



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #680

Program Revenue Account Overview (Safety and Professional Services -- Departmentwide)

CURRENT LAW

The Department of Safety and Professional Services (DSPS) is funded almost entirely from program revenues, primarily collected from fees for credentials, examinations, building plan reviews, and inspections of construction activity. Other minor sources of revenue include the sale of credential lists, fees charged for late renewals, wall certificates, reciprocal credentials, and the endorsement of credential holders to other states.

For state budgeting purposes, DSPS is divided into two "programs": (a) professional regulation and administrative services, which includes staff that assist in the regulation of the health and business professions; and (b) regulation of industry, safety, and buildings. Since the two programs are supported by separate program revenue sources, the fees collected from health and business professions support regulatory functions relating to those professions, while fees collected from individuals and businesses involved in buildings and safety support DSPS activities relating to the regulation of the building trades. A portion of DSPS program revenue supports certain agency-wide services, including legal, fiscal, and management services. Additionally, a statutory requirement transfers 10% of the credential fee revenue DSPS collects for the health and business professions and proprietary schools regulation to the general fund ("GPR Earned").

DISCUSSION POINTS

This paper provides a general overview of program revenue collections, expenditures, and balances for the health and business professions program and the building trades professions program, from actual 2021-22 amounts to estimated 2024-25 amounts. Estimates are based on recent years of actual revenue collections and current forecasting considerations. Attachments 1 and 2 show the current and estimated conditions of the health and business professions program and building trades professions program, respectively, under current law and Committee action to date. In addition, the

Attachments identify items in AB 43/SB 70 yet to be considered by the Committee.

Fee Setting Processes

1. As previously indicated, DSPPS is funded mostly from fees collected from members of regulated professions. The fee structure and fee-setting process for the health and business professions differ from the fee structure and fee-setting process for the building and safety trades.

2. *Building and Safety Trades.* DSPPS regulates industry, buildings, and safety mainly under provisions of Chapters 101 (building safety), 145 (plumbing) and 167 (miscellaneous personal and property safety) of the statutes. The Department is required to promulgate rules and collect fees that, as closely as possible, equal the cost of providing plan reviews, inspections, and credentials for regulated buildings trades professionals. Administrative code Chapter SPS 305 establishes requirements, fees, and length of term for licenses, certifications, or registrations issued by the Department for activities regulated by the Division of Industry Services.

3. *Health and Business Professions.* The initial and renewal fees for health and business occupational credentials are set through a statutory process by which these fees may be modified and established for each fiscal biennium beginning July 1 of the odd-numbered year. Under this process, DSPPS is required to recalculate the administrative and enforcement costs of the Department that are attributable to the regulation of each occupation or business. By January 31 of each odd-numbered year, DSPPS must adjust each fee, if necessary, for the succeeding biennium to reflect the approximate administrative and enforcement costs of the Department that are attributable to the regulation of the particular occupation or business, during the period in which the credential is in effect. Fees should reflect actual costs of issuing initial credentials, such as processing applications and determining eligibility for licensure, as well as costs associated with enforcement, board services, legal counsel, and the statutorily required 10% transfer to the general fund.

4. Within 14 days of completing the proposed fee adjustments, the Department is required to send a report detailing the proposed fee adjustments to the Co-Chairs of the Joint Committee on Finance. The Committee then has 14 working days after the submission of the report to notify the DSPPS Secretary if it wishes to schedule a meeting to review the fee adjustments. If this occurs, the Department may not impose the fee adjustments until the Committee approves the report.

5. In 2021, initial application fees were lowered for 64% of health and business professions under the biennial fee review, with an average reduction of \$13. Renewal fees were lowered for 59% of health and business professions, with an average reduction of \$13. These similarities in initial and renewal fee changes reflected the Department's intention to begin establishing equal fees for initial and renewal occupation license applications with the 2019-21 fee review. The most recent fee schedule was approved by the Committee on February 20, 2023, and made no changes to fees for the 2023-25 biennium.

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Attachment

ATTACHMENT 1

Health and Business Professions Revenues and Expenditures, 2021-22 Through 2024-25

	2021-22 <u>Actual</u>	2022-23 <u>Budgeted</u>	2023-24 <u>Estimated</u>	2024-25 <u>Estimated</u>	<u>2024-25 Positions</u>
Opening Balance, July 1	\$34,910,700	\$37,017,200	\$35,784,100	\$36,793,100	
Revenue					
Nursing Workforce Survey Administration	\$9,000	\$9,000	\$9,000	\$9,000	
General Program Operations, Credentialing Examinations	11,757,000	11,143,700	11,757,000	11,143,700	
Medical Examining Board and Prescription Drug Monitoring Program	2,424,600	2,783,400	2,424,600	2,783,400	
Applicant Investigation Reimbursement	2,915,000	1,494,400	2,915,000	1,494,400	
Total Revenue	<u>280,200</u>	<u>199,800</u>	<u>280,200</u>	<u>199,800</u>	
Total Revenue and Opening Balance	\$17,385,800	\$15,630,300	\$17,385,800	\$15,630,300	
Expenditures					
Budgeted Expenditures	\$13,549,800	\$15,200,300	\$14,455,000	\$14,424,200	97.8
Compensation Reserves		150,000	150,000	150,000	
GPR Earned (10% Statutory Transfer)	<u>1,729,500</u>	<u>1,513,100</u>	<u>1,771,800</u>	<u>1,771,800</u>	
Total Expenditures	\$15,279,300	\$16,863,400	\$16,376,800	\$16,346,000	
Closing Cash Balance	\$37,017,200	\$35,784,100	\$36,793,100	\$36,077,400	
Encumbrances	<u>-\$1,969,200</u>	<u>-\$1,969,200</u>	<u>-\$1,969,200</u>	<u>-\$1,969,200</u>	
Available Balance, June 30	\$35,048,000	\$33,814,900	\$34,823,900	\$34,108,200	
Provisions Under Consideration by the Committee					
PDMP Improvements			\$253,800	\$861,400	
Technology Upgrades and Modernization			2,011,100	2,119,300	
Military Training for Civilian Careers			25,000	25,000	
Board Support Staff			612,300	794,100	8.0
Call Center Staff			555,100	712,800	9.8
Licensing Staff			717,600	924,000	11.8
Pay Increases for Identified Positions			207,400	199,800	
Trade Exam Modernization			500,000	500,000	
Licensure Attainment Specialists			341,200	434,900	5.0
Repeal General Fund Transfer (PR-REV)			-1,771,800	-1,771,800	
Repeal General Fund Transfer (PR)			1,771,800	1,771,800	
Continuing Education for Realtors			<u>100,000</u>		
Subtotal			\$5,323,500	\$6,571,300	34.6

ATTACHMENT 2

Building and Trades Professions Revenues and Expenditures, 2021-22 Through 2024-25

	<u>2021-22</u> <u>Actual</u>	<u>2022-23</u> <u>Budgeted</u>	<u>2023-24</u> <u>Estimated</u>	<u>2024-25</u> <u>Estimated</u>	<u>2024-25</u> <u>Positions</u>
Opening Balance, July 1	\$17,014,400	\$14,215,700	\$11,525,700	\$9,492,100	
Revenue					
Building plan reviews and inspections	\$6,814,200	\$6,500,000	\$6,500,000	\$6,500,000	
Plumbing licenses	558,300	550,000	550,000	550,000	
Plumbing plan reviews	2,496,600	2,300,000	2,300,000	2,300,000	
Boiler inspections	1,197,600	560,000	560,000	560,000	
Elevator inspections	1,211,800	1,100,000	1,100,000	1,100,000	
Private sewage plan reviews	2,218,500	2,100,000	2,100,000	2,100,000	
One- and two-family building permit fees	1,255,100	1,050,000	1,050,000	1,050,000	
Electrical program fees	2,914,400	2,400,000	2,400,000	2,400,000	
Manufactured home licenses and title fees	285,800	285,000	285,000	285,000	
Amusement ride and ski tow inspection fees	145,500	105,000	105,000	105,000	
Mine safety inspection fees	33,400	35,000	35,000	35,000	
Heating, air conditioning, and ozone certifications	225,600	325,000	325,000	325,000	
Fire prevention and safety fees	23,900	40,000	40,000	40,000	
Swimming pool plan reviews	164,300	150,000	150,000	150,000	
Other revenues	<u>297,100</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	
Total Revenue	\$19,842,100	\$17,750,000	\$17,750,000	\$17,750,000	
Transfer to POWTS grant program	-\$1,525,500				
Transfers for DSPS general administration	<u>-\$2,599,500</u>	<u>-\$3,050,000</u>	<u>-\$3,086,400</u>	<u>-\$3,086,400</u>	
Total Revenue and Opening Balance	\$32,731,500	\$28,915,700	\$26,189,300	\$24,155,700	
Expenditures					
Budgeted Expenditures	\$18,515,800	\$17,230,000	\$16,537,200	\$16,537,300	113.7
Compensation Reserves	<u> </u>	<u>160,000</u>	<u>160,000</u>	<u>160,000</u>	
Closing Cash Balance	\$14,215,700	\$11,525,700	\$9,492,100	\$7,458,400	
Encumbrances	<u>- 2,122,400</u>	<u>- 2,122,400</u>	<u>- 2,122,400</u>	<u>- 2,122,400</u>	
Available Balance, June 30	\$12,093,300	\$9,403,300	\$7,369,700	\$5,336,000	
Provisions Under Consideration by the Committee					
POWTS Program and Staff			\$963,000	\$999,000	2.0
Technology Upgrades and Modernization			1,521,800	1,599,400	
Youth Volunteer Firefighter Training Program			100,000	100,000	
Military Pathways Grants			25,000	25,000	
Board Support Staff			141,400	182,800	2.0
Call Center Staff			237,900	305,500	4.2
Licensing Staff			251,100	322,900	4.2
Schedule-in-Advance Plan Review			470,300	610,200	7.0
Four-Week Plan Review			972,500	1,263,000	14.0
Accelerated Review of Small Projects			270,000	350,200	4.0
Inspection Staff			315,300	408,300	5.0
Pay Increases for Critical Positions			84,100	81,000	
Municipal Inspection Oversight			70,800	90,400	1.0
Manufactured Housing Rehabilitation Grants			<u>20,000</u>	<u>20,000</u>	
Subtotal			\$5,443,200	\$6,357,700	43.4

