ECONOMIC AFFAIRS IC
June 3, 2011
Exhibit 11

MONTANA LEGISLATIVE

Legislative Fiscal Division

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Director
AMY CARLSON

DATE: June 3, 2011

TO: Economic Affairs Interim Committee

FROM: Quinn Holzer, Fiscal Analyst

RE: BSD Board licensing fees

The Business Standards Division provides license oversight and administration for a variety of Boards, through four different Bureaus.

1. Building Codes (five licensing programs)
2. Weights & Measures
3. Health Care Licensing (22 licensing boards and a licensing program)
4. Business & Occupational Licensing (11 licensing boards and a licensing program)

License fees vary greatly depending upon the Board for which a license is being applied. This variation is driven by two primary factors: 1) the number of licensees associated with the Board, and 2) the costs associated with that Board's administration.

A Board's costs are comprised of five different factors:

1. Direct Operating Expenses
2. Direct Hours
3. Indirect Hours
4. Administration Indirect
5. Indirect Charges

Direct Operating Expenses

This is simply a direct application of travel expenses and other directly applicable charges.

Direct Hours

This provides not only a direct cost, but also becomes the driver for all indirect costs, which are allocated based on the percentage associated with each Board. When a Bureau employee reports on their time, they report the number of hours worked for each associated Board. Those hours are directly charged to the Board, but the Bureau then tracks the total number of hours worked for each Board in their purview, and calculates the percentage of hours specific to each Board. This allocation percentage is reviewed on a quarterly basis.

Indirect Hours

General support of the Bureau, and other activities not specifically attributable to a single Board, are allocated based on the percentage of Direct Hours for that Board. (Total indirect hours * hourly rate * % of Direct Hours)

Administration Indirect

This charge is allocated based on hours as well. Hours are charged directly to boards or programs in some cases, or to a Bureau. The Bureau cost is then allocated to the individual Board, based on the direct hours allocation. These allocation are also reviewed quarterly.

Indirect Charges

Indirect charges for items benefitting all Boards (phone line fees, general supplies, etc.) are also allocated based on the Direct Hours allocation percentage.

These five charges are combined to determine the total cost of managing a Board. That total cost is then divided by the number of licensees to arrive at the cost of a license. There may be some adjustments, based on projected changes to costs, or the number of licensees. Statutorily, the fund balance for each board is limited to 200% of the annual appropriation for the Board. The Division attempts to set fees in such a way as to cover all costs and maintain one year of fund balance. In the case of an excess fund balance, the Boards may opt to either issue refunds, or to reduce license fees in the coming year to bring the balance back down.