



BUSINESS, CONSUMER SERVICES, AND HOUSING AGENCY • GOVERNOR EDMUND G. BROWN JR.
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DATE: October 25, 2017
TO: Board Members
FROM: Executive Committee
SUBJECT: Update on the Status of the User Fee Audit Implementation

BACKGROUND

In April 2016, a contract was signed with Capital Accounting Partners to perform a User Fee Audit study and prepare a detailed cost analysis of the BVNPT's current fees. The BVNPT's objectives for the study were to ensure the BVNPT is fully accounting for all its costs and recovering adequate revenues to be reimbursed for its expenses. The BVNPT's only sources of revenues are fees charged to applicants and licensees, which is used to fully cover the costs of operating the BVNPT.

At the October 21, 2016 Board meeting, the User Fee Audit was presented by Mr. Dan Edds to the full Board for discussion. Mr. Edds described the scope of the audit, the cost methodologies used in this report, and how the costs were allocated to the various operating units. The report also recommended increasing certain licensing fees and creating new school/program fees to reflect the actual cost of providing various services to those users. Programs do not currently pay a fee to the BVNPT for the following types of consultation services performed by the BVNPT's Nursing Education Consultants:

- initial approval to operate a nursing program
- program re-evaluation every 4 years
- curriculum revisions (major or minor)
- in addition to other services

A motion to accept the fee and audit report by Capital Accounting Partners was passed at this meeting.

At the November 4, 2016 Board meeting, the User Fee Audit report as well as several other agenda items was brought before the Board Members for discussion and possible action. **After additional discussion on the User Fee Audit, the Board moved to adopt the recommendation of User Fee Audit into the Sunset Report and seek legislation to create New Fees for Vocational Nurses and Institutions as presented in the Fee Audit**

Report (October 2016). The development of legislation to implement the recommendations within the User Fee Audit Study was stalled due to a shift in priorities.

NEED TO CHANGE THE CURRENT FEE STRUCTURE

Funding for the BVNPT comes almost entirely from the fees charged to applicants and licensees. Fees charged to licensees (revenues) have not changed since July 1, 2009, while the cost to operate the BVNPT (expenditures) are continuing to increase. Therefore, the need to increase licensure fees and to create new fees for services provided to schools/programs need to be implemented so expenditures do not exceed revenues.

An analysis done by the Department of Consumer Affairs' (DCA) Budget Office indicates that a change in the BVNPT fee schedule is needed. Their analysis indicates that revenues for the next several years should remain relatively consistent (if not fee changes are made) while expenditures are projected to increase at a rate higher than projected revenues. The BVNPT has funds in a Reserve for Economic Uncertainties (Reserve) that was used to make up for the 2016-17 revenue/funding shortfall. The Budget Office has projected a need to tap into the Reserve for the next several budget years and that by budget year 2020-21 the Reserve will be completely depleted.

CURRENT STATUS

BVNPT staff has met with the DCA Budget Office and the Office of Legislation and Regulation to discuss the projected budget shortfall and the need to propose legislation. Both DCA offices agree there is a critical need to amend the current fee schedule and that it is possible avert the budget shortfall with timely implementation of a legislative amendment. Both offices have agreed to assist and advise the BVNPT staff on what is the best way to move forward.

BVNPT staff has recently reached out to the Capital Accounting Partners to seek out further clarification on the details of the User Fee Audit Report. BVNPT staff have been unable to reconcile some of the findings in the report and have noted some inconsistencies in the report. BVNPT staff believe it may be necessary to have the Capital Accounting Partners redo some parts of the User Fee Audit study in order to strengthen the justification for an increase in current licensure fees and creation of new fee categories.

RECOMMENDATION

The Executive Committee recommends that this issue be discussed before the Board and to provide direction to BVNPT staff. While a motion was made prior, many of the members who participated in the previous discussion are no longer on the Board. With AB 1229's implementation January 1, 2018, the Executive Committee feels it best to brief the full Board on the issue, but pend decision once a permanent Executive Officer is in place.