



MEMORANDUM

DATE	February 1, 2024
TO	Members of the Dental Board of California
FROM	Yvette Ramirez, Budget and Contract Analyst Dental Board of California
SUBJECT	Agenda Item 7.: 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.

2024-25 Governor's Budget

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

2024-25 Governor's Budget		
Fund	Revenue	Expenditures*
State Dentistry Fund	\$18,941,000	\$20,634,000

*\$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 2024-25 Governor's Budget. It has been updated with 2023-24 expenditure and revenue projections, which resulted in a fund balance reserve of \$16.9 million (9.2 months). Other adjustments have also been included.

Revenues (see Attachments 1 & 2) – The Board began 2023-24 with a fund balance of \$17.6 million and collected approximately \$19.1 million in revenues with \$3.1 million from initial license fees and \$14.8 million from license renewals.

The Board notes, [SB 501](#), Dentistry: anesthesia and sedation: report (Chapter 929, Statutes of 2018), created additional anesthesia permit and certificate types and fees. The Office of Administrative Law approved this regulatory action in August of 2022. Permit applicant revenues are estimated at \$234,000 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 3) – The Board’s 2023-24 appropriation is \$21.0 million, and expenditures are projected to be \$19.1 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.

The Board notes, future legislation or other events could require the Board to request additional resources through the annual budget process.

The Board notes, Budget Letter (BL) 23-27 *Current Year Expenditure Freeze*, which will reduce Board expenditures to items that are Mission Critical in the current year. The State of California anticipates significant General Fund budget deficits in fiscal years 2023-24 and 2024-25. Although Board funding derives from the State Dentistry Fund (0741), the Board is to follow State guidance as described in BL 23-27.

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 rate for the Budget Act of 2020 loan will be .67% and is scheduled to be repaid on June 30, 2025.

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 – [Assembly Bill 1519](#), Healing Arts (Chapter 865, Statutes of 2019) 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 from 2020 to ensure any financial obligations are paid. Per Business and Professions Code (BPC), section 205.2, the Department of Finance facilitated the transfer from the State Dental Assistant Fund to the State Dentistry Fund.

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 2027-28, 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.

The Board had significant 2022-23 prior-year savings of approximately \$2.7 million related to vacant positions. However, 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 January 2024, the Board has an 8% vacancy rate.

The Board further notes, most existing license fee types currently being assessed are set below their statutory maximums and will 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 Department of Consumer Affairs 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.

Action Requested

No action requested.

Attachment 1

0741 - Dental Board of California Fund Analysis of Fund Condition
(Dollars in Thousands)
2024-25 Governor's Budget W-FM6 Projection

Prepared 1.30.24

	Actual	CY	BY	BY +1
	2022-23	2023-24	2024-25	2025-26
BEGINNING BALANCE	\$ 13,519	\$ 17,639	\$ 16,924	\$ 18,760
Prior Year Adjustment	\$ 255	\$ -	\$ -	\$ -
Adjusted Beginning Balance	\$ 13,774	\$ 17,639	\$ 16,924	\$ 18,760
 REVENUES, TRANSFERS AND OTHER ADJUSTMENTS				
Revenues				
4121200 - Delinquent fees	\$ 405	\$ 357	\$ 310	\$ 310
4127400 - Renewal fees	\$ 14,772	\$ 14,825	\$ 14,951	\$ 14,951
4129200 - Other regulatory fees	\$ 224	\$ 223	\$ 177	\$ 177
4129400 - Other regulatory licenses and permits	\$ 3,303	\$ 3,173	\$ 3,298	\$ 3,298
4143500 - Miscellaneous Services to the Public	\$ 11	\$ -	\$ 15	\$ 15
4163000 - Income from surplus money investments	\$ 447	\$ 488	\$ 176	\$ 226
4171400 - Escheat of unclaimed checks and warrants	\$ 10	\$ 10	\$ 12	\$ 12
4172500 - Miscellaneous revenues	\$ 3	\$ 12	\$ 2	\$ 2
Totals, Revenues	\$ 19,175	\$ 19,088	\$ 18,941	\$ 18,991
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	\$ -	\$ -	\$ 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	\$ 2,963	\$ -	\$ -	\$ -
Totals, Transfers and Other Adjustments	\$ 2,963	\$ -	\$ 5,000	\$ -
TOTALS, REVENUES, TRANSFERS AND OTHER ADJUSTMENTS	\$ 22,138	\$ 19,088	\$ 23,941	\$ 18,991
TOTAL RESOURCES	\$ 35,912	\$ 36,727	\$ 40,865	\$ 37,751
Expenditures:				
1111 Department of Consumer Affairs Regulatory Boards, Bureaus, Divisions (State Operations)	\$ 16,569	\$ 18,401	\$ 20,634	\$ 21,253
9892 Supplemental Pension Payments (State Operations)	\$ 351	\$ 351	\$ 241	\$ -
9900 Statewide General Administrative Expenditures (Pro Rata) (State Operations)	\$ 1,353	\$ 1,051	\$ 1,230	\$ 1,230
TOTALS, EXPENDITURES AND EXPENDITURE ADJUSTMENTS	\$ 18,273	\$ 19,803	\$ 22,105	\$ 22,483
FUND BALANCE				
Reserve for economic uncertainties	\$ 17,639	\$ 16,924	\$ 18,760	\$ 15,268
Months in Reserve	10.7	9.2	10.0	7.9

NOTES:

1. Assumes workload and revenue projections are realized in BY +1 and ongoing.

Attachment 2

Department of Consumer Affairs Revenue Projection Report

Reporting

Structure(s):

Fiscal Month:

Fiscal Year: 2023 - 2024

Run Date: 01/26/2024

Revenue

Fiscal Code	Line Item	Budget	Year to Date	Projection To Year End
	Delinquent Fees	\$297,000	\$180,719	\$356,509
	Other Regulatory Fees	\$173,000	\$127,121	\$223,221
	Other Regulatory License and Permits	\$3,225,000	\$1,735,322	\$3,172,592
	Other Revenue	\$250,000	\$206,602	\$511,002
	Renewal Fees	\$14,807,000	\$9,137,502	\$14,824,802
	Revenue	\$18,752,000	\$11,387,264	\$19,088,124

Reimbursements

Fiscal Code	Line Item	Budget	Year to Date	Projection To Year End
	Scheduled Reimbursements	\$0	\$12,838	\$25,950
	Unscheduled Reimbursements	\$0	\$388,909	\$698,381
	Reimbursements	\$0	\$401,747	\$724,331

Non-DCA Revenue

Fiscal Code	Line Item	Budget	Year to Date	Projection To Year End
	CURES Assessment	\$0	\$152,838	\$308,347
	Non-DCA Revenue	\$0	\$152,838	\$308,347

Attachment 3

Department of Consumer Affairs

Expenditure Projection Report

Dental Board of California

Fiscal Month: 6

Fiscal Year: 2023 - 2024

PERSONAL SERVICES

Fiscal Code	Line Item	PY YTD + Encumbrance	PY FM13	Budget	YTD + Encumbrance	Projections to Year End	Balance
5100	PERMANENT POSITIONS	\$2,328,467	\$5,155,328	\$7,333,000	\$3,009,715	\$6,296,017	\$1,036,983
5100	TEMPORARY POSITIONS	\$36,380	\$40,729	\$284,000	\$13,262	\$16,000	\$268,000
5105-5108	PER DIEM, OVERTIME, & LUMP SUM	\$9,320	\$31,438	\$130,000	\$7,355	\$34,100	\$95,900
5150	STAFF BENEFITS	\$1,470,279	\$3,163,137	\$4,405,000	\$1,859,773	\$3,883,231	\$521,769
	PERSONAL SERVICES	\$3,844,447	\$8,390,632	\$12,152,000	\$4,890,105	\$10,229,348	\$1,922,652

OPERATING EXPENSES & EQUIPMENT

Fiscal Code	Line Item	PY YTD + Encumbrance	PY FM13	Budget	YTD + Encumbrance	Projections to Year End	Balance
5301	GENERAL EXPENSE	\$48,059	\$129,922	\$167,000	\$42,144	\$144,846	\$22,154
5302	PRINTING	\$155,163	\$181,750	\$85,000	\$142,034	\$184,311	-\$99,311
5304	COMMUNICATIONS	\$14,535	\$38,743	\$47,000	\$12,149	\$47,227	-\$227
5306	POSTAGE	\$12,979	\$61,861	\$54,000	\$26,167	\$64,000	-\$10,000
5308	INSURANCE	\$12,516	\$12,638	\$2,000	\$19,140	\$19,140	-\$17,140
53202-204	IN STATE TRAVEL	\$15,894	\$66,875	\$170,000	\$24,741	\$79,968	\$90,032
5322	TRAINING	\$15,905	\$18,678	\$12,000	\$3,520	\$6,380	\$5,620
5324	FACILITIES	\$674,029	\$703,993	\$855,000	\$690,483	\$716,801	\$138,199
5326	UTILITIES	\$0	\$0	\$1,000	\$0	\$0	\$1,000
53402-53403	C/P SERVICES (INTERNAL)	\$760,741	\$1,977,336	\$2,564,000	\$703,363	\$1,863,900	\$700,100
5340310000	Legal - Attorney General	\$682,088	\$1,450,921	\$2,003,000	\$517,423	\$1,255,260	\$747,740
5340320000	Office of Adminis Hearings	\$78,287	\$525,461	\$410,000	\$185,940	\$607,640	-\$197,640
53404-53405	C/P SERVICES (EXTERNAL)	\$1,546,003	\$2,206,518	\$1,024,000	\$1,173,651	\$1,846,448	-\$822,448
5342	DEPARTMENT PRORATA	\$2,376,000	\$2,951,140	\$3,405,000	\$2,463,750	\$3,405,000	\$0
5342	DEPARTMENTAL SERVICES	\$60,379	\$339,525	\$36,000	\$40,108	\$239,056	-\$203,056
5344	CONSOLIDATED DATA CENTERS	\$6,480	\$47,473	\$42,000	\$7,283	\$60,000	-\$18,000
5346	INFORMATION TECHNOLOGY	\$6,047	\$6,047	\$304,000	\$23,909	\$31,057	\$272,943
5362-5368	EQUIPMENT	\$0	\$11,965	\$112,000	\$13,504	\$20,761	\$91,239
5390	OTHER ITEMS OF EXPENSE	\$9,944	\$53,719	\$5,000	\$17,759	\$160,598	-\$155,598
54	SPECIAL ITEMS OF EXPENSE	\$6,444	\$11,430	\$0	\$4,169	\$6,000	-\$6,000
	OPERATING EXPENSES & EQUIPMENT	\$5,721,118	\$8,819,613	\$8,885,000	\$5,407,875	\$8,895,493	-\$10,493

OVERALL TOTALS		\$9,565,565	\$17,210,245	\$21,037,000	\$10,297,980	\$19,124,841	\$1,912,159
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