



MEMORANDUM

DATE	February 3, 2023
TO	Members of the Dental Board of California
FROM	Wilbert Rumbaoa, Administrative Services Unit Manager Dental Board of California
SUBJECT	Agenda Item 8.: Budget Report

Background

The Dental Board of California (Board) administers the State Dentistry Fund (Fund), which derives revenues (primarily) through licensing-related fees to fund the Board’s administrative, licensing, and enforcement activities.

The Board receives the legislated annual budget appropriation upon the release of the Governor’s Budget (January 10th), which is finalized upon enactment of the Budget Act. The Board is statutorily required to remain within its appropriation spending limit and to ensure the Fund’s ongoing solvency.

2023-24 Governor’s Budget:

The following chart provides an overview of the newly released Governor’s Budget for the Dental Board of California.

2023-24 Governor’s Budget		
Fund	Revenue	Expenditures*
State Dentistry Fund	\$18,797,000	\$19,733,000

* \$283,000 (net) reimbursements – probation monitoring and fingerprints

Analysis of Fund Condition Statement (see Attachment 1):

The attached fund condition statement (FCS) is based on the 2023-24 Governor’s Budget and 2022-23 Fiscal Month 5 Expenditure and Revenue projections. It has been updated

with 2021-22 prior-year actual expenditures and revenues, which resulted in a fund balance reserve of \$13.5 million (8.0 months). Other adjustments have also been included.

Revenues (see Attachment 1) – The Board began 2021-22 with a fund balance of \$12.7 million and collected approximately \$18.5 million in revenues with \$2.8 million from initial license fees and \$14.9 million from license renewals.

The Board notes, Chapter 929, Statutes of 2018 (SB 501), created additional anesthesia permit and certificate types and fees. The Office of Administrative Law approved this regulatory action in August 2022. Permit application revenues are estimated at \$141,000 per year, but this could fluctuate based on the workload in the first two-years of implementation as existing permit holders transition to the new permit types.

Expenditures (see Attachment 2) – The Board's 2021-22 appropriation was \$18.8 million, and expenditures were \$16.2 million. The FCS projects ongoing expenditures in the future with a three percent (growth factor) increase per year. The FCS also shows the Board fully expending its appropriation ongoing which has not been the trend in recent years. To the extent the Board does not fully expend its appropriation, any savings remains in the Fund for future use.

Overall expenditures are projected to rise in future years. Personnel services, investigation costs, and statewide contributions make up the largest portion of the increases in out years.

The Board notes, future legislation or other events could require the Board to request additional resources through the annual budget process, which would increase cost pressure on the Fund.

General Fund Loan – Item 1111-011-0741, Budget Act of 2020, authorizes a \$5 million loan transfer from the Fund to the General Fund (GF). The loan is required to be repaid with interest in the event the Board needs the funds, or if the GF no longer needs the funds.

The interest will be projected on a PMI rate of 0.5% which was the annual average at the time the loan was taken in 2020-21.

The Board notes, the \$5 million repayment will be coordinated as part of any future regulatory and/or statutory fee increase proposals.

Dental Assistant Fund – Chapter 865, Statutes of 2019 (AB 1519) abolished the Dental Assistant Fund, effective July 1, 2022, and any remaining funds shall be deposited into the Fund.

The current projected balance of \$2.9 million has remained in the Dental Assistant Fund since 2020 to ensure any financial obligations are paid. The Budget Office worked with the Department of Finance to facilitate the transfer, per Business and Professions Code (BPC) Section 205.2.

Fund Balance Months in Reserve – The fund balance reserve reports the dollar amount remaining in the Fund at the end of any given fiscal year. This is used to calculate the Months in Reserve balance based on projected expenditures for the next fiscal year. Typically, a healthy fund has about 3 to 6 months in reserve.

The fund balance reserve is currently stable but does show a declining balance in future years due to a structural imbalance caused by the fund's revenues projected to stay stationary, and the fund's expenditures to increase by 3%. The fund should remain healthy through 2025-26, although, unforeseen expenditures can cause this to change.

Structural Imbalance – A structural imbalance occurs when projected revenues are less than anticipated expenditures.

Action Required (future) – The Board will continue to monitor the Fund and work with the DCA Budget Office to ensure solvency.

As previously noted, the Board had significant 2021-22 prior-year savings of approximately \$3.6 million related to vacant positions, and those savings are projected to be reduced for 2022-23. The Board is actively recruiting to fill these positions and any savings will likely be reduced in the future as the positions are filled. As of February 2023, the Board has a 15% vacancy rate.

The Board further notes, most existing license fee types currently being assessed are set below their statutory maximums and may be increased through regulations, which could eliminate the existing structural imbalance. Proposals for regulatory fee changes typically take 18 to 24 months to promulgate.

Board staff will be working with the DCA Budget Office to identify possible actions to reduce or eliminate the structural imbalance to ensure the Board remains solvent and able to fully meet its licensing and enforcement mandates.

Board staff will present the findings and recommendations at future board meetings to allow for public input and Board Member consideration.

Attachment 1

0741 - Dental Board of California Fund Analysis of Fund Condition
(Dollars in Thousands)
2023-24 Governor's Budget w_FM5 Projections

Prepared 1.31.2023

	Actuals 2021-22	CY 2022-23	BY 2023-24	BY +1 2024-25
BEGINNING BALANCE	\$ 12,447	\$ 13,519	\$ 14,104	\$ 11,483
Prior Year Adjustment	\$ 290	\$ 0	\$ 0	\$ 0
Adjusted Beginning Balance	\$ 12,737	\$ 13,519	\$ 14,104	\$ 11,483
 REVENUES, TRANSFERS AND OTHER ADJUSTMENTS				
Revenues				
4121200 - Delinquent fees	\$ 351	\$ 374	\$ 323	\$ 323
4127400 - Renewal fees	\$ 14,990	\$ 14,321	\$ 14,978	\$ 14,978
4129200 - Other regulatory fees	\$ 176	\$ 152	\$ 162	\$ 162
4129400 - Other regulatory licenses and permits	\$ 2,880	\$ 3,019	\$ 3,095	\$ 3,095
4141200 - Sales of Documents	\$ 1	\$ 0	\$ 0	\$ 0
4143500 - Miscellaneous Services to the Public	\$ 19	\$ 9	\$ 48	\$ 48
4163000 - Income from surplus money investments	\$ 61	\$ 89	\$ 174	\$ 121
4171400 - Escheat of unclaimed checks and warrants	\$ 11	\$ 14	\$ 15	\$ 15
4172500 - Miscellaneous revenues	\$ 3	\$ 2	\$ 2	\$ 2
Totals, Revenues	\$ 18,492	\$ 17,980	\$ 18,797	\$ 18,744
Transfers to/from Other Funds				
Loan repayment from the General Fund (0001) to the State Dentistry Fund (0741) per Item 1111-011-0741, Budget Act of 2020	\$ 0	\$ 0	\$ 0	\$ 5,000
Revenue Transfer from the State Dental Assistant Fund (3142) to the State Dentistry Fund (0741) per Business and Professions Code Section 205.2	\$ 0	\$ 2,963	\$ 0	\$ 0
Operating Transfers To General Fund 0001 per EO E 21/22-276 Revised (AB 84)	\$ -716	\$ 0	\$ 0	\$ 0
Totals, Transfers and Other Adjustments	\$ -716	\$ 2,963	\$ 0	\$ 5,000
TOTALS, REVENUES, TRANSFERS AND OTHER ADJUSTMENTS	\$ 17,776	\$ 20,943	\$ 18,797	\$ 23,744
 TOTAL RESOURCES	\$ 30,513	\$ 34,462	\$ 32,901	\$ 35,227
Expenditures:				
1111 Department of Consumer Affairs Regulatory Boards, Bureaus, Divisions (State Operations)	\$ 15,527	\$ 18,654	\$ 20,016	\$ 20,616
9892 Supplemental Pension Payments (State Operations)	\$ 318	\$ 351	\$ 351	\$ 351
9900 Statewide General Administrative Expenditures (Pro Rata) (State Operations)	\$ 1,149	\$ 1,353	\$ 1,051	\$ 1,051
TOTALS, EXPENDITURES AND EXPENDITURE ADJUSTMENTS	\$ 16,994	\$ 20,358	\$ 21,418	\$ 22,018
 FUND BALANCE				
Reserve for economic uncertainties	\$ 13,519	\$ 14,104	\$ 11,483	\$ 13,209
Months in Reserve	8.0	7.9	6.3	7.1

NOTES:

1. Assumes workload and revenue projections are realized in BY +1 and ongoing.
2. Expenditure growth projected at 3% beginning BY +1.

Attachment 2

Department of Consumer Affairs
Expenditure Projection Report
Dental Board of California

Fiscal Month: 5
Fiscal Year: 2022 - 2023

PERSONAL SERVICES

Fiscal Code	Line Item	PY Budget	PY FM13	Budget	YTD + Encumbrance	Projections to Year End	Balance
5100	PERMANENT POSITIONS	\$6,784,000	\$4,905,694	\$6,966,000	\$1,894,019	\$5,953,511	\$1,012,489
5100	TEMPORARY POSITIONS	\$284,000	\$5,000	\$330,000	\$30,602	\$71,048	\$258,952
5105-5108	PER DIEM, OVERTIME, & LUMP SUM	\$130,000	\$179,433	\$84,000	\$4,020	\$32,603	\$51,397
5150	STAFF BENEFITS	\$3,655,000	\$2,639,649	\$4,157,000	\$1,183,558	\$3,704,843	\$452,157
PERSONAL SERVICES		\$10,853,000	\$7,729,776	\$11,537,000	\$3,112,199	\$9,762,005	\$1,774,995

OPERATING EXPENSES & EQUIPMENT

Fiscal Code	Line Item	PY Budget	PY FM13	Budget	YTD + Encumbrance	Projections to Year End	Balance
5301	GENERAL EXPENSE	\$150,000	\$124,994	\$163,000	\$40,275	\$137,320	\$25,680
5302	PRINTING	\$79,000	\$113,800	\$85,000	\$165,765	\$165,765	-\$80,765
5304	COMMUNICATIONS	\$44,000	\$65,456	\$47,000	\$7,100	\$40,114	\$6,886
5306	POSTAGE	\$52,000	\$63,650	\$54,000	\$12,979	\$69,689	-\$15,689
5308	INSURANCE	\$2,000	\$9,312	\$2,000	\$12,516	\$18,930	-\$16,930
53202-204	IN STATE TRAVEL	\$159,000	\$32,775	\$170,000	\$9,988	\$33,619	\$136,381
5322	TRAINING	\$10,000	\$3,023	\$12,000	\$15,280	\$15,280	-\$3,280
5324	FACILITIES	\$827,000	\$677,198	\$855,000	\$666,848	\$689,306	\$165,694
5326	UTILITIES	\$1,000	\$0	\$1,000	\$0	\$0	\$1,000
53402-53403	C/P SERVICES (INTERNAL)	\$2,564,000	\$2,531,320	\$2,564,000	\$606,608	\$2,048,303	\$515,697
53404-53405	C/P SERVICES (EXTERNAL)	\$805,000	\$1,149,637	\$877,000	\$1,495,265	\$1,944,177	-\$1,067,177
5342	DEPARTMENT PRORATA	\$3,277,000	\$3,110,881	\$3,396,000	\$1,584,000	\$3,396,000	\$0
5342	DEPARTMENTAL SERVICES	\$74,000	\$230,940	\$74,000	\$60,119	\$425,615	-\$351,615
5344	CONSOLIDATED DATA CENTERS	\$28,000	\$17,197	\$42,000	\$5,185	\$44,102	-\$2,102
5346	INFORMATION TECHNOLOGY	\$32,000	\$14,443	\$214,000	\$4,977	\$17,570	\$196,431
5362-5368	EQUIPMENT	\$125,000	\$239,888	\$67,000	\$0	\$202,484	-\$135,484
5390	OTHER ITEMS OF EXPENSE	\$5,000	\$33,442	\$5,000	\$7,557	\$36,349	-\$31,349
54	SPECIAL ITEMS OF EXPENSE	\$0	\$8,679	\$0	\$1,444	\$9,547	-\$9,547

OPERATING EXPENSES & EQUIPMENT		\$8,234,000	\$8,426,636	\$8,628,000	\$4,695,905	\$9,294,169	-\$666,169
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TOTAL PERSONNEL SERVICES & OEE		\$19,087,000	\$16,156,412	\$20,165,000	\$7,808,104	\$19,056,175	\$1,108,825
REIMBURSEMENTS				-\$283,000		-\$283,000	\$0
NET OVERALL TOTALS				\$19,882,000		\$18,773,175	\$1,108,825

5.6%