

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

Hearing Date: **March 24, 2014**

Subject Matter of Proposed Regulation: **Fees**

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

As a result of legislative reorganization, the Landscape Architects Technical Committee (LATC), established on January 1, 1998, replaced the former Board of Landscape Architects and was placed under the purview of the California Architects Board (Board). Business and Professions Code (BPC) section 5630 authorizes the Board to adopt, amend, or repeal rules and regulations that are reasonably necessary in order to carry out the provisions under the Landscape Architects Practice Act.

Specific Purpose of Each Adoption, Amendment, or Repeal:

1. Problems Being Addressed:

Existing law, BPC section 5681, authorizes the LATC to charge a biennial license renewal fee. 16 CCR Section 2649 (Fees) specifies the biennial license renewal fee to be \$400. This regulatory proposal would amend 16 CCR Section 2649 to temporarily reduce this fee to \$220.

BPC section 128.5 requires agencies within the Department of Consumer Affairs (DCA) to reduce license or other fees if they have 24 months of funds in reserve at the end of any fiscal year (FY). As of January 2013, the LATC had 19.5 months of funds in reserve, which was approaching a level that would require LATC to take action in accordance with BPC section 128.5. To address the fund condition, the LATC approved revenue savings measures consisting of a negative budget change proposal to reduce LATC's spending authority by \$200,000, and a temporary license renewal fee reduction from \$400 to \$220 for one biennial license renewal cycle. In order to temporarily reduce license renewal fees, a regulatory change proposal to amend 16 CCR Section 2649 is necessary. This regulatory proposal would amend 16 CCR Section 2649, subsection (f), to reduce the fee for biennial renewal of a license from \$400 to \$220 for a period of two years, from July 1, 2015 through June 30, 2017, and will return to \$400 on July 1, 2017.

Additionally, this proposal would amend 16 CCR Section 2649 subsections (b), (e), and (f) to remove outdated references to fees that were in effect before July 1, 2009 since it is unnecessary and no longer relevant to specify these fees.

2. Anticipated Benefits from These Regulatory Actions:

As of January 2013, the LATC had 19.5 months of funds in reserve which the Board believes is too high in keeping with the law. The Board is proposing to temporarily reduce license renewal fees to ensure compliance with existing law. Licensees would also benefit from the temporary license renewal fee reduction by lowering the cost to maintain their license.

This proposal will also amend subsections (b), (e), and (f), to remove outdated references to fees that were in effect before July 1, 2009. This amendment will remove unnecessary language and help avoid confusion.

Factual Basis/Rationale

BPC section 128.5 requires DCA agencies to reduce license or other fees if they have 24 months of funds in reserve at the end of any FY. As of January 2013, the LATC had 19.5 months of funds in reserve, which was approaching a level that would require LATC to take action in accordance with BPC section 128.5. To address the fund condition, the LATC approved several revenue savings measures consisting of a negative budget change proposal to reduce LATC's spending authority by \$200,000, and a temporary license renewal fee reduction from \$400 to \$220 for one biennial license renewal cycle. In order to temporarily reduce license renewal fees, a regulatory change proposal to amend 16 CCR Section 2649 is necessary. This regulatory proposal would amend 16 CCR Section 2649, subsection (f), to reduce the fee for biennial renewal of a license from \$400 to \$220 for a period of two years, from July 1, 2015 through June 30, 2017, and would return to \$400 on July 1, 2017.

Additionally, this proposal would amend 16 CCR Section 2649 subsections (b), (e), and (f) to remove outdated references to fees that were in effect before July 1, 2009, since it is unnecessary and no longer relevant to specify these fees.

Underlying Data

The following documents are included as underlying data for this proposal:

1. Analysis of LATC Fund Condition, Status Quo Scenario; and
2. Analysis of LATC Fund Condition, Temporary License Renewal Fee Reduction and Negative Budget Change Proposal Scenario.

If the status quo is maintained, the LATC estimates license renewal fee revenue to be approximately \$675,200 for FY 2015-16, and approximately \$675,200 for FY 2016-17. This scenario assumes that the average number of licensees who pay the \$400 license renewal fee during a FY stays at approximately 1,688.

This proposal would reduce the license renewal fee from \$400 to \$220 from July 1, 2015 through June 30, 2017. Assuming that approximately 1,688 licensees pay the reduced license renewal fee of \$220 during a FY, the LATC estimates renewal fee revenue to be reduced to approximately \$371,360 for FY 2015-16, and approximately \$371,360 again for FY 2016-17.

This proposal would result in a revenue savings of approximately \$303,840 annually or \$607,680 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 over the lifetime of the proposal.

Fiscal Year	* Estimated Total Annual Renewal Fee Revenue	* Estimated Revenue Savings
2013-14	\$675,200	N/A
2014-15	\$675,200	N/A
2015-16	\$371,360	\$303,840
2016-17	\$371,360	\$303,840
2017-18	\$675,200	N/A
Total Estimated Revenue Savings over Lifetime of Proposed Temporary License Renewal Fee Reduction:		\$607,680

* Estimate based on 3,376 licensee population

The savings realized by licensees is projected to be approximately \$303,840 annually or \$607,680 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 temporarily reduce the biennial license renewal fee for licensees. The estimated revenue savings that would be realized by this proposal, projected at approximately \$607,680 spread among approximately 3,400 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 reduce its fund reserve to ensure compliance with existing law. This regulatory proposal would benefit the welfare of California residents by spreading approximately \$607,680 among approximately 3,400 licensees over the two-year duration of the proposal. The majority of these licensees are California residents who would benefit from the temporary license renewal fee reduction by lowering the cost to maintain their license.

This proposal would also amend subsections (b), (e), and (f), to remove outdated references to fees that were in effect before July 1, 2009. This amendment would remove unnecessary language and help avoid confusion.

Specific Technologies or Equipment

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

Consideration of Alternatives

The Board has made an initial determination that 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 and less burdensome to affected private persons or would be more cost-effective to affected private persons and equally effective in implementing the statutory policy or other provision of law than the proposal described in the Notice.

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 reducing its fund reserve.

Initial Statement of Reasons - Underlying Data - Attachment 1

0757 - Landscape Architects Technical Committee Analysis of Fund Condition

Prepared 11/5/2013

(Dollars in Thousands)

Status Quo

	ACTUALS 2012-13	BY 2013-14	BY + 1 2014-15	BY + 2 2015-16	BY + 3 2016-17	BY + 4 2017-18
BEGINNING BALANCE	\$ 2,285	\$ 2,413	\$ 2,005	\$ 1,578	\$ 1,144	\$ 677
Prior Year Adjustment	\$ -2	\$ -	\$ -	\$ -	\$ -	\$ -
Adjusted Beginning Balance	\$ 2,283	\$ 2,413	\$ 2,005	\$ 1,578	\$ 1,144	\$ 677
REVENUES AND TRANSFERS						
Revenues:						
125600 Other regulatory fees	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2
125700 Other regulatory licenses and permits	\$ 85	\$ 66	\$ 66	\$ 66	\$ 66	\$ 66
125800 Renewal fees	\$ 702	\$ 675	\$ 675	\$ 675	\$ 675	\$ 675
125900 Delinquent fees	\$ 18	\$ 17	\$ 17	\$ 17	\$ 17	\$ 17
141200 Sales of documents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
142500 Miscellaneous services to the public	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
150300 Income from surplus money investments	\$ 7	\$ 6	\$ 5	\$ 22	\$ 13	\$ 3
150500 Interest Income from Interfund Loans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
160400 Sale of fixed assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
161000 Escheat of unclaimed checks and warrants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
161400 Miscellaneous revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Totals, Revenues	\$ 814	\$ 766	\$ 765	\$ 782	\$ 773	\$ 763
Transfers from Other Funds						
Transfers to Other Funds						
Totals, Revenues and Transfers	\$ 814	\$ 766	\$ 765	\$ 782	\$ 773	\$ 763
Totals, Resources	\$ 3,097	\$ 3,179	\$ 2,770	\$ 2,360	\$ 1,917	\$ 1,440
EXPENDITURES						
Disbursements:						
0840 State Controller (State Operations)	\$ 1	\$ -	\$ -	\$ -	\$ -	\$ -
1110 Program Expenditures (State Operations)	\$ 677	\$ 1,169	\$ 1,192	\$ 1,216	\$ 1,240	\$ 1,265
8880 Financial Information System for California (State Operations)	\$ 6	\$ 5	\$ -	\$ -	\$ -	\$ -
Total Disbursements	\$ 684	\$ 1,174	\$ 1,192	\$ 1,216	\$ 1,240	\$ 1,265
FUND BALANCE						
Reserve for economic uncertainties	\$ 2,413	\$ 2,005	\$ 1,578	\$ 1,144	\$ 677	\$ 175
Months in Reserve	24.7	20.2	15.6	11.1	6.4	1.6

Initial Statement of Reasons - Underlying Data - Attachment 2

**0757 - Landscape Architects Technical Committee
Analysis of Fund Condition**

Prepared 11/5/2013

(Dollars in Thousands)

Fee Decrease Scenario

Renewal Fee Decrease - \$400 ----> \$220 in FY 15-16

	ACTUALS 2012-13	BY 2013-14	BY + 1 2014-15	BY + 2 2015-16	BY + 3 2016-17	BY + 4 2017-18
BEGINNING BALANCE	\$ 2,285	\$ 2,413	\$ 2,005	\$ 1,578	\$ 1,038	\$ 463
Prior Year Adjustment	\$ -2	\$ -	\$ -	\$ -	\$ -	\$ -
Adjusted Beginning Balance	\$ 2,283	\$ 2,413	\$ 2,005	\$ 1,578	\$ 1,038	\$ 463
REVENUES AND TRANSFERS						
Revenues:						
125600 Other regulatory fees	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2
125700 Other regulatory licenses and permits	\$ 85	\$ 66	\$ 66	\$ 66	\$ 66	\$ 66
125800 Renewal fees	\$ 702	\$ 675	\$ 675	\$ 675	\$ 675	\$ 675
Renewal Fee Decrease - \$400 ----> \$220	\$ -	\$ -	\$ -	\$ -304	\$ -304	\$ -
125900 Delinquent fees	\$ 18	\$ 17	\$ 17	\$ 17	\$ 17	\$ 17
141200 Sales of documents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
142500 Miscellaneous services to the public	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
150300 Income from surplus money investments	\$ 7	\$ 6	\$ 5	\$ 20	\$ 9	\$ 3
150500 Interest Income from Interfund Loans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
160400 Sale of fixed assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
161000 Escheat of unclaimed checks and warrants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
161400 Miscellaneous revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Totals, Revenues	\$ 814	\$ 766	\$ 765	\$ 476	\$ 465	\$ 763
Transfers from Other Funds						
Transfers to Other Funds						
Totals, Revenues and Transfers	\$ 814	\$ 766	\$ 765	\$ 476	\$ 465	\$ 763
Totals, Resources	\$ 3,097	\$ 3,179	\$ 2,770	\$ 2,054	\$ 1,503	\$ 1,226
EXPENDITURES						
Disbursements:						
0840 State Controller (State Operations)	\$ 1	\$ -	\$ -	\$ -	\$ -	\$ -
1110 Program Expenditures (State Operations)	\$ 677	\$ 1,169	\$ 1,192	\$ 1,216	\$ 1,240	\$ 1,265
Proposed Negative BCP	\$ -	\$ -	\$ -	\$ -200	\$ -200	\$ -200
8880 Financial Information System for California (State Operations)	\$ 6	\$ 5	\$ -	\$ -	\$ -	\$ -
Total Disbursements	\$ 684	\$ 1,174	\$ 1,192	\$ 1,016	\$ 1,040	\$ 1,065
FUND BALANCE						
Reserve for economic uncertainties	\$ 2,413	\$ 2,005	\$ 1,578	\$ 1,038	\$ 463	\$ 161
Months in Reserve	24.7	20.2	18.6	12.0	5.2	1.8