



OHIO LEGISLATIVE SERVICE COMMISSION

Tom Wert

Fiscal Note & Local Impact Statement

Bill: H.B. 189 of the 132nd G.A.

Status: As Reported by House Government Accountability and Oversight

Sponsor: Reps. Roegner and Reece

Local Impact Statement Procedure Required: No

Subject: Revises the Cosmetology Law

State Fiscal Highlights

- Replacing independent contractor's licenses with an independent contractor registration may result in lost revenue of approximately \$1.4 million per biennial license renewal period for the State Cosmetology and Barber Board.
- The bill eliminates advanced licenses for all branches of cosmetology. As a result, advanced license examination fees would no longer be collected by the Board. In FY 2017, these exam fees totaled approximately \$43,000.
- The bill requires the Board to contract with a national testing service to develop and conduct license exams. Any fiscal effect would depend on the particular contract and any administrative cost savings realized by the Board as a result of handing over testing responsibilities to the contractor.
- Under the bill, examinations for reciprocal licenses would no longer be conducted. As a result, revenue from license examination fees would likely decrease by several thousand dollars per year.
- The bill creates a cosmetology apprenticeship program and requires applicants to pay a \$25 fee. This could at least partially offset lost license and exam revenue depending on the number of applicants for apprenticeship.

Detailed Fiscal Analysis

The State Cosmetology and Barber Board is charged with ensuring the health, safety, and sanitation of the beauty and barber industry and its patrons through licensing and regulation of salons, barber shops, and individual licensees. In addition, the Board has oversight over the indoor tanning industry through regulation of ultraviolet radiation devices. The Board is the state's second largest licensing board, overseeing nearly 124,000 active licensees in FY 2017. It is supported by various license and other fees that are subsequently deposited into the Occupational Licensing and Regulatory Fund (Fund 4K90).

The bill makes changes to the Cosmetology Law that would likely result in fiscal effects for the State Cosmetology and Barber Board. In particular, the bill eliminates certain license types and instead requires that certain individuals register with the Board. The bill also modifies requirements for licensee applicants that wish to have their out-of-state license recognized in Ohio and creates a cosmetology apprenticeship program. These changes and their likely fiscal effects are described in more detail under the headings below.

Elimination of certain licenses

Independent contractor licenses

Under current law, individuals practicing a branch of cosmetology as an independent contractor must hold an independent contractor license issued by the Board. Fees for independent contractor licenses are established by rule and are currently set at \$75 for the initial issuance and \$60 for renewals. The bill eliminates independent contractor licenses and the Board's authority to assess an independent contractor license fee. Instead, the bill requires individuals who practice a branch of cosmetology and operate as an independent contractor to register with the Board. The Board estimates that eliminating the independent contractor licenses would result in lost revenue of almost \$1.4 million per biennial renewal period. Since FY 2014, on average the Board has issued approximately 4,800 initial licenses (generating approximately \$360,000 per biennium) and 16,800 renewed independent contractor licenses (generating just over \$1.0 million per biennium).

Advanced licenses

For all branches of cosmetology, the bill eliminates advanced licenses and instead requires all persons practicing a branch of cosmetology to have a practicing license. Because the fees for both practicing and advanced licenses are the same (\$45 per biennial renewal period), eliminating the advance license would not directly have any fiscal effect. However, the Board may incur a loss in examination fee revenue. Currently, individuals applying for an advanced license must pass a Board-administered examination and pay an examination fee of \$31.50. In FY 2017, nearly 1,400 advanced license examinations were conducted resulting in almost \$43,000 in exam revenue collected by the Board.

In conjunction with the elimination of advanced licenses, uncodified law in the bill requires the Board, within two years of the bill's effective date, to issue instructor's licenses to all individuals holding a valid managing or advanced license. Because licenses are renewed in January of odd-numbered years, the Board could issue instructor's licenses in place of advanced licenses during the regular renewal period. The fees for both advanced licenses and instructor's licenses are \$45. Thus this change would have no fiscal effect.

Natural hair stylist licenses

The bill also eliminates natural hair stylist licenses and instead requires individuals practicing this branch of cosmetology to register with the Board. As with the elimination with independent contractor licenses, there would be a loss of license revenue collected by the Board. Under the bill, the Board estimates lost revenue would total about \$2,500 per biennial license renewal period based on an average of about 55 licenses issued per renewal period. Under current law, the fee for a natural hair stylist license, either initial or renewal, is \$45.

Reciprocity license exams

The bill eliminates several requirements for a person licensed in another state to have that license recognized in Ohio including, in certain circumstances, that the person complete a reciprocity exam. Instead the bill requires a person seeking recognition of the out-of-state license to submit satisfactory evidence to the Board that the person is licensed in another state or country with licensing standards that were substantially equal to Ohio's standards at the time the license was issued. Under current law the license fee, including the cost to take the exam, for reciprocal licenses is \$70. This fee remains \$70 under the bill, thus eliminating the exam would result in no lost revenue for the Board. However, eliminating the exam requirement could incent additional individuals to apply for reciprocal licenses. In that case the Board could realize a slight increase in license fee revenue deposited to the credit of Fund 4K90.

Cosmetology apprenticeship program

The bill requires the Board to adopt rules establishing an apprenticeship program as a path to obtaining qualifications to apply for a practicing license. Applicants to the program must be 16 years old, of good moral character, have the equivalent of an Ohio tenth grade education, have a valid Social Security number or taxpayer identification number, and pass an apprentice exam established by the Board. The bill also requires applicants to pay a \$25 application fee. This new revenue source could at least partially offset some of the revenue loss that would result from the license eliminations discussed above. However, the extent to which it may be is unknown and dependent upon the number of individuals that would apply to an apprentice program.

Other provisions

Additional provisions, including allowing the Board to adopt rules to identify a temporary location as a licensed location, as well as requiring the Board to create a special event permit and to license mobile salons, appear to clarify or to codify existing practices. Consequently, they have no apparent fiscal effect. Other provisions, including those that (1) make changes to the Board's membership, (2) create new requirements regarding sanitation standards, infection control, and the treatment of porous and nonporous items, and (3) allow for license applicants to take exams prior to completing training also appear to have little or no fiscal effect. Details concerning these provisions can be found in the LSC Bill Analysis.