



# OHIO LEGISLATIVE SERVICE COMMISSION

Tom Wert

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## Fiscal Note & Local Impact Statement

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

**Status:** As Introduced

**Sponsor:** Reps. Roegner and Reece

**Local Impact Statement Procedure Required:** No

**Subject:** Revises the Cosmetology Law

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### 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 Board of Cosmetology.
- 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 Board of Cosmetology is charged with ensuring the health, safety, and sanitation of the beauty industry and its patrons through licensing and regulation of salons 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 more than 130,000 active licensees in FY 2016. 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 Board of Cosmetology. In particular, the bill eliminates certain license types and instead requires that certain individuals register with the Board. The

bill also requires the Board to contract with a national testing service to develop and administer license examinations, 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.

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.

## **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.

### **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.

### **Licensing exams conducted by a national testing service**

The bill requires the board to contract with a national testing service to develop and administer licensing examinations. These examinations must include practical demonstrations and written or oral tests specific to the type of license being applied for. Currently, licensing examinations are developed and administered by the Board. In FY 2016, the Board conducted more than 5,600 written and nearly 4,400 practical examinations. The Board estimates examination costs under a contract with a national testing service could total approximately \$80 per exam (\$40 written + \$40 practical). The net fiscal effect for the Board, however, would depend on the particular contract and any administrative costs savings that the Board might realize.

### **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. As a result, the Board would incur lost reciprocity examination fee revenue. For the FY 2016-FY 2017 biennium, the Board estimates a total of 375 reciprocity examinations will be conducted. The examination fee is \$31.50. Overall, the Board expects total reciprocity exam fee revenue for FY 2016-FY 2017 to be slightly more than \$11,800.

### **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 is unknown and dependent upon the number of individuals that would apply to an apprentice program.