

**STATE OF CALIFORNIA – DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA ARCHITECTS BOARD
LANDSCAPE ARCHITECTS TECHNICAL COMMITTEE
INITIAL STATEMENT OF REASONS**

Hearing Date: **November 30, 2016, at 10:00 a.m.**

Subject Matter of Proposed Regulation: **Fees**

Sections Affected: **California Code of Regulations (CCR), Division 26, Title 16, Section 2649**

Specific Purpose of Each Adoption, Amendment, or Repeal:

1. Problems Being Addressed:

BPC section 128.5 requires agencies within the Department of Consumer Affairs (DCA) to reduce license or other fees if the fund balance meets or exceeds 24 months of funds in reserve at the end of any fiscal year (FY).

Based on projections including the current license renewal fee reduction of \$220, at the end of FY 2016-17, there will be approximately 20.6 months of funds in reserve. Due to the excess fund balance, LATC is proposing to extend the license renewal fee reduction through June 30, 2019, in order to comply with BPC section 128.5.

2. Anticipated Benefits from These Regulatory Actions:

Licensees would benefit from the temporary license renewal fee reduction by lowering the cost to maintain their license.

Factual Basis/Rationale

BPC section 128.5 requires agencies within DCA to reduce license or other fees if the fund balance meets or exceeds 24 months of funds in reserve at the end of any FY. The LATC had 24.7 months of funds in reserve at the end of FY 2012-13 which exceeded the limit outlined in BPC 128.5. To address the fund condition, the LATC sought revenue savings measures consisting of a negative budget change proposal to reduce LATC's spending authority by \$200,000, and implemented a temporary license renewal fee reduction from \$400 to \$220 for one license renewal cycle, July 1, 2015 through June 30, 2017, with the intention of extending the license renewal fee reduction for an additional renewal cycle if the fund condition did not drop below the 24-month reserve level.

Based on projections including the current license renewal fee reduction of \$220, at the end of FY 2016-17, there will be approximately 20.6 months of funds in reserve. Due to the excess fund balance, LATC is proposing to extend the license renewal fee reduction through

June 30, 2019. Once the reduction completes its term, the LATC is projected to have 7.1 months of funds in reserve.

This regulatory proposal would amend CCR section 2649, subsection (f), to extend the reduction of the biennial renewal fee to \$220 for licenses expiring on or after July 1, 2017 through June 30, 2019. On July 1, 2019, the biennial renewal fee would be \$400.

Underlying Data

The following document is included as underlying data for this proposal:

1. Analysis of LATC Fund Condition, prepared 8/24/16

If the status quo is maintained, the LATC estimates license renewal fee revenue to be approximately \$718,800 for FY 2017-18 and 2018-19. This scenario assumes that the average number of licensees who pay the \$400 license renewal fee during a FY stays at approximately 1,797.

This proposal would reduce the license renewal fee from \$400 to \$220 from July 1, 2017 through June 30, 2019. Assuming that approximately 1,797 licensees pay the reduced license renewal fee of \$220, the LATC estimates renewal fee revenue to be reduced to approximately \$395,340 for FY 2017-18 and 2018-19. This proposal would result in a revenue savings of approximately \$323,460 each year or \$646,920 total over the two-year duration of the temporary license renewal fee reduction.

The table below details the total estimated savings of the affected licensee population which includes the current (FY's 2015/16-2016/17) license renewal fee reduction and proposed (FY's 2017/18-2018/19) license renewal fee reduction.

Fiscal Year	*Estimated Total Annual Renewal Fee Revenue	Estimated Revenue Savings FY 15/16 – 19/20	Estimated Revenue Savings FY 17/18 – 18/19
2015-16	\$394,102	\$322,447	
2016-17	\$395,340	\$323,460	
2017-18	\$395,340	\$323,460	\$323,460
2018-19	\$395,340	\$323,460	\$323,460
2019-20	\$718,800	\$0	
Total Estimated Revenue Savings Which Includes the Current and Proposed License Renewal Fee Reduction		\$1,292,827	\$646,920

* FY 15/16 is based on actual revenue received. FY's 16/17-19/20 are based on estimated revenue received from half the 3,593 (1,797) licensee population as of July 1, 2016.

The savings realized by licensees is projected to be approximately \$323,460 each year or \$646,920 total over the two-year duration of the temporary license renewal fee reduction.

Business Impact

This regulation will not have a significant adverse economic impact directly affecting business, including the ability of California businesses to compete with business in other states, because it affects only licensees.

Economic Impact Assessment

This regulatory proposal will have the following effects:

- It will not create or eliminate jobs within the State of California because it would extend the temporary reduction of the biennial license renewal fee for licensees. The estimated revenue savings that would be realized by this proposal, projected at approximately \$646,920 spread among approximately 3,593 licensees over the two-year duration of the proposal, is not sufficient to create or eliminate jobs or businesses.
- It will not create new business or eliminate existing businesses within the State of California because the proposed changes will not be of sufficient magnitude to have the effect of creating or eliminating businesses.
- This regulatory proposal does not affect the health and welfare of California residents because the proposed changes will not be of sufficient magnitude to have such an effect.
- It will not affect the expansion of businesses currently doing business within the State of California because the proposed changes will not be of sufficient magnitude to have the effect of creating or eliminating businesses.
- This regulatory proposal does not affect worker safety because it is not related to worker safety in any manner.
- This regulatory proposal does not affect the state's environment because it is not related to the environment in any manner.

Benefits

The LATC is proposing to continue to reduce its fund reserve to ensure compliance with existing law. This regulatory proposal would benefit the welfare of California residents by spreading approximately \$646,920 among approximately 3,593 licensees over the two-year duration of the proposal. Most of these licensees are California residents who would benefit from the temporary license renewal fee reduction by lowering the cost to maintain their license.

Specific Technologies or Equipment

This regulation does not mandate the use of specific technologies or equipment.

Consideration of Alternatives

No reasonable alternative to the regulatory proposal would be either more effective in carrying out the purpose for which the action is proposed or would be as effective or less burdensome to affected private persons and equally effective in achieving the purposes of the regulation in a manner that ensures full compliance with the law being implemented or made specific.

Set forth below are the alternatives which were considered and the reasons each alternative was rejected:

The only alternative considered was to maintain the status quo. This alternative was rejected as the status quo was not accomplishing the LATC's objective of complying with BPC section 128.5 to reduce its fund reserve.

0757 - Landscape Architects Technical Committee
Analysis of Fund Condition

Prepared 8/24/16

2016-17 Governor's Budget

Fee decrease effective (7/1/17-6/30/19) - 2 years, 1 renewal cycle.

Temporarily reduce the LATC's biennial license renewal fee from \$400 to \$220.

	Governor's Budget						
	ACTUAL 2014-15	ACTUAL 2015-16	CY 2016-17	BY 2017-18	BY + 2 2018-19	BY + 3 2019-20	BY + 4 2020-21
BEGINNING BALANCE	\$ 2,527	\$ 2,538	\$ 2,327	\$ 1,784	\$ 1,222	\$ 639	\$ 347
Prior Year Adjustment	\$ -3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Adjusted Beginning Balance	\$ 2,524	\$ 2,538	\$ 2,327	\$ 1,784	\$ 1,222	\$ 639	\$ 347
REVENUES AND TRANSFERS							
Revenues:							
125600 Other regulatory fees	\$ 4	\$ 5	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3
125700 Other regulatory licenses and permits	\$ 65	\$ 82	\$ 71	\$ 71	\$ 71	\$ 71	\$ 71
125800 Renewal fees	\$ 697	\$ 427	\$ 385	\$ 385	\$ 385	\$ 697	\$ 697
125900 Delinquent fees	\$ 14	\$ 14	\$ 9	\$ 9	\$ 9	\$ 9	\$ 9
141200 Sales of documents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
142500 Miscellaneous services to the public	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
150300 Income from surplus money investments	\$ 7	\$ 11	\$ 6	\$ 6	\$ 6	\$ 6	\$ 6
150500 Interest Income from Interfund Loans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
160400 Sale of fixed assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
161000 Escheat of unclaimed checks and warrants	\$ -	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1
161400 Miscellaneous revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Totals, Revenues	\$ 787	\$ 540	\$ 475	\$ 475	\$ 475	\$ 787	\$ 787
Transfers from Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Totals, Revenues and Transfers	\$ 787	\$ 540	\$ 475	\$ 475	\$ 475	\$ 787	\$ 787
Totals, Resources	\$ 3,311	\$ 3,078	\$ 2,802	\$ 2,259	\$ 1,697	\$ 1,426	\$ 1,134
EXPENDITURES							
Disbursements:							
0840 State Controller (State Operations)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8880 Financial Information System for California (State Operations)	\$ 1	\$ 2	\$ 1	\$ -	\$ -	\$ -	\$ -
1110 Program Expenditures (State Operations)	\$ 772	\$ 749	\$ 1,017	\$ 1,037	\$ 1,058	\$ 1,079	\$ 1,101
Total Disbursements	\$ 773	\$ 751	\$ 1,018	\$ 1,037	\$ 1,058	\$ 1,079	\$ 1,101
FUND BALANCE							
Reserve for economic uncertainties	\$ 2,538	\$ 2,327	\$ 1,784	\$ 1,222	\$ 639	\$ 347	\$ 33
Months in Reserve	40.6	27.4	20.6	13.9	7.1	3.8	0.4