

November 15, 2013

MEMORANDUM

TO: Board of Funeral Service
FROM: Christopher D. Winters, Director
RE: Options to address the deficit

Thank you for the informative discussion on Tuesday regarding the Board's budget and your excellent questions. With help from the business office, I have prepared some of the information you have requested and have some options for you to consider:

Fee Option if Remaining as a Board

Attached is a spreadsheet and projected numbers for raising fees and remaining under the Board model of regulation. These increases raise about \$55K in additional revenue each renewal cycle. As requested, I have capped the removal personnel fee at \$125 and have weighted the increase more heavily upon the establishments than the individuals:

Funeral Directors and Embalmers:	\$300 → \$450	(197@\$150=\$29,500)
Establishments:	\$540 → \$900	(64@\$360=\$23,040)
Removal Personnel:	\$85 → \$125	(59@\$40=\$2,360)

Total revenue increase: \$54,950

At these rates, the board should have a surplus for each of the next three renewal cycles, but that surplus will be small and getting smaller each year as we account for 2% growth each year (\$15K, \$10K, \$5K). Most likely, this will not completely bring the board out of debt. We would probably be looking at another smaller fee increase for FY2018.

Advisor Model Options

You also asked for some information about the advisor model and what fees would look like under such a scenario.

1. Advisor fee structure. The going rate for initial applications and renewals for advisor profession are \$100 for initial application and \$200 for renewals. However, there are some exceptions found in 3 V.S.A. section 125 for some of the larger professions. They are charged lower fees (clinical social workers, physical therapists and occupational

therapists). Because there are approximately 5,000 licensees in the advisor pool, the cost of regulation is spread across licensees and is lower.

2. *Advisor savings.* There would no longer be board members and there would be 2-3 advisors who come into the office less often, so direct expenses will be lower. As part of the allocation formula, the office charges an approximate \$10K per board because boards require more administrative support. That cost would be eliminated, lowering the annual expenses for the profession by roughly \$15K annually.

3. *Existing deficit.* It is not unprecedented that your deficit would be retired and spread across all OPR advisor professions with a transition to the advisor model. If remaining as a board, you would need to carry that deficit forward and reduce it more slowly over several years with higher fee increases.

4. *Inspection costs.* This profession has an ongoing inspection obligation and cost that is not found in other advisor professions with the exception of electrology and tattooing, which have limited random inspections but no mandatory inspections. I think that does require a higher fee for funeral licensees than other advisor professions to help offset this unique cost among advisor professions. As such, I believe we can forego a fee increase, keep charging the existing rates, and be comfortable that the deficit has been retired and the profession is continuing to pay its own way.

5. *Future fee increases.* The advisor professions require fee increases on a much less frequent basis, and those increases are generally in much smaller increments. Advisor renewal fees were last raised from \$175-\$200 in 2005.

My recommendation to you would be to move to the advisor model of regulation while retaining the current fee structure. This would lower administrative costs, eliminate the deficit, and ensure that existing fees continue to cover the cost of regulating the profession.