



DATE	August 10, 2025
TO	Board Members
FROM	Elaine Yamaguchi Executive Officer
SUBJECT	Revenue Audit and Study

SUMMARY

The purpose of this memo is to provide background information and recommendations for the Board on beginning the process to contract for an in-depth revenue study to determine whether any adjustments in the Board's fees are necessary to reflect the actual cost of providing services and provide support for any proposed changes to the Board's fee structure.

BACKGROUND

In 2018, Senate Bill (SB) 1480 raised the statutory limit for BVNPT's fees for applicants, licensees and continuing education providers. (See Business and Professions Code (BPC) sections 2892.6, 2892.7, 2895, 4518.1, and 4548.) In order to implement the changes authorized by SB 1480, in 2019, the Board amended sections 2537, 2537.1, 2590, and 2590.1 of title 16 of the California Code of Regulations.

In 2021, the Board's Sunset Bill, Assembly Bill (AB) 1536 authorized the Board to assess a modest application fee to approve new vocational nursing (VN) and psychiatric technician (PT) schools, and for continued approval of existing programs. Regulations to activate these fees were promulgated with the new school program approval processes in 2022. The Board of Registered Nursing has charged such fees since 2016, currently \$40,000 with a statutory limit of \$80,000. While BRN does not charge a Continuing Approval fee, it does charge \$5,000 for substantive change requests.

During discussions with the legislative staff, BVNPT suggested a school fee structure for new school and continuing school approvals based on the school's total number of enrolled students. BVNPT staff believe this would create a fair revenue stream and would not harm the small and public programs. This was intended to compensate for the mostly unfunded mandate of at least \$2.7M of Education Division costs, rather than the current structure whereby the licensee's fees underwrite the program's costs.

The current fee for approving a new program is \$20,000. If the Board approves ten new programs in a year, this yields \$200,000. The Board regulates more than 170 VN and PT programs. Each program is required to apply for continuing approval every four years, with a fee of \$5,000 each. If the Board renews forty programs each year, this

adds up to approximately \$200,000. The current authorized program fees yield less than \$1M annually, less than a third of the Board's costs.

REVENUE STUDY: OPTIONS

Although the Board's current fund condition is healthy, projecting nearly 15 months of operating reserves, the overall structure is not balanced, equitable or sustainable. Accordingly, an in-depth study of the Board's entire revenue structure is needed to ensure appropriate fees are assessed as appropriate to the Board services provided. Budget experts within the Department of Consumer Affairs (DCA) or a third-party consultant or firm may perform the needed analyses and present findings to the Board.

The Board may alter, but not increase, existing fees beyond the existing statutorily authorized amounts without new legislation. Stand-alone fee bills are difficult in any year, but given the state's budget issues, a vast amount of research and statistics will be required for the study to support any proposed subsequent legislation to increase fees. A pragmatic goal would be to include language in the Board's 2028 Sunset legislation. Although this is three years away, the whole project is lengthy and intricate, with steps that depend on prior steps.

Proposed options to conduct a fee audit are:

1. In-House Study

PRO: No one has a more in-depth knowledge of BVNPT's finances, and the big picture issues involved than BVNPT staff. Conducting an in-house fee study would not require additional funding.

CON: Staff bandwidth is very limited.

2. DCA Budget and Finance Study

PRO: DCA Budget staff is already very familiar with BVNPT and our financial history. They are skilled professionals who could produce a solid report. They often provide these reports to other Boards.

CON: It is not certain that DCA can accommodate this study, especially not in the next months.

3. Third-Party Consultants

PRO: In staff's opinion, the best option for a thorough and impartial study is a contracted third-party study. It would also provide a foundation for subsequent legislation and regulations.

CON: Fees for studies of this type could range from \$25,000 to \$250,000. This will also require a substantial amount of staff prep-work. If the Board cannot fund

this within the current budget appropriation, it must submit a Budget Change Proposal (BCP) to augment the Board's level of funding. It may be too late to apply for a BCP for the 2026-27 fiscal year.

A THIRD-PARTY STUDY

Staff has developed this very rough estimate of the project timeline to aid the Board in making a decision.

FIRST STEP

Prepare a Request for Proposals (RFP) for an intensive study of BVNPT's revenue and expenses. The process must abide by state contracting laws.

RECOMMENDATION:

Staff recommends that the Board authorize the Executive Officer to begin the planning and development of the RFP and Scope of Work, with a preliminary review by the Executive Committee and the final RFP to be reviewed and approved by the Board at the November 2025 meeting.

SECOND STEP

Outreach and distribution to consultants and consulting firms in the political and governmental research fields.

RECOMMENDATION

Staff recommends that the Board authorize the Executive Officer to research and execute a plan to release and distribute the RFP no later than January 2026. The RFP should be open for at least 30 days.

THIRD STEP

Review proposals.

RECOMMENDATION

Staff recommends that the Board appoint a Review Committee or delegate the review process to the Executive Committee. This process should be staffed by the EO and AEO and include the General and Regulations Counsels.

FOURTH STEP

Draft Budget Change Proposal to request augmented appropriation for the costs of the study.

RECOMMEDATION

Staff recommends that the Board authorize the EO to begin preparing the BCP and consult with DCA Budgets and Legal immediately. The final BCP must have

some potential costs. Further, staff recommends that the EO and AEO be authorized to work with the DCA Budget Office on the timeline.

FIFTH STEP

Negotiate contract with selected consultant.

RECOMMENDATION

This depends on the Board's decision on the funding of the study, and the potential timeline.

SIXTH STEP

Work.

RECOMMENDATION

Staff recommends that the EO and staff leadership work together to assemble data for the contractor, and to provide updates to the Executive Committee. This production schedule will depend on the contractor's bid.

SEVENTH STEP

Present findings and recommendations.

RECOMMENDATION

The study must be approved by the Board and will be posted and discussed through that avenue. Staff recommends that town hall meetings be held for stakeholders.

EIGHTH STEP

In consultation with DCA, work with Senate and Assembly staff to craft bill language and narrative for the 2028 Sunset report, likely due in December 2027.