

# **LSC Greenbook**

**Analysis of the Enacted Budget**

## **State Board of Cosmetology**

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**ATTACHMENT:**

Budget Spreadsheet By Line Item

# State Board of Cosmetology

- Funding of \$3.5 million in both FY 2010 and FY 2011
- Statutory changes increasing maximum fines for specified offenses, restoring lapsed licenses, and completing classroom instruction requirements

## 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 one of the state's largest licensing boards, overseeing more than 113,000 licensees in FY 2009.

The governing body of the Board consists of nine members appointed by the Governor, with members representing the various facets of the beauty salon industry. Board members are compensated for board meetings that they attend according to Chapter 124. of the Revised Code. The day-to-day operations of the Board are managed by an executive director who is appointed by the nine-member governing authority. Including the director, the Board has 38 full-time staff and one part-time employee. The Board receives no GRF; its operations are funded entirely by license fees and other amounts paid by cosmetologists.

### Appropriation Overview

H.B. 1 provides COS with funding of \$3.5 million in each fiscal year, 6.15% over actual FY 2009 spending of \$3.3 million. As with many boards, a large portion of this funding is for payroll. Among other expenses are charges assessed for services provided by the Central Services Agency (CSA) of the Department of Administrative Services. COS paid roughly \$72,000 for these services in FY 2009. Additionally, the Board uses the eLicensing system, an on-line tool also employed by many other licensing boards that allows for applications and renewals to be processed and stored electronically. The Board stores approximately 354,806 records in the database, roughly 23% of the system's total capacity. The system was free in FY 2009, but users will be charged for it in FY 2010 and FY 2011. Estimated eLicensing charges in the FY 2010-FY 2011 biennium are expected to be about \$88,000 in each year.

## Fee Revenues and Fund 4K90

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

<b>Table 1. License Fees</b>	
<b>License</b>	<b>Fee</b>
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

In May 2006, COS gained Controlling Board approval for an increase in appropriation of approximately \$580,000, including an increase in the primary license renewal from \$30 to \$45. This allowed the Board to move into a larger facility in the Grove City area and hire two additional examiners. Consequently, testing capacity was expanded from 32 to 50, thereby reducing the waiting times for examinations. Before moving into the Grove City location, the estimated waiting period to take a licensing examination was six to eight weeks. The current wait time is two to three weeks.

As Table 2 below shows, the fee change in FY 2006 caused a substantial increase in revenues between the FY 2005-FY 2006 and the FY 2007-FY 2008 renewal cycles. Revenues increased by approximately \$2.0 million (36%) whereas expenditures increased by only \$1.6 million (30%). Correspondingly, the net balance was about three times greater in the FY 2007-FY 2008 renewal cycle than previously. The balance over the FY 2009-FY 2010 cycle is expected to be roughly in line with that of FY 2007-FY 2008.

<b>Table 2. Revenues and Expenditures, FY 2005 to FY 2010 (est.)</b>			
	<b>FY 2005-FY 2006</b>	<b>FY 2007-FY 2008</b>	<b>FY 2009-2010 (est.)</b>
Revenues	\$5,477,113	\$7,435,715	\$7,660,497
Expenditures	\$5,316,090	\$6,929,521	\$7,067,358
<b>Net</b>	<b>\$161,023</b>	<b>\$506,194</b>	<b>\$593,139</b>

## **New Provisions**

Among the provisions in H.B. 1 that affect the Board's operations are changes to law concerning the requirements for restoring specific license types. H.B. 1 also increases the fines that the Board may impose for various offenses of law regulating cosmetology. Finally, H.B. 1 increases from eight to ten the number of daily hours of instruction the Board may consider in determining an applicant's total hours of instruction for licensing purposes.

## 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 H.B. 1 appropriations for the Board.

Appropriations for the State Board of Cosmetology				
Fund	ALI and Name		FY 2010	FY 2011
<b>General Services Fund</b>				
4K90	879609	Operating Expenses	\$3,533,679	\$3,533,679

H.B. 1 funding for FY 2010 and FY 2011 is \$3.5 million in each year, a 6.15% increase over actual expenditures of \$3.3 million. This line item supports all of COS's operating expenses and will fund 38 FTEs responsible for licensing and enforcement of cosmetology regulations, including four inspectors and one investigator. The Board conducted a total of 9,130 examinations during FY 2009, which equates to roughly 45 to 50 people each day. Of those that take the exam, approximately 75% receive passing marks and are licensed immediately.

### Licenses

Table 3 shows the number of active registrations issued by COS as of the end of FY 2008 and FY 2009. It can be seen from the table that the total number of active licenses increased by 5.52% between these years. The Board anticipates that this growth will continue during the FY 2010-FY 2011 biennium, as people tend to fall back on licensed trades during difficult economic periods.

H.B. 1 includes a provision that raises the number of daily hours of instruction that the State Board of Cosmetology may consider in determining an applicant's total hours of instruction for licensing purposes from eight to ten. This provision is not expected to have a direct impact on the Board. However, raising the daily instructional limits from eight to ten hours will allow cosmetology students to finish courses more quickly, potentially increasing the number of license applicants.

Another provision contained in the act affects the process for renewing lapsed practicing license, managing license, or instructor licenses. Specifically, H.B. 1 requires a person renewing a license to pay the Board the renewal fee for the current renewal period and any applicable late fees in addition to the existing restoration fee. The act also specifies that the required lapsed renewal fee is \$45 per license renewal period that has elapsed since the license was last issued or renewed. Under the act, the lapsed renewal fee must be deposited into the General Revenue Fund.

<b>Registration</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>% Change</b>
Cosmetologist	23,342	21,557	7.65%
Cosmetologist Instructor	5,211	4,784	8.19%
Managing Cosmetologist	51,064	48,900	4.24%
Beauty Salon	9,605	9,168	4.55%
Esthetician	1,108	997	10.02%
Esthetician Instructor	110	98	10.91%
Managing Esthetician	1,889	1,964	-3.97
Esthetic Salon	241	280	-16.18%
Hair Designer	180	162	10.00%
Hair Designer Instructor	3	3	0%
Managing Hair Designer	52	63	-21.15%
Hair Designer Salon	169	195	-15.38%
Independent Contractor	10,739	10,374	3.40%
Manicurist	4,663	3,959	15.10%
Manicurist Instructor	236	182	22.88%
Managing Manicurist	7,566	7,293	3.61%
Nail Salon	1,169	1,090	6.76%
Natural Hair Stylist	8	5	37.50%
Natural Hair Stylist Instructor	0	1	100%
Managing Natural Hair Stylist	13	16	-23.08%
Natural Hair Stylist Salon	9	8	11.11%
Cosmetology School	181	185	2.21%
Tanning Facility	2,290	1,948	14.93%
<b>Totals</b>	<b>119,848</b>	<b>113,232</b>	<b>-5.52%</b>

### Investigation and Enforcement Statistics

In FY 2008, the Board incorporated random selection into its inspection process to remove the potential for personal bias in the selection of businesses to be inspected. The new system selects a business from a specified zip code and places it on a "to do" list for an inspector. After the inspection has been completed, the business is removed from the list. There were 17,023 such random inspections in FY 2008, resulting in 635 violations and \$61,475 in fines collected from these administrative actions. Separately, the Board received 156 official complaints, all of which were investigated. Through either inspection or investigation, 19 offenses resulted in official hearings, four of which were settled before the hearing occurred. Table 4 summarizes the Board's enforcement statistics for the March 2008-March 2009 period, the latest data available to LSC.

Noteworthy in H.B. 1 was a provision that increased the fines that the Board may impose from not more than \$100 to not more than \$500 for a first offense, from not more than \$500 to not more than \$1,000 for a second offense, and from not more than \$1,000 to not more than \$1,500 for a third and any additional offenses.

<b>Enforcement Action</b>	<b>Number</b>
Random Inspections	17,023
Administrative Actions	635
Complaints	156
Disciplinary Hearings	15

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**FY 2010 - 2011 Final Appropriation Amounts**

**All Fund Groups**

<b>Line Item Detail by Agency</b>			<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010 Appropriations</b>	<b>% Change FY09 - FY10</b>	<b>FY 2011 Appropriations</b>	<b>% Change FY10 - FY11</b>
<b>Report For: Main Operating Appropriations Bill</b>			<b>Version: Enacted</b>					
<b>COS State Board of Cosmetology</b>								
4K90	879609	Operating Expenses	\$ 3,550,510	\$ 3,329,024	\$ 3,533,679	6.15%	\$ 3,533,679	0.00%
<b>General Services Fund Group Total</b>			<b>\$ 3,550,510</b>	<b>\$ 3,329,024</b>	<b>\$ 3,533,679</b>	<b>6.15%</b>	<b>\$ 3,533,679</b>	<b>0.00%</b>
<b>State Board of Cosmetology Total</b>			<b>\$ 3,550,510</b>	<b>\$ 3,329,024</b>	<b>\$ 3,533,679</b>	<b>6.15%</b>	<b>\$ 3,533,679</b>	<b>0.00%</b>