

Ohio State Barber Board

Senate Finance and Financial Institutions Committee

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Legislative Service Commission*

April 19, 2005

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LSC Redbook

for the

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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>Illegal Barber Shops</i>	<i>2</i>
<i>Reclassifications.....</i>	<i>3</i>
<i>Staffing Levels</i>	<i>3</i>
Facts and Figures	4
<i>Licensees</i>	<i>4</i>
<i>Fee Schedule.....</i>	<i>4</i>
<i>Inspections</i>	<i>5</i>
Analysis of Executive Proposal.....	6
Attachments:	
Catalog of Budget Line Items	
LSC Budget Spreadsheet By Line Item: Executive to House Passed	
Compare Document: Permanent and Temporary Law	

April 19, 2005

Ohio State Barber Board

- Contributed \$40,189 to the GRF in FY 2004
- Licensed over 12,500 barbers, barber school teachers, barber shops, and barber schools in FY 2004
- Planned consolidation within the Department of Commerce in FY 2007

OVERVIEW

The Ohio State Barber Board 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 State Barber Board was established in 1934 to ensure that the consuming public was protected from communicable diseases. The Board requires all barbers to attend a licensed barber school, after which they must pass an examination to determine their ability and competence. Additionally, licensed barbers must possess knowledge of skin diseases. In addition to licensing barbers, the Board also regulates barber schools and barber shops. Other activities undertaken by the Board include the inspections of barbershops and schools, setting standards for licensure and enforcement of those standards through examinations, investigations, and disciplinary actions. Though the Barber Board does not receive or spend any GRF funding, it transferred \$40,189 to the GRF in FY 2004 from the Occupational Licensing and Regulatory Fund (Fund 4K9).

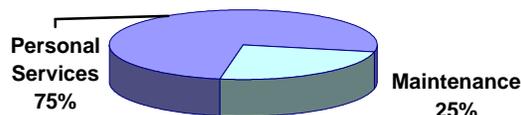
Executive Recommendation for FYs 2006-2007

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 recommended funding for the Board of \$568,126 for FY 2006, representing an increase of 2.4% over FY 2005 estimated spending. The Executive recommends no appropriation in FY 2007 as the Barber Board is slated for consolidation within the Department of Commerce.

The following pie chart illustrates the Barber Board’s Executive recommendation for FYs 2006-2007 by object code. Like many other licensing and regulatory boards, the vast majority of the Barber Board's expenses are for personal services, such as payroll, health care, and fringe benefit costs. The Governor’s recommendation includes an increase in personal service spending of 11.4% in FY 2006 over FY 2004 levels. The Barber Board did not request spending authority for purchased services or equipment for the FY 2006-2007 biennium.

FYs 2006-2007 Recommended Budget By Object Code



Revenues and Expenditures

The Board renews its licenses biennially. During the previous biennium, the Board was granted an increase in its fee structure as a result of increased expenses and a temporary decrease in the number of barbers. The Ohio State Barber Board’s revenue for the FY 2003-2004 renewal cycle was \$1,061,585. The adjoining table illustrates the Board's revenues from FY 2001 to FY 2006 (FYs 2005-2006 revenues are based on estimates). The substantial increase in revenue reflects a fee increase granted to the Board in FY 2002.

Barber Board Revenues by Renewal Cycle

	FYs 2001-2002	FYs 2003-2004	FYs 2005-2006
Revenue	\$1,013,510	\$1,061,585	\$1,428,483
Expenditures	\$900,641	\$939,872	\$1,123,163
Net	\$112,869	\$121,713	\$305,320

According to data submitted to LSC in October 2004 for the *Occupational Licensing and Regulatory Boards Annual Report for Fiscal Year 2004*, the Board’s expenditures for the FYs 2003-2004 renewal cycle were \$939,872. Compared with revenue of \$1,061,585 for the two-year span, the Board realized a net gain of \$121,713. In addition to increased payroll expenses, implementation of the CAVU licensing system, a licensing application used by many of Ohio’s boards and commissions, will create additional expenses for the Board. The share of the CAVU cost the Board must bear (based on the number of licenses in its database) is roughly \$13,000 in FY 2006. However, the Governor’s recommendation includes additional funding above estimated FY 2005 levels to offset this new expense.

Illegal Barber Shops

The Barber Board is currently attempting to address a situation that is occurring within the barbering craft in the state of Ohio. The Board has found that many foreign individuals are coming to Ohio looking for employment and are in need of barbering services. As such, a significant number of unlicensed individuals are cutting hair, posing a potentially serious problem concerning public health and safety. In addition, the Board states that these illegal shops are resulting in lost income tax revenue to the state. The Executive's recommendation allows the Board to maintain current service levels, but within these funding levels, it will be a challenge to find illegal barbers and make sure they are licensed.

Reclassifications

The Board reclassified its four inspectors in FY 2005 in an effort to compensate them at a rate comparable to that of inspectors employed by the State Board of Cosmetology, who perform similar inspection work. The Barber Board states that this will increase payroll costs by \$5,000 in FY 2005 and \$6,000 in FY 2006.

Staffing Levels

Ohio State Barber Board Staffing Levels						
Program Series/Division	2002	2003	2004	2005	Estimated	
					2006	2007
Board Members	3	3	3	3	3	3
Administrative Staff	3	3	3	3	3	*
Investigators	4	4	4	4	4	*
Totals	10	10	10	10	10	*

* 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

Licensees

As of FY 2004, the Board was regulating more than 9,300 barbers, more than 3,100 shops, 61 teachers, and 17 schools. In the FY 2004-2005 biennium, the Barber Board has opened two new schools in Toledo and Cincinnati with another school in Athens being a possibility. The adjacent table displays the licensees by license type in FY 2002 and FY 2004.

Barber Board Licensees by License Type

<u>License Type</u>	<u>FY 2002</u>	<u>FY 2004</u>
Barber	9,030	9,365
Barber School Teacher	50	63
Barber Shop	3,141	3,128
Barber Schools	14	17
TOTALS	12,235	12,571

Fee Schedule

In FY 2002, the Board was granted a fee increase that allowed the Board to meet increased operating costs for FYs 2005-2007. The table below lists the Board's fee structure.

Barber Board Fee Structure

<u>Barber Board License/Fee</u>	<u>Fee Amount</u>
Barber Exam Application Fee	\$90
Barber Re-Take Exam Fee	\$45
Barber License Fee	\$30
Barber Renewal Fee	\$110
Barber Expired License Restoration Fee + Each Year Lapsed (not to exceed \$460/student)	\$150 \$75
Barber or Shop Duplicate License Fee	\$45
Shop Inspection and Issuance of License	\$110
Shop Renewal	\$75
Shop License Restoration	\$110
School - New Inspection Fee	\$750
School - Initial License Fee	\$1,000
School Renewal	\$1,000
School Restoration of License Fee	\$1,000
Student Registration Fee	\$40
Teacher - Exam and New License Fee	\$185
Teacher Renewal	\$150
Teacher/Assist. Teacher License Restoration + Each Year Lapsed (not to exceed \$300/teacher)	\$225 \$60
Reciprocal Barber License	\$300
Provision of licensing information to applicant	\$40

Inspections

In FY 2004, the Board made 6,713 random inspections of barbershops resulting in 171 actual violations being written. The Board also completed 40 investigations. As a result of the inspections and investigations, a total of \$10,300 was received from fines imposed for violations.

ANALYSIS OF EXECUTIVE PROPOSAL

Ohio State Barber Board

Purpose: License and regulate barbers, barber shops, and barber schools

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

Fund	ALI	Title	FY 2006	FY 2007
General Services Fund				
4K9	877-609	Operating Expenses	\$568,126	\$0
Total Funding: Ohio State Barber Board			\$568,126	\$0

Program Description: In accordance with Chapter 4709. of the Revised Code, the Ohio State Barber Board licenses barbers, barber shops, and barber schools and teachers; conducts health, sanitation, and safety related inspections of shops and schools; sets the standards for licensure; and enforces its standards through examinations, investigations, and disciplinary actions.

Funding Source: GSF Fund 4K9

Line Items: 877-609, Operating Expenses

Implication of Executive Recommendation: While the Executive recommended an increase over estimated FY 2005 spending for the Board to assist in the cost of CAVU and Firewall charges, the amount is less than the Board's original request. The Board states that, based on recommended FY 2006 funding levels, it will have to eliminate its part-time inspector, allow no overnight travel for its four inspectors, reduce the number of Board meetings, and limit the number of classes and meetings attended by staff.

Temporary Law: Board Consolidation (Section 315.03). The Executive's recommendation includes a provision that consolidates the Barber Board into the Department of Commerce beginning in FY 2006. The provision also includes the creation of a transition team to plan and effectuate the proposed merger of BRB 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

Barber Board - Operating Expenses						
Fund Line Item	FY 2006 Requested	FY 2006 Recommended	Difference	FY 2007 Requested	FY 2007 Recommended	Difference
4K9 877-609	\$571,688	\$568,126	(\$3,562)	\$588,839	\$0	(\$588,839)

The Executive recommendation does not fund a part-time inspector that would assist in conducting approximately 500-800 additional random inspections per year. 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 877-609 Operating Expenses

2002	2003	2004	2005 Estimate	2006 House Passed	2007 House Passed
\$435,729	\$475,496	\$464,379	\$555,037	\$568,126	\$0
	9.1%	-2.3%	19.5%	2.4%	-100.0%

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

Legal Basis: ORC 4709.04 and 4743.05; Section 22 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: The funds in this line item are used for general operating expenses, including payroll, supplies, and equipment for the Ohio State Barber Board. The Board protects the health and welfare of the public by setting standards for the licensure of barbers, barber shops, schools, and teachers and by enforcing its standards through examination, renewal, clinical inspection, investigation, and disciplinary action.

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

<i>Fund</i>	<i>ALI</i>	<i>ALI Title</i>	<i>Estimated 2005</i>	<i>As Introduced 2006</i>	<i>House Passed 2006</i>	<i>% Change Est. 2005 to House 2006</i>	<i>As Introduced 2007</i>	<i>House Passed 2007</i>	<i>% Change House 2006 to House 2007</i>
BRB		Barber Examiners, Board of							
4K9	877-609	Operating Expenses	\$555,037	\$ 568,126	\$ 568,126	2.4%	\$ 0	\$ 0	-100.0%
General Services Fund Group Total			\$ 555,037	\$ 568,126	\$ 568,126	2.4%	\$ 0	\$ 0	-100.0%
Total All Budget Fund Groups			\$ 555,037	\$ 568,126	\$ 568,126	2.4%	\$ 0	\$ 0	-100.0%

As Introduced (Executive)

As Passed by the House

(CD-904-BRB) Barber Board's Annual Review of Rules

No provision.

R.C. 4709.05

Requires the Barber Board to review annually its rules in order to compare those rules with those adopted by the State Board of Cosmetology. If the Barber Board determines that rules adopted by the State Board of Cosmetology (including rules concerning technical career schools) would be beneficial to the barbering profession, the Barber Board must adopt similar rules.

Fiscal effect: Potential minimal increase in expenditures as a result of rule-making responsibilities, especially if changes are made as a result of this review.

As Introduced (Executive)**As Passed by the House****(CD-418-BRB) Consolidation of Regulatory Boards****Section: 315.03**

Consolidates the occupational licensing boards into the departments of Health, Public Safety, or Commerce not later than July 1, 2006. In the case of the Ohio State Barber Board, the Board will be consolidated into the Department of Commerce. The directors of Budget and Management, Administrative Services, Commerce, Health, and Public Safety shall appoint representatives to a transition team. The team shall develop a plan for the smooth and timely consolidation of the boards and shall also address the details of the consolidation. The team shall submit a report containing recommendations and the details of the consolidation not later than December 31, 2005 to the Governor, Speaker of the House, and President of the Senate. A bill will be introduced in fiscal year (FY) 2006 that will include the necessary statutory changes and appropriations for consolidation. (See the item entitled "Consolidation of Regulatory Boards" in the Department of Commerce).

Fiscal effect: The Board will receive no appropriation in FY 2007. The total fiscal effect is unknown at this time since the specifics of the transfer will not be addressed until FY 2006.

Section: 315.03

Same as the Executive.