

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 11, 2005

TO: Honorable Rodney Ellis, Chair, Senate Committee on Government Organization

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 Board of Barbering and Cosmetology and the abolition of the State Board of Barber Examiners and the Texas Cosmetology Commission.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB411, As Introduced: a positive impact of \$976,494 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	\$389,247
2007	\$587,247
2008	\$587,247
2009	\$587,247
2010	\$587,247

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings from <i>GENERAL REVENUE</i> <i>FUND</i> 1	Probable Savings/(Cost) from <i>GENERAL REVENUE</i> <i>FUND</i> 1	Change in Number of State Employees from FY 2005
2006	\$587,247	(\$198,000)	(11.1)
2007	\$587,247	\$0	(13.0)
2008	\$587,247	\$0	(13.0)
2009	\$587,247	\$0	(13.0)
2010	\$587,247	\$0	(13.0)

Fiscal Analysis

The provisions of the bill abolish the State Board of Barber Examiners and the Texas Cosmetology Commission, which would be replaced by the newly created Texas Board of Barbering and Cosmetology (Board). The provisions would continue the new Board for four years and would require the Sunset Advisory Commission to review the Board and report to the 81st Legislature in 2009.

The new Board would consist of nine members serving staggered six-year terms. Board members would be entitled to receive the per diem set by, and reimbursement for travel expenses in accordance with, the General Appropriations Act.

The Board 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.

The provisions remove the requirement that applicants take barber or cosmetology practical examinations before their written examinations.

The transfer of all obligations, property, employees, rights, powers, and duties of the State Board of Barber Examiners and the Texas Cosmetology Commission to the newly created Board would have to be completed no later than September 1, 2006, at which time both existing agencies would be abolished. All existing rules would remain in effect until superseded by a rule of the newly created board.

The bill would require that no later than September 1, 2006, the State Auditor shall conduct a management audit of the Board and deliver the audit report to the Governor, Lieutenant Governor, Speaker of the House of Representatives and the Sunset Advisory Commission.

The bill would take effect September 1, 2005.

Methodology

It is assumed that the Board would not lower the current fees set by the Board of Barber Examiners and the Cosmetology Commission.

Based on information provided by the Sunset Advisory Commission (SAC), abolishing the independent agencies and merging their functions would result in a total savings of \$587,247 and a reduction of 13 Full-time Equivalents (FTEs) each fiscal year.

The reductions would include two redundant FTE positions, including one Executive Director (\$60,119) position and one Chief Financial Officer (\$69,016) position. It is estimated that eliminating these positions would save \$129,135 annually, based on the current salary and benefit levels of the current executive director and finance director positions at the Cosmetology Commission.

Additionally, abolishing the independent policymaking bodies consisting of seven members each for each agency and creating one Board consisting of nine members would result in a reduction of travel costs for Board members. Based on an average travel reimbursement of \$250 per member per meeting, and assuming that the new Board will meet four times per year, the reduction of five board members would save \$5,000 per year.

According to SAC, 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. It is assumed that one inspector can perform 1,500 inspections per year. This would result in a reduction of three inspector positions at the Board of Barber Examiners and five inspector positions at the Cosmetology Commission. Based on average salary classifications for these inspectors (Inspector III) plus benefits, the reduction would result in a cost savings of \$40,712 per position, or \$325,696 annually.

Because the Board of Barber Examiners members give the practical exam and travel to Austin six times a year, eliminating the practical exam would reduce the amount of travel reimbursements by \$220 per member, for four members who are barbers, resulting in an annual savings of \$5,280.

The Cosmetology Commission has four FTEs that give the written and practical exam. It is estimated that eliminating the practical exam portion would eliminate three of the four FTE positions at the Cosmetology Commission. Based on average salary classifications for these employees (Inspector III) plus benefits, the reduction would result in a cost savings of \$40,712 per position, or \$122,136 annually.

According to the State Auditor's Office, it is estimated that the required management audit would cost \$198,000 and require an additional 1.9 FTEs in fiscal year 2006.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 116 Sunset Advisory Commission, 302 Office of the Attorney General, 304 Comptroller of Public Accounts, 308 State Auditor's Office, 360 State Office of Administrative Hearings, 502 Board of Barber Examiners, 505 Cosmetology Commission

LBB Staff: JOB, LB, MW, DE