

Department of Legislative Services
Maryland General Assembly
2019 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 564 (Senator Patterson, *et al.*)
Education, Health, and Environmental Affairs

Cosmetologist - Licensing Examination - Requirements

This bill requires each cosmetology school to administer the practical licensure examination for students enrolled in the school. The bill also lowers the minimum number of hours – from 1,380 to 1,200 – required before a student enrolled in a cosmetology school may take the written examination. Total hours of training required for licensure as a cosmetologist remain unchanged. The State Board of Cosmetologists must adopt regulations to require each cosmetology school to (1) administer the practical examination at the cosmetology school and (2) provide a student with the opportunity to receive remedial training if the student fails either the practical or the written examination while still enrolled in the school.

Fiscal Summary

State Effect: General fund revenues may decrease by an unknown amount in FY 2020 and may further decrease in FY 2021, as discussed below. Total expenditures are not affected.

Local Effect: Local expenditures increase beginning in FY 2020 for additional costs to administer practical examinations on-site at local high schools. Revenues are not affected.

Small Business Effect: Meaningful.

Analysis

Current Law/Background: The State Board of Cosmetologists in the Department of Labor, Licensing, and Regulation (DLLR) issues two full-service licenses (cosmetologist and senior cosmetologist) and four limited licenses (hairstylist, blow-drying, nail

technician, and esthetician). A cosmetologist or senior cosmetologist license authorizes the licensee to provide hair, nail, and esthetic services. The other licenses authorize the licensee to provide just that service. The board also registers apprentices. Applicants for licensure must pass a written and a practical examination and meet specified experience (apprenticeship) or education (specified hours of instruction at an approved cosmetology school) requirements.

For cosmetologists, an applicant may take the written examination after completing 1,380 hours of the required 1,500 total hours of training in a cosmetology school. The practical examination cannot be taken until 1,500 hours of training have been completed.

The board has a contract with a testing vendor (PSI) to perform all testing services. The contract covers the administration of both the written and practical examination. The contract was entered into in 2015 and is active through 2020. Currently, all students in private schools and the majority of students in public schools complete the practical examination at specific PSI testing facilities. PSI performs on-site practical examinations for a limited number of public schools.

State Effect: Chapter 256 of 2017 (effective July 1, 2018), established the State Barbers and Cosmetologists Boards' Fund in DLLR and redirected licensing revenue associated with the boards from the general fund to the new special fund. At the end of each fiscal year, any unspent and unencumbered portion of the special fund in excess of \$100,000 (*i.e.*, the operating surplus) reverts to the general fund. For example, if the fund has \$130,000 at the end of a fiscal year, then \$30,000 reverts to the general fund.

DLLR advises that the bill requires a change to its existing contract with PSI to incorporate the additional expenses associated with administering practical exams in more locations. DLLR is unable to estimate the amount of any additional compensation. The current contract runs through 2020. Funds used to increase compensation for the exam vendor under the current contract would have otherwise reverted to the general fund. Thus, special fund expenditures (which include the reversion) are not affected, but general fund revenues are reduced. Therefore, general fund revenues decrease by an unknown amount in fiscal 2020 and may further decrease in fiscal 2021. The amount in either year is estimated to be less than \$100,000. There is no effect beyond fiscal 2021 because it is assumed that a new examination contract will include recalculated fees (paid by exam takers, not the State) that fully cover the cost of on-site administration.

DLLR can adopt the required regulations and otherwise implement the bill with existing budgeted resources.

Local Effect: Cosmetology programs in public high schools are affected to the same extent as private cosmetology schools, as discussed below. Many public schools do not

have the large spaces necessary to administer practical examinations on-site. Therefore, local expenditures increase for additional costs to administer practical examinations, and, potentially, for remedial training. The overall effect on any particular local government is likely modest.

Small Business Effect: Private cosmetology schools, many of which are small businesses, potentially experience significant costs to administer the practical examination and provide remedial training. For example, the schools are likely to be required to close for the day to prevent any interference with the examination. This leads to lost instructional days, increasing costs to the businesses. Smaller schools without large clinics may also be required to obtain the space necessary to administer the examination.

The bill also requires schools to provide remedial training for students who do not pass either their written or practical examinations. The bill does not indicate whether the student or the school is responsible for the costs of the remedial training. Further complicating this requirement is the existing prohibition against a student taking the practical examination until the student has completed 1,500 hours of training. Once the student has completed those hours, the student is no longer enrolled in cosmetology school.

Additional Comments: The Department of Legislative Services notes that the bill requires the board to adopt regulations implementing the on-site examination requirement. Delaying the implementation of the on-site requirement in regulation until the current testing contract expires in 2020 may eliminate any fiscal effect to the State. In general, the terms of the testing contract allow PSI to set exam fees at a level that covers the cost of the exam administration. The State must reimburse PSI for any increase in the cost of administering the exams. However, if the on-site examination requirement were delayed until a new contract were in place for fiscal 2021, there would not be a fiscal effect in fiscal 2020 and the new contract would include recalculated fees (paid by exam takers) that could fully cover the costs associated with on-site examination administration. This would result in no effect on State expenditures or revenues in fiscal 2021 and beyond.

Additional Information

Prior Introductions: None.

Cross File: HB 1203 (Delegate Queen, *et al.*) - Economic Matters.

Information Source(s): Department of Labor, Licensing, and Regulation; Maryland State Department of Education; Maryland Higher Education Commission; Department of Legislative Services

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