

LSC Redbook

Analysis of the Executive Budget Proposal

State Board of Registration for Professional Engineers and Surveyors

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ATTACHMENTS:

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

State Board of Registration for Professional Engineers and Surveyors

- Recommended budget of \$934,264 in FY 2012 and \$921,778 in FY 2013
- Recommended budget is likely to result in layoff of one clerical employee
- Requested change to biennial renewal cycle

OVERVIEW

Agency Overview

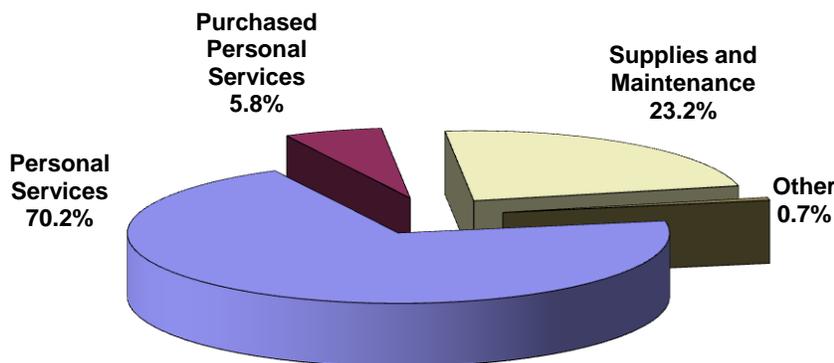
The State Board of Registration for Professional Engineers and Surveyors (ENG) regulates the professions of engineering and surveying to protect the health, safety, and welfare of the public by ensuring that only properly qualified individuals and businesses become registered, and that the services provided by these registrants are consistent with established standards and codes of ethics. ENG's governing body consists of five members appointed by the Governor, including four professional engineers (one of which must also be a professional surveyor) and one professional surveyor, each of whom must meet certain qualifications. The Board must meet at least twice per year but generally meets monthly. Members receive a per diem amount fixed by state law when attending to board matters and are reimbursed for expenses incurred in the discharge of their duties. ENG's day-to-day operations are handled by an executive director who is appointed by the Board. Including the Executive Director, ENG currently has eight full-time staff with an annual budget of \$902,772 in FY 2011. The Board receives no GRF funding; rather, it is entirely supported by fees.

Appropriation Overview

The executive recommends \$934,264 for FY 2012, which represents a 3.5% increase compared to the FY 2011 budget. The FY 2013 recommendation of \$921,778 is 1.3% below that for FY 2012. Though these amounts are slightly higher than the Board's budget for FY 2011, rising payroll and maintenance costs are likely to result in the layoff of the Board's clerical staff member.

As a regulatory agency, personnel costs account for the largest share of operating expenses. As seen from the chart below, 70% of the executive budget recommendations for the biennium are for personal services, 23% are for supplies and maintenance, 6% are for purchased services, and 1% is for other expenses, such as equipment and refunds.

**Chart 1: Biennial Executive Budget Recommendations
by Expense Category, FY 2012-FY 2013**



As with many other licensing boards and commissions, the Board receives centralized administrative support provided by the Central Service Agency (CSA) of the Department of Administrative Services. These services include items such as budget development, Controlling Board assistance, management consultation, procurement, fiscal processing, human resources, and payroll. These centralized services help increase overall efficiency. ENG paid approximately \$20,800 for these services for FY 2010. The cost for FY 2011 is estimated to rise to about \$23,600. For the upcoming biennium, these charges are currently estimated to decline to \$22,300 per fiscal year. However, it is important to note that the FY 2012-FY 2013 estimates were prepared before the Governor's Blue Book was published, and thus are subject to change.

The executive proposal includes \$2 million in FY 2012 and \$1 million in FY 2013 under CSA's budget to replace the current licensing system used by occupational licensing and regulatory boards with a new system, referred to as the Ohio Professionals Licensing System (OPLS). OPLS is intended to improve the security, stability, and functionality available to the system's users.

Fee Revenues and Fund 4K90

As mentioned previously, the primary source of operating income for the occupational licensing boards is license fees. ENG registers professional engineers, professional surveyors, and professional engineering and surveying firms. Table 1 below shows the current fees charged by the Board. Registrations must be renewed on an annual basis. In the table below, NCEES stands for National Council of Examiners for Engineering and Surveying, which is a nonprofit organization made up of the engineering and surveying licensing boards across the United States and its territories. This organization is responsible for developing, administering, and scoring the examinations used for engineering and surveying licensure throughout the country.

License Fee	Amount
Standard or NCEES Professional Surveyor Comity Application	\$455
NCEES Modal Law Professional Engineer Comity Application	\$450
Standard or NCEES Professional Engineer Comity Application	\$415
Principles and Practice of Engineering (PE) and Surveying (PS) Exam Application	\$75
Final Registration Fee for Engineers and Surveyors passing PE and PS Exam	\$50
Firm Certificate of Authorization Application Fee	\$50
Dual Registration Renewal (Professional Engineer and Professional Surveyor)	\$40
Fundamental of Engineering (FE)/Fundamentals of Surveying (FS) Exam Application	\$25
Firm Certificate of Authorization Renewal Fee	\$25
Reciprocal License Verification Request Fee	\$24
Professional Engineer/Professional Surveyor Renewal	\$20

ENG has requested a permanent law change in the budget bill to allow licenses to be renewed biennially. If the General Assembly were to approve of this change, there would be a corresponding increase in the renewal fee for professional engineers and surveyors from \$20 to \$40.

Fee revenue collected by the Board is deposited into the Occupational Licensing and Regulatory Fund (Fund 4K90). Twenty-eight occupational licensing and regulatory boards and commissions, including ENG, use Fund 4K90 as an operating account to support their activities. The expectation is for every board to be self-sufficient, generating enough revenues to cover expenses. Table 2 below shows ENG's operating revenue and expenditure history from FY 2006 to FY 2010. During this time, annual revenue has ranged anywhere from \$958,000 to \$1.1 million with these revenues consistently exceeding expenses over this period. Revenue for FY 2011 is expected to be about \$1.05 million in FY 2011. Because of the requested change to a biennial renewal cycle, discussed in more detail in the Analysis of Executive Proposal, FY 2012 revenue is expected to jump to \$1.6 million, then dip to \$0.5 million in FY 2013, for a total of \$2.1 million over the biennium.

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Revenues	\$1,107,600	\$1,045,953	\$1,051,560	\$957,601	\$1,048,336
Expenditures	\$760,986	\$795,831	\$902,772	\$766,545	\$856,889
Net	\$346,614	\$250,122	\$148,788	\$191,056	\$191,477

ANALYSIS OF EXECUTIVE PROPOSAL

ENG's operations are funded by a single line item appropriation within the Occupational Licensing and Regulatory Fund (Fund 4K90). The table below shows the Governor's recommended funding.

Governor's Recommended Funding for ENG				
Fund	ALI and Name		FY 2012	FY 2013
General Services Fund Group				
4K90	892609	Operating Expenses	\$934,264	\$921,778

Fund 4K90, line item 892609, Operating Expenses, supports all of ENG's operating expenses. The recommended funding of \$934,264 in FY 2012 is 3.5% higher than the Board's FY 2011 budget of \$902,772. The FY 2013 amount of \$921,778 is 1.3% lower than that recommended for FY 2012. The proposed increase for FY 2012 is due mostly to an additional \$32,000 or so per year to account for increases in fixed maintenance costs compared to the amounts used for these expenses in FY 2011. The amount allocated for these costs under the recommended budget is roughly \$215,000 per fiscal year. Overall, this includes various expenditures related to CSA services, office rental, information technology and phone services, bank fees, office supplies, travel expenses, and other various interagency services and miscellaneous costs.

While the amount that the executive has budgeted for supplies and maintenance costs is increased for the FY 2012-FY 2013 biennium, the amount budgeted for payroll and fringe benefit costs is largely unchanged from the amount budgeted for these expenses in FY 2011. Specifically, the amount budgeted for payroll is \$652,000 in each fiscal year, up from \$650,000 in FY 2011. This does not appear sufficient to cover additional payroll expenses attributable to the resumption of step increases, the 32-hour pay supplement, and the 27th pay period that will occur in FY 2012.

According to the Board, these factors will likely result in the elimination of the Board's front desk clerical position. If this were to occur, ENG indicated that the Board would need to hire temporary workers during peak workload periods associated with examinations and license renewals. The Board would also have to consider using an automated telephone answering system to help answer calls. Overall, the result could be delays in licensure, renewal, and enforcement activities and reduced levels of customer service.

Audit Costs

During the FY 2012-FY 2013 biennium, ENG will be required to pay the cost of its biennial audit conducted by the Auditor of State. This is because S.B. 155 of the 128th General Assembly, effective March 31, 2010, requires all state agencies to pay for

their own audits. In the past, the cost of state agency audits was paid for by the Department of Administrative Services. However, funding for that purpose was eliminated by Am. Sub. H.B. 1 of the 128th General Assembly (the FY 2010-FY 2011 biennial budget bill). As a result of this change, the Board will incur an estimated audit cost of \$11,300 during FY 2011. For the Board's next audit, which will occur in FY 2013, ENG has budgeted \$15,000.

Requested Change to Biennial Renewal Cycle

Under current law, individuals and firms regulated by ENG are required to renew their licenses annually. ENG has requested a permanent law change in the budget bill to allow licenses to be renewed every two years. Because this analysis was prepared before the Governor's budget language was finalized, it is unknown whether this change will be included as part of the Governor's proposal. Under a biennial renewal cycle, there are significant fluctuations in the amount of revenue received on a year-to-year basis, with the vast majority of revenue coming in one fiscal year. The "on" year of the two-year renewal cycle covers the deficit created in the "off" year when little license fee revenue is received. If approved, ENG expects this change to save approximately \$28,000 over the biennium from lower postage, printing, and credit card transaction costs. Of the 28 occupational licensing and regulatory boards that operate out of Fund 4K90, 17 renew biennially, 10 renew annually, and one renews triennially.

Continuing Professional Development Audits

H.B. 322 of the 125th General Assembly mandated that professional engineers and surveyors complete 15 hours of continuing professional development each year. Beginning in calendar year 2008, registrants seeking renewal were to have completed the required number of hours over the past year. While the Board's goal is to audit 5% of registrants to ensure that they are meeting these requirements, staffing constraints meant that only 250 registrants were audited in FY 2010. Still, this level of audit activity is higher than the 100 audits conducted annually in FY 2008 and FY 2009. Of the individuals audited in FY 2010, 36 were found not to have completed the necessary coursework. Ultimately, seven licensees were disciplined due to noncompliance. By statute, noncompliant registrants have up to six months to attend the necessary classes. The Board is on pace to conduct 200 audits in FY 2011. However, the number of audits conducted during the FY 2012-FY 2013 biennium would most likely decline if the clerical employee, who is actively involved in various administrative aspects of the audit process, is laid off.

Licenses

Table 3 shows the number of active registrations issued by ENG as of the end of FY 2009 and FY 2010, as well as year-to-date FY 2011 (as of March 18, 2011). As the table shows, the total number of active registrations decreased only slightly between

FY 2009 and FY 2010. Thus far in FY 2011, the number of active registrations has remained stable, with a decline in individual registrations offset to a degree by an increase in the number of firms registered.

Registration	FY 2009	FY 2010	Percent Change	FY 2011 YTD	Percent Change
Professional Engineer	24,684	24,557	(0.5%)	24,244	(1.3%)
Professional Surveyor	1,406	1,374	(2.3%)	1,348	(1.9%)
Dual Registration	763	750	(1.7%)	741	(1.2%)
Firm	2,002	2,007	0.2%	2,205	9.9%
Total	28,855	28,688	(0.6%)	28,538	(0.5%)

Investigation and Enforcement Statistics

In addition to licensing, the Board investigates complaints and alleged violations of Chapter 4733. of the Revised Code, the statute governing the engineering and surveying professions. As Table 4 below shows, the Board received and investigated 110 complaints in FY 2010. Of the complaints investigated, 77 were engineering-related and 33 were surveying-related. Fifty complaints were closed in FY 2010, with most being resolved because there was no evidence that a violation was committed, the complaint was not within the Board's jurisdiction, or the individual or firm came into compliance voluntarily. Of the 29 formal investigations opened, most were resolved through settlement agreements or through disciplinary action issued by the Board after an adjudication hearing.

Enforcement Action	FY 2009	FY 2010
Complaints Investigated	85	110
Complaints Closed	58	50
Formal Investigations Opened	25	29
Formal Investigations Closed	30	29

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State Board of Engineers and Surveyors

General Services Fund Group

4K90 892609 Operating Expenses

FY 2008	FY 2009	FY 2010	Estimate FY 2011	Introduced FY 2012	Introduced FY 2013
\$902,772	\$766,545	\$856,889	\$902,772	\$934,264	\$921,778
	-15.1%	11.8%	5.4%	3.5%	-1.3%

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

Legal Basis: ORC 4733.03 and 4743.05; Section 275.10 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 State Board of Registration for Professional Engineers and Surveyors. The Board registers and regulates engineers, surveyors, and engineering and surveying firms.

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					
ENG State Board of Engineers and Surveyors								
4K90	892609	Operating Expenses	\$ 856,889	\$ 902,772	\$ 934,264	3.49%	\$ 921,778	-1.34%
General Services Fund Group Total			\$ 856,889	\$ 902,772	\$ 934,264	3.49%	\$ 921,778	-1.34%
State Board of Engineers and Surveyors Total			\$ 856,889	\$ 902,772	\$ 934,264	3.49%	\$ 921,778	-1.34%