

Issues

- 1) The current fee-setting mechanism fails to comply with statutes requiring fees be set to recover the cost of regulation. 30 out of 38 boards were running a deficit at the end the FY12 & FY13 biennium.
- 2) 17 out of 38 boards had a negative reserve balance at the end of FY13.
- 3) The fee-setting process appears to be affected by political considerations to the point of overriding statutory direction.
- 4) Indirect costs charged to the boards are high.
- 5) The current method to allocate indirect costs appears unfair to some groups.
- 6) The budget structure may need to be modified if UGF is appropriated to the boards.
- 7) Investigation costs are volatile.
- 8) Several boards continue to voice complaints regarding denial of travel to board meetings and national conferences and third party reimbursements.

Fee Setting, Deficit & Reserve balances, and the Role boards have in setting fees

- Current language in statute AS08.01.065(c) and the current fee setting mechanism does not work; it appears to give too much flexibility to the department and boards.
- The language proposed in the N version of HB 187 will increase flexibility in setting fees.

Recommendations

1. Replace language in HB 187 with prescriptive language directing the department to set fees equal to the cost of regulation using a set formula or calculation.
2. Allow for appropriations of UGF to specific boards with deficit balances that are too large to realistically recover costs (example Big Game Commercial Services Board).

High Indirect Costs, Allocation of Indirect Costs

- Both Indirect and Direct Costs Allocation plans are difficult to decrease. Total indirect costs appear to be justified and the allocation of those costs to CBPL appears to be justified.
- Indirect costs are allocated to individual board based on the number of licenses. Basing the allocation on revenue may be an improvement, but the allocation should really be based primarily on workload.

Recommendations

- 1) Appropriate UGF to Professional Licensing to pay a portion of indirect costs.
- 2) Currently CBPL is a single appropriation/allocation. Create two appropriations to ensure that the general funds are available only to the professional licensing appropriation:
 - (i) Corporations & Business Licensing (easily segregated by GF/PR)
 - (ii) Professional Licensing (includes investigations -- easily segregated by RSS)

LFD does not recommend appropriating UGF to the following:

- a) Professional Licensing for investigation positions within CBPL
 - (i) Incentive to increase investigations
 - (ii) Unclear allocation of UGF to the individual boards
- b) CO and Admin Services for Professional Licensing's portion of the Indirect Cost Allocation Plan (ICAP)
 - (i) Potentially reduces costs for all agencies within DCCED
 - (ii) Concern for other regulatory agencies such as Banking & Securities and Insurance

Volatility of investigations

- Investigations are unpredictable and expensive.
- Licensees are paying for investigations through increased fees.
- Fines and penalties go to the general fund, not towards offsetting regulatory costs.

Recommendations

1. Appropriate UGF to Professional Licensing to pay for peak investigation costs.
2. Continue the practice of depositing fines and penalties in the GF.

Travel

Complaints include:

- Denial of travel due to the level of travel authorized in the budget for all of CBPL. *Internal management issue.*
- Third party reimbursements are not abating costs and going to the general fund. *No longer applies.*
- Board members purchasing travel with own money and reimbursements are taking a long time. *Internal management issue.*
- Last session, the legislature appropriated additional receipt authority in CBPL's FY14 Budget to address the following
 - \$20.0 SDPR for third party reimbursement of travel costs
 - \$200.0 RSS for additional Board & Commission travel

Recommendations

- 1) Follow-up with the department to verify that the legislature's addition of receipt authority addressed the problems of denying travel to board members and third party reimbursements in FY14.
- 2) Follow-up with the department on whether or not administrative rules allow the department to purchase air-fare or reserve hotel rooms for board member travel with a state credit card. Also, verify that policies and procedures are in place to expedite the reimbursement process.