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## California State Senate

COMMITTEE  
ON  
BUDGET AND FISCAL REVIEW

ROOM 5019, STATE CAPITOL  
SACRAMENTO, CA 95814

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## OVERSIGHT HEARING

### Special Fund Repayment

Thursday, August 29, 2013  
State Capitol, Room 4203  
10 A.M.

Chair, Senator Mark Leno  
Vice Chair, Senator Bill Emmerson

### AGENDA

#### Introductory Remarks

#### Legislative Analyst's Office

- *Brian Weatherford*, Consultant
- *Jason Sisney*, Deputy Legislative Analyst

#### Department of Finance

- *Michael Cohen*, Deputy Director, Department of Finance
- *Jeff Carosone*, Principal Program Budget Analyst, Department of Finance
- *Nathan Johnson*, Finance Budget Analyst, Department of Finance
- *Matt Nishimine*, Finance Budget Analyst, Department of Finance

### **Department of Consumer Affairs**

- *Taylor Schick*, Budget Officer, Department of Consumer Affairs
- *Kim Madsen*, Executive Officer, Board of Behavioral Sciences
- *Annemarie Del Mugnaio*, Executive Officer, Speech-Language Pathology and Audiology and Hearing Aid Board
- *Tonya Blood*, Bureau Chief, Bureau of Electronic and Appliance Repair, Home Furnishings and Thermal Insulation
- *Karen Fischer*, Executive Officer, Dental Board of California
- *Jeff Alameida*, Budget Liaison, Board of Professional Engineers, Land Surveyors and Geologists
- *Jim Martin*, Bureau Chief, Bureau of Real Estate Appraisers

### **Department of Business Oversight**

- *Dave O'Toole*, Chief Deputy Commissioner, Department of Business Oversight
- *Dawne Bortolozzo*, Deputy Commissioner Administration, Department of Business Oversight

### **Public Comment**

### **Closing Comments**

**Department of Consumer Affairs and Department of Business Oversight**

**Special Fund Loan repayments for Fiscal Year 2013-14**

**Speech-Language Pathology and Audiology and Hearing Aid Fund (0376)**

**Background:** The Speech-Language Pathology and Audiology and Hearing Aid Dispensers Board regulates the practices of speech-language pathology, audiology, and hearing aid dispensing in California by licensing those who meet minimum standards of competency. Among its functions, the board promulgates laws and regulations; issues, renews, suspends, and revokes licenses; and imposes disciplinary sanctions, when necessary. The board is responsible for the administration of the Speech-Language Pathology and Audiology and Hearing Aid Fund.

**Fund Condition:** The Budget Act of 2011 included a loan of \$1.15 million from the Speech-Language Pathology and Audiology and Hearing Aid Dispensers Fund to the General Fund. The Department of Finance has scheduled the repayment over multiple fiscal years, beginning with a \$300,000 repayment scheduled in 2013-14.

**Fund Condition: Speech-Language Pathology and Audiology and Hearing Aid Dispensers Fund**

<b>Fiscal Year</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>
Beginning Balance	\$1,405	\$858	\$440
Total Revenues, Transfers and Other Adjustments	\$463	\$1,475	\$1,774
Loan Repayment Amount From General Fund	----	----	\$300
Total Resources Available	\$1,624	\$2,333	\$2,224
Total Expenditures	\$766	\$1,893	\$1,909
<b>Fund Balance</b>	<b>\$858</b>	<b>\$440</b>	<b>\$305</b>
<b>Positions</b>	<b>8.6</b>	<b>8.6</b>	<b>8.6</b>

\*in thousands

**Fee Support:** The Board does not receive any General Fund support. Revenue is drawn from licensing and renewal fees. The Speech-Language Pathology and Audiology and Hearing Aid Dispensers Board issues approximately 16,000 licenses and renewals annually. Licensing and Renewal fees for the board are defined in statute (Section 2534.2 of the Business and Professions Code). There has not been a fee increase or decrease since the loan was made to the General Fund as part of the 2011 Budget Act.

**Speech-Language Pathology and Audiology and Hearing Aid Dispensers Fund  
(0376) - Fee Schedule and Revenue**

Fee	Current Fee	Statutory Limit	FY 2010-11 Revenue	FY 2011-12 Revenue	FY 2012-13 Revenue	% of Revenue
<b>Licenses &amp; Permits – Speech Pathology and Audiology</b>						
Application Fee – Speech	\$35	\$35	\$30,615	\$40,075	\$38,605	4%
Initial License Fee – Speech	\$25	\$35	\$20,500	\$32,195	\$28,150	3%
Speech Assistant Application Fee	\$50	\$150	\$18,850	\$17,650	\$20,600	2%
<b>Renewals – Speech Pathology and Audiology</b>						
Biennial Renewal – Speech	\$110	\$110	\$583,440	\$622,425	\$616,610	70%
Biennial Renewal – Audiology	\$110	\$150	\$33,695	\$44,720	\$67,550	8%
Biennial Renewal – Speech Assistant	\$75	\$150	\$39,750	\$39,825	\$54,300	6%
<b>Licenses and Permits – Hearing Aid Dispenser</b>						
Written Examination	\$225	\$225	\$28,575	\$65,300	\$65,300	9%
Practical Examination	\$500	\$500	\$53,255	\$60,275	\$60,275	9%
Continuing Education	\$50	\$50	\$16,600	\$27,340	\$27,340	4%
Initial License Fee	\$280	\$280	\$13,820	\$23,520	\$23,520	3%
<b>Renewals – Hearing Aid Dispenser</b>						
Annual Renewal – Hearing Aid Dispenser	\$280	\$280	\$248,640	\$245,255	\$245,255	35%
Annual Renewal – Dispensing Audiologists	\$280	\$280	\$32,370	\$183,120	\$183,120	26%
Biennial Renewal – Dispensing Audiologist	\$280	\$280	\$86,695	\$36,314	\$36,314	5%

## Performance Measures:

- **Enforcement Efforts:** According to the most recent available statistics (FY 2011-12) the board was assigned 197 cases for investigation. The board averaged five days upon receipt of complaint to assignment for investigation during fiscal year 2011-12, the targeted goal established by the board. For fiscal year 2011-12, the board investigated a total of 147 cases that were in violation of the Board's statutes and/or regulations. The board averaged 277 days from receipt of complaint to closure of the investigation, which is well above the board's goal of receiving a complaint and closure of the investigation within 90 days. The board referred sixteen cases to the Attorney General's office during fiscal year 2011-12. The cases averaged a length of 1,055 days from receipt of complaint, investigation, review and prosecution by the Attorney General, to case closure from the Attorney General's office. The board has targeted a 540 day turnaround time for cases referred to the Attorney General.
- **Licenses and Renewals:** Pending licenses – those awaiting final supporting documents - are issued within one to two weeks. New applications require four to five weeks to be issued. Currently, there is no backlog of pending licenses or renewals.

## Questions for the Speech-Language Pathology and Audiology and Hearing Aid Dispensers Board.

1. *What efforts are being made to reduce the turnaround time for both the cases investigated by the board and those that are referred to the Attorney General's office?*
2. *How many months in reserve will the fund have available in 2013-14? And, is there a certain number of months in reserve that are recommended for the fund?*
3. *Has the board conducted a customer satisfaction survey recently? If so, could the board share the results?*

## Real Estate Appraisers Regulation Fund (0400)

**Background:** The Bureau of Real Estate Appraisers (BREAs) is responsible for the administration of the Real Estate Appraisers Regulation Fund. The BREAs was established within the Business, Transportation and Housing Agency, and charged with developing and implementing a real estate appraiser licensing and certification program to comply with a federal mandate.

The BREAs, which is entirely funded by licensing fees, is a single program comprised of two core components, licensing and enforcement. The Licensing Unit sets the minimum requirements for education and experience, according to criteria set by the federal government and California law, to ensure that only qualified persons are licensed to conduct appraisals in federally related real estate transactions. Applicants must meet minimum education and experience requirements and successfully complete a nationally approved examination. The Enforcement Unit investigates the background of applicants, licensees, and registrants to ensure they are fit for licensure. The Enforcement Unit also investigates complaints of violations of national appraisal standards filed against licensed appraisers and Appraisal Management Companies.

**Fund Condition:** There is a total of \$14.6 million in outstanding loans to the General Fund from the Real Estate Appraisers Regulation Fund. The Department of Finance has scheduled the repayment of \$8.1 million of the outstanding balance in Fiscal Year 2013-14, leaving an outstanding balance of \$6.5 million.

**Fund Condition: Real Estate Appraisers Regulation Fund**

Fiscal Year	2011-12	2012-13	2013-14
Beginning Balance	\$6,541	\$4,142	\$1,801
Total Revenues, Transfers and Other Adjustments	\$2,927	\$2,662	\$10,558
Loan Repayment Amount From General Fund	----	----	\$8,100
Total Resources Available	\$8,973	\$6,804	\$12,359
Total Expenditures	\$4,831	\$5,003	\$5,384
<b>Fund Balance</b>	\$4,142	\$1,801	\$6,975
<b>Positions</b>	31.5	32.8	32.8

\*dollars in thousands

**Fund Support:** The fund does not receive any General Fund support. The Bureau licenses more than 13,800 appraisers annually in California, with some 200 new licenses issued and 6,000 licenses renewed. Additionally, the Bureau is responsible for the accreditation of education courses and providers for real estate appraisers. The Bureau has approved over 1,800 pre-licensing and continuing education courses. There has not been a fee increase or decrease since the loan was made to the General Fund in 2003.

## Real Estate Appraisers Regulation Fund (0400) - Fee Schedule and Revenue

Fee	Current Fee	Statutory Limit	FY 2010-11 Revenue	FY 2011-12 Revenue	FY 2012-13 Revenue	% of Revenue
<b>Licenses &amp; Permits</b>						
Appraiser Trainee – App Review and Background	\$380	\$380	\$82,460	\$82,840	\$98,800	3%
Appraiser License (General) – App Review and Background	\$505	\$505	\$27,270	\$16,665	\$16,160	1%
<b>Renewals</b>						
Appraiser License	\$385	\$385	\$398,860	\$315,315	\$316,470	9%
Certified Appraiser License Renewal	\$435	\$435	\$1,431,585	\$1,049,655	\$1,409,835	39%
Appraiser License (General) Renewal	\$435	\$435	\$730,365	\$549,840	\$721,230	20%

### Performance Measures:

- **Enforcement:** In accordance with the Governor’s Reorganization Plan #2 the Bureau of Real Estate Appraisers has been moved to the Department of Consumer Affairs. Prior to the transition the bureau was not required to report data related to specific program goals.
- **Licenses and Renewals:** California Code of Regulations Section 3570 requires that the Bureau act on complete license application within 90 days of receipt. The Bureau is currently meeting the 90 day response requirement and there is no backlog of license applications or renewals pending.

### Questions for the Bureau of Real Estate Appraisers:

1. *Can you please provide a brief summary of the bureau’s enforcement efforts?*
2. *The 2013-14 fiscal year is expected to end with a reserve that exceeds annual operating expenses. What does the board plan on doing to manage this reserve? How many months in reserve should be available within the fund?*
3. *Has the bureau conducted a customer satisfaction survey recently? If so, what were the results?*

## State Dentistry Fund (0741)

**Background:** The Dental Board of California is responsible for the administration of the State Dentistry Fund. The Dental Board of California was created by the California Legislature in 1885, and was originally established to regulate dentists. The Dental Board licenses and regulates dentists and registered dental assistants. In accordance with the Dental Practice Act of California (Business and Professions Code Section 1600 et. Seq.), the board is responsible for the initial and continued competence of its licensees.

**Fund Condition:** There is a total of \$2.7 million in outstanding loans to the General Fund from the State Dentistry Fund. The Department of Finance has scheduled a 2013-14 repayment date for the outstanding \$2.7 million from the State Dentistry Fund. Upon repayment, there will be no outstanding loans to the General Fund from the State Dentistry Fund.

**Fund Condition: State Dentistry Fund**

Fiscal Year	2011-12	2012-13	2013-14
Beginning Balance	\$6,087	\$6,180	\$2,707
Total Revenues, Transfers and Other Adjustments	\$9,926	\$8,013	\$10,746
Loan Repayment Amount From General Fund	\$1,700	----	\$2,700
Total Resources Available	\$16,085	\$14,193	\$13,453
Total Expenditures	\$9,905	\$11,486	\$11,878
<b>Fund Balance</b>	\$6,180	\$2,707	\$1,575
<b>Positions</b>	31.5	32.8	32.8

\*dollars in thousands

**Fee Support:** The Dental Board of California (Dental Board) is responsible for regulating the practice of approximately 71,000 licensed dental health professionals in California, including 35,500 dentists, 34,300 registered dental assistants, and 1,300 registered dental assistants in extended functions. In addition, the Dental Board is responsible for setting the duties and functions of approximately 50,000 unlicensed dental assistants. The Dental Board is in the process of promulgating regulations to increase fees that are scheduled to be in effect after the loan repayment from the General Fund has been made.

## State Dentistry Fund (0741) - Fee Schedule and Revenue

Fee	Current Fee	Statutory Limit	FY 2010-11 Revenue	FY 2011-12 Revenue	FY 2012-13 Revenue	% of Revenue
<b>Licenses &amp; Permits</b>						
Initial License	\$365	\$450	\$243,614	\$246,999	\$252,234	3%
Fictitious Name Application	\$365	\$365	\$127,203	\$117,165	\$122,823	2%
<b>Renewals</b>						
Doctor of Dental Surgery Biennial Renewal	\$365	\$450	\$6,193,302	\$6,208,600	\$6,259,620	77%
Fictitious Name Permit Renewal	\$150	\$450	\$337,350	\$376,350	\$381,300	5%

### Performance Measures:

- **Enforcement Efforts:** During Fiscal Year 2011-12 the Dental Board received 3,550 complaints and assigned the complaints within nine days of receipt. Receipt of complaint to closure of investigation averaged 156 days for the 3,291 cases received by the Dental Board. The Dental Board referred 124 cases to the Attorney General for formal discipline. Those cases averaged 928 days from receipt of complaint to case closure by the Attorney General.
- **Licenses and Renewals:** California Code of Regulations Section 1069 provides that the Board has 90 to 180 days to process and issue new applications. The timeframe varies depending on the requested license type. The Dental Board does not have a license or renewal backlog pending.

### Questions for the Dental Board:

1. *Please elaborate what license type requires 180 to process. And, what percentage of licenses issued by the Dental Board require 180 to process?*
2. *Upon repayment of the loan, how many months in reserve will the fund have available? And, how many months in reserve should be available in the fund?*
3. *Has the board conducted a customer satisfaction survey recently? If so, please share the results.*

## Home Furnishing and Thermal Insulation Fund (0752)

**Background:** The Bureau of Electronic and Appliance Repair, Home Furnishing and Thermal Insulation (BEARHFTI) is responsible for the administration of the Home Furnishing and Thermal Insulation Fund. The Bureau is charged with the regulation of the electronic and appliance repair industry. The bureau also regulates the manufacture, distribution, and sale of upholstered furniture, bedding, and thermal insulation products sold in California. AB X4 20 (Chapter 18, Statutes of 2009 Strickland), merged the Bureau of Electronic and Appliance Repair and the Bureau of Home Furnishings and Thermal Insulation into the Bureau of Electronic and Appliance Repair, Home Furnishings, and Thermal Insulation.

**Fund Condition:** Funding for the Bureau of Electronic and Appliance Repair, Home Furnishing and Thermal Insulation comes from the Home Furnishings and Thermal Insulation Fund from the Electronic and Appliance Repair Fund, both are supported by license renewal fees. The bureau receives no General Fund support. There is an outstanding loan of \$1.5 million from the Home Furnishing and Thermal Insulation Fund to the General Fund that was included in the Budget Act of 2011. The scheduled repayment of \$1.5 million for fiscal year 2013-14 will fulfill repayment obligations to this special fund.

### Fund Condition: Home Furnishing and Thermal Insulation Fund

Fiscal Year	2011-12	2012-13	2013-14
Beginning Balance	\$3,741	\$2,263	\$1,498
Total Revenues, Transfers and Other Adjustments	\$2,571	\$3,914	\$5,413
Loan Repayment Amount From General Fund	----	----	\$1,500
Total Resources Available	\$6,312	\$6,177	\$6,911
Total Expenditures	\$4,049	\$4,679	\$4,884
<b>Fund Balance</b>	\$2,263	\$1,498	\$2,027
<b>Positions</b>	26.9	27.9	27.9

\*dollars in thousands

**Fee Support:** The bureau licenses approximately 39,000 businesses annually. Fees to support the fund have not increased or decreased since the loan to the General Fund was made as part of the 2011 Budget Act.

## Home Furnishing and Thermal Insulation Fund (0752) - Fee Schedule and Revenue

Fee	Current Fee	Statutory Limit	FY 2010-11 Revenue	FY 2011-12 Revenue	FY 2012-13 Revenue	% of Revenue
<b>Licenses &amp; Permits</b>						
Initial – Furniture and Bedding Manufacturer	\$650	\$650	\$75,970	\$86,300	\$73,040	2%
Initial – Retail Furniture and Bedding	\$240	\$240	\$82,560	\$158,400	\$84,810	2%
Initial – Retail Furniture and Bedding (Chain)	\$240	\$240	\$92,965	\$53,050	\$53,505	2%
Initial – Importer	\$650	\$650	\$412,720	\$398,730	\$464,000	13%
<b>Renewals</b>						
Renewal – Retail Furniture and Bedding	\$240	\$240	\$944,520	\$1,360,960	\$1,039,708	29%
Renewal – Importer	\$650	\$750	\$762,925	\$797,500	\$857,835	24%
Renewal – Furniture and Bedding Manufacturer	\$650	\$750	\$362,105	\$419,760	\$372,090	11%

### Performance Measures:

- Enforcement Efforts:** During fiscal year 2011-12 the Bureau of Electronic and Appliance Repair, Home Furnishings, and Thermal Insulation received 1,912 complaints. An average of eight days was required for the bureau to assign complaints for investigation. During that same time frame the bureau investigated 1,870 cases, and averaged 67 days during the investigation process. The bureau referred eight cases to the Attorney General, and the average amount of time from initial receipt of complaint to case closure by the Attorney General was 1,076 days.
- Licenses and Renewals:** The Bureau has a stated performance target of issuing license and renewals of 30 days from receipt of application. The bureau has consistently met this goal, and there is not a backlog of pending licenses or renewals.

Questions for the Bureau of Electronic and Appliance Repair, Home Furnishings, and Thermal Insulation:

1. *What efforts are being made to reduce the turnaround time of cases referred to the Attorney General's office?*
2. *Upon repayment of the loan, how many months in reserve will the fund have available? And, how many months in reserve should be available in the fund?*

## Professional Engineers' and Land Surveyors' Fund (0770)

**Background:** The purpose of the Professional Engineers' and Land Surveyors' Fund is to provide for the costs of the regulation and licensing of civil and professional engineers and land surveyors. The fund is administered by the Board of Professional Engineers, Land Surveyors and Geologists within the Department of Consumer Affairs. The Board is responsible for the protection of the public by regulating practices of professional engineering, land surveying, geology and geophysics. In 2009, legislation was enacted that eliminated the Board for Geologists and Geophysicists and transferred all of the duties, powers, purposes, responsibilities, and jurisdiction to regulate the practices of geology and geophysics to the Board for Professional Engineers and Land Surveyors. Effective January 1, 2011, the name of the Board was changed to the Board for Professional Engineers, Land Surveyors, and Geologists.

**Fund Condition:** There is a total of \$7 million in outstanding loans to the General Fund from the Professional Engineers' and Land Surveyors' Fund. The \$7 million represents two loans that have been made to the General Fund. The Budget Act of 2008 included a \$2 million loan from the Professional Engineers' and Land Surveyors' Fund and the 2011 Budget Act included a \$5 million loan. The Department of Finance has scheduled to repay \$2.5 million of the outstanding balance in 2013-14. The remaining \$4.5 million is scheduled to be repaid over multiple fiscal years.

### Fund Condition: Professional Engineers' and Land Surveyors' Fund

Fiscal Year	2011-12	2012-13	2013-14
Beginning Balance	\$5,707	\$697	\$288
Total Revenues, Transfers and Other Adjustments	\$5,087	\$8,884	\$11,950
Loan Repayment Amount From General Fund	----	----	\$2,500
Total Resources Available	\$11,065	\$9,581	\$12,238
Total Expenditures	\$10,368	\$9,293	\$9,911
<b>Fund Balance</b>	<b>\$697</b>	<b>\$288</b>	<b>\$2,327</b>
<b>Positions</b>	<b>41.4</b>	<b>58.7</b>	<b>58.7</b>

\*dollars in thousands

**Fee Support:** The Board licenses approximately 84,000 engineers, 4,100 land surveyors and 31,000 certified engineers in training and land surveyors in training. There are also approximately 5,000 licensed geologists, 200 licensed geophysicists and 1050 certified engineering geologists. In 2012 the Board reduced its biennial renewal fee by \$10 from \$125 to \$115. In addition, the board created a separate application (\$125) and examination (\$150) fee. Previously, the board had one all-encompassing fee for the application and examination (\$275).

**Professional Engineers' and Land Surveyors' Fund (0770) - Fee Schedule and Revenue**

Fee	Current Fee	Statutory Limit	FY 2010-11 Revenue	FY 2011-12 Revenue	FY 2012-13 Revenue	% of Revenue
<b>Licenses &amp; Permits</b>						
Application Fee – Professional Engineer	\$125	\$400	\$902,138	\$910,825	\$1,031,750	13%
Special Civil Engineer Surveying	\$150	\$150	----	\$6,900	\$560,400	7%
Special Civil – Seismic	\$150	\$150	-----	\$5,500	\$550,950	7%
<b>Renewals</b>						
Biennial Renewal – Professional Engineer	\$115	\$115	\$4,780,310	\$5,920,871	\$4,848,723	60%
Biennial Renewal – Land Surveyor	\$115	\$115	\$289,250	\$239,125	\$205,345	3%
Biennial Renewal – Structural Engineer	\$115	\$115	\$214,038	\$246,088	\$154,430	2%

**Performance Measures:**

- **Enforcement Efforts:** The Board of Professional Engineers and Land Surveyors assigned a total of 334 cases during fiscal year 2011-12. The cases averaged ten days from complaint to assignment. During that same time frame, the board investigated 334 cases and averaged 337 days per investigation. Additionally, the board referred 42 cases to the Attorney General. The 42 cases averaged 1,607 days from receipt of complaint to case closure by the Attorney General.
- **Licenses and Renewals:** The board has 60 days to render a decision regarding an applicant's eligibility for licensure. Currently, the board does not have a backlog of pending renewals or licenses.

Questions for the Board of Professional Engineers and Land Surveyors:

1. *Please describe what efforts are being made to reduce the turnaround time of cases referred to the Attorney General's office.*
2. *Upon repayment of the loan, how many months in reserve will the fund have available? How many months in reserve should be available within the fund?*

3.

**Behavioral Sciences Fund (0773)**

**Background:** The purpose of the Behavioral Sciences Fund is to support the regulatory efforts of the Board of Behavioral Sciences. The Board of Behavioral Sciences licenses and regulates marriage and family therapists, licensed clinical social workers, licensed education psychologists, and licensed professional clinical workers. The board is responsible for the establishment of educational and experience requirements, conducting examinations, investigation of violations and discipline when appropriate.

**Fund Condition:** There is a total of \$12.3 million in outstanding loans to the General Fund from the Behavioral Sciences Fund. The \$12.3 million represents three separate loans to the General Fund. The Budget Act of 2002 included a \$6.0 million loan to the General Fund, the Budget Act of 2011 included \$3.3 million loan to the General Fund, and the Budget Act of \$3.3 million loan to the General Fund. The Department of Finance has scheduled to repay the outstanding loan over multiple fiscal years, including \$1.4 in fiscal year 2013 -14.

**Fund Condition: Behavioral Sciences Fund**

<b>Fiscal Year</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>
Beginning Balance	\$4,528	\$1,798	\$1,290
Total Revenues, Transfers and Other Adjustments	\$4,491	\$7,571	\$8,991
Loan Repayment Amount From General Fund	----	----	\$1,400
Total Resources Available	\$9,117	\$9,369	\$10,281
Total Expenditures	\$7,319	\$8,079	\$8,050
<b>Fund Balance</b>	\$1,798	\$1,290	\$2,231
<b>Positions</b>	37.8	42.5	42.5

\*dollars in thousands

**Fee Support:** The board is responsible for the regulatory oversight of approximately 86,000 licensees within the state. From January 1, 2001 through December 31, 2003, the board temporarily reduced renewal, delinquent and inactive license fees. In January 2004, the fees reverted back to original amounts. No permanent fee increase or decrease has been made since the loans were taken as part of the Budget Act of 2002.

## Behavioral Sciences Fund (0773) - Fee Schedule and Revenue

Fee	Current Fee	Statutory Limit	FY 2010-11 Revenue	FY 2011-12 Revenue	FY 2012-13 Revenue	% of Revenue
<b>Licenses &amp; Permits</b>						
Application Marriage and Family Therapist Intern	\$75	\$75	\$277,641	\$310,125	\$326,394	5%
Written Exam – Marriage and Family Therapist	\$100	\$100	\$275,800	\$311,200	\$343,200	5%
Marriage and Family Therapist – Written Vignette Exam	\$100	\$150	\$213,800	\$229,000	\$235,600	3%
<b>Renewals</b>						
Biennial Renewal – Marriage and Family Therapist	\$130	\$180	\$1,665,220	\$1,751,558	\$1,777,845	25%
Intern Renewal- Marriage and Family Therapist	\$75	\$75	\$792,486	\$843,835	\$906,050	13%
Biennial Renewal – Licensed Clinical Social Worker	\$100	\$155	\$767,105	\$798,350	\$833,112	12%
Renewal Associate – Licensed Clinical Social Worker	\$75	\$75	\$530,450	\$561,945	\$598,275	8%

### Performance Measures:

- Enforcement Efforts:** During fiscal year 2011-12 the Board of Behavioral Sciences received a total of 1,915 complaints that were assigned to investigation. The Board averaged four days between receipt of complaint and assignment for investigation. During that same period the Board investigated a total of 1,967 cases that averaged 142 days between receipt of complaint and closure of investigation. The Board referred a total of 84 cases to the Attorney General. The referred cases averaged 872 days between the receipt of the initial complaint and case closure by the Attorney General.
- Licenses and Renewals:** California Code of Regulations Section §1805.1 specifies permit processing times that range from 30 to 120 days depending on the application type. Both the licensed marriage and family therapist and licensed clinical social worker examination eligibility applications are currently experiencing six month processing times. The board has attributed the delay to the increased volume of applications and the addition of a new mental health profession license (Licensed Professional Clinical Counselor).

Questions for the Board of Behavioral Sciences:

1. *What efforts are being made by the board to reduce the turnaround time of cases referred to the Attorney General?*
2. *Upon repayment of the loan, how many months in reserve will the Behavioral Sciences Fund have available? How many months in reserve should be available within the fund?*
3. *Has the board conducted a customer satisfaction survey recently? If so, please share the results.*

### Credit Union Fund (0299)

**Background:** The Credit Union Fund is administered by the Department of Business Oversight's Credit Union Division. The primary objective of the credit union division is "safety and soundness" and to promote the integrity and stability of the state's 151 state-licensed credit unions through regulation and supervision, including examinations to ensure they are complying with the appropriate provisions of the Financial Code relating to their operation.

<u>Licensee</u>	<u>Number</u>	<u>Total Assets</u>
Federally insured	137	\$75,877.1
Privately insured	14	\$3,379.1

**Fund Condition:** There is a total of \$2.7 million in outstanding loans to the General Fund from the Credit Union Fund. The loan to the General Fund was included in the Budget Act of 2002. The Department of Finance has scheduled to repay \$1.35 million during fiscal year 2013-14 and the remaining \$1.35 million in fiscal year 2014-15.

#### Fund Condition: Credit Union Fund

<b>Fiscal Year</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>
Beginning Balance	\$2,424	\$1,720	\$1,612
Total Revenues, Transfers and Other Adjustments	\$6,429	\$7,272	\$8,622
Loan Repayment Amount From General Fund	----	----	\$1,350
Total Resources Available	\$8,913	\$8,922	\$10,234
Total Expenditures	\$7,193	\$7,380	\$7,538
<b>Fund Balance</b>	<b>\$1,720</b>	<b>\$1,612</b>	<b>\$2,696</b>
<b>Positions</b>	<b>53.7</b>	<b>56</b>	<b>56</b>

\*dollars in thousands

**Fee Support:** The Credit Union Division does not receive any General Fund support. The fund is supported by an assessment on credit unions. Existing law (Financial Code Section 14350) authorizes the commissioner to annually levy on and collect from each state-chartered credit union an assessment, calculated on the basis of total assets, which in the commissioner's opinion is sufficient to meet the expenses of the department in administering the Credit Union Law and provide a reasonable reserve for contingencies.

### Current Credit Union Assessment

Total Assets	Percentage of Base Assessment Rate
0 - \$3,000,000	85.0%
\$3-\$6,000,000	30.0%
\$6-\$10,000,000	12.5%
\$10,000,000 - +	11.0%

**Pending Changes in Fee Support:** AB 1282 (Chapter 115, Statutes of 2013) modifies the step formula in existing law by: a) adding more asset tiers, and b) applying lower weights to higher dollar value asset tiers. The 2013-14 assessment rate was set at \$0.82 per thousand dollars of total assets, the same as last year's rate. The statutory maximum rate is \$2.20 per thousand dollars of total assets. The changes made as part of AB 1282 are expected to be revenue neutral and will not negatively impact the Credit Union Fund condition.

### Credit Union Assessment as of January 1, 2014

Percentage of Base Assessment Rate	Total Assets
\$0-\$3,000,000	85.0%
\$3,000,000-\$6,000,000	25.0%
\$6,000,000-\$10,000,000	13.0%
\$10,000,000-\$100,000,000	12.5%
\$100,000,000-\$500,000,000	12.25%
\$500,000,000-\$1,000,000,000	12.0%
\$1,000,000,000-\$2,000,000,000	11.5%
\$2,000,000,000-\$5,000,000,000	8.0%
\$5,000,000,000-\$10,000,000,000	3.5%
Excess over \$10,000,000,000	3.0%

**Enforcement Efforts:** Pursuant Financial Code Section 14250(b)(1) the commissioner is mandated by statute to examine each of its credit union licensees to the extent and whenever and as often as the commissioner deems advisable, but not less than once every two years. A determination of which credit unions receive additional supervision is based on an evaluation system that determines key areas of an institution's financial standing. The key areas include; capital adequacy, asset quality, management, earnings, liquidity and sensitivity to interest rate risk. The rating is referred to as CAMEL ratings, and institutions receiving a rating of 3 or below are subject to increased

supervision by the Credit Union Division. On average, the Department conducts 156 examinations and follow-ups each year.

Questions for the Department of Business Oversight:

- 1. What is the Department's target turnaround time for evaluating credit unions? Is the Department meeting that goal?*
- 2. Upon repayment of the loan, how many months in reserve will the Credit Union Fund have available? How many months in reserve should be available within the fund?*