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July 22, 2004

Charles Bacarisse
Chairman
Texas Online Authority

Attention: Ed Serna
Service Delivery Director
Department of Information Resources
1500 West 15th Street
Austin, Texas 78701

Gentlemen:

The Texas State Board of Barber Examiners (Board) hereby submits two requests for exemption from participation in the Texas Online Licensing System (Texas Online) for fiscal year 2005. Exemption Request #1 requests that the Board be granted an across-the-board exemption from participation in Texas Online for **all** licenses and permits, originals and renewals. Exemption Request #2 requests, in the event that the Board is not granted an across-the-board exemption under Request #1, that the Board be granted an exemption for all licenses or permits (original or renewal) for which the licensee is required to present to the Board a copy of a health certificate signed by a physician prior to the original issuance or renewal of the license or permit.

Exemption Request #1:

Pursuant to the Texas Online Authority's "Occupational Licensing Exemption Policy" (as revised July 9, 2004), Exemption Request #1 petitions the Authority, at its meeting in August 2004, to consider this request from the Texas State Board of Barber Examiners for an exemption from the online renewal of **all** licenses and permits and the online issuance of **all** original licenses and permits for these reasons:

- (1) Agency cost effectiveness.
- (2) Citizen (Licensee) cost effectiveness

1. Agency Cost Effectiveness:

The Board began its participation in the Texas Online Licensing System in July, 2002. It has now been a participant for two years. During this time the agency has completed one full cycle of license renewals for barbers who were licensed as of July, 2002. (Licenses are issued for two years.) After participating in the Texas Online Licensing System for a full two years, it has become evident that the System is not cost effective for the Board and that usage by its licensees is too low to justify further participation.

During Fiscal Year 2003, the Board collected from its barbers and manicurists and paid to Texas Online/Bearing Point a total of \$32,637 in Texas Online fees. Agency records show that 109 individuals out of 5,558 total renewals used the Texas Online system to renew their licenses. This is a participation rate of 1.96%. The average cost to the agency was \$299.42 per online renewal.

For Fiscal Year 2004, through May 31, 2004, the Board collected and paid to Bearing Point a total of \$25,377 in Texas Online Fees. For that time period, agency records show that 194 individuals out of 4,366 total renewals used the Texas Online system to renew their licenses. This is a participation rate of 4.44%. The average cost to the agency was \$130.81 per online renewal. (Year end projections are \$34,465 in fees collected and 259 Online renewals, for a cost per Online renewal of \$133.07.)

As one can see, the participation rate for agency licensees has doubled from Fiscal Year 2003 through the first three quarters of Fiscal Year 2004. The increase is due primarily to the fact that licensees who owe late fees were added to the system in FY 2004. The agency does not anticipate that the Texas Online participation rate for license renewals will rise above 5% during Fiscal Year 2005.

Fiscal Year 2005 is anticipated to be even less cost effective for the agency. Current plans call for barber shop permit renewals, specialty shop permit renewals, and booth rental permit renewals to be added to the Texas Online system effective September 1, 2004 at a cost of \$4 each to the permit holders. Texas Online fees for those activities are expected to generate approximately \$14,000 during FY 2005. Assuming an 8% participation rate, 294 permit holders would use Texas Online to renew their permits. This would equate to an average cost of \$47.62 per Online renewal of shop and booth rental permits.

In addition, six original licenses or permits are planned to be added to the Texas Online system sometime during FY 2005. They are:

1. Original Barber License	\$6 Texas Online Fee
2. Original Barber Tech License	\$6
3. Original Manicurist License	\$3
4. Original Barber Shop Permit	\$4
5. Original Booth Rental Permit	\$4
6. Original Specialty (Nail) Shop Permit	\$4

It is difficult to predict at this point exactly what the Online usage and total revenue generated by these fees will be, based on when the fees go into effect. However, a good estimate based on prior years is that approximately \$15,000 in fees may be generated from the above six items from approximately 3,100 individuals. An 8% participation rate (248 people) would mean that

the average cost to the agency would be \$60.48 per Online participant for the six categories listed above.

Based on the above assumptions, the Board may collect and pay as much as \$63,000 in Texas Online fees to Bearing Point over the course of an average year so that approximately 801 licenses or permits could be renewed online. That would be an average cost to the agency of \$78.65 per license or permit issued or renewed online. That average cost is excessive.

To put the Texas Online/Bearing Point costs in perspective from the agency's point of view, please note the following. The approximately \$34,000 the agency expects to pay to Bearing Point during FY 2004 will be the fourth (4th) single largest expense in the agency's budget, ranking only behind payroll, mileage reimbursements for inspectors, and payments to Northrop Grumman for maintenance and use of the agency's database for licensing, enforcement, and education. If the assumptions for FY 2005 are correct, **payments to Bearing Point for Texas Online fees will become the second largest expense in the agency's budget**, trailing only payroll-related expenditures.

In addition, the participation by the agency's licensees in using Texas Online is too low to save the agency any money. All licenses and permits are issued and renewed by approximately 1 ¼ FTE's. **The amount of money paid to Bearing Point during FY 2005 will exceed the costs paid by the agency to all of its employees involved in issuing and renewing licenses and permits.** There simply are no cost savings accruing to the agency as a result of Texas Online.

2. Citizen (Licensee) Cost Effectiveness:

Texas Online is not cost effective for the Board's licensees. Licensees are required to have only a 7th grade education. Many are from poor or otherwise disadvantaged backgrounds. Many do not have credit cards or access to the Internet. It is unrealistic to believe that the Board's licensees will use Texas Online to any significant degree and participation to this point supports that view (see participation rates of less than 5%).

All licenses are required to pay the Texas Online fees of \$3 - \$6 regardless of whether or not they use the Texas Online Licensing System. It is much cheaper for a licensee to renew by mail. The only costs to the licensee are an envelope, a 37 cent stamp, and perhaps 50 cents for a money order. For less than one dollar (\$1), a licensee can get the same or better results than from using Texas Online at a cost of \$3 to \$6. Barbers and manicurists currently are required by law to present a copy of health certificate signed by a doctor as a prerequisite to obtaining or renewing a license. That cannot be done through Texas Online, so all those licensees have to mail paperwork to the agency anyway. Even paying online does not save them the cost of the stamp or envelope, nor does it result in their receiving a license.

Simply put, Texas Online extracts fees from all licensees when less than 5% overall currently use the system. In addition, licensees have to submit paperwork to the agency anyway, so the licensee does not save any money.

3. Agency Efforts to Promote Texas Online:

The Board has taken the following steps to promote Texas Online:

- A. Inserts a Texas Online flyer in every renewal letter every month.

- B. Placed an instructive message regarding renewing through Texas Online on the renewal application form.
- C. Distributed a Texas Online flyer in every barbershop and manicurist shop inspected by the Board.
- D. Established a direct link on the Barber Board website to Texas Online’s website for renewals.
- E. Informs individuals who call with questions about license renewals that they can renew online.

The Board has no newsletter or other method whereby it can contact its licensees.

4. Licenses and Permits Covered by this Request:

The Board requests an across-the-board exemption for all its licenses and permits for FY 2005, including the following:

A. Class A Registered Barber License - Original	\$6
B. Class A Registered Barber License – Renewal	\$6
C. Barber Technician – Original	\$6
D. Barber Technician – Renewal	n/a
E. Manicurist License – Original	\$3
F. Manicurist License – Renewal	\$3
G. Barber Shop Permit – Original	\$4
H. Barber Shop Permit – Renewal	\$4
I. Manicure (Specialty) Shop Permit – Original	\$4
J. Manicure (Specialty) Shop Permit – Renewal	\$4
K. Booth Rental Permit – Original	\$4
L. Booth Rental Permit – Renewal	\$4

If the Texas Online Authority’s exemption request process is to be meaningful, the Authority should carefully consider this request from the Board in light of the demonstrated lack of cost effectiveness for the Board or for its licensees.

Exemption Request #2:

In the event that the Texas Online Authority does not grant the across-the-board exemption requested above in Exemption Request #1, the Barber Board respectively submits the following exemption request:

Pursuant to the Texas Online Authority's "Occupational Licensing Exemption Policy" (as revised July 9, 2004), Exemption Request #2 petitions the Authority, at its meeting in August 2004, to consider this request from the Texas State Board of Barber Examiners for an exemption from the online *renewal* of **barber and manicurist** licenses and the online issuance of **barber and manicurist** *original* licenses for these reasons:

- (1) Agency cost effectiveness.
- (2) Citizen (Licensee) cost effectiveness.
- (3) Health Certificate Statutory Requirement

All of the materials under the "Agency Cost Effectiveness" section, the "Citizen (Licensee) Cost Effectiveness" section, and the "Agency Efforts to Promote Texas Online" section for the previous request to grant the agency an across-the board exemption apply here. Some additional information for the Authority to consider follows:

1. Health Certificate Requirement – Barbers and manicurists are required by statute (not simply Board rules) to obtain a health certificate affirming that they are free from infectious diseases before the Board is legally allowed to issue a license or to renew a license. The Barber Board is the only remaining state agency still operating under this statutory requirement, despite its requests to have the health certificate requirement removed from the statute. This legal requirement will continue in force throughout FY 2005. The health certificate requirement states that the licensees must "present" their health certificates to the board prior to being licensed or renewed.

The health certificate requirement makes it impossible for a barber or manicurists to complete the license issuance or renewal process online through the Texas Online Licensing System. At best, an individual can pay his or her fee online, but is still required to submit the paperwork separately to the Board. This does not save time or money for the licensee or for the agency. It causes additional work for the agency because records of licensees who do pay online have to be matched to the paperwork that the licensee is required to submit to complete the process.

2. Attorney General's Opinion Requested – The Texas State Board of Barber Examiners has requested an Attorney General's Opinion regarding the Board being compelled to participate in Texas Online given the statutory requirement that licensees present a health certificate before a license can be issued or renewed. The request (RQ-0216-GA) was received by the Attorney General's Office on May 3, 2004 and is under consideration.

In summary, the Texas State Board of Barber Examiners believes that it qualifies for an exemption from participation in the Texas Online Licensing System for Fiscal Year 2005 because it has demonstrated that participation in Texas Online is not cost effective for either the agency or its licensees. In addition, barbers and manicurists are required by statute to

present a health certificate to the Board in order to receive or renew a license, which cannot be done through the Texas Online system.

The Board believes that this request merits an exemption for Fiscal Year 2005. We look forward to the decision by the Authority.

Sincerely,

Glenn Parker
Executive Director