



Economic Impact Analysis Virginia Department of Planning and Budget

18 VAC 41-30 – Board for Barbers and Cosmetology Rules and Regulations Department of Professional and Occupational Regulation May 31, 2002

The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 9-6.14:7.1.G of the Administrative Process Act and Executive Order Number 25 (98). Section 9-6.14:7.1.G 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. The analysis presented below represents DPB's best estimate of these economic impacts.

Summary of the Proposed Regulation

The newly combined Board for Barbers and Cosmetology (board) proposes to promulgate the Board for Barbers and Cosmetology Rules and Regulations which replace the separate Board for Barbers Regulations and the Board for Cosmetology Regulations. The proposed regulations are different from the current regulations in several ways, including 1) fee changes, 2) increasing the length of the initial barber's license, 3) significantly shortening the period within which a barber can be late paying their renewal fee without needing to apply for reinstatement and pay a reinstatement fee, 4) requiring that barber schools clearly post notice to the public that paid services are performed by students, 5) reduction in paperwork requirement for barber schools, 6) more highly proscribed required sanitation methodology, and 7) requiring that cosmetology and nail schools maintain separate classroom and clinic areas.

Estimated Economic Impact

Section 54.1-113 of the Code of Virginia states that

“Following the close of any biennium, when the account for any regulatory board within the Department of Professional and Occupational Regulation or the Department of Health Professions maintained under § 54.1-308 or § 54.1-2505 shows expenses allocated to it for the past biennium to be more than ten percent greater or less than moneys collected on behalf of the board, it shall revise the fees levied by it for certification or licensure and renewal thereof so that the fees are sufficient but not excessive to cover expenses.”

The Department of Professional and Occupational Regulation (department) reports that the board’s direct and administrative support costs for the 1998-2000 biennium were more than \$2.5 million, with revenue collections of \$1.98 million. Thus, expenses exceeded revenues by 26 percent. Since 26 percent is well in excess of ten percent, the board is required to raise net fees such that the revenue it receives is sufficient but not excessive to cover its expenses. The department projects that during the 2000-2002 biennium total expenditures will be \$2.8 million, with \$2.0 million in revenue collections. By the close of the current biennium, the department expects to have an approximate \$4,000 cash balance, and without fee increases expects to incur a deficit in early fiscal year 2003. In order to avoid negative cash balances, the board proposes to raise net fees. The table below compares some of the current fees to fees in the proposed regulations.

FEE TYPE	<u>PROPOSED AMOUNT</u>	<u>CURRENT AMOUNT</u>
<u>Barber:</u>		
Application	\$55	\$60
License by Endorsement	\$55	\$130
Renewal	\$55	\$25
<u>Cosmetologist:</u>		
Application	\$55	\$0
License by Endorsement	\$55	\$30
Renewal	\$55	\$25
<u>Nail Technicians</u>		
Application	\$55	\$0
License by Endorsement	\$55	\$30
Renewal	\$55	\$25

Since, according to the department, the cost of regulating barbers, cosmetologists, and nail technicians is not appreciatively different for each profession, the proposed \$55 two-year licensure fees for all three professions is equitable and appropriate.

For barbers, the \$55 fees for applications and licensure by endorsement represent lower costs of entry into the profession. For cosmetologists and nail technicians, the \$55 fees for applications and licensure by endorsement represent higher costs of entry into their respective professions. Though these fee changes create a net financial gain for new barbers in Virginia, and a net financial loss for new cosmetologists and nail technicians in the Commonwealth, the fee amounts are small enough that for most individuals the changes are unlikely to affect decisions on whether or not to enter the profession. The proposed \$55 two-year license renewal fees represent a \$15 per year cost increase for all three professions. Again, though these fee changes create a net financial loss for experienced barbers, cosmetologists, and nail technicians, for most individuals the changes are unlikely to affect decisions on whether or not to continue in the profession.

The board proposes to have barber licenses expire two years from the last day of the month in which they were issued. Currently, barber licenses expire on March 31 of each odd-numbered year. The proposed change will effectively lengthen the time of initial barber licenses from the current one to 24 months (date of receipt to March 31 of each odd-numbered year) to 24 months in all cases. This will result in a small wealth transfer from the department to newly licensed barbers since the barbers will receive more months of licensure for their initial licensure fees.

Under the current regulations, any barber who fails to renew their license within one month after the license expires is required to pay a \$25 late renewal fee. If the barber fails to renew his license within six months after the expiration date of his license, he must apply for reinstatement of the license by submitting to the department a reinstatement application and \$50 fee. The proposed regulations eliminate the late fee period and require that any barber who fails to renew their license within 30 days after the license expires apply for reinstatement of the license by submitting to the department a reinstatement application and \$55 fee. In both the current and proposed regulations a barber who is unlicensed for more than two years must apply

as a new applicant. The elimination of the late renewal period may encourage more barbers to pay their license fees within 30 days of the expiration of their license. On the other hand, for those individuals who fail to pay within 30 days of the expiration of their license, the incentive to pay within six months after the expiration date of the license has been eliminated. Thus, such an individual should logically wait until almost two years have elapsed before paying any fees; paying fees prior to then would forego bank account interest or other uses of the funds in the mean time.

The proposal to require that barber schools clearly post notice to the public that paid services are performed by students will be beneficial for the public. The physical cost of posting a sign, perhaps taping a piece of paper in plain view, will be minimal for barber schools. The public will benefit by reducing the likelihood that misunderstandings occur concerning the experience of their barber.

The current regulations require that upon completion of 25%, 50% and 75% of hours completed by a student in a licensed barber school, the school shall provide an individualized written report to the student of hours completed. The proposed regulations eliminate this paperwork requirement. Since presumably students will know ahead of time the length of their school's program, the current reporting requirement appears to have little value; thus, eliminating the administrative expense for schools will provide a net benefit.

The proposed regulations proscribe mandated sanitary procedures in great detail. The proscribed sanitary procedures are costly, and may or may not have more than a marginal impact on the spread of disease versus less highly proscribed sanitary requirements. The department has produced no evidence to show that these procedures would produce significantly lower health risks than less highly proscribed sanitary requirements. For example, proposed regulations state that "Combs, brushes, towels, razors, clippers, scissors, nippers, and other instruments shall be cleaned and sanitized after every use" According to one cosmetology salon owner, each styling brush at his salon is cleaned once a day.¹ The brushes are only used on freshly washed hair. He believes the brushes remain entirely sanitary. Although it is possible that washing the brushes between every customer may reduce the risk of contagion of hair-borne disease between

¹ The interviewed cosmetology salon owner may or may not be a typical representative of his profession, but he believes that his procedures are common among good salons.

customers by some small degree, the department has not provided evidence of any reduction in risk. The costs of compliance are not insignificant. According to the interviewed cosmetology salon owner, several new styling brushes would need to be purchased for each stylist, at a cost of \$15 to \$26 wholesale or \$35 to \$50 retail, in order to comply with the new brush cleaning provision. Thus, it is not clear whether the undetermined benefits of the mandated sanitary procedures exceed their non-negligible costs.

Perhaps rather than mandate that all barbershops, salons, and schools follow proscribed sanitation procedures, it would be beneficial to instead have an optional state certification. Owners of barbershops, salons, and schools who wish to comply with a set of enhanced sanitation procedures could advertise that they have earned the state sanitary procedure certification. Owners of barbershops, salons, and schools who believe that the costs of compliance exceed the value of the certification could choose not to pursue obtaining the certification. Potential clients could make their own decisions as to which barbershops, salons, and schools to patronize.

The proposed requirement that cosmetology and nail schools maintain separate classroom and clinic areas could potentially be very costly for cosmetology and nail schools. The proposed regulations do not specify what is meant by separate areas. If separate areas means separate rooms, then new walls may need to be constructed or perhaps new space would need to be built or rented. No evidence is provided to justify the need for such potential large additional expenses. The department stated via telephone that where classroom and clinic areas are one and the same space, it is not the Board's intent to require additional construction or rental of space. But the proposed language does not make that clear. Thus, a future board could choose to require additional construction or rental of space.

Businesses and Entities Affected

The proposed regulations affect approximately 56,700² barbers, cosmetologists, nail technicians, instructors, shops, salons, and schools, as well as their clients.

Localities Particularly Affected

The proposed regulations affect all Virginia localities.

² Source: Department of Professional and Occupational Regulation

Projected Impact on Employment

Higher licensing fees may very modestly reduce the number of working cosmetologists and nail technicians.

Effects on the Use and Value of Private Property

Higher fees, as well as the costs associated with the more highly proscribed sanitary procedures, may reduce the value of barbershops, salons, and schools. The reduced reporting requirement for barber schools will modestly reduce their costs and will proportionately add to their value.