

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: HB 896 (First Edition)

SHORT TITLE: Increase Cosmetic Art Fees

SPONSOR(S): Representative Gibson

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2003-04</u>	<u>FY 2004-05</u>	<u>FY 2005-06</u>	<u>FY 2006-07</u>	<u>FY 2007-08</u>
REVENUES					
General Fund	No Impact	No Impact	No Impact	No Impact	No Impact
Board of Cosmetic Art Examiners	\$1,150,032	\$1,150,032	\$1,150,032	\$1,150,032	\$1,150,032
EXPENDITURES					
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: NC Board of Cosmetic Art Examiners					
EFFECTIVE DATE: This act is effective when it becomes law.					

BILL SUMMARY: The proposed bill changes the G.S. 88B-20 by establishing new fees and increasing certain current license fees under the Cosmetic Art Act.

ASSUMPTIONS AND METHODOLOGY:

License Fees Overview

The NC Board of Cosmetic Art Examiners (Board) has not implemented any changes in fees for several decades. Table 1 shows the year of last fee change, current fees, proposed fees, and amounts the current fees were equal to in the year they were established, adjusted for inflation.

Table 1. Analysis of Proposed Fee Changes

Fee	Year of Last Fee Change	Current Fee	Proposed Fee	Current Fees if Adjusted for Inflation
<i>Application Fees</i>				
Inspection of newly established shop	1976	\$25	\$70	\$80.93
Inspection of newly established school	New Fee	N/A	\$120	N/A
Reciprocity applicant under G.S. 88B-13	1963	\$15	\$30	\$90.29
Certification of Records	New Fee	N/A	\$25	N/A
Continuing Education Provider	New Fee	N/A	\$100	N/A
<i>License Fees</i>				
Cosmetologist	1985	\$13/year	\$30/year	\$22.25
Apprentice	1995	\$10/year	\$30/year	\$12.09
Esthetician	1998	\$10/year	\$30/year	\$11.30
Manicurist	1995	\$10/year	\$30/year	\$12.09
Teacher	1984	\$10/2 years	\$25/years	\$17.73
Cosmetic Art Shop	1976	\$3/chair/year	\$45/year	\$27.87
Cosmetic Art School	1973	\$50/year	\$120/year	\$207.43
Duplicate Fee	1975	\$1	\$10	\$3.42
Inactive License	New Fee	N/A	\$10	N/A
<i>Late Fees and Reinstatement Fees</i>				
Apprentice, cosmetologist, esthetician, manicurist, and teacher late renewal	1985	\$10	\$50	\$17.12
Schools and shops late renewal	1976	\$10	\$35	\$32.37
Reinstatement – schools and shops	1975	\$25	\$75	\$85.59
Document Request	New Fee	N/A	\$10	N/A
Mailing List	New Fee	N/A	\$20	N/A
License Listing	New Fee	N/A	\$15/list	N/A

The NC Board of Cosmetic Art Examiners (Board) estimates that the following licenses are in effect each year:

Esthetician	1,084	Manicurist	8,149
Cosmetic Art Teacher	838	Cosmetic Art Shops	11,737
Apprentice		Cosmetologist	45,679
Cosmetologist	863	Cosmetic Art Schools	121

Revenues

Based on the above information, Table 2 provides estimates on the current annual revenue generated from issuing the licenses, anticipated annual revenue after fee increases, and annual revenue gain for the Board.

Table 2 Affect of the Major Fee Changes on the Board Revenues

	Current Estimated Revenue	Proposed Estimated Revenue	Annual Revenue Gain
Cosmetologist	\$593,827	\$1,370,370	\$776,543
Manicurist	\$81,490	\$244,470	\$162,980
Esthetician	\$10,840	\$32,520	\$21,680
Apprentice	\$8,630	\$25,890	\$17,260
Teacher	\$4,190	\$20,950	\$16,760
Shops	\$109,561	\$255,900	\$146,339
Schools	\$6,050	\$14,520	\$8,470
Grand Total	\$814,588	\$1,964,620	\$1,150,032

The number of cosmetology professionals will likely increase in the future, which will affect the Board revenues. However no growth estimate is available to be included in the analysis.

Expenses

The Board estimates its annual expenses as they appear in Table 3. The Board estimates annual three-percent growth in their expenses.

Table 3. Estimated Monthly and Annual Expenses of the Board

Type of Expenses	2003-04	2004-05	2005-06	2006-07	2007-08
Personal Expenses	\$106,090	\$109,273	\$112,551	\$115,927	\$119,405
Purchased Expenses	\$41,200	\$42,436	\$43,709	\$45,020	\$46,371
Supplies	\$2,060	\$2,122	\$2,185	\$2,251	\$2,319
Fixed Expenses	\$5,150	\$5,305	\$5,464	\$5,628	\$5,796
Property, Plant, & Equip.	\$2,060	\$2,122	\$2,185	\$2,251	\$2,319
Miscellaneous Expenses	\$1,545	\$1,591	\$1,639	\$1,688	\$1,739
Monthly Expenses	\$158,105	\$162,848	\$167,734	\$172,766	\$177,949
Annual Expenses	\$1,897,260	\$1,954,178	\$2,012,803	\$2,073,187	\$2,135,383

Average Monthly Expenses: \$167,880
 Average Annual Expenses: \$2,014,562

According to the Board, OSBM advises it to hold a minimum reserve of three months operating expenses. Based on the average monthly expenses of \$167,880, the amount of reserve would be \$503,641.

The Board plans to address the discrepancy between proposed estimated revenues (Table 2) and estimated expenses (Table 3) by charging application fees as well as late and reinstatement fees that appear in Table 1.

The proposed legislation does not affect any of the programs or departments and does not produce fiscal impact on the State.

SOURCES OF DATA: North Carolina State Board of Cosmetic Art Examiners; *CPI Inflation Calculator*.

TECHNICAL CONSIDERATIONS: None

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