

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3559-02
Bill No.: SB 709
Subject: Boards, Commissions, Committees, Councils; Fees; Insurance - Automobile;
 Licenses - Professional; Motor Vehicles
Type: Original
Date: April 12, 2010

Bill Summary: Licenses auto body repair facilities and physical damage appraisers.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Board of Auto Body Repair	\$0	\$920,998	\$923,669
PR Fees	(\$292,225)	\$0	\$0
Total Estimated Net Effect on Other State Funds	(\$292,225)	\$920,998	\$923,669

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Board of Auto Body Repair	4	4	4
Total Estimated Net Effect on FTE	4	4	4

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of State Courts Administrator, Department of Public Safety (DPS) - Director's Office, DPS - Division of Fire Safety and Office of State Treasurer** assume the proposal will have no fiscal impact on their organizations.

Officials from the **Office of the Governor (GOV)** do anticipate additional costs will result from this proposal. However, if additional duties are placed on the office related to appointments in other TAFP legislation, there may be the need for additional staff resources in future years.

Officials from the **Office of Administration - Administrative Hearing Commission** anticipate this legislation will not significantly alter its caseload. However, if other similar bills pass, there are more cases, or the cases are more complex, there may be a fiscal impact.

Officials from the **Office of Secretary of State (SOS)** state the fiscal impact for this proposal is less than \$2,500. The SOS does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the SOS can sustain within its core budget. Therefore, the SOS reserves the right to request funding for the costs of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the Governor.

Officials from the **Office of Attorney General (AGO)** state the proposal creates a new Board of Auto Body Repair. Assuming the AGO would be required to provide representation for the new board and the number of cases are unknown, but assumed to be substantial in light of the number of vehicles in the state, the AGO would require one (1) Assistant Attorney General II to assist with rulemaking duties and potential new litigation before the Administrative Hearing Commission and circuit court. If there is a significant increase in claims over time, the AGO may seek additional appropriations to adequately represent the Board.

The AGO estimates FY 11 costs of \$79,927; FY 12 costs of \$ 88,871; and FY 13 costs of \$91,536.

Oversight assumes the Department of Insurance, Financial Institutions, and Professional Registration will reimburse the AGO for all costs incurred in representing the new board.

ASSUMPTION (continued)

Officials from the **Department of Insurance, Financial Institutions, and Professional Registration (DIFP)** state based on a projection from a member of the association, it is estimated that 4,899 individuals in the state of Missouri will be required to be licensed. It is estimated that the collection of initial license fees will begin in FY 12 and renewal fees will be collected in FY 13. It is also assumed that all fees collected would be deposited into the Board of Auto Body Repair Fund and that all expenses would be paid out of that fund. It is assumed that no revenue will be generated by the Board of Auto Body Repair Fund in FY 12 and, therefore, expenses incurred by the board will be paid back to the PR Fees Fund by a lending board within the division, pursuant to section 324.016, RSMo. It is estimated payback of any outstanding loans would be made in FY 14.

Oversight notes Professional Registration boards' standard operating procedure is to pay back loans from the PR Fees Fund in the third year after a new board has been established. This procedure has been established to insure sufficient funding is available for continued operations.

The DIFP estimates FY 12 licensure fees will vary depending on the type of license sought by the applicant and will range from \$25 to \$250 per licensee although auto body repair facilities are required under the provisions of this proposal to pay \$250 per year for licensing. Total first year (FY 12) licensure revenue is estimated to be \$1,196,175; subsequent year renewal licenses will cost between \$100 and \$250 per licensee and renewal fee revenue is estimated to be \$1,169,050. The DIFP assumes a 3% annual growth in licensees.

The proposed legislation will create the need for 4.0 FTE as follows: 1.0 FTE Principal Assistant (full-time annual salary \$49,104) to serve as the senior executive officer of the agency; 1.0 FTE Licensure Technician II (full-time annual salary \$25,380) will be needed to provide technical support, process licensure applications and respond to inquiries regarding licensure law; 1.0 FTE Investigator II (full-time annual salary \$35,592) to conduct investigations and inspections, serve notices and gather information as required by the board; and 1.0 FTE Administrative Office Support Assistant (full-time annual salary \$26,784) to provide administrative support, track complaints and discipline and respond to inquiries relating to licensure laws, rules and regulations.

Printing and postage expenses for the first year include printing of rules, applications, letterhead and envelopes, as well as cost associated with mailings for initial licensure. Subsequent year's printing and postage is based on a board of similar size. Printing and postage expenses are estimated to be \$61,238 for FY 11; and \$7,904 annually for FY 12 and FY 13.

ASSUMPTION (continued)

The Board will consist of seven members. It is assumed that the Board will meet four times per year. Board meeting expenses are estimated to be \$9,884 annually plus per diem.

Based on a board of similar size, it is estimated that the board will receive approximately 69 complaints, beginning in FY 12. It is estimated that 30% of the complaints filed will require field investigations and it is estimated that 50% of the complaints that are investigated will require an investigator to incur overnight expenses. Therefore, beginning in FY 12, it is estimated there will be approximately \$1,420 in travel and investigative expenses annually.

Costs are calculated for services provided to the division by the AGO and the Administrative Hearing Commission (AHC). It is anticipated these costs will begin in FY 12. Annual AGO and AHC costs are estimated to be \$17,080, based on a board of similar size.

Boards within the division incur division-wide expenses based on specific board licensee averages, in addition to the DIFP and Office of Administration cost allocation plans. Approximately \$39,750 in additional expenses will be considered in calculating the anticipated license and renewal fees although these costs will not require additional appropriation for the Professional Registration Transfer Core budget.

Oversight assumes the division-wide expenses allocated to the Board of Auto Body Repair Fund will result in an equal reduction in expenses allocated to other Boards within the Division of Professional Registration.

This proposal will result in an increase in total state revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
BOARD OF AUTO BODY REPAIR FUND			
<u>Transfer-In - from PR Fees Fund</u>	\$292,225	\$0	\$0
<u>Revenue - DIFP</u>			
Registration/renewal fees		\$1,196,175	\$1,206,012
<u>Costs - DIFP</u>			
Personal service (4 FTE + board member per diem)	(\$119,701)	(\$146,589)	(\$150,182)
Fringe benefits	(\$61,303)	(\$75,403)	(\$77,288)
Equipment and expense	(\$98,537)	(\$35,240)	(\$36,020)
AGO and AHC expense	(\$12,684)	(\$17,945)	(\$18,853)
Total <u>Cost</u> - DIFP	<u>(\$292,225)</u>	<u>(\$275,177)</u>	<u>(\$282,343)</u>
FTE Change - DIFP	4.0 FTE	4.0 FTE	4.0 FTE
ESTIMATED NET EFFECT ON BOARD OF AUTO BODY REPAIR FUND			
	<u>\$0</u>	<u>\$920,998</u>	<u>\$923,669</u>
Estimated Net FTE Change on Board of Auto Body Repair Fund	4.0 FTE	4.0 FTE	4.0 FTE
PR FEES FUND			
<u>Transfer-Out - to Board of Auto Body Repair Fund</u>	<u>(\$292,225)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON PR FEES FUND			
	<u>(\$292,225)</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>			
	FY 2011 (10 Mo.)	FY 2012	FY 2013
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

The proposal may fiscally impact small businesses that employ auto body repair personnel if they have to pay licensure fees.

FISCAL DESCRIPTION

This proposal creates the Board of Auto Body Repair and sets out the requirements for membership on the board. This board licenses auto body repair facilities, excluding those that specialize in certain services, and licenses physical damage appraisers.

AUTO BODY REPAIR FACILITIES

As requirements for licensing, auto body repair facilities must submit an application to the board, pay a licensing fee of \$250 annually, have all required state and federal licenses, permits, and registrations, provide proof of insurance, provide proof of compliance with EPA and OSHA training requirements, provide proof that employees have completed current National Institute for Automotive Service Excellence (ASE) for the type of work being performed, possess or have access to proper equipment, possess an enclosed area for spray painting refinish operations, and possess an acceptable current reference source for estimating the cost of repairs. To renew their license the facility must prove completion of continuing education.

Facilities may apply for temporary licenses for up to ninety days to have time to come into compliance with licensing requirements. Facilities that have operated for a certain time period can obtain a provisional license to allow them one calendar year to meet these requirements, except the continuing education requirements must be commenced within ninety days. Facilities must post their license and their retail labor rates.

Temporary paintless dent repair businesses are required to pay licensing fees and comply with other requirements.

A vehicle owner who signs a repair order with an auto body repair facility will be considered to have the owners's permission to determine the amount of repairs and start work on the vehicle. The facility will be entitled to recover the cost and expenses from the vehicle owner incurred in that process. Costs are payable before the vehicle is removed from the facility's premises.

The board is authorized to file complaints with the Administrative Hearing Commission for specific violations and to discipline the facility license. The board may also seek an injunction against anyone who operates an auto body facility without a license. Among other powers, the board has the power to inspect the facility, issue rules and regulations to administer this proposal, investigate complaints, and impose civil penalties.

AUTO BODY PHYSICAL DAMAGE APPRAISERS

Among other requirements, to be licensed as a physical damage appraiser an individual must submit an application, have certification from the National Institute for Automotive Service

FISCAL DESCRIPTION (continued)

Excellence in Damage Analysis and Estimating, comply with continuing education requirements, pay a licensing fee, and provide evidence that any entity on whose behalf he or she prepares or alters estimates is licensed as a corporation in Missouri.

Applicants who have been employed as appraisers for a certain time period can obtain a provisional license. Appraisers licensed in other states shall have their license recognized in Missouri in the case of catastrophic losses, after submitting information as required by the board, and paying a temporary permit fee.

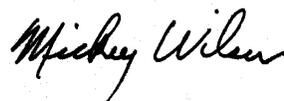
The board is authorized to file complaints with the Administrative Hearing Commission for specific violations and to discipline the appraiser's license. Among other powers, the board has the power to issue rules and regulations to administer this act, impose civil penalties, and seek injunctions.

Physical damage appraisers, insurers, and other individuals are prohibited from adjusting or paying claims for repairs of vehicles at unlicensed auto body repair facilities and are required to report these unlicensed facilities to the board.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Attorney General
Office of Administration -
 Administrative Hearing Commission
Office of State Courts Administrator
Department of Insurance, Financial Institutions, and Professional Registration
Department of Public Safety -
 Director's Office
 Division of Fire Safety
Office of the Governor
Office of Secretary of State
Office of State Treasurer



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