

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 710 - SB 797

February 17, 2017

SUMMARY OF BILL: Authorizes any individual, firm, or corporation that holds a cosmetology, manicurist, aesthetician, or natural hair styling license to practice their respective professions outside of a shop or school.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue –

Exceeds \$10,800/Board of Cosmetology and Barber Examiners

Other Fiscal Impact – Pursuant to Tenn. Code Ann. § 4-29-121, the Board of Cosmetology and Barber Examiners is required to be self-supporting over any two-year period. As of June 30, 2016, the Board had a cumulative reserve balance of \$230,833. The Board will not be required to increase fees imposed upon remaining licensees for the purpose of remaining self-supporting.

Assumptions:

- There are 8,663 actively licensed cosmetology shops in the state.
- This bill would result in a decrease in the number of cosmetology shop licenses sought by current license holders, as some cosmetologists, manicurists, aestheticians, and natural hair stylists will decide to deliver cosmetology services at customers' residences because it will be a more cost effective option for licensees 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 433 licenses statewide (8,663 x 5.0%).
- Cosmetology shop licenses cost \$50 and are valid for two years.
- Annualized, the recurring decrease in state fee revenue resulting from fewer cosmetology shop licenses is estimated to exceed \$10,825 (433 x \$50 / 2-year period).
- Pursuant to Tenn. Code Ann. § 4-29-121, all regulatory boards are required to be self-supporting over a two-year period.
- The Board of Cosmetology and Barber Examiners 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:

Decrease Business Expenditures - \$10,800

Assumptions:

- Licensed cosmetologists, manicurists, aestheticians, and natural hair stylists 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 cosmetology shop licenses. The recurring decrease in business expenditures is estimated to exceed \$10,825.
- Licensed cosmetologists, manicurists, aestheticians, and natural hair stylists 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 cosmetology services rendered, a decrease in business expenditures by no longer owning or renting commercial property at which to perform cosmetology 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 cosmetology is subjective to each individual barber and will be based on various factors, including but not limited to the proximity of the licensee's customer base to the licensee, 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

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