

# **State Board of Cosmetology**

**Senate Finance and Financial Institutions Committee**

*Jason Phillips, Budget Analyst  
Legislative Service Commission*

*May 2, 2007*

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

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*May 2, 2007*

# Ohio State Board of Cosmetology

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- Executive recommendation of \$3,533,679 in each fiscal year
- Expected to move into new facility in July 2007 that will accommodate more exam candidates to test and become licensed

## OVERVIEW

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.

The State Board of Cosmetology is part of the Occupational Licensing and Regulatory Fund (Fund 4K9). The 4K9 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.

## Highlights of the Current Biennium

In the current biennium, the State Board of Cosmetology has prepared to expand its Exam Center. In May of 2006, the Board sought an increase in its appropriation of \$582,500, part of which funded relocation expenses to the improved testing site and office space as well as new equipment needed to expand testing capacity. The larger exam center, to be located in Grove City, Ohio, will allow the Board to administer tests to 50 cosmetologists daily, up from the previous capacity of 32. Corresponding to the increased testing space, the Board used most of the balance of the increased appropriation to hire two additional examiners to accommodate the additional students taking examinations and three customer service positions that process and distribute licenses and continuing education requirements.

The Board also revamped the renewal process including simplified instructions, redesigned all licenses with new colors and greater security features to reduce fraud, and redesigned the Board's web site for easier navigation and search for continuing education classes. In May of 2006, the Controlling Board also approved an increase in the Board's fees (see the Facts and Figures section below). No fees were raised by more than 50%. The Board estimated the additional revenue generated by the fees to be approximately \$2 million per biennium. This revenue has enabled the Board to hire the additional staff mentioned above.

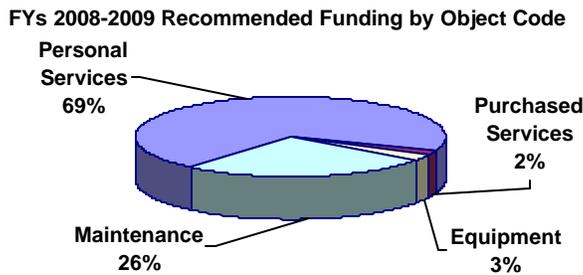
## Revenues and Expenditures

The Ohio State Board of Cosmetology's revenue for the FY 2005-2006 renewal cycle was \$5,477,113 and the Board's expenditures were \$5,296,584 for this period, resulting in a net gain of \$180,529 for the period. The Board reports that revenue is extremely strong and shows no signs of reduction in the near future. Expenditures from FYs 2003-2006 remained steady. However, as noted above, the Board received an increase in its appropriation and an increase in fees through Controlling Board action in FY 2006 that will likely raise revenue and spending levels in FY 2007 and into the upcoming biennium. The table below illustrates the Board's revenues and expenditures from FY 2003 to FY 2006 by the Board's biennial renewal cycle.

State Board of Cosmetology Revenues and Expenditures by Renewal Cycle, FYs 2003-2006		
	FYs 2003-2004	FYs 2005-2006
Revenue	\$5,449,286	\$5,477,113
Expenditures	\$5,217,466	\$5,296,584
Net	\$231,820	\$180,529

## Executive Recommendation for FYs 2008-2009

The executive recommends funding of \$3,533,679 for FY 2008 and the same amount for FY 2009, representing flat funding from FY 2007 adjusted appropriations. The pie chart below illustrates the Board's expenses by object code for the FY 2008-2009 biennium. 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. While there is no overall recommended increase or decrease in the Board's overall budget over FY 2007 adjusted appropriations, the Governor recommends an increase in personal services spending in FY 2008 and FY 2009 of 6.1% and 3.5%, respectively.



## Summary of FYs 2008-2009 Budget Issues

The Board's first major challenge for the upcoming biennium will be to plan and implement the move into the new building housing administrative staff and the expanded testing facilities. As noted above, a Controlling Board request approved in May of 2006 appropriated additional funds, which the Board has partially used to relocate and purchase the necessary equipment for the testing center. The Board reports that the transition to the new facility is slightly delayed due to inclement weather, but it is expecting to move into the new facility in July 2007.

The second major challenge for the Board will be in implementing a new nationally recognized exam for Ohio students in cosmetology schools. The new exam is to be purchased from the National Interstate Council of State Boards of Cosmetology (NIC) and is scheduled to be ready for implementation by July 1, 2007. In implementing the new exam, the Board has worked with the Ohio Department of Education, cosmetology school owners, licensees, and students to ensure a smooth transition to the new

exam. The new exam has practical and computer-based theory sections. School owners and cosmetology students have complained that the current exam does not reflect what a typical cosmetologist, esthetician, or manicurist would practice. The Board has begun a marketing campaign consisting of regional visits to cosmetology schools in which training is performed to ensure that all vocational and private cosmetology schools take part in the transition.

The Board is also making an effort to replace its vehicle fleet. The Board reports that many of the vehicles in its 14-vehicle fleet, which are used by inspectors, have not been replaced according to DAS vehicle retention schedules. For instance, all but three of the Board's vehicles have over 90,000 miles on them. Of those 11, three have 120,000 or more miles. In the upcoming biennium, the Board plans to purchase six new vehicles (three per fiscal year).

### Staffing Levels

In May of 2006, the State Board of Cosmetology received an increase in its FY 2007 appropriation through the Controlling Board that, among other things, allowed the Board to hire two examiners and three customer service positions that process and distribute licenses and continuing education requirements.

State Board of Cosmetology Staffing Levels						
Program Series/Division	2004	2005	2006	2007	Estimated	
					2008	2009
Board Members	9	9	9	9	9	9
Administrative Staff	11	12	13	16	16	16
Education & Testing	7	7	9	11	11	11
Inspection & Investigations	16	15	14	14	14	14
<b>Totals</b>	<b>43</b>	<b>43</b>	<b>45</b>	<b>50</b>	<b>50</b>	<b>50</b>

## FACTS AND FIGURES

### Active Licenses

The table below lists the number of active licenses overseen by the State Board of Cosmetology by license type in FY 2006.

<b>Cosmetology Board Active Licenses, FY 2006</b>	
<b>Licenses</b>	<b>FY 2006</b>
Individuals	94,895
Salons	11,148
Independent Contractors	9,825
Tanning Facilities	2,526
Schools	156
<b>TOTAL</b>	<b>118,550</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 \$75 for a new license and \$60 for a renewal. The Board received Controlling Board approval in May of 2006 to increase its fees. No fee was increased by more than \$15 or 50%.

<b>Cosmetology Board Licenses Fees</b>		
<b>Fee Structure</b>	<b>New License</b>	<b>Renewal</b>
<b>Salons</b> (Beauty, Nail, Esthetics, Hair Design, Natural Hair Stylist, Tanning Facility)	\$75	\$60
<b>Independent Contractor</b>	\$75	\$60
<b>Cosmetologist/Manicurist/Esthetician</b> (includes Managing Cosmetologists, Manicurists, Estheticians)	\$45	\$45
<b>Instructor</b> (Cosmetology, Manicuring, Esthetics, Hair Design, and Natural Hair Stylist)	\$45	\$45
<b>Stylist</b> (Hair Designer, Natural Hair, Managing Natural Hair, Managing Hair Designer)	\$45	\$45

## ANALYSIS OF EXECUTIVE PROPOSAL

### Single Program Series

### Operating Expenses

**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 2008	FY 2009
<b>General Services Fund Group</b>				
4K9	879-609	Operating Expenses	\$3,533,679	\$3,533,679
<b>General Services Fund Group Subtotal</b>			<b>\$3,533,679</b>	<b>\$3,533,679</b>
<b>Total Funding: State Board of Cosmetology</b>			<b>\$3,533,679</b>	<b>\$3,533,679</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 recommendation fully funds the Cosmetology Board's budget request for FYs 2008 and 2009 and will allow the Board to expand to a larger operations center that will allow for more candidates to test and become licensed in Ohio. Additionally, the executive recommendation provides for a new cosmetology exam that focuses more on sanitation and consumer safety.

### Permanent and Temporary Law Provisions

None

## **REQUESTS NOT FUNDED**

The executive recommendation fully funds the Cosmetology Board's budget request for FYs 2008 and 2009 at \$3,533,679 in each fiscal year and will allow the Board to expand to a larger operations center that will allow for more candidates to test and become licensed in Ohio. Additionally, the executive recommendation provides for a new cosmetology exam that focuses more on sanitation and consumer safety.

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## General Services Fund Group

### 4K9 879-609 Operating Expenses

2004	2005	2006	2007 Estimate	2008 House Passed	2009 House Passed
\$2,569,432	\$2,674,296	\$2,622,288	\$3,533,679	<b>\$3,533,679</b>	<b>\$3,533,679</b>
	4.1%	-1.9%	34.8%	<b>0.0%</b>	<b>0.0%</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 251.10 of H.B. 119 of the 127th G.A. (originally established by Am. Sub. H.B. 152 of the 120th G.A.)

**Purpose:** This appropriation is used to support general operating expenses, including payroll, supplies, and equipment for the Ohio State Board of Cosmetology. The Board licenses and regulates individuals and salons in the fields of cosmetology, esthetics, manicuring, and tanning.

## LSC Budget Spreadsheet by Line Item, FY 2008 - FY 2009

<i>Fund</i>	<i>ALI</i>	<i>ALI Title</i>	<i>Estimated</i> 2007	<i>As</i> <i>Introduced</i> 2008	<i>House Passed</i> 2008	<i>% Change</i> <i>Est. 2007 to</i> <i>House 2008</i>	<i>As</i> <i>Introduced</i> 2009	<i>House Passed</i> 2009	<i>% Change</i> <i>House 2008 to</i> <i>House 2009</i>
<b><i>COS</i></b>		<b><i>Cosmetology, State Board of</i></b>							
4K9	879-609	Operating Expenses	\$3,533,679	\$ 3,533,679	\$ 3,533,679	0.0%	\$ 3,533,679	\$ 3,533,679	0.0%
<b>General Services Fund Group Total</b>			<b>\$ 3,533,679</b>	<b>\$ 3,533,679</b>	<b>\$ 3,533,679</b>	<b>0.0%</b>	<b>\$ 3,533,679</b>	<b>\$ 3,533,679</b>	<b>0.0%</b>
<b>Total All Budget Fund Groups</b>			<b>\$ 3,533,679</b>	<b>\$ 3,533,679</b>	<b>\$ 3,533,679</b>	<b>0.0%</b>	<b>\$ 3,533,679</b>	<b>\$ 3,533,679</b>	<b>0.0%</b>