

HF3986 - 0 - Board of Barber Examiners, Licensing; Modified

Chief Author: **Michael Nelson**
 Committee: **State Government Finance and Policy**
 Date Completed: **3/7/2022 2:45:53 PM**
 Agency: **Barber Examiners Board**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings	X	
Tax Revenue		X
Information Technology	X	
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2021	FY2022	FY2023	FY2024	FY2025
General Fund	-	-	19	3	3	3
Total	-	-	19	3	3	3
Biennial Total			19			6

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2021	FY2022	FY2023	FY2024	FY2025
General Fund	-	-	-	-	-
Total	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Joel Enders **Date:** 3/7/2022 2:45:52 PM
Phone: 651-284-6542 **Email:** joel.enders@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands	FY2021	FY2022	FY2023	FY2024	FY2025	
General Fund	-	-	19	3	3	
Total	-	-	19	3	3	
Biennial Total			19		6	
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	-	17	-	-	
Total	-	-	17	-	-	
Biennial Total			17		-	
2 - Revenues, Transfers In*						
General Fund	-	-	(2)	(3)	(3)	
Total	-	-	(2)	(3)	(3)	
Biennial Total			(2)		(6)	

Bill Description

Updates board member appointment requirements. Establishes fees rules and requirements to enable barbers to operate mobile barber shops. Modifies registered barber eligibility and examination requirements. Clarifies the board’s authority to conduct examinations using board approved providers. Removes language from rules that limits the ability of the board to conduct more frequent examinations if needed. Eliminates the requirement for examinees to purchase the board prepared home study course with exceptions for reciprocity and registration reinstatement. Removes exam language from rule and puts the language in statute. Provides an avenue for cosmetologists to receive reciprocity towards becoming a barber.

Assumptions

1. The Minnesota Board of Barber Examiners operates on a General Fund Allocation. All revenues generated go directly to the General Fund and the Board receives an annual allocation from the General Fund for operations.
2. Given the interest received by the board regarding mobile barber shops, it is projected that between 5 and 20 mobile barber shops would register with the board in FY23 and between 1 and 3 mobile barber shops each year after FY23. Anticipated costs to develop an application and registration module for the board’s licensing software (ALIMS) for mobile barber shops is estimated to be \$17,000. This would include the development, testing and implementation costs of the module.
3. Given the interest received by the board from cosmetologists who wish to become barbers, It is projected that 20 cosmetologists in FY23 will pursue reciprocity and 5 to 10 each year after FY23. The board would generate revenue from student permits, examination fees and registration renewal fees.
4. Elimination of the requirement for an examinee to purchase a home study course(HSC) would result in a loss of revenue. Using HSC revenue data from the last four years, a yearly revenue loss of \$7,000 is projected. Traditional barber students would not be required to purchase the home study course, but persons examining due to reciprocity or registration reinstatement would still be required to purchase the home study course. It is projected that between 10 and 20 home study courses per year would continue to be purchased.
5. An effective date for the bill of August 1st, 2022, is assumed.

Expenditure and/or Revenue Formula

1. ALIMS developers estimate that development of a mobile barber shop module could take up to 120 hours assuming no significant scope creep or significant changes to existing functionality is required. Their current hourly rate is

\$140/hour. (120 X \$140 = \$16,800) This would be a FY23 expense.

- (\$16,800 Expenditure FY23)

2. Revenue from projected initial mobile barber shop registrations in FY23 are (15 X \$150 = \$2,250). In FY24 projected mobile barber registration renewals are (15 X \$100 = \$1,500) and initial registrations (3 X \$150 = \$450). It is projected that FY25 and beyond will be similar to FY24.

- (\$2,250 Revenue Gain FY23) (\$1,950 Revenue Gain FY24, FY25+)

3. It is estimated that in FY23, 110 home study courses would have been purchased. The loss of revenue would be 95 home study courses. (95 X \$75 = \$7,125) The remaining 15 home study courses would still be purchased by persons seeking reciprocity or reinstatement.

- (\$7,125 Revenue Loss in FY23, FY24 and FY25+)

4. It is estimated that in FY23, 20 cosmetologists will seek reciprocity to be barbers. That would generate student permit revenue of (20 X \$45 = \$900) and examination fees of (20 X 85 = \$1,700). In FY24 and beyond it is estimated that renewal fees of (20 X \$80 = \$1600), student permit fees of (7 X \$45 = \$315) and examination fees of (7 X \$85 =

\$595) would be collected.

- (\$2,600 Revenue Gain in FY23) (\$2,510 Revenue Gain FY24 and FY25+)

Factors 1-4 result in a net revenue loss of -\$2,275 in FY23 and -\$2,665 in FY24, FY25+

Long-Term Fiscal Considerations

1. The loss of home study course revenue is expected to be around \$7,000 per year.
2. Mobile barber shop renewals are estimated to generate revenue of \$2,000 per year.
3. Cosmetologists who become barbers through reciprocity are projected to generate \$2,600 in FY23 and that number would only increase over time as those barbers pay renewal fees each fiscal year. It is projected that 5 to 10 cosmetologists will seek reciprocity each year. The revenue generated should increase slightly each year.

Local Fiscal Impact

N/A

References/Sources

Agency Contact: Brent Grebinski (651-201-2823)

Agency Fiscal Note Coordinator Signature: Brent Grebinoski
Phone: 651-201-2823

Date: 3/7/2022 2:15:39 PM
Email: brent.grebinoski@state.mn.us