

FISCAL NOTE
Requested by Legislative Council
02/24/2015

Amendment to: HB 1274

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				\$93,000		
Expenditures				\$135,600		
Appropriations				\$135,600		

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2013-2015 Biennium	2015-2017 Biennium	2017-2019 Biennium
Counties			
Cities			
School Districts			
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB amends several sections of licensing statutes to read more consistently throughout the statute, clarifies powers and duties of the Board, and adds two new board members (including one consumer member).

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Current revenues are expected to be \$93,000 across 2015-2016. If amendments pass, rules would permit increased fees to potentially offset the fiscal impact. However, there would likely need to be significant percentage renewal fee increase. (See attached details)

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

Our Board is funded primarily by Special Funds generated by renewal fees (average 250 x \$150), new application fees (average of 20 new applicants per year x \$450). (See attached details).

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

See attached details.

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

See attached details.

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Date Prepared: 03/09/2015

Fiscal Note for Engrossed HB 1274 – Prepared by Dr. Margo Adams Larsen

	2013-2015		2015-2017		2017-2019	
	General	Other	General	Other	General	Other
Revenue				93,000* 130,500		
Expenditures				124,600 135,600**		
Appropriations				continued		

*current revenues if bill does not pass.

**fiscal impact of two new board members – significant fiscal burden

2A HB amends several sections of licensing statutes to read more consistently throughout the statute, clarifies powers and duties of the Board, and adds two new board members (including one consumer member).

2B Current revenues are expected to be \$93,000 across 2015-2016. If amendments pass, rules would permit increased fees to potentially offset the fiscal impact. However, there would likely need to be an equal percentage renewal fee increase. (See attached details)

DETAILS:

SECTION 1 amendment increases the size of the board by 40%, which is a substantial increase in operating costs for the board (about \$12,000 across two years). While the board supports the addition of members on principle, the amount renewal fees would need to increase to allow for adequate training and administration related to these members may be unpalatable to current licensees. The estimates to provide adequate financial functioning for the board would be a 40% increase in fees each year for two years (current renewal is \$150 which would increase 40% each year to \$210 in 2015 and to \$270 in 2016) which would leave a very small margin of reserves for these two years (only \$2400). See below for previous summary of projected costs when two new board member expenditures were not considered.

SECTION 3 amendment essentially sets a timeframe between due date of renewal fees (currently December 31-proposed November 15) and renewal date such that the Board office can more effectively process incoming paper applications and renewal fees to ensure licensee compliance and process renewal certificates. In addition, removing the capped fee of “not to exceed one hundred and fifty dollars” and inserting “by rule” permits the board more functionality to address fiscal issues such as the impact this bill will have on our finances as well as exploring the potential for online renewal application processing. It is the intention of our board to increase these fees occasionally to cover the work of the Board, and by defining this fee in statute, the Board has limited capacity to respond to consumer needs. This fiscal impact will be considered in the fees the board sets by rule. Renewal fees are currently \$150. We currently have 256 licensed or registered professionals. The remaining changes in this section simply update the use of technology within the regulatory system and our board office. The fiscal implication of this section is the costs for rule writing that may apply to these changes (which would likely include the cost of two board meetings, travel for testimony, publication of proposed rules, and attorney time and expenses).

SECTION 4 amendment permits the board to set the late fee for delinquent renewals by rule. The cost of office staff time to process renewal applications and fees will be considered by the board when setting these fees. The fiscal implication of this section is the costs for rule writing that may apply to these changes (which would likely include the cost of two board meetings, travel for testimony, publication of proposed rules, and attorney time and expenses).

SECTION 5 amendment clarifies that the board has authority to establish by rule, fees for administrative services such as official license verifications, which currently are not able to be reimbursed and cost about \$10-\$15 per record look up for staff time and verification of records, mailing costs, etc. The fiscal implication of this section is the costs for rule writing that may apply to these changes (which would likely include the cost of two board meetings, travel for testimony, publication of proposed rules, and attorney time and expenses).

SECTION 6, SECTION 7, SECTION 8, SECTION 9, SECTION 10, SECTION 11, SECTION 13, SECTION 14

These sections rearrange for better understanding current language already in our statute, and simply make the comprehension of our statute more efficient. The fiscal implications of these sections are simply in the costs for rule writing that may apply to these changes, (which would likely include the cost of two board meetings, travel for testimony, publication of proposed rules, and attorney time and expenses).

SECTION 12 amendments rearrange current language for better clarity, but also specifically authorize the board the ability to assess costs incurred by the board for investigations related to disciplinary actions, and allow the board to set fines for minor infractions of this chapter. While some of this authority is noted elsewhere in the ND Century Code, including in this section clarifies the board's authority and permits the board to develop a fee structure in rule. The fiscal implication of this section is the costs for rule writing that may apply to these changes (which would likely include the cost of two board meetings, travel for testimony, publication of proposed rules, and attorney time and expenses).

SECTION 15

This section removed a grandfathering clause that no longer applies. There will be no fiscal impact.

3A REVENUES:

Our Board is funded primarily by Special Funds generated by renewal fees (257x\$150), new application fees (average of 20 new applicants per year x\$450). (See attached details).

DETAILS:

If allowed to set fees in rules, the board was initially considering the increased expenses of rule promulgation, and considered a stepped fee increase from our current renewal fee of \$150 by \$50 per year across the next two years. This structure would increase our revenues based on 250 professionals in the following ways: 2015 = 37,500 to 2016 = 50,000 to 2017 = 62,500 (total estimated revenues across two years of \$18,000+50,000+62,500 = \$130,500). If the fees are allowed to be set to cover our costs, these would be estimated revenues. Currently, our revenues would actually be: \$93,000, yet expenditures are expected to increase). However, with the addition of two new board members in the current amendments, the renewal fees (and possibly application fees) would need to increase substantially to cover the addition \$6,000 per year to add these members.

3B EXPENDITURES:

Currently, 832 hours of secretary time are offset by 500 hours of unpaid volunteer time of 4 board members. Estimated costs of fiscal impact of this bill:

- Costs of travel and meetings \$500/time (anticipate 4 meetings across 2 years for total of \$2000).
- Increased costs of legal fees for rule writing and testimony, etc., approximately \$10,000 per year (\$20,000 increase across 2 years). (Current costs are about \$10,000 per year).
- Publication costs for proposed rules: \$1800 per publication time (estimated), possibly 2 times for total of \$3,600 across two years).
- Board work time is anticipated to increase, and paid staff hours need to increase to reduce the load of volunteer board members – estimated costs for increased work-load (1000 hours across two years) would be an additional \$17,000 (across two years). Current costs are \$14,200 per year.
- Office costs are anticipated to increase significantly to provide technological support for responding to consumer and legislative requests, with estimates to be about \$6,000 per year (Currently, office costs are about \$3000 per year). Estimates for 2015-2017 would be an additional \$6,000 across 2 years.
- **Training costs for new board members will increase the board expenditures by about \$6,000 per year (\$12,000) across two years.**
- Reserve funds for unpredictable costs of investigation and litigation are not included in this summary, but the board generally attempts to have between \$15,000 and \$30,000 per year (\$30-60,000 per two years) to cover the investigation and litigation costs of disciplinary actions.

3C APPROPRIATIONS:

Currently, the board has authorization for continuing appropriate for our special fund to spend our revenues per NDCC. These items are noted in the “Other Funds” category, and apply to all amendments.