

Economic Impact Analysis Virginia Department of Planning and Budget

18 VAC 41-30 – Hair Braiding Regulations
Department of Professional and Occupational Regulation
October 9, 2009

Summary of the Proposed Amendments to Regulation

The Board of Barbers and Cosmetologists (Board) proposes to raise fees for hair braiding schools, hair braiding salons and hair braiders. The Board also proposes to change the regulatory text so that it is clear that licensees who reinstate their licenses must pay a renewal fee as well as a reinstatement fee.

Result of Analysis

The benefits likely exceed the costs for one of these proposed changes. For all other changes, costs likely exceed benefits.

Estimated Economic Impact

Currently, hair braiders pay \$55 for initial licensure (either by application or endorsement), \$55 for biennial renewal and \$110 for reinstatement. The reinstatement fee is currently listed as \$55 but licensees must pay both the renewal fee and reinstatement fee in order to reinstate a lapsed license. Hair braiding salons must have a current facilities license in order to be open in the Commonwealth. Currently, an initial facilities license is \$90, biennial renewal of that license is \$90 and reinstatement is \$180. The reinstatement fee is currently listed as \$90 but licensees must pay both the renewal fee and reinstatement fee in order to reinstate a lapsed license. Currently hair braiding schools must pay \$120 for an initial license, \$120 for biennial license renewal and \$240 for reinstatement. The reinstatement fee is currently listed as \$120 but licensees must pay both the renewal fee and reinstatement fee in order to reinstate a lapsed license.

The Board now proposes to raise fees for these three categories of licensure. Under this proposal, current fees will increase between 28% and 36%. Below is a comparison table for current and proposed fees:

	FEE TYPE	CURRENT FEE	PROPOSED FEE
Hair Braiders	Initial Licensure by Application	\$55	\$75
	Initial Licensure by Endorsement	\$55	\$75
	Renewal	\$55	\$75
	Reinstatement	\$110	\$150
Hair Braiding Salons	Initial Application	\$90	\$115
	Renewal	\$90	\$115
	Reinstatement	\$180	\$230
Hair Braiding Schools	Initial Application	\$120	\$145
	Renewal	\$120	\$145
	Reinstatement	\$240	\$290

The Board reports that these fee increases are necessary in order to meet Callahan Act requirements for cash reserves. Specifically, the Board reports that it has incurred increasing costs for information systems development, enforcement activities, application processing and customer services over the last biennium. While it is true that raising fees will likely allow the Board to increase its revenues to meet anticipated budget deficits, licensees (and probably the

public) would likely benefit more from efforts to decrease Board costs so that they more closely match current revenues.

Board staff reports, for instance, that software purchased to facilitate automation of the licensure process is a considerable and increasing expense. This new software is not a custom built product so it is anticipated that more money (beyond the initial purchase price) will have to be spent in order to allow the automation software to do what the Board needs it to do. The Board anticipates that implementation of this automated system will increase system stability but will not increase far term efficiency so that fewer employees are needed (and so that long run costs for licensees decrease). Instead more employees will likely need to be hired once the automated system is in place. Although licensees may benefit somewhat from being able to submit applications and fees online, that benefit is likely outweighed by large near-term and far-term costs for this system.

In the three years since licensure was required for hair braiders, there have been only 16 complaints lodged against individuals that are meant to be licensed under these regulations. Given this, it is unlikely that fee increases are needed to cover enforcement activity for these licensees.

Businesses and Entities Affected

The Department of Professional and Occupational Regulation (DPOR) reports that, as of June 30, 2009, the Board licenses 4 hair braiding schools, 35 hair braiding salons and 434 hair braiders. All of these entities will be affected by fee increases. DPOR also reports that most of these entities would meet the definition of small businesses.

Localities Particularly Affected

No locality will be particularly affected by this proposed regulatory action.

Projected Impact on Employment

This regulatory action will likely have little impact on employment in the Commonwealth.

Effects on the Use and Value of Private Property

This regulatory action will likely have little effect on the use or value of private property in the Commonwealth.

Small Businesses: Costs and Other Effects

Small businesses in the Commonwealth will incur the cumulative costs of licensure fees that will increase on account of this regulatory action.

Small Businesses: Alternative Method that Minimizes Adverse Impact

There are several actions that the Board could take that might mitigate or eliminate the necessity of raising fees. The Board could slightly lengthen the time that it takes to process both license applications and complaints so that staff costs could be cut. This option would benefit current licensees but would slightly delay licensure, and the ability to legally work, for new applicants. Because DPOR reports that the new automated system that has been purchased is not anticipated to cut processing times or increase efficiency, and thus lower costs, in the long run; licensees would likely benefit if DPOR either reinstated their old system or found another automated system that could be expected to increase future efficiency and decrease the need for future staff increases.

The General Assembly could also likely lower costs for both small businesses for these professions, and for their customers, if it reconsidered whether the Commonwealth would be better served by legislative changes that would either make licensure voluntary or by completely eliminating the state's role in certifying these professions.

Real Estate Development Costs

This regulatory action will likely have no effect on real estate development costs in the Commonwealth.

Legal Mandate

The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 2.2-4007.H of the Administrative Process Act and Executive Order Number 36 (06). Section 2.2-4007.H requires that such economic impact analyses include, but need not be limited to, the projected number of businesses or other entities to whom the regulation would apply, the identity of any localities and types of businesses or other entities particularly affected, the projected number of persons and employment positions to be affected, the projected costs to affected businesses or entities to implement or comply with the regulation, and the impact on the use and value of private property. Further, if the proposed

regulation has adverse effect on small businesses, Section 2.2-4007.H requires that such economic impact analyses include (i) an identification and estimate of the number of small businesses subject to the regulation; (ii) the projected reporting, recordkeeping, and other administrative costs required for small businesses to comply with the regulation, including the type of professional skills necessary for preparing required reports and other documents; (iii) a statement of the probable effect of the regulation on affected small businesses; and (iv) a description of any less intrusive or less costly alternative methods of achieving the purpose of the regulation. The analysis presented above represents DPB's best estimate of these economic impacts.