

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE

House Bill 1364 (Delegate Owings. *et al.*)

Economic Matters

State Board of Cosmetologists - Licensing, Fees, Penalties, and Prohibited Acts

This bill: (1) requires the State Board of Cosmetologists to set a minimum fee of at least \$100 for the issuance and renewals of licenses; (2) requires an individual to be licensed by the board before teaching cosmetology; (3) provides that one staff member employed by the board must administer the continuing education requirements of the profession; (4) alters the examination and education requirements necessary to obtain a limited license to provide esthetic services and nail technician services; (5) establishes continuing education requirements for specified license renewals; (6) establishes a \$2,500 penalty for practicing cosmetology without a license, and a \$1,500 penalty for practicing with an expired license; (7) authorizes the board to issue citations; (8) authorizes inspectors to seize a license or permit; (9) establishes labeling requirements for chemical products used in beauty salons; and (10) provides that an individual who uses or possesses methyl methacrylate liquid monomer in a beauty salon is guilty of a misdemeanor and subject to a \$5,000 fine.

Fiscal Summary

State Effect: General fund revenues could increase by \$101,300 in FY 1999. Future year revenues reflect annualization, a two-year licensing period, attrition, and constant growth. General fund expenditures could increase by \$239,400 in FY 1999, reflecting one-time start-up costs. Future year expenditures reflect annualization and inflation.

(in dollars)	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
GF Revenues	\$101,300	\$2,862,500	\$151,300	\$2,862,500	\$151,300
GF Expenditures	\$239,400	\$222,300	\$212,400	\$217,600	\$222,900
Net Effect	(\$138,100)	\$2,640,200	(\$61,100)	\$2,644,900	(\$71,600)

Note: () - decrease; GF - general funds

Local Effect: None.

Small Business Effect: Meaningful effect.

Fiscal Analysis

State Revenues: It is expected that general fund revenues would increase by approximately \$2,862,500 in even numbered years, and by \$151,300 in odd numbered years. During fiscal 1999, general fund revenues are expected to increase by \$101,300 because the board's citation program would not be operational until fiscal 2000.

Although the number of licensees would not be materially affected by the bill, general fund revenues would increase considerably because the State Board of Cosmetologists would collect: (1) a biennial licensing fee of \$100 from each licensee, as opposed to \$25 under current law; and (2) approximately \$50,000 in fines as a result of the bill's citation provisions.

Revenue from Increased Licensing Fees: Under current law, the biennial licensing fee is \$25. The bill requires the board to charge a biennial fee of at least \$100 for each license it issues. Thus, if the board sets the fee at \$100, it would collect \$75 more per license it issues. Further, licensees are required to renew their licenses and pay a \$100 renewal fee in the even numbered years.

- Odd Numbered Years: Based on the board's past experience, approximately 1,350 new cosmetologists obtain a license in the odd numbered years. General fund revenues thus would increase by \$101,250 (1,350 licenses x \$75) in the odd numbered years.
- Even Numbered Years: Approximately 37,500 cosmetologists obtain a new license or renew a license in the even numbered years. General fund revenues thus would increase by \$2,812,500 (37,500 licenses x \$75) in the even numbered years.

Revenue from Citations Issued by the Board: The bill authorizes the board to issue citations for various violations including: (1) a maximum fine of \$2,500 for practicing cosmetology without a license; (2) a maximum fine of \$1,500 for practicing with an expired license; and (3) a fine of \$1,500 for a nail technician who uses a drill/electric file and who has not met the continuing education requirements. Further, the bill authorizes the board to set penalties and issue citations for other violations of the State Board of Cosmetology Title.

Currently, the board conducts over 11,000 inspections and handles approximately 1,300 violations. Based on this and the expectation that many first violations would be handled with a warning rather than a fine, it is estimated that approximately 550 citations would be issued each year, resulting in general fund revenues of \$50,000 annually. This estimate

assumes that the board will issue 50 citations per year for practicing cosmetology without a license or practicing with an expired license. With an average fine of \$500, the board would collect \$25,000 in general fund revenues for unlicensed practice citations. This estimate also assumes that the board would issue 500 other citations. With an average fine of \$50, the board would collect an additional \$25,000 in general fund revenues.

State Expenditures: General fund expenditures could increase by an estimated \$239,400 in fiscal 1999, which accounts for the bill's October 1, 1998 effective date. This estimate reflects the cost of four new positions including: one Education Coordinator as required by the bill; one Office Clerk to support the continuing education program; one Office Clerk and one Office Secretary to support the inspection and citation activities. The estimate includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Salaries and Fringe Benefits	\$83,900
Litigation Costs (25 additional OAH cases)	25,000
Programming Costs for Citation Program	20,000
Inspector Training on Chemicals	20,000
Mailings to Salon Owners and Licensees	30,000
Other Operating Expenses	<u>60,500</u>
Total FY 1999 State Expenditures	\$239,400

Future year expenditures reflect: (1) full salaries with 3.5% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

Small Business Effect: There are approximately 4,000 cosmetology businesses in the State, the majority of which are small businesses. This bill could have a meaningful effect on small businesses by: increasing the licensing fees; increasing the continuing education requirements; increasing the examination and education requirements necessary to obtain a limited license to provide esthetic services and nail technician services; and authorizing the board to issue fines for violations.

Information Source: Department of Labor, Licensing, and Regulation

Fiscal Note History: First Reader - March 18, 1998

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