

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS
FISCAL IMPACT STATEMENT**

LS 6410
BILL NUMBER: HB 1133

NOTE PREPARED: Dec 2, 2024
BILL AMENDED:

SUBJECT: Cosmetology Licensure Compact.

FIRST AUTHOR: Rep. Miller D
FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: 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 also provides for various contingencies, including the process to effect, amend, enforce, withdraw from, or terminate the Compact.

Effective Date: July 1, 2025.

Explanation of State Expenditures: *Summary*– Joining the Compact would increase the workload of the Professional Licensing Agency (PLA) and the State Board of Cosmetology and Barber Examiners (Board) beyond routine administrative functions. Implementation of the Compact is expected to require between \$170 and \$92,000 in start-up costs in FY 2026 to begin operation. After implementation, the PLA would incur between \$0 and \$7,000 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 Compact. [Assuming the state would join the Compact beginning in FY 2026. As of July 2024, the Compact had eight member states, which is one more than the number necessary for the Compact to begin.]

Table. Estimated State Expenditures for the Cosmetology Licensure Compact				
Expense	FY 2026		FY 2027 & Subsequent Years	
	<u>Low Estimate</u>	<u>High Estimate</u>	<u>Low Estimate</u>	<u>High Estimate</u>
PLA IT Staff Costs to Implement *	\$170	\$34,000	-	-
PLA IT Database Implementation/Start-Up Costs**	\$0	\$58,000	-	-
Delegate Travel***	-	-	\$0	\$1,000
Annual Assessment Fee****	-	-	\$0	\$6,000
TOTAL	\$170	\$92,000	\$0	\$7,000

*Estimated salary cost of existing staff to complete the bill's requirements.
**Estimate is based on PLA provided estimates for IT implementation costs for currently operational compacts the State has joined. The estimate has been modified by OFMA by the amount of licenses currently active in the proposed compact profession.
***Includes average costs for domestic airfare, lodging, meals, and ground transportation.
****Possible assessment fee range based on assessments of similar license compacts.

Attorney General– 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 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 member states for hearings held by the Board. The volume of such complaints and disciplinary actions is expected to be minimal.

Additional Information–

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. Each member state is required to monitor the database to determine whether adverse action has been taken against any licensee or license applicant. Similar requirements were included in the authorization of the Nurse Licensure Compact, which was recently implemented by the PLA. The PLA estimated costs of IT implementation/start-up costs for harmonizing its licensure database with the Nurse Licensure Compact’s national database, at \$165,250, which was funded through a grant awarded by the National Council of State Boards of Nursing. Also, the PLA has estimated the cost at \$60,000 in implementation/start-up costs of harmonizing their database with the Physical Therapist Compact’s database. The cost of implementation was also covered with a grant from the Federation of State Boards of Physical Therapy.

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, this estimate assumes a minimum fee of \$0 to a maximum fee of \$6,000 that would be assessed, depending on what the Compact governing body decides.

Explanation of State Revenues: *Summary*— The estimated reduction in state General Fund revenue could range from \$50,000 to \$150,000 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. Any revenue impact would not be expected until the fiscal year that Compact privileges begin to be granted in Indiana (FY 2026 at the earliest).

Additional Information— Licensed cosmetologists pay a biennial fee of \$40. In the FY 2023-2024 biennium, the Board collected approximately \$2.1 M from license fees, with the annual revenue collected being nearly evenly split. As of November 21, 2024, there were 61,749 cosmetologists with an active Indiana license. It is estimated that 8.1% of total active Indiana cosmetology licenses have an address outside of Indiana and that 4.6% list an out-of-state address in a border state to Indiana.

Explanation of Local Expenditures:

Explanation of Local Revenues:

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

Local Agencies Affected:

Information Sources: Doug Boyle, Professional Licensing Agency; PLA license search and verify tool; *Indiana Handbook of Taxes, Revenues, Appropriations* FY 2023 and FY 2024; <https://cosmetologycompact.org/compact-map>; <https://ddhcompact.org/faq>; <https://www.imlcc.org/wp-content/uploads/2020/02/IMLCC-Rule-Chapter-3-Administrative-Rule-on-Fees-Amended-May-22-2017.pdf>; <https://www.ncsbn.org/public-files/FY21-NLCAnnualReport.pdf>; <https://cosmetologycompact.org/2024/07/25/ohio-becomes-eighth-state-to-enact-cosmetology-licensure-compact>.

Fiscal Analyst: Chris Baker, 317-232-9851.