

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 710 – SB 797

March 6, 2017

SUMMARY OF ORIGINAL 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.

FISCAL IMPACT OF ORIGINAL BILL:

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.

IMPACT TO COMMERCE OF ORIGINAL BILL:

Decrease Business Expenditures - \$10,800

SUMMARY OF AMENDMENT (004661): Deletes and rewrites the bill such that the bill as amended authorizes any individual, firm, or corporation that holds a cosmetology, manicurist, aesthetician, or natural hair styling license to practice in a customer's short-term residence or place of business.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Unchanged from the original fiscal note.

Assumptions for the bill as amended:

- There are 8,663 actively licensed cosmetology shops in the state.
- This bill as amended 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.

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- 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 WITH PROPOSED AMENDMENT:

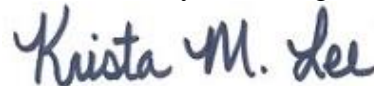
Unchanged from the original fiscal note.

Assumptions for the bill as amended:

- 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

/jdb