



## Examining Board of Psychology Fee Narrative

The Department of Health (department) works to protect and improve the health of all people in Washington State. In partnership with the Examining Board of Psychology, the department accomplishes this work, in part, through the licensure and regulation of health care providers, including psychologists and the newly established psychological associates ([Chapter 18.83 RCW](#)).

Current revenue is not sufficient to recover operating expenditures for the psychology regulatory program (program). State law, [RCW 43.70.250](#) (License fees for professions, occupations, and businesses), requires fees to fully fund the work of licensing and regulating health care professions.

The program ended fiscal year (FY) 2024 with a fund balance of \$252,000 and a revenue shortfall of \$179,000. The program is forecasted to continue operating at a deficit, contributing to further decline of the fund balance through FY2032. Considering the program's financial forecast, the department recommends a fee increase to bring revenue into alignment with the cost of licensing and regulating psychologists.

In addition, the legislature passed [Substitute House Bill \(SHB\) 1286 \(2022\) Psychology Compact](#), and [Engrossed Second Substitute Bill \(E2SHB\) 2247 \(2024\) Addressing Behavioral Health Provider Shortages](#). To implement this legislation, the department is establishing fees that would fund the licensure and regulation of compact participation and the psychological associate license in the state of Washington.

This document summarizes data on revenue and cost drivers for the program, the financial forecast, and the proposed fees.

### Office of Health Professions

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# Revenue

Annual licensure fees charged at initial application and renewal generate revenue for this program ([WAC 246-924-990](#)). Table 1 outlines the profession’s current fee structure and fee history.

<b>License</b>	<b>Fee Type</b>	<b>Prior fee</b>	<b>Current Fee (Last Fee Change)</b>
Psychologist License	Application	\$275	\$190 (2016)
	Renewal	\$300	\$210 (2016)
	Renewal – Retired	\$100	\$105 (2011)
	Late Renewal Penalty	\$155	\$105 (2016)
	Late Renewal Penalty – Retired	\$155	\$55 (2016)
	Expired Reissuance Penalty	\$143	\$155 (2011)
	Heal - WA	\$25	\$16 (2012)
Psychologist Probationary License	Application		\$190 (2020)
	Renewal		\$210 (2020)
Co-Occurring Disorder	Application		\$100 (2020)

The program currently licenses 3,885 active psychologists in Washington state. The program receives an average of 291 new applicants annually, and maintains a 95% renewal rate, resulting in an annual growth rate of 2% over the past three years. Though the number of new applications dipped in FY2020 due to the pandemic, application counts returned to historical trends in FY2021.

The last fee change for the program occurred January 2016, decreasing fees by 45%. In July 2020, the department also added a probationary license for new applicants as well as a co-occurring disorder license enhancement enabling providers to offer additional professional services.

In June 2022, the legislature passed [Substitute House Bill \(SHB\) 1286 \(2022\) Psychology Compact](#), establishing an interstate psychology compact that allows qualified psychologists from participating states to provide telehealth services and temporary in-person services to residents of other participating states. Washington state was added as a participating state to the Psychology Interjurisdictional Compact (PSYPACT) enabling Washington residents to receive services from out-of-state psychologists participating in the compact and allowing Washington psychologists to apply to the PSYPACT Commission for authorization to provide services through the compact. When this bill became effective on June 9, 2022, the department did not establish a licensure fee for PSYPACT participation.

The ending fund balance for FY2016 was \$1,418,000, which included a surplus of \$1.2 million. To reduce the surplus and bring the program’s fund balance in alignment with target reserve levels, the department reduced fees \$85-\$90 in 2016. The department set fees at this level to create an intentional annual deficit, with the goal that fees would be raised to cover expenditures in approximately 10 years. This effort reduced revenue by \$80,000, resulting in \$651,000 in total revenue in FY2017. Revenue increased by an average of 3.8% each year, growing to \$829,000 in FY2024. Despite this revenue growth, the program has maintained an operating deficit. By FY2024, the program’s fund balance decreased to \$252,000, representing an overall decrease of approximately 82.2% over the 8-year period and bringing the program’s balance into the target reserve range. The department expects the continuing annual deficit to bring fund balances below the recommended 25% reserve threshold in FY2025.

# Expenditures

The psychology program currently has an annual operating budget of \$1.1 million and ended FY2024 with an operating shortfall of \$179,000.

The primary cost of the licensing program is disciplinary activities, which account for 37% of program costs as shown in Chart 1. Program expenses also include operational (34%), licensing (9%), and indirect costs (20%).

Operational costs account for 34% of total program spending and include personnel to manage the program.

This includes administrative oversight and program management, development and implementation of legislation and rules, communication and outreach, and relations with interested parties.

Licensing activities account for 9% of total program spending and include the following services: credentialing, renewals, call center; online licensing (OLIC); background checks and revenue processing.

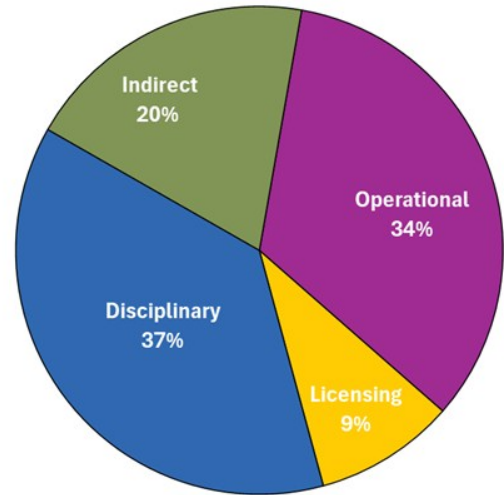
Disciplinary costs (37%) include the following activities: legal services; legal compliance; complaint intake; investigations; discipline case management; adjudicative services; and Attorney General costs. These costs are variable from year-to-year and are charged to the program based on usage.

Indirect costs (20%) are agency-wide, general management costs necessary for any program to exist and consist of administrative activities for the general operation of the agency. Examples of indirect costs include financial services, human resources, and information resource management. The indirect rate is a standardized method of charging individual programs for their share of indirect costs and is reviewed and approved annually by the U.S. Department of Health and Human Services.

Costs categorized as “Other” include one-time or project expenditures not in the program’s base budget. Examples typically include costs for IT projects or legislative implementation.

Table 2 shows expenditures for each of these cost categories over the past five (5) years.

Chart 1: FY2024 Expenses by Category



Cost Categories	FY2020	FY2021	FY2022	FY2023	FY2024
Operational	\$ 184,000	\$ 202,000	\$ 188,000	\$ 339,000	\$ 331,000
Licensing	\$ 74,000	\$ 73,000	\$ 94,000	\$ 108,000	\$ 92,000
Disciplinary	\$ 402,000	\$ 481,000	\$ 462,000	\$ 375,000	\$ 368,000
Indirect	\$ 165,000	\$ 177,000	\$ 181,000	\$ 196,000	\$ 192,000
<b>Total</b>	<b>\$ 825,000</b>	<b>\$ 933,000</b>	<b>\$ 925,000</b>	<b>\$ 1,018,000</b>	<b>\$ 983,000</b>
Other	\$ 8,000	\$ 52,000	\$ 74,000	\$ 64,000	\$ 26,000
<b>Grand Total</b>	<b>\$ 835,000</b>	<b>\$ 959,000</b>	<b>\$ 1,272,000</b>	<b>\$ 1,470,000</b>	<b>\$ 1,236,000</b>

## Expenditure History

Over the past five years, program costs have remained relatively stable, with expenses increasing an average of 5% annually from FY2020 to FY2024. Prior to FY2020, the costs to manage the psychology program averaged around \$700,000 a year. In FY2020, expenses increased to \$831,000 as the board handled growing complaints in response to the COVID-19 pandemic. Disciplinary costs grew 5% from FY2019 to FY2020, and then an additional 20% in FY2021 as cases moved through the department's legal and adjudicative process. By FY2023, the increased workload stemming from the COVID-19 pandemic had subsided and costs declined to prior levels.

During this period, the department also initiated a division-wide IT project, known as HELMS (Healthcare Enforcement and Licensing Management System). This project added temporary expenses to all licensure programs that will benefit from the new modernized electronic licensing system that is replacing the department's current system (ILRS). The assessment is charged annually for the duration of the project, starting in FY2020, with the end date and future charges yet to be determined.

In FY2023 and FY2024, the program's disciplinary and HELMS costs declined. Overall expenses increased, however, as these costs were offset by growing operational staffing. In FY2023, the program added program and credentialing staff to help reduce credentialing processing timelines and backlogs. The program also added two board members as required by [Senate Bill 5753 \(2022\) Board and Commission Sizes](#). The department utilized these members to process non-routine applications, implement legislation, and participate in rulemaking pertaining to licensing requirements.

In FY2022, Washington entered PSYPACT in line with [SHB 1286 \(2022\) Psychology Compact](#). The department did not set fees upon implementation, deciding to wait until program licensing and costs became established. The program covered the initial costs of regulating compact licenses, including expenses such as staffing time required to license applicants, attend PSYPACT commission meetings, and reconcile compact disciplinary actions. Program revenue also covers the PSYPACT commission's annual state compact participation fee.

These growing expenditures coupled with the annual revenue shortfall successfully decreased the program's surplus fund balance, bringing the program within its target reserve range in FY2024.

The Office of Financial Management (OFM) requires agencies to maintain a reasonable working capital reserve in state accounts to cover fluctuations in cash flow. The cash reserve should be enough to protect against financial volatility from significant disciplinary activity or unforeseen changes in license trends.

Due to the size of this program, the fund balance is highly susceptible to expenditures resulting from enforcement costs and the occurrence of other unforeseen events. Based on these factors, the department recommends the program build a reserve of 25%, currently around \$252,000 or approximately 3 months of annual expenditures.

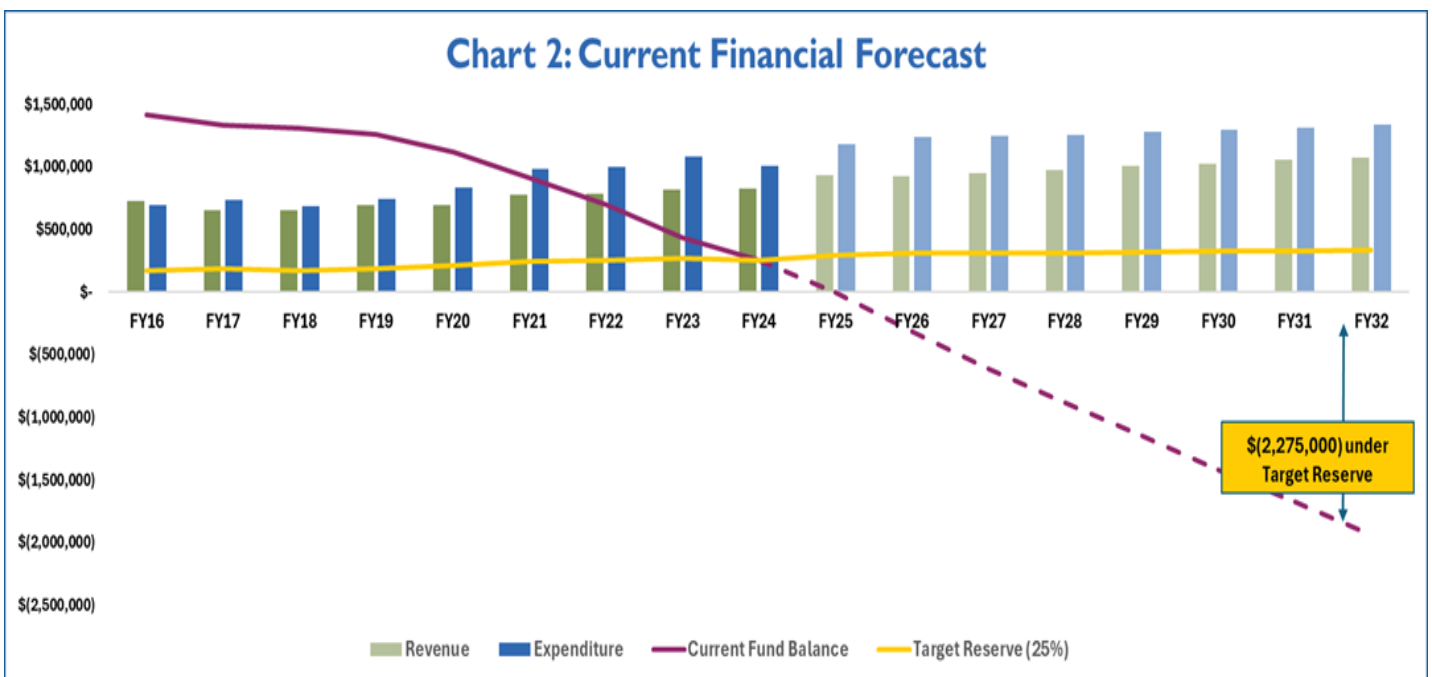
# Financial Forecast

In the 2023-2025 biennium, the department anticipates the psychology program will continue operating with an annual revenue shortfall. Incoming revenue is projected to grow an average of 4% annually, with additional revenue growth anticipated in FY2026 due to the onboarding of psychological associates. Meanwhile, expenditures are expected to grow from \$1.01 million to \$1.20 million by FY2028, with ongoing costs growing 1.5% annually due to general inflationary adjustments. This expenditure growth is anticipated due to the implementation of [E2SHB 2247 \(2024\) Addressing Behavioral Health Provider Shortages](#), alongside growing licensure needs and stabilizing disciplinary workloads.

The legislature passed [E2SHB 2247 \(2024\)](#) to establish a new psychological associate license for students enrolled in an accredited doctoral program. This bill places the credential under the Uniform Disciplinary Act ([Chapter 18.130 RCW](#)) and requires the department to adopt rules to establish licensure requirements to regulate this new profession. The department assumes the program will receive 210 applications in FY2026, with 90-100 new applicants each subsequent year, maintaining approximately 135 licenses renewed annually. The fiscal impact of this legislation on the psychology program is estimated to be \$30,000 in FY2025 and FY2026 and \$32,000 in subsequent years.

Current revenue and expenditure levels are insufficient to cover the cost of licensing and regulating the program. The fund balance will continue to decline to negative \$1,000 by the end of FY2025, with an ongoing average annual revenue gap of \$275,000 in subsequent years. Without action to increase revenue, the program will have a negative fund balance of \$1.94 million by FY2032.

Chart 2 shows actual revenue and expenditures from FY2016 through FY2024, and projected revenue and expenditures from FY2025 through FY2032.



# Fee Proposal

To address the annual operating shortfall, the department proposes changing current application and renewal fees for psychologist licensure, effective October 1, 2025. The department is also proposing the establishment of new fees in order to fund the regulation of psychological associates per [E2SHB 2247 \(2024\)](#) and PSYPACT compact participants per [SHB 1286 \(2022\)](#). The department is proposing these new fees in order to fulfill its obligation to have licensees bear the cost of administering the program. Under this proposal, fees will change as detailed in Table 3.

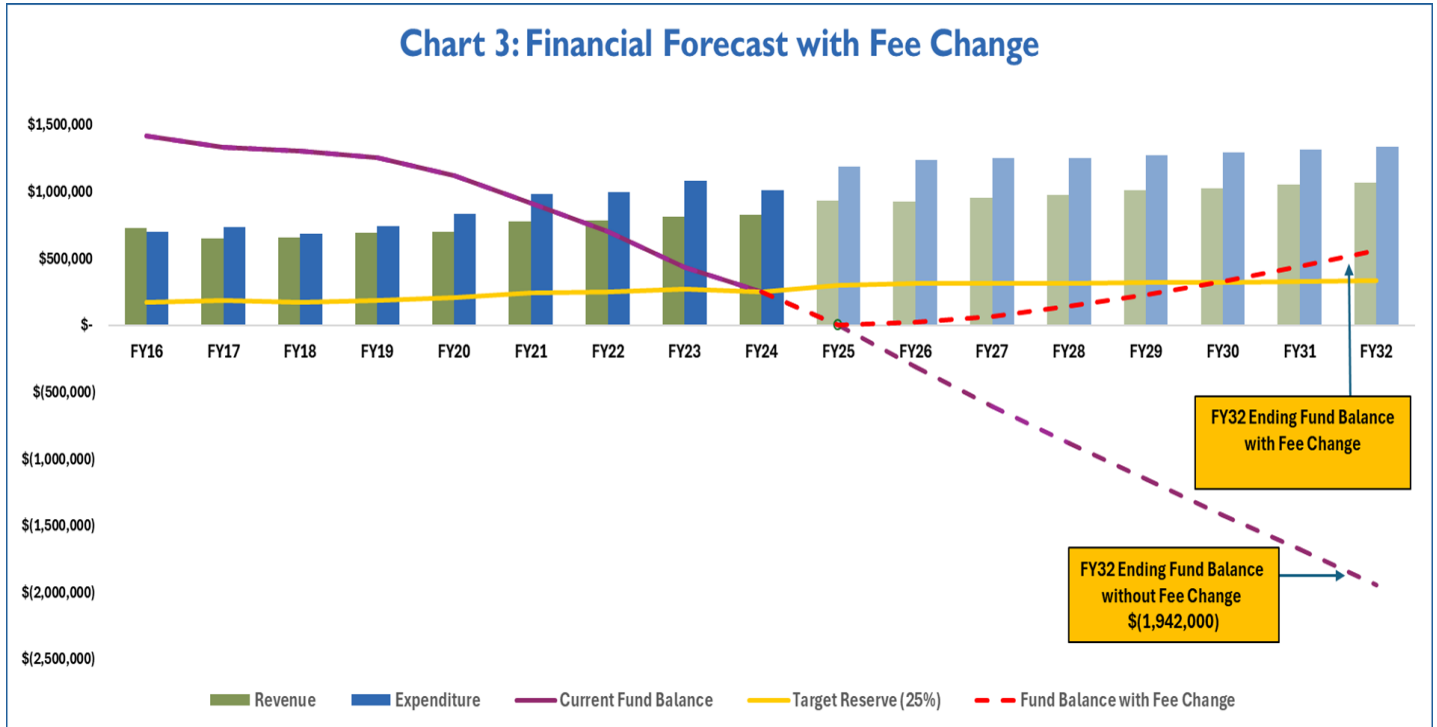
<b>Table 3: Current and Proposed Fees</b>			
<b>License</b>	<b>Fee Type</b>	<b>Current fee</b>	<b>Effective October 1, 2025</b>
Psychologist License	Application	\$190	\$215
	Renewal	\$210	\$295
	Renewal – Retired	\$105	\$150
	Late Renewal Penalty	\$105	\$150
	Late Renewal Penalty – Retired	\$55	\$75
	Expired Reissuance Penalty	\$155	\$150
	Heal – WA	\$16	No Change
PSYPACT	Application	\$0	\$30
	Renewal	\$0	\$30
Co-Occurring Disorder Enhancement	Application	\$100	No Change
Psychologist Probationary License	Application	\$190	\$215
	Renewal	\$210	\$215
Psychological Associate (NEW)	Application		\$95
	Renewal		\$95
	Late Renewal Penalty		\$50
	Expired Reissuance Penalty		\$50

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# Fee Proposal

Chart 3 shows the impact of the proposed fees on the program fund balance, displaying actual and projected revenue and expenditures for current and proposed fees from FY2016 through FY2032.



The department will continue to monitor the financial health of the program over a six-year outlook and propose fee adjustments as needed to comply with statutory requirements.

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