

State Board of Registration for Professional Engineers and Surveyors

House Transportation and Justice Subcommittee

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February 23, 2005

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LSC Redbook
for the
State Board of Registration for Professional
Engineers and Surveyors

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TABLE OF CONTENTS

Overview	1
<i>Executive Recommendation for FYs 2006-2007.....</i>	<i>1</i>
<i>Revenues and Expenditures</i>	<i>2</i>
<i>Central Services and CAVU Costs.....</i>	<i>2</i>
<i>Staffing Levels</i>	<i>3</i>
Facts and Figures.....	4
<i>Licenses</i>	<i>4</i>
<i>Fee Schedule.....</i>	<i>4</i>
Analysis of Executive Proposal.....	5
<i>State Board of Engineers and Surveyors.....</i>	<i>5</i>
Requests Not Funded.....	6
Attachments:	
Catalog of Budget Line Items	
LSC Budget Spreadsheet By Line Item	

February 23, 2005

State Board of Registration for Professional Engineers and Surveyors

- 
- Licensed 34,654 individuals and 1,558 firms in FY 2004
 - Executive recommendation of \$1,058,881 for FY 2006

OVERVIEW

The State Board of Registration for Engineers and Surveyors 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.

Pursuant to Chapter 4733. of the Revised Code, the State Board of Engineers and Surveyors regulates the professions of engineering and surveying to protect the health, safety, and welfare of the public by ensuring that only properly qualified individuals and businesses become registered, and that the services provided by these licensees are consistent with established standards and codes of ethics.

To become a licensed engineer or surveyor, an individual must possess at least a bachelor's degree in engineering or surveying, have four years of practical experience, and pass two national examinations. The first examination tests an individual's fundamental knowledge of the subject area. The second examination, taken after the individual has completed four years of experience, tests the individual's knowledge of the principles and practices of engineering or surveying. The Board oversees the licensure of over 34,000 professionals and firms, over 90% of whom are professional engineers.

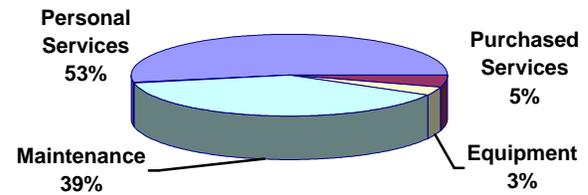
Executive Recommendation for FYs 2006-2007

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 serve in the manner in which they were appointed.

The Executive recommends \$1,058,881 for FY 2006, representing a decrease of approximately 2.1% over estimated FY 2005 spending of \$1,081,369. The Executive recommends no appropriation in FY 2007 as the State Board of Engineers and Surveyors is slated for consolidation within the Department of Commerce.

The following pie chart illustrates the Board’s expenses by object code for FY 2006. Like many other licensing and regulatory boards, the majority of the Athletic Commission’s expenses are for personal services, namely payroll, health care, and fringe benefit costs. These payroll costs have driven expenses for the Board recently. While the Executive recommends a decrease in personal service spending of 5.1% in FY 2006 over estimated FY 2005 spending, the amount recommended nevertheless fully funds the Board’s budget request.

FYs 2006-2007 Recommended Budget by Object Code



Revenues and Expenditures

The Board renews all licenses on an annual basis. The Board reports that it has the second lowest license renewal fee (\$20 per year) of any engineering board in the United States. Historically, revenues for the Board are relatively stable with the primary variable being the number of registrants and applicants. Revenues for FY 2003 and FY 2004 were \$1,081,089 and \$983,868, respectively. The Board states that revenues will increase approximately \$125,000 per year in FYs 2005-2007 due to an increase in comity registration fees. Additionally, the passage of H.B. 322 of the 125th General Assembly will increase revenue another \$136,000 per year due to an increase in license renewal fees. However, revenues and expenditures will decrease by approximately \$160,000 per year since the Board no longer collects or pays for examination fees.

ENG Revenues and Expenditures by Fiscal Year

	FY 2003	FY 2004	Biennium Total
Revenues	\$1,081,089	\$983,868	\$2,064,957
Expenditures	\$964,898	\$1,040,454	\$2,005,352
Net Result	\$116,191	(\$56,586)	\$59,605

Expenditures for FY 2003 and FY 2004 were \$964,898 and \$1,040,454, respectively. As the table above indicated, the Board had a deficit of \$56,586 in FY 2004. However, for the FY 2003-2004 period, the Board had a net gain of \$59,605. The Board explains that the FY 2004 shortfall occurred because of a payment of approximately \$120,000 for April 2003 exams, from which no fees were accepted from those taking the exam the following year. As such, 2004 revenues were approximately \$120,000 lower than anticipated, creating a negative cash flow. The Board states that this situation is a one-time anomaly.

Central Services and CAVU Costs

In addition, the Board, like many other occupational licensing and regulatory boards, is being forced to absorb increased fees charged by other state agencies, particularly for computer support services, license renewal bank fees, as well as Central Service Agency fees. Charges for central support services were \$12,916 in FY 2004 and are estimated at \$18,127 for FY 2005. The Board’s share of the cost for the new CAVU online licensing application is roughly \$17,512 in FY 2006. The Governor’s recommendation includes additional funding for the Board to help offset these costs.

Staffing Levels

For more than 30 years, the number of staff on the State Board of Registration for Engineers and Surveyors remained stable at 7 full-time staff members and 5 part-time board members. In FY 2004, the Board added one full-time investigator. The former investigator was reclassified to board enforcement officer.

State Board of Registration for Engineers and Surveyors Staffing Levels						
Program Series/Division	2002	2003	2004	2005	Estimated	
					2006	2007
Board Members	5	5	5	5	5	5
Administrative Staff	6	6	6	6	6	*
Investigators	1	1	2	2	2	*
Totals	12	12	13	13	13	*

*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 Board licensed over 34,000 engineers and surveyors and over 1,500 firms in FY 2004. Compared to FY 2003, the boards saw an increase of 2.29% in the number of licenses. The Board attributes the increase to Ohio's advantageous business environment. However, in the next biennium, the Board expects individual licenses to either remain stable or temporarily decrease slightly due to retirements within the industry.

ENG Licenses by License Type for FY 2003-2004

License Type	FY 2003	FY 2004
Individual Registrants	33,963	34,654
Firms	1,440	1,558
TOTAL	35,403	36,212

Fee Schedule

H.B. 322 of the 125th General Assembly increased the individual license renewal fee from \$16 to \$20. All other fees have remained the same since July 1991.

	Initial Fee	Exam Registration	Final Registration	Renewal
Individual (PE) License	\$25	\$25	\$30	\$20
Student Exam Registration	n/a	\$75	n/a	n/a
Firm License	\$50	n/a	n/a	\$25

ANALYSIS OF EXECUTIVE PROPOSAL

State Board of Engineers and Surveyors

Purpose: Oversees the licensure and regulation of professional engineers and surveyors and enforces laws relating to these professions

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

Fund	ALI	Title	FY 2006	FY 2007
General Services Fund				
4K9	892-609	Operating Expenses	\$1,058,881	\$0
Total Funding: State Board of Engineers and Surveyors			\$1,058,881	\$0

Program Description: The State Board of Engineers and Surveyors protects the health, safety, and welfare of the public by ensuring that only properly qualified individuals and businesses become registered and to enforce Chapter 4733. of the Revised Code to ensure that unregistered individuals are not providing services consistent with established standards and codes of ethics.

Funding Source: GSF 4K9

Line Items: 892-609, Operating Expenses

Implication of Executive Recommendation: The Executive recommendation fully funds the State Board of Registration for Professional Engineers and Surveyor’s budget request and provides an additional \$17,512 to offset costs associated with the CAVU licensing system. The amount recommended allows the Board to maintain current service levels.

Temporary Law:

Board Consolidation (Section 315.03). The Executive's recommendation includes a provision that consolidates the Engineers and Surveyors Board 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 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 executive recommendation fully funds the budget request of the State Board of Engineers and Surveyors at \$1,058,881 in FY 2006. The Executive recommends no appropriation in FY 2007 as the State Board of Engineers and Surveyors is slated for consolidation within the Department of Commerce.

General Services Fund Group

4K9 892-609 Operating Expenses

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
\$905,627	\$964,899	\$1,040,455	\$1,081,369	\$1,058,881	\$0
	6.5%	7.8%	3.9%	-2.1%	-100.0%

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

Legal Basis: ORC Chapter 4733; Section 46 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: This appropriation supports the general operating expenses, including payroll, supplies, and equipment for the State Board of Registration for Professional Engineers and Surveyors. The Board licenses and regulates engineers, surveyors, and engineering and surveying firms.

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>
ENG Engineers and Surveyors, State Board of								
4K9	892-609	Operating Expenses	\$ 1,040,455	\$1,081,369	\$ 1,058,881	-2.1%	\$ 0	-100.0%
General Services Fund Group Total			\$ 1,040,455	\$ 1,081,369	\$ 1,058,881	-2.1%	\$ 0	-100.0%
Total All Budget Fund Groups			\$ 1,040,455	\$ 1,081,369	\$ 1,058,881	-2.1%	\$ 0	-100.0%