

LSC Redbook

Analysis of the Executive Budget Proposal

State Board of Cosmetology

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ATTACHMENTS:

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

State Board of Cosmetology

- Executive funding of approximately \$3.8 million in both FY 2016 and FY 2017
- State's second largest licensing board oversees more than 129,000 active licenses
- License amnesty program generated almost \$56,000 in fees transferred to the GRF in FY 2014

OVERVIEW

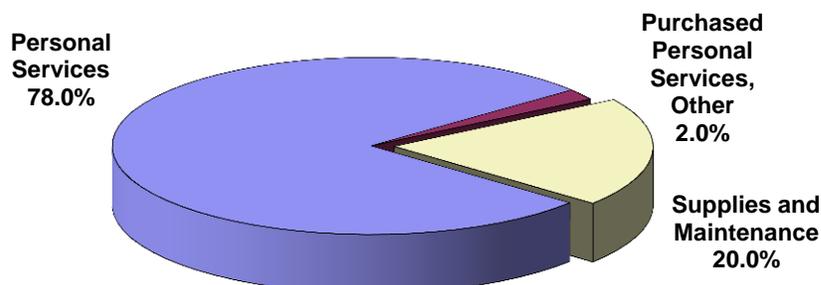
Agency Overview

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 129,000 active licensees in FY 2014. 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 January 2015, the Board has 40 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 the Board is approximately \$3.8 million in each year of the FY 2016-FY 2017 biennium, or about 8.2% over estimated FY 2015 spending of \$3.5 million. As Chart 1 shows, just over \$5.9 million (78.0%) during the biennium is for personal services and approximately \$1.5 million (20.0%) is for supplies and maintenance. The remaining \$153,155 (2.0%) combined is for purchased personal services and equipment.

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



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 \$84,439 for CSA services in FY 2014 and expects to pay approximately \$93,000 for them in FY 2015. COS's share of the cost for eLicensing was \$47,879 in FY 2014 and is estimated to be \$48,160 in FY 2015.

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 2009-FY 2014 span, a period encompassing three previous biennial renewal cycles. There are 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.

Table 2. COS Revenues and Expenditures, FY 2009 to FY 2014						
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Revenue	\$6,401,918	\$1,303,845	\$6,807,499	\$1,923,913	\$7,483,850	\$1,925,520
Expenditures	\$3,329,024	\$3,068,468	\$3,311,219	\$3,548,260	\$3,460,204	\$3,451,614
Net	\$3,072,894	-\$1,764,623	\$3,496,280	-\$1,624,347	\$4,023,646	-\$1,526,094

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 2016-FY 2017 biennium.

Governor's Recommended Amounts for the State Board of Cosmetology				
Fund	ALI and Name		FY 2016	FY 2017
Dedicated Purpose Fund Group				
4K90	879609	Operating Expenses	\$3,758,000	\$3,818,530

Operating Expenses (879609)

This funding supports all of COS's operating expenses. Overall, the Board employs 40 individuals, including examiners, inspectors, customer service, and administrative staff. The staff is responsible for overseeing more than 129,000 licenses. The Board's headquarters is located in Grove City. The \$3.8 million recommended in each fiscal year is 8.2% more than estimated FY 2015 spending of \$3.5 million.

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 2014, the license amnesty program generated nearly \$56,000 in revenue, 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 2013 and FY 2014. Overall, the number of active licenses increased by 8.4% between these years, from 119,131 in FY 2013 to 129,095 in FY 2014. Additionally, the number of active licenses increased in all but two of the 23 license types.

License Type	FY 2013	FY 2014	% Change
Beauty Salon	9,166	9,429	2.9%
Cosmetologist	20,706	22,642	9.3%
Cosmetologist Instructor	4,511	4,891	8.4%
Cosmetology School	186	191	2.7%
Esthetic Salon	534	658	23.2%
Esthetician	904	1,013	12.1%
Esthetician Instructor	133	157	18.0%
Hair Designer	163	185	13.5%
Hair Designer Instructor	2	4	100.0%
Hair Designer Salon	294	333	13.3%
Independent Contractor	16,391	19,138	16.8%
Managing Cosmetologist	49,246	52,101	5.8%
Managing Esthetician	2,592	2,996	15.6%
Managing Hair Designer	116	135	16.4%
Managing Manicurist	7,626	8,303	8.9%
Managing Natural Hair Stylist	20	26	30.0%
Manicurist	3,815	4,068	6.6%
Manicurist Instructor	175	201	14.9%
Nail Salon	1,071	1,146	7.0%
Natural Hair Stylist	3	5	66.7%
Natural Hair Stylist Instructor	1	1	0.0%
Natural Hair Stylist Salon	6	7	16.7%
Tanning Facility	1,470	1,465	-0.3%
TOTAL	119,131	129,095	8.4%

Investigation and Enforcement Statistics

To carry out its regulatory mission the Board conducts random inspections of cosmetology facilities and takes administrative actions, including issuing warnings, fines, or settlements when violations are discovered. In FY 2014, the Board conducted 11,759 random inspections and took 1,529 administrative actions to enforce violations. FY 2014 revenue from fines and settlements deposited into Fund 4K90 totaled approximately \$574,000.

State Board of Cosmetology

Dedicated Purpose Fund Group

4K90 879609 Operating Expenses

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$3,548,260	\$3,460,204	\$3,451,614	\$3,474,030	\$3,758,000	\$3,818,530
	-2.5%	-0.2%	0.6%	8.2%	1.6%

Source: Dedicated Purpose 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 247.10 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 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 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	FY 2017	% Change	
					% Change		% Change	
Report For Main Operating Appropriations Bill			Version: As Introduced					
COS State Board of Cosmetology								
4K90	879609	Operating Expenses	\$ 3,451,614	\$ 3,474,030	\$ 3,758,000	8.17%	\$ 3,818,530	1.61%
Dedicated Purpose Fund Group Total			\$ 3,451,614	\$ 3,474,030	\$ 3,758,000	8.17%	\$ 3,818,530	1.61%
State Board of Cosmetology Total			\$ 3,451,614	\$ 3,474,030	\$ 3,758,000	8.17%	\$ 3,818,530	1.61%