

**TITLE 16. PHYSICIAN ASSISTANT BOARD
DEPARTMENT OF CONSUMER AFFAIRS**

INITIAL STATEMENT OF REASONS
Initial License Fee

Hearing Date: The Physician Assistant Board (Board) has not scheduled a public hearing on this proposed action.

Subject Matter of Proposed Regulations: Initial License Fee

Sections Affected: Amend Section 1399.550 in Division 13.8 of Title 16 of the California Code of Regulations (CCR).

Background and Statement of the Problem:

The Physician Assistant Board (Board) licenses, regulates, and investigates complaints against physician assistants in California, totaling approximately 18,000 licensees. The Board is a state agency vested with the authority to regulate the practice of physician assistants (Business and Professions Code sections 3504 and 3509). It is the Board's duty to enforce and administer the Physician Assistant Practice Act (Chapter 7.7 (commencing with section 3500 of Division 2 of the Business and Professions Code (BPC)) (Act). The Board is authorized to establish necessary rules and regulations to enable it to carry into effect the provisions of the Act. (BPC § 3510.) Business and Professions Code (BPC) section 3521.1 authorizes the Board to set fees to be paid by physician assistants (PAs) including the application fee, initial license fee, and the biennial license renewal fee.

The Board's funding source is classified as special funds, and as such the Board's revenues and expenditures are generated from regulating the profession of physician assistants. The Board has maintained its current fee structure for several years. During this period, operational costs have steadily increased due to inflation, rising administrative expenses, and enhanced regulatory responsibilities. Despite prudent fiscal management, the Board faces challenges in meeting its financial obligations and maintaining service levels with the current fee structure.

Existing law authorizes the Board to set the initial license fee "not to exceed two hundred and fifty dollars (\$250)", which shall be charged to each physician assistant to whom a license is issued. Existing regulation at CCR 1399.550 sets the current initial license fee at two hundred dollars (\$200). This proposal would increase the fee to two hundred and fifty dollars (\$250), which is the statutory maximum allowed to be charged by BPC section 3521.1.

The requested fee increase is critical for the Board to cover operational costs, including processing applications, maintaining licensing systems, and ensuring compliance with regulatory standards. Additionally, adjusting this fee aligns with inflation rates and ensures that the Board can continue to operate effectively without compromising service quality.

The Board is proposing an initial license fee adjustment from \$200.00 to \$250.00, which will have a minimal financial impact on applicants and licensees while significantly enhancing the Board's ability to serve them. The State of California State Administrative Manual (SAM), section 9210, provides that it is state policy for departments to recover full costs whenever goods or services are provided to others. Section 9210 of the SAM specifies that full costs include "all costs attributable directly to the activity plus a fair share of indirect costs which can be ascribed reasonably to the good or service provided." The additional revenue will be utilized to recover actual costs for providing licensing services thereby helping to ensure the stability of the Board's fund condition and continued Board operations.

An assessment of the workload associated with issuing an initial license indicates that the Board is currently not recovering all costs attributable to initial licensure and that a fee increase is therefore necessary to help address lost revenue in the short term (see Underlying Data). Further legislative authority will be needed to address operational costs in the long-term. As operational costs have steadily increased due to inflation and expanded regulatory responsibilities, these adjustments will ensure that service delivery to applicants and licensees can be maintained.

The proposed increase in the initial license fee is essential for the Board to improve the Board's current financial health and continue providing high-quality services to physician assistants in California.

Anticipated benefits from this regulatory action:

The Board has determined that this regulatory proposal will have the following benefits to the health and welfare of California residents:

These changes would raise the initial license fee to the statutory maximum. California residents would benefit from the proposed regulation because the fee increase will enable the Board to carry out its statutory mandate of public protection by licensing, regulating, and disciplining PAs. Raising fees would help address a structural imbalance in the Board's budget, ensure the Board's regulated public is aware of the fees, and attempt to create a consistency between the Board's expenditures to regulate licensees and protect the public and the fees assessed for carrying out those functions. The Board's highest priority is consumer protection, and the proposed revisions will allow the Board to continue its important consumer-focused functions in the short term while the Board seeks legislative authority to increase statutory maximums for the fees it collects in the long term.

Specific purpose of, and rationale for, each adoption, amendment, or repeal:

Amend 16 CCR 1399.550

A. **Purpose:** As indicated above, the Board is increasing the fee listed in CCR section 1399.550(b) from \$200 to \$250 for the initial license fee to the statutory maximum.

B. Rationale: This increase will, in part, reimburse the Board for its costs for the licensing services it provides. With this fee increase, it will begin to reduce the structural imbalance and prolong fund solvency.

The Board's current operating costs exceed the revenue being collected and the Board is using its reserve fund to meet its structural imbalance. This proposed regulatory change will ensure the Board will be able to meet future expenses while incrementally replenishing the reserve fund. The proposed amendments to the Board's fee schedule will help to reduce the Board's structural budget imbalance in the short term, recover costs, and allow the Board additional time to continue operations and analyze future operational needs, which should allow the Board enough time to seek authority to increase statutory fee levels to completely eliminate the structural imbalance. In the interim, the Board is proposing the following increase to the initial license fee to continue operations for the near future. All other fees are already set at the current statutory maximums permitted by BPC section 3521.1.

The Board has conducted a cost analysis to justify the proposed increase to the fee through a desk audit for the initial license fee, which is the fee proposed to be increased in this rulemaking. The outcome of the desk audit confirmed that the actual costs to process and administer the Board's PA application, and costs associated with licensing exceeds the current fee charged for this category of \$200 for the initial license fee at subsection (b). The analysis indicates that the actual costs to administer and process this item is \$394.

Updating the regulation will make it more consistent with the actual costs for providing these services and in compliance with the SAM manual directive discussed above (in the section entitled "Background and Problem to be Addressed") to establish a fee to meet the reasonable regulatory costs of providing these services. For a breakdown of these costs and the services required to complete each item, see the – Underlying Data "Physician Assistant Initial License - Business and Professions Code 3521 (b) Initial License - (Workload Costs)".

This proposal would also strike references in the "Note" of this section to BPC sections 3513 and 3521 since the Board no longer approves PA training programs or the supervision of physician assistants or charges any fees for those services; the prior underlying statutory authority has been repealed.

Underlying Data

Technical, theoretical or empirical studies, reports, or documents relied upon:

1. Agenda, Relevant Meeting Materials, and Draft Excerpt Minutes of the Physician Assistant Board's November 8, 2024 Board meeting.
2. Physician Assistant Initial License - Business and Professions Code 3521 (b) Initial License - (Workload Costs) Analysis Table.

Business Impact

This regulation may have an economic impact on businesses, specifically, the Board's applicants. This determination is based upon the following facts. The regulation would increase fees charged to PA license applicants. However, the proposed regulations will not have a significant statewide adverse economic impact on businesses, including the ability to compete with other businesses in California, because the fee increases are considered to be minor compared to the income of most applicants and licensees in this profession. This proposal represents an increase of \$50 for the PA initial license fee.

Economic Impact Assessment/Analysis:

The Board concludes that this regulatory proposal will have the following effects:

- 1) It will not create or eliminate any jobs within the State of California;
- 2) It will not create new, or eliminate existing, businesses within the State of California; and,
- 3) It will not affect the expansion of businesses currently doing business within the State of California, because these costs are considered minor compared to the income of most applicants and licensees in this profession and for the businesses who may hire PAs. As described above, this proposal represents a \$50 increase for the PA initial license as follows:

Physician Assistant Board CA Code of Regulations Section 1399.550 - Fees			
Type	Current Fee	Proposed Fee*	Incremental Increase
Initial License Fee	\$200	\$250	\$50

*Statutory Limit (Business & Professions Code section 3521.1)

The regulations are estimated to result in additional costs of approximately \$103,000 per year and up to \$1.03 million over a ten-year period as follows:

Physician Assistant Board CA Code of Regulations Section 1399.550 - Fees			
Type	Applications Per Year	Incremental Increase	Increased Revenues
Initial License Fee	2,060	\$50	\$103,000

The proposed regulations affect individuals and some small businesses who hire PAs financially, but the effects will be minimal and absorbable. The affected individuals are applicants for PA licenses. The number of applications for PA licensure have been relatively stable for years. The Board does not anticipate that the number of applications

or licenses will change significantly as a result of these proposed regulations. Even though a minimal financial impact will occur, it is anticipated that these regulations will not affect the creation of jobs, nor eliminate jobs within the State of California, because the cost increases for application, licensure, and renewal would be minor and absorbable relative to the average income of this profession.

The Board also concludes that this proposal will have the following effects:

- It will benefit the health and welfare of California residents because the proposal would raise the initial license fee to the statutory maximum. California residents would benefit from the proposed regulation because the fee increase will enable the Board to carry out its statutory mandate of public protection by licensing, regulating, and disciplining PAs. Raising fees would help address a structural imbalance in the Board's budget, ensure the Board's regulated public is aware of the fees, and attempt to create a consistency between the Board's expenditures to regulate licensees and protect the public and the fees assessed for carrying out those functions. The Board's highest priority is consumer protection, and the proposed revisions will allow the Board to continue its important consumer-focused functions in the short term while the Board seeks legislative authority to increase statutory maximums for the fees it collects in the long term.
- This regulatory proposal does not affect worker safety or the State's environment because the proposed regulations do not involve workers' safety or the State's environment. This regulatory proposal focuses on an increase in fees to help to reduce the Board's current structural imbalance.

Specific Technologies or Equipment:

This regulation does not mandate the use of specific technologies or equipment.

Consideration of Alternatives:

No reasonable alternative to the regulatory proposal would be either more effective in carrying out the purpose for which the action is proposed or would be as effective or less burdensome to affected private persons and equally effective in achieving the purposes of the regulation in a manner that ensures full compliance with the law being implemented or made specific.

No alternatives were considered because the Board's fund will become insolvent in the near future without a fee increase. If the Board reduces its annual expenditures to mitigate the structural fund imbalance, the Board would be forced to cut mission critical functions, which will jeopardize the public safety of California consumers.

Description of reasonable alternatives to the regulation that would lessen any adverse impact on small business:

No such alternatives have been proposed, however, the Board welcomes comments from the public.