



Virginia Department of Planning and Budget **Economic Impact Analysis**

18 VAC 41-20 Barbering and Cosmetology Regulations
Department of Professional and Occupational Regulation
Town Hall Action/Stage: 6010 / 9943
May 19, 2023

The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with § 2.2-4007.04 of the Code of Virginia (Code) and Executive Order 19. The analysis presented below represents DPB's best estimate of these economic impacts.¹

Summary of the Proposed Amendments to Regulation

The Board for Barbers and Cosmetology (Board) proposes to lower the required training hours for the cosmetology license from 1,500 hours to a minimum of 1,000 hours.

Background

According to the Department of Professional and Occupational Regulation (DPOR), during the 2022 General Assembly session, the Board was asked to examine the cosmetology training hour requirement during a legislative subcommittee meeting. Following that session, the Board created a Regulatory Advisory Panel (RAP) composed of training school owners, curriculum writers, public school and private school instructors, as well as a salon safety expert and industry leaders, to review the required cosmetology curriculum in the regulation. The RAP members assessed each curriculum item to determine whether a safety risk was addressed by the training, whether the training was the least restrictive means of addressing that risk and, if so, the minimum number of hours that would be needed for the student to perform that service safely.

¹ Code § 2.2-4007.04 requires that such economic impact analyses determine the public benefits and costs of the proposed amendments. Further the analysis should include but not be limited to: (1) the projected number of businesses or other entities to whom the proposed regulatory action would apply, (2) the identity of any localities and types of businesses or other entities particularly affected, (3) the projected number of persons and employment positions to be affected, (4) the projected costs to affected businesses or entities to implement or comply with the regulation, and (5) the impact on the use and value of private property.

The average number of training hours recommended by the RAP was 892 hours. However, due to license portability concerns, the Board rejected 892 hours as too few for the cosmetology license. Currently, the lowest amount of cosmetology training hours among states is 1,000 hours (MA, VT, NY, TX, CA). Three of these states have lowered their hours to 1,000 over the past few years (CA, TX, VT). The Board states that while several states will not accept a 1,000-hour training program (requiring these applicants to obtain additional hours in a school), many states currently do accept that amount, either by itself or in combination with experience. Training fewer 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.

As a result, the Board wishes to adopt the 1,000 hours as the minimum required number of hours in total, and to also allot the minimum number of hours, and the number of performances, that will be required per topic in the cosmetology curriculum. Revisions to topics and performances are also needed to align the regulations with the cosmetology scope of practice in the Code of Virginia. It is worth noting that instead of mandating the exact hours of training for each curriculum item, the Board proposes to adopt a minimum number of training hours for each subject adding up to nearly 1,000 hours in total.

The Board states that after reviewing the RAP's recommendations, and taking into consideration the license portability concerns, national trends in hours, and minimum safety requirements, it determined that the hours could be lowered from 1,500 hours to a minimum of 1,000 hours while ensuring students were adequately trained to perform services on the public safely. The proposed regulation would implement the Board approved reduction in training hours for the cosmetology license.

Estimated Benefits and Costs

This regulation requires that each training school submit its curriculum to the Board for review and approval. Since the proposed changes would revise the curriculum subjects that must be covered, along with a minimum number of hours and a minimum number of performances that must be devoted to each subject, all of the 139 training schools would have to revise their curriculums and submit it to the Board for review and approval. Consequently, each training school is expected to face administrative costs to develop a new curriculum, and similarly DPOR is expected to face administrative costs to review the submitted curriculum and take action.

In general, decreasing the number of training hours may have the unintended consequence of hampering license portability from Virginia to other states as well as increasing safety risks to customers. However, in this case, it appears the Board was cognizant of those unintended consequences and addressed them by adopting 1,000 hours instead of the RAP's recommendation of 892 hours. Similarly, by adopting a minimum number of required training hours rather than dictating a set number of hours, the Board is essentially providing flexibility to the training providers to adjust and respond to potential portability issues should they arise. Under the proposed regulation, training providers are allowed to adopt curriculums that have more than the minimum number of hours proposed by the Board. If portability issues become prevalent, the market would most likely reward those training providers who offer a solution in the form of a more rigorous or a supplemental training program. In short, nothing in this action would preclude an alternative or supplemental curriculum that is more rigorous from being approved by the Board so long as the minimum hours are met in each training topic.

Although cosmetology schools can offer programs with more than 1,000 hours, it can be reasonably expected to see some significant reduction in hours across all schools, such that the typical number of hours is closer to 1,000 hours than the current 1,500 hours. A significant reduction in actual hours offered by schools would likely result in a reduction in tuition costs. For example, in order to predict tuition expenses for a cosmetology program in Virginia with a minimum of 1,000 hours, the Board looked at cosmetology tuition prices in New York because that state has a 1,000-hour cosmetology school requirement. The average tuition and fees for a New York cosmetology training program are reported to be \$14,600. The current average tuition and fees for a cosmetology program in Virginia are \$18,143. Using the New York tuition as a base and adjusting for other factors, DPOR estimates that the schools in Virginia offering a 1,000-hour cosmetology program may reduce their tuition fees to \$12,156 per student, an up to \$5,987 reduction in tuition per student. For the estimated 300 cosmetology students receiving training each year², the total tuition savings would be approximately \$1.8 million. Of course, any reduction in tuition would mean lower revenue for the schools, but lower hours would also mean lower operating costs to them, thus the net effect on profit cannot be determined. Furthermore, lower tuition costs could ease entry into the profession and encourage, according to DPOR

² This estimate does not include the students enrolled in cosmetology training offered by high schools which are outside the scope of this regulation.

estimates, approximately 30 additional entrants into the profession (approximately a 10% increase over existing students) which would offset approximately \$364,680³ of the revenue loss due to lower tuition.

Finally, a 500-hour reduction in training means that students can graduate earlier and start earning wages. According to DPOR, the median hourly wage for hairdressers, hairstylists, and cosmetologists in Virginia is \$16.71. This translates to \$8,355 earning potential for each student during the 500 hours that could be spent working rather than being trained. The earning potential for all 300 students per year corresponds to approximately \$2.5 million, depending on the extent to which these students find employment.

Businesses and Other Entities Affected

The proposed amendments primarily affect cosmetology training schools and their students going forward. Currently, approximately 300 students are enrolled in 139 training schools across Virginia. None of the schools or the students appears to be disproportionately affected.

The Code of Virginia requires DPB to assess whether an adverse impact may result from the proposed regulation.⁴ An adverse impact is indicated if there is any increase in net cost or reduction in net revenue for any entity, even if the benefits exceed the costs for all entities combined. As noted above, as a result of the fewer training hours, cosmetology schools can expect a reduction in their revenues. In addition, the schools would likely incur some administrative costs as they would have to revise their curriculum. Thus, an adverse impact on cosmetology training schools is indicated.

³ \$364,680 = \$12,156 x 30

⁴ Pursuant to Code § 2.2-4007.04(D): In the event this economic impact analysis reveals that the proposed regulation would have an adverse economic impact on businesses or would impose a significant adverse economic impact on a locality, business, or entity particularly affected, the Department of Planning and Budget shall advise the Joint Commission on Administrative Rules, the House Committee on Appropriations, and the Senate Committee on Finance. Statute does not define “adverse impact,” state whether only Virginia entities should be considered, nor indicate whether an adverse impact results from regulatory requirements mandated by legislation.

Small Businesses⁵ Affected:⁶

According to DPOR, most of the training schools may be considered as small business. Thus, the proposed amendments appear to adversely affect small businesses.

Types and Estimated Number of Small Businesses Affected

There are up to 139 cosmetology training schools that are considered small businesses.

Costs and Other Effects

The proposed amendments would introduce administrative costs to the schools for the development of a new curriculum. Additionally, the schools are likely to reduce their tuition and incur some revenue losses. Thus, an adverse impact on small businesses is indicated.

Alternative Method that Minimizes Adverse Impact

There does not appear to be a clear alternative method that both reduces adverse impact and meet the intended policy goals.

Localities⁷ Affected⁸

The proposed amendments apply throughout the Commonwealth but do not introduce costs for local governments.

Projected Impact on Employment

As discussed above, lower training hours would likely reduce the schools' demand for labor some of which may be offset by the additional demand to train new entrants encouraged by the easier entry into the profession. Also, the cosmetology students would be able to practice

⁵ Pursuant to § 2.2-4007.04 of the Code of Virginia, small business is defined as "a business entity, including its affiliates, that (i) is independently owned and operated and (ii) employs fewer than 500 full-time employees or has gross annual sales of less than \$6 million."

⁶ If the proposed regulatory action may have an adverse effect on small businesses, Code § 2.2-4007.04 requires that such economic impact analyses include: (1) an identification and estimate of the number of small businesses subject to the proposed regulation, (2) the projected reporting, recordkeeping, and other administrative costs required for small businesses to comply with the proposed regulation, including the type of professional skills necessary for preparing required reports and other documents, (3) a statement of the probable effect of the proposed regulation on affected small businesses, and (4) a description of any less intrusive or less costly alternative methods of achieving the purpose of the proposed regulation. Additionally, pursuant to Code § 2.2-4007.1, if there is a finding that a proposed regulation may have an adverse impact on small business, the Joint Commission on Administrative Rules shall be notified.

⁷ "Locality" can refer to either local governments or the locations in the Commonwealth where the activities relevant to the regulatory change are most likely to occur.

⁸ § 2.2-4007.04 defines "particularly affected" as bearing disproportionate material impact.

their trade earlier and enter the labor force more quickly. There is not sufficient information to determine which of these effects would dominate.

Effects on the Use and Value of Private Property

The proposed amendments would likely reduce the duration of the training, have a negative revenue impact on schools, but shorter training would also likely reduce the overall cost of training. The net impact on profitability and consequently the asset value of the schools is indeterminate.

No direct impact on real estate development costs is expected.