



Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: Sub. H.B. 453 of the 129th G.A. **Date:** May 21, 2012
Status: As Reported by House State Government & Elections **Sponsor:** Rep. Grossman

Local Impact Statement Procedure Required: No

Contents: Revises Cosmetology Law

State Fiscal Highlights

- **Hair braiding and hair threading.** The bill establishes new licenses to be issued by the Ohio State Board of Cosmetology that apply to the professions of hair braiding and hair threading. The fee that applies to these new licenses will follow the Board's existing fee schedule. For a personal license, the initial license and renewal fees are both \$45.
- **Licensing revenues.** The Board renews licenses on a biennial basis. License and renewal fees collected by the Board are deposited into the Occupational Licensing and Regulatory Fund (Fund 4K90). There are an estimated 2,000 hair braiders and 200 hair threaders practicing their craft in Ohio. It is unclear how many of these individuals will apply for licensure under the various new categories in the bill.
- **License amnesty restoration fee.** The bill specifies that the \$45 license restoration fee under the Board's license amnesty program be deposited into Fund 4K90. Currently, these proceeds are deposited into the GRF. The Board collected \$65,000 in license restoration fees under the program during the previous two fiscal years.
- **Expanded investigatory and disciplinary authority.** The bill expands the authority of the Board to investigate licensed and unlicensed individuals or premises and issue subpoenas to those suspected of violating the cosmetology law. Some of the costs the Board will incur for carrying out these expanded responsibilities could be offset by additional fees and fines collected as a result of the additional investigations and disciplinary actions that follow.

Local Fiscal Highlights

- No direct fiscal effect on political subdivisions.

Detailed Fiscal Analysis

Overview

The Ohio State Board of Cosmetology is responsible for the regulation of cosmetology-related occupations and facilities. Overall, the Board issues 23 different license types. During the FY 2010-FY 2011 biennial renewal cycle, the Board oversaw between 115,000 to 120,000 active individuals and facility licenses in each fiscal year. Over this period, the Board collected approximately \$8.0 million in revenues and had expenditures totaling \$6.4 million. The Board currently maintains a staff of 38 employees. The Board is supported by various cosmetology license fees deposited into the Occupational Licensing and Regulatory Fund (Fund 4K90).

The bill makes numerous revisions to the cosmetology laws. These changes cover several areas, including new licenses, education requirements, testing requirements, investigative authority and subpoena power, and other various oversight functions of the State Board of Cosmetology. The provisions of the bill that have fiscal effects are described in more detail below.

License fees

New hair braiding and hair threading licenses

The bill establishes new fees in the areas of hair braiding and hair threading. In regard to braiding, the bill establishes licensing requirements for braiders, braiding instructors, salon managers, and salons. In regard to threading, the bill establishes licensing requirements for threaders, threading instructors, managers, and salons. The initial license and renewal fees for these license types fall under the fee structure already applicable to other branches of cosmetology. The Board estimates that there are approximately 2,000 individuals illegally working as hair braiders in the state and approximately 200 individuals working as hair threaders. The amount of revenue generated by these new licenses will ultimately depend on how many of these individuals opt to acquire the required licenses and what specific licenses they choose to obtain.

License amnesty fee

The bill also redirects the proceeds collected under the State Board of Cosmetology's license amnesty program. Under the program, an individual that has allowed his or her license to lapse for more than one license period may restore the license by paying back fees, fulfilling continuing education requirements, and taking an online exam, in addition to paying a \$45 fee. Unlike other fees collected by the Board, this \$45 restoration fee is deposited into the GRF. The bill redirects the fees to Fund 4K90. According to the Board, receipts collected under the amnesty program over the previous two fiscal years were \$65,000.

Powers and duties of the Board

Additional powers

The bill permits the Board, on its own motion or on receipt of a written complaint, to investigate or inspect the activities or premises of any person who is alleged to have violated the statutes or rules governing the practice of cosmetology, regardless of whether that person is licensed by the Board. The bill also gives the Board the authority to compel, by order or subpoena, the attendance of witnesses to testify in relation to any matter over which the Board has jurisdiction that is subject to an inquiry or investigation by the Board.

As a result of this expanded authority, the Board estimates that it may conduct as many as 1,000 additional inspections throughout the course of a calendar year. Currently, the Board has 10 inspectors on staff. Depending on the additional inspection and enforcement actions undertaken by the Board, there will be some additional costs related to travel for conducting these inspections. In FY 2010, there were 10,619 random inspections, resulting in 1,225 notices of violation and 1,427 fineable violations. In FY 2011, the Board collected just under \$215,000 in fines and penalties for various violations, according to its annual report for that fiscal year.

The power to subpoena could also result in additional costs for the Board. Under the bill, an individual that is subpoenaed to testify must be compensated in the same manner that exists in current law for all witnesses required to attend an adjudication hearing (\$12 for each full day's attendance, \$6 for each half day's attendance, and 50 cents per mile). If a person fails to appear in compliance with the subpoena, a court of common pleas is permitted to issue a subpoena, at request from the Board, to have that individual appear before the court and testify.

Disciplinary actions

The bill establishes two new reasons for which the Board may take disciplinary action: (1) failure to cooperate with an inspection or investigation, and (2) failure to respond to a subpoena. The Board is permitted to take one or more disciplinary actions based on these offenses, such as denying, revoking, or suspending a license or permit, and imposing a fine. With the new licenses, increased powers established in the bill, and probable increase in investigations that will be conducted, it is likely that the Board will be taking more disciplinary actions. There will be additional costs associated with conducting more administrative hearings; however, these costs will likely be offset to some degree by fees and fines collected.

Licensure reporting

The bill requires, one year after the effective date of the bill, and for the next two years thereafter, that the Board of Cosmetology submit a written report to the Governor and General Assembly. This report is required to provide information regarding (1) the number of students enrolled in courses at licensed schools of cosmetology that are required for each of the new licenses created in the bill, (2) the number of applications

received, (3) the number of licenses issued for each of these new license types, (4) the number of complaints received regarding holders of these new licenses, (5) the number of investigations, and (6) the disciplinary actions taken resulting from these new licensees. While the Board likely would have this data compiled as a whole for all license types it regulates, there could be some minimal administrative effort associated with determining how much of the data compiled from the six above categories is attributable to the new licenses created in the bill.

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