

LSC Redbook

Analysis of the Executive Budget Proposal

State Board of Registration for Professional Engineers and Surveyors

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State Board of Registration for Professional Engineers and Surveyors

- Recommended budget for FY 2016 and FY 2017 is \$993,889 in each fiscal year
- Revenues tend to be higher in even-numbered fiscal years due to biennial renewal cycle

OVERVIEW

Agency Overview

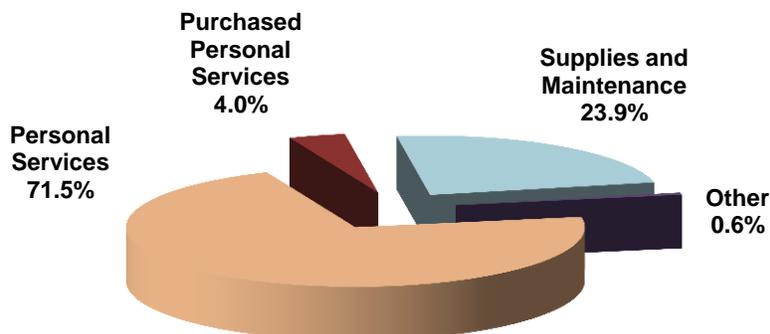
The State Board of Registration for Professional Engineers and Surveyors (ENG) regulates the professions of engineering and surveying to protect the public by ensuring that only properly qualified individuals and businesses become registered, and that the registrants follow the established standards and codes of ethics. Approximately 27,500 professional engineers and surveyors as well as almost 2,800 firms are licensed in the state. 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. The Board must meet at least twice per year but generally meets about seven times per year. 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. Altogether, as of February 2015, there are eight full-time employees on payroll. One administrative professional position is vacant. ENG receives no GRF funding; rather, it is entirely supported by licensing and application fees that are deposited into the Occupational Licensing and Regulatory Fund (Fund 4K90).

Appropriation Overview

The executive proposal for FY 2016 and FY 2017 recommends \$993,889 in each fiscal year for ENG operations, which is flat funding from FY 2014 and FY 2015 appropriation levels. At the proposed funding level, ENG expects to be able to maintain current operations in the next biennium.

Chart 1 below shows the proposed budget for ENG by expense category. As a regulatory entity, personnel costs account for the largest share of ENG's operating costs. According to the executive recommendation, approximately 71.5% of the proposed funding is slated for personal services. A further 23.9% is budgeted for supplies and maintenance. The remaining portion of approximately 4.6% is assigned to purchased personal services and other costs.

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



As with many other licensing boards and commissions, ENG 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. For the upcoming biennium, these charges are currently estimated to cost between \$24,000 and \$25,000 per fiscal year and are budgeted under supplies and maintenance.

Operating Revenues

As mentioned previously, the primary source of operating income for the occupational licensing boards is licensing and application fees. Over the FY 2014-FY 2015 biennium, there was one change to the fee schedule for ENG. H.B. 202 of the 130th General Assembly extended the duration of the firm renewal fee to two years and authorized ENG to charge up to \$50 per biennial renewal. This shift saved ENG approximately \$1,500 in administrative costs. ENG does not anticipate any fee increases over the FY 2016-FY 2017 biennium. Table 1 shows the current fees charged by ENG.

Table 1. License Fees	
License Fee	Amount
Standard or NCEES Professional Surveyor Comity Application	\$455
Standard or NCEES Professional Engineer Comity Application	\$415
Dual Registration Biennial Renewal (Professional Engineer and Professional Surveyor)	\$80
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
Firm Certificate of Authorization Biennial Renewal Fee	\$50
Professional Engineer/Professional Surveyor Biennial Renewal	\$40
Fundamentals of Engineering (FE)/Fundamentals of Surveying (FS) Exam Application	\$25
Reciprocal License Verification Request Fee	\$24

Note: NCEES refers to the National Council of Examiners for Engineering and Surveying.

Fees collected by ENG are deposited into the Occupational Licensing and Regulatory Fund (Fund 4K90). Twenty-six occupational licensing and regulatory boards and commissions, including ENG, use Fund 4K90 as an operating account to support their regulatory operations. Table 2 below shows ENG's operating revenue and expenditure history from FY 2010 to FY 2014. During this time, revenues consistently exceeded expenses over each biennial period, except in FY 2013. Note the increase in revenue that occurred in FY 2012 because of the change to a biennial license renewal cycle beginning in that fiscal year. As a result, FY 2012 receipts increased by just over \$600,000 to \$1.7 million when compared to FY 2011 collections of approximately \$1.1 million. Because of this shift, FY 2013 revenue decreased to \$600,000, resulting in a total of \$2.3 million in revenue over the FY 2012-FY 2013 biennium. Overall, this was an approximate 8.2% increase in revenue compared to licensing receipts of just over \$2.1 million in the FY 2010-FY 2011 biennium. In FY 2014, revenues exceeded \$1.7 million as in FY 2012.

Table 2. Revenues and Expenditures, FY 2010 to FY 2014					
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Revenues	\$1,048,336	\$1,098,782	\$1,723,821	\$599,995	\$1,743,234
Expenditures	\$856,889	\$889,734	\$907,675	\$833,891	\$879,652
Net	\$191,477	\$209,048	\$816,146	-\$233,896	\$863,582

ENG expects FY 2015 revenue to be around \$520,000, which is a slight decrease from FY 2013, the previous "off" year. According to ENG, there are two reasons for the projected decrease. The first is due to the change to biennial renewal for firms. The second is due to the National Council of Examiners for Engineering and Surveying (NCEES) shifting from paper-based to computer-based testing, which will decrease revenue from exam application fees. The loss in revenue from these application fees is not expected to be significant, at most \$40,000, and will likely be offset with increasing revenue elsewhere. Even with a slight decrease in FY 2015 revenue, total revenue received during the current biennium would still be in line with revenue received during the FY 2012-FY 2013 biennium.

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 2016	FY 2017
Dedicated Purpose Fund Group				
4K90	892609	Operating Expenses	\$993,889	\$993,889

This appropriation item supports all of ENG's operating expenses. The executive recommends funding of \$993,889 in both FY 2016 and FY 2017, which is flat funding from FY 2014 and FY 2015 appropriation levels.

In the current biennium, ENG hired a second investigator as its ninth staff member to assist in more efficiently conducting and processing investigations and enforcement activities. These activities include investigating allegations of illegal practice by unlicensed individuals and firms as well as exam site misconduct by test takers. According to ENG, the hiring of the new investigator has resulted in quicker resolution of cases by opening and closing investigations and closing complaints in a timelier manner. In the upcoming biennium, ENG plans to update its website, move to a new database system, and explore the possibility of converting more exams from paper-based to computer-based.

Expenditures for supplies and maintenance are estimated to be around \$475,000 over the FY 2016-FY 2017 biennium. This includes various expenditures related to CSA services, office rental, information technology and phone services, bank fees, office supplies, travel expenses, and other interagency services and miscellaneous costs.

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 ENG's goal is to audit 5% of registrants to ensure that they are meeting these requirements, several staffing vacancies have resulted in no completed professional development audits to date during the current biennium. From FY 2010 to FY 2013, ENG conducted about 250 audits annually. Now that the staffing vacancies have been filled, ENG states that it has adequate personnel in place to resume professional development audits during the second half of FY 2015.

Licenses

Table 3 shows the number of active registrations issued by ENG as of the end of FY 2013 and FY 2014, as well as year to date for FY 2015. As the table shows, the total number of active registrations decreased slightly between FY 2013 and FY 2014, with the exception of firms. Firm registrations increased by over 20%, mostly attributable to improving economic conditions. According to ENG, these new registrants tend to be smaller firms from outside the state. Thus far in FY 2015, the number of active registrations has increased at a higher rate across all registration types.

Registration	FY 2013	FY 2014	% change	FY 2015 YTD	% change
Professional Engineer	26,071	25,367	-2.7%	26,156	3.1%
Professional Surveyor	1,380	1,336	-3.2%	1,361	1.9%
Dual Registration	743	701	-5.7%	706	1.0%
Firm	2,232	2,694	20.7%	2,793	3.7%
TOTAL	30,426	30,098	-1.1%	31,016	3.1%

Investigation and Enforcement Statistics

In addition to licensing, ENG 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, enforcement activity slightly decreased in FY 2013 before returning to typical levels in FY 2014.

Enforcement Action	FY 2011	FY 2012	FY 2013	FY 2014
Complaints Investigated	118	118	77	113
Complaints Closed	78	80	40	79
Formal Investigations Opened	40	39	30	48
Formal Investigations Closed	38	45	37	48

ENG received and investigated 113 complaints in FY 2014. Seventy-nine complaints were closed in FY 2014, with most being resolved because there was no evidence that a violation was committed, the complaint was not within ENG's jurisdiction, or the individual or firm came into compliance voluntarily. Of the 48 formal investigations opened, most were resolved through settlement agreements or through disciplinary action issued by ENG after an adjudication hearing. Note that formal investigations can carry over to the next fiscal year due to the length of the investigation, which explains the number of closed investigations exceeding the number of investigations opened in FY 2012 and FY 2013.

State Board of Engineers and Surveyors

Dedicated Purpose Fund Group

4K90 892609 Operating Expenses

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$907,675	\$833,891	\$879,652	\$993,889	\$993,889	\$993,889
	-8.1%	5.5%	13.0%	0.0%	0.0%

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

Legal Basis: ORC 4733.08 and 4743.05, Section 215.10 of Am. Sub. H.B. 59 of the 130th General Assembly

Purpose: This line item 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 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					
ENG State Board of Engineers and Surveyors								
4K90	892609	Operating Expenses	\$ 879,652	\$ 993,889	\$ 993,889	0.00%	\$ 993,889	0.00%
Dedicated Purpose Fund Group Total			\$ 879,652	\$ 993,889	\$ 993,889	0.00%	\$ 993,889	0.00%
State Board of Engineers and Surveyors Total			\$ 879,652	\$ 993,889	\$ 993,889	0.00%	\$ 993,889	0.00%