

license, yields over \$1.3 million in additional revenue in odd-numbered fiscal years. The Barber Board estimates that up to 2,000 individuals may not have the proper shop operators license.

- Licensed cosmetologists who are booth renters will pay a \$40 beauty salon license renewal fee. Licensed barbers who booth rent will pay a \$50 shop license renewal fee. Both boards renew licenses in odd-numbered fiscal years.
- Each board will have additional expenses related to printing and mailing the forms required in sections 4709.09 (G) and 4713.13 (C) of the bill. Initial expenses could total up to \$30,000. The majority of this expense would be for the Cosmetology Board.
- If a Chapter 119. Adjudicatory Hearing is held, this bill will allow the board to assess the cost of the hearing to a licensee found in violation of the board’s statutes or rules. Although this will not be a source of excess revenue for the board, it will eliminate the occasions when the board spends \$400 to hold a hearing to collect \$50 in fine revenue.
- Potential expenditures of up to \$10,000 to modify the central licensing system software to produce the information detailing the status of licensees at a particular business location. The majority of the expenditures would be one-time reprogramming costs in FY 1999. Additional costs to process and audit the forms could add up to \$5,000 in expenses for the boards in odd-numbered fiscal years.
- A portion of the state income tax is used for the Local Government Fund, the Library and Local Government Support Fund, and the Local Government Revenue Assistance Fund.
- As a licensed shop operator, a booth renter will be responsible for the following state taxes: state income tax which is credited to the GRF and the required workers compensation contribution. LBO is unable to estimate the magnitude of revenue gains.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 1998	FY 1999	FUTURE YEARS
School Districts			
Revenues	Indeterminate gain	Indeterminate gain	Indeterminate gain
Expenditures	- 0 -	- 0 -	- 0 -
Municipalities			
Revenues	Indeterminate gain	Indeterminate gain	Indeterminate gain
Expenditures	- 0 -	- 0 -	- 0 -

- As a licensed shop operator, a booth renter will be responsible for the following local taxes, where applicable: municipal income tax; school district income tax. LBO is unable to estimate the magnitude of revenue gains.

Detailed Fiscal Analysis

State Boards of Barber Examiners and of Cosmetology

Shop/Salon Licenses

Substitute H.B. 490 clarifies the practice of an individual leasing space in a barber shop or beauty salon to an individual licensed by either the Board of Barber Examiners or the Board of Cosmetology. According to the both the Barber Board and the Cosmetology Board, a significant number of licensees currently lease space from a licensed shop owner. This bill would require those individuals to hold shop owners licenses.

The following chart illustrates the fees charged for an initial and for a renewal shop license:

Category	Barber Board	Cosmetology Board
Initial License	\$75	\$50
Biennial Renewal License	\$50	\$40

As of September 30, 1997, there are 66,241 individuals with active practitioner licenses issued by the Cosmetology Board. This total includes cosmetologists, manicurists, and estheticians. The Cosmetology Board estimates that at least 50 percent of these licensees would be required to obtain a salon operators license. This action would affect over 33,000 individuals. In the initial year of the bill, the board could raise approximately \$1.65 million. If the board is not required to collect the initial license fee until the beginning of a renewal period (odd-numbered fiscal year), this amount would be collected in FY 1999. In each subsequent odd-numbered fiscal year, the board would collect an additional \$1.32 million as a result of this bill.

The barber board registered 9,742 barbers as of September, 1997. The board estimates approximately 1,500 to 2,000 "booth renters" will need to obtain a shop owners license. The barber board, in the initial year of this bill, could raise approximately \$150,000. In subsequent years, additional renewal fees as a result of this bill could total \$100,000 in odd-numbered fiscal years.

Central Licensing System

The Central Services Agency (CSA) of the Department of Administrative Services, in cooperation with the occupational licensing boards, is currently developing a central licensing system. The introduction of this new system, which will run on a LAN network, is expected at the beginning of FY 1999. The licensing system will be designed to be used by all boards. Any modifications to meet the specific needs of a board would be charged to the specific board.

In order to meet the requirements of sections 4709.09 (G) and 4713.13 (C) of the bill, the system may need to be altered to allow the boards to reconcile the lists provided by the shop owners with active licenses. Since the modifications should be identical for the two boards, the programming expense could be split between the two agencies. According to CSA, there could be up to \$10,000 in costs associated with modifying the program. Following these one-time costs,

additional expenses for processing and auditing the information should be around \$5,000. Due to the number of active licenses, the time and expense for the Cosmetology Board would exceed the costs for the Barber Board.

List of Licensees in a Particular Shop

As outlined in sections 4709.09 (G) and 4713.13 (C) of the bill, the Barber and Cosmetology Boards will be required to submit a form to all known places of business. According to the directors of both boards, following enactment of this bill, an initial distribution would be made to all shops. As of September 30, 1997, the Cosmetology Board issued over 11,500 cosmetology, manicuring, or esthetician salon licenses. Based upon FY 1996 figures, the Barber Board would need to contact about 3,500 shops. Approximately \$5,000 would be needed to cover these mailing costs. Additional expenses related to this section include printing costs. The Cosmetology Board plans to initially produce 15,000 copies of the form. At an average cost of 5 cents per page, the board will have costs of about \$750. Since there are fewer shops, printing costs for the Barber Board would be considerably less. In future years, the majority of costs related to the form will occur in people-hours devoted to auditing and processing the lists provided by salon owners. The Cosmetology Board estimates that this activity could take up to seven to ten days.

Adjudicatory Hearings

Under current law, if the board believes that a licensee is in violation of any statute or rule pertaining to the board, an adjudicatory hearing under Chapter 119. of the Revised Code may be held. This bill will allow the board to forego a hearing if one is not requested by the licensee in question. An average hearing can cost up to \$400 per hour. According to the Cosmetology Board, a hearing officer charges \$75 per hour, a court reporter is paid \$50 per hour, and the Assistant Attorney General has prorated charges which the board pays. Additionally, multiple staff hours are needed to put together the materials for a hearing. Oftentimes, the costs of an adjudicatory hearing far exceed the fine revenue collected if a violation is found to have occurred. In addition to bypassing the expensive hearing, the bill allows the board to assess the licensee the cost of an adjudicatory hearing if the individual has been found in violation of a rule or statute.

Tax Revenue

State Share

As a licensed shop operator, a booth renter will be required to pay taxes required of independent business owners. Assuming that booth renters will not incorporate or form limited liability partnerships, these individuals will not be required to pay corporate taxes. Since the exact number of potential new "business owners" is unknown, LBO cannot estimate the size of the tax revenue increase as a result of this bill. Moneys from the state income tax are split between the General Revenue Fund and three types of local government funds: Local Government Fund (069); Library and Local Government Support Fund (065); and the Local Government Revenue Assistance Fund (064).

Additionally, twice a year, the employer makes contributions for Workers' Compensation. The largest portion of this payment, the base premium, is credited to the State Insurance Fund . Funds

are also deposited into the Assessment Cost Fund (023). Lesser amounts are placed into the Disabled Workers Relief Fund (825) and the Safety and Hygiene Fund (826).

Local Share

In addition to the portion of the state income tax used for the three local government funds, where applicable, revenue will be raised via municipal income taxes and school district income taxes. Approximately 1/6 of the school districts in the state levy an income tax, mainly in the rural areas of Ohio.

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Synopsis of Changes from Preceding Version

This synopsis compares the fiscal effects of the changes in this bill to the previous version (As Introduced).

In the As Introduced version of H.B. 490, the practice of booth renting was to be eliminated. Substitute H.B. 490, allows for the practice of booth renting and adds language to help the Barber and Cosmetology Boards track licensees who are renting space in licensed shops. Since these individuals will be required to obtain the proper shop operators license, an indeterminate amount of state and local revenue will be raised via various taxes.

At the state level, income tax revenue will be deposited into the General Revenue Fund. Money for workers compensation costs will also be raised from the new “shop owners.” This money, the amount unknown, will be credited to the State Insurance Fund, the Administrative Cost Fund (023), the Disabled Workers Relief Fund (825), and the Safety and Hygiene Fund (826). A portion of the state income tax will be credited to three local government funds. These funds are the Local Government Fund (069), the Library and Local Government Support Fund (065), and the Local Government Revenue Fund (064). Additionally, where applicable, local governments will receive tax revenue from municipal income taxes and school district income taxes.

An additional fiscal result of allowing the practice of booth rental occurs in Fund 4K9, the Occupational Licensing and Regulatory Fund. Between the two boards, at least 35,000 individuals might obtain a shop operators license. The addition of these licensees would potentially provide at least \$1.3 million in license fees per biennium.

New potential costs for the boards occur from the requirement that lists of all licensees at a particular business address be compiled and maintained. Potential modifications to the forthcoming central licensing software could total upward of \$10,000. This fee would be charged back to the two boards. Additional material and labor costs would also be faced by the boards.

Two sources of savings for the board occur from the elimination of the annual report and the ability for the board to forego an adjudicatory hearing and the ability to recoup hearing costs if a licensee is found in violation of the rules. The savings from the annual report would be minimal. Regarding adjudicatory hearings, the substitute version of the bill will help prevent the board from spending \$400 to prosecute an individual to only collect \$50 in fines.

In H.B. 490, As Introduced, various offenses were established for individuals who violated certain provisions included in the bill. These potential misdemeanor offenses would have negligible additions to the General Revenue Fund and to the Reparations Fund (402). This revenue would have been raised through court costs. At the local level, counties and municipalities would have potentially received negligible revenues from court costs and fines. Potential negligible increases in expenditures for prosecutions also existed. The substitute version of the bill eliminates the additional criminal violations, making the revenues and expenditures discussed in this paragraph moot.