

# Fiscal Note & Local Impact Statement

127<sup>th</sup> General Assembly of Ohio

Ohio Legislative Service Commission  
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BILL: **H.B. 449** DATE: **March 11, 2008**  
STATUS: **As Introduced** SPONSOR: **Rep. Goodwin**  
LOCAL IMPACT STATEMENT REQUIRED: **No — No local cost**  
CONTENTS: **Allows cosmetologists and associated practitioners to operate out of a salon that is a mobile unit under certain conditions**

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## State Fiscal Highlights

STATE FUND	FY 2008	FY 2009	FUTURE YEARS
<b>General Revenue Fund – Department of Taxation</b>			
Revenues	- 0 -	Potential minimal gain	Potential minimal gain
Expenditures	- 0 -	- 0 -	- 0 -
<b>Occupational Licensing and Regulatory Fund (Fund 4K90) – State Board of Cosmetology</b>			
Revenues	- 0 -	Potential minimal gain or loss	Potential minimal gain or loss
Expenditures	- 0 -	Potential increase for GPS tracking system	Potential increase for GPS tracking system

Note: The state fiscal year is July 1 through June 30. For example, FY 2008 is July 1, 2007 – June 30, 2008.

- **License fee revenue effects.** There is expected to be only a minimal effect on license fee revenue to the Occupational Licensing and Regulatory Fund (Fund 4K90). The State Board of Cosmetology (COS) does not expect a significant number of licensed mobile units.
- **Salon tracking system costs.** To monitor the location of mobile salons, COS would need to obtain a GPS vehicle tracking system, the cost of which would vary widely depending on the system chosen and the extent to which mobile salons pay for GPS tracking equipment and monthly fees. Given these variables, LSC is uncertain of the net costs to COS for this system.
- **Transient vendor license fee revenue.** Certain salons operating out of mobile units will need a transient vendor's license since all but hair design salons (which are only licensed to provide hair care services) are required to collect sales taxes.

## Local Fiscal Highlights

- No direct fiscal effect on political subdivisions.



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## ***Detailed Fiscal Analysis***

### **Overview**

The bill allows estheticians, hair designers, manicurists, natural hair stylists, and cosmetologists to operate out of a salon that is a mobile unit under certain circumstances. A mobile unit is defined to be a movable unit the State Board of Cosmetology (COS) determines is appropriate for use as a salon, including motor homes and trailers. These mobile units (1) must not operate within 1,000 feet of the nearest existing salon that is housed in a permanent structure, (2) must have an adequate dispensary to store chemicals and other substances away from the general public, and (3) must install and maintain a global positioning system. Under current rules adopted by COS, salons in mobile units are prohibited.<sup>1</sup> As of the end of FY 2007, there were 10,799 actively licensed salons.

### **State fiscal effects**

#### **State Board of Cosmetology**

##### **License fee revenue**

COS expects only a minimal effect in permanent structure salon licensure if mobile salons were permitted. This is because few individuals would prefer to be served by a mobile salon rather than a permanent salon. While COS does not expect a significant number of licensed mobile salons, these units would pay the same license fees as a permanent salon, which are \$75 to initially obtain the license and \$60 for biennial renewal. Additionally, to operate a mobile salon, an individual would need a managing license (which also enables an individual to practice), which carries a \$45 fee for initial licensure and the same amount for biennial renewal. Overall, while there may be a loss in license fee revenue from permanent structure salons, there may be an offsetting gain in such revenue from mobile salons and individuals seeking a managing license (if they are not already so licensed). Whatever effect this might have on license revenue to the Occupational Licensing and Regulatory Fund (Fund 4K9), COS's operating fund, is uncertain.

##### **Potential GPS tracking costs**

Because the bill prohibits any mobile unit from operating within 1,000 feet of the nearest permanent structure salon, each mobile unit is required to install and maintain a global positioning system (GPS). To monitor the location of these mobile units, COS would need to obtain a GPS vehicle tracking system or something similar to ensure that mobile units do not come within 1,000 feet of a permanent salon. Existing staff should be able to monitor the salons.

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<sup>1</sup> COS noted that there is at least one mobile salon that has been given a waiver because the salon operates for charity purposes only and travels to homeless shelters and battered women's centers. The salon's services are free and no chemicals are allowed.

Prices for these GPS systems appear to vary widely. Depending on whether the system is "real time" or "passive," costs include GPS vehicle units (\$350 to \$600 each) and installation, activation fees (\$10 to \$25 per vehicle), monthly service fees (\$25 to \$35 per month per vehicle), software or mapping costs, and so forth.<sup>2</sup> Presumably, mobile salon owners would bear at least a portion of these costs, such as those for the vehicle units and/or monthly service fees. COS may incur costs for any information technology (IT) infrastructure and training that is necessary to monitor the salons. Given all of these variables, LSC is uncertain of the net costs to COS for a GPS vehicle tracking system.

### *Department of Taxation*

#### *Transient vendor license fee revenue*

Certain salons operating out of mobile units will need a transient vendor's license since all but hair design salons (which are only licensed to provide hair care services) are required to collect sales taxes.<sup>3</sup> There is a \$25 fee for the license, the proceeds of which are deposited into the GRF.

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<sup>2</sup> Real-time systems are able to receive updated information on demand using wireless networks. The GPS vehicle units in these systems log information at regular update intervals of a specified number of minutes. In passive systems, tracking data is logged at certain intervals and downloaded on a daily basis at a specified time. Many passive systems carry no monthly service or activation fees.

<sup>3</sup> The Department of Taxation recommends that vendors that do not have a fixed location in Ohio or persons providing personal care services at temporary locations or travel to customers' locations to perform their services should obtain a transient vendor license. The vendor is required to collect tax at the rate in effect where the customer receives the service.