

2 24 14 CPBL draft language

08.01.065

(a) the department's revisions are okay—they no longer specify various fees, but the language works with other proposed revisions.

The rest of the sections below replace section c. They address the following issues:

1. Fees must be set to recover regulatory costs less any GF appropriated for the purpose of reducing fees. GF appropriations can apply to:
 - a. Indirect costs;
 - b. Investigation costs; and
 - c. Reserve balances.
2. The recovery mechanism is specified in statute, with room for boards to accelerate recovery but not to delay recovery.
3. Fees will be adjusted for reserve balances, with an allowance to build a reserve balance.

The proposed language does not address the following issues, which are considered internal management issues:

1. The amount of indirect costs charged to CBPL;
2. Travel approval and reimbursement; or
3. Allocation of indirect costs. The current method appears to be based on the number of licenses issued rather than on workload associated with various licensing groups.

New Sections

(c) The department shall establish fees under (a) of this section so that revenue attributable to a licensing group is approximately equal to the regulatory cost for the licensing group.

(d) For purposes of setting fees for a licensing group, regulatory cost includes

1. All expenses of a board that are attributable to the licensing group, including costs of investigations, regardless of whether investigations are initiated by a board under AS 08.01.070 or by the department under AS 08.01.087, and
2. All indirect and overhead costs allocated by the department to a licensing group.

(e) For purposes of setting fees for a licensing group, revenue includes

1. Fees collected from the licensing group,
2. Third-party reimbursement of expenses attributable to the licensing group, and
3. Appropriations under (h) and (i) of this section.

(f) Not less than 90 days before each license renewal date set under AS 08.01.100, the department shall set fees for that licensing group based on a review of revenues and

regulatory costs for the three most recently completed biennial license periods and on the reserve balance of the licensing group. The department shall set fees for each licensing group as follows:

1. Subtract the sum of regulatory cost as determined under subsection (d) from the sum of revenue as determined under subsection (e).
2. If the number obtained in step 1 is less than revenue for the most recently completed biennial licensing period, increase fees by one-third of the absolute value of the amount obtained under step 1.
3. If the number obtained in step 1 is greater than 10% of revenue for the most recently completed biennial licensing period, reduce fees by one-third of the amount obtained under step 1.
4. If the reserve balance for a licensing group is less than zero, increase fees to recover one-fifth of the negative balance.
5. If the reserve balance for a licensing group exceeds 50% of revenue for the most recently completed biennial licensing period, reduce fees by one-fifth of the amount by which the reserve balance exceeds 50% of revenue for the most recently completed biennial licensing period.
6. In determining fee levels, the department shall project the number of licenses within each licensing group and may round all fees to the nearest five dollars.
7. If fees for a licensing group would change by less than 5% after implementing steps 1 through 6, the department may retain current fees.

(g) A board may recommend that fees be set to accelerate recovery of regulatory costs under steps 2 and 4. A board may recommend changes to individual fee levels within a licensing group, but the recommended fee levels may not reduce projected fee collections from the licensing group.

(h) The legislature may appropriate general funds to the Professional Licensing and Investigations appropriation for the purpose of paying indirect costs assessed by the department. The department shall allocate such an appropriation to each licensing group in proportion to indirect costs assessed to that licensing group.

This subsection would require that corporate and business licensing be a separate appropriation in order to assure that general funds are used only by professional licensing. A proportionate share (based on the amount of indirect costs allocated to each licensing group) of general fund appropriations would appear as revenue to a licensing group, thereby reducing future fees. Appropriations for this purpose could be in the base budget and appear in section 1 of operating budget bills. This concept reduces the total indirect costs that must be recovered by fees, but it does not address the allocation of costs to various licensing groups. That is an internal issue that should be addressed in statute only as a last resort. On the other hand, there is a prescription for allocating money to pay for investigations (see (i) below).

(i) The legislature may appropriate general funds to the Professional Licensing and Investigations appropriation for the purpose of paying a portion of the costs of

investigations incurred for a licensing group. The department shall allocate such appropriations to each licensing group as follows:

1. For each licensing group, subtract average annual costs of investigations during the six most recently completed fiscal years from the cost of investigations incurred during the most recently closed fiscal year.
2. Sum all positive numbers obtained in step 1.
3. For each licensing group, divide the number obtained in step 1 by the number obtained in step 2.
4. Multiply all positive numbers obtained in step 3 by the amount of general funds appropriated for this purpose.

A proportionate share of peak costs (based on the amount of investigation costs incurred by each licensing group) would be paid with general fund appropriations. The amount would appear as revenue to a licensing group, thereby reducing future fees.

Appropriations for this purpose could be in the base budget and appear in section 1 of operating budget bills. Annual language in the bill should specify how much GF goes to indirect costs and how much to investigations—the split may vary from year to year depending on the peak level of investigation costs.

(j) The legislature may appropriate general funds to reduce or eliminate a negative reserve balance of a specific board. For purposes of fee determination, the department shall treat funds appropriated for this purpose as an abatement of regulatory costs incurred during the two most recently completed biennial license periods, with equal amounts allocated to each biennial period.

This would require a language section appropriation. The effect would be to reduce fees by reducing the need to recover negative balances through fee collections. Sample: The sum of \$100,000 is appropriated from the general fund to the DCCED for the purpose of increasing the reserve balance of the xx board.