



## **Economic Impact Analysis Virginia Department of Planning and Budget**

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**18 VAC 150-20 – Regulations Governing the Practice of Veterinary Medicine**  
**Department of Health Professions**  
January 16, 2010

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### **Summary of the Proposed Amendments to Regulation**

The Board of Veterinary Medicine (Board) proposes to increase the all fees paid by licensees and increase the time allowed for regulated entities to renew their licenses after expiration from 30 days to a year.

### **Result of Analysis**

Benefits likely outweigh costs for one of these proposed changes. For the rest of these proposed changes, there is insufficient information to accurately gauge whether benefits are likely to outweigh costs.

### **Estimated Economic Impact**

Currently, regulated entities may renew their licenses for up to 30 days after they expire so long as they pay both the renewal fee and the late renewal fee. The Board proposes to extend the deadline for late renewal to one year (one renewal cycle) with payment of the renewal fee and the late renewal fee. This change will benefit licensees who are more than 30 days late, but not more than one year late, renewing their licenses, because they will not have to get approval of the Board or pay the higher reinstatement fee to do so. No entity is likely to be harmed by this change because individuals whose licenses have lapsed will still not be able to practice before they reactivate their licenses (no matter when that happens).

The Board also intends to separate initial licensure fees from license renewal fees, combine fees for reinstatement (renewal and reinstatement fees) into one fee, raise all but four of the fees (the equine dental technician initial registration fee, the equine dental technician reinstatement fee, the duplicate wall certificate fee and the returned check fee) in the fee

schedule and impose a one-time debt reduction assessment for all licensees. Although the reinstatement fees paid by veterinarians and veterinary technicians are increasing, the total amount that they will pay for reinstatement, when compared to the combined renewal and reinstatement fees that they pay now, is either decreasing or increasing much less on a proportional basis than other fees. The Department of Health Professions (DHP) reports that this change will bring these fees into general alignment with the formula for reinstatement fees that is used by most other DHP Boards. Below is a comparison table for current and proposed fees:

<b>FEE TYPE</b>	<b>CURRENT FEE(S)</b>	<b>PROPOSED FEE</b>	<b>% INCREASE</b>
Veterinary Initial Application for Licensure	\$135	\$200	48.15%
Veterinary License Renewal (active)	\$135	\$175	29.63%
Veterinary License Renewal (Inactive)	\$65	\$85	30.77%
Veterinary Reinstatement of Expired License	$\$175+\$135=\$310$	\$255	-17.74%
Veterinary License Late Renewal	\$45	\$60	33.33%
Veterinary Reinstatement After Disciplinary Action	$\$300+\$135=\$435$	\$450	3.45%
Veterinary Technician Initial Application for Licensure	\$30	\$65	117%
Veterinary Technician License Renewal (active)	\$30	\$50	66.67%
Veterinary Technician	\$15	\$25	66.67%

License Renewal (inactive)			
Veterinary Technician License Late Renewal	\$15	\$20	33.33%
Veterinary Technician Reinstatement of Expired License	$\$50+\$30=\$80$	\$95	18.75%
Veterinary Technician Reinstatement After Disciplinary Action	$\$75+\$30=\$105$	\$125	19.05%
Initial Veterinary Establishment Permit Registration	\$200	\$300	50%
Veterinary Establishment Renewal	\$140	\$200	42.86%
Veterinary Establishment Late Renewal	\$45	\$75	66.67%
Veterinary Establishment Reinstatement	$\$100+\$140=\$240$	\$350	45.83%
Veterinary Establishment Re-Inspection	\$200	\$300	50%
Veterinary Establishment – Change of Location	\$200	\$300	50%
Veterinary Establishment – Change of Veterinarian-in-Charge	\$30	\$40	33.33%
Equine Dental Technician Initial Registration	\$100	\$100	unchanged

Equine dental technician Registration Renewal	\$50	\$70	40%
Equine Dental Technician Late Renewal	\$20	\$25	25%
Equine Dental Technician Reinstatement	\$120	\$120	unchanged
Duplicate License	\$10	\$15	50%
Duplicate Wall Certificate	\$25	\$25	unchanged
Returned Check	\$35	\$35	unchanged
Licensure Verification to Another Jurisdiction	\$15	\$25	66.67%

In addition to the fee increases listed above, the Board proposes to impose a one-time debt reduction assessment on licensees and registrants for the renewal cycle that begins January 1, 2013. Under this assessment, veterinarians will pay \$100 with an extra \$60 due if the assessment is paid after January 1, 2013. Veterinary technicians and equine dental technicians will pay \$50 with \$20 extra due if the assessment is paid late. Veterinary establishments will pay \$200 with \$75 extra due on late payments.

Board staff estimates that the Board will run deficits of \$429,954 for FY2010 and, assuming fee increases are effective by December 2010, \$394,286 for FY2011. Staff estimates have the Board's budget in deficit until FY2013 when the one-time assessment will be collected. Board staff arrived at these estimates by holding the number of licensees and registrants in different categories roughly constant and multiplying these numbers by the expected fees. Implicit in this methodology is the assumption that the magnitude of these fee increases, combined with the one-time assessments, is not great enough to affect regulated entities' decisions to become or remain licensed. One would expect to see, however, some marginal

decrease in the number of individuals choosing to be licensed or registered as the cost of licensure and registration increases even if those increases are moderate; Particularly, individuals who are making little to no extra money at the tasks licensed, or registered by the Board, when compared to their next best option for employment, will likely choose their next best option if their costs for doing their current jobs increase. To the (likely minimal) extent that individuals who are currently licensed or registered find that these proposed fee increases cause them to leave their current professions, total employment for this group in these professions may decrease by some small amount.

Board staff reports that most of the expected expenditure increases over their forecast horizon are needed to cover increased costs for services from the Virginia Information Technologies Agency (VITA). DHP reports that its VITA services costs have almost doubled over the last two years, and are expected to increase approximately \$500,000 this year. For comparison, DHP's VITA expenditures for FY 2005 were, in total, \$476,600. For FY 2010, the agency has budgeted \$1,587,788 for VITA costs.. A large portion of the increase in costs, at least for FY 2010 and FY 2011, can be attributed to the planned move of DHP's licensing servers from DHP to Northrop Grumman. DHP anticipates that this will increase the costs for maintaining these servers by approximately \$80,000 per month (\$960,000 per year). The Board is and will be responsible for a proportional share of these costs. Although it is likely beyond the capacity of DHP to control the very rapid growth of these costs, licensees of this Board (and all other DHP boards) would benefit from increased scrutiny of services provided to DHP through VITA.

To the extent that Board estimates of revenues and expenditures are correct, these fee increases and the planned one-time assessment will allow the Board to decrease and then eliminate deficit spending. Given the costs that regulated entities will incur on account of the proposed fee increases and the proposed assessment, the Board may wish to consider some alternative regulatory amendments that might decrease, but likely not eliminate, the need for increasing fees.

The Board could, for instance, amend these regulations so that license and registration renewal is required biennially rather than annually. Such a change would cut roughly in half the variable costs associated with license/registration renewal. DHP has, however, expressed

reservations about the effects that might accrue if licensees were subject to biennial renewal. They report that most costs for renewal are fixed since most renewals are handled electronically so cost reductions for such a change would be minimal. DHP further reports that cost savings would mostly consist of reductions in staff time needed to update the Board's lists of licensees/registrants. Given DHP's increasing VITA costs, however, one would expect to also see reductions in IT costs if licensees are using DHP's IT resources to fill out and file renewal documentation only half as frequently and a lesser proportion of staff's use of IT services can be attributed to this particular Board. Without further information on the specific contractual obligations between VITA and DHP, the magnitude of such IT cost avoidance is unknown. DHP also reports that changing to biennial renewal would also make it more difficult for Board staff to accurately forecast revenues. Nonetheless, it is likely worthwhile to consider a move to biennial renewal, not only because it has the potential to save (some) costs for the Board but also because regulated entities would likely benefit from reduced paperwork/time costs if they are renewing their licenses/registrations half as frequently.

### **Businesses and Entities Affected**

DHP reports that the Board currently licenses/registers 3,576 veterinarians, 1,370 veterinary technicians, 938 veterinary establishments and 23 equine dental technicians. All of these entities, as well as any individuals who may wish to become licensed or registered in the future, will be affected by these proposed regulations.

### **Localities Particularly Affected**

No locality will be particularly affected by this proposed regulatory action.

### **Projected Impact on Employment**

This regulatory action may decrease the number of individuals who choose to work as veterinarians, veterinary technicians and equine dental technicians, as well as the number of veterinary establishments operating in the Commonwealth.

### **Effects on the Use and Value of Private Property**

To the extent that these proposed fee increases and assessments increase costs for affected small businesses, profits will likely decrease. If this happens, the value of these businesses will marginally decrease.

## **Small Businesses: Costs and Other Effects**

Affected small businesses in the Commonwealth will incur the cumulative costs of licensure fees and assessments that will increase on account of this regulatory action.

## **Small Businesses: Alternative Method that Minimizes Adverse Impact**

There are several actions that the Board could take that might mitigate the necessity of raising fees. The Board could slightly lengthen the time that it takes to process both license applications and complaints so that staff costs could be cut. This option would benefit current licensees but would slightly delay licensure, and the ability to legally work, for new applicants. The Board may also wish to consider amending these regulations so that license and registration renewal is required biennially rather than annually. Such a change would cut roughly in half the staff time and other costs associated with license/registration renewal without adversely affecting the public or applicants for initial licensure or registration. Affected small businesses would also likely benefit from increased scrutiny of the IT costs that are driving the rapid increase in both agency and Board expenditures.

## **Real Estate Development Costs**

This regulatory action will likely have no effect on real estate development costs in the Commonwealth.

## **Legal Mandate**

The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 2.2-4007.H of the Administrative Process Act and Executive Order Number 36 (06). Section 2.2-4007.H requires that such economic impact analyses include, but need not be limited to, the projected number of businesses or other entities to whom the regulation would apply, the identity of any localities and types of businesses or other entities particularly affected, the projected number of persons and employment positions to be affected, the projected costs to affected businesses or entities to implement or comply with the regulation, and the impact on the use and value of private property. Further, if the proposed regulation has adverse effect on small businesses, Section 2.2-4007.H requires that such economic impact analyses include (i) an identification and estimate of the number of small businesses subject to the regulation; (ii) the projected reporting, recordkeeping, and other

administrative costs required for small businesses to comply with the regulation, including the type of professional skills necessary for preparing required reports and other documents; (iii) a statement of the probable effect of the regulation on affected small businesses; and (iv) a description of any less intrusive or less costly alternative methods of achieving the purpose of the regulation. The analysis presented above represents DPB's best estimate of these economic impacts.