

Economic Impact Statement

LSA Document #09-41

IC 4-22-2.1-5 Statement Concerning Rules Affecting Small Businesses

Amends [105 IAC 9-4](#) to update definitions and terms and to comply with federal regulations and guidelines regarding specific service signs as defined in §2F of the Manual on Uniform Traffic Control Devices (MUTCD). Effective 30 days after filing with the Publisher.

Indiana Code 4-22-2.1-5 requires an agency to submit a statement concerning the economic impact of any proposed rule on small businesses to the Indiana Economic Development Corporation (IEDC) and publish the statement in the Indiana Register. The proposed rule allows INDOT to expand the number of tourist attractions eligible to participate in the specific service sign program and allows gas, food, and lodging businesses that are not directly on the interchange crossroad to participate in the program by installing trail blazing signs. Additionally, the proposed rule allows participating businesses that can accommodate recreational vehicles to indicate this capability on their logo panel with the use of the RV friendly symbol.

IC 4-22-2.1-5(a)(1): Estimated Number of Small Businesses Affected

Of the approximately 1,105 businesses that participate in the specific service sign program, approximately 50% are considered to be small businesses. It is expected that the proposed rule change will expand the specific service sign program by about 10%, so approximately 60 new small businesses would be affected by the proposed rule change. Additionally, it is anticipated that approximately 10% of the existing businesses will request the RV friendly symbol based on the terms in the proposed rule. Therefore, about 60 existing small businesses will be affected by the proposed rule change, so the total number of affected small businesses is estimated to be 120. However, because the advertising charges for participation in the specific service sign program are uniformly applied to a specific service sign category, and because participation in the program is voluntary, INDOT anticipates that the proposed rule will not have an adverse effect on the affected small businesses. All of the small business affected fall within the tourism and hospitality industry sector.

IC 4-22-2.1-5(a)(2): Estimated Average Reporting, Record Keeping, and Administrative Costs

The proposed rule imposes no new reporting or record keeping costs on any business, large or small. However, businesses that use generally accepted accounting principles will need to include the fees for specific service signs in recording the advertising expenses for the business on balance sheets, income statements, and other reports. Based on data from the May 2007 Occupational Employment Survey by the Bureau of Labor Statistics, it is estimated that the record keeping costs of participating in the specific service sign program would cost approximately \$100 for each business. This figure assumes that the amount of time spent on record keeping would be about four hours, that the median hourly rate for a bookkeeper or account clerk in Indiana is \$14.23, and the labor additive rate is 74.93%.

IC 4-22-2.1-5(a)(3): Estimated Annual Fiscal Impact

As stated above, the adoption of this rule regarding the specific service sign program would directly affect about 60 new small businesses. The direct costs of participating in the specific service sign program would be approximately \$1,800 for a tourist attraction and \$3,600 for a gas, food, or lodging business. For the existing 60 small businesses who elect to add the RV friendly symbol to their logo panel, it is estimated that the manufacturing and installation costs would be approximately \$900. The record keeping costs of the proposed rule would amount to approximately \$100 annually for both existing and new small businesses. The total estimated annual fiscal impact of the rule would therefore be about \$246,000. However, participation in the specific service sign program is voluntary, and it is expected that a business will not participate unless the revenue generated from advertising on a specific service sign exceeds the cost of advertising on the specific service sign.

IC 4-22-2.1-5(a)(4): Justification of Requirements

The following Indiana statutes and federal regulations apply to the adoption of this rule:

[IC 4-22-2-3](#): The department may adopt rules under [IC 4-22-2-3](#) et seq. to establish a specific service sign program to allow businesses to install their logo on a specific service sign near interstate interchanges and on other expressways with full access control.

[IC 9-21-4-5\(b\)](#): The department may authorize the posting of business signs on specific information panels if all of the costs of manufacturing, installation, and maintenance are paid by the business.

23 CFR 655.603(b): The state must develop traffic control devices, including specific service signs, that are in substantial conformance with the national MUTCD that is approved by the Federal Highway Administration.

MUTCD §2F.01 - §2F.10: The state must comply with the standards for specific service signs stated in Chapter 2F of the 2003 MUTCD, as amended.

INDOT's proposed rule regarding the specific service sign program is justified because the program would be expanded to allow additional businesses to participate in the program pursuant to federal standards and guidelines. The cost to businesses to participate in the program is also justified because the Indiana Code requires the specific service sign program to be self-funded.

IC 4-22-2.1-5(a)(5): Regulatory Flexibility Analysis

With respect to compliance, the proposed rule could be less restrictive to small businesses. However, INDOT believes the compliance restrictions in the proposed rule are necessary to maintain the utility of the specific service sign program for Indiana motorists. For example, INDOT could allow gas, food, and lodging small businesses to participate in the program even if numerous trail blazing signs would be required to direct motorists to the small business, but this would reduce the value of the specific service signs to motorists who expect the facilities to be within easy reach of the interstate. The expansion of the program that is proposed by the rule accommodates small businesses that would like to participate in the specific service sign program and balances this against the interest of the public in providing guide signs for services that are close to an approaching interchange.

With respect to reporting requirements, there are no reporting requirements for small businesses, as eligibility for participation in the program is determined by the state through its contractor, the Indiana Logo Sign Group. Because there are no reporting requirements, there are no reporting deadlines. If an eligibility issue arises for a small business, that business has an indefinite period to satisfy the state's concerns. The standard of reasonableness is used as the time frame in resolving issues that come up in the administration of the logo sign program. Lastly, because there are no reporting requirements, there is no opportunity for the state to simplify or reduce reporting requirements for small businesses in the administration of the logo sign program.

Revenue and Costs of Specific Service Signs

Revenue:

INDOT anticipates that participation in the specific service sign program will increase by five percent by the expansion of the specific service sign program permitted in the proposed rule. This is a conservative estimate and is based on the extent to which the specific service sign program is permitted to expand based on current federal regulations in the MUTCD.

The revenue from an estimated five percent in additional gross commercial advertising charges, assuming three percent inflation, is as follows:

- 2009 - \$16,600
- 2010 - \$17,100
- 2011 - \$17,615

Costs:

Costs to the state are estimated to increase indirectly as a result of the proposed rule. No additional staffing is anticipated, but the additional oversight required will result in more hours spent on the specific service sign program. The estimated increase in this indirect cost, assuming three percent inflation, is:

- 2009 - \$1,805
- 2010 - \$1,860
- 2011 - \$1,955

The chart below details these estimated costs. Calculations are based on current personnel costs.

Specific Service Sign Program Expansion - Estimated Increase of INDOT Costs

Personnel

Personnel costs are for a highway engineer, highway engineer supervisor, and a deputy commissioner to oversee the expanded portion of the specific service sign program. These costs include the state fringe benefit cost for items such as insurance, FICA, PERF, and leave time.

Positions	Rates		Hours		Fringe	=	Total
Highway Engineer	\$27	x	22.5	x	1+74.93%	=	\$1,062.70
Highway Eng. Suprv.	\$41	x	7.5	x	1+74.93%	=	\$ 537.91
Deputy Comm'r.	\$46	x	2.5	x	1+74.93%	=	\$ 201.17
Total							\$1,801.78

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