

Economic Impact Statement

LSA Document #16-433

IC 4-22-2.1-5 Statement Concerning Rules Affecting Small Businesses**1. An estimate of the number of small businesses, classified by industry sector, that will be subject to the proposed rule.**

The secretary of state's office currently licenses approximately 400 automotive salvage recyclers. Based on historical data (licenses issued in the past 5 years), the secretary of state's office expects to add approximately 20-30 new licensees each year. The secretary of state's office does not know for certain, but the office's experience is that the overwhelming majority of licensees are small businesses as defined by [IC 5-28-2-6](#).

2. An estimate of the average annual reporting, record keeping, and other administrative costs that small businesses will incur to comply with the proposed rule.

Compliance with the new requirements imposed by this rule should not result in any new annual reporting, record keeping, or other administrative costs for small businesses. The proposed rule alters what information is required to be recorded, but the requirement to keep records predates this rulemaking effort.

3. An estimate of the total annual economic impact that compliance with the proposed rule will have on all small businesses subject to the rule.

We estimate the total annual economic impact to be \$120,000, as detailed below.

The secretary of state's office estimates that there will be minimal economic impact that compliance with the rule will have on small businesses subject to the rule. Licensees are already required by statute to have an established place of business. Some licensees may need to add signage, but the secretary of state's office does not know how many. The cost of signage varies widely, depending on how elaborate a business wishes their signage to be. The only requirement is that it be conspicuous and permanent. Looking at retailer prices, the secretary of state's office estimates that a dealer could obtain an appropriate sign for approximately \$50. This is an economic impact of \$20,000, assuming 100% of those subject to the requirement do not currently have signage. This is unlikely.

Licensees who engage in retail sales may face some recurring costs for utilities, but utilities are a fairly standard business operating cost. How significant the cost is will vary based on the size of the business and the business's efficiency practices. It is difficult to say what the cost might be to add electricity and/or plumbing to a location that is not already equipped with them, as the cost will vary based on the location. Additionally, an exemption is available.

Businesses may incur some cost to outfit the office with furniture, but these are fairly standard business operating costs. Looking at retail prices, the secretary of state's office estimates the cost to purchase office furniture to be approximately \$250 for a desk, chair, and filing cabinet. This is a maximum economic impact of \$100,000, assuming no current licensees have this furniture, which is unlikely.

The requirement to have customer parking is very general. The secretary of state's office does not require paving, a minimum number of spaces, or anything else that would increase the cost for a dealer to bring its location into compliance. The secretary of state's office expects that the cost to add customer parking will vary widely based on location. However, it has been the secretary of state's experience that, due to the nature of the business, having adequate customer parking is something that businesses genuinely engaged in automotive salvage recycling would equip their locations with regardless of our requirements. Because the secretary of state's office does not require parking to look or be a particular way, the secretary of state's office cannot estimate what the cost to auctions might be and cannot look to the average cost of any one specification, because there are no specifications. Only designated space is required.

The secretary of state's office estimates that there will be only minimal economic impact to new licensees as the secretary of state's office anticipates that they will select already-compliant locations for their businesses and will not need to make any changes to their desired location. The requirement to have an established place of business comes from statute. The rule just places parameters on what locations are suitable.

4. A statement justifying any requirement or cost that is imposed on small businesses by the rule, and not expressly required by the statute authorizing the agency to adopt the rules, or any other state or federal law.

Requiring a dealer's location to meet certain standards is not unique to automotive salvage recyclers (see [75 IAC 5](#) and [75 IAC 6](#)). These costs are associated with the minimal standards necessary to ensure that Indiana automotive salvage recycler licenses are held only by those genuinely engaged in the legitimate recycling of motor vehicles and their component parts. Licensees should be able to meet the requirements without even knowing what the requirements are.

These requirements are also intended to provide consumer and state employee protection regarding physical safety when visiting the licensee. Additionally, the secretary of state's office is required by [IC 9-32-11-8](#) to adopt rules establishing requirements for initial application and renewal of a dealer's license.

5. Regulatory Flexibility Analysis

Analysis of less intrusive or less costly alternative methods of achieving the purpose of the proposed rule:

A. Establishment of less stringent compliance or reporting requirements for small businesses.

It is the secretary of state's office perspective that the proposed rule represents the least restrictive compliance requirements. Other dealer license types are subject to more stringent requirements (e.g. customer parking must be weather-proofed). The requirements imposed by the proposed rule represent the minimum standards for operating as a legitimate, customer-friendly business.

B. Establishment of less stringent schedules or deadlines for compliance or reporting requirements for small businesses.

Current licensees will have over 12 months to bring themselves into compliance with the new requirements. Historically, 12 months has been a sufficient amount of time. Most recently, former wholesale licensees were able to complete the transition to a used dealer license within a one-year timeframe, and they had significantly more changes to make than any automotive salvage recyclers will.

C. Consolidation or simplification of compliance or reporting requirements for small businesses.

The secretary of state's office believes that the proposed rule represents the simplest version of the office's desired requirements and the simplest way to achieve the desired outcome.

D. Establishment of performance standards for small businesses instead of design or operational standards imposed on other regulated entities by the rule.

It has been the secretary of state's experience that the imposition of design standards is the only way to ensure that dealers are legitimate operations and have safe, appropriate spaces for consumers. This is why the secretary of state's office has imposed more standards on businesses that sell to the public than those recyclers who do not engage in retail sales.

E. Exemption of small businesses from part or all of the requirements or costs imposed by the rule.

The secretary of state's office does have the ability to grant an exemption for part of the requirements.

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