

LSC Redbook

Analysis of the Executive Budget Proposal

State Board of Cosmetology

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State Board of Cosmetology

- Executive funding of \$3.5 million in both FY 2014 and FY 2015
- State's second largest licensing board oversees more than 126,000 active licenses
- License amnesty program generated almost \$70,000 in fees transferred to the GRF in FY 2012

OVERVIEW

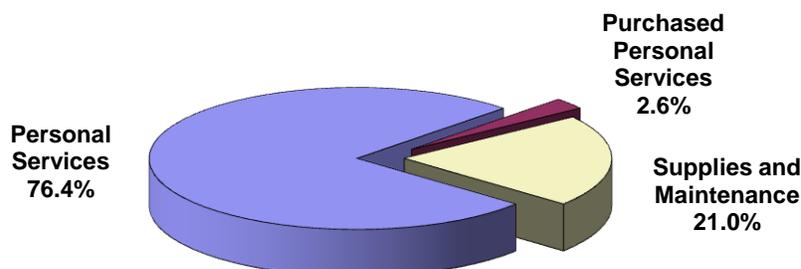
Agency Overview

The State Board of Cosmetology (COS) was created 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. COS is the state's second largest licensing board, overseeing more than 126,000 active licensees in FY 2012. The Board consists of nine members representing various facets of the beauty salon industry who are appointed by the Governor. The day-to-day licensing and regulatory responsibilities are managed by an executive director. As of February 2013, the Board has 38 full-time employees. The Board receives no funding from the GRF, rather, its operations are funded entirely by fees and other amounts paid by licensees.

Appropriation Overview

The executive recommendation for COS is \$3.5 million in each fiscal year of the FY 2014-FY 2015 biennium, a 3.3% increase over estimated FY 2013 spending of \$3.4 million on Board operations. Chart 1 shows the budget recommendations by category of expense for the FY 2014-FY 2015 biennium.

**Chart 1: Executive Budget
by Expense Category, FY 2014-FY 2015**



As with other licensing and regulatory boards, payroll and fringe benefit costs are COS's largest expense, accounting for 76.4% of recommended funding in the upcoming biennium. Supplies and maintenance make up a further 21.0% of the proposed funding. The remaining 2.6% combined is slated for purchased personal services, equipment, and other expenses.

Counted within the supplies and maintenance category are administrative support services provided by the Central Service Agency (CSA) within the Department of Administrative Services (DAS) and charges for COS's use of the eLicensing system, an online tool used by many other licensing boards that allows for applications and renewals to be processed and stored electronically. COS paid \$80,180 for CSA services in FY 2012 and expects to pay approximately \$87,300 for them in FY 2013. COS's share of the cost for eLicensing was \$38,112 in FY 2012 and is estimated to be \$39,992 in FY 2013. The Board expects its share of licensing system costs to increase in the FY 2014-FY 2015 biennium as it converts to the Ohio Professions Licensing System along with the state's other licensing and regulatory boards. The new system is intended to improve the security, stability, and functionality available to users.

Examination and Inspection System Upgrades

During the FY 2012-FY 2013 biennium, COS implemented upgrades to its examination and inspection systems. The new examination system allowed the Board to eliminate approximately \$300,000 in annual costs associated with examination services purchased from an out-of-state vendor. In addition to bringing the examination system in house, the new system aids the Board in combating fraud by incorporating biometric identification to ensure that the exam applicants are who they claim to be. Upgrades were also made to the Board's inspection system. The new components improved efficiency by allowing instantaneous transmission of salon and facility inspections from the field to the Board's office. This new efficiency was a factor in the Board's ability to reduce backlogs in the issuance of notices of violation from delays of up to nine months to an average of only ten days. Overall, spending on these upgrades totaled \$196,505 in FY 2012; spending in FY 2013 has totaled \$73,400 through February.

ANALYSIS OF EXECUTIVE PROPOSAL

COS'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 for the Board's operations during the FY 2014-FY 2015 biennium.

Governor's Recommended Amounts for the State Board of Cosmetology				
Fund	ALI and Name		FY 2014	FY 2015
General Services Fund				
4K90	879609	Operating Expenses	\$3,474,030	\$3,474,030

Fund 4K90 line item 879609, Operating Expenses, supports all of COS's operating expenses. Overall, the Board employs 38 individuals, including examiners, inspectors, customer service, and administrative staff. The staff is responsible for overseeing almost 126,400 licenses. The Board's headquarters is located in Grove City. The \$3.5 million recommended in each fiscal year is 3.3% more than estimated FY 2013 spending of \$3.4 million.

Operating Results

Table 1 below shows the license types and corresponding fees charged by the Board. Licenses are renewed on a biennial basis during odd-numbered fiscal years.

Table 1. License Fees Charged by COS	
License	Fee
Cosmetologist/Cosmetologist Instructor/Managing Cosmetologist	\$45
Beauty Salon	\$75
Esthetician/Esthetician Instructor/Managing Esthetician	\$45
Esthetic Salon	\$75
Hair Designer/Hair Designer Instructor/Managing Hair Designer	\$45
Hair Designer Salon	\$75
Independent Contractor	\$75
Manicurist/Manicurist Instructor/Managing Manicurist	\$45
Nail Salon	\$75
Natural Hair Stylist/Natural Hair Stylist Instructor/Managing Natural Hair Stylist	\$45
Natural Hair Stylist Salon	\$75
Private Cosmetology School	\$250
Tanning Facility	\$65

Table 2 shows operating revenues and expenditures over the FY 2007-FY 2012 span, a period that encompasses three renewal cycles. Notice that COS'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 odd-numbered fiscal years when licenses are renewed. Overall, receipts in the odd-numbered fiscal years cover the deficit created in even-numbered fiscal years when little license fee revenue is received.

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY2012
Revenue	\$6,287,660	\$1,148,055	\$6,401,918	\$1,303,845	\$6,807,499	\$1,923,913
Expenditures	\$3,028,955	\$3,550,509	\$3,329,024	\$3,068,468	\$3,311,219	\$3,548,260
Net	\$3,258,705	-\$2,402,454	\$3,072,894	-\$1,764,623	\$3,496,280	-\$1,624,347

License Amnesty Program

In addition to license fees deposited into Fund 4K90, under the Board's license amnesty program, a portion of COS's fee revenue is deposited into the GRF. The program enables cosmetologists, estheticians, manicurists, hair designers, and natural hair designers who have allowed their licenses to lapse to regain their licenses by fulfilling certain continuing education requirements instead of retaking the licensing exam. Under the license amnesty program, the holder of a lapsed license is required to pay back fees and a fine in order to have the license reinstated. If a license has been lapsed for more than two renewal cycles (four years), practicing and managing license holders also have to participate in continuing education courses. The minimum amount required to reinstate a license, in a situation where the license was lapsed for one renewal cycle, is \$135 (\$45 original license fee + \$45 current license fee + \$45 late fee). During FY 2012, the license amnesty program generated \$69,640 in revenues, all of which was transferred to the GRF.

Table 3 shows the number of active licenses issued by COS as of the end of FY 2011 and FY 2012. Overall, the number of active licenses increased by 7.7% between these years, from 116,580 in FY 2011 to 126,371 in FY 2012. The number of active licenses increased in all but three of the 23 license types.

License Type	FY 2011	FY 2012	% Change
Beauty Salon	9,515	9,474	-0.4%
Cosmetologist	21,447	23,227	7.7%
Cosmetologist Instructor	4,710	5,068	7.1%
Cosmetology School	178	182	2.2%
Esthetic Salon	363	471	22.9%
Esthetician	980	1,077	9.0%
Esthetician Instructor	120	142	15.5%
Hair Designer	195	211	7.6%
Hair Designer Instructor	4	4	0.0%
Hair Designer Salon	253	300	15.7%
Independent Contractor	13,769	16,687	17.5%
Managing Cosmetologist	48,771	51,800	5.8%
Managing Esthetician	2,242	2,630	14.8%
Managing Hair Designer	82	106	22.6%
Managing Manicurist	7,274	7,906	8.0%
Managing Natural Hair Stylist	17	21	19.0%
Manicurist	3,825	4,176	8.4%
Manicurist Instructor	179	202	11.4%
Nail Salon	969	1,047	7.4%
Natural Hair Stylist	7	4	-75.0%
Natural Hair Stylist Instructor	0	1	100.0%
Natural Hair Stylist Salon	4	5	20.0%
Tanning Facility	1,676	1,630	-2.8%
Total	116,580	126,371	7.7%

Investigation and Enforcement Statistics

During the FY 2012-FY 2013 biennium, COS began conducting follow-up inspections of salons and schools that had been issued violations during random inspections. Follow-up inspections occur within 30 days of an inspection in which a violation was discovered and are intended to ensure compliance with the law governing the practice of cosmetology by educating facilities found in violation about standards established in the Revised Code or by the Board. In FY 2012, the Board conducted 11,382 random inspections, issued 1,582 notices of violations (notices of violations may include multiple violations discovered at a single facility), and issued 3,188 citations. FY 2012 revenue from fines deposited into Fund 4K90 totaled approximately \$463,000.

State Board of Cosmetology

General Services Fund Group

4K90 879609 Operating Expenses

FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Estimate	FY 2014 Introduced	FY 2015 Introduced
\$3,068,468	\$3,311,219	\$3,548,260	\$3,364,030	\$3,474,030	\$3,474,030
	7.9%	7.2%	-5.2%	3.3%	0.0%

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

Legal Basis: ORC 4713.02 and 4743.05; Section 249.10 of Am. Sub. H.B. 153 of the 129th G.A. (originally established by Am. Sub. H.B. 152 of the 120th G.A.)

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

FY 2014 - FY 2015 Introduced Appropriation Amounts

All Fund Groups

Line Item Detail by Agency			FY 2012	Estimate FY 2013	Introduced FY 2014	FY 2013 to FY 2014 % Change	Introduced FY 2015	FY 2014 to FY 2015 % Change
Report For Main Operating Appropriations Bill			Version: As Introduced					
COS State Board of Cosmetology								
4K90	879609	Operating Expenses	\$ 3,548,260	\$ 3,364,030	\$ 3,474,030	3.27%	\$ 3,474,030	0.00%
General Services Fund Group Total			\$ 3,548,260	\$ 3,364,030	\$ 3,474,030	3.27%	\$ 3,474,030	0.00%
State Board of Cosmetology Total			\$ 3,548,260	\$ 3,364,030	\$ 3,474,030	3.27%	\$ 3,474,030	0.00%