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FISCAL IMPACT STATEMENT

LS 6528

BILL NUMBER: HB 1135

NOTE PREPARED: Jan 31, 2024

BILL AMENDED: Jan 30, 2024

SUBJECT: Cosmetology Licensure and Apprenticeships.

FIRST AUTHOR: Rep. Wesco

FIRST SPONSOR: Sen. Rogers

BILL STATUS: As Passed House

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: *Apprenticeship Program*– The bill establishes a cosmetology apprenticeship program (program). The bill sets certain requirements for cosmetologists offering a program and apprentice cosmetologists enrolled in the program.

Instructor License– The bill requires an applicant for a beauty culture instructor license to state that the applicant has completed at least 100 hours of methodology, but provides that the applicant is not required to complete any methodology in excess of 100 hours.

Licensure Compact– The bill establishes the cosmetology licensure compact (Compact). The bill provides the requirements states must follow in order to participate in the Compact. The bill provides that a cosmetologist may practice in member states so long as the cosmetologist meets certain criteria. The bill establishes a governing commission and sets out its powers, duties, financing, and liability. The bill provides various mechanisms for the member states and the governing commission to regulate the interstate practice of cosmetology. The bill provides for various contingencies, including the process to effect, amend, enforce, withdraw from, or terminate the Compact.

Accreditation and Adoption of Rules– The bill makes accreditation provisions for a cosmetology apprentice that transfers to a beauty culture school. The bill provides that the State Board of Cosmetology and Barber Examiners shall adopt rules to establish standards for the operation of cosmetology apprenticeship programs. The bill makes conforming changes.

Effective Date: July 1, 2024.

Explanation of State Expenditures: Apprenticeship Program– Based on current wage levels of existing Professional Licensing Agency (PLA) staff it is estimated that the establishment of the certificate of registration (COR) would require between \$36,300 and \$72,600 in existing staff costs (the bill does not provide an appropriation to hire any additional PLA staff). The estimate assumes that any action needed by the state Board of Cosmetology and Barber Examiners (Board) to establish the COR could be accomplished within a regularly scheduled meeting of the board. It is likely that the cost for establishing the proposed COR would be significantly less than the cost for an entirely new licensed profession since cosmetology is already a licensed profession with an established board, and since PLA staff is already assigned to administer the licensing of that profession.

Instructor License– The Board may need to meet to approve a methodology test and the PLA may need to update applicants and license holders on the changes the bill makes to the methodology requirements. It is likely the Board and the PLA would be able to accomplish this provision as a matter of routine business.

Licensure Compact– Joining the Cosmetology Licensure Compact would increase the workload of the PLA and the Board beyond routine administrative functions. Implementation of the compact is expected to require between \$30,800 and \$52,800 in staffing costs in FY 2025, assuming the compact will have enough member states to begin operation. After implementation, the PLA would incur between \$8,800 and \$20,200 in ongoing annual operating expenses related to administering the compact.

PLA operating expenses are paid from General Fund appropriations. The following table provides a breakdown of estimated initial and ongoing expenditures required for the State to join the Cosmetology Licensure Compact. [The dates assume joining the compact beginning in FY 2025. Currently, the compact does not yet have seven member states (the number necessary for the compact to begin). There are three current member states and five states that have pending legislation to join the compact.]

Estimated State Expenditures for the Cosmetology Licensure Compact				
Expense	FY 2025[^]		FY 2026 & Subsequent Years	
	<u>Low Estimate</u>	<u>High Estimate</u>	<u>Low Estimate</u>	<u>High Estimate</u>
PLA & Board of Cosmetology and Barber Examiners Implementation Costs*	\$30,800	\$52,800	-	-
PLA & Board of Cosmetology and Barber Examiners Ongoing Administrative Costs*	-	-	\$8,800	\$13,200
Delegate Travel**	-	-	\$0	\$1,000
Annual Assessment Fee***	-	-	\$0	\$6,000
TOTAL	\$30,800	\$52,800	\$8,800	\$20,200
[^] Assumes Indiana would join CL Compact in FY 2025 *Estimated salary cost to complete the bill's requirements. **Includes average costs for domestic airfare, lodging, meals, and ground transportation. ***Possible assessment fee range based on assessments of similar license compacts.				

Additionally, the Attorney General's Office and the Board would experience an increase in workload for

investigatory and disciplinary procedures to the extent that complaints are made against out-of-state practitioners practicing in Indiana under the Cosmetology Licensure Compact or Indiana licensees practicing in other states. The Board would also be required to pay any witness fees and travel expenses necessary to summon witnesses from other compact states for hearings held by the Board. The volume of such complaints and disciplinary actions is expected to be minimal.

Commissioner Travel– It is assumed that any travel required of Indiana’s appointed delegate for Commission business would be at the expense of the PLA. However, the bill provides that the Commission must meet at least once per year and may meet by telecommunication, video conference, or other similar electronic means. Costs for Indiana’s delegate to attend annual meetings are estimated between \$0 (if electronic meetings are held) and \$1,000 per year, based on recent domestic airfare and lodging costs.

Uniform Data Set– Upon joining the compact, the bill would require the PLA to submit a uniform database containing certain identifying, licensure, and disciplinary information to the Commission’s coordinated database on all participating practitioners. Similar requirements were included in the authorization of the Nurse Licensure Compact, which was recently implemented by the PLA. The PLA reported costs of approximately \$130,000 for harmonizing its licensure database with the Nurse Licensure Compact’s national database, an effort that was funded through a grant awarded by the Nurse Licensure Compact Commission. To the extent the PLA determines that the data sharing requirements of the compact necessitate similar customization of PLA’s existing licensure database, similar information technology costs may be incurred.

Each member state would be required to monitor the database to determine whether adverse action has been taken against any licensee or license applicant.

Adverse Action: The bill grants Indiana the authority to investigate and take adverse action against a cosmetologist’s compact privileges in Indiana. It is likely the Attorney General’s Office and the Board would be the state’s advocates for investigating and taking adverse action. It is likely the Attorney General and the Board would conduct any investigations and take action within their existing staff and resource levels.

Annual Compact Membership Fee– A state membership fee has not yet been established. The Cosmetology Licensure Compact Commission will set up any fee or state assessments. Only two active licensure compacts assess the state with a participation fee.

Currently, the Interstate Medical Licensure Compact Commission charges a service fee to each interstate license applicant. However, the Nursing Compact charges member states an annual fee of \$6,000. Therefore, the impact above assumes a minimum fee of \$0 to a maximum fee of \$6,000 that would be assessed, depending on what the Cosmetology Licensure Compact governing body decides.

Accreditation and Adoption of Rules– It is likely the Board of Cosmetology and Barber Examiners would be able to adopt the necessary rules for cosmetologist apprenticeship programs within regularly scheduled meetings of the Board.

Explanation of State Revenues: Apprenticeship Program– Research into similar existing professional apprentice or intern certificates yielded an average fee of \$21. If a \$20 fee were established for the proposed COR, there would be a need for 1,700 to 3,500 persons to apply for an apprentice cosmetologist COR in the first biennium of establishment in order to meet the estimated cost to develop the COR. Cosmetology COR’s would be valid for two years after issuance. Revenue from the COR would be deposited into the state General Fund.

Licensure Compact– About 7.5% percent of total active Indiana cosmetology licenses have an address outside of Indiana. About four-percent of Indiana active license holders list an out-of-state address in a border state to Indiana. Although, non-border out-of-state license holders may choose to forego an Indiana license renewal for a compact license to practice in Indiana, it is likely the forgoing of the Indiana license will mostly occur with license holders with a bordering state address. Therefore, it is estimated potential revenue loss will range between 4% and 7.5% of total Indiana license holders that may not renew their Indiana license. The reduction in General Fund revenue could range from \$68,700 to \$129,100 per biennium. However, the bill provides that member states may charge a fee for granting compact privileges. Therefore, Indiana could potentially recoup some or all of this lost revenue through compact privilege fees depending on rules adopted by the Compact Commission relating to member state fees. Any revenue impact would not be expected until the fiscal year that compact privileges begin to be granted in Indiana (FY 2025 at the earliest).

Additional Information - Licensed cosmetologists pay a biennial fee of \$40. In FY 2022 and FY 2023, the Board of Cosmetology collected approximately \$2.15 M from license fees, with the annual revenue collected being nearly evenly split. As of November 29, 2023, there were 42,868 cosmetologists with an active Indiana license, of which 3,228 had listed an out-of-state address.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Professional Licensing Agency; Board of Cosmetology and Barber Examiners; Attorney General.

Local Agencies Affected:

Information Sources: Legislative Services Agency, *Indiana Handbook of Taxes, Revenues, and Appropriations*, FY 2023; PLA license search and verify tool; LSA’s PLA License Cost Estimator Model, FY 2024; <https://cosmetologycompact.org/compact-map/>; <https://ddhcompact.org/faq/>; <https://www.ncsbn.org/public-files/FY21-NLCAnnualReport.pdf>; <https://www.imlcc.org/wp-content/uploads/2020/02/IMLCC-Rule-Chapter-3-Administrative-Rule-on-Fees-Amended-May-22-2017.pdf>.

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