



THE OHIO STATE BOARD OF COSMETOLOGY

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TESTIMONY before the OHIO HOUSE OF REPRESENTATIVES
STATE GOVERNMENT AND AGENCY REVIEW, FINANCE SUB-COMMITTEE

HONORABLE REPRESENTATIVE KEITH FABER, CHAIRPERSON

ON

FISCAL YEARS 2018 AND 2019 BUDGET RECOMMENDATIONS

BY

CHRISTOPHER H. LOGSDON, M.B.A., EXECUTIVE DIRECTOR
OHIO STATE BOARD OF COSMETOLOGY

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INTRODUCTION:

Representative Faber and respected members of the State Government and Agency Review, Finance Subcommittee, my name is Christopher Logsdon and I am the Executive Director of the Ohio State Board of Cosmetology. I appear before this subcommittee to seek the support of the Ohio House of Representatives concerning the Ohio State Board of Cosmetology's Fiscal Year 2018 and 2019 budget recommendations contained in H.B. 49. After a brief description of the Board and its role, I would like to focus the majority of my testimony on the Ohio State Board of Cosmetology's budget recommendations and the proposed merger with the Ohio State Barber Board.

THE OHIO STATE BOARD OF COSMETOLOGY:

The Ohio State Board of Cosmetology (hereafter referred to as "the Board") is a unique regulatory board engaged in the governance of businesses, schools, and providers of branches of Cosmetology and Tanning services. The Board's mission is to protect and support the public through regulation and education while promoting the integrity of the industry. Practically, the Board meets this mission through the effective regulation of cosmetology schools, cosmetology salons, tanning facilities, and individuals engaged in the many branches of cosmetology, including full cosmetology services, hair design, manicuring, manicuring, natural hair styling, and esthetics. Our goal is to effectively regulate the industry, while limiting the negative impact over-regulation may have on businesses and individuals.

The State Board of Cosmetology consists of eleven individuals appointed by the Governor with the advice and consent of the Ohio Senate. The State Board of Cosmetology is comprised of three licensed cosmetologists, two of whom have been actively engaged in the management of a beauty salon for at least five years at the time of appointment; one regularly licensed physician; one owner of a licensed school of cosmetology; one member of the public; one Independent Contractor (IC) or owner of a salon that employs ICs; one person who represents individuals who teach the theory and practice of a branch of cosmetology at a vocational school; one owner of at least five licensed beauty salons, one individual who has owned or managed a tanning facility for at least five years at the time of appointment; and one licensed esthetician who has been actively engaged in the practice of esthetics for at least five years at the time of appointment. The Ohio State Board of Cosmetology employs thirty-three (33) support staff and seven (7) administrative staff to complete the spectrum of duties entrusted to them by the Board.

In total, the Board issues licenses to 89,254 individual providers of branches of Cosmetology, 21,433 Independent Contractor licenses, and 121 boutique services registrants. In addition, the Ohio State Board of Cosmetology issues licenses to approximately 11,946 cosmetology, hair design, manicuring, natural hair, esthetics, and boutique services salons. Additionally, the Board licenses 1228 tanning facilities. **(Table 1)** During FY 2016, the Board issued 7,970 new individual licenses and 1,371 salon licenses. Additionally, the Board inspects more than 194 proprietary and Career Technical Cosmetology Schools in the state of Ohio. Additionally, the Board establishes and monitors the curriculum for licensed educational programs throughout the state.

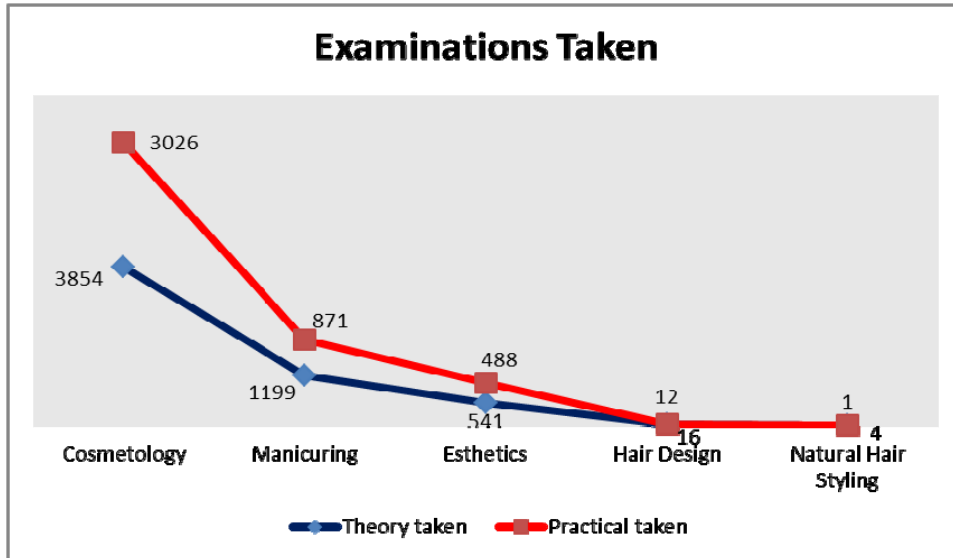
Table 1.

Active Provider Licenses		Advanced Licenses		Instructor Licenses		Salon Licenses	
Cosmetologists	19624	Cosmetologists	48065	Cosmetologists	4064	Cosmetology	9470
Estheticians	1040	Estheticians	3370	Estheticians	165	Esthetics	846
Hair Designers	151	Hair Designers	141	Hair Designers	6	Hair Design	335
Manicurists	4169	Manicurists	8224	Manicurists	183	Manicuring	1279
Natural Hair Stylists	7	Natural Hair Stylists	42	Natural Hair Stylists	3	Natural Hair Stylists	16
Boutique Registrations		Including instructor licenses, the Ohio State Board of Cosmetology renews approximately 120,000 licenses and registrations on a biennial basis: consisting of licensed individuals, salons, schools, and tanning facilities.				School Licenses	
Boutique Registrant - Shampooing	40					Career Tech Schools	88
Boutique Registrant - Threading	38					Private Schools	106
Boutique Registrant - Braiding	43					Tanning Facility Permits	
Independent Contractors						Tanning Facilities	1228
IC	21433						

The Board’s core mandates are to test minimum competencies of persons seeking to enter into one or more of the service branches of Cosmetology and to ensure that salons and individuals engaging in offering those services are compliant with infection control and safety standards established by the Board. The Board conducts its own theory and practical examinations in Cosmetology and each branch of Cosmetology at its office in Grove City, Ohio. The Ohio State Board of Cosmetology develops and administers examinations in cosmetology and each of the branches of cosmetology. Candidates are scheduled for examinations throughout the year, resulting in approximately 30 – 50 candidates taking examinations each day of the week. During FY 2016, the Board administered a total of 5614 theory-based examinations and 4398 practical examinations for cosmetology and the

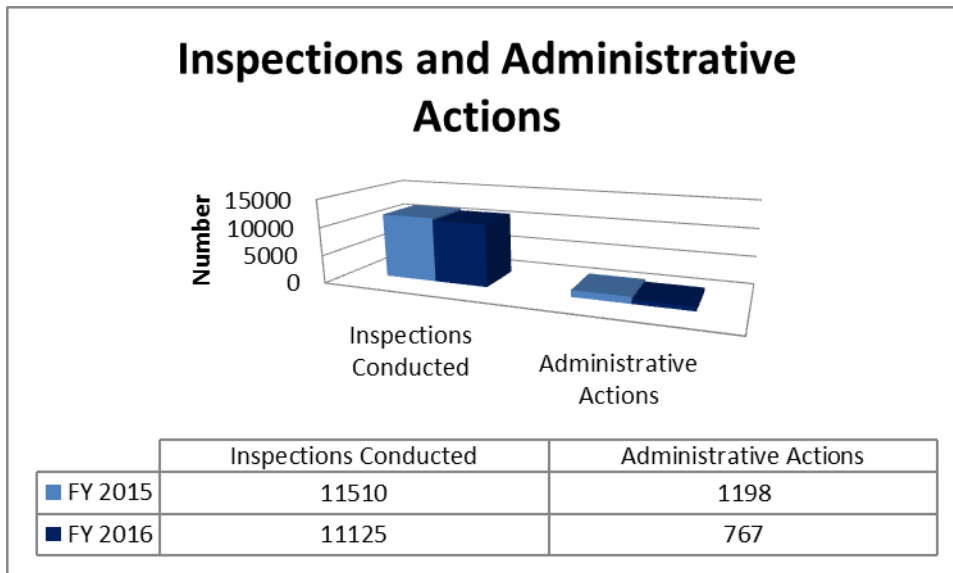
branches of cosmetology. Additionally, the Board administered 3305 manager’s examinations, bringing the total examinations administered to 8919 theory and 4398 practical. (Figure A)

Figure A



The Board employs 12 field inspectors. Inspectors are assigned to regional coverage areas throughout the state. A salon or tanning facility is inspected approximately every 18 – 24 months. On average, each inspector completes approximately 927 inspections every year. In FY 2016, field inspectors filed 11,125 inspection reports, representing 8536 salons visited. Of these, Inspectors found 2,445 violations, resulting in 1,678 warning notices and 767 violations being issued and monitored by case administrative action staff. In comparison to FY 2015 inspections and administrative actions, the number of inspections remains relatively consistent, while the number of administrative actions decreased significantly. This decrease is directly related to business-friendly policy changes implemented in FY 2015 that decreased the penalties for minor violations. (Figure B)

Figure B



EXECUTIVE BUDGET RECOMMENDATIONS:

The budget recommendations contained in H.B. 49 propose to merge the Ohio State Barber Board with the Ohio State Board of Cosmetology, beginning January 2018. The model proposed appears to be consistent with models adopted by a number of other states, wherein a single administrative authority licenses both industries, while maintaining statutory separation that conserves each profession's identity and distinctive educational requirements. A full review of the Executive Budget recommendations has been conducted, taking into consideration variances between the requested and recommended funding for each agency. Each Board individually prepared their own budget requests. Based on this review, the Ohio State Board of Cosmetology supports the funding recommendations provided in the Executive budget. Collectively, the recommended budget related to the merger of the Ohio State Board of Cosmetology and the Ohio State Barber Board represents a 13% increase in FY 2018 and a 35% increase in FY 2019 over the current FY 2017 budget for the Ohio State Board of Cosmetology.

Effect of the Budget Recommendations

The Ohio State Board of Cosmetology has proved itself a good steward of the funds approved by the Ohio General Assembly. The agency has focused its initiatives on meeting its fundamental goals and objectives established by the Ohio Revised Code, while demonstrating its adherence to the values and objectives of the Governor by reducing barriers to individuals and businesses, improving opportunities for working Ohioans, and implementing policies and procedures to improve workflow efficiencies. The Board's continual fiscal focus is to reduce or hold firm costs of operations and while this budget includes some increases, it is worth noting that the funding increases are primarily the result of influences that the agency does not control. The FY 2018/2019 budget recommendations are primarily designed to support continued service levels for each Board through the transition to a single agency mid-year FY 2018. The principal factors contributing to the funding recommendations are: (1) payroll increases based upon the merger of agency staffs, annual payroll increases, benefit cost increases; and (2) the new Elicense 3.0 charges that go into effect in fiscal year 2019. Additionally, the budget will support the Ohio State Board of Cosmetology's priority initiative to transition the agency's written examination to a nationally recognized examination. The Ohio State Board of Cosmetology is not aware of any funded initiatives for the Ohio State Barber Board, other than funding for continued service levels, which this budget will support.

Payroll increases amount to \$375,397.00 in fiscal year 2018 and \$721,611.00 in fiscal year 2019 above current fiscal year 2017 estimates for the Ohio State Board of Cosmetology. An analysis of the changes indicate the increased costs are directly related to contract payroll increases and benefit estimates for the biennium and the transition of the two single series agencies (The Ohio State Board of Cosmetology and the Ohio State Barber Board) into one single series agency on January 1, 2018. The merger of the Ohio State Barber Board contributes \$184,525.00 to the agency's payroll in FY 2018 and \$491,873.00 in FY 2019.

In FY 2019, the Elicense 3.0 licensure system will be billed to participating agencies. The budget recommended supports the cost estimates for this service, which is jointly estimated at approximately \$466,247.00 per year.

**FY 2018/2019 Budget Testimony
Ohio State Board of Cosmetology**

In 2011, the Board moved from contracting with the National-Interstate Council of State Boards of Cosmetology, Inc. (NIC) for the practical and written examinations for cosmetology and the four branch examinations (manicuring, esthetics, hair design, and natural hair styling) to developing and administering its own examinations. After developing and administering its own examinations for cosmetology and each branch of cosmetology since 2011, the Board is now seeking to move back to a nationally recognized examination. Ohio is currently one of two states that develop their own examinations – New York being the other state. The remaining states contract their written examinations and some their practical examinations through a national examination service. The primary advantage of using a nationally recognized examination is the advancement of reciprocal licensure between states and continual updating of the examination content. The concept suggests that individuals licensed in Ohio would face fewer barriers to licensure in other states that use or recognize the same examination and persons licensed in other states would face fewer barriers to licensure in Ohio. This proposal aligns well with Ohio’s goals to create business friendly policies.

Operational Challenges

The proposed merger of the Ohio State Board of Cosmetology and the Ohio State Barber Board under H.B. 49 will present some challenges. The bill provides the newly formed board with approximately six months to plan and implement the merger. The merger does not fundamentally change enabling statutes for each Board, but instead combines the boards into a single Board and similarly combines the staff. Merger of staff, data, records, forms, and policy under a single authority will present some challenges to the newly created board, but the lead-time provided in the proposed legislation should support a positive unification of these entities.

During the current biennium, the Board has implemented a three-year strategic plan designed to reduce unnecessary barriers to business and individuals while enforcing the licensure, safety and sanitation standards for the industries regulated by the Board. Most of these changes, to date, have resulted in improved policies and procedures, organizational structure, or regulatory clarity. The beneficiaries have been the licensees served by the Board and the public, who expect our review and response to their concerns to be timely and comprehensive. Personnel ceilings have remained stable during fiscal year 2016; although organizationally we have seen several positions changed to better align with the agency’s goals and objectives. The Board’s strategic plan will need to be updated to reflect the merger of the two agencies, should the proposal pass.

In September 2016, Am. Sub. S.B. 213 was enacted. This bill fundamentally changed Ohio’s cosmetology law, making significant changes to its licensing and inspection practices. Under the new provisions, the Board ended issuance of the Manager licenses and eliminated the mandate to have a person holding a manager license on duty at all times in a salon. Persons who held manager licenses prior to the effective date of the act were issued a newly created license called an Advanced License. The Board developed and began administering five new advanced practice examinations for persons completing an advanced practice-training program in cosmetology or one of the branches of cosmetology. These added responsibilities were absorbed within the current workforce and workload structure of the agency. Additionally, the new provision created a “Boutique Service” and required salons providing defined services to be licensed and persons providing the defined services to obtain a registration.

The rollout of Elicense 3.0 promises to implement new automations that will improve workflow and records management. The Board is working with the Department of Administrative Services to

discover operational efficiencies in the new system's configuration. Additionally, costs associated with internal development of the written basic practice examinations for cosmetology and branches of cosmetology should decrease over time as the Board transitions to a national examination, resulting in a savings to the agency.

The Ohio State Board of Cosmetology generates revenue through fees generated from examination applications, initial and renewal licensure, and fines. The Board has always generated more revenue than its expenditure; however, due to decreasing fine revenue and increasing costs, particularly associated with the new elicense 3.0 system, the Board's projected revenue will fall below its biennial budget during the next biennium. This concern would become an even greater in following biennia as the agency will face annual elicense 3.0 costs. As a result, the Board has requested fee increases in this budget. The recommended language proposes a capped fee schedule, which would remove the current fixed fee structure and replace the fee structure with a common sense, fiscally sound, and publically accountable approach. The change will set upper fee limits and a requirement that the Board go through rules filing to amend individual fees within the proposed limits.

Conclusion:

The Board will continue to incorporate conservative business principals in its business plan by seeking the least costly alternatives to meeting its mission critical goals and objectives. This includes evaluating its workforce plan to validate its staffing and resource alignment with the agency's business needs and foregoing unnecessary expenditures that hold no value-added benefit for the agency or its stakeholders. I would encourage the members of this body to fairly evaluate the Board budget recommendations and support them as proposed in the amount of \$4,462,105.00 in FY 2018 and \$5,348,760.00 in FY 2019. I am pleased to address any questions.