

# **Fiscal Note & Local Impact Statement**

*122<sup>nd</sup> General Assembly of Ohio*

**BILL:** Am. Sub. H.B. 143

**DATE:** June 10, 1997

**STATUS:** As Passed by the House

**SPONSOR:** Rep. Metzger

**LOCAL IMPACT STATEMENT REQUIRED:** No — Minimal cost

**CONTENTS:** Creates the Board of Motor Vehicle Repair Registration in order to register certain collision repair facilities

## **State Fiscal Highlights**

|   | FY 1997 | FY 1998                                   | FUTURE YEARS                              |
|---|---------|---|---|
| <b>General Revenue Fund</b>                             |         |   |   |
| Revenues  | - 0 -   | - 0 -                                     | - 0 -                                     |
| Expenditures  | - 0 -   | Potential increase                        | Potential increase                        |
| <b>Motor Vehicle Collision Repair Registration Fund</b> |         |   |   |
| Revenues  | - 0 -   | \$240,300 - \$267,000<br>or more increase | \$240,300 - \$267,000<br>or more increase |
| Expenditures  | - 0 -   | \$263,838 increase                        | \$239,304 increase                        |

- The bill could result in one year start-up costs of about \$35,200. First year expenses could be about \$263,838, including one investigator. After the first year, total annual operating expenses, including personnel costs, could be about \$239,304.
- Estimated potential yearly revenue from annual license and renewal fees collected under the provisions of the bill could be between \$240,300 and \$267,000. The bill specifies that fines assessed by a court go to the state Motor Vehicle Collision Repair Registration Fund which is created by the bill. Fine revenue would not go to the county in which a case was heard.
- Additional GRF costs could be incurred by the state for additional prosecution and investigation expenses for the Attorney General's office.

## **Local Fiscal Highlights**

| LOCAL GOVERNMENT                   | FY 1997 | FY 1998                    | FUTURE YEARS               |
|------------------------------------|---------|----------------------------|----------------------------|
| <b>Counties and Municipalities</b> |         |                            |                            |
| Revenues                           | - 0 -   | - 0 -                      | - 0 -                      |
| Expenditures                       | - 0 -   | Potential minimal increase | Potential minimal increase |

- The bill could result in additional minimal court and/or incarceration costs for violators prosecuted under the provisions of the bill.



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## ***Detailed Fiscal Analysis***

### **Provisions of the Bill**

The bill would require a person who manages or owns a collision repair facility to obtain a license in order to operate in the State of Ohio. Establishments excluded from the definition of collision repair operator include: non-managerial employees of the collision repair facility; motor vehicle dealers that own, partially own, or operate a repair facility; junk yard and salvage yard operators; instructional institutes; licensed motor vehicle auction owners; and those who perform collision repair for a single “fleet” of cars.

The bill creates a Board of Motor Vehicle Collision Repair Registration consisting of seven members to adopt rules to carry out the purposes of the chapter and oversee the enforcement of its regulations. The Board must hire an executive director for carrying out its rules and regulations. The executive director is permitted to hire support staff and enforcement officers to assist in duties.

The bill states that it is the intent of the General Assembly to preempt any local regulation of collision repair operators enacted after the effective date of the bill that is intended solely to register collision repair operators. However, local governments may pass other regulations or requirements concerning the operation of a collision repair facility.

### **Effects of the Bill**

#### **Revenue**

· *Revenue Source(s)*: The main source of revenue generated by the bill would be the required annual license or renewal fee to be paid by the collision repair operator. The bill sets the fee at \$100. However, the Board is permitted to increase or decrease that amount by 50 percent. In order to cover estimated costs for the first year and following years, LBO assumes the fee would be set, initially, at the \$100 amount provided for in the bill. Additional revenue could be generated from any fines assessed against violators prosecuted under the bill.

Based upon information from the Automotive Service Association of Ohio, the Auto Repair Division for the State of Michigan’s Secretary of State’s Office, and an official from a private business that sells estimating systems to body shops throughout Ohio, LBO estimates that there are between 2,700 and 3,000 collision repair facilities in Ohio. However, based upon information from the Ohio Automobile Dealers Association and from a distributor of collision repair supplies, it is estimated that of the total facilities that provide collision repair, approximately 11% are exempted from registering under the bill. This means that between 2,403 and 2,670 facilities would be required to register. Therefore, the bill could generate between \$240,300 and \$267,000 for the collision repair registration fund created by the bill.

It is also important to note that revenues could fall somewhat in future years as the number of facilities providing collision repair has been decreasing and may continue to do so. This decrease in shops is due to what could be described as an “HMO type” effect. Essentially, this means that the amount insurance companies are willing to pay body shops to repair cars

has been falling. As a result, many smaller shops are finding that they cannot afford to stay open. These shops are either closing or consolidating with other shops.

**Costs**

· *Start-Up Costs:* Estimated total costs for the first year are \$35,200.

| <b><u>Item(s)</u></b>        | <b><u>Estimated Cost</u></b> | <b><u>Notes</u></b>                                    |
|------------------------------|------------------------------|--|
| Computer Equipment           | \$10,000                     | Includes approximately 2 computers and a laser printer |
| Copier                       | \$6,000                      |  |
| Fax                          | \$1,200                      |  |
| Furniture & Filing Equipment | \$18,000                     |  |
| <b><u>Total</u></b>          | <b><u>\$35,200</u></b>       |  |

· *Personnel Costs:* Estimated total annual personnel expenses are \$154,638 for the first year and \$157,732 for the second year. DAS estimates that, on average, salaries for staff personnel could increase by about 2% a year.

| <b><u>Position</u></b>  | <b><u>1st year compensation and benefits</u></b> | <b><u>2<sup>nd</sup> year compensation and benefits</u></b> | <b><u>Notes</u></b>   |
|-------------------------|--|---|---|
| Executive Director      | \$63,031   | \$64,292  | Job classification used was Board Secretary 2                     |
| Secretary               | \$31,394   | \$32,022  |   |
| 1 Investigator          | \$34,584   | \$35,276  | Job classification used was Motor Vehicle Dealer Investigator     |
| Board Members (7 total) | \$15,629   | \$15,942  |   |
| Purchased services      | \$10,000   | \$10,200  | Board may contract out for court reporters, hearing officers etc. |
| <b><u>Total</u></b>     | <b><u>\$154,638</u></b>                          | <b><u>\$157,732</u></b>                                     |   |

· *Other Operating Costs:* Estimated cost of other operating expenses are \$74,000 the first year and \$81,572 the second year.

| <u>Item</u>       | <u>1st year</u> | <u>2<sup>nd</sup> year</u> | <u>Notes</u>  |
|-------------------|-----------------|----------------------------|---|
| Supplies          | \$4,000         | \$4,112                    |   |
| Travel            | \$10,000        | \$10,280                   |   |
| Communications    | \$15,000        | \$15,420                   |   |
| Maintenance       |                 | \$5,500                    |   |
| Print Advertising | \$8,000         | \$8,224                    | Forms, applications, newsletters etc.   |
| General           | \$20,000        | \$20,560                   | Interagency service charges, publication purchases, etc.  |
| Rent              | \$17,000        | \$17,476                   | Assumes occupancy in the Riffe tower. Costs could be higher or lower in a different state building or a private building. |
| <u>Total</u>      | <u>\$74,000</u> | <u>\$81,572</u>            |   |

The estimates for the number of personnel needed, revenue, and costs of the bill are based upon information from officials from the State of Michigan Auto Repair Division, which regulates all motor vehicle repair facilities in Michigan; an official from the State of Ohio BMV licensing division; a representative from the Automotive Service Association of Ohio; a representative of the Ohio AAA Automobile Club's Approved Auto Repair Facility department; a representative from the Ohio Automobile Dealer's Association; an owner of a Central Ohio autobody shop supply business; a representative from a private business that sells estimating systems in Ohio; and an official from the Ohio Department of Administrative Staffing, Central Service Agency.

*(Please note: Cost estimates assume that the Board would begin operation in FY 1998.)*

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