

# State Board of Cosmetology

**House Transportation and Justice Subcommittee**

*Jason Phillips, Budget Analyst*

*Legislative Service Commission*

*February 23, 2005*

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**LSC Redbook**  
**for the**  
**State Board of Cosmetology**

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*February 23, 2005*

# Ohio State Board of Cosmetology

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- Executive recommendation of \$2,929,630 for FY 2006
- Licensed over 115,000 individuals, salons, individual contractors, schools, and tanning facilities in FY 2004
- Planned consolidation within the Department of Commerce in FY 2007

## OVERVIEW

The State Board of Cosmetology is part of the 4K9 Fund group. The 4K9 Fund (Occupational Licensing and Regulatory Fund) is a General Services Fund that is a repository for license fees and other assessments collected by the state's professional and occupational licensing boards. The 4K9 Fund was established by Am. Sub. H.B. 152 of the 120th General Assembly. Prior to the creation of the fund, appropriations for each licensing board were made from the GRF. This created some problems as some boards contributed more revenues than they expended and others had to be subsidized by the GRF since the revenues generated did not meet their expenditures. The 4K9 Fund eliminated these problems. The philosophy of the fund is that each board must generate enough revenues to cover their expenses. It is also quite common for the boards to develop a surplus in the fund to cover unforeseen economic hardships.

The Ohio General Assembly created the State Board of Cosmetology in 1932 to establish and maintain sanitary and professional standards in the beauty salon industry. The Board is charged with ensuring the health, safety, and sanitation of the beauty industry and its patrons through licensing and regulation of salons and individual licensees. In addition, the Board has oversight over the indoor tanning industry through regulation of ultraviolet radiation devices. The Board's oversight authority is located in Chapter 4713. of the Revised Code.

### **Summary of FYs 2006-2007 Budget Issues**

The executive budget recommends that the 27 independent occupational licensing boards be absorbed into the departments of Health, Commerce, and Public Safety. As such, the Executive recommends no funding in FY 2007 for the boards and commissions. The specifics of the consolidation plan will be addressed during FY 2006 by a task force consisting of the agencies acquiring the boards, as well as the Department of Administrative Services, the Office of Budget and Management (OBM), and the Governor's Office. According to OBM's *Blue Book*, current staff will be retained through FY 2006 and a hiring freeze and early retirement incentives will be offered to regulatory board staff. These incentives should result in staff reductions. Effective July 1, 2006, all remaining regulatory board staff will be transferred to the relevant agency. Board and commission members for each agency will be retained and continue to service in the manner in which they were appointed.

The Executive recommended funding for the Board of \$2,929,630 for FY 2006, representing an increase of 3.8% over FY 2005 estimated spending. The Executive recommends no appropriation in FY 2007 as the State Board of Cosmetology is slated for consolidation within the Department of Commerce.

**Revenues and Expenditures**

The Ohio State Board of Cosmetology's estimated revenue for the FY 2004-2005 biennium is \$5,454,000. The chart illustrates the Board's revenues and expenditures from FY 2002 to FY 2005 (FY 2005 revenues are based on estimates). The Board expects that the relative number of licensees will remain stable and that revenues collected by COS in the upcoming biennium will be close to FY 2003 and FY 2004 levels.

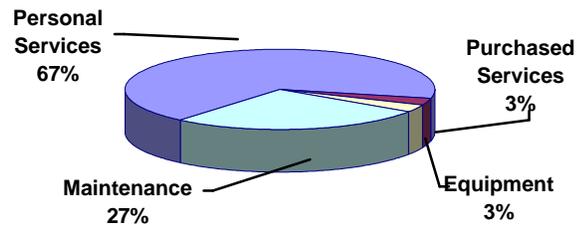
**COS Revenues and Expenditures by Biennium**

	FYs 2002-2003	FYs 2004-2005
<b>Revenue</b>	\$5,407,570	\$5,454,000
<b>Expenditures*</b>	\$4,921,421	\$5,391,791
<b>Net</b>	\$486,149	\$62,209

\*Expenditures do not reflect expenses for CAVU

The Board's estimated expenditures for the FY 2004-2005 biennium were \$5,391,791 versus revenue of \$5,454,000, resulting in a net gain of \$62,209 for the period. The pie chart below illustrates the Board's expenses by object code for the FY 2006-2007 biennium and shows that, like many other licensing and regulatory boards, the vast majority of the Cosmetology Board's expenses are for personal services, such as payroll, health care, and fringe benefit costs. However, it is important to note that the Governor's recommendation includes an increase of \$105,066 (15.4%) in maintenance spending from estimated FY 2005 levels that is directly attributable to the CAVU licensing system, a licensing application used by Ohio's boards and commissions. Billing for this system is based upon the number of records stored in each board's databases.

**FYs 2006-2007 Recommended Funding by Object Code**



The Ohio State Board of Cosmetology is one of the first licensing boards to be using the new licensing system provided through the Department of Administrative Services' MIS division. The Cosmetology Board has implemented online renewals while implementation of CAVU has simplified many processes such as out of state board certifications. In addition, the Board of Cosmetology's technology initiatives include utilization of document management software that enables the Board to scan applications and licensing paperwork received through the mail and to shred the original. This enables the Board to reduce the large volume of paper files that had to be maintained in past years.

**Medi-Spas and Hair Braiders**

The Board of Cosmetology is currently attempting to address several situations occurring within the cosmetology industry in the state of Ohio that could have significant effects on the revenues and expenditures of the Board. Over the past few years, the Board has seen increased growth in "Medi-Spas", cosmetology facilities that offer spas and other medical treatments in an effort to increase competitiveness through the offering of more services. The Board of Cosmetology is currently working on a Joint Statement with the Medical Board to address issues related to the fine line that these combination facilities represent in the hopes of making the overlap clear to licensees of both boards.

In addition, while the Board of Cosmetology regulates hair braiders, few of them have formal education and are not able to pass the Board's examinations. The Board is attempting to take action against these illegal shops, but does not have the resources to track down those working from their homes.

**Staffing Levels**

The Board has been able to reduce its staff by two full-time employees during the FY 2004-2005 biennium. One employee was part of the administrative staff and the other was an investigator. The Board states that the efficiency gains from implementation of CAVU and the Board's paperless office system have allowed the Board to reduce its staff.

<b>State Board of Cosmetology Staffing Levels</b>						
<b>Program Series/Division</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>Estimated</b>	
					<b>2006</b>	<b>2007</b>
Board Members	7	7	9	9	9	9
Administrative Staff	19	19	18	18	18	*
Investigators	15	15	14	14	14	*
<b>Totals</b>	<b>41</b>	<b>41</b>	<b>41</b>	<b>41</b>	<b>41</b>	<b>*</b>

\*In FY 2007, the 27 occupational licensing boards will be consolidated into various agencies. According to OBM, current staff will be retained through FY 2006. However, significant staff reductions are expected as a result of the implementation of a hiring freeze and early retirement incentives. Remaining staff will be transferred to the departments of Health, Commerce, or Public Safety in FY 2007. Board and commission members will be retained.

## FACTS AND FIGURES

### Licenses

The table below lists the number of licenses the Board of Cosmetology issued by license type in FY 2002 and FY 2004. Am. Sub. H.B. 415 of the 124th General Assembly revised cosmetology law, created new license types, and increased some license fees among its provisions. The Board of Cosmetology is working for the enactment of legislation similar to H.B. 486 of the 125th General Assembly, which proposed to allow licensees to work outside of a salon in certain circumstances such as weddings.

<b>Licenses</b>	<b>FY 2002</b>	<b>FY 2004</b>
Individuals	93,371	92,952
Salons	10,747	10,935
Ind. Contractors	7,584	9,006
Schools	153	147
Tanning Facilities	3,221	2,726
<b>TOTAL</b>	<b>115,076</b>	<b>115,766</b>

### License Fees

Below is a table detailing the fees for each license. Each category of licensee (e.g., salons, instructors, stylists, etc.) has been grouped together for ease of presentation. In addition, each category of license has the same license and renewal fee. For example, cosmetology salons and manicuring salons are each charged \$60 for a new license and \$50 for a renewal.

<b>Fee Structure</b>	<b>New License</b>	<b>Renewal</b>
<b>Salons</b> (Cosmetology, Manicuring, Esthetics, Hair Design, Natural Hair Stylist, Tanning Facility)	\$60	\$50
<b>Cosmetologist/Manicurist/Esthetician</b> (includes Managing Cosmetologists, Manicurists, and Estheticians )	\$30	\$30
<b>Independent Contractor</b>	\$60	\$50
<b>Instructor</b> (Cosmetology, Manicuring, Esthetics, Hair Design, and Natural Hair Stylist)	\$30	\$30
<b>Stylist</b> (Hair Designer, Natural Hair, Managing Natural Hair, Managing Hair Designer)	\$30	\$30
<b>Cosmetology School</b>	\$250	\$250

## ANALYSIS OF EXECUTIVE PROPOSAL

### State Board of Cosmetology

**Purpose:** Establish and maintain sanitary and professional standards in the beauty salon industry

The following table shows the line items that are used to fund the State Board of Cosmetology as well as the Governor’s recommended funding levels.

Fund	ALI	Title	FY 2006	FY 2007
<b>General Services Fund</b>				
4K9	879-609	Operating Expenses	\$2,929,630	\$0
<b>Total Funding: State Board of Cosmetology</b>			<b>\$2,929,630</b>	<b>\$0</b>

**Program Description:** In accordance with Chapter 4713 of the Revised Code, the State Board of Cosmetology maintains sanitary and professional standards in cosmetology by licensing and regulating individuals and salons.

**Funding Source:** GSF Fund 4K9

**Line Items:** 879-609, Operating Expenses

**Implication of Executive Recommendation:** The executive's recommendation allows the State Board of Cosmetology to maintain current service levels for FY 2006. The recommendation includes an additional \$107,271 over the Board’s budget request to help offset costs associated with implementing the CAVU licensing system.

**Temporary Law:**

**Board Consolidation (section 315.03).** The Executive's recommendation includes a provision that consolidates the State Board of Cosmetology into the Department of Commerce beginning on July 1, 2007. The provision also includes the creation of a transition team to plan and effectuate the proposed merger of COS within the Department of Commerce. The temporary language states that the necessary statutory changes and appropriations needed for the consolidation will be introduced in FY 2006.

## **REQUESTS NOT FUNDED**

The Board's program budget request was fully funded for FY 2006 with an additional \$107,271 to help cover costs associated with implementing the CAVU licensing system. There is no appropriation for FY 2007, as the Board is slated for consolidation within the Department of Commerce under the Governor's recommendations. An operating appropriation for FY 2007 would likely be made when this plan is finalized in FY 2006.

## General Services Fund Group

### 4K9 879-609 Operating Expenses

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
\$2,273,472	\$2,648,035	\$2,569,432	\$2,822,359	<b>\$2,929,630</b>	<b>\$0</b>
	16.5%	-3.0%	9.8%	<b>3.8%</b>	<b>-100.0%</b>

**Source:** GSF: License fees and other assessments collected by the state's professional and occupational licensing boards

**Legal Basis:** ORC 4713.02 and 4743.05; Section 32 of Am. Sub. H.B. 95 of the 125th G.A. (originally established by Am. Sub. H.B. 152 of the 120th G.A.)

**Purpose:** Funds in this line item are derived from fees and fines, and are used for general operating expenses, including payroll, supplies, and equipment of the Ohio State Cosmetology Board. The Board licenses and regulates individuals and salons in the fields of cosmetology, esthetics, manicuring, and tanning.

**LSC Budget Spreadsheet by Line Item, FY 2006 - FY 2007**

<i>Fund</i>	<i>ALI</i>	<i>ALI Title</i>	<i>2004</i>	<i>Estimated 2005</i>	<i>Executive 2006</i>	<i>% Change 2005 to 2006</i>	<i>Executive 2007</i>	<i>% Change 2006 to 2007</i>
<b><i>COS</i></b>	<b><i>Cosmetology, State Board of</i></b>							
4K9	879-609	Operating Expenses	\$ 2,569,432	\$2,822,359	\$ 2,929,630	3.8%	\$ 0	-100.0%
<b>General Services Fund Group Total</b>			<b>\$ 2,569,432</b>	<b>\$ 2,822,359</b>	<b>\$ 2,929,630</b>	<b>3.8%</b>	<b>\$ 0</b>	<b>-100.0%</b>
<b>Total All Budget Fund Groups</b>			<b>\$ 2,569,432</b>	<b>\$ 2,822,359</b>	<b>\$ 2,929,630</b>	<b>3.8%</b>	<b>\$ 0</b>	<b>-100.0%</b>