

Department of Legislative Services
 Maryland General Assembly
 2013 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1301

(Delegate Jones)

Economic Matters

Education, Health, and Environmental Affairs

State Board of Cosmetologists - Limited License - Hairstylist

This bill establishes a limited license by the State Board of Cosmetologists to provide hair services under specified conditions.

Fiscal Summary

State Effect: General fund expenditures for the Department of Labor, Licensing, and Regulation (DLLR) increase by \$62,600 in FY 2014 to hire one administrative staff necessary to help implement the bill and for one-time programming and examination development expenses. Future year expenditures reflect annualization and the elimination of one-time costs. General fund revenues cannot be reliably estimated at this time but could increase by approximately \$16,000 annually from limited licenses issued under the bill.

(in dollars)	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
GF Revenue	-	-	-	-	-
GF Expenditure	\$62,600	\$61,000	\$63,800	\$66,800	\$69,900
Net Effect	(\$62,600)	(\$61,000)	(\$63,800)	(\$66,800)	(\$69,900)

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

Local Effect: None.

Small Business Effect: Meaningful for small businesses that provide cosmetology and/or hair services that benefit from additional individuals licensed to provide hair services under the bill.

Analysis

Bill Summary: While a limited license is in effect, it authorizes the licensee to provide *only* hair services. “Provide hair services” means to provide to an individual for compensation the service of beautifying, cleaning, or embellishing the hair of an individual by arranging, coloring, or dressing the hair, among other services.

Subject to specified exceptions in current law, a person may not provide hair services in any place other than a beauty salon or barbershop that holds an applicable permit. A beauty salon may operate as a limited practice beauty salon by offering cosmetology services limited to providing hair services.

An applicant for a limited license to provide hair services must be age 17 or older, have completed successfully a ninth grade education or the equivalent, and have received training by *either* serving as a registered apprentice for at least 15 months *or* successfully completing 1,200 hours of instruction providing hair services in an approved cosmetology school.

The board must adopt regulations that establish detailed curriculum standards for use by the State Board of Education or the Maryland Higher Education Commission (MHEC) in approving applications for instruction in the provision of hair services at public schools or private career schools.

An individual may learn to provide hair services in a beauty salon that holds a beauty salon permit as an apprentice under the supervision of a licensed senior cosmetologist or a licensed hairstylist with two years experience.

An applicant for a limited license to provide hair services must pass an examination given by the board.

Current Law: The practice of cosmetology includes:

- arranging, bleaching, cleansing, coloring, curling, cutting, dressing, singeing, permanent waving, waving, or other procedures intended to beautify, clean, or embellish hair;
- arching or dyeing eyebrows;
- dyeing eyelashes;
- providing esthetic services, which means cleansing, exercising, massaging, or stimulating skin with electrical, mechanical, or other means; applying to the face an alcohol, cream, lotion, astringent, or cosmetic preparation; and removing superfluous hair by use of a depilatory, tweezers, or wax; or

- nail technician services, including manicures, pedicures, and application or maintenance of artificial nail enhancement products.

The board does not regulate certain services such as shampooing or braiding of hair. Licensed cosmetologists can provide all of the services listed above, while estheticians and nail technicians practice under a limited license that restricts the scope of services to esthetic and nail services, respectively.

An individual who wants to become a licensed cosmetologist, esthetician, or nail technician has two options for learning the trade – enrolling in an approved cosmetology school or training as a registered apprentice in a salon under a senior cosmetologist, an esthetician with two years of experience, or a nail technician with two years of experience, depending on the license that the individual seeks. An apprentice must train at least 20 hours per week and receives credit for hours served if the supervisor submits a monthly report to the board.

The board is required to adopt regulations that establish detailed curriculum standards for use by the State Board of Education or MHEC in approving applications for instruction in the practice of cosmetology, the provision of esthetic services, and the provision of nail technician services at public schools or private career schools.

The qualifications required for a license vary according to profession:

- *cosmetologist*: two years as a registered apprentice or at least 1,500 hours of instruction;
- *senior cosmetologist*: two years as a licensed cosmetologist and passage of a written exam;
- *nail technician (limited license)*: three months as a registered apprentice or at least 250 hours of instruction; and
- *esthetician (limited license)*: six months as a registered apprentice or at least 600 hours of instruction.

The fee for licensure as a cosmetologist, esthetician, or nail technician is \$25 and the examination fee for all three categories is \$80. The apprentice registration fee is \$10.

Background: The board was created by Chapter 282 of 1935. Its functions include (1) establishing qualifications for and providing approval of apprenticeships, licenses, and permits for services under the board's authority; (2) regulating the examination process; (3) disciplining licensees who have violated laws or regulations; (4) establishing fees to recover the cost of the board's services; and (5) regulating sanitary conditions in schools and salons.

The “hair services” under the bill are identical to those services related to beautifying, cleaning, or embellishing hair currently specified for the practice of cosmetology. Thus, the limited license to provide hair services established under the bill is consistent with other limited licenses issued by the board.

State Fiscal Effect: The board cannot handle the additional administrative burden associated with the creation and implementation of a new license category with existing staff. DLLR advises that currently the board’s combined staff of four individuals regulate over 55,000 licensed persons.

General fund expenditures, therefore, increase by \$62,642 in fiscal 2014, which accounts for the bill’s October 1, 2013 effective date. This estimate reflects the cost of hiring one administrative staff to assist in the creation and implementation of the new limited license category. It includes a salary, fringe benefits, one-time start-up costs, ongoing operating expenses, a one-time \$10,000 programming expense, and a one-time \$5,000 exam development expense.

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Salary and Fringe Benefits	\$41,661
Programming Expense	10,000
Exam Development Expense	5,000
Other Operating Expenses	<u>5,981</u>
Total FY 2014 State Expenditures	\$62,642

Future year expenditures reflect a full salary with annual increases and employee turnover as well as annual increases in ongoing operating expenses and the elimination of one-time costs.

The effect on the number and type of licenses issued by the board cannot be reliably estimated at this time. The bill creates a lower barrier to entry into the hairstylist profession by separating the provision of hair services from the general practice of cosmetology. This may result in additional individuals seeking licensure to provide *only* hair services who otherwise would not seek or qualify for licensure as a cosmetologist. DLLR estimates that an average of 640 *additional* limited licenses to provide hair services may be issued annually by the board under the bill.

The license fee for other limited licenses issued by the board is \$25. Thus, *for illustrative purposes only*, assuming a 90-day start-up delay, general fund revenues increase by \$8,000 in fiscal 2014 and by \$16,000 annually beginning in fiscal 2015 from license fees for limited licenses issued under the bill. Any additional revenue from apprentice registration fees due to the bill is anticipated to be minimal.

In addition, the Department of Legislative Services (DLS) advises that examination fees are paid directly to a third-party vendor by the applicant and, thus, have no effect on general fund revenues or expenditures.

Additional Comments: DLS conducted a sunset evaluation of the board in 2009. In its evaluation, DLS noted that the board's revenues have consistently outpaced the costs attributed to it, with excess revenues of 30% to 40% in many years. The evaluation recommended that the excess revenues be used for additional administrative staff, as the board's staffing level was not sufficient to handle licensing, complaints, and other issues. DLLR advises that its current staffing level remains similarly constrained. Further, board revenues continue to exceed expenditures by a substantial margin: \$526,000 (45%) and \$521,000 (44%) in fiscal 2011 and 2012, respectively. As the board is general funded, all revenues accrue to the general fund. Thus, the revenue stream currently attributable to the board is sufficient to cover the cost of an additional administrative position required to implement the bill.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - March 8, 2013
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