

LSC Redbook

Analysis of the Executive Budget Proposal

Board of Motor Vehicle Collision Repair Registration

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READER'S GUIDE

The Legislative Service Commission prepares an analysis of the executive budget proposal for each agency. These analyses are commonly called "Redbooks." This brief introduction is intended to help readers navigate the Redbook for the Board of Motor Vehicle Collision Repair Registration (CRB), which includes the following three sections.

1. Overview: Provides a brief description of the Board's existing functions and staffing, and an overview of the executive recommended budget for the FY 2012-FY 2013 biennium.
2. Analysis of Executive Proposal: Provides an analysis of the Board's executive recommended budget, which consists solely of non-GRF funding.
3. Attachments: Includes the Catalog of Budget Line Items (COBLI), which describes the funding source and purpose of the Board's lone line item, and the LSC budget spreadsheet, which summarizes the line item's recent expenditure and appropriations history.

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ATTACHMENTS:

- Catalog of Budget Line Items
- Budget Spreadsheet By Line Item

Board of Motor Vehicle Collision Repair Registration

- Non-GRF entity
- Fee-driven budget
- 80% of funding for personal services

OVERVIEW

Agency Overview

The Board of Motor Vehicle Collision Repair Registration, which was established in 1997, is responsible for the registration and regulation of the collision, auto glass, airbag, and mobile repair industry. Businesses currently pay an annual registration fee of \$225. The Board registers over 1,400 of Ohio's known collision repair businesses and makes efforts to register all repair businesses through mailings, presentations, newspaper and trade magazine articles, and on-site appearances. Registration exempted groups include: motor vehicle, auction and salvage dealers, fleet operators, and hobbyists repairing four or less motor vehicles in a calendar year. In addition to registering certain repair businesses, the Board works to ensure that all facilities are in compliance with state and federal taxation, employment, and environmental laws.

The Board's governing authority consists of seven members appointed by the Governor with the advice and consent of the Senate. The Board is required to meet at least four times per year. Members receive a per diem amount fixed by state law when attending to board matters and are compensated for expenses incurred in the discharge of their duties.

The Board's day-to-day operations are handled by three full-time employees (an executive director, an administrative assistant, and an investigator).

Appropriation Overview

The Board receives no GRF moneys; it is entirely supported by registration fees deposited in the state treasury to the credit of the Occupational Licensing and Regulatory Fund (Fund 4K90), which is an account in the General Services Fund Group.

Under the executive recommended budget, the Board will receive non-GRF appropriations totaling \$311,841 in FY 2012 and \$324,292 in FY 2013. As Table 1 below indicates, this results in annual funding decreases of 0.4% from FY 2011 to FY 2012, and 2.3% from FY 2012 to FY 2013.

Table 1. Executive Budget Recommendations by Fund Group, FY 2012 and FY 2013

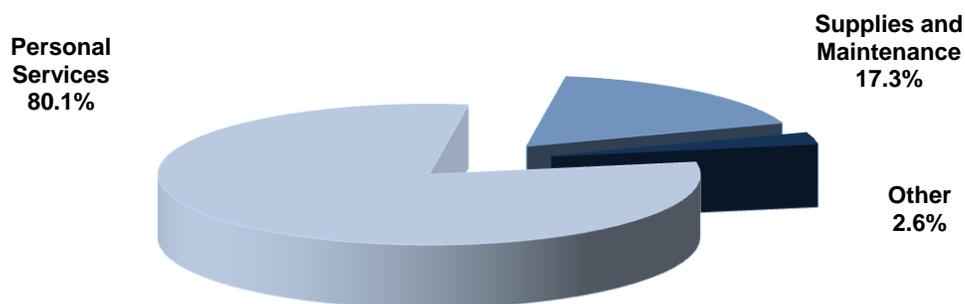
Fund Group	FY 2011*	FY 2012	% change, FY 2011-FY 2012	FY 2013	% change, FY 2012-FY 2013
General Services	\$333,045	\$331,841	-0.4%	\$324,292	-2.3%
TOTALS	\$333,045	\$331,841	-0.4%	\$324,292	-2.3%

*FY 2011 figures represent estimated expenditures.

Expense Account Summary

Chart 1 immediately below summarizes the manner in which the Board will generally allocate its executive recommended appropriations for the FY 2012-FY 2013 biennium. As the chart shows, 80% of the recommended funding over the biennium is for personal services, in other words the payroll costs associated with seven board members and three full-time staff. A further 17% will be allocated for supplies and maintenance, and the remainder, nearly 3%, will cover a mix of other expenses (purchased personal services, equipment, and transfers).

Chart 1: Biennial Executive Budget Recommendations by Expense Account Category



Cash Flow Activity

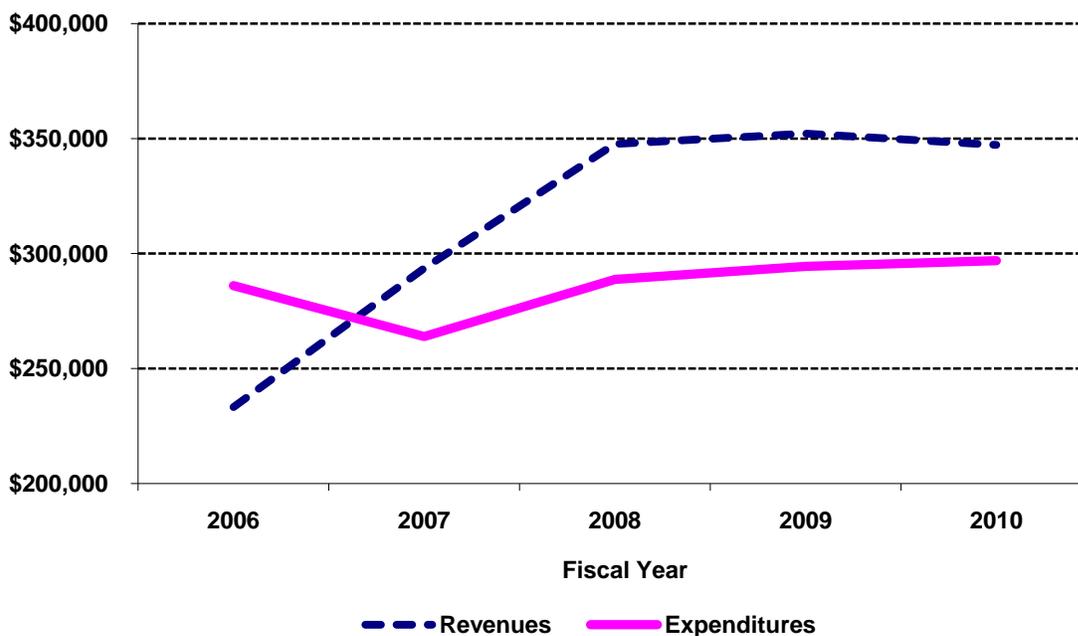
The Board of Motor Vehicle Collision Repair Registration is one of 26 occupational licensing and regulatory boards and commissions that: (1) deposit all, or most, of their revenue collections into the Occupational Licensing and Regulatory Fund (Fund 4K90), and draw on that fund to finance most, if not all, of their annual operating expenses. Each board or commission is expected to be self-sufficient by generating enough revenue to cover its expenses.

Chart 2 below shows the Board of Motor Vehicle Collision Repair Registration's total annual revenue collections and expenditures from FY 2006 through FY 2010. Although its expenditures outpaced revenues in FY 2006, the operating deficit was eliminated by an increase in the annual registration fee from \$150 to \$225, approved by

the Controlling Board in October 2006. Since then, the Board has run surpluses. Over that same five year period, the number of registered businesses averaged 1,451, and ranged from a low of 1,369 in FY 2009 to a high of 1,522 in FY 2008.

One factor that could affect revenue collections in the near term is the weak economy and its potential impact on the collision repair industry. In a weak economy, vehicle owners might delay or forego repairs after an accident if a vehicle is drivable. Vehicle owners might also raise their deductibles in order to lower their insurance premiums. If so, vehicle owners might not have the funds to pay out of pocket for repairs. The other alternative is that vehicle owners might simply opt to spend their insurance checks on items other than vehicle repair. Any of these factors could affect the health of the collision repair industry.

Chart 2: Board of Motor Vehicle Collision Repair Registration Revenues and Expenditures, FY 2006-FY 2010



Enforcement Efforts

Media Outreach

The Board estimates that it has registered approximately 84% of Ohio's known collision repair businesses. In order to increase compliance, the emphasis continues to be on increased field contacts, registration of the businesses that have avoided registration, collection of registration fees for prior years, and prosecution of unregistered and noncompliant businesses. In early 2007, the Board began outreach efforts to consumers and insurers through public service announcements on local radio,

cable television, and mailings to various government entities that maintain vehicle fleets. The focus was on reminding these groups that collision repairs must be performed by registered businesses. The cost for this initiative has been minimal.

Legal Actions

The Board has attempted to encourage registration by educating businesses about the resources it makes available, including product information, recalls, legislation affecting the industry, guidance for obtaining liability insurance, consumer protections, and access to laws and regulations within the industry. However, when this does not work, the Board works with the Office of the Attorney General to bring formal legal actions against businesses that are persistently noncompliant.

To date, the Board has focused its legal actions in five counties where it has found the highest rates of noncompliance: Hamilton, Butler, Clermont, Lorain, and Franklin. There are plans to expand these efforts to six counties in eastern and central Ohio. Legal proceedings against noncompliant businesses can take up to two years from start to finish, during which time noncompliant businesses either register or go out of business.

ANALYSIS OF EXECUTIVE PROPOSAL

This section provides an analysis of the executive funding recommendations for the Board's FY 2012-FY 2013 biennial budget. Table 2 immediately below shows the executive recommended funding for the single non-GRF line item that finances the Board's annual operating expenses.

Table 2. Executive Recommended Amounts for the Board				
Fund	ALI and Name		FY 2012	FY 2013
General Services Fund Group				
4K90	865609	Operating Expenses	\$331,841	\$324,292

The executive recommended amounts in Table 2 above are less than the amounts the Board requested to maintain existing operating expenses by \$13,204, or 3.8%, in FY 2012, and by \$20,753, or 6.0%, in FY 2013. Whether, given its anticipated cost of doing business in FY 2012 and FY 2013, the Board will be able to function within the lesser amounts proposed in the executive budget is unclear.

Workload. In FY 2010, the Board registered 1,462 shops, conducted 746 shop visits, continued 373 pending prosecution proceedings through the Board's assigned assistant attorney general, issued 188 violation notices, and investigated 166 complaints. As a result of its education and enforcement activities, the Board estimates that the number of registering businesses will increase to 1,520 by FY 2013.

Biennial audits. During the FY 2012-FY 2013 biennium, in addition to ongoing operating expenses, the Board will be required to pay the cost of its biennial audit conducted by the Auditor of State. S.B. 155 of the 128th General Assembly, effective March 31, 2010, requires all state agencies to pay for their own audits.¹ In the past, the cost of state agency audits was paid for by the Department of Administrative Services, but funding for that purpose was eliminated by H.B. 1 of the 128th General Assembly (the FY 2010-FY 2011 biennial budget bill). As a result, the Board has budgeted \$12,000 for this purpose.

Administrative charges. As with many other licensing boards and commissions, the Board receives centralized administrative support provided by the Department of Administrative Services' Central Service Agency (CSA). These services – for which CSA charges – include items such as budget development, Controlling Board request preparation assistance, management consultation, procurement, fiscal processing, human resources, and payroll. In FY 2010, the Board paid about \$10,600 in CSA charges, representing 3.6% of its total expenditures in that year. CSA FY 2011 charges

¹ R.C. 117.13.

are estimated at approximately \$11,600, and are anticipated to be around that level in each of FY 2012 and FY 2013.

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Board of Motor Vehicle Collision Repair Registration

General Services Fund Group

4K90 865601 Operating Expenses

FY 2008	FY 2009	FY 2010	Estimate FY 2011	Introduced FY 2012	Introduced FY 2013
\$288,745	\$294,415	\$296,875	\$333,045	\$331,841	\$324,292
	2.0%	0.8%	12.2%	-0.4%	-2.3%

Source: General Services Fund Group: Money appropriated from the Occupational Licensing and Regulatory Fund (Fund 4K90), which consists of license fees and other assessments collected by certain independent professional and occupational boards, including fees and fines collected by the Motor Vehicle Collision Repair Registration Board; prior to FY 2008, the Board's fees and fines were deposited in the Motor Vehicle Collision Repair Registration Fund (Fund 5H90), which was abolished by Am. Sub. H.B. 119 of the 127th G.A.

Legal Basis: ORC 4743.05 and 4775.08; Section 341.10 of Am. Sub. H.B. 1 of the 128th G.A. (originally established by Am. Sub. H.B. 119 of the 127th G.A.)

Purpose: Money appropriated to this line item are statutorily required to be used for the operating expenses the Board incurs in the administration and enforcement of Chapter 4775. of the Revised Code, the law governing motor vehicle collision repair operators.

FY 2012 - FY 2013 Introduced Appropriation Amounts

All Fund Groups

Line Item Detail by Agency			FY 2010	Estimate FY 2011	Introduced FY 2012	FY 2011 to FY 2012 % Change	Introduced FY 2013	FY 2012 to FY 2013 % Change
Report For Main Operating Appropriations Bill			Version: As Introduced					
CRB Board of Motor Vehicle Collision Repair Registration								
4K90	865601	Operating Expenses	\$ 296,875	\$ 333,045	\$ 331,841	-0.36%	\$ 324,292	-2.27%
General Services Fund Group Total			\$ 296,875	\$ 333,045	\$ 331,841	-0.36%	\$ 324,292	-2.27%
Board of Motor Vehicle Collision Repair Registration Total			\$ 296,875	\$ 333,045	\$ 331,841	-0.36%	\$ 324,292	-2.27%