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OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research
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Legislative Budget
Office

H.B. 399
133rd General Assembly

Fiscal Note & Local Impact Statement

[Click here for H.B. 399's Bill Analysis](#)

Version: As Introduced

Primary Sponsor: Rep. Powell

Local Impact Statement Procedure Required: No

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Highlights

- The bill eliminates independent contractor licenses that would result in a biennial loss of approximately \$1.5 million in license revenue for the State Cosmetology and Barber Board.
- Any lost revenue could be offset by (1) the maximum license and permit fee structure changes under the bill, and (2) the flexibility afforded the Board in establishing license and permit fees under continuing law. The Board's overall revenues and expenditures are not likely to be significantly affected under the bill.

Detailed Analysis

Overview

Taken together, the changes made by the bill would not likely have a significant impact on the revenue and expenses of the State Cosmetology and Barber Board over its biennial license renewal period. That is, in years when licenses are renewed (odd-numbered fiscal years) revenue will likely continue to exceed expenditures in an amount offsetting any deficit created in nonrenewal years (even-numbered fiscal years) during which Board expenditures typically exceed license revenue. The bill merges the contents of the Barber Law into the Cosmetology Law. In doing so, the bill eliminates certain licenses, creates others, and modifies the fee structure for licenses and permits issued by the Board. In terms of its fiscal effects, these changes are the most significant in the bill. The bill also modifies fines, imposes new operating requirements on the Board, and changes certain requirements for licensees overseen by the Board. A more detailed discussion and the individual fiscal effects of these changes is provided under the headings below.

The State Cosmetology and Barber Board was formed by the merger of the State Board of Cosmetology and Ohio Barber Board under H.B. 49 of the 132nd General Assembly. The Board

receives no money from the GRF. It is entirely supported by licensing fees and related revenues deposited into the Occupational Licensing and Regulatory Fund (Fund 4K90). The State Cosmetology and Barber Board is one of the state's largest licensing boards in terms of the number of licenses issued. Overall, under current law, there are 30 license types issued by the Board. Among the barbering and cosmetology professions, there were almost 127,000 active licenses overseen by the Board in FY 2019. Table 1 below shows operating revenues and expenditures over the FY 2014-FY 2019 span. Note that there can be significant fluctuations in the amount of revenue received on a year-to-year basis, with the vast majority of revenue coming in odd-numbered fiscal years when licenses are renewed. Overall, receipts in the odd-numbered fiscal years cover the deficit created in even-numbered fiscal years when little license fee revenue is received.

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Revenue	\$1,925,520	\$7,607,508	\$1,591,855	\$7,190,001	\$1,652,318	\$8,566,248
Expenses	\$3,451,614	\$3,472,872	\$3,693,776	\$3,817,641	\$4,218,428	\$5,265,839
Net	-\$1,526,094	\$4,134,636	-\$2,101,921	\$3,372,360	-\$2,566,110	\$3,300,409

License elimination and creation

Independent contractor licenses

Among the several licenses eliminated and created by the bill, only the elimination of the independent contractor license appears to have a significant fiscal effect. Elimination of this license could result in lost license revenue of approximately \$1.5 million on a biennial basis. Independent contractor licenses are issued to those practitioners who are not employees of the salon where they work. For example, cosmetologists that rent a booth or a suite in a licensed salon and who work independently from the owner or operator of the salon are considered independent contractors. Under current law, the fees for the issuance and renewal for an independent contractor license are established by rule and have been set by the Board at \$75 for a new license and \$60 for a renewal. Over the two-year license renewal period the Board issues approximately 20,000 independent contractor licenses. Rather than licensing independent contractors, the bill requires independent contractors to register with the Board, however, the bill does not authorize the Board to assess a registration fee.

Although eliminating the independent contractor license would result in a significant loss of revenue for the Board, this loss could be offset by provisions in the bill that modify the Board's license fee structure. Changes to the license fee structure are discussed in detail under the "**Changes to license fees**" heading below.

Other licenses

The elimination and creation of other licenses under the bill will likely have no effect on revenue and only a minimal one-time effect on expenditures. This is because barbers and individuals practicing a branch of cosmetology or instructors of barbering or cosmetology who are affected by the elimination of certain licenses will still need either another license type

issued under continuing law or one of the licenses created by the bill. For example, although the bill eliminates advanced cosmetology licenses, those practicing cosmetology under this license type under current law will still need a practicing or instructor license to continue practicing under the bill. As such, license fee revenue should remain unchanged. Under the bill, the Board will incur one-time costs assessed by the Department of Administrative Services (DAS) to make changes in the eLicensing system reflecting the changes to the licensing structure. These costs depend on the complexity of changes that would be needed and are difficult to estimate. Please see the LSC bill analysis for a full explanation of the licenses eliminated or created by the bill.

Changes to license fees

As previously discussed, the bill establishes a new fee structure for licenses and permits issued by the Board that would allow the Board to offset any revenue lost as a result of the elimination of independent contractor licenses and other license types. Under the bill, maximum fees for licenses issued to practice a branch of cosmetology, cosmetology instructor licenses, barber licenses, and fees to renew each of these license types increase significantly. Under continuing law, fees for licenses are established by the Board up to maximum amounts established in statute. Additionally, continuing law allows the Board, with Controlling Board approval, to increase the fees above the statutory maximums by as much as 50%. The bill also reduces fees for certain licenses and permits and eliminates the fees for others. However, (1) given that the license types previously mentioned are issued in such great numbers (approximately 90,000 in each biennial renewal period), and (2) given that the new maximum fee amounts for those licenses under the bill and the flexibility the Board has to set exact fees for these licenses under continuing law, in all likelihood the Board would be able to offset any lost revenue as a result of any fee reductions or eliminations. Table 2 below shows the eight most significant fee changes under the bill. A complete list of changes can be found in the LSC bill analysis.

License Type	Current Fee	Current Law Fee Under the Cosmetology Licensing Law	Current Law Fee Under the Barber Law	Fee Under H.B. 399
Issuance of a practicing, barber, instructor, or barber instructor license	\$45	Not more than \$75	\$30 for a barber license \$185 for a barber teacher license, including examination	Not more than \$185
Renewal of a practicing, barber, instructor, or barber instructor license	\$45	Not more than \$70	\$110 for a barber license \$150 for a barber teacher license	Not more than \$150

Table 2. License Fees by Type Issued by the State Cosmetology and Barber Board

License Type	Current Fee	Current Law Fee Under the Cosmetology Licensing Law	Current Law Fee Under the Barber Law	Fee Under H.B. 399
Issuance or renewal of private cosmetology school license	\$250 for a cosmetology school	Not more than \$250	\$1,000 for issuance or renewal	Not more than \$1,000
Initial application to take an examination	\$31.50 for a cosmetology exam	Not more than \$40	\$90	Not more than \$90
Application to take an examination if the applicant failed to appear	\$40 for a cosmetology exam	Not more than \$55	\$45	Not more than \$100
Issuance of license by reciprocity or endorsement	\$70 for a cosmetology license	Not more than \$70	\$300 for a barber license	Not more than \$300
Inspection for a new location or relocation of a barber school	N/A for cosmetology	N/A	\$750	Eliminated
Issuance of a barber student registration	N/A for cosmetology	N/A	\$40	Eliminated

Apprenticeship program

The bill requires the Board to adopt rules to establish an apprenticeship program allowing individuals that do not hold a practicing license in a branch of cosmetology or barbering to train in a licensed salon or barber shop under an individual that holds a valid practicing or instructor license. The bill requires applicants for the apprenticeship program to pay a \$25 application fee. Because the number of individuals that would apply for the apprenticeship program is unknown, it is difficult to quantify how much additional revenue the Board would collect under this provision of the bill.

Fines for violations

The bill modifies the Board's authority regarding the issuance of fines in a way that is not likely to have a significant impact on fine revenue collected by the Board. Specifically, the bill removes the Board's authority to charge an additional 10% penalty or interest at a rate specified by the Board on a fine not paid on time. In FY 2019, the Board collected just over \$148,000 in fine revenue.

Other changes with little or no fiscal effect

The bill makes several other changes to the Cosmetology Law that appear to have little or no fiscal effect. Specifically, the bill makes changes to the Board's membership by requiring the independent contractor member to be registered, rather than licensed and allowing that member to be an independent contractor barber. The bill also modifies the Board's required meeting agenda, modifies requirements for the Board's annual report, changes language regarding infection control, and modifies definitions concerning the practice of boutique services. These changes with little or no fiscal effect are discussed in detail in the LSC bill analysis.