

Ohio Veterinary Medical Licensing Board

Senate Finance and Financial Institutions Committee

Jason Phillips, Budget Analyst

Legislative Service Commission

April 20, 2005

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LSC Redbook for the Veterinary Medical Board

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April 20, 2005

Ohio Veterinary Medical Licensing Board

- Contract with Dept. of Agriculture for investigators has resulted in significant savings to the Board
- Licensed 5,237 professional veterinarians, veterinary technicians, and veterinary specialists in FY 2004
- Planned consolidation within Department of Health in FY 2007

OVERVIEW

The Ohio Veterinary Medical Licensing Board is part of the 4K9 Fund group. The 4K9 Fund (Occupational Licensing and Regulatory Fund) is a General Services Fund that is a repository for license fees and other assessments collected by the state's professional and occupational licensing boards. The 4K9 Fund was established by Am. Sub. H.B. 152 of the 120th General Assembly. Prior to the creation of the fund, appropriations for each licensing board were made from the GRF. This created some problems as some boards contributed more revenues than they expended and others had to be subsidized by the GRF since the revenues generated did not meet their expenditures. The 4K9 Fund eliminated these problems. The philosophy of the fund is that each board must generate enough revenues to cover their expenses. It is also quite common for the boards to develop a surplus in the fund to cover unforeseen economic hardships.

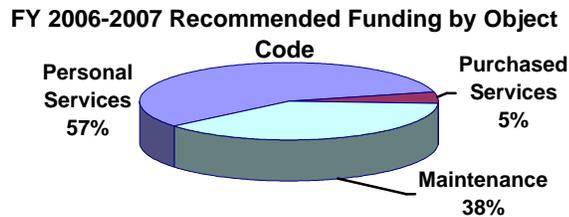
The Veterinary Board's mission is to ensure that professional, trustworthy and competent veterinarians and veterinary technicians serve Ohio's citizens. The Board serves a number of functions, including issuing licenses, providing examinations for licenses, approving continuing education courses, and investigating complaints. Chapter 4741. of the Revised Code grants these powers. The Board, in conjunction with the American Veterinary Medical Association, is currently working for the passage of legislation that would overhaul the Veterinary Practice Act. The legislation would add disciplinary power to the Board, change how veterinary facilities are owned and operated, and require licensing of corporate veterinary facilities where shareholders are not veterinarians.

Summary of FYs 2006-2007 Budget Issues

The executive budget recommends that the 27 independent occupational licensing boards be absorbed into the departments of Health, Commerce, and Public Safety. As such, the Executive recommends no funding in FY 2007 for the boards and commissions. The specifics of the consolidation plan will be addressed during FY 2006 by a task force consisting of the agencies acquiring the boards, as well as the Department of Administrative Services, the Office of Budget and Management (OBM), and the Governor's Office. According to OBM's *Blue Book*, current staff will be retained through FY 2006 and a hiring freeze and early retirement incentives will be offered to regulatory board staff. These incentives should result in staff reductions. Effective July 1, 2006, all remaining regulatory board staff will be transferred to the relevant agency. Board and commission members for each agency will be retained and continue to service in the manner in which they were appointed.

The Executive recommends \$353,691 for FY 2006, representing a decrease of approximately 21.9% over the FY 2005 estimate of \$453,043. The Executive recommends no appropriation in FY 2007 as the Veterinary Medical Licensing Board is slated for consolidation within the Department of Health.

The following pie chart illustrates the Board’s expenses by object code according to the Governor’s recommendation for the FY 2006-2007 biennium. Like many other licensing and regulatory boards, the majority of the Veterinary Medical Licensing Board’s expenses are devoted to personal services, namely payroll, health care, and fringe benefit costs. However, in contrast to the many agencies that have seen payroll costs continue to increase, the Veterinary Medical Licensing Board has been able to use cost-cutting initiatives to reduce payroll expenses. For this reason, the Executive recommended a 36.2% reduction in personal service spending. The Board states that the decrease can be attributed to not hiring a full-time compliance inspector and by using the Department of Agriculture for investigations.



Revenues and Expenditures

The Veterinary Medical Licensing Board’s revenue for the FY 2004-2005 period was \$808,755 (FY 2005 numbers are estimates). This represents a 1.6% increase from the previous biennium’s revenue of \$796,269. The Board does not expect the number of licensees to change significantly and therefore, anticipates that revenues will remain essentially constant in the next biennium. The table above illustrates the Board’s revenues and expenditures for FY 2002 to FY 2005.

| DVM Revenues and Expenditures by Biennium | | |
|--------------------------------------------------|---------------------|----------------------------|
| | FY 2002-2003 | FY 2004-2005 (Est.) |
| Revenues | \$796,269 | \$808,755 |
| Expenditures | \$532,344 | \$714,241 |
| Net | \$263,925 | \$94,514 |

According to data submitted to LSC in October 2004 for the *Occupational Licensing and Regulatory Boards Annual Report for Fiscal Year 2004*, the Board’s expenditures for the FY 2004-2005 biennium are \$714,241 (FY 2005 numbers are estimated). Compared with revenue of \$808,755 for the biennium, the Board realized a net gain of \$94,514 for the two-year span.

A large increase occurred in estimated personal services spending in FY 2005 over FY 2004 levels. The Board states that because of the efficiency of the Department of Agriculture investigators, the Board has been issuing more disciplinary charges. This situation resulted in a need for more hearing examiners to be present at these cases. In FY 2004, the Board increased the number of hearing examiners from one to three, which increased expenditures. Currently, the Board only has two hearing examiners.

Board’s Share of New Licensing System Costs

Implementation of the CAVU licensing system will create additional expenses for the Board that it had not previously incurred. Prior to CAVU, the Board did not have costs associated with printing applications, renewal applications, licensee printouts or labels, renewal cards, or data storage. Previously, the Department of Agriculture housed the veterinary data and did all the data processing and printing for

the Board at no charge. The share of the CAVU cost the Board must bear (based on the number of licenses in its database) is \$4,362 in FY 2006 and \$4,000 in FY 2007. CAVU has also had other fiscal effects on the Board. For example, the Board has seen an increase in the time spent on renewals due to the work previously done by ODA being brought in-house. As such, this has required the Board to reclassify an employee to include these duties in her job description at a cost of \$4,100.

Sharing of Inspectors with the Department of Agriculture

The Veterinary Medical Licensing Board is in the same position as other boards and commissions regarding higher payroll costs and pass-through expenses charged by the Department of Administrative Services for payroll, accounting, and other centralized support services. In order to cut costs, the Board began a contract with the Ohio Department of Agriculture in 2000 to share investigators. Through this arrangement, the Board only pays for the hours spent investigating its cases and mileage. In FY 2004, the Board expanded the contract to include compliance inspectors. The Board estimates that the contract results in savings of approximately \$2,000 per year in salary, not including fringe benefits and expenses. The Board is also saving all of the salary of the compliance inspector (approximately \$60,000) plus benefits and expenses. The Board expects the contract with the Department of Agriculture to continue at least for the next two years. In addition, the Board reports that the agreement has resulted in significant improvements in the time required to investigate a case.

The Veterinary Medical Licensing Board indicated in its LSC budget meeting that the Board would like the amount recommended by the Governor reduced by \$60,000 in FY 2006. This would remove the salary of the compliance inspector from the Board's budget. The Board has determined to use the Department of Agriculture for inspections and investigations for the next two years, removing the need for this position.

Staffing Levels

The Ohio Veterinary Medical Board has removed the full-time positions of investigator and compliance inspector. Their functions have been replaced through the Board's agreement with the Department of Agriculture that provides access to five investigators.

| Ohio Veterinary Medical Licensing Board Staffing Levels by Fiscal Year | | | | | | | |
|-------------------------------------------------------------------------------|-------------|-------------|-------------|-------------|-------------|------------------|--|
| | | | | | | <i>Estimated</i> | |
| Program Series/Division | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | |
| Board Members | 7 | 7 | 7 | 7 | 7 | 7 | |
| Administrative Staff | 3 | 3 | 3 | 3 | 3 | * | |
| Investigator | 0 | 0 | 0 | 0 | 0 | * | |
| Compliance Inspector | 1 | 1 | 0 | 0 | 0 | * | |
| Totals | 11 | 11 | 10 | 10 | 10 | * | |

*In FY 2007, the 27 occupational licensing boards will be consolidated into various agencies. According to OBM, current staff will be retained through FY 2006. However, significant staff reductions are expected as a result of the implementation of a hiring freeze and early retirement incentives. Remaining staff will be transferred to the departments of Health, Commerce, or Public Safety in FY 2007. Board and commission members will be retained.

FACTS AND FIGURES

Licenses

The Veterinary Board licenses biennially. Licenses are renewed in odd-numbered years for veterinarians and in even numbered years for licensed veterinary technicians. In FY 2004, there were approximately 3,500 licensed veterinarians and 1,700 licensed veterinary technicians. The Board also licenses veterinary specialists. The table below illustrates the number of licensees by license type for FYs 2003-2004.

| Licenses | 2003 | 2004 |
|----------------------------------|-------------|-------------|
| Veterinarian | 3,563 | 3,469 |
| Registered Veterinary Technician | 1,431 | 1,657 |
| Veterinary Specialist | 116 | 111 |
| TOTAL | 5,110 | 5,237 |

Fee Structure

Below is a table detailing the fees for each license. These fees apply to those that have their renewal application postmarked no later than the first day of March. Veterinary specialists do not renew their license, but they do pay an initial registration fee.

| License Type | Initial License | Renewal |
|----------------------------------|------------------------|----------------|
| Veterinarian | \$375 | \$155 |
| Registered Veterinary Technician | \$35 | \$25 |
| Veterinary Specialist | \$50 | n/a |

ANALYSIS OF EXECUTIVE PROPOSAL

Purpose: Licenses, enforces, and regulates the practice of veterinary medicine

The following table shows the line items that are used to fund the Veterinary Medical Licensing Board, as well as the Governor’s recommended funding levels.

| Fund | ALI | Title | FY 2006 | FY 2007 |
|-----------------------------------------------------|------------|--------------------|------------------|----------------|
| General Services Fund | | | | |
| 4K9 | 888-609 | Operating Expenses | \$ 353,691 | \$0 |
| Total Funding: Ohio Veterinary Medical Board | | | \$353,691 | \$0 |

Ohio Veterinary Licensing Board

Program Description: In accordance with Chapter 4741. of the Revised Code, the Ohio Veterinary Medical Licensing Board issues, licenses, provides examinations for licensure, approves continuing education courses, investigates complaints, performs compliance inspections of veterinary facilities, and networks with other state, federal, and local agencies that relate to veterinary medicine.

Funding Source: GSF Fund 4K9

Line Items: 880-609, Operating Expenses

Implication of Executive Recommendation: The Executive's recommendation allows the Veterinary Medical Licensing Board to maintain current service levels for FY 2006. The recommendation decreases agency funding by \$6,125, which comes out of the maintenance object of expense. However, it appears that the impact should be negligible.

Temporary Law:

Board Consolidation (Section 315.03). The Executive's recommendation includes a provision that consolidates the Veterinary Medical Licensing Board into the Department of Health beginning on July 1, 2007. The provision also includes the creation of a transition team to plan and effectuate the proposed merger of DVM within the Department of Health. The temporary language states that the necessary statutory changes and appropriations needed for the consolidation will be introduced in FY 2006.

REQUESTS NOT FUNDED

| Operating Expenses | | | | | | |
|--------------------|-------------------|---------------------|------------|-------------------|---------------------|------------|
| Fund Line Item | FY 2006 Requested | FY 2006 Recommended | Difference | FY 2007 Requested | FY 2007 Recommended | Difference |
| 888-609 | \$359,816 | \$353,691 | \$6,125 | \$367,240 | \$0 | \$0 |
| TOTALS | \$359,816 | \$353,691 | \$6,125 | \$367,240 | \$0 | \$0 |

The recommendation reduces overall appropriations by \$6,125. However, the impact on the Board appears to be negligible. There is no appropriation for FY 2007, as the Board is slated for consolidation within the Department of Health under the Governor's recommendations. An operating appropriation for FY 2007 would likely be made when this plan is finalized in FY 2006.

General Services Fund Group

4K9 888-609 Operating Expenses

| 2002 | 2003 | 2004 | 2005 Estimate | 2006 House Passed | 2007 House Passed |
|-----------|-----------|-----------|------------------|----------------------|----------------------|
| \$256,433 | \$275,910 | \$261,198 | \$453,043 | \$293,691 | \$0 |
| | 7.6% | -5.3% | 73.4% | -35.2% | -100.0% |

Source: GSF: License fees and other assessments collected by the state's professional and occupational licensing boards

Legal Basis: ORC 4741.02 and 4743.05; Section 111 of Am. Sub. H.B. 95 of the 125th G.A. (originally established by Am. Sub. H.B. 152 of the 120th G.A.)

Purpose: This appropriation supports the general operating expenses, including payroll, supplies, and equipment for the Ohio Veterinary Medical Board.

5BU 888-602 Veterinary Student Loan Program

| 2002 | 2003 | 2004 | 2005 Estimate | 2006 House Passed | 2007 House Passed |
|------|------|------|------------------|----------------------|----------------------|
| \$0 | \$0 | \$0 | \$0 | \$60,000 | \$0 |
| | N/A | N/A | N/A | N/A | -100.0% |

Source: GSF: License fees and other assessments collected by the state's professional and occupational licensing boards. The moneys that are to be used to fund this program are the result of a transfer of \$60,000 from the Occupational Licensing and Regulatory Fund (Fund 4K9).

Legal Basis: Proposed under Section 212.30 in H.B. 66 of the 126th G.A.

Purpose: This appropriation will be used by the Veterinary Medical Licensing Board to implement a student loan repayment program for veterinary students focusing on large animal populations, public health, or regulatory veterinary medicine.

LSC Budget Spreadsheet by Line Item, FY 2006 - FY 2007

| <i>Fund</i> | <i>ALI</i> | <i>ALI Title</i> | <i>Estimated 2005</i> | <i>As Introduced 2006</i> | <i>House Passed 2006</i> | <i>% Change Est. 2005 to House 2006</i> | <i>As Introduced 2007</i> | <i>House Passed 2007</i> | <i>% Change House 2006 to House 2007</i> |
|------------------------------------------------------|------------|---------------------------------|---------------------------|-----------------------------------|------------------------------|-------------------------------------------------|-----------------------------------|------------------------------|--------------------------------------------------|
| <i>DVM Veterinary Medical Licensing Board</i> | | | | | | | | | |
| 4K9 | 888-609 | Operating Expenses | \$453,043 | \$ 353,691 | \$ 293,691 | -35.2% | \$ 0 | \$ 0 | -100.0% |
| 5BU | 888-602 | Veterinary Student Loan Program | | \$ 0 | \$ 60,000 | N/A | \$ 0 | \$ 0 | -100.0% |
| General Services Fund Group Total | | | \$ 453,043 | \$ 353,691 | \$ 353,691 | -21.9% | \$ 0 | \$ 0 | -100.0% |
| Total All Budget Fund Groups | | | \$ 453,043 | \$ 353,691 | \$ 353,691 | -21.9% | \$ 0 | \$ 0 | -100.0% |

As Introduced (Executive)

As Passed by the House

(CD-909-DVM) Veterinary Student Loan Program

No provision.

Section: 212.30

Requires the Veterinary Medical Licensing Board to implement a student loan repayment program for veterinary students focusing on large animal populations, public health, or regulatory veterinary medicine. Funds the program by a \$60,000 transfer from the Occupational Licensing and Regulatory Fund (Fund 4K9) to the new Veterinary Student Loan Program Fund (Fund 5BU) in FY 2006, but appropriates no moneys for this in FY 2007.

As Introduced (Executive)**As Passed by the House****(CD-422-DVM) Consolidation of Regulatory Boards****Section: 315.03**

Consolidates the occupational licensing boards into the departments of Health, Public Safety, or Commerce not later than July 1, 2006. In the case of the Veterinary Medical Licensing Board, the Board will be consolidated into the Department of Health. The directors of Budget and Management, Administrative Services, Commerce, Health, and Public Safety shall appoint representatives to a transition team. The team shall develop a plan for the smooth and timely consolidation of the boards and shall also address the details of the consolidation. The team shall submit a report containing recommendations and the details of the consolidation not later than December 31, 2005 to the Governor, Speaker of the House, and President of the Senate. A bill will be introduced in fiscal year (FY) 2006 that will include the necessary statutory changes and appropriations for consolidation. (See the item entitled "Consolidation of Regulatory Boards" in the Department of Health).

Fiscal effect: The Board will receive no appropriation in FY 2007. The total fiscal effect is unknown at this time since the specifics of the transfer will not be addressed until FY 2006.

Section: 315.03

Same as the Executive.