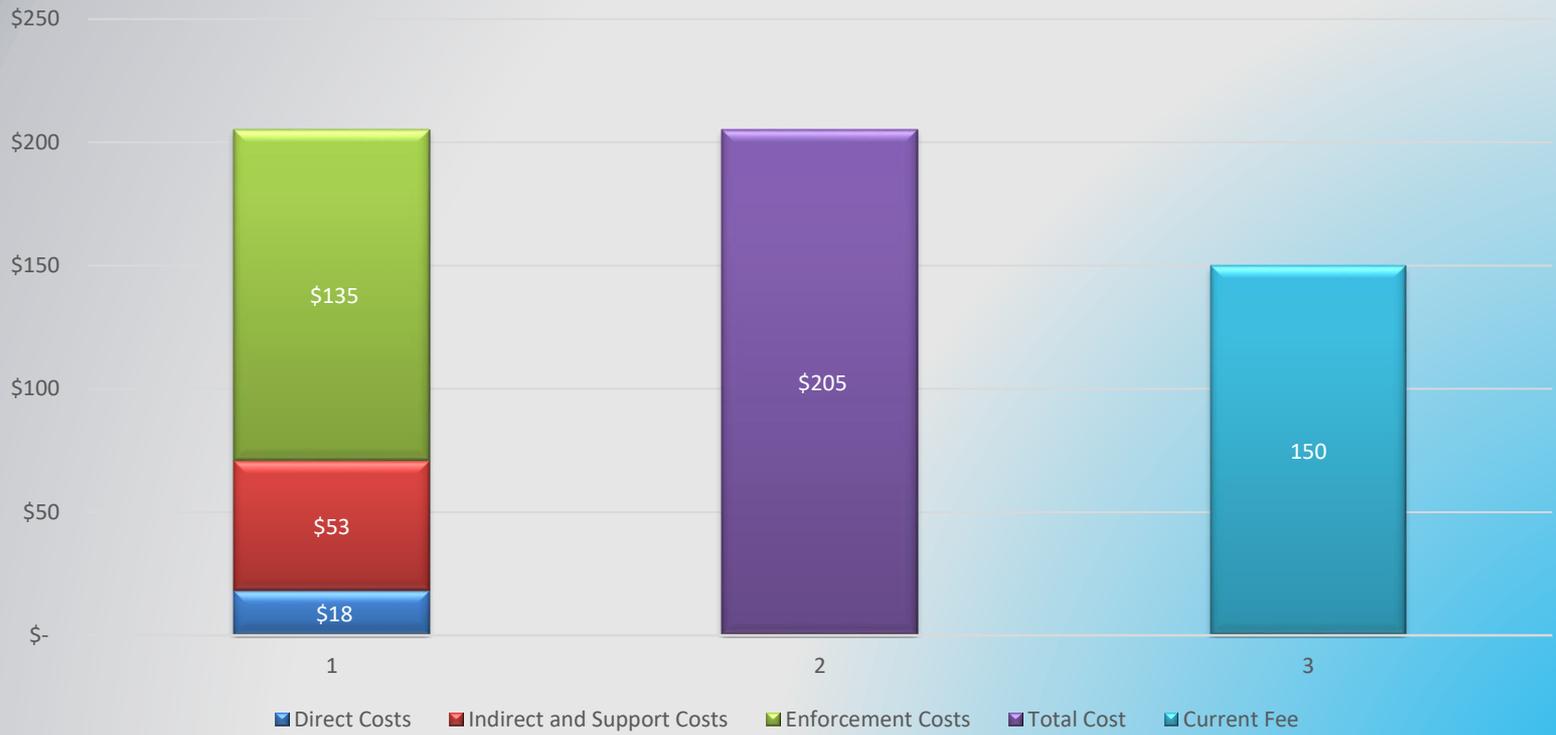
How Enforcement Costs Are Assigned

Possible Methods of Assigning Enforcement:

1. Assign to individual licenses as an overhead function = higher the cost of a license = more enforcement costs.
2. Creating a flat fee for enforcement activities and build it into the total cost of a license = \$134.61/license.

Review Fee structure

Cost Breakdown
Initial Application for Examination and License - California Vocational Nursing Program Graduate



Review Fee structure – New Educational Fees

Educational Provider Fee Categories:

1. Initial approval to operate a nursing and/or Psych Tech program
2. Program re-evaluation for continued approval (every 4 years)
3. Curriculum revision - major
4. Curriculum revision - minor
5. Continuing Education Provider (Voc Nursing and Psych Tech) - initial and renewal
6. I.V. Course provider approval - initial and renewal
7. Blood Withdrawal Course provider approval (Voc Nursing and Psych Tech) - initial and renewal
8. I.V. & B.W. Course provider approval (combination) - initial and renewal
9. Programs under provisional approval

Revenue Comparison: Individuals Vs. Institutions (Current Fee Schedule)

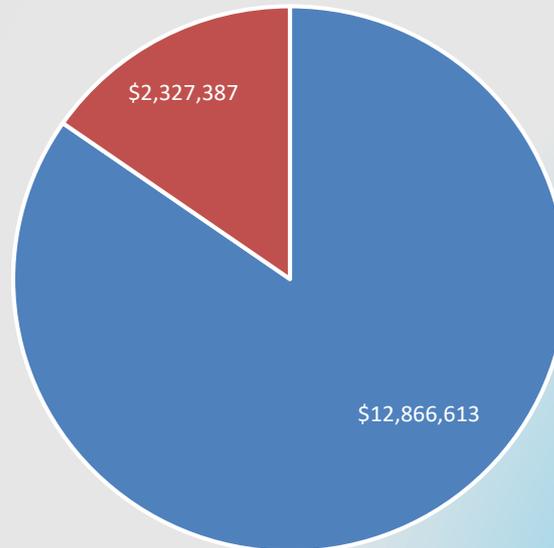
Comparing Revenues:
Individual Licensees Vs. Institutions



■ Revenue Projections - Individual Licensees ■ Revenue Projections - Institutions

Revenue Comparison: Individuals Vs. Institutions (Proposed Fee Schedule)

Individual Licensees Vs. Institutions
Proposed Fee Schedule

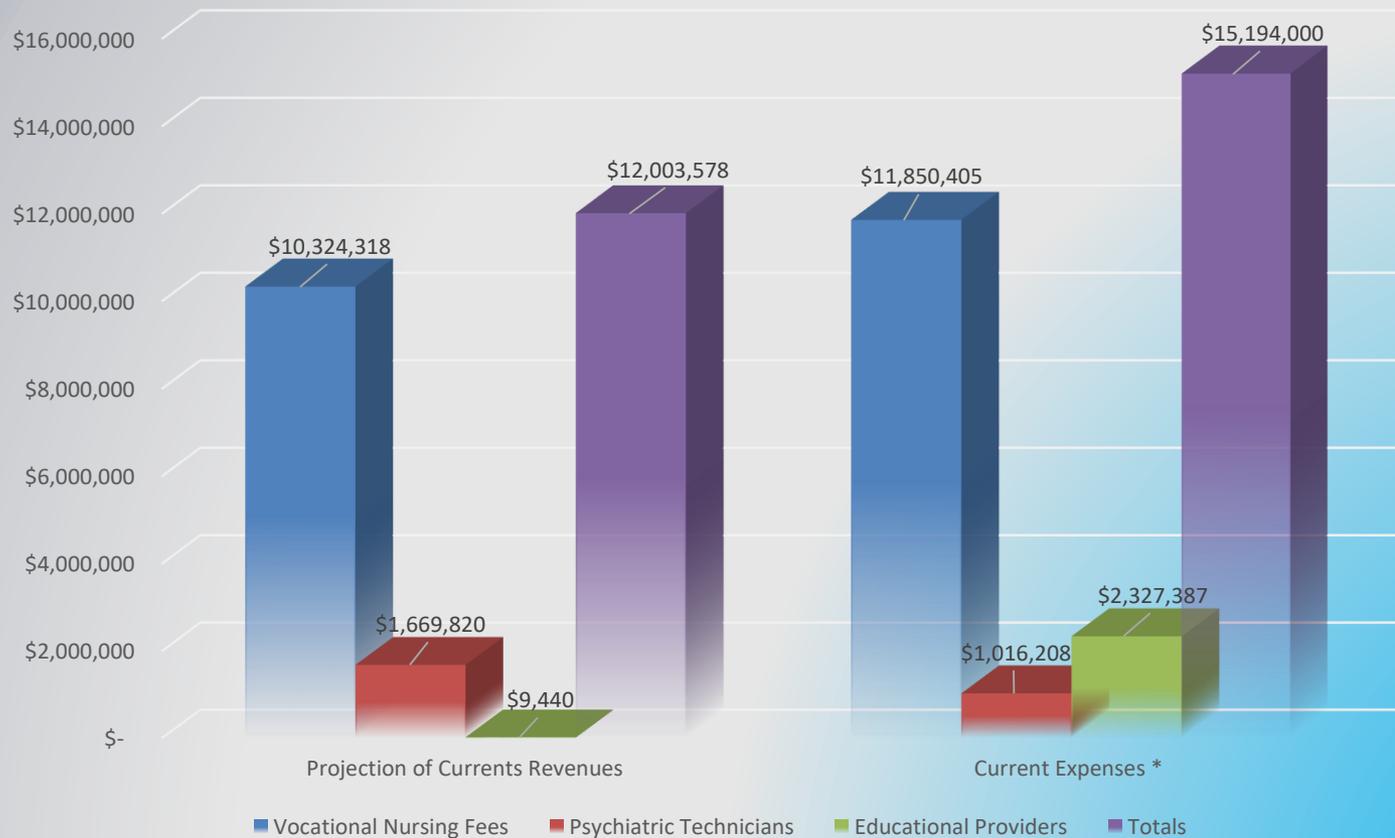


■ Revenue Projections - Individual Licensees (proposed)

■ Revenue Projections -Institutions (proposed)

Revenues By Licensee Type - Proposed

REVENUE BY LICENSEE TYPE



Additional Resources Requested

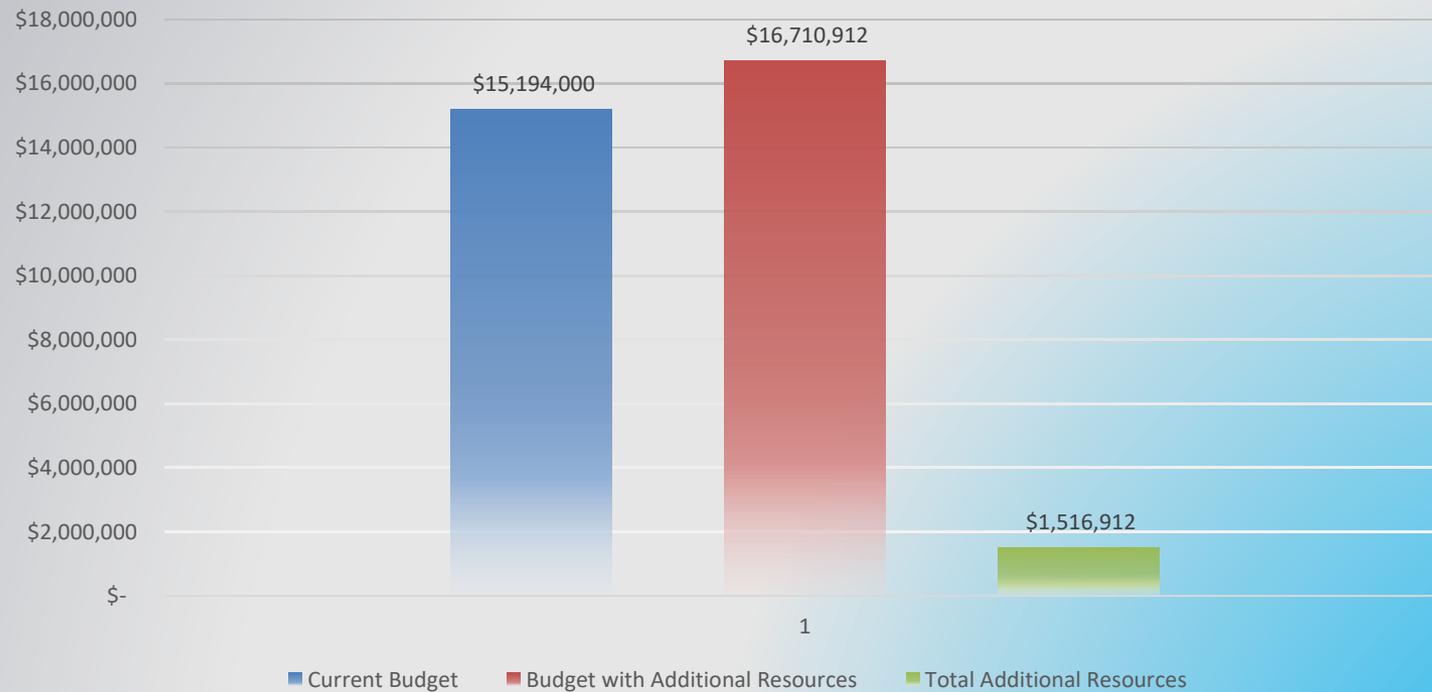
**Building a Sustainable
Future**

Additional Resources Requested

Work Group or Technology	Additional Cost Requested
1. Nine additional staff for the Educational Consultants work group;	\$1,072,996 *
2. Six additional staff for responding to telephone calls which have been added to the Support work group; and	\$421,916 *
3. 3New phone system to allow more calls from licensees into the system.	\$110,000 * prorated over a ten-year useful life
* Indicates equipment has been prorated in the cost calculations.	

Review Fee structure - Example

ADDITIONAL RESOURCES BEING REQUESTED

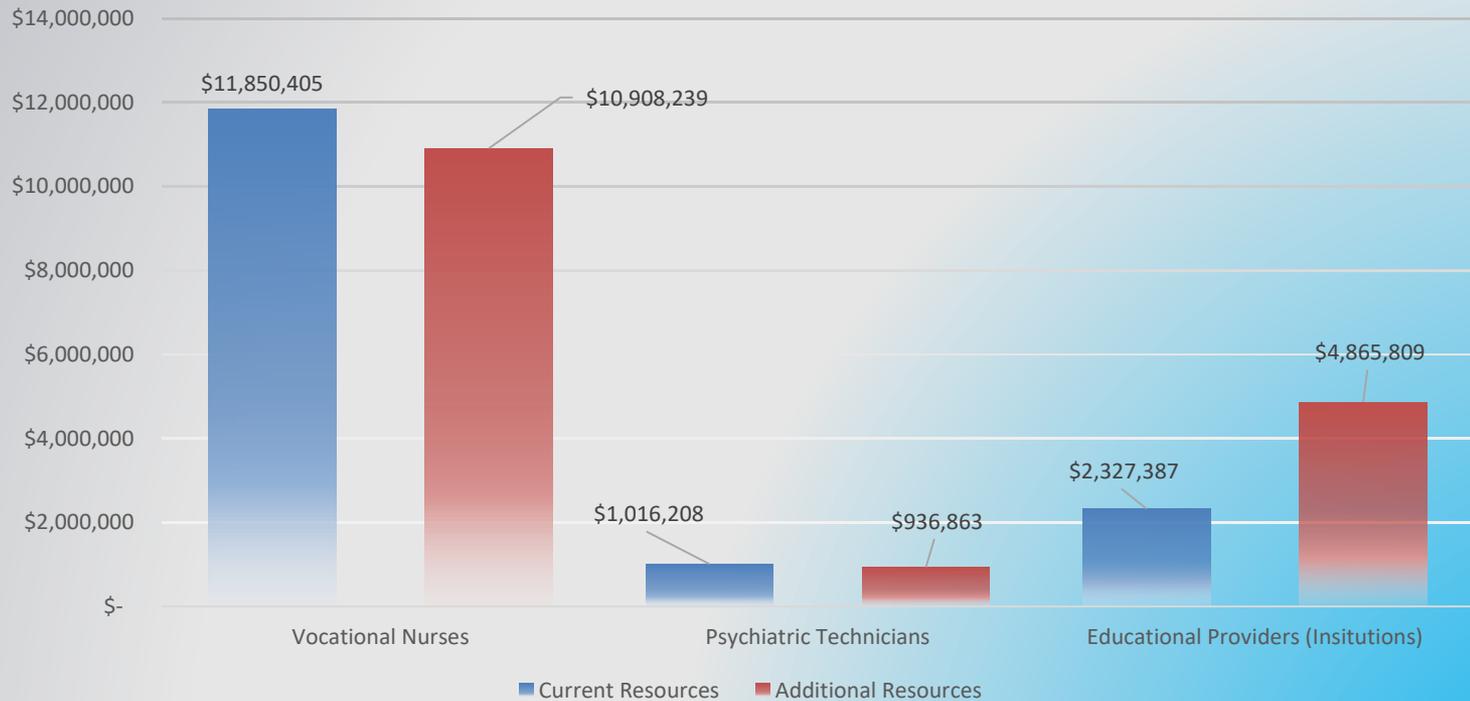


Impact of Additional Cost - Institutions

Educational Provider Fee Categories	Fees From Current Budget	Fees With New Resources
Initial approval to operate a nursing program	\$ 5,877	\$ 12,287
Program re-evaluation every 4 years	\$ 4,995	\$ 10,444
Curriculum revision - major	\$ 2,938	\$ 6,143
Curriculum revision - minor	\$ 1,469	\$ 3,072
Continuing Education Provider (Voc Nursing and Psych Tech)	\$ 1,175	\$ 2,457
I.V. Course provider certification	\$ 588	\$ 1,229
Blood Withdrawal Course provider certification (Voc Nursing and Psych Tech)	\$ 588	\$ 1,229
I.V. & B.W. Course provider certification (combination)	\$ 588	\$ 1,229

Impact of Additional Cost

IMPACT OF ADDITIONAL RESOURCES Individual Licensees



Recommendations and Next Steps

1. Set fees to recover actual full cost;
2. Raise the cap to cover regular fee increases for at least 5 years (10 years better); and
3. Establish pricing guidelines -Institutions vs. individual licensees.

Thank You!

