

STATE OF CALIFORNIA  
**Budget Change Proposal - Cover Sheet**  
 DF-46 (REV 08/15)

Fiscal Year 2016-17	Business Unit <del>1110</del> 1111	Department Consumer Affairs	Priority No. 1
Budget Request Name 1111 <del>1110</del> -040-BCP-BR-2016-GB		Program 1220 – Board of Registered Nursing	Subprogram

Budget Request Description

Request for budget augmentation to implement Senate Bill 466 (Chapter 489, Statutes of 2015)

Budget Request Summary

This BCP is a result of Chapter 489, Statutes of 2015.

The Board of Registered Nursing (Board) is requesting a budget augmentation of \$450,000 in Fiscal Year 2016-17 to reimburse the State Auditor's Office for conducting an audit of enforcement beginning February 1, 2016 through December 31, 2016.

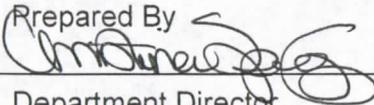
Requires Legislation <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Code Section(s) to be Added/Amended/Repealed B&PC sections 2718, 2786, and 2786.1
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Does this BCP contain information technology (IT) components? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>If yes, departmental Chief Information Officer must sign.</i>	Department CIO	Date
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For IT requests, specify the date a Special Project Report (SPR) or Feasibility Study Report (FSR) was approved by the Department of Technology, or previously by the Department of Finance.

<input type="checkbox"/> FSR <input type="checkbox"/> SPR	Project No.	Date:
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If proposal affects another department, does other department concur with proposal?  Yes  No  
*Attach comments of affected department, signed and dated by the department director or designee.*

Prepared By 	Date 10/12/15	Reviewed By Cynthia Dines	Date 10/13/15
Department Director 	Date 10/12/15	Agency Secretary Kwame N. Okubellor	Date 10/14/15

**Department of Finance Use Only**

Additional Review:  Capital Outlay  ITCU  FSCU  OSAE  CALSTARS  Dept. of Technology

BCP Type:  Policy  Workload Budget per Government Code 13308.05

PPBA	Original signed by Jeff Carosone	Date submitted to the Legislature 1-7-16
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# BCP Fiscal Detail Sheet

BCP Title: Board of Registered Nursing Enforcement Audit (SB 466)

DP Name: 1111-047-BCP-DP-2016-GB

## Budget Request Summary

	FY16					
	CY	BY	BY+1	BY+2	BY+3	BY+4
Operating Expenses and Equipment						
5340 - Consulting and Professional Services - Interdepartmental	0	450	0	0	0	0
<b>Total Operating Expenses and Equipment</b>	<b>\$0</b>	<b>\$450</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Total Budget Request</b>	<b>\$0</b>	<b>\$450</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## Fund Summary

Fund Source - State Operations

0761 - Board of Registered Nursing Fund, Professions and Vocations Fund	0	450	0	0	0	0
<b>Total State Operations Expenditures</b>	<b>\$0</b>	<b>\$450</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Total All Funds</b>	<b>\$0</b>	<b>\$450</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## Program Summary

Program Funding

1220 - Board of Registered Nursing	0	450	0	0	0	0
<b>Total All Programs</b>	<b>\$0</b>	<b>\$450</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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## A. Budget Request Summary

This BCP is a result of Chapter 489, Statutes of 2015.

The Board of Registered Nursing (Board) is requesting a budget augmentation of \$450,000 in Fiscal Year 2016-17 to reimburse the State Auditor's Office for conducting an audit of enforcement beginning February 1, 2016 through December 31, 2016.

## B. Background/History

The mission of the Board is to protect the health and safety of consumers by promoting quality registered nursing care in the State of California. The Board licenses and regulates over 430,000 registered nurses (RN) statewide, and is required to protect consumers from incompetent licensees.

In 2015, the Senate Business, Professions and Economic Development Committee and the Assembly Business and Professions Committee conducted joint oversight hearings to review 12 regulatory entities, including the Board. The committees identified a number of concerns related to the Board's enforcement efforts that need to be addressed.

As such, Senate Bill (SB) 466 was chaptered and requires the California State Auditor's Office (Office) to conduct a performance audit of the Board's enforcement program, to be funded by the Board.

Senate Bill 466 also requires the Board to review schools' clinical instruction to determine if it adheres to the regulations for granting educational credits for persons who received military education and experience as a registered nurse, review applications from schools to determine if they are eligible to grant credit for military experience and education, revoke nursing program's approval if they do not give credit for military education and experience, and review applications from any person who has served on active duty to determine if their military education and experience qualifies them for licensure.

The Board anticipates needing additional resources to perform this workload but, due to the structural imbalance of the Registered Nursing Fund, will postpone that portion of the request until the fund can sustain these additional resources on an ongoing basis.

**Resource History**  
(Dollars in thousands)

Program Budget	PY - 4	PY - 3	PY - 2	PY - 1	PY
Authorized Expenditures	\$29,684	\$28,041	\$31,721	\$34,468	\$40,674
Actual Expenditures	\$28,552	\$27,116	\$30,377	\$33,663	\$39,394
Revenues	\$24,331	\$20,863	\$32,123	\$33,816	\$32,890
Authorized Positions	128.0	136.1	132.0	130.8	158.8
Filled Positions	99.6	111.8	129.0	137.6	159.3
Vacancies	28.4	24.3	3.0	0.0	0.0

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### C. State Level Considerations

The public relies on the Board as the only entity established in statute to protect the public by regulating the practice of RNs. To uphold its mission, the Board will “prevent patient harm” and “intervene with discipline” per the Board’s Strategic Plan, in addition to increasing program effectiveness and allocating resources to effectively fulfill its mission.

### D. Justification

Per SB 466, by February 1, 2016, the Office must begin a performance audit of the Board’s enforcement program, and shall report the results of the audit, with any recommendations, to the Governor, the Department of Consumer Affairs (Department), and all appropriate policy committees of the Legislature, by January 1, 2017. The estimated cost of the audit is \$450,000 and will be funded by the Board.

The Board’s appropriation is not adequate to fund these costs. The Board’s FY 2014-15 reversion was just 3% of its \$40.758 million appropriation. This reflects the Board’s effort to generate savings across its operations to ensure it would not exceed its 2014-15 appropriation. Additionally, as in FYs 2010-11, 2012-13, and 2013-14, it became necessary for the Board to request additional appropriation authority using the Department’s Budget Bill language for healing arts boards, to fund projected additional Attorney General (AG) and Office of Administrative Hearings (OAH) costs. The savings in FY 2014-15 was mostly due to actual AG and OAH costs coming in less than projected.

### E. Outcomes and Accountability

SB 466 requires the Office to report the results of the audit, with any recommendations, to the Governor, the Department, and the appropriate policy committees of the Legislature by January 1, 2017. Additionally, Board staff and management shall cooperate with the Office and shall provide the office with access to data, case files, employees, and information as the Office may, in its discretion, require for the purposes of the enforcement performance audit.

### F. Analysis of All Feasible Alternatives

**Alternative 1:** Approve a one-time \$450,000 augmentation in FY 2016-17 to reimburse the Office for the performance audit of the Board’s enforcement program.

Pros: This augmentation will allow the Board to comply with the provisions set forth in SB 466.

Cons: This augmentation will require an expenditure that will impact the condition of the Board’s fund.

**Alternative 2:** Redirect funds from other operational areas to fund the costs of the performance audit.

Pros: The Board would not incur additional expenditures above its existing appropriation.

Cons: The Board has no excess appropriation authority to redirect to fund these costs. Redirection will negatively impact other areas of operation, particularly enforcement, which is counter-intuitive to this legislation.

**Alternative 3:** Approve \$250,000 in FY 2016-17 and \$250,000 in FY 2017-18 to reimburse the Office for the performance audit of the Board’s enforcement program.

Pros: This will lessen the impact to the Board’s budget and perhaps make it more manageable.

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Cons: The Office will most likely not accept future reimbursement for work done, and cost incurred in the next two fiscal years.

**Alternative 4:** Defer reimbursement to the Office for the cost of the performance audit until FY 2017-18.

Pros: This will allow the Board to defer these costs one more fiscal year.

Cons: The Office will most likely not accept future reimbursement for work done, and cost incurred in the next two fiscal years.

### G. Implementation Plan

Upon approval, the Board will enter into an interagency agreement with the Office for the purposes of funding the performance audit as required by SB 466.

### H. Supplemental Information

The Board's fund condition has been declining for the past 3 years and is projected to continue this decline. An emergency fee increase regulation was approved by the Office of Administrative Law effective August 2015 increasing existing fees to their statutory limits. These increased fees are projected to be implemented January 1, 2016.

The Board is seeking an author for a fee bill that will raise statutory fee limits to include an initial minimum that will be higher than current fees. The Board anticipates this bill will become effective January 1, 2017 and regulations for future fee increases will be implemented. A fee study was conducted and is under review by the Board, which will support these fee increases.

SB 466 also requires the Board to

- review nursing schools' clinical instruction to determine if it adheres to the regulations for granting educational credits for persons who received military education and experience as a registered nurse
- review applications from schools to determine if they are eligible to grant credit for military experience and education
- revoke nursing program's approval if they do not give credit for military education and experience
- review applications from any person who has served on active duty to determine if their military education and experience qualifies them for licensure
- maintain a list of approved schools or programs of nursing in California

The Board anticipates needing additional resources to perform this workload but, due to the structural imbalance of the Registered Nursing Fund, will postpone that portion of the request until the fund can sustain these additional resources on an ongoing basis.

### I. Recommendation

Alternative 1 will ensure that the Board is in compliance with SB 466.

# 0761 - Board of Registered Nursing Analysis of Fund Condition

8/24/2015

(Dollars in Thousands)

2015-16 Budget Act  
Outstanding Loans total \$11.3 million  
Includes Overcollected Reimbursements  
Fee Increase Effective January 1, 2016

	Actual 2014-15	BUDGET ACT CY 2015-16	BY 2016-17	BY+1 2017-18
<b>BEGINNING BALANCE</b>	\$ 9,557	\$ 7,081	\$ 8,017	\$ 2,412
Prior Year Adjustment	\$ -65	\$ -	\$ -	\$ -
Adjusted Beginning Balance	\$ 9,492	\$ 7,081	\$ 8,017	\$ 2,412
<b>REVENUES AND TRANSFERS</b>				
Revenues:				
125600 Other regulatory fees	\$ 1,308	\$ 881	\$ 881	\$ 881
125600 Proposed Other regulatory fees	\$ -	\$ 294	\$ 588	\$ 588
125700 Other regulatory licenses and permits	\$ 5,923	\$ 5,205	\$ 5,205	\$ 5,205
125700 Proposed Other regulatory licenses and permits	\$ -	\$ 192	\$ 384	\$ 384
125800 Renewal fees	\$ 24,967	\$ 24,361	\$ 24,361	\$ 24,361
125800 Proposed Renewal fees	\$ -	\$ 1,928	\$ 3,856	\$ 3,856
125900 Delinquent fees	\$ 585	\$ 427	\$ 427	\$ 427
125900 Proposed Delinquent Fees	\$ -	\$ 33	\$ 66	\$ 66
141200 Sales of documents	\$ -	\$ -	\$ -	\$ -
142500 Miscellaneous services to the public	\$ 28	\$ -	\$ -	\$ -
150300 Income from surplus money investments	\$ 17	\$ 5	\$ 4	\$ -
150500 Interest Income from Interfund Loans	\$ 42	\$ -	\$ -	\$ -
160400 Sale of fixed assets	\$ -	\$ -	\$ -	\$ -
161000 Escheat of unclaimed checks and warrants	\$ 10	\$ -	\$ -	\$ -
161400 Miscellaneous revenues	\$ 4	\$ -	\$ -	\$ -
161400 Settlements/judgements (not anti-trust)	\$ 6	\$ -	\$ -	\$ -
Overcollected Reimbursements	\$ -	\$ 1,054	\$ 1,234	\$ 1,234
Totals, Revenues	\$ 32,890	\$ 34,380	\$ 37,006	\$ 37,002
Transfers from Other Funds				
T00001 GF loan per Item 1110-011-0761 BA of 2011	\$ 3,000	\$ 8,300	\$ -	\$ -
Transfers to Other Funds				
T00001 GF loan per Item 1110-011-0761 BA of 2011	\$ -	\$ -	\$ -	\$ -
Totals, Revenues and Transfers	\$ 35,890	\$ 42,680	\$ 37,006	\$ 37,002
Totals, Resources	\$ 45,382	\$ 49,761	\$ 45,023	\$ 39,414
<b>EXPENDITURES</b>				
Disbursements:				
0840 State Controller (State Operations)	\$ 2	\$ -	\$ -	\$ -
1110 Program Expenditures (State Operations)	\$ 38,275	\$ 41,678	\$ 42,161	\$ 42,569
8860 FSCU (State Operations)	\$ -	\$ -	\$ -	\$ -
8880 Financial Information System for California (State Oper)	\$ 24	\$ 66	\$ -	\$ -
SB 466	\$ -	\$ -	\$ 450	\$ -
Total Disbursements	\$ 38,301	\$ 41,744	\$ 42,611	\$ 42,569
<b>FUND BALANCE</b>				
Reserve for economic uncertainties	\$ 7,081	\$ 8,017	\$ 2,412	\$ -3,155
Months in Reserve	2.0	2.3	0.7	-0.9