



NORTH CAROLINA STATE BOARD OF BARBER EXAMINERS

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Minutes for Public Meeting

Held October 20, 2015, at 8:00 a.m.
5809 Departure Drive, Suite 102
Raleigh, North Carolina

Board Members

Don Beal, Chair
Steffon Sharpless, Vice Chair
Lance Crumley
David Hood
Valerie Willis

Executive Director

Dennis Seavers

Counsel to the Board

W. Bain Jones, Jr.

The meeting of the North Carolina State Board of Barber Examiners was called to order at 8:08 a.m., on October 20, 2015 at the board's office at 5809 Departure Drive, Suite 102, Raleigh, North Carolina.

The following board members were present during the meeting: Don Beal, Steffon Sharpless, Lance Crumley, David Hood, and Valerie Willis. No Board members were absent, except for a portion of the meeting as indicated below.

Also in attendance were Dennis Seavers, Executive Director, and W. Bain Jones, Jr., Counsel to the Board.

Ethics awareness and conflict of interest

Mr. Beal read the statement required by N.C.G.S. § 138A–15(e) on ethics awareness and conflicts of interest. No board members indicated that they had any potential or actual conflicts.

Minutes from August 18, 2015 meeting

A motion was made by Ms. Willis and seconded by Mr. Crumley to approve the draft minutes and closed-session narratives from the June 23, 2015, and August 18, 2015 meetings. The motion passed, 3–0 (Mr. Hood and Mr. Sharpless were not present for this portion of the meeting).

OPEN SESSION (PART 1)

Administrative hearings

The board conducted a hearing for Brian McCray, who appeared in person, after an appeal relating to his criminal history. Mr. McCray offered testimony and answered questions from Mr. Jones and the board.

Administrative hearings—show cause

The following individuals were served with a notice of hearing to appear before the board to show cause for failing to pay past-due civil penalties and attorney costs. None of the individuals listed below made the required appearance. Mr. Jones presented evidence to the board of the violations and answered questions by the board members.

- a. Henry Boykin
- b. William P. Carmon
- c. Albert D. Dixon
- d. Gerald J. Dixon
- e. Willie Donald
- f. Tyshawn L. Inman
- g. Ryan D. James
- h. Gabriel M. Lindley
- i. Luis A. Lorenzana
- j. Cerby M. Nicholson
- k. Ricky N. Warren
- l. Corey A. Westbrook
- m. Tony L. Wiggins
- n. Marcus K. Woolard
- o. Lamarr A. Worley

Darrell A. Thompson and Eric Crowder paid the fines from their penalty before the board hearing.

Felony petitions

John Williams had applied for an apprentice barber license. He appeared and was sworn in. Mr. Jones presented evidence to the board and asked Mr. Williams questions. Mr. Williams offered testimony and answered questions from the board.

The board recessed at 9:26 a.m. and reconvened at 9:37 a.m.

The North Carolina Division of Prisons had submitted documentation in support of Henry Brown III receiving a registered barber license. Sophia Feaster offered testimony in support of Mr. Brown. Mr. Jones presented information about Mr. Brown's criminal history and recommended that the board issue a standard consent order with five years of probation that would allow Mr. Brown to become a registered barber.

The North Carolina Division of Prisons had submitted documentation in support of Harold Lewis receiving a registered barber license. Ms. Feaster offered testimony in support of Mr. Lewis. Mr. Jones presented information about Mr. Lewis's criminal history and recommended that the board issue a standard consent order with five years of probation that would allow Mr. Lewis to become a registered barber.

Nathaniel Hairston had applied for an apprentice barber license. He appeared and was sworn in. Mr. Jones presented evidence to the board and asked Mr. Hairston questions. Mr. Hairston offered testimony and answered questions from the board.

Judson Young had applied for an apprentice barber license. He appeared and was sworn in. Mr. Jones presented evidence to the board and asked Mr. Young questions. Mr. Young offered testimony and answered questions from the board.

Desmond L. Dickerson had applied for an apprentice barber license. He appeared and was sworn in. Mr. Jones presented evidence to the board and asked Mr. Dickerson questions. Mr. Dickerson offered testimony and answered questions from the board.

Cedric Blacknall had applied for an apprentice barber license. He appeared and was sworn in. Mr. Jones presented evidence to the board and asked Mr. Blacknall questions. Mr. Blacknall offered testimony and answered questions from the board. Timothy Blackmon of Prestige Barber College offered testimony in support of Mr. Blacknall and answered questions from the board.

The board recessed at 11:16 a.m. and reconvened at 11:29 a.m.

CLOSED SESSION (PART 1)

Mr. Hood made a motion to go into closed session under N.C.G. S. § 143–318.11(a)(1), (3), and (6) and under N.C.G.S. § 143–318.11(c), and Ms. Willis seconded. The motion passed, 5–0. Mr. Beal reminded board members that matters discussed in closed session are confidential and must not be discussed outside of the closed session. The board went into closed session at 11:31 a.m.

The board recessed at 12:06 p.m. and reconvened in closed session one minute later.

The board recessed at 12:21 p.m. and reconvened in closed session at 1:06 p.m.

Mr. Beal made a motion to come out of closed session, and Mr. Hood seconded. The motion passed, 5–0. The board returned to open session at 1:23 p.m.

OPEN SESSION (PART 2)

Board policy on examinations for applicants licensed in other states

Mr. Beal referred board members to Mr. Seavers's October 15, 2015 memo on examinations for applicants licensed in other states (see Attachment 1). Mr. Seavers responded to questions from board members. Mr. Sharpless made a motion to adopt a policy requiring out-of-state applicants who are covered by N.C.G.S. § 86A–12(b)(3) to take both the written and practical exam (or, for certain individuals with a disability, the oral and practical exam). Mr. Hood seconded the motion, which passed, 5–0.

Executive director's report

Mr. Beal referred board members to Mr. Seavers's October 15, 2015 report (see Attachment 2). Mr. Seavers responded to questions from board members. Mr. Hood made a motion to accept the report, and Mr. Sharpless seconded. The motion passed, 5–0.

Mr. Sharpless made a motion to adopt the draft financial statement and related documents from the board's annual audit. (Since the draft was confidential, the board had discussed it in closed session.) Mr. Hood seconded the motion, which passed, 5–0.

Modifications to fiscal year 2016 budget

Mr. Beal referred board members to Mr. Seavers's October 14, 2015 memo on revisions to the fiscal year 2016 budget (see Attachment 3). Mr. Seavers responded to questions from board members. The board discussed the operational and regulatory impact of possible budget cuts. Mr. Beal urged the board to take appropriate action to resolve the board's deficit and improve the board's financial picture. Ms. Willis asked about other

areas of the budget that might be cut and the operational impact of cutting positions. Mr. Crumley asked about the impact of cutting inspectors on examinations. Mr. Hood commented that the board existed for the benefit of the public but that the board needed to take steps to make sure it would continue to exist for the public. Mr. Sharpless asked about when the cuts would need to go into effect, and Mr. Seavers responded that the board could decide on the timing, although the board shouldn't wait too long. Mr. Hood commented that the difference between cutting two inspectors, on the one hand, and two inspectors and board counsel, on the other hand, was about \$37,000 in the first year. He emphasized the need to get the fee increase in place and asked the board to consider whether cutting the board counsel at this time would undermine the board's legislative goals.

Ms. Willis made a motion to eliminate two inspector positions and the board counsel, effective January 31, 2016, and for Mr. Seavers to make a recommendation at the board's December 8, 2015 meeting for the second inspector to be terminated (one inspector had offered to resign). Mr. Crumley seconded the motion, which passed, 3-2. Mr. Seavers said he will provide monthly cash-flow reports to the board to make sure that the schedule for cuts won't need to be altered.

CLOSED SESSION (PART 2)

Mr. Hood made a motion to go into closed session under N.C.G. S. § 143-318.11(a)(1), (3), and (6) and under N.C.G.S. § 143-318.11(c), and Ms. Willis seconded. The motion passed, 5-0. Mr. Beal reminded board members that matters discussed in closed session are confidential and must not be discussed outside of the closed session. The board went into closed session at 3:01 p.m.

Mr. Beal made a motion to come out of closed session, and Mr. Hood seconded. The motion passed, 5-0. The board returned to open session at 3:40 p.m.

OPEN SESSION (PART 3)

The board recessed at 3:40 p.m. and reconvened at 3:53 p.m.

Mr. Sharpless made a motion to repeal the portions of the board rules that required inspections of entities to occur at least once each year, and Mr. Crumley seconded. The motion passed, 5-0.

The board permitted Mr. McCray to take the apprentice exam.

The board suspended the license of (or prevented future issuance of a license to) each of the respondents listed below in the show-cause administrative hearings for the respondents' failure to pay past-due civil penalties and attorney costs as ordered. The board also ordered that the licenses remain suspended (or no license be issued) until all

civil penalties and attorney costs, including \$165 for attorney fees and costs for the show-cause hearing, were paid in full.

- a. Henry Boykin
- b. William P. Carmon
- c. Albert D. Dixon
- d. Gerald J. Dixon
- e. Willie Donald
- f. Tyshawn L. Inman
- g. Ryan D. James
- h. Gabriel M. Lindley
- i. Luis A. Lorenzana
- j. Cerby M. Nicholson
- k. Ricky N. Warren
- l. Corey A. Westbrook
- m. Tony L. Wiggins
- n. Marcus K. Woolard
- o. Lamarr A. Worley

The board ordered that the licensure application of Henry Brown III be approved, with five years of probation.

The board ordered that the licensure application of Harold Lewis be approved, with five years of probation.

The board ordered that the licensure application of Cedric Blacknall be approved, with the following conditions: eight years of probation; proof of completing a mental-health program that focuses on daily living, judgment, coping skills, and decision making; proof of completing an alcohol-abuse or drug-treatment program; and proof of completing of a drug screening.

The board ordered that the licensure application of Desmond L. Dickerson be approved, with the following conditions: five years of probation and proof of completing a 30-day mental-health program that focuses on daily living, judgment, coping skills, and decision making.

The board ordered that the licensure application of Nathaniel Hairston be approved, with the following conditions: five years of probation and proof of completing a 30-day mental-health program that focuses on daily living, judgment, coping skills, and decision making.

The board ordered that the licensure application of John Williams be approved, with the following conditions: eight years of probation and proof of completing a 30-day mental-health program that focuses on daily living, judgment, coping skills, and decision making.

The board ordered that the licensure application of Judson Young be approved, with the following conditions: five years of probation and proof of completing a 30-day mental-health program that focuses on daily living, judgment, coping skills, and decision making.

Mr. Beal adjourned the meeting at 4:16 p.m.

Minutes approved on December 8, 2015

Don Beal

Steffon Sharpless

Lance Crumley

David Hood

Valerie Willis



NORTH CAROLINA BOARD OF BARBER EXAMINERS

Memo

TO: Board members

FROM: Dennis Seavers

DATE: October 15, 2015

SUBJECT: Examinations for applicants licensed in other states

N.C.G.S. § 86A-12 is the statute that governs licensing for individuals who apply from out of state to become barbers in North Carolina. (A copy of the statute is at the end of this memo for your reference.) The law requires the board to issue a license without examination if the applicant meets five requirements. Two of the five requirements are that:

- The applicant show that he or she is “currently an active, competent practitioner in good standing”
- The licensure requirements of the state that he or she is coming from be “the substantive equivalent of those required by” North Carolina.

The statute also allows the board to waive the two requirements if the applicant meets certain conditions, one of which is to “[d]emonstrate his knowledge of barbering skills and of the sanitary regulations in North Carolina by passing a practical, written or oral examination.” The past practice has been to require applicants to take both the practical and written exams. (Oral exams are currently only given when individuals’ circumstances prevent them from being able to take the written exam.)

The board could require individuals to take both the written and practical exams, or the board could require individuals just to take one or the other exam, assuming that oral exams will continue to be given only in special circumstances. The current practice is based on the view that the written exam tests knowledge of North Carolina law and sanitation requirements and that the practical exam tests barbering skills. Simply giving the practical exam might allow people to practice in the state without knowledge of North Carolina laws and sanitation requirements; simply giving the written exam might allow people to practice whose skills may be insufficient.

Since there isn't a record of the board giving the staff clear direction on how it wants to interpret the statute, I would ask the board to make its policy clear, either by adopting the current practice or specifying an alternative.

§ 86A-12. Applicants licensed in other states.

- (a) The Board shall issue, without examination, a license to applicants already licensed in another state provided the applicant presents evidence satisfactory to the Board that:
- (1) He is currently an active, competent practitioner in good standing; and
 - (2) He has practiced at least three out of the five years immediately preceding his application; and
 - (3) He currently holds a valid license in another state; and
 - (4) There is no disciplinary proceeding or unresolved complaint pending against him at the time a license is to be issued by this State; and
 - (5) The licensure requirements in the other state are the substantive equivalent of those required by this State.
- (b) The requirements in subdivisions (1) or (5), or both, of subsection (a) of this section may be waived by the Board provided that the applicant presents evidence satisfactory to the Board that the applicant:
- (1) Has met the licensure requirements of the state in which he received his license;
 - (2) Has at least five years practical experience; and
 - (3) **Demonstrates his knowledge of barbering skills and of the sanitary regulations in North Carolina by passing a practical, written or oral examination.**
- (c) Any license granted pursuant to this section is subject to the same duties and obligations and entitled to the same rights and privileges as a license issued under G.S. 86A-3.

(1929, c. 119, s. 12; 1941, c. 375, s. 5; 1947, c. 1024; 1961, c. 577, s. 2; 1979, c. 695, s. 1; 1981, c. 457, s. 8; 1987, c. 210.)



NORTH CAROLINA BOARD OF BARBER EXAMINERS

Memo

TO: Board members

FROM: Dennis Seavers

DATE: October 15, 2015

SUBJECT: Executive director's report

Below is the executive director's report for the board's October 20, 2015 meeting. If there are other areas of finances or operations that the board is interested in, or if board members have questions about this report, you may contact me at dseavers@ncbarbers.com or (919) 981-5210 x22.

FISCAL YEAR 2016 BUDGET REPORT

Attachment A shows the board's expenditures and revenues (on an accrual basis) for the first quarter of fiscal year (FY) 2016, which covers July 1 to September 30. The attachment shows the amounts budgeted for the first quarter only, not for the entire fiscal year.

Expenditures were within budget—about 93% of the expenditures budgeted for the first quarter. There were some areas of higher spending that are highlighted in Attachment A and explained below.

- 532145 – managed server support. The appearance of higher-than-budgeted spending is due to the timing of invoices rather than a substantial spending increase. The board's spending in this account should be close to budget by the end of the fiscal year.
- 532199 – miscellaneous contract services. As with the previous area, the appearance of higher spending is due to the timing of invoices.
- 534511 – office equipment. This amount is for office equipment that was included in the FY 2016 budget proposal under general office supplies. The expenditure was budgeted, but simply under a different account.
- 535900 – other expenses. These costs are entirely due to ongoing invoices from a worker compensation claim. Due to the fact that the Office of the Attorney General did not act quickly to finalize the settlement agreement, the Board

continued to receive invoices, although some of the costs were due to activity that the Board would have had to pay regardless of how quickly the settlement was finalized.

Attachment B shows the board's fund balance over the past few years.

BARBER EXAMS

I previously reported to the board that we had created a database tracking system for exams to help automate some of the processes for exam administration. An additional benefit of the system is that the board can receive better data and trend information on exams.

Apprentice exams

Attachment C shows the number of individuals who took apprentice exams in the first quarter of fiscal year 2016 (July to September 2015), broken down by school. Board members should note that some of the schools listed may no longer exist, and one of the listings is for out-of-state applicants.

The two tables below show the results by number and percentage for written and practical exams. (The total counts won't match because some apprentices only needed to retake one or the other exam.)

Apprentice Written Exams
July to September 2015

Result	Count	Percentage
Did not appear	29	18.24%
Fail	45	28.30%
Pass	85	53.46%
Total	159	

Apprentice Practical Exams
July to September 2015

Result	Count	Percentage
Model rejected	4	2.60%
Fail	13	8.44%
No model	23	14.94%
Did not appear	34	22.08%
Pass	80	51.95%
Total	154	

Registered exams

The table below shows the results by number and percentage for practical exams.

Registered Practical Exams

July to September 2015

Result	Count	Percentage
Model rejected	3	3.13%
Fail	4	4.17%
Did not appear	7	7.29%
Pass	82	85.42%
Total	96	

Attachment A.
Budget vs. Actual
July through September 2015

	<u>Jul - Sep 15</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
Income				
433 - investment income				
433121 - STIF interest income	\$ 654.58	\$ 600.00	\$ 54.58	109.1%
Total 433 - investment income	\$ 654.58	\$ 600.00	\$ 54.58	109.1%
435 - fees, licenses, and fines				
435100 - business license fees				
435100059 - duplicate license	\$ 190.00	\$ 185.00	\$ 5.00	102.7%
435100060 - individual license	\$ 94,770.00	\$ 98,000.00	\$ (3,230.00)	96.7%
435100061 - school permit	\$ 1,170.00	\$ 1,050.00	\$ 120.00	111.43%
435100062 - bus/shop permit	\$ 36,785.00	\$ 21,000.00	\$ 15,785.00	175.17%
435100063 - student permit	\$ 3,975.00	\$ 5,000.00	\$ (1,025.00)	79.5%
435100064 - renewal-individual	\$ 18,600.00	\$ 17,000.00	\$ 1,600.00	109.41%
435100 - business license fees - Other	\$ (100,267.00)	\$ -	\$ (100,267.00)	100.0%
Total 435100 - business license fees	\$ 55,223.00	\$ 142,235.00	\$ (87,012.00)	38.83%
435300 - certification fees				
435300016 - instructor exam fee	\$ 1,650.00	\$ 2,499.00	\$ (849.00)	66.03%
435300017 - registered exam fee	\$ 8,755.00	\$ 8,250.00	\$ 505.00	106.12%
435300018 - apprentice exam fee	\$ 24,565.00	\$ 16,998.00	\$ 7,567.00	144.52%
435300019 - apprentice certific	\$ 12,975.00	\$ 9,999.00	\$ 2,976.00	129.76%
435300020 - instructor certific	\$ 3,495.00	\$ 3,000.00	\$ 495.00	116.5%
Total 435300 - certification fees	\$ 51,440.00	\$ 40,746.00	\$ 10,694.00	126.25%
435400 - inspection/exam fees	\$ 4,160.00	\$ 7,800.00	\$ (3,640.00)	53.33%
435500 - fines, pen, assess fee	\$ 3,775.00	\$ 4,500.00	\$ (725.00)	83.89%
435800 - tuition and fees				
435830 - other fees	\$ 90.00	\$ 150.00	\$ (60.00)	60.0%
Total 435800 - tuition and fees	\$ 90.00	\$ 150.00	\$ (60.00)	60.0%
Total 435 - fees, licenses, and fines	\$ 114,688.00	\$ 195,431.00	\$ (80,743.00)	58.69%
437 - miscellaneous				
437990 - other misc revenue	\$ 4,716.00	\$ 3,000.00	\$ 1,716.00	157.2%
Total 437 - miscellaneous	\$ 4,716.00	\$ 3,000.00	\$ 1,716.00	157.2%
Total Income	\$ 120,058.58	\$ 199,031.00	\$ (78,972.42)	60.32%
Expense				

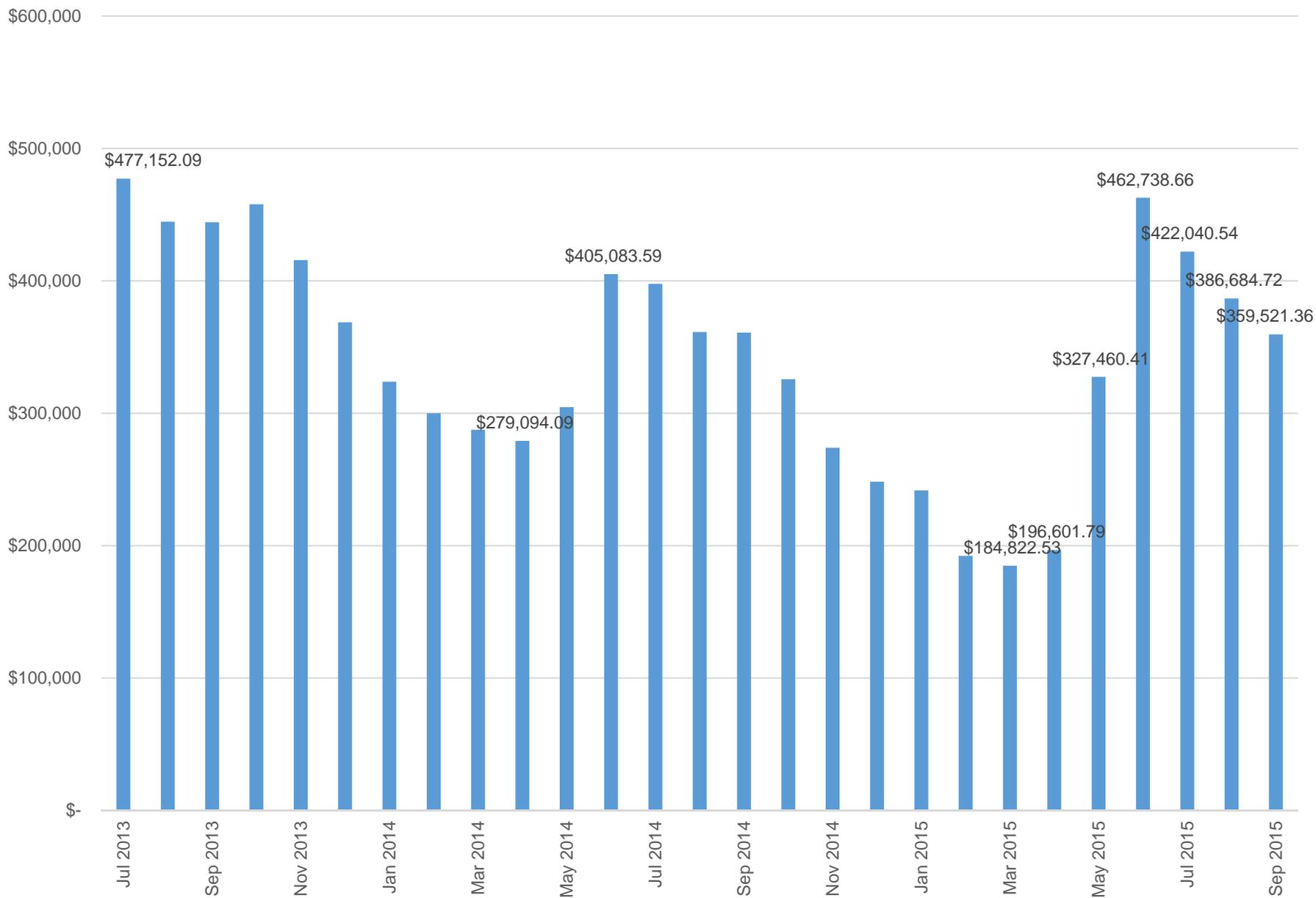
Attachment A.
Budget vs. Actual
July through September 2015

	<u>Jul - Sep 15</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
531 - personal services				
531112 - EPA regular salaries	\$ 98,082.72	\$ 98,082.72	\$ -	100.0%
531462 - longevity - receipts	\$ -	\$ -	\$ -	0.0%
531512 - Social Security	\$ 7,072.84	\$ 7,690.00	\$ (617.16)	91.98%
531522 - regular retirement	\$ 14,918.37	\$ 15,344.37	\$ (426.00)	97.22%
531562 - medical insurance	\$ 10,754.88	\$ 10,754.88	\$ -	100.0%
531576 - flexible spending acct	\$ 160.71	\$ 160.71	\$ -	100.0%
531651 - comp to board members	\$ 500.00	\$ 1,000.00	\$ (500.00)	50.0%
Total 531 - personal services	\$ 131,489.52	\$ 133,032.68	\$ (1,543.16)	98.84%
532 - purchased services				
532110 - legal services	\$ (6,593.00)	\$ (5,502.00)	\$ (1,091.00)	119.83%
532120 - financial/audit svcs	\$ -	\$ -	\$ -	0.0%
532145 - managed server support	\$ 13,953.74	\$ 7,695.00	\$ 6,258.74	181.34%
532170001 - prof testing serv	\$ 2,322.00	\$ 2,748.00	\$ (426.00)	84.5%
532184 - janitorial services	\$ 700.00	\$ 1,050.00	\$ (350.00)	66.67%
532199 - misc contract services	\$ 1,600.31	\$ 624.00	\$ 976.31	256.46%
532210 - electrical service	\$ 1,866.56	\$ 2,700.00	\$ (833.44)	69.13%
532220 - natural gas/propane	\$ 56.19	\$ 80.00	\$ (23.81)	70.24%
532430 - maint agrmnt - equip	\$ -	\$ 201.00	\$ (201.00)	0.0%
532490 - maint agreemnt - other	\$ 608.18	\$ 900.00	\$ (291.82)	67.58%
532512 - rental of bldg/prop	\$ 14,426.13	\$ 14,426.13	\$ -	100.0%
532524 - general office equip	\$ 2,459.13	\$ 3,255.00	\$ (795.87)	75.55%
532714 - ground trans in-state	\$ 4,912.69	\$ 9,000.00	\$ (4,087.31)	54.59%
532721 - lodging in-state	\$ 3,848.67	\$ 6,624.00	\$ (2,775.33)	58.1%
532724 - meals in-state	\$ 2,583.94	\$ 4,170.00	\$ (1,586.06)	61.97%
532731 - board/non-emp transpor	\$ 253.50	\$ 334.00	\$ (80.50)	75.9%
532732 - board/non-emp subsist	\$ 185.00	\$ 350.00	\$ (165.00)	52.86%
532811 - telephone service	\$ 717.70	\$ 2,874.00	\$ (2,156.30)	24.97%
532815 - email and calendaring	\$ -	\$ -	\$ -	0.0%
532817 - ISP charge	\$ 353.85	\$ 353.85	\$ -	100.0%
532819 - telephone wiring srvc	\$ -	\$ 1,000.00	\$ (1,000.00)	0.0%
532840 - postage & delivery	\$ 3,197.18	\$ 4,449.00	\$ (1,251.82)	71.86%

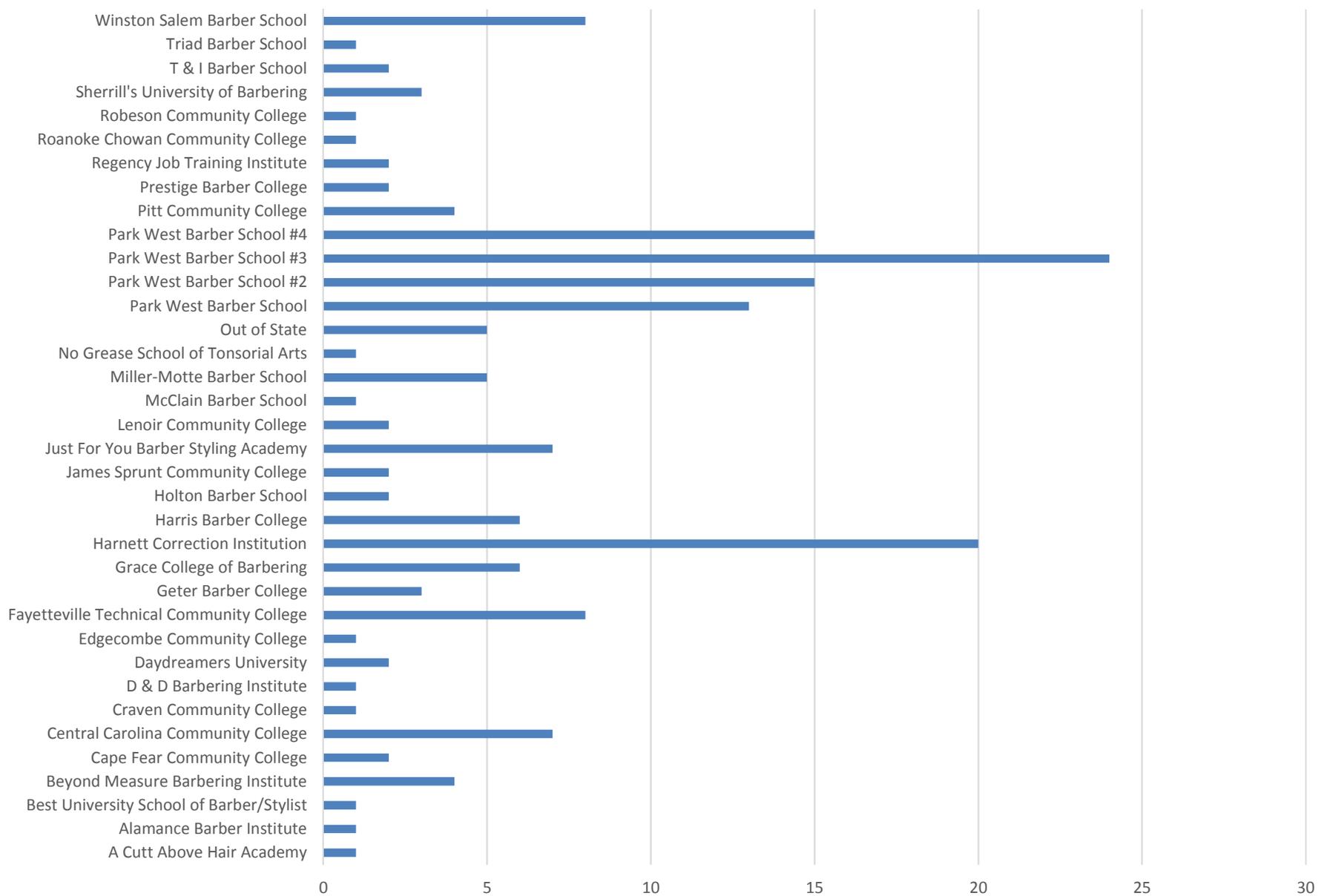
Attachment A.
Budget vs. Actual
July through September 2015

	<u>Jul - Sep 15</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
532850 - printing, binding, dup	\$ -	\$ 1,749.00	\$ (1,749.00)	0.0%
532911 - insurance - property	\$ 8,893.00	\$ 9,000.00	\$ (107.00)	98.81%
532942 - other emp trng expense	\$ -	\$ 450.00	\$ (450.00)	0.0%
Total 532 - purchased services	\$ 56,344.77	\$ 68,530.98	\$ (12,186.21)	82.22%
533 - Supplies				
533110 - general office supply	\$ 1,078.26	\$ 1,749.00	\$ (670.74)	61.65%
533120 - data process supplies	\$ 1,500.00	\$ 3,000.00	\$ (1,500.00)	50.0%
533150 - security & safety supp	\$ 1,332.00	\$ 2,367.00	\$ (1,035.00)	56.27%
533190 - other admin supplies	\$ -	\$ 75.00	\$ (75.00)	0.0%
Total 533 - Supplies	\$ 3,910.26	\$ 7,191.00	\$ (3,280.74)	54.38%
534 - property, plant, & equip				
534511 - office equipment	\$ 400.00	\$ -	\$ 400.00	100.0%
534521 - PC software	\$ -	\$ 300.00	\$ (300.00)	0.0%
534535 - server purchases	\$ -	\$ -	\$ -	0.0%
Total 534 - property, plant, & equip	\$ 400.00	\$ 300.00	\$ 100.00	133.33%
535 - other expenses and adjust				
535830 - member dues & subcript	\$ -	\$ 525.00	\$ (525.00)	0.0%
535900 - other expenses	\$ 6,051.36	\$ -	\$ 6,051.36	100.0%
Total 535 - other expenses and adjust	\$ 6,051.36	\$ 525.00	\$ 5,526.36	1,152.64%
538 - intragovernmental transac				
538030 - fine/penalty transfer	\$ 1,304.00	\$ 4,998.00	\$ (3,694.00)	26.09%
Total 538 - intragovernmental transac	\$ 1,304.00	\$ 4,998.00	\$ (3,694.00)	26.09%
Total Expense	\$ 199,499.91	\$ 214,577.66	\$ (15,077.75)	92.97%
Net Income	\$ (79,441.33)	\$ (15,546.66)	\$ (63,894.67)	510.99%

Attachment B. Fund balance



Attachment C. Number Taking Apprenticeship Exams by School





NORTH CAROLINA BOARD OF BARBER EXAMINERS

Memo

TO: Board members

FROM: Dennis Seavers

DATE: October 14, 2015

SUBJECT: Revisions to FY 2016 budget

At its June 23, 2015 meeting, the board adopted a budget for fiscal year (FY) 2016. The budget proposal indicated that “if the legislature does not authorize the board to increase fees, the board will need to immediately address its deficit, preferably as early in the fiscal year as possible.” The board’s fee-increase legislation didn’t pass in this session, so the board will discuss whether to make spending cuts at its October 20, 2015 meeting.

SUMMARY

- Since the board won’t have new revenues, it should cut expenses in its FY 2016 budget
- The cuts should be at least \$44,272 to eliminate a deficit
- The board should consider additional spending reductions to address the long-term health of its fund balance
- In order to achieve these reductions, the board will need to consider cutting staff positions

BACKGROUND

The board proposed legislation to authorize an increase fees, among other provisions. The bill was approved by the House but didn’t receive a hearing in the Senate. Although the bill can be considered in the short session in 2016, the board should examine its spending and cash flow and consider making cuts to eliminate its deficit and increase its operating reserves.

Deficit and cash flow

The board's adopted budget included a net income of -\$129,711.¹ The budget proposal recommended that the board eliminate this deficit quickly if the General Assembly didn't authorize a fee increase. Since this deficit includes one-time costs for worker compensation and an online-renewal project, spending cuts that eliminate a deficit should reduce spending by at least \$44,272.

Operating reserves

In addition to its deficit, the board should be aware of the long-term health of its fund. Eliminating a deficit will make sure that the board doesn't reduce its fund through spending—though drops in revenues would affect the fund balance—but those cuts won't improve the health of the fund, which has been affected by deficit spending in FYs 2013–2015.

Boards are recommended to have reserves of at least six months' operating revenues, which for this board's budget would equal \$425,956.² The board's projected ending fund balance on June 30, 2016, based on current cash flows, is \$235,018. (Board members should keep in mind that cash-flow projections include predictions about revenue. Since revenues may vary significantly, this projected ending balance may change.) More importantly, the cash-flow projection for the fund balance in March 2016—the month in the year when the fund balance will likely be lowest—is \$103,878, or just over a 1.5 months of operating reserves. Since changes in revenues and unexpected expenditures may affect the cash flow, the board should be prepared for the fund balance to drop lower, perhaps as low as \$59,000—the equivalent of about 3.5 weeks of operating expenses.

GOALS FOR SPENDING CUTS

The board should cut spending to eliminate its deficit and improve its fund balance. Although the board could wait until next to see whether it will receive a fee increase, this approach is risky. The board will be vulnerable to unplanned expenditures or variations in revenues, and it may have to make even more significant cuts to compensate, among other negative consequences. The board could simply eliminate its deficit, but the board's fund balance would not increase to recommended levels.

¹ The budget proposal had a deficit of -\$52,172. In addition, the board authorized worker-compensation costs of \$80,000 at the June 23, 2015 board meeting and costs for an IT project for online renewals of \$5,439 at the August 18, 2015 meeting, bringing the deficit to -\$137,611. The remaining difference of \$7,900 is due to the General Assembly passing a bonus rather than a pay increase for employees. The board's budget was adopted before the General Assembly passed a statewide budget. At that time, the House budget included a 2% increase in employee salaries and related expenditures, and the board's adopted budget accounted for that possible increase. However, the board's budget only authorized the increase if the statewide budget included that provision. Instead, the Assembly approved a \$750 bonus.

² For the recommendation to have six months' operating reserves, see, for example, North Carolina State Board of Barber Examiners, *Financial Statements: Years Ended June 30, 2014 and 2013*, p. 3.

To decide the level of cuts it will need to make, the board should first decide what its long-term aim is. There are two primary options.

Option 1. Deficit reduction only

If the board only wants to eliminate its deficit, it should cut at least \$44,272.³ This approach would minimize the impact of cuts on board operations, at least until a fee increase were approved. However, simply eliminating the deficit would have a limited effect on the fund balance, and the board might be vulnerable to unexpected drops in revenues or increases in costs. Finally, if the board has goals that would require capital expenditures, that spending would have to come out of the board’s fund balance.

Option 2. Improved operating reserves

If the board wants to improve its fund balance and reduce its vulnerability, it should cut spending not only to eliminate the deficit but also to increase operating reserves. Under this option, the board should reduce its spending by \$44,272, plus an amount necessary to achieve long-term fund-balance goals. Examples of these goals are listed in the table below, along with the necessary spending cuts, including deficit reduction.⁴

Spending Cuts Required for Long-Term Goals

Time to reach goal	Cuts for 3 mos reserves	Percent of current budget	Cuts for 6 mos reserves	Percent of current budget
Under 3 years	\$ 78,372.00	9.26%	\$ 148,911.00	17.59%
Under 2 years	\$ 95,422.00	11.27%	\$ 201,231.00	23.77%

EFFECTS OF SPENDING CUTS

The option that the board chooses above will determine the level of spending cuts. But in any of the options, the board won’t be able to achieve the necessary reductions without cutting staff positions.

I would urge the board to consider staff cuts by positions rather than individuals. In other words, board members should not consider who occupies the position but rather the effect of cutting the position itself. Personal feelings about the individuals who

³ References to spending cuts are annualized and assume stable revenues in each fiscal year. Cuts in the current fiscal year would amount to less because the board is already in the second quarter of the fiscal year. If the board wanted to achieve \$44,272 in the current fiscal year, it would have to make deeper cuts that would increase the fund balance in subsequent fiscal years.

⁴ Since operating reserves will vary over the course of the fiscal year because of the board’s revenue stream, the assumption in the table below is that goal will be for operating reserves available at the point of the year when the fund balance is lowest. One-time worker-compensation costs from FY 2016 are excluded from the figures in the table. The goals are based on the total expenditures in the current budget. Since cuts to the budgets will reduce the target amount, the time to reach the goal is within (rather than at) the specified number of years.

occupy these positions—however sincere these feelings might be—should be set aside. Instead, the questions the board should address are:

- What are the board’s operational priorities?
- What positions can the board cut to achieve the necessary savings?

In the analysis below, I’ve focused on two categories of positions: inspectors and board counsel. By focusing on these positions, I’m not suggesting that these positions are unimportant, nor am I saying that cutting these positions won’t have a negative impact on operations. In addition, I’m not making a specific recommendation for cuts, not because I want to avoid responsibility—in the end, I’ll be responsible for defending any cuts on the board’s behalf—but rather because the specific cuts will depend on the long-term goals identified above, and the board will have to decide on those goals.

The table below shows the savings in personnel costs from eliminating certain positions. “Personnel costs” includes salaries and benefits, minus leave payouts.⁵ The table also shows estimated annual savings by reducing travel and other costs.

Employee Costs

Option	Year 1	Year 2 and after	Annual travel savings
1 inspector	\$ 52,938.41	\$ 55,025.47	\$ 19,845.00
Board counsel + 1 inspector	\$ 89,626.59	\$ 100,840.69	\$ 19,845.00
2 inspectors	\$ 105,876.81	\$ 110,050.93	\$ 39,690.00
Board counsel + 2 inspectors	\$ 142,565.00	\$ 155,866.15	\$ 39,690.00

Effects of cutting inspectors

The board is currently unable to meet a rule-based requirement that 100% of shops be inspected each year, although the board has come relatively close in previous years. If the board cuts inspectors, the rule will need to be repealed, and the board will need to take a different regulatory approach, either by visiting shops less frequently or by randomly selecting shops to be inspected. In addition, there will be fewer inspectors to conduct exams.

The board could consider part-time inspectors to assist with exams, since illness could jeopardize the ability to hold exams. However, the board may be constrained by a recently passed bill that, if it becomes law, would prohibit occupational licensing boards from hiring or contracting with an inspector who “is actively practicing in the profession or occupation and is in competition with other members of the profession or occupation over which the board has jurisdiction.”⁶ That most likely means that the board would have to rely on retired barbers, if it uses contract or part-time employees. Costs for

⁵ The savings from inspector positions are averaged over the four current positions.

⁶ House Bill 765, Section 1.5. The governor has not yet taken action on the bill.

contract or part-time inspectors have not been reflected in any of the projected savings in this memo.

Effects of cutting board counsel

Before hiring a full-time board counsel, the board previously used attorneys from the Office of the Attorney General and, before that, private legal counsel. The board will be unable to avoid legal costs, so cutting the position of board counsel will be offset by costs for assistant attorneys general or private counsel. Those cost increases are difficult to estimate because hours may vary, and because contract costs would normally be determined through a request for proposals. The "Employee Costs" table includes estimated legal costs of \$62,400; however, this figure is only an estimate, and actual costs may be higher.

Since the board counsel is currently the government liaison, responsibility for lobbying would presumably shift to the executive director.