

## **Office of Licensing Report on Fee Collection Funding September 1, 2020**

### **1) The feasibility of funding the office directly through fee collections**

A challenge of funding the Office of Licensing (OL) through fee collections is managing the budget with variable funding. In SFY20, collections were \$863,922 (\$267,315 transferred to DOH; \$446,486 transferred to State Finance; \$150,121 for recovery residences and online background check fees). In SFY19, collections were \$962,499 (\$203,110 transferred to DOH; \$547,419 transferred to State Finance; \$211,970 used for recovery residences and online background check fees). Fee collections can vary due to circumstances such as the extent of initial or renewal applications, provider enrollments, placements, or other external circumstances such as the pandemic influencing OL's actions.

The fairness of fee amounts for providers is another consideration. Circumstances unique to a provider may result in more investigative time, which other providers may unfairly absorb to cover the costs. Providers self report critical incidents, which sometimes results in an investigation. If OL charged providers for the investigative time spent in each program it could discourage providers from reporting. If providers chose not to report critical incidents due to additional costs OL could be putting vulnerable youth and adults at risk.

Rates would be based on estimates and cost allocation decisions that may not be accurate.

OL's fees are insignificant to the overall State of Utah's budget for absorbing fluctuations, but short-term revenue fluctuations are more challenging to manage for the minimal OL budget. OL's costs involving personnel tend to be more fixed for the short-term.

Another consideration is the impact to providers for higher rates and potential rate fluctuations.

Overall, funding OL directly through fee collections would be challenging to manage in addition to the impact to licensees for higher fees and the potential safety risk if adequate personnel cannot investigate incidents and perform inspections and background screenings.

### **2) The pros and cons of a dedicated credit model versus a restricted account model**

The response to question one includes the overall concern regarding fee collection funding.

#### **Restricted Account Model**

A restricted funds benefit is the potential to have excess collections reported in an applicable restricted account for future use. A fund balance could potentially be used to provide time for managing costs and for future rate adjustment smoothing out fluctuations. Although fund balances could be used for smart management purposes, risk exists that the funds will not be available for future use.

There currently is not a beginning fund balance for this management purpose. A circumstance to manage for restricted funds is the capping of expenditure to the appropriation level. This circumstance leads to requesting higher appropriation levels, which can also lead to misunderstandings regarding the budget. There is the potential problem for the appropriation level to be rigid due to potential

requirements, such as obtaining approval for a business case to increase funding with the misunderstanding of competing with other funding requests.

**Dedicated Credit Model**

The dedicated credits allow for being able to spend collections that exceed appropriations within the 25% requirement, unless there is an exemption. A concern is adjustment over the long-term versus short-term fluctuations. Similar to restricted funds, there is a tendency to request higher appropriation amounts.

	<b>Pros</b>	<b>Cons</b>
<b>Restricted Account Model</b>	<ul style="list-style-type: none"> <li>- Excess collections are protected</li> <li>- Smooth out account fluctuations over time</li> </ul>	<ul style="list-style-type: none"> <li>- Risk of funds being unavailable for future use</li> <li>- Delay in management of fund without a beginning fund balance</li> <li>- Expenditures capped at appropriation level</li> <li>- Budget misunderstandings due to higher appropriation requests</li> <li>- GOMB business case may be required to increase appropriation</li> <li>- Competing with other business cases</li> </ul>
<b>Dedicated Credit Model</b>	<ul style="list-style-type: none"> <li>- Greater short-term budget flexibility due to 25% rule</li> </ul>	<ul style="list-style-type: none"> <li>- Exemption for collecting above 100% of appropriation</li> <li>- Adjusting for long-term and short-term collection fluctuations</li> <li>- Budget misunderstandings due to higher appropriation requests</li> <li>- GOMB business case may be required to increase appropriation</li> <li>- Competing with other business cases</li> </ul>

**3) Fees that should be exempted from matching the cost to provide the service and why**

- **Foster Care Licenses:** The Department is encouraging more foster care provider participation. Costs related to foster care license activities are eligible for Title IV-E participation.
- **DSPD Certifications:** Courtesy service for Division of Services for People with Disabilities (DSPD). Without this service, the cost of the certification would be paid by DSPD. Costs related to DSPD certifications are eligible for Title XIX participation.
- **Online background check application fees for certain groups:** DSPD self administered providers, Foster Care providers, and DHS Divisions (for employee background checks) are not charged this fee as a courtesy. This fee was increased from \$5.00 to \$9.00 in the 2020 5th Special Session.
- **Fines:** OL is allowed to exempt fees collected from fines but has not historically done so.

#### 4) Estimated changes to current fees to align them more closely with costs

The SFY22 Estimated Budget information is used to calculate the baseline cost of licensing activities. DSPD, Foster Care, and background check administrative costs are deducted from the baseline to find the costs to cover with licensing fees. The deducted costs are covered through other sources of funding including Title IV-E, Title XIX, Title XX, and the online background check fee. The New Estimated Fee schedule recalculates fees based on the baseline costs.

#### SFY22 Estimated Budget

Activity Code	Amount	Allocation of overhead costs using activity coded time			Baseline Cost
		% of Time	Unassigned activity code	AADM	
AADM - DHS OL ADMIN	669,400.00				
AAGE - DHS OL AGING	1,200.00	0.04%	337.17	275.24	1,812.41
ABCI - LICENSING BCI	(87,000.00)				
ACHK - DHS OL BACKGROUND CHECKS	715,100.00	21.83%	179,033.21	146,152.23	1,040,285.44
ADPT - DHS OL ADOPTION	22,300.00	0.75%	6,179.91	5,044.92	33,524.83
AFOS - DHS OL FOSTER CARE	1,137,100.00	36.75%	301,359.28	246,012.08	1,684,471.36
ALAP - DHS OL APP DEVELOPMENT	81,100.00				
APRV - DHS OL PRIVATE	508,400.00	16.48%	135,113.71	110,298.92	753,812.63
ARES - DHS OL RESIDENTIAL DCFS & JJS	225,500.00	7.21%	59,104.24	48,249.24	332,853.48
ARRS - DHS OL RECOVERY RESIDENCES	49,800.00	1.65%	13,537.32	11,051.08	74,388.40
ASAM - DHS OL DSAMH	92,200.00	3.14%	25,728.63	21,003.35	138,931.98
ASPD - DHS OL DSPD	343,800.00	11.10%	91,010.33	74,295.51	509,105.84
AWLD - DHS OL WILDERNESS PROGRAM	32,100.00	1.05%	8,596.20	7,017.44	47,713.64
Unassigned	974,200.00				
ASYS - OL NEW SYSTEM	94,800.00				
<b>SFY22 Estimated Budget</b>	<b>4,860,000.00</b>		<i>820,000.00</i>	<i>669,400.00</i>	

Total Baseline 4,616,900.00

#### Unassigned activity code adjustments

Unassigned	974,200.00
Less:	
BAC: Hosting Services	(1,600.00)
MOA for Access to DACS	(150,500.00)
AMEX - Paymentech Fees	(2,100.00)
New Unassigned activity code amount	<u>820,000.00</u>

Less: DSPD (509,105.84)

Less: Foster Care (1,684,471.36)

Less: Background Checks Administrative Costs (1,040,285.44)

**Costs to Cover with Licensing Fees**

**\$ 1,383,037.36**

### New Estimated Fee Schedule

Activity Code	Category	Fee Name	Estimated Licensing Fee Collections				Budgeted Cost	New Licensing Fee to Match Cost		
			Fee	Quantity	Total	% of Total		New Fee	% of Increase	New Fee Collections
AAGE	Adult Day Care	Initial license (0-50 consumers per program)	\$900	5	\$ 4,500	0.38%	\$ 1,812	\$900	0%	\$ 4,500
	Adult Day Care	Initial license (More than 50 consumers)	\$900	-	\$ -	0.00%		\$900	0%	\$-
	Adult Day Care	Renewal (0-50 consumers per program)	\$300	-	\$ -	0.00%		\$300	0%	\$-
	Adult Day Care	Renewal (More than 50 consumers per program)	\$600	12	\$ 7,200	0.62%		\$600	0%	\$ 7,200
	Adult Day Care	Per licensed capacity	\$9	-	\$ -	0.00%		\$9	0%	\$-
ADPT	Child Placing Adoption	Initial license	\$900	3	\$ 2,700	0.23%	\$ 33,524	\$1,953	117%	\$ 5,859
	Child Placing Adoption	Renewal	\$750	17	\$ 12,750	1.09%		\$1,627	117%	\$ 27,665
AWLD	Outdoor Youth Program	Basic	\$1,408	12	\$ 16,896	1.44%	\$ 47,714	\$3,976	182%	\$ 47,714
ARRS	Recovery Residences	Initial license	\$1,295	35	\$ 45,325	3.87%	\$ 74,388	\$1,295	0%	\$ 45,325
	Recovery Residences	Renewal	\$500	79	\$ 39,500	3.37%		\$500	0%	\$ 39,500
APRV ARES ASAM	Day Treatment	Initial license	\$900	76	\$ 68,400	5.84%	\$ 1,225,598	\$1,362	51%	\$ 103,533
	Day Treatment	Renewal	\$450	314	\$ 141,300	12.07%		\$681	51%	\$ 213,878
	Intermediate Secure Treatment	Initial license	\$900	-	\$ -	0.00%		\$900	0%	\$-
	Intermediate Secure Treatment	Renewal	\$750	12	\$ 9,000	0.77%		\$1,135	51%	\$ 13,623
	Intermediate Secure Treatment	Per licensed capacity	\$9	-	\$ -	0.00%		\$9	0%	\$-

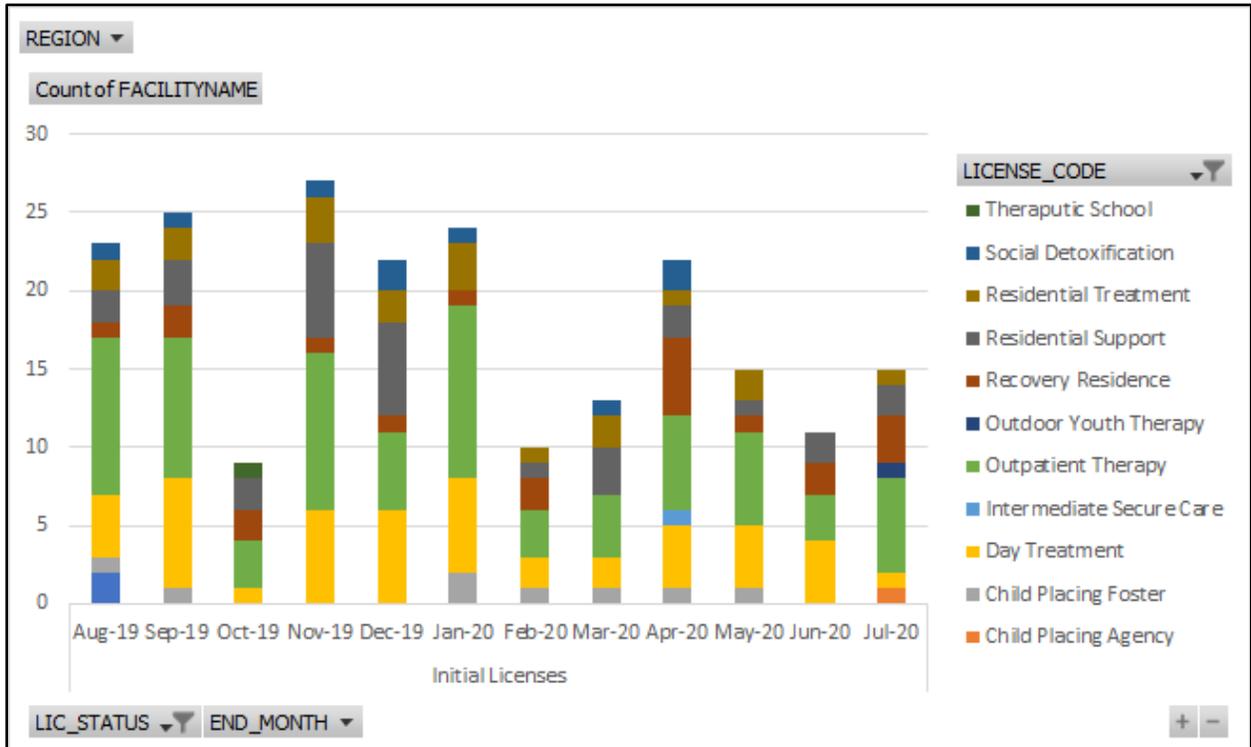
	Life Safety Pre-inspection	Initial	\$600	-	\$ -	0.00%		\$600	0%	\$-
	Outpatient Treatment	Initial license	\$900	141	\$ 126,900	10.84%		\$1,362	51%	\$ 192,081
	Outpatient Treatment	Renewal	\$300	488	\$ 146,400	12.51%		\$454	51%	\$ 221,598
	Residential Support	Initial license	\$900	49	\$ 44,100	3.77%		\$1,362	51%	\$ 66,752
	Residential Support	Renewal	\$300	222	\$ 66,600	5.69%		\$454	51%	\$ 100,809
	Residential Treatment	Initial license	\$900	58	\$ 52,200	4.46%		\$1,362	51%	\$ 79,012
	Residential Treatment	Renewal	\$600	209	\$ 125,400	10.71%		\$908	51%	\$ 189,811
	Residential Treatment	Per licensed capacity	\$9	-	\$ -	0.00%		\$9	0%	\$-
	Therapeutic School Program	Initial license	\$900	3	\$ 2,700	0.23%		\$1,362	51%	\$ 4,087
	Therapeutic School Program	Renewal	\$600	2	\$ 1,200	0.10%		\$908	51%	\$ 1,816
	Therapeutic School Program	Per licensed capacity	\$9	-	\$ -	0.00%		\$9	0%	\$-
	Social Detoxification	Initial license	\$900	13	\$ 11,700	1.00%		\$1,362	51%	\$ 17,710
	Social Detoxification	Renewal	\$600	23	\$ 13,800	1.18%		\$908	51%	\$ 20,888
ACHK	Online Background Check Application Fee		\$9	25,781	\$ 232,029	19.82%	\$ 1,040,285	\$40	348%	\$ 1,040,285
					<b>\$1,170,600</b>	<b>100.00%</b>	<b>\$2,423,321</b>			<b>\$2,443,646</b>

**5) An estimate of how much General Fund would still be required**

<b>Estimated Budget</b>	<b>4,860,000</b>
Title XX	865,100
Title IV-E	305,800
Title XIX	200,000
\$9 Online Background Check Fee Collections	232,000
Licensing Fee Collections	1,403,400
<b>General Fund - Ongoing</b>	<b>1,853,700</b>

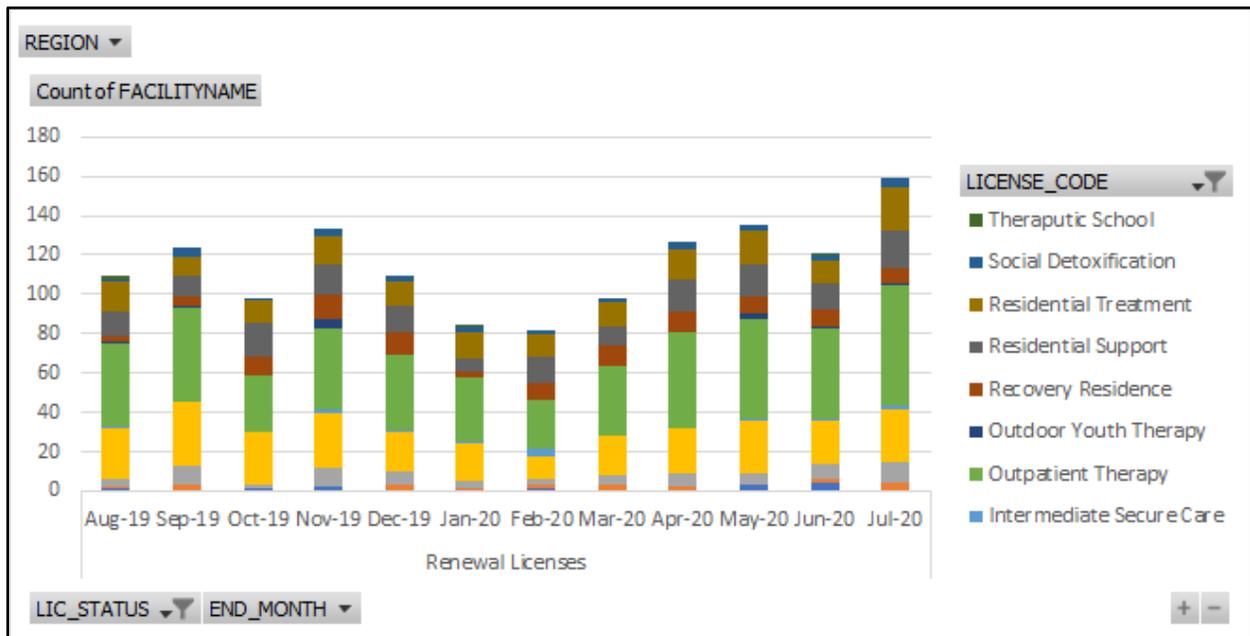
**6) Any other concerns or considerations**

If the preference is to adjust to funding through fee collections, OL recommends additional time for better baseline data. There is a lot of variability from month to month. With more data, OL will be able to establish a more realistic baseline.



**Figure 1. Initial Licenses by License Type by Month**

This chart shows the variability in initial licenses per month for the last 12 months.



**Figure 2. Renewal Licenses by License Type by Month**

This chart shows the variability in renewal licenses per month for the last 12 months.