

LSC Greenbook

Analysis of the Enacted Budget

State Board of Cosmetology

Tom Wert, Budget Analyst
Legislative Service Commission

July 2015

TABLE OF CONTENTS

OVERVIEW 1

Agency Overview 1

Appropriation Overview 1

Recent Operating Results 1

 License Amnesty Program 2

 Budget Provision – Sunset Review Committee 3

ANALYSIS OF ENACTED BUDGET 4

ATTACHMENT:

Budget Spreadsheet By Line Item

State Board of Cosmetology

- 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 \$72,000 in fees transferred to the GRF in FY 2015

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 June 2015, the Board has 39 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. Those revenues are deposited into the Occupational Licensing and Regulatory Fund (Fund 4K90).

Appropriation Overview

Table 1 below shows the amounts appropriated for Board operations during the FY 2016-FY 2017 biennium. For FY 2016, H.B. 64 provides COS with funding of \$3.76 million, 8.2% more than FY 2015 expenditures. Funding in FY 2017 is \$3.82 million, 1.6% more than FY 2016.

Fund Group	FY 2015*	FY 2016	% change	FY 2017	% change
General Services	\$3,472,872	\$3,758,000	8.2%	\$3,818,530	1.6%

*FY 2015 figures represent actual expenditures.

Recent Operating Results

Table 2 below shows operating revenues and expenditures from FY 2010 through FY 2015. 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. The Board also collects some revenue in the form of fines

and penalties. 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 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Revenue	\$1,303,845	\$6,807,499	\$1,923,913	\$7,483,850	\$1,925,520	\$7,607,508
Expenditures	\$3,068,468	\$3,311,219	\$3,548,260	\$3,460,204	\$3,451,614	\$3,472,872
Net	-\$1,764,623	\$3,496,280	-\$1,624,347	\$4,023,646	-\$1,526,094	\$4,134,636

Table 3 below shows the license types and corresponding fees charged by the Board. Licenses are renewed on a biennial basis during odd-numbered fiscal years.

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

License Amnesty Program

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. Specifically, 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 2015, the license amnesty program generated approximately \$72,000 in revenue, all of which was transferred to the GRF.

Budget Provision – Sunset Review Committee

H.B. 64 contains a provision that requires the Sunset Review Committee, which is to operate in calendar years 2015 and 2016, to consider and evaluate the usefulness, performance, and effectiveness of various state licensing boards, including COS. As part of this process, the Committee is to prepare a report of its recommendations, which may be in the form of a bill to be introduced in the House or Senate.

ANALYSIS OF ENACTED BUDGET

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 funding for the Board's operations during the FY 2016-FY 2017 biennium.

Appropriations 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

Fund 4K90 appropriation item 879609, Operating Expenses, supports all of COS's operating expenses. H.B. 64 appropriates \$3.76 million in FY 2016 and \$3.82 million in FY 2017 to cover the Board's operating needs. The Board employs a full-time staff of 39, including examiners, inspectors, customer service, and administrative staff. The staff is responsible for overseeing more than 129,000 licenses including individual cosmetologists, manicurists, estheticians, as well as beauty salons, nail salons, cosmetology schools, and tanning facilities. Board inspectors inspect each type of salon regulated by the Board once annually, while cosmetology schools regulated by the Board are inspected twice a year. The Board's headquarters is located in Grove City.

FY 2016 - FY 2017 Final Appropriation Amounts

All Fund Groups

Line Item Detail by Agency

			FY 2014	FY 2015	Appropriation FY 2016	FY 2015 to FY 2016 % Change	Appropriation FY 2017	FY 2016 to FY 2017 % Change
Report For Main Operating Appropriations Bill			Version: As Enacted					
COS State Board of Cosmetology								
4K90	879609	Operating Expenses	\$ 3,451,614	\$ 3,472,872	\$ 3,758,000	8.21%	\$ 3,818,530	1.61%
Dedicated Purpose Fund Group Total			\$ 3,451,614	\$ 3,472,872	\$ 3,758,000	8.21%	\$ 3,818,530	1.61%
State Board of Cosmetology Total			\$ 3,451,614	\$ 3,472,872	\$ 3,758,000	8.21%	\$ 3,818,530	1.61%