

LSC Redbook

Analysis of the Executive Budget Proposal

Ohio State Barber Board

Terry Steele, Budget Analyst
Legislative Service Commission

March 2011

TABLE OF CONTENTS

OVERVIEW	1
Agency Overview.....	1
Appropriation Overview	1
Fees and Fund 4K90	2
ANALYSIS OF EXECUTIVE PROPOSAL	4
Licenses	4
Investigation and Enforcement Statistics.....	5

ATTACHMENTS:

- Catalog of Budget Line Items
- Budget Spreadsheet By Line Item

Ohio State Barber Board

- Recommended funding of \$656,320 in FY 2012 and \$649,211 in FY 2013
- Oversees approximately 12,100 barbers and barber shops

OVERVIEW

Agency Overview

The Ohio State Barber Board (BRB) was established in 1934 to retard the spread of communicable diseases by establishing and enforcing standards of practice in barber shops. The Board continues to help regulate barbers in Ohio by providing licenses to barbers, barber shops, and barber schools. Licenses to individual barbers are granted upon the successful completion of an accredited school's program and an examination, which includes being able to identify the skin diseases of the head, face, and neck. The Board also conducts random inspections of barber shops to ensure that standards of hygiene are met.

The Board's governing authority consists of three members appointed by the Governor: two licensed barbers and one member of the public. Board members are compensated for time spent discharging the Board's duties and for actual expenses incurred. The day-to-day operations of the Board are handled by the executive director and six other full-time employees, including two administrative assistants and four inspectors. The Board receives no GRF funding; rather, it is entirely supported by fees and other assessments paid by barbers and barber schools.

Appropriation Overview

The executive recommends funding of \$656,320 in FY 2012, a 9.2% increase over the FY 2011 estimate of \$600,851. The recommended funding for FY 2013 is \$649,211, a decrease of 1.1% when compared to the recommended FY 2012 amount. As a regulatory body, personnel costs are BRB's largest expense, accounting for 82% of the funding proposed for the FY 2012-FY 2013 biennium. The remaining 18% is slated for supplies and maintenance costs.

BRB receives assistance for certain administrative functions from the Central Service Agency (CSA) within the Department of Administrative Services. These services include help in budget development, fiscal processing, human resources management, and so forth. BRB paid \$17,800 for these services in FY 2010 and expects to pay approximately \$18,900 for them in FY 2011. For the FY 2012-FY 2013 biennium, BRB estimates that CSA services will cost approximately \$18,600 in each fiscal year.

Like other licensing boards, BRB uses the eLicensing system, an online tool that allows for license applications and renewals to be processed and stored electronically. BRB stores approximately 34,500 records in the system. This accounts for approximately 2.3% of the eLicensing application's total capacity. The Board expects its share of expenses for the system to be \$7,700 in each fiscal year of the FY 2012-FY2013 biennium.

Readers should note that the Governor's funding proposal includes \$2 million in FY 2012 and \$1 million in FY 2013 under The Department of Administrative Services budget to replace the current licensing system used by occupational licensing and regulatory boards. The replacement system, referred to as the Ohio Professionals Licensing System, is intended to improve the security, stability, and functionality available to the system's users.

Finally, unlike prior years, the Board will be required to pay the cost of its biennial audit conducted by the Auditor of State during the FY 2012-FY 2013 biennium. This is a result of S.B. 155 of the 128th General Assembly., which became effective on March 31, 2010. In the past, the cost of state agency audits was paid for by the Department of Administrative Services, but funding for that purpose was eliminated in H.B. 1 of the 128th General Assembly, the FY 2010-FY 2011 biennial budget bill. The Board anticipates that the cost of its biennial audit will be in the range of \$8,000-\$12,000.

Fees and Fund 4K90

The Board issues four primary licenses. Fees for licenses and certifications were last increased in FY 2004. Table 1 below shows the current fees for these licenses.

License Type	Fee
Barber	\$110
Barber School	\$1,000
Barber Shop	\$75
Barber Teacher	\$150

Fee revenue collected by the Board is deposited into the Occupational Licensing and Regulatory Fund (Fund 4K90). This is a shared pool of funding, derived mostly from licensing fees, used by 28 boards and commissions to support their licensing and regulatory functions. BRB renews licenses every other year in odd-numbered years. This means that in renewal years, BRB sees a large increase in revenues, exceeding operating expenses for the fiscal year. Correspondingly, in the off years, operating expenses incurred during the year exceed fee intake. However, as is the case with most boards that renew on a two-year cycle, there is generally a net positive balance over the two-year licensing cycle.

Table 2 below shows BRB's operating results over the FY 2006-FY 2010 period, encompassing two renewal cycles. As explained immediately above, notice that BRB's biennial renewal cycle results in significant fluctuations in the amount of revenue received on a year-to-year basis, with the vast majority of revenue coming in the odd-numbered fiscal years when licenses are renewed. License revenue collected in the odd-numbered fiscal years of the two-year renewal cycle covers the deficit created in even-numbered fiscal years when little revenue is collected. Nevertheless, over recent two-year renewal cycles, BRB's revenues have consistently exceeded expenditures.

Table 2. Revenues and Expenditures, FY 2006 to FY 2010					
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Revenue	\$159,154	\$1,346,293	\$147,155	\$1,336,720	\$174,131
Expenditures	\$516,126	\$571,162	\$600,850	\$649,859	\$613,514
Net	(\$356,972)	\$775,131	(\$453,695)	\$686,861	(\$439,383)

ANALYSIS OF EXECUTIVE PROPOSAL

Governor's Recommended Funding for BRB				
Fund	ALI and Name		FY 2012	FY 2013
General Services Fund Group				
4K90	877609	Operating Expenses	\$656,320	\$649,211

Fund 4K90 line item 877609, Operating Expenses, is used to pay for all of BRB's operating expenses. The proposed funding for FY 2012 is \$656,320, 9.2% over the FY 2011 estimate of \$600,851. The amount recommended for FY 2013 is \$649,211, a 1.1% decrease compared to the FY 2012 amount. The Board currently employs seven full time equivalents. These include the executive director, four inspectors, and two administrative assistants.

During the current biennium, BRB has taken some steps to reduce administrative expenses. The first of these is an effort to make applications and other forms available on its website, thereby reducing postage costs. The Board sends approximately 24,000 pieces of mail during renewal years. A second step has been to allow one of the inspectors to work four 10-hour days instead of five 8-hour days, thereby reducing travel expenses.

As noted in the overview, during the FY 2012-FY 2013 biennium, the Board will be required to pay the cost of its biennial audit conducted by the Auditor of State. BRB projects that cost to be in the \$8,000-\$12,000 range.

Licenses

Table 3 shows the number of active licenses issued by the Board in FY 2009 and FY 2010. The number of active licenses overseen in FY 2010 was 12,204, a 6.1% increase over the FY 2009 figure of 11,502. A general observation about the profession of barbering in Ohio is that, while barbers are becoming scarcer in the rural areas of Ohio, the overall number of licensed barbers and barber shops has increased in urban areas. This is due in part to a substantial rise in the number of barbers immigrating to urban areas of the state from other countries.

License Type	FY 2009	FY 2010	% Change
Barber	8,456	8,915	5.4%
Barber School	17	17	0.0%
Barber Shop	2,966	3,200	7.9%
Barber Teacher	63	72	14.3%
Total	11,502	12,204	6.1%

Investigation and Enforcement Statistics

The Board conducts random inspections of barber shops and investigates complaints concerning allegations of incompetent or unhygienic practitioners. In FY 2010, the Board conducted 8,081 random inspections and 118 investigations. There were 132 violations cited, resulting in fines of \$12,225. These enforcement statistics are summarized in Table 4 below.

Enforcement Action	Amount
Random Inspections	8,081
Investigations	118
Violations	132
Disciplinary Hearings	0

BRB.docx / th

Board of Barber Examiners

General Services Fund Group

4K90 877609 Operating Expenses

FY 2008	FY 2009	FY 2010	Estimate FY 2011	Introduced FY 2012	Introduced FY 2013
\$600,851	\$650,190	\$615,050	\$600,851	\$656,320	\$649,211
	8.2%	-5.4%	-2.3%	9.2%	-1.1%

Source: General Services Fund Group: License fees and other assessments collected by the state's professional and occupational licensing boards

Legal Basis: ORC 4709.04 and 4743.05; Section 227.10 of Am. Sub. H.B. 1 of the 128th 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 Barber Board. Uncodified law requires that the Barber Board distribute the amounts collected under ORC 4709.12(C) to the Ed Jeffers Barber Museum. These amounts are separate donations made and submitted when licenses are renewed and are directly remitted to the Museum by the Board. The Board renews licenses on a biennial basis.

FY 2012 - FY 2013 Introduced Appropriation Amounts

All Fund Groups

Line Item Detail by Agency			FY 2010	Estimate FY 2011	Introduced FY 2012	FY 2011 to FY 2012 % Change	Introduced FY 2013	FY 2012 to FY 2013 % Change
Report For Main Operating Appropriations Bill			Version: As Introduced					
BRB Board of Barber Examiners								
4K90	877609	Operating Expenses	\$ 615,050	\$ 600,851	\$ 656,320	9.23%	\$ 649,211	-1.08%
General Services Fund Group Total			\$ 615,050	\$ 600,851	\$ 656,320	9.23%	\$ 649,211	-1.08%
Board of Barber Examiners Total			\$ 615,050	\$ 600,851	\$ 656,320	9.23%	\$ 649,211	-1.08%