



LICENSING COMMITTEE
August 17, 2016

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SUBJECT: BPM CURRENT AND PROPOSED FEES

ACTION: RECEIVE REPORT ON BPM CURRENT AND PROPOSED FEES

RECOMMENDATION

Receive and file the status update report on BPM current and proposed fees.

ISSUE

At the November 13, 2015 Board Meeting there was a unanimous vote to propose a new fee structure and to present it in its Sunset Report. The fee increase was included in the Senate's Omnibus Bill, SB 1039. It is expected that the fee increase will be removed from SB 1039 and this issue will be revisited in the future.

DISCUSSION

The following fee increases were voted on by the Board on November 13, 2015. There was a unanimous agreement among Board Members to request a fee increase for BPM's unscheduled fees. The following pertinent information was outlined in the Executive Officer's Report to the Board re: BPM's Fee Audit, which is quoted below in italics.

Since 2001, it had been recognized that BPM's fees needed revision to sustain a long-term positive fund balance. Accordingly, a temporary increase to the renewal fee was made permanent in 2004 (SB 1549), with the understanding that fees for user based services would be increased later in order to cover actual costs. While the license renewal fee increase was helpful to ensuring overall sustainability, BPM's schedule of user based service fees have not been adjusted to meet the actual costs for providing service.

One of the main points that may be taken away from the fee study is that the Board's schedule of service fees should reflect actual costs of service. Given that the schedule of user based service fees—that is fees that are charged to licensees based on a specific request from a licensee for a service from the board, i.e., issuance of a letter of good standing—have not been changed since at least before 1989, the fees do not appropriately reflect decades of inflation or cost of living and wage increases that all directly impact the cost of services provided. As a frame of reference, the price of a gallon of gasoline in 1989 was .97 cents as recorded by the California Energy Commission Energy Almanac.

Even more telling, is the United States Department of Labor, Bureau of Labor Statistics Inflation Calculator which calculates changes in prices of all goods and services purchased for consumption by urban households by using the average Consumer Price Index ("CPI") for a given calendar year. The latest monthly index value is used for each current year. Accordingly, \$30 in 1989 (the amount charged for issuing a letter of good standing in 1989) represents \$57.76 worth of buying power in 2015. This represents a 92% increase in the cumulative rate of inflation. If adjusted for inflation alone the same item today would cost \$57.76. However, the board continues to levy only a \$30 fee for the same service. While it is recognized that a fee collected by the board cannot not exceed the cost of providing the service for which the fee is collected, the existing decades old fee schedule prevents the board from even nearing recovery for actual costs of service provided.

For example, issuing a letter of good standing today represents a range of ½ to 1 hour of staff processing time on average. Using the hourly rate formula based on full absorption costing, as suggested by the fee study, yields an actual cost calculation to the agency of \$50 to \$100 for providing the service. Thus, the board fails to recover anywhere from \$20 to \$70 dollars each time staff issues a letter of good standing because the current fee maximum is set at \$30. In other words, the current fee for a letter of good standing represents an internal structural operating deficit.

Having said this, the board's fund condition currently retains approximately 12.6 months of operating funds. The board has reverted in excess of \$100,000 to the fund over the last four fiscal years. It has been able to achieve these savings through careful fiscal stewardship and budgetary discipline.

However, when accounting for the future effects of anticipated retirements to BPM's relatively invariable licensee base and revenue stream in addition to factoring increasing departmental and statewide pro rata expenditures necessary to fund the department-wide BreEZe project, these foreseeable cost increases and reductions

to the revenue base are expected to result in slight imbalance between receipts and expenditures that will gradually chip away at the fund over time.

Since BPM does not have authority to increase fees administratively, the Board may wish to consider a proposal for increasing the board's existing schedule of service fees for inclusion in BPM's Sunset Report. The below recommended proposed increases will help to offset expected decreases to future revenue as a result of projected retirements in the next five years as well as to help defray known increased costs associated with the department wide BreEZe project. The proposed changes represent only a very modest increase in annual BPM revenue (approximately \$11,000) and will contribute to continued good financial housekeeping and fund condition.

CURRENT FEE RATE & FEE AUTHORITY (include Code section references):

- (1) Application Fee - \$20 (BPC § 2499.5 (a))
- (2) Duplicate License - \$40 (BPC § 2499.5 (f))
- (3) Duplicate Renewal Receipt - \$40 (BPC § 2499.5 (g))
- (4) Letter of Good Standing/Endorsement - \$30 (BPC § 2499.5(h), (i))
- (5) Resident's License - \$60 (BPC § 2499.5 (j))
- (6) Ankle License Application and Exam fees - \$50, \$700 (BPC § 2499.5 (k))
- (7) Exam Appeal Fee - \$25 (BPC § 2499.5 (l))
- (8) CME Course Approval - \$100 (BPC § 2499.5 (m))

PROPOSED/NEW FEE RATE:

- (1) Application Fee - \$100
- (2) Duplicate License - \$100
- (3) Duplicate Renewal Receipt - \$50
- (4) Letter of Good Standing - \$100
- (5) Resident's License - \$100
- (6) Delete authorization for ankle exam fees - \$0
- (7) Exam Appeal Fee - \$100
- (8) CME Course Approval - \$250

SB 1039, the Senate's Omnibus Bill, was a possible vehicle for BPM to have its request included in the bill. It is expected that SB 1039 will not include BPM's request for the proposed fees and that this issue will be revisited in the future.

NEXT STEPS

BPM will have another opportunity to request that it be granted authority for an increase during the next legislative cycle. The Board may want to revisit the specifics of this matter in the near future and determine if the current proposal should be presented in its current form or amended.

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