

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 30 – SB 32

March 12, 2017

SUMMARY OF ORIGINAL BILL: Authorizes licensed barbers to perform barbering services in a customer's residence.

FISCAL IMPACT OF ORIGINAL BILL:

Decrease State Revenue –
Exceeds \$5,000/Board of Cosmetology and Barber Examiners

Decrease State Expenditures –
Exceeds \$5,000/Board of Cosmetology and Barber Examiners

IMPACT TO COMMERCE OF ORIGINAL BILL:

Decrease Business Expenditures – Exceeds \$5,000

SUMMARY OF AMENDMENTS (002915, 003623): Amendment 002915 deletes all language after the enacting clause. Creates new residential barbering program administered by the Board of Cosmetology and Barber Examiners (BCBE). Prohibits any individual from providing residential barbering services without a valid residential barber certificate. To attain a residential barber certificate, an individual must hold a valid, certificate of registration as a barber; pay an application fee and initial registration fee, both in an amount set in rule by the BCBE; and pass an initial inspection of the equipment used to provide residential services, as determined by BCBE. Prohibits application fee revenue for a residential barber certificate from exceeding the cost of administering the program. A residential barber certificate is subject to renewal at the same time a registrant's barber registration is subject to renewal. The BCBE shall set a renewal fee for a residential barber certificate by rule.

Amendment 003623 changes the effective date for the bill as amended by amendment 002915 from July 1, 2017 to January 1, 2018.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:

NOT SIGNIFICANT

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Assumptions for the bill as amended:

- An effective date of January 1, 2018.
- There are 1,980 actively licensed barbershops in the state.
- This bill as amended would result in a decrease in the number of barber shop licenses sought by current license holders, as some barbers will decide to deliver barbering services at customers' residences because it will be a more cost effective option for some barbers as compared to incurring expenses associated with operating brick-and-mortar locations.
- A minimum five percent decrease in the number of shop licenses issued, for a decrease estimated to exceed 99 licenses statewide (1,980 x 5.0%).
- Barber shop licenses cost \$100 and are valid for two years.
- Annualized, the recurring decrease in state fee revenue resulting from fewer barber shop licenses is estimated to exceed \$4,950 (99 x \$100 / 2-year period).
- Pursuant to Section 2 of the bill as amended, the application fee set by the Board cannot exceed the cost of administering the residential barber certificate program.
- There will be no application fee, as the cost of administering this program is estimated to be offset entirely by initial and renewal biennial registration fee revenue.
- Initial and biennial registration renewal fee of \$100 for a residential barber certificate.
- It is assumed that the total number of registered residential barber certificate holders will approximate the number of barbers that will elect to no longer perform barbering services in a brick and mortar barber shop; as a result, it is estimated that there will be an average of 99 residential barber certificate holders at any given time.
- Annualized, the recurring increase in state fee revenue resulting from additional residential barbering certificates is estimated to exceed \$4,950 (99 x \$100) / 2-year period).
- The net impact on state fee revenue is estimated to be not significant (\$4,950 - \$4,950).
- It is assumed that any decrease in state expenditures realized by the BCBE as a result of a decrease in licensure relative to brick and mortar barber shops will be offset by an increase in state expenditures to the BCBE as a result of administering the residential barber certificate program.
- Pursuant to Tenn. Code Ann. § 4-29-121, all regulatory boards are required to be self-supporting over a two-year period.
- The BCBE had an annual surplus of \$394,499 in FY14-15, a deficit of \$163,666 in FY15-16, and a cumulative reserve balance of \$230,833 as of June 30, 2016.

IMPACT TO COMMERCE WITH PROPOSED AMENDMENTS:

NOT SIGNIFICANT

Assumptions for the bill as amended:

- Licensed barbers who choose to forego operation of brick-and-mortar locations will experience a decrease in business expenditures equal to the business expenditures currently incurred from acquiring barber shop licenses. The recurring decrease in business expenditures is estimated to exceed \$4,950.
- Barbers who attain a residential barber certificate will be required to pay initial and renewal registration fees, resulting in a recurring increase in business expenditures of \$4,950.
- The net impact on licensed barbers is estimated to be not significant (\$4,950 - \$4,950).
- Licensed barbers who choose to forego operation of brick-and-mortar locations will do so on the premise that it will result in either an increase in revenue through additional barbering services rendered, a decrease in business expenditures by no longer owning or renting commercial property at which to perform barbering services, or both; however, additional business expenditures will be incurred in traveling to and from customers' residences.
- The net impact of forgoing operation of a brick-and-mortar barber shop is subjective to each individual barber and will be based on various factors, including but not limited to the proximity of the barber's customer base to the barber, existing customer retention, new customer attraction, and the cost of services provided.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

/jdb