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H.B. 542
134th General Assembly

Fiscal Note & Local Impact Statement

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Version: As Reported by Senate Government Oversight & Reform

Primary Sponsors: Reps. Roemer and Sobecki

Local Impact Statement Procedure Required: No

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Highlights

- The State Cosmetology and Barber Board may incur upfront costs totaling tens of thousands of dollars to purchase computer equipment, software, make necessary changes to the state's eLicensing system, and provide staffing to conduct licensure examinations at approved facilities and schools. These costs could be partially offset by charges assessed to license applicants that test at the approved facilities and schools. Board expenditures are paid from the Occupational Licensing and Regulatory Fund (Fund 4K90).
- The State Cosmetology and Barber Board could incur a loss of license revenue totaling \$13,500 over a biennial license period from the bill's provision replacing current barber school licenses (fee = \$1,000) with school licenses (fee = \$250). This aligns with the fee for a cosmetology school under current law.
- The State Cosmetology and Barber Board may incur biennial license revenue loss totaling between approximately \$12,000 to \$16,000 as a result of the bill's elimination of licenses for natural hair stylists, natural hair style instructors, natural hair style salons, and boutique services salons. Any loss could be partially offset via one-time \$25 boutique salon registration fees that the bill requires in place of the eliminated license. License revenue is deposited to the credit of Fund 4K90.
- Continuing law requires the Board to adjust fees for licenses issued under the Cosmetology Law on a biennial basis to provide sufficient revenue to cover the Board's expenses. The bill extends this to licenses issued under the Barber Law. Thus, it appears that costs incurred or revenue lost under the bill could be at least partially offset by fee adjustments made by the Board.

Detailed Analysis

The bill amends a number of provisions in the Barber Law to resemble current law under the Cosmetology Law or that codify existing practices of the State Cosmetology and Barber Board. In general, these changes have little or no fiscal effect on the Board's operations. There are, however, certain provisions that, taken together, could have a significant impact on revenues and expenditures of the Board. Because continuing law requires the Board to adjust fees biennially to provide sufficient revenues to meet its expenses, the long-term impact of these changes is unclear. A discussion of changes with apparent fiscal effects is provided under the headings below. Revenue and expenditures of the Board go through the Occupational Licensing and Regulatory Fund (Fund 4K90).

Licensure examinations

Approved licensure examination facilities

The State Cosmetology and Barber Board will incur upfront costs totaling tens of thousands of dollars to conduct licensure examinations at cosmetology and barber schools and other approved facilities under the bill. In order to do this, the Board would need to purchase secure laptops for the applicants to use while testing and testing software licenses. The Board would also be required to cover charges for the Department of Administrative Services (DAS) to modify the state's eLicensing system to accommodate remote testing. Finally, the Board would see increased payroll and travel costs to provide staffing to conduct the examinations. Expenditures of the Board are paid from Fund 4K90. Under the bill, the Board must provide remote testing options by January 1, 2024.

Licensure by endorsement

The bill may also result in a slight decrease of examination fee revenue collected by the State Cosmetology and Barber Board and deposited to the credit of Fund 4K90. Under current law, applicants for Ohio cosmetology and barber licenses who are licensed in another state or country must take a license examination. The bill removes this requirement for cosmetology license applicants with out-of-state licensure. Instead, the bill requires the Board to issue licenses to applicants that submit satisfactory evidence that the applicant is licensed or registered in another state or country in addition to other continuing law requirements. For barbers seeking licensure by endorsement, the bill allows the Board to waive the examination.

Examination fees

Costs to conduct license examinations at cosmetology and barber schools or other approved facilities and examination fee revenue lost via licensure by endorsement could be offset by two provisions in the bill allowing the Board some flexibility in establishing examination fees. First, the bill requires applicants to be responsible for any additional costs associated with the taking of an examination at a testing facility or school. The bill also removes examination fee amounts established in statute and instead requires the Board to establish examination fees annually. As of August 1, 2020, license examination fees were \$40 for cosmetologists and \$90 for barbers.

School licenses

The bill eliminates the separate licenses issued for barber schools and schools of cosmetology and instead creates a single school license for both types of entities. Under the bill, the fee for a school license is set at \$250, the same amount as a school of cosmetology license in current law and \$750 less than the current law fee of \$1,000 for a barber school license. As of March 7, 2022, there were 18 licensed barber schools throughout the state. As such, the Board could incur license revenue loss totaling \$13,500 (\$750 x 18) over the biennial renewal period for these licenses. License revenue is deposited to the credit of Fund 4K90.

Boutique salon registration

The bill eliminates natural hair stylist, advanced natural hair stylist, natural hair style instructor, and natural hair style salon licenses and removes a requirement for boutique services salons to be licensed by the State Cosmetology and Barber Board. As a result, the Board may incur a loss of license revenue totaling between approximately \$12,000 and \$16,000 on a biennial basis. This loss could be partially offset via fees for boutique salon registrations under the bill. Under the bill, rather than licensure, natural hair style practitioners and others providing boutique services must instead obtain a boutique salon registration. The bill establishes a one-time fee of \$25 for boutique salon registrations.

Criminal penalties

The bill eliminates criminal penalties for specified violations of the Cosmetology Law, generally regarding practicing cosmetology without a license or using fraud or deceit to obtain a license. Under the bill, penalties for these types of violations are punishable by a fine of at least \$100 but not more than \$500 for a first offense and a fine of at least \$500 but not more than \$1,000 for each subsequent offense. Because the Board has not pursued criminal prosecutions in these types of cases in the last several years, removing these criminal penalties is unlikely to have any effect on fine revenue retained by the counties. Under the civil fine structure in the bill, however, there could be a slight increase in fine revenue deposited to the credit of Fund 4K90.

Disciplinary actions

The bill specifies a number of reasons the Board may take disciplinary actions against a person for violation of the Barber Law, many of which are similar to the reasons under current law. Under continuing law, the Board may impose fines as disciplinary action; however, the bill modifies the fine structures that may be imposed. Under current law the Board may impose a maximum fine of \$500 for a first offense or a maximum fine of \$1,000 for each subsequent offense. Instead, the bill allows the Board to impose the following fines against a violator: (1) if the violator had not previously been fined for an offense resulting from an inspection, not more than \$250 and not more than \$100 for each additional violation during the inspection, and (2) if the violator had been fined for the same offense once before, not more than \$500 and not more than \$200 for each additional violation during a second inspection. Although this could result in a change to the amount of fine revenue collected by the Board, according to the Board these changes are unlikely to have any fiscal effect. This is because the Board currently imposes fines more similar to the amounts allowed under the bill. In FY 2021, the Board collected approximately \$109,000 in revenue from fines and settlements for violations under both the Cosmetology and Barber laws. Fines and settlements are deposited into Fund 4K90.

Fees

Current law requires the Board to adjust license fees under the Cosmetology Law biennially, by rule, to provide sufficient revenues to meet its expenses up to statutory maximum amounts. Current law also allows the Board to adjust fees in excess of the statutory maximums by up to 50%, subject to Controlling Board approval. The bill extends the flexibility to license fees issued under the Barber Law. Any increased costs or revenue lost under the bill's provisions discussed above therefore could be at least partially offset by adjustments to license fees charged by the Board.

The bill also establishes maximum fee amounts of not more than \$150 for the issuance or renewal of a biennial assistant barber instructor license and not more than \$15 for a temporary pre-examination work permit. The bill eliminates fees of \$750 for the inspection of premises for location or relocation of a barber school and \$40 for the issuance of a student registration. Due to the small number of licenses affected, these changes are likely to have little fiscal effect.