

Redbook

LBO Analysis of Executive Budget Proposal

Cosmetology and Barber Board

Tom Wert, Budget Analyst
April 2019

TABLE OF CONTENTS

Quick look	1
Analysis of FY 2020-FY 2021 budget proposal	1
Executive recommendations by expense category	2
Operating revenues and expenses	2
Licenses and investigation and enforcement statistics	4
Investigation and enforcement statistics	5

LBO Redbook

Cosmetology and Barber Board

Quick look...

- The State Cosmetology and Barber Board (COS) licenses approximately 135,000 individuals, businesses, and beauty and barbering schools. Licenses are renewed biennially in odd-numbered fiscal years.
 - The operations of the State Barber Board were consolidated into the State Board of Cosmetology effective January 2018.
- The Board is governed by 13 members appointed by the Governor. Daily operations are overseen by an executive director.
- The Board employs a staff of 45, including 16 field inspection staff, eight exempt management positions, eight examination schedulers and examiners, four customer service personnel, four licensing staff, three administrative action staff, and two fiscal staff.
- The Board receives no money from the GRF; it is entirely supported by licensing fees and related revenues. The executive recommended budget provides funding of \$5.4 million in FY 2020 and \$5.7 million in FY 2021.

FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
State Board of Cosmetology – Fund 4K90 ALI 879609, Operating Expenses					
\$3,693,776	\$3,817,641	\$4,218,428	\$5,348,760	\$5,425,748	\$5,716,944
% change	3.4%	10.5%	26.8%	1.4%	5.4%
Ohio State Barber Board – Fund 4K90 ALI 877609, Operating Expenses					
\$571,725	\$640,167	\$486,863	\$0	\$0	\$0
% change	12.0%	-23.9%	-100.0%	N/A	N/A

Note: The Ohio State Barber Board's operations were merged with those of the State Board of Cosmetology beginning in January 2018, the midpoint of FY 2018. The combined operations are now funded under Fund 4K90 ALI 879609, Operating Expenses.

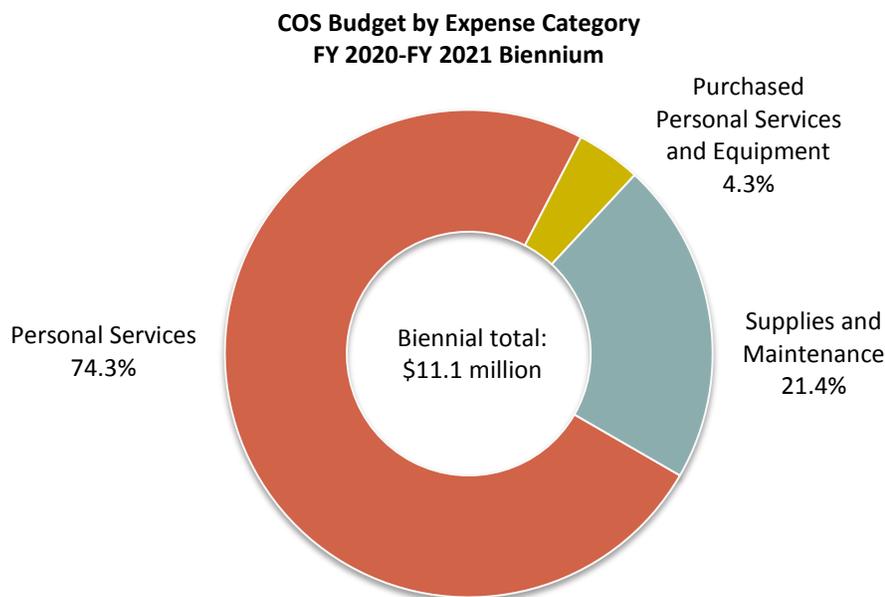
Analysis of FY 2020-FY 2021 budget proposal

The Board's operations are funded entirely by appropriation item 879609, Operating Expenses, within the Occupational Licensing and Regulatory Fund (Fund 4K90). The Board is responsible for establishing and maintaining sanitary and professional standards in beauty salons. The Board licenses individuals who provide cosmetology services and related services such as manicuring, esthetics, hair design, natural hair styling, as well as cosmetology schools. In addition, the Board has oversight over the indoor tanning industry through regulation of ultraviolet radiation devices. The Board also oversees barbers, barbershops, and barber schools as a result of the consolidation of the State Board of Cosmetology and the Ohio State Barber Board under H.B. 49, the main operating budget act for the FY 2018-FY 2019 biennium. That consolidation occurred in January 2018.

Executive recommendations by expense category

The chart below shows how the recommended funding for the FY 2020-FY 2021 biennium is allocated by expense type. Approximately \$8.3 million (74.3%) is for personal services (i.e., payroll and fringe benefits), while approximately \$2.4 million (21.4%) is for supplies and maintenance. The remaining \$479,000 (4.3%) is for purchased personal services and equipment.

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 nearly \$105,000 for CSA services in FY 2018 and expects to pay approximately \$105,000 for them in FY 2019. As one of the state's larger licensing boards, its share of the cost for eLicensing is estimated to be roughly \$466,000 in FY 2019. The amount budgeted for these costs in the upcoming biennium is \$378,000 in FY 2020 and \$404,000 in FY 2021.



Operating revenues and expenses

Table 1 on the following page shows the license and fee types and corresponding amounts charged by the Board, as well as changes to those fees proposed for FY 2020-FY 2021. Under current law, the Board is required to review fee amounts every two years and establish the fee amounts by rule. Current law caps fees established by the bill at specific amounts; however, the Board is permitted, with Controlling Board approval, to increase fees beyond the maximum amounts by as much as 50%.

Table 1. License Fees by Type			
License Type	Current Fee	Statutory Maximum	Board Proposed Fee
Issuance of a practicing, advanced, or instructor license for any branch of cosmetology	\$45	Not more than \$75	Same as current
Renewal of practicing, advanced, or instructor license for any branch of cosmetology	\$45	Not more than \$70	\$55
Issuance of a salon license; ownership or name change	\$75	Not more than \$100	Same as current
Salon license renewal	\$60	Not more than \$90	\$70
Issuance of a duplicate license	\$20	Not more than \$30	Same as current
Independent contractor	\$75	Established by rule	Same as current
Independent contractor renewal	\$60	Established by rule	\$70
Issuance of a reciprocal license	\$70	Not more than \$70	Same as current
Issuance or renewal of private cosmetology school license	\$250	Not more than \$250	Same as current
Tanning facility permit	\$65	Established by rule	\$75
Tanning facility permit renewal	\$50	Established by rule	\$70
Temporary pre-examination work permit	\$7.50	Not more than \$15	\$10
Initial application to take an examination/ retake an examination after failing	\$31.50	Not more than \$40	\$40
Examination after previously failing to show	\$40	Not more than \$55	\$45
Lapsed renewal fee	\$45	Not more than \$45	Same as current
Mailing license to another state	\$50	Not more than \$50	Same as current
Special Occasions Work Permit	\$50	Established by rule	Same as current

Table 2 below shows operating revenues and expenditures over the FY 2013-FY 2018 span, encompassing three previous biennial renewal cycles. Note that there can be 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. Revenues and Expenditures, FY 2013-FY 2018						
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Revenue	\$7,483,850	\$1,925,520	\$7,607,508	\$1,591,855	\$7,190,001	\$1,652,318
Expenses	\$3,460,204	\$3,451,614	\$3,472,872	\$3,693,776	\$3,817,641	\$4,218,428
Net	\$4,023,646	-\$1,526,094	\$4,134,636	-\$2,101,921	\$3,372,360	-\$2,566,110

Licenses and investigation and enforcement statistics

Table 3 below shows the number of active licenses issued by COS as of the end of FY 2017 and FY 2018. Overall, the number of active licenses increased by 9.1% between these years, from 123,716 in FY 2017 to 134,915 in FY 2018.

License Type	FY 2017	FY 2018	Percent Change
Cosmetologist	17,639	20,841	18.2%
Cosmetologist Instructor	3,245	3,529	8.8%
Advanced Cosmetologist	43,462	44,704	2.9%
Beauty Salon	9,239	9,768	5.7%
Esthetician	982	1,339	36.4%
Esthetician Instructor	121	137	13.2%
Advanced Esthetician	3,035	3,417	12.6%
Esthetic Salon	806	899	11.5%
Hair Designer	135	165	22.2%
Hair Designer Instructor	5	5	0.0%
Advanced Hair Designer	127	129	1.6%
Hair Designer Salon	359	418	16.4%
Independent Contractor	19,090	21,506	12.7%
Manicurist	3,957	4,731	19.6%
Manicurist Instructor	132	153	15.9%
Advanced Manicurist	7,429	7,832	5.4%
Nail Salon	1,216	1,250	2.8%
Natural Hair Stylist	5	7	40.0%
Natural Hair Stylist Instructor	1	0	-100.0%
Advanced Natural Hair Stylist	34	39	14.7%
Natural Hair Stylist Salon	14	16	14.3%
Cosmetology School	178	169	-5.1%
Tanning Facility	1,100	1,206	9.6%
Boutique Services Registration	337	955	183.4%
Boutique Services Salon	32	57	78.1%
Barber	8,068	8,649	7.2%

Table 3. Active Licenses, FY 2017 and FY 2018			
License Type	FY 2017	FY 2018	Percent Change
Barber School	19	21	10.5%
Barber Shop	2,852	2,857	0.2%
Barber Teacher	97	114	17.5%
Assistant Barber Teacher	0	2	N/A
Total	123,716	134,915	9.1%

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 2018, the Board conducted more than 10,300 random inspections during which the Board found 1,846 violations resulting in 1,146 warnings and 700 charged offenses. FY 2018 revenue from fines and settlements deposited into Fund 4K90 totaled approximately \$202,000.