HB 463

Department of Legislative Services

Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

House Bill 463 (Delegates Krebs and Owings)
Economic Matters

Cosmetologists - License Requirements - Affiliation with a Beauty Salon

This bill requires an individual licensed by the State Board of Cosmetologists to be affiliated with a beauty salon.

Fiscal Summary

State Effect: General fund expenditures would increase by $219,500 in FY 2005. Out-year expenditures reflect ongoing operational costs that are annualized and adjusted for inflation. General fund revenue increase of approximately $82,000 in FY 2005. Out-year revenue increases reflect ongoing transfer activity by licensees. Potential minimal increase in fine revenue.

(in dollars)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
GF Revenue	$82,000	$328,000	$328,000	$328,000	$328,000
GF Expenditure	219,500	178,000	168,700	177,100	186,000
Net Effect	($137,500)	$150,000	$159,300	$150,900	$142,000

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: Meaningful.

Analysis

Bill Summary: This bill requires an applicant for any license issued by the State Board of Cosmetologists to submit to the board adequate evidence that the applicant has obtained a commitment from a permitted beauty salon to become affiliated with that salon upon licensure. The bill also provides that licensees who hold a license issued on or before October 1, 2004 would be exempt from the bill's provisions until their license expires; during the renewal process the licensee would be subject to the bill's affiliation provisions.

The bill prohibits a licensee from providing services on the licensee's behalf or on behalf of any beauty salon other than the beauty salon named in the licensee's certificate. The bill requires the board to include the name of the beauty salon with which the licensee is affiliated on the license certificate.

The bill allows a licensee to transfer an affiliation from one beauty salon to another beauty salon if the licensee terminates the original affiliation, obtains a new affiliation commitment from another beauty salon, and pays a $10 transfer fee. The bill also provides for notification requirements between licensees and beauty salon owners and notification to the board in all cases of terminated affiliations and new affiliations. The bill requires the board to issue a new license certificate to a licensee if all conditions for transfer are satisfactorily met.

The board is authorized to place the license of any licensee into inactive status if the licensee fails to submit a transfer application within 60 days of an affiliation termination. The board is authorized to reactivate licenses from inactive status if the licensee submits adequate evidence of a new affiliation with a beauty salon and pays a $10 reissuance fee.

Current Law: Licensed cosmetologists, including makeup artists, esthetic service providers, and nail technicians, are not required to be affiliated with beauty salons. However, there are limitations on where they may practice. Licensed cosmetologists must practice in a beauty salon with a permit, a barbershop with a permit, or in a residence under specified conditions.

Background: The board advises that approximately 37,100 licensed cosmetologists and approximately 4,300 beauty salons would be affected by the bill's provisions. The Department of Labor, Licensing, and Regulation (DLLR) advises that the affiliation requirements of this bill would not be implemented until April 1, 2005.

DLLR advises that the board receives approximately 125 consumer complaints annually from transactions involving individuals licensed by the board. By comparison, DLLR advises that real estate brokers have similar official affiliation requirements and that real estate transactions generate about 8,000 consumer complaints annually.

State Revenues: General fund revenues would increase by $10 for each transfer of a license from one affiliated salon to another. Assuming all licensees, except licensed cosmetologists who are also salon owners, change their affiliation on average once a year, general fund revenues in fiscal 2005 could increase by $82,000 due to the implementation date of April 1, 2005. Out-years reflect a full 12 months of affiliation transfers generating general fund revenues of $328,000 annually beginning in fiscal 2006. Any impact depends on the movement of licensees between beauty salons and compliance with the transfer provisions. Revenues generated by the reissuance of licenses from an inactive status created under the bill are assumed to minimal.

Existing penalty provisions would apply to violations of the bill's affiliation and transfer provisions. A person who violates any provision related to the practice of cosmetology is guilty of a misdemeanor and on conviction is subject to a fine of up to $100, imprisonment for up to 30 days, or both. Additionally monetary penalties may be imposed. Accordingly, general fund revenues could increase due to fine revenue.

State Expenditures: General fund expenditures could increase by an estimated $219,500 in fiscal 2005, which accounts for the bill's October 1, 2004 effective date. This estimate reflects the cost of hiring three full-time staff to manage the additional paperwork and communications required by the bill. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses including modifications to licensing software, and communication with licensees.

Salaries and Fringe Benefits	$87,300
Licensure Database Modifications	93,750
Operating Expenses	38,450
Total FY 2005 State Expenditures	**$219,500**

Future year expenditures reflect: (1) full salaries with 4.6% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

Expenditures would increase for compliance activities, particularly investigating complaints from consumers, licensees, and beauty salons. However, any impact related to compliance cannot be reliably estimated at this time.

Small Business Effect: DLLR advises that there are approximately 4,300 beauty salons in Maryland. It is assumed that the vast majority of these salons are small businesses. Beauty salon owners and licensees would be required to submit letters of affiliation with each other to the board. Beauty salon owners and licensees would be required to submit letters of termination of their affiliation with each other to the board. While these letters would not incur significant additional costs to beauty salon owners and licensees, they would likely place an administrative burden on licensees and beauty salon owners.

The bill provides that a licensee must surrender a license when transferring affiliation from one beauty salon to another; that licensee would be prohibited from practicing cosmetology in gainful employment until receipt of the new license. Accordingly, small businesses would be negatively impacted while waiting for a new license to be issued to cosmetologists who are newly affiliated with their salon.

The bill provides that a licensee may be affiliated with only one beauty salon. Accordingly, the licensee would be prevented from providing services in more than one location including circumstances in which a licensed cosmetologist is also an owner of multiple beauty salons.

The transfer provisions of the bill would not affect licensees who are sole practitioners at a single beauty salon as long as those licensees remain sole practitioners at a single salon.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Labor, Licensing, and Regulation; Department of Legislative Services

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