

Department of Planning and Budget 2019 Fiscal Impact Statement

1. Bill Number: HB1939

House of Origin	<input type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input checked="" type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

2. Patron: Webert

3. Committee: General Laws

4. Title: Department of Professional and Occupational Regulation; adjustment of fees by regulatory boards.

5. Summary: Provides that following the close of any biennium, when the account for any regulatory board within the Department of Professional and Occupational Regulation shows that unspent and unencumbered revenue exceed 20 percent or \$100,000 of the total expenses allocated to the regulatory board for the past biennium, whichever is greater, the regulatory board shall (i) distribute all such excess revenue to current regulants of the board and (ii) reduce the fees levied by it for certification, licensure, registration, or permit and renewal thereof so that the fees are sufficient but not excessive to cover expenses. Under current law, these boards are required to adjust their fees when their account shows expenses allocated to it for the past biennium to be more than 10 percent greater or less than moneys collected on behalf of the board. Current law does not require the boards to distribute excess funds to regulants. The provisions of the first enactment of this act shall become effective on July 1, 2022.

6. Budget Amendment Necessary: No.

7. Fiscal Impact Estimates: Preliminary. See Item 8.

8. Fiscal Implications: This bill implements recommendations made in the Joint Legislative Audit and Review Commission (JLARC) report on the Department of Professional and Occupational Regulation (DPOR) operations and performance, dated October 9, 2018. However, this bill omits the delayed enactment date of July 1, 2022, that JLARC recommended for implementation (Recommendation 31). A delayed enactment date of July 1, 2022, is necessary for the agency to allow sufficient time for fund balances to be reduced by current fee reductions or contemplated fee adjustments.

The fiscal impact resulting from the costs involved in distributing excess funds is indeterminate but may be substantial depending on the number of regulants receiving a distribution payment. In circumstances when boards have excess funds, DPOR would need to record a transaction for each regulant in the state accounting system and issue the regulant a physical check. This process would involve staff time at DPOR. The total cost incurred by DPOR to distribute excess funds (including staff time, postage, and materials) is estimated to

be approximately \$5.00 per check. For example, the cost to distribute excess funds for one board with 70,000 regulants would be approximately \$350,000.

Because this legislation does not provide a minimum amount of excess funds that should be distributed, or a minimum amount that would be issued to each regulant, then the cost to issue the checks may exceed the amount of excess funds being distributed. The bill is also silent as to whether DPOR can use a board's fund balance to pay for the cost of distributing excess funds, and whether this cost should be accounted for in determining whether the board has excess funds. For example, a board with \$70,000 in excess funds and 70,000 regulants would issue a \$1.00 check to each regulant, costing \$350,000 or \$5.00 per check, to issue.

It is anticipated that this bill will not result in a fiscal impact to the Department of Accounts or the Department of the Treasury as the bill places all administrative responsibilities on DPOR.

9. Specific Agency or Political Subdivisions Affected: Department of Professional and Occupational Regulation; Department of Accounts; Department of the Treasury.

10. Technical Amendment Necessary: No.

11. Other Comments: None.