

**TITLE 16. STRUCTURAL PEST CONTROL BOARD
DEPARTMENT OF CONSUMER AFFAIRS**

INITIAL STATEMENT OF REASONS

Hearing Date: February 19, 2019

Subject Matter: Wood Destroying Organism Inspection Reporting Fee Increase

Section Affected: California Code of Regulations (CCR), Title 16, Section 1997

PROBLEM BEING ADDRESSED

Recently, while conducting an oversight process known as “sunset review”, the Senate Business, Professions, and Economic Development Committee, and the Assembly Committee on Business and Professions (Committees), identified the Structural Pest Control Board’s (SPCB) fund condition as an area of concern. Boards and bureaus within the Department of Consumer Affairs (DCA) maintain a reserve balance of at least 6 months to be prepared for unanticipated costs such as litigation, changes in licensing populations, or higher than expected enforcement expenditures. By Fiscal Year 2018-19, the SPCB is projected to have a reserve balance of less than two months and by 2020-21 the SPCB is projected to have a negative reserve balance.

To address this problem, the SPCB is proposing to amend Title 16, CCR section 1997 to raise the Wood Destroying Organism (WDO) inspection reporting fee from \$2.50 per property address, to \$3.00 per property address.

NECESSITY

In order to perform the duties and functions that are required by law, the SPCB must maintain a sustainable operating budget. Recent projections have shown that by 2018-19 the SPCB will have a reserve balance of less than two months and a negative reserve balance by 2020-21. Boards and bureaus within the DCA maintain a reserve balance of 6 months in order to be adequately prepared for unanticipated costs, such as fluctuations in the licensee population or enforcement costs.

To ensure that the SPCB maintains an adequate reserve balance it is necessary to amend CCR section 1997 to raise the WDO inspection reporting fee from \$2.50 per property address, to \$3.00 per property address. The SPCB projects that this action will generate an annual revenue increase of \$682,000 which translates into an additional 1.6 months of reserve funding in 2019-20. The SPCB anticipates that the fee increase will result in a reserve balance in 2019-20 of approximately 6 months. The SPCB elected to address these budgetary concerns by raising the WDO inspection reporting fee due to the high volume of WDO inspections that are performed, it was the most effective option to quickly increase revenue while simultaneously spreading the cost impact across a large population of representative businesses.

SPECIFIC PURPOSE OF EACH ADOPTION, AMENDMENT, OR REPEAL

Amend CCR section 1997

Currently, CCR section 1997 establishes a fee of \$2.50 for every property address that is reported to the SPCB where a WDO inspection has been performed.

The specific purpose for amending CCR section 1997 is to raise revenue and stabilize the SPCB's fund condition by increasing the WDO inspection reporting fee from \$2.50 per property address, to \$3.00 per property address.

Business and Professions (B&P) Code section 8674(n) establishes a WDO activity fee not to exceed \$3.00 per property address. The proposed regulation implements B&P Code section 8674(n) by amending CCR section 1997 and raising the WDO inspection reporting fee to \$3.00.

ANTICIPATED BENEFITS

The SPCB anticipates that the public will benefit as a result of the proposed regulation. Pursuant to B&P Code sections 8520(c) and 8520.1, consumer protection and protection of the public are, respectively, the SPCB's highest priority and primary function. In order to fulfill those obligations, it is necessary for the SPCB to maintain a sustainable operating budget. The proposed regulation will help ensure that the Board maintains an adequate reserve balance and can continue to meet its statutory obligations.

UNDERLYING DATA

1. Department of Consumer Affairs Budget Office. Structural Pest Control Fund Analysis of Fund Condition. February 26, 2018.
2. Structural Pest Control Board. WDO Activities Filed. March 1, 2018.

BUSINESS IMPACT

The SPCB has determined that the proposed regulation will not have a significant statewide adverse economic impact directly affecting businesses, including the ability of California businesses to compete with businesses in other states. The SPCB, however, has determined that the proposed regulation may have a minimal adverse economic impact on businesses that regularly perform WDO inspections.

Based on the SPCB's projections the average cost impact for a business that performs WDO inspections is expected to be \$442 a year. This is ultimately a minor cost for businesses who regularly perform WDO inspections because in comparison to the revenue generated by performing a WDO inspection, an increase of \$0.50 per inspection is very small.

MANDATE ON SPECIFIC TECHNOLOGIES OR EQUIPMENT

The proposed regulation does not mandate the use of any specific technologies or equipment.

ECONOMIC IMPACT ASSESSMENT

The Board has determined that the proposed regulatory action will not affect the creation or elimination of jobs within the state. The Board made this determination because the economic impact associated with the proposed regulation is expected to be minimal and therefore insufficient to have any impact on job creation or elimination.

The Board has determined that the proposed regulatory action will not affect the creation of new businesses or the elimination of existing businesses within the state. The Board made this determination because the economic impact associated with the proposed regulation is expected to be minimal and therefore insufficient to have any impact on the creation of new or the elimination of existing businesses.

The Board has determined that the proposed regulatory action will not affect the expansion of businesses currently doing business within the state. The Board made this determination because the economic impact associated with the proposed regulation is expected to be minimal and therefore insufficient to have any impact on the expansion of businesses currently operating in California.

The Board has determined that the proposed regulatory action will benefit the health and welfare of California residents, worker safety, and the state's environment because it will enable the SPCB to address the concerns about its fund condition and therefore, ensure that the SPCB can continue to fulfill its primary function of protecting the public.

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 or businesses or equally effective in achieving the purposes of the regulation in a manner that ensures full compliance with the law being implemented or made specific.