

# **LSC Redbook**

**Analysis of the Executive Budget Proposal**

## **Architects Boards**

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## **ATTACHMENTS:**

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

# Architects Boards

- Recommended budget of approximately \$1 million over the biennium
- Recommended funding increases by 5.0% in FY 2016 and 2.0% in FY 2017
- Boards oversee approximately 6,500 architects and 600 landscape architects

## OVERVIEW

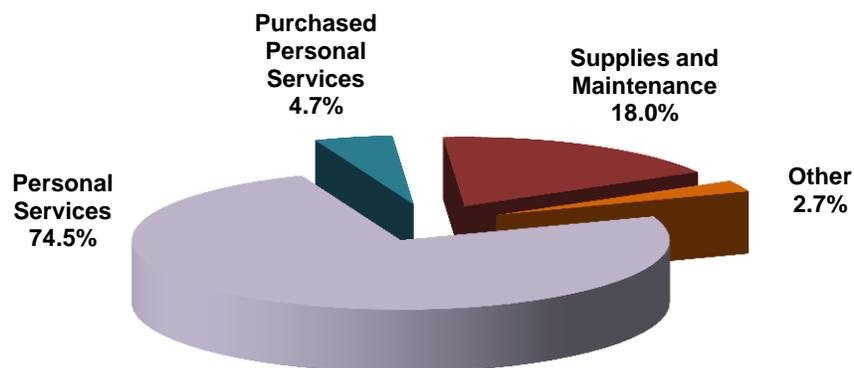
### Agency Overview

The Ohio Architects Board and the Ohio Landscape Architects Board are two separate boards that operate under a combined budget and share staff and facilities. For the purposes of this analysis, the combined entity is known as the Architects Boards (ARC). The governing authority of the Ohio Architects Board consists of five members appointed by the Governor, all of whom must be architects who have at least ten years of active practice in this state. The governing authority of the Ohio Landscape Architects Board consists of five members appointed by the Governor, including three registered landscape architects, one licensed design professional, and one individual representing the public. Board members are paid hourly and receive reimbursement for actual and necessary expenses incurred as part of their duties. The day-to-day operations of both boards are handled by a combined staff of four, including an executive director, two other administrative staff members, and an investigator. The boards receive no General Revenue Fund (GRF) moneys; they are entirely supported by fees. Approximately 6,500 architects and 600 landscape architects are currently licensed by the state.

### Appropriation Overview

The executive recommends funding of \$507,614 in FY 2016, a 5.0% increase compared to estimated FY 2015 spending of \$483,454. The amount recommended for FY 2017 is \$517,912, a 2.0% increase over the FY 2016 amount. The additional funding will primarily support an increased budget for supplies and maintenance costs, particularly for intra-agency service charges such as rent. As Chart 1 shows, as is the case with many regulatory boards, personnel costs account for the largest share of operating expenses, making up almost 75% of the recommended funding for the biennium. Of the remaining amount, approximately 18% is for supplies and maintenance, while the rest is slated for purchased personal services (approximately 5%), and other expenses (almost 3%), which include subsidies for the Intern Development Program (IDP) enrollment fee reimbursement.

**Chart 1: Biennial Executive Budget Recommendations  
by Expense Category, FY 2016-FY 2017**



ARC receives centralized administrative support services provided by the Central Service Agency (CSA) within 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. According to CSA, ARC will pay around \$17,000 in FY 2015 for CSA personnel and fiscal services. For the upcoming biennium, these charges are expected to rise to roughly \$18,000 in each fiscal year.

ARC also pays for its biennial audit conducted by the Auditor of State. The previous biennial audit cost about \$11,700. Additionally, ARC has been experiencing increasing rent costs over the past biennium. ARC's rent cost in FY 2013 was just under \$14,000. In FY 2014, rent increased to almost \$22,000, and FY 2015 rent expenses are anticipated to be just under \$25,000. Rent charges are expected to continue increasing in each year of the upcoming biennium as well, reaching almost \$30,000 in FY 2016 and over \$35,000 in FY 2017. Rent costs have been increasing in part due to a change in how the charges are calculated.

### **Operating Revenues and Expenses**

As mentioned previously, the primary source of operating income for the occupational licensing boards is license fees. ARC issues certificates of qualification to registered architects and landscape architects, which require biennial renewal, and certificates of authorization to architectural and landscape architectural firms, which require annual renewal. Firms may also receive a dual certificate of authorization that authorizes both architectural and landscape architectural design services. Table 1 below shows each type of credential issued by the boards and the applicable fees.

<b>License Type</b>	<b>Fee</b>
Individual Registration by Reciprocity	\$250
Dual Firm Certificate of Authorization	\$250
Dual Firm Certificate of Authorization Renewal	\$200
Individual Registration Renewal	\$125
Initial Firm Certificate of Authorization	\$125
Firm Certificate of Authorization Renewal	\$100
Initial Individual Registration by Exam	\$50

Fees collected by ARC are deposited into the Occupational Licensing and Regulatory Fund (Fund 4K90). Twenty-six occupational licensing and regulatory boards and commissions, including ARC, use Fund 4K90 as an operating account into which receipts are deposited and from which expenses are paid. Although Fund 4K90 is a shared operating pool, each licensing board or commission is expected to be self-sufficient by generating enough income to cover expenses. Table 2 below shows the operating revenue and expenditures for ARC over the last five fiscal years, from FY 2010 to FY 2014, a period encompassing two entire licensing cycles and part of a third. Notice that ARC'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 even-numbered fiscal years. The income generated during the even-numbered fiscal years of the two-year renewal cycle covers the deficit created in the odd-numbered fiscal years when relatively little license fee revenue is received. As the table shows, over recent two-year renewal cycles, ARC's revenues have consistently exceeded expenditures.

	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
Revenue	\$1,075,673	\$247,494	\$1,064,939	\$276,291	\$1,125,325
Expenditures	\$444,595	\$437,434	\$454,674	\$453,282	\$475,223
<b>Net</b>	<b>\$631,078</b>	<b>-\$189,940</b>	<b>\$610,265</b>	<b>-\$176,991</b>	<b>\$650,102</b>

### **Recent Legislation**

S.B. 68 of the 130th General Assembly, effective December 19, 2013, made various changes to the laws regulating architects and landscape architects. From a fiscal perspective, the most significant change was the alteration of the renewal cycle for landscape architects. Landscape architect certificates will now expire at the end of the calendar year in even-numbered years, instead of the prior expiration date of October 31 in odd-numbered years. Individuals who held a certificate of qualification, or had a certificate pending, on the effective date of the act do not need to seek renewal

until December 31, 2016. This will result in some foregone revenue in FY 2016, since no fee for renewal will be required until after December 2016. However, a corresponding increase in revenue will likely occur in FY 2017.

Among the other modifications included in the act was the change of the official name of the Board of Landscape Architect Examiners to the Ohio Landscape Architects Board, clarifications concerning disciplinary authority of the boards, and a change to the way landscape architect examination fees are collected. Altogether, these changes are expected to have minimal to no fiscal effect on the revenues and expenditures of the Ohio Architects Board and the renamed Ohio Landscape Architects Board.

## ANALYSIS OF EXECUTIVE PROPOSAL

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

Governor's Recommended Funding for the Architects Boards				
Fund	ALI and Name		FY 2016	FY 2017
<b>Dedicated Purpose Fund Group</b>				
4K90	891609	Operating	\$507,614	\$517,912

This line item is used to pay the operating expenses of both boards under the administrative umbrella of ARC. The executive proposes funding increases of approximately \$24,160 (5.0%) in FY 2016 and \$10,298 (2.0%) in FY 2017, which can be attributed primarily to supplies and maintenance-related expenses. These expenses have increased in recent years in large part due to charges assessed by other state agencies for various services, including office space (rent), Central Service Agency personnel and fiscal assistance, information technology, and the agency's biennial audit by the Auditor of State. In addition, the executive proposal includes small increases of 0.4% in FY 2016 and 2.2% in FY 2017 for payroll-related costs. More discussion of operating statistics is provided below.

### Licenses

ARC regulates both practitioners and firms. Table 3 shows the number of active licenses issued by ARC as of the end of FY 2013 and FY 2014, and FY 2015 year to date (as of February 2015). The total number of active licenses increased slightly (0.4%) from FY 2013 to FY 2014. Thus far in FY 2015, the number of active licenses is 4.0% ahead of the amount at the end of FY 2014, likely due to improved economic conditions. Also, the number of registered firms has increased substantially since FY 2013.

In addition to the individuals and firms listed below, ARC offers an emeritus architect or landscape architect license to individuals that (1) are fully retired and thus not engaging in any practice of architecture or landscape architecture, (2) have been licensed in Ohio for at least ten years, and (3) are over the age of 65. Emeritus architects and landscape architects are exempt from continuing education requirements. Due to a change in ARC's rules in 2014, there is no longer any fee for obtaining emeritus status. As of February 2015, there are 257 emeritus architects and landscape architects.

License Type	FY 2013	FY 2014	Percent Change	YTD FY 2015	Percent Change
Architecture Certificate of Qualification (individuals)	6,536	6,298	-3.6%	6,470	2.7%
Architecture Certificate of Authorization (firms)	1,015	1,290	27.1%	1,414	9.6%
Landscape Architecture Certificate of Qualification	611	585	-4.3%	605	3.4%
Landscape Architecture Certificate of Authorization	81	97	19.8%	110	13.4%
Dual Firm (ARC/LA) Certificate of Authorization	30	39	30.0%	45	15.4%
<b>TOTAL</b>	<b>8,273</b>	<b>8,309</b>	<b>0.4%</b>	<b>8,644</b>	<b>4.0%</b>

### Intern Development Program

A small portion of ARC's budget funds scholarships to architecture students enrolled in the Intern Development Program (IDP) at any of the state's four accredited architecture schools. IDP is a national program overseen by the National Council of Architectural Registration Boards (NCARB) that is designed to give architecture students practical experience under the direct supervision of a registered architect. The scholarship covers the IDP enrollment fee of \$100. ARC has awarded 540 IDP scholarships since this incentive was first offered in FY 2008. The proposed annual funding for this program is \$10,000.

One development that may affect IDP reimbursement payments in future fiscal years is Bowling Green State University's eligibility for architecture accreditation by the National Architectural Accrediting Board. If the University is accredited as the fifth architecture school in the state of Ohio, this could result in a potential increase in IDP enrollment fee reimbursements in the future. The University's Masters of Architecture Program is currently in candidacy status. Initial accreditation is expected sometime in 2017.

Also, NCARB voted in September 2014 to significantly change the program in an effort to reduce the time it takes to complete IDP Program requirements from five years to three or four years and to better align IDP experience with the information tested on the next version of the Architect Registration Examination. The changes will be implemented over the next several years.

### Investigation and Enforcement Statistics

In addition to licensing, the boards' regulatory duties include investigating complaints concerning alleged violations of the law governing the architect and landscape architect professions. Common violations include those for continuing education, illegally advertising architectural services by nonarchitects, improper use of a title, and offering architectural services through a firm not holding a certificate of authorization. A total of 58 cases were opened and all but one was closed in FY 2014. Thus far in FY 2015, 33 cases have been opened while 18 have been closed. ARC

resolves most cases by obtaining voluntary compliance or reaching settlement agreements. In some cases, no violation is found to have occurred.

ARC has statutory authority to issue fines against registered architects and landscape architects for various violations or criminal acts. The Revised Code limits the fines imposed on architects to a maximum of \$1,000 for each offense and no more than \$5,000 regardless of the number of offenses a person has committed between the time the fine is imposed and the time any previous fine was imposed. Landscape architects may be fined up to \$200 for a first offense and \$500 for subsequent offenses. ARC collected \$32,000 in fines in FY 2014.

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## Architects Boards

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### Dedicated Purpose Fund Group

#### 4K90 891609 Operating

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$454,674	\$453,282	\$475,223	\$483,454	<b>\$507,614</b>	<b>\$517,912</b>
	-0.3%	4.8%	1.7%	<b>5.0%</b>	<b>2.0%</b>

**Source:** Dedicated Purpose Fund Group: License and registration fees, as well as other assessments collected by the state's professional and occupational licensing boards

**Legal Basis:** ORC 4703.01 and 4743.05; Section 215.10 of Am. Sub. H.B. 59 of the 130th G.A. (originally established by Am. Sub. H.B. 152 of the 120th G.A.)

**Purpose:** This line item is used to support the operating expenses of the Ohio Architects Board and the Ohio Landscape Architects Board, two separate boards that operate under a combined budget and share staff and facilities. Since FY 2008, a small portion of this line item has supported a scholarship program that pays the initial Intern Development Program (IDP) enrollment fee (\$100) for students at Ohio's accredited schools of architecture. Completion of the IDP is required in order to obtain professional licensure.

## FY 2016 - FY 2017 Introduced Appropriation Amounts

## All Fund Groups

### Line Item Detail by Agency

			Estimate	Introduced	FY 2015 to FY 2016	Introduced	FY 2016 to FY 2017	
			FY 2014	FY 2015	FY 2016	% Change	FY 2017	% Change
<b>Report For Main Operating Appropriations Bill</b>			<b>Version: As Introduced</b>					
<b>ARC Architects Boards</b>								
4K90	891609	Operating	\$ 475,223	\$ 483,454	\$ 507,614	5.00%	\$ 517,912	2.03%
<b>Dedicated Purpose Fund Group Total</b>			<b>\$ 475,223</b>	<b>\$ 483,454</b>	<b>\$ 507,614</b>	<b>5.00%</b>	<b>\$ 517,912</b>	<b>2.03%</b>
<b>Architects Boards Total</b>			<b>\$ 475,223</b>	<b>\$ 483,454</b>	<b>\$ 507,614</b>	<b>5.00%</b>	<b>\$ 517,912</b>	<b>2.03%</b>