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Fiscal Note

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Prime Sponsors: Rep. Martinez Bill Status: House Business & Labor
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Bill Topic: ADOPT COSMETOLOGY LICENSURE COMPACT

Summary of Fiscal Impact: [X] State Revenue [ ] State Transfer [ ] Local Government
[X] State Expenditure [X] TABOR Refund [ ] Statutory Public Entity

The bill enacts the interstate Cosmetology Licensure Compact in Colorado. The bill increases state expenditures and revenue starting in FY 2024-25.

Appropriation Summary: For FY 2024-25, the bill requires an appropriation of \$104,620 to the Department of Regulatory Agencies.

Fiscal Note Status: The fiscal note reflects the introduced bill.

Table 1
State Fiscal Impacts Under HB 24-1111

Table with 5 columns: Category, Sub-category, Budget Year FY 2024-25, Out Year FY 2025-26, Out Year FY 2026-27. Rows include Revenue (Cash Funds, Total Revenue), Expenditures (Cash Funds, Centrally Appropriated, Total Expenditures, Total FTE), Transfers, and Other Budget Impacts (TABOR Refund).

## Summary of Legislation

The bill enacts the Cosmetology Licensure Compact, which allows cosmetologists to apply to the Department of Regulatory Agencies (DORA) to receive a license to practice in all member states of the compact. To be eligible for a multistate license, cosmetologists must meet any requirements established by DORA and the compact. The compact takes effect when seven states have enacted the compact, and is administered by the Cosmetology Licensure Compact Commission.

**Cosmetology Licensure Compact.** The bill requires DORA to coordinate compact participation. Among other duties, DORA must process cosmetologist applications for compact participation, ensure applicants meet any required licensing criteria, and share relevant licensing data with the commission. Additionally, the compact establishes procedures for sharing disciplinary information between states, legal proceedings, and compact enforcement.

**Compact Commission.** The bill establishes an interstate commission to adopt and enforce rules, manage administration of the compact, and facilitate the exchange of information between member states. It must meet at least once per year and includes one representative from each member state. The commission is funded primarily by an annual assessment on member states to cover expenses, but may also receive gifts, grants, and donations.

## Background

**Compact enactment.** As of February 2024, three states, Alabama, Arizona, and Kentucky, have enacted the compact. Legislation is currently pending in nine other states. This fiscal note assumes that the compact will take effect by July 1, 2024, following its enactment by a sufficient number of state legislatures during the 2024 session. Establishing and organizing the commission and compact structure will take time, and full administration of the compact is assumed to begin by January 2026.

**Colorado cosmetologist licensure.** As of February 2024, there are about 34,500 active cosmetology licenses in the state. DORA will be required to increase license fees on this population, who renew their licenses every two years, to pay for the costs of administering the compact. It is further assumed that 30 percent of licensed cosmetologists, or about 10,350, will apply for compact participation when it is available, which is assumed to be in FY 2025-26. Some revenue and expenditure impacts could shift between fiscal years if the compact is implemented sooner or later than this date.

## State Revenue

The bill increases state revenue to the Division of Professions and Occupations Cash Fund in DORA by about \$300,000 each fiscal year starting in FY 2025-26. Revenue is from fees charged to cosmetologists to cover the costs of administering the compact. About half of all cosmetologists renew their licenses in any given year.

**Fee impact on cosmetologists.** Colorado law requires legislative service agency review of measures which create or increase any fee collected by a state agency. These fee amounts are estimates only, actual fees will be set administratively by DORA based on cash fund balance, program costs, and the number of cosmetologists subject to the fee. The table below identifies the fee impact of this bill.

**Table 2  
Fee Impact on Cosmetologists**

<b>Fiscal Year</b>	<b>Type of Fee</b>	<b>Fee Increase</b>	<b>Number Affected</b>	<b>Total Fee Impact</b>
<b>FY 2025-26</b>	Cosmetologist License	\$17.50	17,250	\$301,875
<b>FY 2026-27</b>	Cosmetologist License	\$17.50	17,250	\$301,875

**State Expenditures**

The bill increases state expenditures in DORA by about \$122,000 in FY 2024-25, by about \$141,000 in FY 2025-26, and by about \$336,000 in FY 2026-27 and beyond, paid from the Division of Professions and Occupations Cash Fund. Expenditures are detailed in Table 2 and described below.

**Table 3  
Expenditures Under HB 24-1111**

	<b>FY 2024-25</b>	<b>FY 2025-26</b>	<b>FY 2026-27</b>
<b>Department of Regulatory Agencies</b>			
Personal Services	\$61,670	\$103,853	\$94,094
Operating Expenses	\$1,280	\$2,176	\$1,920
Capital Outlay Costs	\$6,670	-	-
Legal Services	-	-	\$192,030
Licensing System	\$35,000	\$2,500	\$2,500
Travel	-	\$2,000	\$4,000
Compact Membership Fee	-	-	\$15,000
Centrally Appropriated Costs <sup>1</sup>	\$17,768	\$30,113	\$26,801
FTE – Personal Services	1.0 FTE	1.7 FTE	1.5 FTE
FTE – Legal Services	-	-	0.8 FTE
<b>Total Cost</b>	<b>\$122,388</b>	<b>\$140,642</b>	<b>\$336,345</b>
<b>Total FTE</b>	<b>1.0 FTE</b>	<b>1.7 FTE</b>	<b>2.3 FTE</b>

<sup>1</sup> Centrally appropriated costs are not included in the bill's appropriation.

**Staff.** DORA requires 1.5 FTE to administer the compact when fully implemented. This staff level is phased in over three years. In FY 2024-25, DORA requires 1.0 FTE for initial compact implementation and to perform education and outreach about the compact for the population regulated by the Office of Barber and Cosmetology Licensure. Costs are prorated for either a September 1, 2024 or January 1, 2025 start date, depending on the duties for each position. In FY 2025-26, DORA requires 1.7 FTE as the compact begins full implementation and applications are received. Starting in FY 2026-27, DORA requires 1.5 FTE for full compact participation, enforcement, and additional complaint investigations. Standard operating and capital outlay costs are included for this new staff.

**Legal services.** DORA requires 50 hours of legal services in FY 2024-25 to assist with initial compact administration, which can be accomplished within current appropriations. Starting in FY 2026-27, DORA requires 1,500 hours of legal services related to enforcement and complaint investigations, which equates to 0.8 FTE. Legal services are provided by the Department of Law at a rate of \$128.02 per hour.

**Travel.** DORA will send an employee to serve as the state's representative on the compact commission. The commission is assumed to meet once in FY 2025-26, and twice per year after that. Travel costs for each meeting are estimated at \$2,000, based on similar meetings attended by the department.

**Licensing system changes.** In FY 2024-25, DORA requires \$35,000 to incorporate compact participation into DORA's licensing system. Ongoing maintenance costs are estimated at \$2,500 beginning in FY 2025-26. Changes will be implemented by the Office of Information Technology (OIT).

**Compact membership fee.** The compact commission may levy an annual membership fee on states that participate. This fee is estimated at \$15,000, beginning in FY 2026-27.

**Other state agencies.** Starting in FY 2026-27, workload in the trial courts of the Judicial Department and for administrative law judges in the Department of Personnel and Administration may increase to adjudicate civil cases relating to the compact and to hear cases challenging disciplinary actions by DORA, respectively. This workload increase is expected to be minimal and no change in appropriations is required.

**Centrally appropriated costs.** Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which include employee insurance and supplemental employee retirement payments, are shown in Table 3.

## **Other Budget Impacts**

**TABOR refunds.** The bill is expected to increase the amount of state revenue required to be refunded to taxpayers by the amounts shown in the State Revenue section above. This estimate assumes the December 2023 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2025-26. Because TABOR refunds are paid from the General Fund, increased cash fund revenue will reduce the amount of General Fund available to spend or save.

## **Effective Date**

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

## **State Appropriations**

For FY 2024-25, the bill requires an appropriation of \$104,620 from the Division of Professions and Occupations Cash Fund to the Department of Regulatory Agencies, and 1.0 FTE. Of this amount, \$35,000 is reappropriated to the Office of Information Technology.

## **State and Local Government Contacts**

Information Technology  
Regulatory Agencies

Personnel

Public Safety

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The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).