

Fiscal Note

BILL # SB 1037

TITLE: health boards; fund balances; fees

SPONSOR: Kavanagh

STATUS: As Amended by Senate RAGE

PREPARED BY: Destin Moss

Description

The bill would require a health profession regulatory board (health board) or nonhealth profession licensing authority to temporarily reduce or eliminate licensing or application fees if its fund balance exceeds two years of the agency's operating expenses plus 5.0%.

Estimated Impact

We estimate the bill will require 2 agencies to adjust fee collections beginning in FY 2026. The Board of Barbering and Cosmetology would be required to reduce their fees by \$379,000 and the Naturopathic Physicians Medical Board would be required to reduce their fees by \$352,000. Within the next 5 years, we estimate 1 additional agency, the Board of Osteopathic Examiners in Medicine and Surgery, will be impacted by the bill's provisions.

Some regulatory boards and licensing authorities deposit a portion of licensing revenues into the General Fund. To the extent that agencies are required to reduce fee collections, General Fund revenues would decrease. In FY 2026, these fee reductions would result in a General Fund revenue reduction of \$(129,000).

Analysis

There are at least 26 agencies that would be subject to the bill's provisions. *Table 1* lists each of these agencies' estimated FY 2026 operating expenditures compared to the estimated FY 2026 ending fund balance. Based on these estimates, 2 of the 26 agencies, the Board of Barbering and Cosmetology Board and the Naturopathic Physicians Medical Board, would be required to reduce or eliminate fees under the bill's provisions in FY 2026. Both agencies are currently required to deposit 15% of all licensing revenue to the General Fund and retain 85% for fund operating expenses. To the extent that the agencies reduce fees to comply with the bill's provisions, General Fund revenues would decrease.

In addition to these 2 agencies, we evaluated whether all other agencies would reach the maximum balance cap in the next 5 years. This analysis shows that 1 additional board, the Arizona Board of Osteopathic Examiners in Medicine and Surgery, would be affected beginning in FY 2031.

The bill defines "licensing authority" as any agency, department, board, or commission that issues a license, permit, certificate or registration pursuant to Title 32 to an individual who provides a service to any person. Whether additional agencies would be subject the bill's provisions depends on the interpretation of the bill language. Title 32 includes statutes for licensing appraisers and collections agents (Department of Insurance Financial Institutions), funeral directors and radiologic technologists (Department of Health Services), security guards and private investigators (Department of Public Safety), and driving school agents (Arizona Department of Transportation). We are currently discussing this issue with Legislative Council.



Table 1 FY 2026 Estimated Agency Spending and Fund Balances (\$ in millions)			
<u>Agency</u>	<u>FY 2026 Estimated Spending</u>	<u>FY 2026 Maximum Fund Balance</u>	<u>FY 2026 Projected Year-End Balance</u>
Accountancy, Board of	2.3	4.8	0.9
Acupuncture Examiners, Board of	0.2	0.5	0.0
Athletic Training, Board of	0.2	0.4	0.1
Barbering and Cosmetology, Board of ^{1/}	2.8	6.0	6.3
Behavioral Health Examiners, Board of	3.0	6.3	2.0
Chiropractic Examiners, Board of	0.7	1.4	0.2
Contractors, Registrar of	14.5	30.5	0.0
Dental Examiners, Board of	2.2	4.6	0.2
Homeopathic and Integrated Medicine Examiners, Board of	0.1	0.1	0.0
Massage Therapy, Board of	0.6	1.3	0.5
Medical Board	8.5	17.9	6.2
Naturopathic Physicians Medical Board ^{1/}	0.2	0.5	0.8
Nursing, Board of	7.2	15.1	3.8
Nursing Care Institution Administrators and Assisted Living Facility Managers, Board of Examiners of	0.6	1.3	0.0
Occupational Therapy Examiners, Board of	0.3	0.6	0.3
Opticians, Board of Dispensing	0.2	0.4	0.3
Optometry, Board of	0.3	0.6	0.3
Osteopathic Examiners, Board of	1.5	3.2	1.9
Pharmacy, Board of	3.8	8.1	1.6
Physical Therapy, Board of	0.6	1.3	1.1
Podiatry Examiners, Board of	0.2	0.4	0.3
Private Postsecondary Education, Board for	0.6	1.2	0.5
Psychologist Examiners, Board of	0.5	1.0	0.4
Respiratory Care Examiners, Board of	0.4	0.9	0.1
Technical Registration, Board of	2.8	5.8	2.5
Veterinary Medical Examining Board	0.9	2.0	0.8
^{1/} The agency's projected ending fund balance exceeds the maximum fund balance allowed under the bill.			