CPS HR CONSULTING

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FINAL REPORT

Medical Board of California: Fee Study

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Your Path to Performance

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Executive Summary

The Medical Board of California (MBC) was the first board started for consumer protection within the Department of Consumer Affairs (DCA), dating back to 1876 with the passage of the first Medical Practice Act. MBC is a consumer protection agency that licenses and regulates physicians and surgeons and those allied health care professionals in California who fall under its jurisdiction. MBC's primary mission is consumer protection with the functions, duties, and goals of each program meeting the consumer protection mandate.

MBC is entirely funded by licensing and regulatory fees. Effective January 1, 2006, pursuant to Senate Bill (SB) 231 (Figueroa, Chapter 674, Statutes of 2005), MBC's physician and surgeon initial license fee and the biennial renewal fee were increased from $610 to $783 (29.5% increase), although the statutory limit is $790. In addition, this legislation eliminated MBC's ability to order cost recovery for the costs of investigating and prosecuting administrative cases against licensees. Stakeholders supported the fee increase to initial licensure and biennial renewal fees to compensate for MBC losing the ability to pursue investigation cost recovery. The other MBC fees have remained the same since their inception, as early as 1993.

Since January 2006, MBC has experienced significant increases in expenditures, the majority of which are outside of MBC's control. Some of these costs include increased Attorney General (AG) costs, an increased need for AG and Division of Investigation (DOI) services, union negotiated salary or benefit increases, and one time expenditures to implement new systems or provide supplementary pension payments (refer to the Revenue and Expense Analysis section). The result is MBC's fund being structurally imbalanced with eventual insolvency if fees are not timely increased to achieve adequate revenue growth. Curing the significant deficit between MBC's revenue stream and expenditures can only be achieved by MBC raising its fees.

Due to the increase in expenditures, projection of insufficient revenue for continued operations by early 2021, and the statutory two to four month reserve provision, MBC contacted CPS HR Consulting (CPS) in September 2019. A contract was officially approved on November 12, 2019, to conduct a study of MBC's fee structures to determine if the fee levels are appropriate for the recovery of the actual costs of conducting its programs. The fees reviewed in this study include: Physician and Surgeon, Special Faculty, Licensed Midwife, Polysomnographic Trainee/Technician/Technologist, Research Psychoanalyst and Fictitious Name Permit fees. CPS also analyzed the trends of the costs outside of MBC's control which contributed to the significant erosion of its fund in recent years.

CPS's fee study methodology included a review of staff work time allocations to determine the total personnel years (PY) contributing to each fee, including a disbursement of enforcement staff time, used in conjunction with an analysis of future expenditures. The expenditures were disbursed among the fees based on needed PY, volume based operational and enforcement costs, and direct expenditures to determine the total revenue needed in fiscal year (FY)

2020/21 through FY 2024/25 to cover the specific fee. The fees required to meet the required revenue were established using a proportional analysis of the current revenue and the revenue needed by each fee, adjusted by the expected change in application volume.

Findings

Finding 1

MBC's revenue has remained relatively static in the past 13 fiscal years, growing from $49.7 million in FY 2006/07 to $59.6 million in FY 2018/19, representing an increase of 19.9%. This calculates to an annual growth of 1.5%.

During the same period, MBC expenditures have outpaced revenues. MBC total expenditures have grown from $44 million in FY 2006/07 to $65.9 million in FY 2018/19 for an overall increase of 49.8% and an annual growth of 3.8%.

MBC's fund is structurally imbalanced and is estimated to have a fund balance of $0.6 million (0.08 months-in-reserve) by the end of FY 2020/21 and will be insolvent by the beginning of FY 2021/22. If MBC incurs any additional unbudgeted cost increases or seeks any additional resources beyond what is currently authorized, the fund reserve will drop even further.

Finding 2

During the same period of time from FY 2006/07 to FY 2019/20, MBC's authorized staffing decreased from 265.2 PYs to 176.6 PYs, a difference of 88.6 PYs. Effective July 1, 2014, MBC's investigators (sworn peace officers), medical consultants and investigative support staff, were transferred to DCA pursuant to Senate Bill 304 (Price, Chapter 515, Statutes of 2013).

Finding 3

Expenditures outside of MBC's control have increased.

a. Expenditures for the AG's Office have increased 35.3% ($4M) from FY 2006/07 to FY 2018/19 ($15.2M). For example, between FY 2016/17 through FY 2018/19 the AG's Office exceeded their budget allocation by $3M, resulting in MBC having to absorb these costs.

b. In FY 2019/20 MBC's AG's budget allocation increased 41.0% ($4.9M) from $12M to $16.9M in FY 2020/21 due to the increased AG's hourly rate. From FY 2020/21 to FY 2024/25 the projected budget is expected to increase an additional 23.1% from $16.9M to $20.8M.

c. The Division of Investigation's Health Quality Investigation Unit (HQIU) provides investigative services to MBC. HQIU staff salary and benefits expenditures are expected to increase by 44.3% from $19.6M in FY 2018/19 to $28.3M in FY 2024/25. This is based on an annual average increase of approximately 6.3%.

d. Between FY 2018/19 and FY 2024/25 MBC's Personnel Services costs including salary and benefits are projected to increase by 59% from $15.0M to $23.8M. This is based on an annual average increase of approximately 9.8%.

e. Office of Administrative Hearing (OAH) costs are projected to increase 69% from FY 2018/19 ($1.6M) to $2.7M in FY 2024/25. This is based on an annual average increase of approximately 11.5%.

f. Departmental Services (DCA Pro Rata) is projected to increase from $5.1M in FY 2018/19 to $6.7M in FY 2024/25, which equates to an average of 4.5% each year.

g. Statewide Pro Rata is a recovery of statewide general administrative costs (i.e., indirect costs incurred by central service agencies) and has been a significant cost contributor to MBC. MBC's Statewide Pro Rata cost has increased by 196.4% from $2.7M in FY 2006/07 to $4.1M in FY 2018/19.

h. Evidence/witness costs are projected to increase from $2.3M in FY 2018/19 to $2.8M in FY 2024/25 which equates to an average of 3.1% each year.

i. Senate Bill 84 (Chapter 50, Statutes of 2017) authorized a one-time $6 billion supplemental pension payment to CalPERS for retirement contributions. MBC paid $319,000 in FY 2018/19 and will pay $685,000 annually through FY 2024/25 to repay MBC's share of the loan.

Recommendations

Recommendation 1

MBC's fund is structurally imbalanced and is estimated to have a fund balance of $0.6M (0.08 months-in-reserve) by the end of FY 2020/21 and will be insolvent by the beginning of FY 2021/22. If MBC incurs any additional cost increases or seeks any additional resources beyond what is currently authorized, the fund reserve will drop even further.

To prevent insolvency and to achieve a mandatory reserve as required by statute, it is recommended that MBC seek statutory fee increases in each of their fee categories to accommodate the expenditures and increase the reserve to four months utilizing the fee options outlined by this study.

Recommendation 2

Current law requires MBC to maintain a reserve fund balance that would cover expenditures for two to four months. The Department of Consumer Affairs (DCA) regulatory boards strive to maintain an approximate six-month reserve so that unforeseen expenses can be managed without disrupting program activities.

It is recommended that MBC amend Business and Professions Code section 2435 to increase the minimum months needed in reserve to three to six months to afford MBC the lead time and flexibility to pivot and address unanticipated expenses, as MBC has experienced in the past four years.

Introduction

As a consumer protection agency, MBC licenses and regulates physicians and surgeons; licensed midwives; polysomnographic technologists, technicians and trainees; and research psychoanalysts. Additionally, MBC assures the initial and continued competence of the health care professionals who fall under its statutory jurisdiction through licensure, investigation of complaints, and pursuit of disciplinary action against those licensees found guilty of violations of the law or regulations.

MBC's primary mission is consumer protection, and its vision is to be the premier consumer protection agency leading the effort to advance and ensure high quality, safe medical care in California.

MBC provides the following services to aide in accomplishing their mission:

- Ensures that only individuals possessing the necessary education, examination, and training qualifications receive licenses;
- Ensures licensees obtain and maintain the required continuing medical education training;
- Provides consumers with information on their rights and how complaints may be directed to MBC;
- Investigates all consumer complaints received, promptly, thoroughly, and fairly and ensures that appropriate action is taken against licensees whose medical care or behavior is outside of acceptable standards of care;
- Reviews special faculty permit applications for non-California based medical professionals to ensure qualifications to work in a teaching hospital environment; and
- Issues fictitious name permits to physicians practicing under a name other than their own which must be posted in the medical office, and by providing duplicate fictitious name certificates in the event of loss or damage.

Project Scope and Objectives

MBC is a consumer protection agency that is entirely funded by licensing and regulatory fees. Effective January 1, 2006, pursuant to SB 231 (Figueroa, Chapter 674, Statutes of 2005), MBC's Physician and Surgeon initial license fee and the biennial renewal fee were increased from $610 to $783 (although the statutory limit is $790). This statute also prohibited MBC from receiving reimbursement for costs of investigations and prosecutions from the licensee and that any loss of revenue or increase in costs resulting from investigation and prosecution be offset by an increase in the amount of the initial license fee and the biennial renewal fee, as provided in Business and Professions Code section 2435(c).

Irrespective of the physician and surgeon fee increases, the other MBC fees have remained the same since their inception, as early as 1993. However, since the increase in January 2006, MBC has experienced a significant increase in expenditure costs, the majority of which are outside of MBC's control, and its financial data projects insufficient funds for ongoing operations by the beginning of FY 2021/22.

On November 12, 2019, MBC contracted with CPS HR Consulting (CPS) to conduct a study of its fee structures to determine if fee levels are appropriate for the recovery of the actual program costs to meet their mandated functions for the next five years. The fees included in this study include: Physician and Surgeon, Special Faculty Permit, Licensed Midwife, Polysomnographic Trainee/Technician/Technologist, Research Psychoanalyst, Fictitious Name Permit and Fictitious Name Permit Duplicate Certificate fees. Each fee was examined in the context of establishing and maintaining the current legal maximum reserve of four months for the next five fiscal years to provide information for strategic discussion and decision making. The specific recommended fee levels to increase the reserve to four months can be found in the Recommended Fee Levels section of the report.

Approach and Methodology

The primary goal of this study is to update the fee schedule, in order for the generated revenue to cover the projected expenditures in addition to a four-month reserve for economic uncertainties as required by Business and Professions Code section 2435. This includes an analysis of the projected trends and funding gaps, identification of the revenue needed to cover the expenditures of each fee, and determination of any fee adjustments required to cover the fee specific expenditures along with a portion of the targeted reserve.

CPS conducted an initial kick-off meeting with MBC's leadership and supervisors to gain a high-level understanding of the work performed in the Licensing and Enforcement Programs and to request key documents needed for the analysis. MBC and DCA provided CPS with the necessary background workload statistics in each of the program areas and a plethora of historical and projected financial documentation, including 5-year expenditure and revenue summaries, fund condition analyses, and other pertinent documents. CPS had weekly meetings with MBC, met with MBC staff to review data, and had conference calls with DCA and MBC.

Funding Gap Analysis

MBC's current financial picture was reviewed to document the current status of the fund condition and the projected expenses, and to identify the needed revenue to meet the corresponding expenditures.

1. The financial information for FY 2006/07 (the first full year after the fee increase took effect in January 2006) through FY 2024/25 was reviewed to identify the beginning

balances, revenues, expenditures, and months in reserve if the fees stayed at the current level.

2. The expenditures summary was utilized to identify a breakdown of the expenditures including personnel, operations, enforcement, and direct expenses, with consideration to the reimbursements. Additional projected growth expenditures were identified by MBC and included in the fee costing calculations and can be found in Appendix A.

3. The additional revenue required to meet the maximum statutory four-month reserve starting in FY 2020/21 was identified based on the projected expenditures in the subsequent years.

Distribution of Expenses

The total revenue required for each year FY 2020/21 through FY 2024/25 (including expenditures plus needed reserve) were split into Personnel, Operating, Enforcement, and Direct Expense categories based on the percentage of time allocated to each category in the expenditure summary, as well as the split between each fee as described below. This produced the total expenditures to be covered by the fee revenue for each respective fee.

1. The number of PY contributing to each fee was determined through a review of staff time allocations presented in updated duty statements and discussions with supervisors to verify those working on each fee. In addition to staff working directly on the fees, positions providing support across multiple fees (i.e., management, call center staff) were distributed across all fees based on the number of PY(s) allocated to each fee.
2. Personnel costs identified in the expenditure analysis were distributed among fees proportionally based on the total PY(s) contributing to each fee.
3. Operating costs were distributed based on the volume of applications in each fee.
4. Enforcement costs were distributed based on the volume of complaints and investigations opened under the respective renewal categories.

Determination of Fee Adjustments

The revenue required within each fee was compared to the current revenue, in addition to reviewing the workload metrics, to estimate the projected workload in future years. The volume of applications received (initial and renewal) and enforcement actions taken from FY 2014/15 to FY 2018/19 were reviewed to identify trends or patterns to project the number of applications expected in future years. An average volume was utilized for fees with a fluctuating volume count and an average increase/decrease was utilized for fees with a consistent change in the same direction.

MBC Staffing and Functions

Executive Unit

The Executive Director (ED) functions as operations officer for MBC and manages MBC's resources and staff. The Executive Unit includes the Executive Director, Deputy Director, Legal Counsel, and Office of Legislative and Public Affairs.

Administration

Administration includes the Business Services Office and the Information Systems Branch.

The administration staff supports multiple functions for the Executive Unit, and Licensing and Enforcement Programs, including cashiering, call center, help desk, information technology support, business services, human resources and other operational and managerial tasks.

Licensing Program

The Licensing Program is responsible for licensing and registering MBC's physician and surgeon, midwifery, research psychoanalyst, and polysomnographic applications which include various processes and fees for licensing, renewals, training, fictitious name permits, and special faculty permits. Additionally, the Licensing Program approves agencies that accredit outpatient surgery settings and collaborates with graduate medical education coordinators of California residency programs to assist with the application process and ensure that residents are licensed timely.

Enforcement Program

By way of the Enforcement Program, allegations of wrongdoing are investigated, and disciplinary or administrative actions are taken as appropriate. MBC has a Central Complaint Unit (CCU) that receives and triages all complaints. If it appears that a violation may have occurred, the complaint is either transferred to the DCA's HQIU, which is comprised of sworn peace officers, or to the MBC's Complaint Investigation Office (CIO), which is comprised of non-sworn special investigators.

The investigators (sworn or non-sworn) investigate the complaint (in coordination with deputy attorneys general (DAG) if sworn) and, if warranted, refer the case for disciplinary action. MBC's Discipline Coordination Unit processes all disciplinary documents and monitors the cases while they are at the AG's Office. If a licensee/registrant is placed on probation, MBC's Probation Unit monitors the individual while he/she is on probation to ensure he/she is complying with the terms and conditions of probation. The Probation Unit is comprised of inspectors who are located throughout the state and housed within 11 statewide offices. Having inspectors statewide eliminates excess travel and enables probationers to have face-to-face meetings with the inspectors for monitoring purposes.

Licensing and Enforcement Statistics

This information includes a review of the Licensing and Enforcement Programs' workload statistics during FY 2006/07 (the first full year after the fee increase took effect in January 2006) through FY 2018/19, and the implementation of the electronic system BreEZe in FY 2013/14.

LICENSING PROGRAM

The Licensing Program is responsible for the applications and renewals of all MBC licenses and permits including processing all initial physician and surgeon license applications in accordance with Title 16 of the California Code of Regulations (CCR) section 1319.4, under 45 days. The Licensing Program has maintained a review time of 30 days or under since November 2016.

The following three data tables show the Applications Received (Table 1), Licenses Renewed (Table 2) and Licenses Issued (Table 3) from FY 2006/07 through FY 2018/19.

Table 1. Applications Received

Applications Received													
License Type	**FY 06/07**	**FY 07/08**	**FY 08/09**	**FY 09/10**	**FY 10/11**	**FY 11/12**	**FY 12/13**	**FY 13/14**	**FY 14/15**	**FY 15/16**	**FY 16/17**	**FY 17/18**	**FY 18/19**
Physician and Surgeon	6,034	6,192	6,169	5,964	6,047	6,623	6,697	6,308	6,850	7,763	7,978	8,031	7,720
Fictitious Name Permit	1,520	1,625	1,481	1,301	1,390	1,424	1,251	1,034	1,370	1,331	1,458	1,505	1,490
Licensed Midwife	11	17	16	19	41	33	33	31	44	26	35	30	43
Research Psychoanalyst	2	3	3	0	7	2	4	5	5	4	7	7	6
Special Faculty Permit	1	11	6	0	0	5	4	6	2	3	1	4	1
Polysomnographic Trainee	N/A	N/A	N/A	N/A	N/A	0	20	26	31	27	40	23	21
Polysomnographic Technician	N/A	N/A	N/A	N/A	N/A	1	96	72	18	17	32	35	29
Polysomnographic Technologist	N/A	N/A	N/A	N/A	N/A	40	518	143	48	58	75	67	39

Table 1 (above) shows applications received. Physician and Surgeon applications have increased by 27.9% from FY 2006/07 to FY 2018/19. It should be noted that per MBC, approximately 95% of all Physician and Surgeon applications are deficient and not complete upon receipt. This increases the amount of staff time to follow up and gather information from the applicant. A full review normally occurs within 28-30 days.

Table 2. Licenses Renewed

Licenses Renewed (with fee) *													
License Type	**FY 06/07**	**FY 07/08**	**FY 08/09**	**FY 09/10**	**FY 10/11**	**FY 11/12**	**FY 12/13**	**FY 13/14**	**FY 14/15**	**FY 15/16**	**FY 16/17**	**FY 17/18**	**FY 18/19**
Physician and Surgeon[1]	53,081	55,571	55,687	56,066	57,663	59,341	57,830	59,963	61,130	61,839	62,260	64,572	67,389
Fictitious Name Permit	3,842	4,588	4,486	4,968	4,943	5,294	5,045	3,833	6,434	5,058	5,303	5,703	5,364
Licensed Midwife	74	61	78	99	98	125	126	140	152	170	186	193	190
Research Psychoanalyst	3	73	3	79	4	80	3	70	12	78	8	80	6
Special Faculty Permit	2	0	5	5	11	4	12	2	13	8	14	7	12
Polysomnographic Trainee	N/A	N/A	N/A	N/A	N/A	0	0	0	7	10	17	13	22
Polysomnographic Technician	N/A	N/A	N/A	N/A	N/A	0	0	0	28	28	36	39	47
Polysomnographic Technologist	N/A	N/A	N/A	N/A	N/A	0	0	0	383	110	414	165	438

*Excludes all military renewals due to exemption of fees

[1] Excludes physicians with inactive, retired, or disabled license status

All license and permit fees in this study are on a biennial renewal. Table 2 (above) depicts all license renewals with fees, except military exemptions, from the respective fiscal years that were reviewed. Since the last fee increase in 2006, the renewals for physicians and surgeons have increased 27%.

Table 3. Licenses Issued

Licenses Issued													
License Type	**FY 06/07**	**FY 07/08**	**FY 08/09**	**FY 09/10**	**FY 10/11**	**FY 11/12**	**FY 12/13**	**FY 13/14**	**FY 14/15**	**FY 15/16**	**FY 16/17**	**FY 17/18**	**FY 18/19**
Physician and Surgeon	5,284	4,787	4,688	5,110	5,272	5,351	5,439	5,522	5,882	6,317	6,802	6,694	6,694
Licensed Midwife	9	17	23	20	40	31	31	28	42	29	30	36	40
Research Psychoanalyst	4	2	6	3	8	4	4	3	7	9	6	5	6
Fictitious Name Permit	1,257	1,560	1,268	1,100	1,266	1,410	1,281	1,104	1,202	1,243	1,221	1,350	1,344
Special Faculty Permit	0	5	3	2	0	2	4	1	3	3	2	2	2
Polysomnographic Trainee	N/A	N/A	N/A	N/A	N/A	0	9	19	25	26	29	19	20
Polysomnographic Technician	N/A	N/A	N/A	N/A	N/A	0	40	35	19	18	29	34	31
Polysomnographic Technologist	N/A	N/A	N/A	N/A	N/A	0	329	114	46	51	63	63	42

Table 3 (above) shows all licenses issued from the respective fiscal years that CPS reviewed. Since the last fee increase in 2006, the licenses issued for physicians and surgeons have increased 26.7%.

ENFORCEMENT PROGRAM

The Enforcement Program processes and responds to complaints, determines validity, investigates the complaints and enforces discipline for misconduct by licensees. When the Central Complaint Unit (CCU) finds a complaint that needs immediate investigation, it is sent to HQIU for investigation and to the AG's Office for prosecution, if appropriate. Per Business and Professions Code section 129, MBC is mandated to acknowledge complaints within 10 calendar days.

Tables 4 through 6 (below) illustrate the Complaints Received, Investigations Opened, and Investigations referred to the Attorney General's Office for each license type.

Table 4. Complaints Received

Complaints Received													
License Type	**FY 06/07**	**FY 07/08**	**FY 08/09**	**FY 09/10**	**FY 10/11**	**FY 11/12**	**FY 12/13**	**FY 13/14**	**FY 14/15**	**FY 15/16**	**FY 16/17**	**FY 17/18**	**FY 18/19**
Physician and Surgeon	7,259	6,839	6,437	6,539	7,112	6,923	7,459	8,329	8,267	8,679	9,619	10,888	11,407
Licensed Midwife	13	10	16	7	10	26	21	25	15	9	29	29	32
Research Psychoanalyst	2	1	0	1	0	3	1	3	1	2	4	3	2
Polysomnography	N/A	N/A	N/A	N/A	n/a	7	1	7	14	11	8	7	18

Table 4 (above) shows the number of complaints received for each license type. From FY 2006/07 to FY 2018/19, MBC saw a 57.14% increase in Physician and Surgeon complaints.

In October 2013, MBC implemented a new system, BreEZe, which allows consumers to report and submit any complaints online, seven days a week, 24 hours a day. This contributed to a 52.93% increase in Physician and Surgeon complaints between FY 2012/13 to FY 2018/19.

Table 5. Investigations Opened

Investigations Opened													
License Type	**FY 06/07**	**FY 07/08**	**FY 08/09**	**FY 09/10**	**FY 10/11**	**FY 11/12**	**FY 12/13**	**FY 13/14**	**FY 14/15**	**FY 15/16**	**FY 16/17**	**FY 17/18**	**FY 18/19**
Physician and Surgeon	1,182	1,133	1,123	1,312	1,338	1,577	1,502	1,562	1,381	1,654	1,465	1,627	1,544
Licensed Midwife	0	2	3	8	10	26	21	25	15	9	29	32	32
Research Psychoanalyst	0	0	0	1	0	3	1	3	1	2	4	1	4
Polysomnography	N/A	N/A	N/A	N/A	N/A	7	0	8	14	11	8	7	15

Table 5 (above) shows the investigations opened. When it appears that a violation has occurred, CCU refers the complaint to the HQIU for investigation. The complaint is investigated to determine if a violation has occurred and may be referred to the Citation and Fine Program, the Attorney General's Office, or a district attorney's office depending on what action is warranted.

From FY 2006/07 to FY 2018/19, there was an increase of 30.6% of physician and surgeon investigations opened.

Table 6. Investigations Referred to Attorney General's Office

Investigations Referred to Attorney General's Office													
License Type	**FY 06/07**	**FY 07/08**	**FY 08/09**	**FY 09/10**	**FY 10/11**	**FY 11/12**	**FY 12/13**	**FY 13/14**	**FY 14/15**	**FY 15/16**	**FY 16/17**	**FY 17/18**	**FY 18/19**
Physician and Surgeon	415	443	450	569	594	610	566	491	471	345	425	504	638
Licensed Midwife	2	0	0	1	2	2	1	0	1	1	0	2	0
Research Psychoanalyst	0	0	0	0	0	0	0	0	0	0	0	1	0
Polysomnography	N/A	N/A	N/A	N/A	N/A	0	0	0	1	3	2	0	3

Table 6 shows the number of complaints referred to the AG's Office for each license type. The case is assigned to a Deputy AG for formal filing of charges, if warranted. If charged, the case may settle or go to an administrative hearing.

From FY 2006/07 to FY 2018/19, there was an increase of 53.7% of physician and surgeon investigations referred to the AG's Office.

Revenue and Expense Analysis

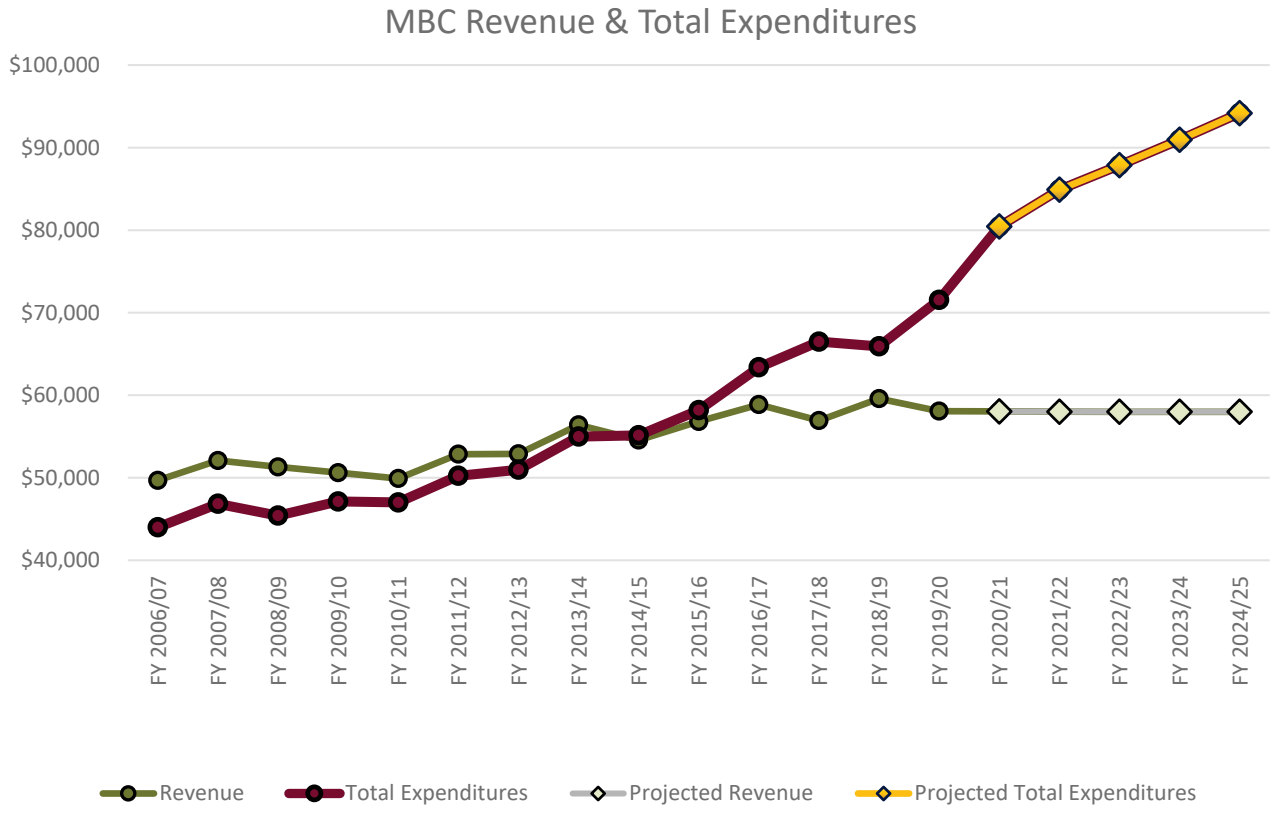
In January 2006, and pursuant to its sunset legislation SB 231 (Figueroa, Chapter 674, Statutes of 2005), MBC's physician and surgeon initial licensure fee and the biennial renewal fee statutory limits were increased by 29.5% from $610 to $790.

This statute also prohibited MBC from receiving reimbursement for costs of investigations and prosecutions from the licensee and that any loss of revenue or increase in costs resulting from investigation and prosecution be offset by an increase in the amount of the initial license fee and the biennial renewal fee, as provided in Business and Professions Code section 2435(c). In addition, the other MBC fees have remained the same since their inception.

It has been 14 years since the last physician and surgeon initial licensure fee and the biennial renewal fee increase. MBC has experienced significant increases in expenditure costs while experiencing very minimal revenue growth. The majority of the expenditure costs are outside of MBC's control.

MBC's revenue has remained relatively static, growing from $49.7 million in FY 2006/07 to $59.6 million in FY 2018/19. This represents an increase of 19.9% over the last 13 fiscal years or an average annual growth of 1.5%. During the same period MBC expenditures have outpaced revenues. MBC's total expenditures have grown from $44 million in FY 2006/07 to an estimated $65.9 million in FY 2018/19 for an overall increase of 49.8% and an average annual growth of 3.8% (Figure 1, below). Current projections show total expenditures growing from $80.4M to $94.2M from FY 2020/21 to FY 2024/25.

Figure 1. MBC Revenue & Total Expenditures



Dollars in thousands
Source: Governor's Budget and MBC.

Fee and Non-Fee Scheduled Revenue

Table 7 (below) contains a breakdown of the fee and non-fee scheduled revenue collected by MBC. MBC gets the vast majority of its revenue from fee scheduled revenue (98.6%) compared to non-fee scheduled revenue (1.4%).

Table 7. Fee and Non-Fee Scheduled Revenue

Revenue category	Actual FY 2006/07	Actual FY 2014/15	Actual FY 2015/16	Actual FY 2016/17	Actual FY 2017/18	Actual FY 2018/19	Percent of FY 2018/19 Total Revenue
Fee scheduled revenue - Renewal fees	$ 42,415	$ 47,253	$ 48,728	$ 48,799	$ 48,797	$ 51,080	85.7%
Fee scheduled revenue - Initial licenses and permits	$ 5,703	$ 6,727	$ 7,388	$ 7,558	$ 7,227	$ 7,044	11.8%
Fee scheduled revenue - Other regulatory and delinquent fees	$ 442	$ 475	$ 509	$ 804	$ 535	$ 607	1.0%
Total fee scheduled revenue	**$ 48,560**	**$ 54,455**	**$ 56,625**	**$ 57,161**	**$ 56,559**	**$ 58,731**	**98.6%**
Total non-fee scheduled revenue	**$ 1,128**	**$ 108**	**$ 191**	**$ 1,702**	**$ 369**	**$ 855**	**1.4%**
Total Revenue	**$ 49,688**	**$ 54,563**	**$ 56,816**	**$ 58,863**	**$ 56,928**	**$ 59,586**	**100.0%**

Dollars in thousands
Source: Governor's Budget 2020/21
Figures presented reflect all fee scheduled and non-fee scheduled revenue collected by MBC

Selected Fee Revenue Analysis

Table 8 contains revenue from the 22 fees under study.

Table 8. Selected Fee Revenue Analysis

Fees	Actual FY 2018/19	% of Total Fee Scheduled Revenue
Physician and Surgeon		
Application Fee	$ 3,329,907	5.670%
Initial License Fee	$ 3,674,657	6.257%
Biennial Renewal Fee	$ 50,542,710	86.058%
Physician and Surgeon Subtotal	**$ 57,547,274**	**97.984%**
Physician and Surgeon Special Fees		
Specialty Faculty Permit Application Fee	$ 884	0.002%
Special Faculty Permit Initial License Fee	$ 1,566	0.003%
Special Faculty Permit Biennial Renewal Fee	$ 7,047	0.012%
Fictitious Name Permit Fee	$ 72,520	0.123%
Fictitious Name Permit Biennial Renewal Fee	$ 215,200	0.366%
Duplicate Fictitious Name Permit	$ 1,950	0.003%
Physician and Surgeon Special Fees Subtotal	**$ 299,167**	**0.509%**
Licensed Midwife		
Initial Fee	$ 12,600	0.021%
Biennial Renewal Fee	$ 38,000	0.065%
Licensed Midwife Subtotal	**$ 50,600**	**0.086%**
Polysomnographic		
Trainee Application Fee	$ 2,200	0.004%
Trainee Registration Fee	$ 2,100	0.004%
Trainee Renewal Fee	$ 2,700	0.005%
Technician Application Fee	$ 2,600	0.004%
Technician Registration Fee	$ 2,800	0.005%
Technician Renewal Fee	$ 6,900	0.012%
Technologist Application Fee	$ 3,700	0.006%
Technologist Registration Fee	$ 3,851	0.007%
Technologist Renewal Fee	$ 59,400	0.101%
Polysomnographic Subtotal	**$ 86,251**	**0.147%**
Research Psychoanalyst		
Initial Fee	$ 300	0.001%
Biennial Renewal Fee	$ 250	0.000%
Research Psychoanalyst Subtotal	**$ 550**	**0.001%**
Selected Fee Totals	**$ 57,983,842**	**98.728%**
Total Fee Scheduled Revenue	**$ 58,731,000**	**100.000%**
Selected Fee Totals/Total Fee Scheduled Revenue	**98.7%**	

Source Total fee scheduled revenue from the FY 2020/21 Governor's Budget; remainder of data from FI$Cal

Budget Structural Imbalance

Table 9 below provides an analysis of MBC's Projected Growth Budget.

Table 9. MBC's Projected Growth Budget

MBC's Projected Growth Budget								
(Dollars in thousands)	**Actual FY 2006/07**	**Actual FY 2018/19**	**Current Budget FY 2019/20**	**Projected Budget FY 2020/21**	**Projected Budget FY 2021/22**	**Projected Budget FY 2022/23**	**Projected Budget FY 2023/24**	**Projected Budget FY 2024/25**
Beginning Reserve Balance	$12,776	$34,800	$28,463	$14,980	$577	$(31,900)	$(64,553)	$(97,507)
Revenues	$49,688	$59,586	$58,072	$58,036	$58,002	$57,993	$57,993	$57,993
Transfers				$8,000[1]	($5,505)[2]	$(2,753)[2]		
Total Resources[3]	**$ 62,464**	**$94,386**	**$86,535**	**$81,016**	**$53,074**	**$23,340**	**$(6,560)**	**$(39,514)**
Expenditures[4]	$43,971	$61,519	$67,171	$76,426	$80,795	$83,539	$86,409	$89,559
Direct Assessments[5]	$25	$4,404	$4,384	$4,013	$4,179	$4354	$4,538	$4,730
Total Expenditures	**$43,996**	**$65,923**	**$71,555**	**$80,439**	**$84,974**	**$87,893**	**$90,947**	**$94,289**
Fund Balance	$18,468	$28,463	$14,980	$577	$(31,900)	$(64,553)	$(97,507)	$(133,803)
Months in reserve	4.7	4.8	2.2	0.08	-4.2	-8.5	-12.4	-16.4

[1] $8 million Control Section 14.00 loan from the DCA
[2] Includes part of 18-month payment for the $8 million Control Section 14.00 loan.
[3] Total Resources figures consist of total revenues, transfers, and other adjustments.
[4] Expenditure figures include MBC's Operating Expenses and Equipment and Personnel Services cost categories. A detailed breakdown of these costs can be found in Appendix A
[5] In FY 2006/07 the State Controller (State Operations) line item was the only direct assessment to MBC's fund; beginning in FY 2016/17 the cost associated with this line item became part of Statewide General Administrative Expenditures (Pro Rata) (State Operations). Statewide General Administrative Expenditures (Pro Rata) (State Operations) became a direct assessment beginning in FY 2016/17. See detailed breakdown of the Direct Assessments in Table 11.
Source: Governor's Budget and MBC

MBC's fund is structurally imbalanced and is estimated to have a fund balance of $0.6 million (0.08 months-in-reserve) by the end of FY 2020/21 and will be insolvent by the beginning of FY 2021/22. If MBC incurs any additional cost increases or seek any additional resources beyond what is currently authorized, the fund reserve will drop even further.

Attorney General's Office

Table 10 shows a breakdown for the AG's Office from FY 2006/07 and FY 2018/19 through FY 2024/25.

Expenditures for the AG's Office have increased $4 M or 35.3% from FY 2006/07 to FY 2018/19 (from $11.2M to $15.2M). For example, between FY 2016/17 through FY 2018/19 the AG's Office exceeded their budget allocation by $3M, resulting in MBC having to absorb these costs.

In FY 2019/20 MBC's AG's budget allocation increased 41.0% ($4.9M) from $12M to $16.9M in FY 2020/21 due to the increased AG's hourly rate. From FY 2020/21 to FY 2024/25 the projected budget is expected to increase an additional 26.2% from $16.9M to $21.4.

Table 10. Attorney General's Office Cost

Attorney General's Office Cost								
(Dollars in thousands)	**Actual FY 2006/07**	**Actual FY 2018/19**	**Current Budget FY 2019/20**	**Projected Budget FY 2020/21**	**Projected Budget FY 2021/22**	**Projected Budget FY 2022/23**	**Projected Budget FY 2023/24**	**Projected Budget FY 2024/25**
Attorney General's Office	$11,232	$15,201	$12,012	$16,941	$17,957	$19,035	$20,177	$21,388
Dollars in thousands Source: Governor's Budget and MBC								

As of July 1, 2019, the AG's Office increased its billing rates for attorney services by 30%, from $170 to $220 per hour; paralegal services by 71%, from $120 to $205 per hour; and auditor/research analyst services by 97%, from $99 to $195. On July 12, 2019, the AG's Office amended the effective date of these increases to September 1, 2019; however, due to MBC's current fund condition, the increased rates are on hold until fees are increased, and the budget is balanced. These rates will feasibly take effect January 1, 2021, if new fees can be implemented in a timely manner.

Health Quality Investigation Unit (HQIU)

The Division of Investigation's HQIU provides investigative services to MBC. HQIU staff salary and benefits expenditures are expected to increase by 44.3% from $19.6M in FY 2018/19 to $28.3M to FY 2024/25. This is based on an annual average increase of approximately 6.3%.

Employee Compensation and Benefits

Between FY 2018/19 to FY 2024/25 MBC's Personnel Services costs including salary and benefits are projected to increase by 59% from $15.0M to $23.8M. This is based on an annual average increase of approximately 8.4%, which includes:

- 12.5 new budgeted positions established in FY 2020/21;
- Bargaining Unit (BU) 7 new contract that will result in General Salary Increases (GSI) over the next four years; and
- All the other BUs new contracts with GSIs starting in FY 2020/21 with additional incremental GSI increases for the next three years.
- 15.0 potential new positions and resources estimated in FY 2021/22

Office of Administrative Hearings

Office of Administrative Hearing costs are projected to increase 69% from FY 2018/19 ($1.6M) to $2.7M in FY 2024/25. This is based on an annual average increase of approximately 9.8% from prior expenditures.

Credit Card Services provided in BreEZe

Credit Card expenses are currently budgeted at $1M. This is based on the current level of fees plus a convenience fee of 1.8% per charge. If the level of fees increases, the convenience fee charged will also increase. Therefore, based on the estimated increase in revenue, MBC will need an additional $539,000 annually to cover the increase in convenience fee charges.

Departmental Services (DCA Pro Rata)

Departmental Services (DCA Pro Rata) is projected to increase 31.4% from $5.1M in FY 2018/19 to $6.7M in FY 2024/25, which equates to an average of 4.5% each year.

Evidence/Witness

Evidence/witness costs are associated with hiring expert witnesses to testify in enforcement cases. Evidence/witness costs are projected to increase from $2.3M in FY 2018/19 to $2.8M in FY 2024/25, which equates to an average of 3.1% each year.

Direct Assessments

Table 11 shows a detailed breakdown of the direct assessments from Table 9 above to MBC from FY 2006/07 and FY 2018/19 through FY 2024/25.

Table 11. Direct Assessments

Direct Assessments								
(Dollars in thousands)	**Actual FY 2006/07**	**Actual FY 2018/19**	**Current Budget FY 2019/20**	**Projected Budget FY 2020/21**	**Projected Budget FY 2021/22**	**Projected Budget FY 2022/23**	**Projected Budget FY 2023/24**	**Projected Budget FY 2024/25**
State Controller (State Operations)	$25	-	-	-	-	-	-	-
Financial Information System for California (State Operations)	-	$7	$-8	-	-	-	-	-
Supplemental Pension Payments (State Operations)	-	$319	$685	$685	$685	$685	$685	$685
Statewide General Administrative Expenditures (Pro Rata) (State Operations)	$1,376[1]	$4,078	$3,707	$3,328	$3,494	$3,669	$3,853	$4,045
Total Direct Assessments	**$1,401**	**$4,404**	**$4,384**	**$4,013**	**$4,179**	**$4,354**	**$4,538**	**$4,730**

[1] In FY 2006/07 Statewide General Administrative Expenditures (Pro Rata) (State Operations) was contained within MBC's expenditures, but beginning in FY 2016/17, this cost became a direct assessment to MBC's fund.
Dollars in thousands
Source: Governor's Budget and MBC

Financial Information System for California (FI$Cal)

FI$Cal is the state's new system for accounting, budgeting and procurement. As a central service agency, FI$Cal's non-General Fund costs are recovered from various special and nongovernmental cost funds through the Central Service Cost Recovery Fund, administered by the Department of Finance. Departments who are assessed Statewide Pro Rata charges will see the costs for their end users in their FI$Cal assessments. The FI$Cal costs identified are MBC's share of the total costs assessed for the department. MBC's total contribution toward the FI$Cal implementation was $973K from FY 2011/12 to FY 2018/19. Going forward, any small remaining support costs associated with FI$Cal will become part of Statewide General Administrative Expenditures (Pro Rata).

Statewide General Administrative Expenditures (Pro Rata)

Statewide Pro Rata is a recovery of statewide general administrative costs (i.e., indirect costs incurred by central service agencies) and has been a significant cost contributor to MBC. MBC's Statewide Pro Rata cost has increased by 196.4% ($2.7M) from FY 2006/07 to $4.1M in FY 2018/19.

Supplemental Pension Payments

Senate Bill 84 (Chapter 50, Statutes of 2017) authorized a one-time $6 billion supplemental pension payment in FY 2017/18 to CalPERS. This loan is to be repaid through funds responsible for retirement contributions. The repayments are made through a direct assessment against the fund. MBC paid $319,000 in FY 2018/19 and will pay $685,000 annually through FY 2024/25 to repay MBC's share of the loan.

Closing the Gap – Additional Revenue Needed with Corresponding Fee Levels

Business and Professions Code section 2435 requires MBC to maintain a reserve fund balance that would cover expenditures for two to four months. Table 12 shows that at the end of FY 2020/21, there will be 0.08 months in reserve. Consequently, the fund will become insolvent in FY 2021/22.

Note: Table 12 includes a one-time $8M loan pursuant to the Control Section 14.00 loan in the FY 2020/21 Governor's Budget. This $8M loan was built into the Governor's Budget to ensure MBC's fund remained solvent through FY 2020/21.

An overall increase in revenue is required to close the revenue gap and build a satisfactory reserve over the next five years. This assumes that, except for the selected fee increases, MBC retains the current initial and renewal license fee structure, maintains costs within its control, and does not incur significant additional cost increases beyond trends experienced over the last five years.

The next table presents the amount of additional fee revenue needed to achieve a four-month reserve for the next five fiscal years and assumes the first fee increase would take effect on January 1, 2021. The additional fee revenue covers the increase in expenditures and the needed funding to approach the targeted reserve.

Table 12 shows the amount of additional fee revenue needed to achieve a four-month reserve.

Table 12. Projected Budget with Additional Revenue to Approach Four Months in Reserve

Projected Budget with Additional Revenue to Approach Four Months in Reserve								
(Dollars in thousands)	**Actual FY 2006/07**	**Actual FY 2018/19**	**Current Budget FY 2019/20**	**Projected Budget FY 2020/21**	**Projected Budget FY 2021/22**	**Projected Budget FY 2022/23**	**Projected Budget FY 2023/24**	**Projected Budget FY 2024/25**
Beginning Reserve Balance	$12,776	$34,800	$28,463	$14,980	$19,412	$22,331	$25,086	$28,581
Revenues	$49,688	$59,586	$58,072	$58,036	$58,002	$57,993	$57,993	$57,993
Additional Revenue to meet Expenditures and build reserve				$18,835	$35,396	$35,409	$36,448	$38,546
Transfers				$8,000[1]	($5,505)[2]	($2,753)[2]		
Total Resources[3]	**$62,464**	**$94,386**	**$86,535**	**$99,851**	**$107,305**	**$112,980**	**$119,527**	**$125,120**
Expenditures[4]	$43,971	$61,519	$67,171	$76,426	$80,795	$83,539	$86,409	$89,559
Direct Assessments[5]	$25	$4,404	$4,384	$4,013	$4,179	$4,354	$4,538	$4,730
Total Expenditures	**$43,996**	**$65,923**	**$71,555**	**$80,439**	**$84,974**	**$87,893**	**$90,947**	**$94,289**
Fund Balance	$18,468	$28,463	$14,980	$19,412	$22,331	$25,086	$28,581	$30,831
Months in reserve	4.7	4.8	2.2	2.6	3.0	3.3	3.6	3.8

[1]$8 million Control Section 14.00 loan from the DCA
[2]Includes part of 18-month payment for the $8 million Control Section 14.00 loan.
[3]Total Resources figures consist of total revenues, transfers, and other adjustments.
[4] Expenditure figures include MBC's Operating Expenses and Equipment and Personnel Services cost categories. A detailed breakdown of these costs can be found in Appendix A
[5] In FY 2006/07 the State Controller (State Operations) line item was the only direct assessment to MBC's fund; beginning in FY 2016/17 the cost associated with this line item became part of Statewide General Administrative Expenditures (Pro Rata) (State Operations). Statewide General Administrative Expenditures (Pro Rata) (State Operations) became a direct assessment beginning in FY 2016/17. See detailed breakdown of the Direct Assessments in Table 11
Source: Governor's Budget and MBC

Recommended Fee Levels

The fees required to meet the revenue requirements for the next five years with a four-month reserve, are presented in Table 13 below. The specific methodology used to calculate the fee increases is outlined in the Approach and Methodology section of the report. The recommended fees to meet the expenditures and build to a satisfactory reserve reflect increases from 0% to 50%, with an overall increase of 44.9% when considering the volume of applications/renewals. A more detailed breakdown of needed revenue per fee type and the impact of the proposed fee in meeting that revenue is presented in Appendix B.

Table 13. Recommended Fees

Fee Type	Current Fee	Adjusted Fee	Percent Increase	Increase amount
Physician/Surgeon Application	$442	$625	+41%	$183
Physician/Surgeon Initial Licensure	$783	$1150	+47%	$367
Physician/Surgeon Renewal	$783	$1150	+47%	$367
Research Psychoanalyst Initial App + License	$100	$150	+50%	$50
Research Psychoanalyst Renewal	$50	$75	+50%	$25
Polysomnography Application (Trainee, Technician, Technologist)	$100	$120	+20%	$20
Polysomnography Initial Registration (Trainee, Technician, Technologist)	$100	$120	+20%	$20
Polysomnography Renewal (Trainee, Technician, Technologist)	$150	$220	+47%	$70
Midwife Initial	$300	$450	+50%	$150
Midwife Renewal	$200	$300	+50%	$100
Special Faculty Permit Application	$442	$442	0%	0
Special Faculty Permit Initial Licensure	$783	$783	0%	0
Special Faculty Permit Renewal	$783	$1150	+47%	$367
Fictitious Name Permit Initial	$50	$70	+40%	$20
Fictitious Name Permit Renewal	$40	$50	+25%	$10
Fictitious Name Duplicate Certificate	$30	$40	+33%	$10
Months in Reserve:				
	Current	**Proposed**		
FY 20/21	**+0.08**	**+2.6**		
FY 21/22	-4.2	**+3.0**		
FY 22/23	-8.5	**+3.3**		
FY 23/24	-12.4	**+3.6**		
FY 24/25	-16.4	**+3.8**		

Recommendations

Recommendation 1

MBC's fund is structurally imbalanced and is estimated to have a fund balance of $0.6M (0.08 months-in-reserve) by the end of FY 2020/21 and will be insolvent by the beginning of FY 2021/22. If MBC incurs any additional cost increases or seeks any additional resources beyond what is currently authorized, the fund reserve will decrease even further.

To prevent insolvency and to achieve a mandatory reserve as required by statute, it is recommended that MBC seek statutory fee increases in each of their fee categories to accommodate the expenditures and increase the reserve to four months utilizing the fee options outlined by this study.

Recommendation 2

Current law requires MBC to maintain a reserve fund balance that would cover expenditures for two to four months. The Department of Consumer Affairs (DCA) regulatory boards strive to maintain an approximate six-month reserve so that unforeseen expenses can be managed without disrupting program activities.

It is recommended that MBC amend Business and Professions Code section 2435 to increase the minimum months needed in reserve to three to six months to afford MBC the lead time and flexibility to pivot and address unanticipated expenses, as MBC has experienced in the past four years.

Appendix A:

MBC FY 2020/21 to FY 2024/25 Projected Growth Expenditures

COST CATEGORY	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
	BUDGET YEAR	PROJECTED BUDGET	PROJECTED BUDGET	PROJECTED BUDGET	PROJECTED BUDGET
PERSONNEL SERVICES					
Personnel Salary	*12,880,000*	*13,175,000*	*13,426,000*	*13,730,000*	*14,042,000*
Civil Service Salary – projected BU increases	*294,879*	*250,691*	*304,423*	*311,951*	*314,376*
Benefits	7,427,000	7,539,000	7,837,000	7,953,000	8,072,000
Benefits - projected BU Increases	*111,756*	*94,686*	*115,672*	*118,859*	*222,787*
Potential New Resources Needed:		***2,257,000***	***2,085,000***	***2,085,000***	***2,085,000***
TOTAL PERSONNEL SERVICES	**20,713,635**	**23,316,377**	**23,768,095**	**24,198,810**	**24,736,163**
OPERATING EXPENSES & EQUIPMENT					
Fingerprint Reports	333,000	333,000	333,000	333,000	333,000
General Operating Expenses and Equipment	10,267,000	9,309,000	9,629,100	9,968,406	10,328,070
Credit Card projected Increased costs		*494,315*	*498,316*	*519,663*	*575,560*
DCA Pro Rata Projected Increased costs		*320,100*	*339,306*	*359,664*	*381,244*
ENFORCEMENT					
Attorney General	16,941,000	16,941,000	17,957,460	19,034,908	20,177,002
Attorney General's Office Projected Increase costs		*1,016,460*	*1,077,448*	*1,142,094*	*1,210,620*
Office of Admin Hearings	1,750,000	1,750,000	1,942,500	2,156,175	2,393,354
OAH Projected Increase Costs		*192,500*	*213,675*	*237,179*	*263,269*
Evidence/Witness/Court Reporter	2,598,000	2,598,000	2,649,960	2,702,959	2,757,018
Evidence/Witness, Court Reporter Projected Increased Costs		*301,960*	*302,999*	*304,059*	*305,140*
DOI Investigation (HQIU)	25,656,000	26,052,000	26,451,000	27,056,000	27,681,000
BU Projected Increased Costs	*396,392*	*398,956*	*605,264*	*625,478*	*646,380*
Special Items of Expense					
Total OE & E	**57,941,392**	**59,633,867**	**61,970,658**	**64,439,042**	**67,047,663**
Operating	**10,600,000**	**10,456,415**	**10,799,722**	**11,180,733**	**11,617,874**
Enforcement	**47,341,392**	**49,250,876**	**51,200,306**	**53,258,853**	**55,433,784**
TOTAL EXPENDITURES	**78,655,027**	**82,950,244**	**85,738,753**	**88,637,852**	**91,783,826**
REIMBURSEMENT					
NET APPROPRIATION	**78,655,027**	**82,950,244**	**85,738,753**	**88,637,852**	**91,783,826**
Scheduled, Other Reimbursement	**(384,000)**	**(384,000)**	**(384,000)**	**(384,000)**	**(384,000)**

COST CATEGORY	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
	BUDGET YEAR	PROJECTED BUDGET	PROJECTED BUDGET	PROJECTED BUDGET	PROJECTED BUDGET
Distributed Costs - Internal Cost Recovery	(945,000)	(945,000)	(945,000)	(945,000)	(945,000)
Unscheduled Reimbursement	(900,000)	(900,000)	(900,000)	(900,000)	(900,000)
NET, TOTAL EXPENDITURES	**76,426,027**	**80,721,244**	**83,509,753**	**86,408,852**	**89,554,826**

Source: MBC

Appendix B: Fee Revenue Analysis

Annual fee revenue is needed to meet annual expenditures and maintain needed reserves. The following table identifies the increase in revenue needed to cover increasing expenditures and a building up to a four-month reserve. The following table identifies the current allocated fee revenue budget given current fees (labeled as Allocated), the budget needed to meet the projected expenditures and build-up to a four-month reserve (labeled Needed), and the difference (labeled as Difference), that needs to be covered by increased fees identified by this study. The allocated funds reflect the total revenues, transfers, and other adjustments from the MBC's projected growth expenditures and the Governor's Budget, Fund Condition/Governor's Budget record.

The allocated funds shows revenue projections if fees remain static. The needed funds are based on an analysis of projected expenditures and projected growth expenditures, and current and additional reserves needed. The difference indicates the additional revenue needed in each year. The total expenditures are distributed among the fees using the number of allocated staff to each fee, the projected volume of applications/renewals, historical allocation, and the portion of enforcement actions initiated using FY 2015/16 through FY 2018/19 as representative.

Fee Name		FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25
OVERALL (across all fees)	Allocated	$58,036,000	$58,002,000	$57,993,000	$57,993,000	$57,993,000
	Needed	$76,870,912	$93,398,205	$93,402,176	$94,440,631	$96,539,234
	Difference	**$18,834,912**	**$35,396,205**	**$35,409,176**	**$36,447,631**	**$38,546,234**
Physician/Surgeon Application	Allocated	$2,727,236	$2,628,072	$2,627,553	$2,598,660	$2,542,170
	Needed	$3,612,329	$4,231,875	$4,231,875	$4,231,875	$4,231,875
	Difference	**$885,093**	**$1,603,803**	**$1,604,322**	**$1,633,215**	**$1,689,705**
Physician/Surgeon Initial Licensure	Allocated	$3,290,894	$3,220,912	$3,220,275	$3,184,865	$3,115,632
	Needed	$4,358,915	$5,186,500	$5,186,500	$5,186,500	$5,186,500
	Difference	**$1,068,021**	**$1,965,588**	**$1,966,225**	**$2,001,635**	**$2,070,868**

Fee Name		FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25
Physician/Surgeon Renewal	Allocated	$51,642,177	$51,797,481	$51,787,242	$51,852,898	$51,983,700
	Needed	$68,402,048	$83,407,327	$83,407,327	$84,441,578	$86,535,729
	Difference	**$16,759,871**	**$31,609,846**	**$31,620,085**	**$32,588,680**	**$34,552,029**
Research Psychoanalyst Initial App + License	Allocated	$566	$559	$559	$553	$541
	Needed	$750	$900	$900	$900	$900
	Difference	**$184**	**$341**	**$341**	**$347**	**$359**
Research Psychoanalyst Renewal	Allocated	$2,029	$2,003	$2,002	$1,980	$1,937
	Needed	$2,688	$3,225	$3,225	$3,225	$3,225
	Difference	**$659**	**$1,222**	**$1,223**	**$1,245**	**$1,288**
Polysomnography Application (Trainee, Technician, Technologist)	Allocated	$9,613	$8,626	$8,624	$8,529	$8,344
	Needed	$12,733	$13,890	$13,890	$13,890	$13,890
	Difference	**$3,120**	**$5,264**	**$5,266**	**$5,361**	**$5,546**
Polysomnography Initial Registration (Trainee, Technician, Technologist)	Allocated	$8,824	$7,918	$7,916	$7,829	$7,659
	Needed	$11,688	$12,750	$12,750	$12,750	$12,750
	Difference	**$2,864**	**$4,832**	**$4,834**	**$4,921**	**$5,091**
Polysomnography Renewal (Trainee, Technician, Technologist)	Allocated	$46,755	$45,735	$45,726	$45,223	$44,240
	Needed	$61,929	$73,645	$73,645	$73,645	$73,645
	Difference	**$15,174**	**$27,910**	**$27,919**	**$28,422**	**$29,405**
Midwife Initial	Allocated	$9,484	$9,362	$9,360	$9,257	$9,056
	Needed	$12,563	$15,075	$15,075	$15,075	$15,075
	Difference	**$3,079**	**$5,713**	**$5,715**	**$5,818**	**$6,019**
Midwife Renewal	Allocated	$40,205	$42,015	$44,472	$46,565	$48,226
	Needed	$53,253	$67,654	$71,626	$75,830	$80,281
	Difference	**$13,048**	**$25,639**	**$27,154**	**$29,265**	**$32,055**

Fee Name		FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25
Special Faculty Application	Allocated	$751	$618	$617	$611	$597
	Needed	$995	$995	$995	$995	$995
	Difference	**$244**	**$377**	**$378**	**$384**	**$398**
Special Faculty Initial Licensure	Allocated	$1,330	$1,094	$1,094	$1,082	$1,058
	Needed	$1,762	$1,762	$1,762	$1,762	$1,762
	Difference	**$432**	**$668**	**$668**	**$680**	**$704**
Special Faculty Renewal	Allocated	$7,479	$7,320	$7,319	$7,238	$7,081
	Needed	$9,907	$11,788	$11,788	$11,788	$11,788
	Difference	**$2,428**	**$4,468**	**$4,469**	**$4,550**	**$4,707**
Fictitious Name Permit Initial	Allocated	$65,502	$62,859	$62,847	$62,156	$60,805
	Needed	$86,760	$101,220	$101,220	$101,220	$101,220
	Difference	**$21,258**	**$38,361**	**$38,373**	**$39,064**	**$40,415**
Fictitious Name Permit Renewal	Allocated	$181,999	$166,340	$166,307	$164,478	$160,903
	Needed	$241,065	$267,850	$267,850	$267,850	$267,850
	Difference	**$59,066**	**$101,510**	**$101,543**	**$103,372**	**$106,947**
Fictitious Name Duplicate Certificate	Allocated	$1,156	$1,087	$1,087	$1,075	$1,051
	Needed	$1,531	$1,750	$1,750	$1,750	$1,750
	Difference	**$375**	**$663**	**$663**	**$675**	**$699**

The second part of the revenue analysis is the identification of the fee changes required to meet the needed revenue requirements. The following table compares the current fee to the adjusted or recommended fee. This is followed by a summary of the needed revenue from the prior table that is required to cover the corresponding fee expenditures. The amount of expected revenue from the recommended fee (adjusted fee times estimated volume) is compared to the needed revenue to validate the sufficiency of the recommended fee.

Additionally, the months in reserve with the current fee levels was compared to the months in reserve utilizing the recommended fee levels at the bottom of the table. Without a fee increase, the reserve will be negative by early FY 2021/22, however with the implementation of the recommended fee levels – the reserve will grow to 3.8 months by the end of FY 2024/25.

Fee Name	Current Fee	Adjust. Fee	Percent Increase	Increase amount	Fiscal Year	Needed Revenue	Estimated Volume	Adjust. Fee *x* Volume
Physician/Surgeon Application *Volume based on 4-year avg.*	$442	$625	+41%	$183	20/21	$3,612,329	6771	$3,612,862
					21/22	$4,231,875	6771	$4,231,875
					22/23	$4,231,875	6771	$4,231,875
					23/24	$4,231,875	6771	$4,231,875
					24/25	$4,231,875	6771	$4,231,875
Physician/Surgeon Initial Licensure *Volume based on 4-year avg. and proportion of applications paying full/partial fee.*	$783	$1150	+47%	$367	20/21	$4,358,915	4510	$4,358,915
					21/22	$5,186,500	4510	$5,186,500
					22/23	$5,186,500	4510	$5,186,500
					23/24	$5,186,500	4510	$5,186,500
					24/25	$5,186,500	4510	$5,186,500
Physician/Surgeon Renewal *Volume based on trending avg. 2.048% increase /year*	$783	$1150	+47%	$367	20/21	$68,402,048	70773	$68,403,071
					21/22	$83,407,327	72528	$83,407,200
					22/23	$83,407,327	72528	$83,407,200
					23/24	$84,441,578	73427	$84,441,050
					24/25	$86,535,729	75248	$86,535,200
Research Psychoanalyst Initial App + License *Volume based on 4 yr. avg.*	$100	$150	+50%	$50	20/21	$750	6	$750
					21/22	$900	6	$900
					22/23	$900	6	$900
					23/24	$900	6	$900
					24/25	$900	6	$900
Research Psychoanalyst Renewal *Volume based on 2 yr. cyclical avg.*	$50	$75	+50%	$25	20/21	$2,688	43	$2,750
					21/22	$3,225	43	$3,225
					22/23	$3,225	43	$3,225
					23/24	$3,225	43	$3,225
					24/25	$3,225	43	$3,225

Fee Name	Current Fee	Adjust. Fee	Percent Increase	Increase amount	Fiscal Year	Needed Revenue	Estimated Volume	Adjust. Fee *x* Volume
Polysomnography Application (Trainee, Technician, Technologist) *Volume combines 4 yr. avg. of each level.*	$100	$120	+20%	$20	20/21	$12,733	116	$12,760
					21/22	$13,890	116	$13,920
					22/23	$13,890	116	$13,920
					23/24	$13,890	116	$13,920
					24/25	$13,890	116	$13,920
Polysomnography Initial Registration (Trainee, Technician, Technologist) *Volume combines 4 yr. avg. of each level.*	$100	$120	+20%	$20	20/21	$11,688	106	$11,660
					21/22	$12,750	106	$12,720
					22/23	$12,750	106	$12,720
					23/24	$12,750	106	$12,720
					24/25	$12,750	106	$12,720
Polysomnography Renewal (Trainee, Technician, Technologist) *Volume combines 4 yr. avg. of each level.*	$150	$220	+47%	$70	20/21	$61,929	335	$62,160
					21/22	$73,645	335	$73,700
					22/23	$73,645	335	$73,700
					23/24	$73,645	335	$73,700
					24/25	$73,645	335	$73,700
Midwife Initial *Volume based on 4 yr. avg.*	$300	$450	+50%	$150	20/21	$12,563	34	$12,750
					21/22	$15,075	34	$15,300
					22/23	$15,075	34	$15,300
					23/24	$15,075	34	$15,300
					24/25	$15,075	34	$15,300
Midwife Renewal *Volume based on trending avg. 5.87% increase /year*	$200	$300	+50%	$100	20/21	$53,253	213	$53,500
					21/22	$67,654	226	$67,800
					22/23	$71,626	239	$71,700
					23/24	$75,830	253	$75,900
					24/25	$80,281	268	$80,400

Fee Name	Current Fee	Adjust. Fee	Percent Increase	Increase amount	Fiscal Year	Needed Revenue	Estimated Volume	Adjust. Fee *x* Volume
Special Faculty Application *Volume based on 4 yr. avg.*	$442	$442	0%	0	20/21	$995	2	$884
					21/22	$995	2	$884
					22/23	$995	2	$884
					23/24	$995	2	$884
					24/25	$995	2	$884
Special Faculty Initial Licensure *Volume based on 4 yr. avg.*	$783	$783	0%	0	20/21	$1,762	2	$1,566
					21/22	$1,762	2	$1,566
					22/23	$1,762	2	$1,566
					23/24	$1,762	2	$1,566
					24/25	$1,762	2	$1,566
Special Faculty Renewal *Volume based on 4 yr. avg.*	$783	$1150	+47%	$367	20/21	$9,907	10	$9,665
					21/22	$11,788	10	$11,500
					22/23	$11,788	10	$11,500
					23/24	$11,788	10	$11,500
					24/25	$11,788	10	$11,500
Fictitious Name Permit Initial *Volume based on 4 yr. avg.*	$50	$70	+40%	$20	20/21	$86,760	1446	$86,760
					21/22	$101,220	1446	$101,220
					22/23	$101,220	1446	$101,220
					23/24	$101,220	1446	$101,220
					24/25	$101,220	1446	$101,220
Fictitious Name Permit Renewal *Volume based on 4 yr. avg.*	$40	$50	+25%	$10	20/21	$241,065	5357	$241,110
					21/22	$267,850	5357	$267,850
					22/23	$267,850	5357	$267,850
					23/24	$267,850	5357	$267,850
					24/25	$267,850	5357	$267,850
Fictitious Name Duplicate Certificate *Volume based on 4 yr. avg.*	$30	$40	+33%	$10	20/21	$1,531	44	$1,540
					21/22	$1,750	44	$1,760
					22/23	$1,750	44	$1,760
					23/24	$1,750	44	$1,760
					24/25	$1,750	44	$1,760

Fee Name	Current Fee	Adjust. Fee	Percent Increase	Increase amount	Fiscal Year	Needed Revenue	Estimated Volume	Adjust. Fee *x* Volume
Months in Reserve:					Needed Revenue compared to Projected Revenue			
	Current Fee	Adjusted Fee				Needed Revenue		Projected Revenue Received
FY 20-21	**+0.08**	**+2.6**			**FY 20-21**	76,870,916		$76,872,703
FY 21-22	-4.2	**+3.0**			**FY 21-22**	93,398,206		$93,397,920
FY 22-23	-8.5	**+3.3**			**FY 22-23**	93,402,178		$93,401,820
FY 23-24	-12.4	**+3.6**			**FY 23-24**	94,440,633		$94,439,870
FY 24-25	-16.4	**+3.8**			**FY 24-25**	96,539,235		$96,538,520

Appendix C: About CPS HR Consulting

Report Contributors	
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CPS HR is an innovative, client-centered human resources and management consulting firm specializing in solving the unique problems and challenges faced by government and non-profit agencies. As a self-supporting public agency, we understand the needs of public sector clients and have served as a trusted advisor to our clients for more than 25 years. The distinctive mission of CPS HR is to transform human resource management in the public sector.

CPS HR offers clients a comprehensive range of competitively priced services, all of which can be customized to meet your organization's specific needs. We are committed to supporting and developing strategic organizational leadership and human resource management in the public sector. We offer expertise in the areas of classification and compensation, organizational strategy, recruitment and selection, and training and development.

CPS HR occupies a unique position among its competitors in the field of government consulting; as a Joint Powers Authority (JPA), whose charter mandates that we serve only public sector clients, we actively serve all government sectors including Federal, State, Local, Special Districts and Non-Profit Organizations. This singular position provides CPS HR with a systemic and extensive understanding of how each government sector is inter-connected to each other and to their communities. That understanding, combined with our knowledge of public and private sector best practices, translates into meaningful and practical solutions for our clients' operational and business needs.

With more than 80 full-time employees as well as 200+ project consultants and technical experts nationwide, CPS HR delivers breakthrough solutions that transform public sector organizations to positively impact the communities they serve.