

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

May 24, 2005

TO: Honorable David Dewhurst, Lieutenant Governor, Senate

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: SB411 by Whitmire (Relating to the regulation of barbers and cosmetologists by the Texas Department of Licensing and Regulation and the abolition of the State Board of Barber Examiners and the Texas Cosmetology Commission.), **As Passed 2nd House**

Estimated Two-year Net Impact to General Revenue Related Funds for SB411, As Passed 2nd House: a positive impact of \$2,336,806 through the biennium ending August 31, 2007.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2006	\$1,005,903
2007	\$1,330,903
2008	\$1,330,903
2009	\$1,330,903
2010	\$1,330,903

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>GENERAL REVENUE FUND</i> 1	Change in Number of State Employees from FY 2005
2006	\$1,005,903	(19.5)
2007	\$1,330,903	(19.5)
2008	\$1,330,903	(19.5)
2009	\$1,330,903	(19.5)
2010	\$1,330,903	(19.5)

Fiscal Analysis

The provisions of the bill abolish the State Board of Barber Examiners (Board) and the Texas Cosmetology Commission (Commission), which then transfers their function to the Texas Department of Licensing and Regulation (TDLR).

The provisions of the bill create two new advisory committees to advise TDLR on barbering and cosmetology and provides for composition requirements and duties of the advisory boards. The provisions require barber and cosmetology inspection efforts to be risk-based that focus on sanitation violations and establish the criteria for a risk-based inspection procedure. The provisions allow TDLR to inspect barber and cosmetology facilities before the facility begins operations and to charge fees for the inspections and authorize the registration of examination proctors at TDLR who would hold a

certificate enabling them to administer cosmetology and barber exams around the state. The provisions eliminate the barber health certificate requirement and create an inactive license status for cosmetology licensees. The provisions also allow the Texas Commission of Licensing and Regulation (TCLR) by rule to amend the definition of cosmetology to eliminate a service included in the definition.

TDLR would adopt fees in amounts considered reasonable and necessary to provide sufficient revenue to administer the programs under its authority. The provisions would remove the fee caps established for various fees established by the two current regulatory agencies and would establish standard time frames and late fees for license renewals.

Sections 1602.353 and 1603.352, Occupations Code take effect January 1, 2006. Except as provided by sections mentioned, the bill would take effect September 1, 2005. Section 6.02 would take effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If the bill does not receive the vote necessary for immediate effect, Section 6.02 does not take effect.

Methodology

It is assumed that TDLR would not adjust the current fees set by the Board of Barber Examiners and Cosmetology Commission that would lower overall revenue estimated in the 2006-07 Comptrollers' Biennial Revenue Estimate.

For the purpose of this analysis, it is assumed that TCLR would continue the definitions of cosmetology and therefore there would not be a related savings.

Based on information provided by the Sunset Advisory Commission (SAC), abolishing independent agencies and transferring their function to TDLR would result in a total savings of \$1,005,903 and a reduction of 19.5 Full-time Equivalent (FTEs) each fiscal year.

Abolishing the independent agencies and merging their functions would result in a reduction of 11.5 redundant and unneeded FTE positions. Eliminating these positions saves approximately \$666,207 annually, based on the current salary and benefit levels of the positions at the Board and Commission.

The savings are based on a reduction of 3.5 FTEs at the Board resulting in an annual savings of \$179,234 based on current salary and benefit levels associated with the Executive Director position, the CFO position, one administrative position, and one-half of the support services position, which can be absorbed by TDLR.

The reductions would also include an 8 FTE reduction from the Commission resulting in a cost savings of \$478,207 per year based on current salary and benefit levels associated with the Executive Director position, one information specialist position, one director of enforcement position, one CFO position, three accounting positions, and one IT position.

Additionally, abolishing both the policymaking bodies consisting of seven members each for each agency would result in a reduction of travel costs for Board and Commission members. Based on an average travel reimbursement of \$250 per member per meeting, and assuming that the current Board and Commission met four times a year, the reduction of 14 board members would save \$14,000 per year.

Requiring inspections to be risk-based, at least every two years would reduce the number of inspections that the agencies currently administer per year by an estimated one-quarter reduction on average. Assuming that one inspector can, on average, perform 1,500 inspections per year, reducing the number of inspection would result in a reduction of three inspector positions at the Board and five inspector positions at the Commission. Based on average salary classifications for these inspectors (Inspector III, salary group B5) plus benefits at the 29.74 percent rate, the reduction would result in a cost savings of \$40,712 per position, or \$325,696 annually.

SAC estimates that authorizing the registration of examination proctors at TDLR would not result in a

fiscal impact. Any cost associated with registering proctors would be minimal.

In addition, the Board and the Commission currently contract for its licensing system from Northrup Grumman at estimated annual costs of \$50,000 and \$275,000, respectively. It is estimated that TDLR would transfer these licensing systems to its own system in fiscal year 2006 and realize a savings of \$325,000 beginning in fiscal year 2007.

Technology

Savings of \$325,000 from the transfer of the Board's and Commission's licensing systems to TDLR's in fiscal year 2007.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 116 Sunset Advisory Commission, 308 State Auditor's Office, 452 Department of Licensing and Regulation, 502 Board of Barber Examiners, 505 Cosmetology Commission

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