



NORTH CAROLINA BOARD OF BARBER EXAMINERS

Memo

TO: Board members

FROM: Dennis Seavers

DATE: June 14, 2021

SUBJECT: Fiscal year 2022 budget proposal

Below is a proposal for the board's fiscal year (FY) 2022 budget, which the board will be considering at its June 22, 2021 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 2021 and 2022 proposals.

SUMMARY

- The board's projected starting fund balance on July 1, 2021, is \$819,810.
- The budget anticipates \$776,576 in revenues.
- The budget would authorize \$741,018 in spending. This spending represents a decrease of \$102,336 (12.31%) from the FY 2021 budget, which included one-time costs related to last year's office relocation.
- The board's net income is projected to be \$35,558, though the board should review the discussion of revenues in the *Assumptions and Authorizations* section below.
- The board's ending fund balance on June 30, 2022, would be approximately \$855,368.

ASSUMPTIONS AND AUTHORIZATIONS

Every budget makes certain assumptions but should, as much as possible, identify those assumptions. I've listed some assumptions below for this budget proposal (others appear in the next section of this memo). In addition, 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 six fiscal years.

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.

Revenues

In May 2020, the board adopted emergency rules to delay the license renewal date from May 31, 2020, to July 31, 2020. Since many licensees renew close to the deadline, a significant chunk of revenues was pushed from FY 2020 (which ends June 30, 2020) to FY 2021. As a result, the revenues in FY 2021 were projected to be unusually high because they included revenues from both the 2020 and 2021 renewal cycles. This year, the revenues should go back to their normal levels, since there won't be revenues from two renewal cycles in the same FY.

The barber industry may still be temporarily affected by the pandemic during FY 2022, which in turn could have an impact on revenues. It's also possible that the pandemic had long-term effects on the industry, rather than temporary effects when the pandemic was at its worst and sectors of the economy were shut down. The board's revenues for FY 2021 appear to be on track to meet projections, but the board should continue to monitor revenues for signs of any long-term decline.

DETAILED EXPLANATIONS AND JUSTIFICATIONS

This section of the memo explains portions of the budget that depart notably from the FY 2021 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)

This budget category includes personnel costs and employee-related expenditures, as well as per diem payments for board members. The proposed budget is lower than FY 2021 to match current costs rather than projections before we hired a third inspector. However, the board should note that the General Assembly hasn't passed a statewide budget for FY 2022, and it's unclear whether any adopted budget would include pay

increases for state employees. If there were pay increases, the board would need to revise its budget at a future meeting.

Purchased services (532)

Financial/audit services (532120)

Every three years, the board does a request for proposals (RFPs) for statutorily mandated audit services required by law. The procedures for this RFP process are set by the Office of the State Auditor, and the board is required to follow them. (The proposal that I approved was the lowest cost and is the firm that the board has used for many years.) The increase in costs in this category reflect the higher costs under the new contract.

Managed server support (532145)

This cost covers our licensing database, online web applications, and mobile inspection process. The decrease in cost is due to a newly negotiated contract. The board will remain on track for the schedule in its strategic plan for adding online applications; in fact, the new contract should allow the board to proceed at a faster pace.

Security services (532186)

The board formerly used security services for exams at its former location. However, during the pandemic, we haven't been using security services, and I don't believe they're necessary.

Miscellaneous contract services (532199)

This category includes services not accounted for under other budget accounts. The decrease in proposed spending is attributable primarily to a reduction in costs for document destruction (last year, they were projected to be higher due to the move) and merchant services.

Electrical service (532210)

Under the board's new office lease, these costs are included with the rent.

Maintenance agreement – equipment (532430)

This category of spending includes consumables for printers (e.g., toner). This cost was accounted for differently in the FY 2021 budget, so this apparent increase reflects a move to a different line item. [See general office equipment (532524) below.]

Rental of building or property (532512)

Rent for the board's new office is considerably cheaper than its former location, and the savings here represent the annualization of the lower rent.

General office equipment (532524)

Please see maintenance agreement – equipment (532430) above for this explanation.

Telephone wiring service (532819)

The expenditures in this account in FY 2021 were due to the board's move. There won't be a need for additional wiring in FY 2022.

Software subscriptions (532826)

The proposed budget includes an increase in spending for electronic signature software. Last fiscal year, we moved to this higher license so that more staff members could access the software and the board could improve our business-continuity posture. Over the past year during the pandemic, the demand for the software has continued to increase even more.

Managed desktop services (532828)

The Department of Information Technology has changed how it does billing, and the decrease here reflects a recategorization of expenses. In addition, there were one-time costs in the FY 2021 budget under this category related to the move, and those costs are unnecessary in the FY 2022 budget.

Postage/postal meter charges (532840003)

There are two reasons for a budget increase in this category:

- Postage costs are increasing, effective August 2021; and
- By statute, the board will need to send out mailings to barbershops to reflect upcoming and recent rulemaking actions.

Property, plant, and equipment (534)

Furniture – office (534511)

The board had several expenditures in this budget category last FY for one-time costs for furniture at the new office. The budget has been significantly decreased for the current FY. However, I'm proposing that the board make some additional one-time expenditures:

- More filing cabinets; and
- Two guest chairs for the administrative assistants.

Attachment A FY 2022 Budget Proposal

	FY21 Budget (Revised)	FY22 Proposed	Difference
Income			
433 - investment income			
433121 - STIF interest income	\$ 5,100.00	\$ 4,200.00	\$ (900.00)
Total 433 - investment income	\$ 5,100.00	\$ 4,200.00	\$ (900.00)
434 - sales, service, rentals			
434320 - sale of surplus property	\$ 20,021.04	\$ -	\$ (20,021.04)
Total 434 - sales, service, rentals	\$ 20,021.04	\$ -	\$ (20,021.04)
435 - fees, licenses, and fines			
435100 - business license fees			
435100059 - duplicate license	\$ 800.00	\$ 727.00	\$ (73.00)
435100060 - individual license	\$ 400,784.00	\$ 294,571.00	\$ (106,213.00)
435100061 - school permit	\$ 6,850.00	\$ 5,077.00	\$ (1,773.00)
435100062 - bus/shop permit	\$ 180,498.00	\$ 126,939.00	\$ (53,559.00)
435100063 - student permit	\$ 25,850.00	\$ 23,476.00	\$ (2,374.00)
435100064 - renewal-individual	\$ 66,550.00	\$ 60,437.00	\$ (6,113.00)
435100 - business license fees - Other	\$ (78,033.00)	\$ -	\$ 78,033.00
Total 435100 - business license fees	\$ 603,299.00	\$ 511,227.00	\$ (92,072.00)
435300 - certification fees			
435300016 - instructor exam fee	\$ 8,415.00	\$ 7,642.00	\$ (773.00)
435300017 - registered exam fee	\$ 46,495.00	\$ 35,109.00	\$ (11,386.00)
435300018 - apprentice exam fee	\$ 160,540.00	\$ 119,898.00	\$ (40,642.00)
435300019 - apprentice certific	\$ 52,020.00	\$ 36,249.00	\$ (15,771.00)
435300020 - instructor certific	\$ 19,635.00	\$ 13,586.00	\$ (6,049.00)
Total 435300 - certification fees	\$ 287,105.00	\$ 212,484.00	\$ (74,621.00)
435400 - inspection/exam fees	\$ 41,460.00	\$ 37,652.00	\$ (3,808.00)
435500 - fines, pen, assess fee	\$ 10,269.00	\$ 9,326.00	\$ (943.00)
435800 - tuition and fees			
435830 - other fees	\$ 870.00	\$ 790.00	\$ (80.00)
Total 435800 - tuition and fees	\$ 870.00	\$ 790.00	\$ (80.00)
Total 435 - fees, licenses, and fines	\$ 943,003.00	\$ 771,479.00	\$ (171,524.00)
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	\$ 969,021.04	\$ 776,576.00	\$ (192,445.04)
Expense			
531 - personal services			
531112 - EPA regular salaries	\$ 312,238.40	\$ 299,337.75	\$ (12,900.65)
531462 - longevity - receipts	\$ 7,700.00	\$ 4,722.30	\$ (2,977.70)
531512 - Social Security	\$ 24,979.07	\$ 21,520.06	\$ (3,459.01)
531522 - regular retirement	\$ 62,447.68	\$ 66,387.86	\$ 3,940.18
531562 - medical insurance	\$ 40,187.10	\$ 38,290.56	\$ (1,896.54)
531576 - flexible spending acct	\$ 840.00	\$ 793.50	\$ (46.50)
531651 - comp to board members	\$ 3,000.00	\$ 2,400.00	\$ (600.00)
Total 531 - personal services	\$ 451,392.25	\$ 433,452.04	\$ (17,940.21)
532 - purchased services			
532110 - legal services	\$ 9,054.96	\$ 9,054.96	\$ -
532120 - financial/audit svcs	\$ 12,200.00	\$ 14,000.00	\$ 1,800.00
532145 - managed server support	\$ 54,949.60	\$ 45,662.06	\$ (9,287.54)
532170001 - prof testing serv	\$ 11,000.00	\$ 11,000.00	\$ -

Attachment A FY 2022 Budget Proposal

	FY21 Budget (Revised)	FY22 Proposed	Difference
532184 - janitorial services	\$ 4,200.00	\$ 4,200.00	\$ -
532186 - security services	\$ 9,750.00	\$ -	\$ (9,750.00)
532186001 - security - surveillance services	\$ 148.00	\$ -	\$ (148.00)
532199 - misc contract services	\$ 37,111.60	\$ 30,309.00	\$ (6,802.60)
532210 - electrical service	\$ 2,788.65	\$ -	\$ (2,788.65)
532220 - natural gas/propane	\$ 93.65	\$ -	\$ (93.65)
532430 - maint agrment - equip	\$ -	\$ 1,917.00	\$ 1,917.00
532512 - rental of bldg/prop	\$ 40,083.58	\$ 24,156.54	\$ (15,927.04)
532524 - general office equip	\$ 1,917.00	\$ -	\$ (1,917.00)
532714 - ground trans in-state	\$ 22,500.00	\$ 22,500.00	\$ -
532721 - lodging in-state	\$ 18,000.00	\$ 18,000.00	\$ -
532724 - meals in-state	\$ 12,750.00	\$ 12,750.00	\$ -
532731 - board/non-emp transpor	\$ 1,860.00	\$ 1,860.00	\$ -
532732 - board/non-emp subsist	\$ 2,900.00	\$ 2,900.00	\$ -
532811 - telephone service	\$ 2,400.00	\$ 2,400.00	\$ -
532818 - data wiring svc chg	\$ -	\$ -	\$ -
532814 - cellular phone service	\$ 5,728.00	\$ 6,240.00	\$ 512.00
532815 - email and calendaring	\$ 500.00	\$ -	\$ (500.00)
532819 - telephone wiring srvc	\$ 2,000.00	\$ -	\$ (2,000.00)
532822 - managed LAN svc charge	\$ 3,544.00	\$ 3,396.48	\$ (147.52)
532825 - managed WAN service	\$ 12,380.76	\$ 13,377.72	\$ 996.96
532826 - software subscriptions	\$ 4,722.48	\$ 6,500.00	\$ 1,777.52
532828 - managed desktop services	\$ 5,455.40	\$ -	\$ (5,455.40)
532840 - postage & delivery	\$ 1,500.00	\$ 1,500.00	\$ -
532840003 - postage/postal meter charges	\$ 10,000.00	\$ 13,000.00	\$ 3,000.00
532850 - printing, binding, dup	\$ 9,000.00	\$ 9,000.00	\$ -
532911 - insurance - property	\$ 25,000.00	\$ 25,000.00	\$ -
532942 - other emp trng expense	\$ 100.00	\$ 100.00	\$ -
Total 532 - purchased services	\$ 323,637.68	\$ 278,823.76	\$ (44,813.92)
533 - Supplies			
533110 - general office supply	\$ 8,518.00	\$ 8,518.00	\$ -
533120 - data process supplies	\$ -	\$ -	\$ -
Total 533 - Supplies	\$ 8,518.00	\$ 8,518.00	\$ -
534 - property, plant, & equip			
534511 - furniture - office	\$ 42,686.14	\$ 4,349.50	\$ (38,336.64)
534534 - PC and printer purchases	\$ 3,750.00	\$ 2,505.00	\$ (1,245.00)
Total 534 - property, plant, & equip	\$ 46,436.14	\$ 6,854.50	\$ (39,581.64)
535 - other expenses and adjust			
535830 - member dues & subcript	\$ 270.00	\$ 270.00	\$ -
535900 - other expenses	\$ 100.00	\$ 100.00	\$ -
Total 535 - other expenses and adjust	\$ 370.00	\$ 370.00	\$ -
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	\$ 843,354.07	\$ 741,018.30	\$ (102,335.77)
Net Income	\$ 125,666.97	\$ 35,557.70	\$ (90,109.27)