

Office of Regulatory Management
Economic Review Form

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| Agency name | Board for Barbers and Cosmetology |
| Virginia Administrative Code (VAC) Chapter citation(s) | 18 VAC 41-20 |
| VAC Chapter title(s) | Barbering and Cosmetology Regulations |
| Action title | Lower Cosmetology Training to 1,000 Hours |
| Date this document prepared | May 18, 2023 |
| Regulatory Stage (including Issuance of Guidance Documents) | Proposed regulations |

Cost Benefit Analysis

Complete Tables 1a and 1b for all regulatory actions. You do not need to complete Table 1c if the regulatory action is required by state statute or federal statute or regulation and leaves no discretion in its implementation.

Table 1a should provide analysis for the regulatory approach you are taking. Table 1b should provide analysis for the approach of leaving the current regulations intact (i.e., no further change is implemented). Table 1c should provide analysis for at least one alternative approach. You should not limit yourself to one alternative, however, and can add additional charts as needed.

Report both direct and indirect costs and benefits that can be monetized in Boxes 1 and 2. Report direct and indirect costs and benefits that cannot be monetized in Box 4. See the ORM Regulatory Economic Analysis Manual for additional guidance.

Table 1a: Costs and Benefits of the Proposed Changes (Primary Option)

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| <p>(1) Direct & Indirect Costs & Benefits (Monetized)</p> | <p>Direct Costs: Describe the direct costs of this proposed change here.</p> <p>This modification will amend cosmetology hours from a minimum of 1,500 hours to a minimum of 1,000 hours. Cosmetology schools are considered small businesses that may be affected by this change. Schools may have administrative costs to submit new curriculums and performances to the Board.</p> <p>Under the proposal, schools would not be required to reduce the number of program hours from the current minimum of 1,500. However, some schools may choose to do so to be more attractive to more potential students.</p> <p>The current average tuition and fees cost for a cosmetology program in Virginia is \$18,143 per student. Assuming the average cosmetology program is at least 1,500 hours, the current minimum requirement in regulation, a reduction of minimum hours to 1,000 could result in an average cost for tuition and fees of approximately \$12,156 per student; and could result in a loss of revenue of approximately \$5,987 per student, if a school elected to reduce the number of program hours to the minimum. For purposes of comparison, in New York, which has a 1,000-hour minimum cosmetology school requirement, the average tuition and fees cost for a New York cosmetology training program is \$14,600.</p> <p>It is estimated there are approximately 300¹ individuals who are licensed by examination attributed to 140 active licensed cosmetology schools per year. If each licensed school were to reduce program hours to the proposed 1,000-hour minimum, it is estimated the loss of revenue among all schools would be \$1,796,100.</p> <p>It is possible that the reduction in the minimum number of required program hours may result in an increase in the number of students enrolling in licensed cosmetology programs based on the potential reduced program cost and the potential ability to receive licensure more quickly. Assuming a 10% increase in the number of examinees (330), schools could recoup \$364,680 in aggregate.</p> <p>To the extent funds would be kept by the students instead of being paid to the schools, this would effectively be a transfer payment, as the money will no longer go from the students to the schools.</p> |
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¹ This estimated number is based on the number of such individuals who were licensed by examination in 2022 who did not participate in either an apprenticeship program or public school program. The Board does not require schools to provide the Board with information on the number of individuals enrolled in a program.

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| | <p>Direct Benefits: Describe the direct benefits of this proposed change here.</p> <p>A benefit of this action is to reduce unnecessary burdens to individuals who enroll in a cosmetology training program. More students may enroll in the cosmetology program due to the reduction of cosmetology hours and tuition costs. Schools will be able to move more students through their programs per year with a shorter curriculum length.</p> <p>An additional benefit of this action would be that students are able to graduate from cosmetology school sooner and enter the workforce. This reduction in required school hours will allow for graduates to earn an additional 500 hours' worth of income. At a median hourly wage in Virginia of \$16.71 for "hairdressers, hairstylists and cosmetologists", that equates to \$8,355 (\$16.71 per hour x 500 hours) in additional earning potential per graduate. With a reduction in tuition and increased time for earning potential, each student could have a \$ 14,342 (\$8,355 earnings + \$5,987 savings in tuition fees costs) returned to their households.</p> <p>Taking the additional \$8,355 in earning potential per graduate of a 1000-hour private cosmetology program and referencing it with approximately 330 licensees by examination, the additional workforce earning potential is over \$2,750,000.</p> <p>Indirect Costs: \$0</p> <ul style="list-style-type: none"> • There are no new monetizable indirect costs associated with the regulatory amendment. <p>Indirect Benefits: \$0</p> <ul style="list-style-type: none"> • Currently, about 15% of the cosmetology schools are accredited, and their students are eligible for and mostly utilize federal financial aid. When the hours are reduced, the amount of federal financial aid available to students may drop as well (this would largely depend on a pending change to a U.S. Department of Education, or USED, policy). If the USED changes the policy to only pay for the minimum number of hours required, this would lead to students taking out smaller loans, and avoiding interest payments on those federal loans. DPOR does not have the resources to determine the precise number of students potentially impacted, as this data is not shared by the federal government. Additionally, the USED has not formally made any changes. However, if USED makes its long-discussed change, potentially hundreds of students would avoid paying loan interest on the \$3,543 difference in tuition costs of the shorter program. | |
| (2) Present Moneti | Direct & Indirect Costs | Direct & Indirect Benefits |

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| zed Values | | |
| | (a) 624,000 | (b) \$3,926,340 |
| (3) Net Monetized Benefit | \$3,302,340 | |
| (4) Other Costs & Benefits (Non-Monetized) | 0 | |
| (5) Information Sources | <p>The forecasts are based on the typical tuition costs in Virginia and New York. The following websites were used to locate average tuition costs.</p> <p>https://www.collegetuitioncompare.com/compare/tables/vocational-program/cosmetology-cosmetologist/?state=VA#:~:text=For%20the%20academic%20year%202022,offeri ng%20the%20program%20is%20%2415%2C110.</p> <p>https://www.univstats.com/colleges/academy-of-cosmetology-and-esthetics-nyc/cost-of-attendance/</p> | |

Table 1b: Costs and Benefits under the Status Quo (No change to the regulation)

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| (1) Direct & Indirect Costs & Benefits (Monetized) | <p>Direct Costs: Describe the direct costs of this proposed change here.</p> <p>There are no new costs associated with maintaining a 1,500-hour curriculum requirement for cosmetology schools.</p> <p>Direct Benefits:</p> <ul style="list-style-type: none"> There are no new benefits associated with maintaining the status quo. <p>Indirect Costs: \$0</p> <ul style="list-style-type: none"> There are no new monetizable indirect costs associated with maintaining the status quo. <p>Indirect Benefits: \$0</p> <ul style="list-style-type: none"> There are no new monetizable indirect benefits associated with maintaining the status quo. |
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| (2) Present Monetized Values | Direct & Indirect Costs | Direct & Indirect Benefits |
| | (a) \$0 | (b) 0 |
| (3) Net Monetized Benefit | \$0 | |
| (4) Other Costs & Benefits (Non-Monetized) | 0 | |
| (5) Information Sources | <p>The forecasts are based on the typical tuition costs in Virginia from 2022-2023. The following website were used to locate average tuition costs.</p> <p>https://www.collegetuitioncompare.com/compare/tables/vocational-program/cosmetology-cosmetologist/?state=VA#:~:text=For%20the%20academic%20year%202022,offeri ng%20the%20program%20is%20%2415%2C110.</p> | |

Table 1c: Costs and Benefits under Alternative Approach(es)

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| (1) Direct & Indirect Costs & Benefits (Monetized) | <p>Direct Costs: Describe the direct costs of this proposed change here.</p> <p>The third option was reducing the hours to 892 hours. This alternative was rejected by the Board due to license portability concerns. Many states currently accept 1,000 hours of cosmetology training, either by itself or in combination with experience. Training less than 1,000 hours would likely not be accepted by many other states and would render the license substantially less portable than the 1,000 hours standard.</p> <p>An average of 1,500 students' complete cosmetology training each year. Students will not be able to endorse into other states if the cosmetology program hours are reduced to 892. Students may save money on tuition</p> |
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| | <p>expenses in Virginia. However, cosmetologists will be required to complete additional training in another state. Military spouses' license portability will be significantly impacted by the hour change. About 500 Virginia-licensed cosmetologists endorse into another state each year. The average tuition for a cosmetology program in the United States is \$15,110. The average cost of tuition for cosmetologists with Virginia licenses who want to obtain a license in another state is \$7,555,000 a year.</p> <p>Direct Benefits:</p> <ul style="list-style-type: none"> The cost/benefit of the reduction to the schools and students would be considered a transfer payment, as the lost tuition would simply be kept by the students. <p>Indirect Costs: \$0</p> <ul style="list-style-type: none"> There are no new monetizable indirect costs associated with maintaining the status quo. <p>Indirect Benefits: \$0</p> <ul style="list-style-type: none"> There are no new monetizable indirect benefits associated with maintaining the status quo. | |
| (2) Present Monetized Values | Direct & Indirect Costs | Direct & Indirect Benefits |
| | (a) \$7,555,000 | (b) 0 |
| (3) Net Monetized Benefit | -\$35,637,678 | |
| (4) Other Costs & Benefits (Non-Monetized) | 0 | |
| (5) Information Sources | <p>The forecasts are based on the typical tuition costs in United States from 2022-2023. The following website were used to locate average tuition costs.</p> <p>https://www.univstats.com/colleges/academy-of-cosmetology-and-esthetics-nyc/cost-of-attendance/</p> | |

Changes to Number of Regulatory Requirements

For each individual VAC Chapter amended, repealed, or promulgated by this regulatory action, list (a) the initial requirement count, (b) the count of requirements that this regulatory package is adding, (c) the count of requirements that this regulatory package is reducing, (d) the net change

in the number of requirements. This count should be based upon the text as written when this stage was presented for executive branch review. Five rows have been provided, add or delete rows as needed. In the last row, indicate the total number for each column.

Table 5: Total Number of Requirements

| | Number of Requirements | | | |
|-----------------------|-------------------------------|------------------|---------------------|-------------------|
| Chapter number | Initial Count | Additions | Subtractions | Net Change |
| 18 VAC 41-20 | 1 | 0 | 0 | 0 |
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| TOTAL | 1 | 0 | 0 | 0 |