



NORTH CAROLINA BOARD OF BARBER AND ELECTROLYSIS EXAMINERS

Memo

TO: Board members

FROM: Dennis Seavers

DATE: August 19, 2023

SUBJECT: Fiscal year 2024 budget proposal

Below is a proposal for the board's fiscal year (FY) 2024 budget, which the board will be considering at its August 22, 2022 meeting. Board members should feel free to contact me if they have questions about the details of the proposal.

The table in Attachment A shows a detailed breakdown of the budget proposal according to the state's revenue and expense accounts. The table also compares the FY 2023 and 2024 proposals.

SUMMARY

- The board's starting fund balance on July 1, 2023, was \$1,005,302.55.
- The budget anticipates \$814,344.88 in revenues. (The increase is attributable to higher interest revenues from bank deposits and the addition of revenues formerly received by the Board of Electrolysis Examiners.)
- The budget would authorize \$818,132.24 in spending. This spending represents an increase of \$41,172.84 (5.3%) from the FY 2023 budget.
- The board's net income is projected to be a loss of \$3,787.36.
- The board's ending fund balance on June 30, 2024, would be approximately \$1,001,515.19.

STATEWIDE BUDGET VS. BOARD BUDET

For individuals who served on the Board of Electrolysis Examiners, the adoption of an annual budget will be new. This section of the memo explains the difference between the statewide budget and the board budget. (Individuals who previously served on the Board of Barber Examiners can skip this section.)

Although the board's revenues are almost entirely based on fees rather than taxes, the board's spending is still subject to the oversight of the Office of State Budget and

Management (OSBM). The General Assembly approves a budget for the board and most other state agencies, and any subsequent changes must be approved by OSBM. For some boards and commissions, this budget governs the spending for the fiscal year, and the boards don't adopt a separate budget.

This board adopts its own budget, within the constraints of the budget approved by the General Assembly and revisions approved by the Office of State Budget and Management. I recommended this change in 2015 so that the governance body could weigh in on its spending priorities, which in turn reflect the board's goals for the agency. That way, the staff alone isn't determining agency spending priorities within the budget adopted by the General Assembly. For example, the board will determine how much money it wishes to direct to IT projects that improve customer service or improve workflows.

The proposed budgets are based on the recommendations of the board's executive director. However, the board is in no way constrained by these recommendations. Although the executive director will have an understanding of board operations and the impact of the budget on them, the board is certainly free to change the proposed budget as it wishes. The board should keep in mind that some changes could be subject to OSBM approval.

ASSUMPTIONS AND AUTHORIZATIONS

Every budget makes certain assumptions, and I've listed some assumptions below for this budget proposal (others appear in the next section of this memo).

Contracts

As part of this proposal, I ask the board to authorize me to continue or enter into any necessary contracts—the costs of which are included in the budget—to make sure that operations remain smooth, just as the board has done for the last eight fiscal years. These contracts would still need to comply with statewide procurement regulations.

Board meetings

Various portions of the budget include costs associated with board meetings. The proposal assumes that the board will hold six regularly scheduled meetings. This assumption is solely for cost projection and doesn't commit the board to a schedule. This budget also assumes that the board will continue its practice of only providing per diems for "full" meetings (such as the regularly scheduled meetings) rather than brief special meetings.

Pending legislation

The General Assembly has not yet passed a budget for fiscal year 2024. Under state law, the certified budget (i.e., the originally approved budget, without revisions

authorized by the Office of State Budget and Management) will be in effect until the budget is adopted. Once the budget is passed, the board may need to revise its budget at future meetings. As discussed below, the areas of revision would likely include personnel and IT expenses.

DETAILED EXPLANATIONS AND JUSTIFICATIONS

This section of the memo explains portions of the budget that depart notably from the FY 2023 budget. Not all changes in spending are addressed—though the most important are—so if board members have additional questions about changes, they should feel free to contact me. The focus is on expenditures rather than revenues because the latter are projections rather than proposals. The information below is organized by the state’s expenditure categories and chart of accounts, as shown in Attachment A.

Personal services (531)

There have been discussions of salary increases for staff members. As discussed above, the FY 2024 budget has not yet been approved by the General Assembly. Although the proposal doesn’t include increases in base salaries, the board will need to revise this area of the budget at a subsequent meeting to reflect any salary increases.

Purchased services (532)

Financial and audit services (532120)

Due to the merger, the annual financial audit will cover not just the current board, but also the former Board of Barber Examiners and Board of Electrolysis Examiners. In the past, the Board of Electrolysis Examiners was exempt from the requirement to have an annual audit because its budget was less than \$50,000 a year. The expansion of the normal audit to cover an agency not previously audited will require more work by auditors than in previous fiscal years, so the auditing cost will be higher.

Managed server support (532145)

Of the proposed increase in spending, only about \$1,700 represents contractual increases due to inflation. The remainder is for add-on services that the board can remove from the budget if it wishes. However, I believe these add-on services will be beneficial for the reasons discussed below.

The non-contractual increases include:

- Escalated task. The contract includes a certain number of tasks for improvements or to correct problems that are not due to vendor error. However, these tasks occur on a set time frame. If an issue needs to be corrected immediately, the board must pay for the task to be escalated to an urgent time

frame. The cost is about \$678. In my experience, at least one task is necessary during each fiscal year for unexpected issues.

- Additional project. Projects represent larger-scale work than tasks. The board has several projects lined up, including ones to implement legislation for mobile barber shops, to add electrologists and laser hair practitioners to the licensing database, and to have an online renewal system for electrologists and laser hair practitioners. The board also must update the interface with the payment processor (which handles credit- and debit-card payments) by next year. I recommend that the board approve an additional project to accelerate the time frame to complete this work. The cost is about \$6,300.

Professional testing service (532170001)

As discussed in the executive director's report for the August 22, 2023 board meeting, the number of people failing the written exam has decreased dramatically as the pandemic has abated. This budget accounts for higher testing costs in case the number of exams remains high, but the board may be able to revise this figure downward to cover increase in other areas of the budget as the fiscal year progresses.

Miscellaneous contract services (532199)

The addition of \$12,324 represents the addition of already budgeted costs from the former Board of Electrolysis Examiners. The costs would be used for services related to inspections and administrative work for the electrolysis and laser hair practice industries, if needed.

Ground transportation in state (532714)

This area of spending covers staff vehicle travel, including the cost of state fleet vehicles and car rentals. Gas prices have increased, and the board inspectors are traveling more to increase the number of inspections performed.

IT costs (5328xx)

As discussed above, when the General Assembly adopts a budget, the board may need to revise its budget. One area of potential revision will be IT costs assessed by the Department of Information Technology (the account codes that begin with 5328). Those costs may increase in accordance with a schedule approved by the General Assembly.

Attachment A FY 2024 Budget Proposal

	FY23 Budget (Revised)	FY24 Proposed	Difference
Income			
433 - investment income			
433121 - STIF interest income	\$ 4,200.00	\$ 15,116.88	\$ 10,916.88
Total 433 - investment income	\$ 4,200.00	\$ 15,116.88	\$ 10,916.88
434 - sales, service, rentals			
434320 - sale of surplus property	\$ -	\$ -	\$ -
Total 434 - sales, service, rentals	\$ -	\$ -	\$ -
435 - fees, licenses, and fines			
435100 - business license fees			
435100059 - duplicate license	\$ 727.00	\$ 727.00	\$ -
435100060 - individual license	\$ 294,571.00	\$ 306,046.00	\$ 11,475.00
435100061 - school permit	\$ 5,077.00	\$ 5,077.00	\$ -
435100062 - bus/shop permit	\$ 126,939.00	\$ 126,939.00	\$ -
435100063 - student permit	\$ 23,476.00	\$ 23,476.00	\$ -
435100064 - renewal-individual	\$ 60,437.00	\$ 60,437.00	\$ -
435100 - business license fees - Other	\$ -	\$ -	\$ -
Total 435100 - business license fees	\$ 511,227.00	\$ 522,702.00	\$ 11,475.00
435300 - certification fees			
435300015 - reexamination	\$ 7,642.00	\$ 7,902.00	\$ 260.00
435300016 - instructor exam fee	\$ 7,642.00	\$ 7,642.00	\$ -
435300017 - registered exam fee	\$ 35,109.00	\$ 35,109.00	\$ -
435300018 - apprentice exam fee	\$ 119,898.00	\$ 119,898.00	\$ -
435300019 - apprentice certific	\$ 36,249.00	\$ 36,249.00	\$ -
435300020 - instructor certific	\$ 13,586.00	\$ 13,586.00	\$ -
Total 435300 - certification fees	\$ 220,126.00	\$ 220,386.00	\$ 260.00
435400 - inspection/exam fees	\$ 37,652.00	\$ 44,752.00	\$ 7,100.00
435500 - fines, pen, assess fee	\$ 9,326.00	\$ 9,701.00	\$ 375.00
435800 - tuition and fees			
435830 - other fees	\$ 790.00	\$ 790.00	\$ -
Total 435800 - tuition and fees	\$ 790.00	\$ 790.00	\$ -
Total 435 - fees, licenses, and fines	\$ 779,121.00	\$ 798,331.00	\$ 19,210.00
437 - miscellaneous			
432127 - procurement card rebate	\$ 250.00	\$ 250.00	\$ -
437990 - other misc revenue	\$ 647.00	\$ 647.00	\$ -
Total 437 - miscellaneous	\$ 897.00	\$ 897.00	\$ -
Total Income	\$ 784,218.00	\$ 814,344.88	\$ 30,126.88
Expense			
531 - personal services			
531112 - EPA regular salaries	\$ 309,446.48	\$ 309,446.48	\$ -
531462 - longevity - receipts	\$ 4,900.87	\$ 5,010.00	\$ 109.13
531512 - Social Security	\$ 22,947.36	\$ 22,947.36	\$ -
531522 - regular retirement	\$ 75,443.36	\$ 75,443.36	\$ -
531562 - medical insurance	\$ 39,610.16	\$ 39,610.16	\$ -
531576 - flexible spending acct	\$ 780.00	\$ 780.00	\$ -
531651 - comp to board members	\$ 2,400.00	\$ 2,400.00	\$ -
Total 531 - personal services	\$ 455,528.23	\$ 455,637.36	\$ 109.13
532 - purchased services			
532110 - legal services	\$ 20,000.00	\$ 20,165.00	\$ 165.00
532120 - financial/audit svcs	\$ 14,500.00	\$ 17,500.00	\$ 3,000.00
532145 - managed server support	\$ 48,763.58	\$ 57,438.59	\$ 8,675.01

Attachment A FY 2024 Budget Proposal

	FY23 Budget (Revised)	FY24 Proposed	Difference
532170001 - prof testing serv	\$ 16,000.00	\$ 18,500.00	\$ 2,500.00
532184 - janitorial services	\$ 4,200.00	\$ 4,200.00	\$ -
532199 - misc contract services	\$ 27,969.00	\$ 40,293.00	\$ 12,324.00
532430 - maint agrment - equip	\$ 1,917.00	\$ 1,917.00	\$ -
532512 - rental of bldg/prop	\$ 24,881.28	\$ 25,627.74	\$ 746.46
532714 - ground trans in-state	\$ 24,200.00	\$ 31,800.00	\$ 7,600.00
532721 - lodging in-state	\$ 18,000.00	\$ 19,000.00	\$ 1,000.00
532724 - meals in-state	\$ 9,000.00	\$ 9,000.00	\$ -
532731 - board/non-emp transpor	\$ 1,000.00	\$ 800.00	\$ (200.00)
532732 - board/non-emp subsist	\$ 1,200.00	\$ 900.00	\$ (300.00)
532811 - telephone service	\$ 1,800.00	\$ 2,000.00	\$ 200.00
532814 - cellular phone service	\$ 6,180.00	\$ 5,800.00	\$ (380.00)
532815 - email and calendaring	\$ 360.00	\$ 360.00	\$ -
532822 - managed LAN svc charge	\$ 3,978.72	\$ 3,300.00	\$ (678.72)
532825 - managed WAN service	\$ 14,217.60	\$ 15,000.00	\$ 782.40
532826 - software subscriptions	\$ 4,150.00	\$ 5,500.00	\$ 1,350.00
532828 - managed desktop services	\$ 9,096.00	\$ 9,096.00	\$ -
532840 - postage & delivery	\$ 1,800.00	\$ 3,400.00	\$ 1,600.00
532840003 - postage/postal meter charges	\$ 13,000.00	\$ 13,000.00	\$ -
532850 - printing, binding, dup	\$ 7,000.00	\$ 7,000.00	\$ -
532911 - insurance - property	\$ 26,000.00	\$ 27,000.00	\$ 1,000.00
532942 - other emp trng expense	\$ 100.00	\$ 100.00	\$ -
Total 532 - purchased services	\$ 299,313.18	\$ 338,697.33	\$ 39,384.15
533 - Supplies			
533110 - general office supply	\$ 6,000.00	\$ 6,355.00	\$ 355.00
Total 533 - Supplies	\$ 6,000.00	\$ 6,355.00	\$ 355.00
534 - property, plant, & equip			
534511 - furniture - office	\$ 370.00	\$ 1,694.56	\$ 1,324.56
534534 - PC and printer purchases	\$ 1,647.99	\$ 1,647.99	\$ -
Total 534 - property, plant, & equip	\$ 2,017.99	\$ 3,342.55	\$ 1,324.56
535 - other expenses and adjust			
535830 - member dues & subcript	\$ 630.00	\$ 630.00	\$ -
535900 - other expenses	\$ 470.00	\$ 470.00	\$ -
Total 535 - other expenses and adjust	\$ 1,100.00	\$ 1,100.00	\$ -
538 - intragovernmental transac			
538030 - fine/penalty transfer	\$ 13,000.00	\$ 13,000.00	\$ -
Total 538 - intragovernmental transac	\$ 13,000.00	\$ 13,000.00	\$ -
Total Expense	\$ 776,959.40	\$ 818,132.24	\$ 41,172.84
Net Income	\$ 7,258.60	\$ (3,787.36)	\$ (11,045.96)