

Department of Planning and Budget 2019 Fiscal Impact Statement

1. Bill Number: HB1876

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed
Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron: Convirs-Fowler

3. Committee: General Laws

4. Title: Board for Barbers and Cosmetology; license by endorsement; issuance of licenses to spouses.

5. Summary: Requires the Board for Barbers and Cosmetology (the Board) to issue a license to practice as a barber, cosmetologist, nail technician, or wax technician to any applicant who holds a similar license or certification issued by another state, provided that (i) the license or certificate is valid, (ii) the applicant is in good standing with the regulatory entity that issued the license or certification, and (iii) either (a) the training and examination requirements for such license or certificate are comparable to the training and examination requirements prescribed by the Board or (b) the applicant possesses at least five years of experience working in a licensed barbershop, cosmetology salon, nail salon, or waxing salon, as applicable. Additionally, the bill requires the Board to issue a license to practice as a barber, cosmetologist, nail technician, or wax technician to any applicant whose spouse is the subject of a military transfer to the Commonwealth, who accompanies the applicant's spouse to Virginia, and who holds a similar license or certification issued by another state, provided that the license or certificate is valid and the applicant is in good standing with the regulatory entity that issued the license or certification. The bill provides that any such applicants shall not be required to complete any additional training or examination requirements to be issued a license by the Board and that reciprocity with another state from which such applicants hold licenses or certifications is not required.

6. Budget Amendment Necessary: No.

7. Fiscal Impact Estimates: Preliminary. See Item 8.

7a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2019	\$0	0	n/a
2020	\$471,462	4.0	NGF
2021	\$454,785	4.0	NGF
2022	\$454,785	4.0	NGF
2023	\$454,785	4.0	NGF
2024	\$454,785	4.0	NGF
2025	\$454,785	4.0	NGF

- 8. Fiscal Implications:** This bill increases the administrative and regulatory responsibilities of the Department of Professional and Occupational Regulation (DPOR) by requiring the Board for Barbers and Cosmetology (Board) to evaluate work experience of endorsement applicants in lieu of training and examination. Endorsement applicants are licensed in other states as barbers, cosmetologists, nail technicians, or wax technicians. The endorsement applications from military spouses as proposed in this bill would be a simpler process to issue a license than what is currently in place. Evidence that the applicant has a license in good standing in another state is all that is required. The bill's provisions regarding endorsement applications from military spouses do not present any additional expenditure impact.

The process needed to approve endorsement applications under the first part of the bill is more complex and requires additional positions. The Board is required to issue a license to practice as a barber, cosmetologist, nail technician, or wax technician to any applicant who holds a similar license or certification issued by another state, provided that (i) the license or certificate is valid, (ii) the applicant is in good standing with the regulatory entity that issued the license or certification, and (iii) either (a) the training and examination requirements for such license or certificate are comparable to the training and examination requirements prescribed by the Board or (b) the applicant possesses at least five years of experience working in a licensed barbershop, cosmetology salon, nail salon, or waxing salon, as applicable. Based on the number of endorsement applications for barbers, cosmetologists, nail technicians, and wax technicians in FY 2018, the Board receives approximately 850 endorsement applications per year and anticipates that most will utilize the endorsement by work experience option when applying. This will require Board staff to evaluate endorsement by experience applications to verify valid out-of-state license status and relevant employment history. The Board will need to update regulations and staff will need to revise related applications, forms, and letters and make configuration changes to the licensing system. Because the rate of unverifiable or fraudulent work experience submitted on endorsement applications is approximately 15 percent, based on historical data from other professions with the endorsement by experience option for licensure, DPOR anticipates that this bill will require DPOR to conduct an estimated 125 additional informal fact finding (IFF) conferences each year.

Currently, the endorsement process is based on three documents received from the applicant: payment, application, and out-of-state license certification.

1. The licensing specialist assigned to the application determines if the application is completed in entirety and if an out-of-state license certification is on file. If there are application deficiencies or an out-of-state license certification has not been received by the Board, the licensing specialist sends a deficiency letter to the applicant.
2. Once the out-of-state license certification is received, the licensing specialist verifies the certification's authenticity with the originating state.
3. If the application is complete and out-of-state license certification shows completion of substantially equivalent training or examination, the license is issued.
4. If the application is complete but out-of-state license certification shows training or exams are not substantially equivalent, then the licensing specialist sends a deficiency letter to the applicant.

The new process would be more labor intensive and will require verification of experience and employer license status in addition to the current steps.

5. The licensing specialist would determine whether the applicant's experience equals five years based on the experience verification forms provided.
6. To mitigate fraud, licensing specialists would need to verify each employer for the applicant. Cosmetologists, barbers, nail technicians and wax technicians are a mobile population and change employers frequently and average cosmetologist applicant will have three employers over a five-year period. This estimate is based on staff experience with other cosmetic arts professions under the Board that do accept experience.
7. Verification of total experience averages 45 minutes per applicant.
8. Staff would verify that the out-of-state experience occurred in a licensed shop or salon for each of these applicants. The shops and salons would need to have been licensed at the time of employment, and each shop/salon would have to be verified.
9. DPOR anticipates that there will be errors on the experience documents, unverifiability of experience documents, and total documented experience not equaling five years, necessitating DPOR having to send additional deficiency letters.
10. When the responses are received, each licensing specialist will have to re-familiarize themselves with the file and deficiencies and reassess the application in light of the new documents.
11. Additionally, for each questionable document, or where uncertainty exists, the licensing specialist will have to seek input from their supervisor.

All of these steps are in addition to the current process, and DPOR estimates that, on average, these steps will add 1.5 hours of processing time to each application. This estimate does not include situations of self-employment, which on average involve three deficiency letters per applicant, and would take longer to analyze. It also does not include instances of fraud.

Expenditure Impact: This bill increases the application processing functions within the Department's licensing section. DPOR anticipates needing two additional staff positions to allow for the additional experience verification workload related to the anticipated 850 applications. Currently, there are four licensing specialists that average about 224 endorsement applications each per year for the professions of barbers, cosmetologists, nail technicians, and wax technicians. Additionally, there have been on average 373 IFF conferences per year over the last five years. There are five staff that do the work on the IFFs for an average of about 75 IFFs per person. DPOR anticipates needing one classified licensing specialist position to complete initial review of endorsement applications, verify out-of-state licensure for all experience applicants, independently verify employment history of applicants by experience, draft letters, contact other state Boards to verify other endorsement information and complete other related administrative duties. Additionally, DPOR anticipates needing one classified program administration specialist position to provide technical assistance to the licensing specialist reviewing endorsement applications, review non-routine applications, including experience applications with possible fraud-related concerns (approximately 125 per year), draft IFF conference referral memos, prepare files, coordinate with the licensing IFF section, draft correspondence to applicants, and complete other related administrative duties. This bill also increases the volume of application cases in the licensing IFF section. DPOR anticipates this bill will generate an

additional 125 IFF cases per year, and that two classified hearing and legal services officers are needed to schedule, prepare, and conduct approximately 125 IFF conferences each year. The total cost of salaries and benefits for the four positions, based on the mid-point for the band 3 and band 4 salary ranges, is anticipated to be \$349,202 in FY 2020 (assuming 23 pay periods) and \$364,385 annually beginning in FY 2021. This is a recurring cost that will continue into future years.

In FY 2020, furniture and equipment will be needed for the new positions at an estimated cost of \$28,000. This is a one-time expenditure that will not continue into future years. Other operating costs beginning in FY 2020 and recurring in future years include telephone, employee development, computer operating support, and supplies. These costs are estimated at \$66,400 each year. Costs to conduct the additional IFF conferences include court reporter expenses of \$192 per hearing, total \$24,000.

In FY 2020, it is anticipated that the Board will need to conduct two additional Board meetings to make the regulation revisions. The one-time cost of the additional meetings totals approximately \$3,860. It is anticipated that existing staff resources would be utilized to modify and update all applications, forms, and letters and to make configuration updates to the licensing system. The Board can also absorb the costs of preparing and mailing an estimated 2,500 additional letters.

It is anticipated that DPOR can support the additional costs and positions within existing appropriations and a budget amendment is not necessary.

9. Specific Agency or Political Subdivisions Affected: Department of Professional and Occupational Regulation.

10. Technical Amendment Necessary: No.

11. Other Comments: None.