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INDEPENDENT REGULATORY REVIEW COMMISSION

333 MARKET STREET, 14TH FLOOR, HARRISBURG, PA 17101

December 2, 1999

Robert G. Pickerill, Chairman
State Board of Vehicle Manufacturers, Dealers and Salespersons
116 Pine Street
Harrisburg, PA 17105

Re: IRRC Regulation #16A-600 (#2065)
State Board of Vehicle Manufacturers, Dealers and Salespersons
Application Fees


Dear Chairman Pickerill:

Enclosed are our Comments on the subject regulation. They are also available on our website at <http://www.irrc.state.pa.us>.

Our Comments list objections and suggestions for consideration when you prepare the final version of this regulation. We have also specified the regulatory criteria which have not been met. These Comments are not a formal approval or disapproval of the proposed version of this regulation.

If you would like to discuss these Comments, please contact John Jewett at 783-5475.

Sincerely,


Robert E. Nyce
Executive Director

REN:cae

Enclosure

cc: Thomas A. Blackburn
Joyce McKeever
Honorable Kim Pizzingrilli
Dorothy Childress
Office of General Counsel
Office of Attorney General
Lee Ann Labecki

COMMENTS OF THE INDEPENDENT REGULATORY REVIEW COMMISSION
ON
STATE BOARD OF VEHICLE MANUFACTURERS, DEALERS AND SALESPERSONS
REGULATION NO. 16A-600
APPLICATION FEES
DECEMBER 2, 1999

We have reviewed this proposed regulation from the State Board of Vehicle Manufacturers, Dealers and Salespersons (Board) and submit for your consideration the following objections and recommendations. Subsections 5.1(h) and 5.1(i) of the Regulatory Review Act (71 P.S. § 745.5a(h) and (i)) specify the criteria the Commission must employ to determine whether a regulation is in the public interest. In applying these criteria, our Comments address issues that relate to fiscal impact and clarity. We recommend that these Comments be carefully considered as you prepare the final-form regulation.

1. General. – Clarity.

The Regulatory Analysis Form (RAF) doesn't contain the past three-year expenditure history for programs affected by the regulation. This information is required in item #20b. The Board should include this information in the RAF accompanying the final-form regulation.

2. Section 19.4. Fees. - Fiscal Impact and Clarity

Administrative overhead costs

In the proposed regulation's fee report forms, there are significant differences in the costs covered by different fees except for "Administrative Overhead" costs. According to staff at the Department of State and its Bureau of Professional and Occupational Affairs (BPOA), the allocated share of overhead cost for each fee category is calculated by dividing total overhead costs by the number of active licensees. This methodology for overhead cost allocation is not unreasonable and has been consistently applied. On the other hand, the staff cost allocations are based on estimates of the actual time BPOA staff spends performing the tasks related to each fee.

For overhead cost allocations, there appears to be no relationship to the services covered by the fees or frequency of fee payments. Therefore, there is no indication that the fees will recover actual or projected overhead costs. In addition, the allocated costs are based on past expenditures rather than estimates or projections of future expenditures. Hence, there is no certainty that the fees' "projected revenues will meet or exceed projected expenditures" pursuant to Section 30(b) of the Board of Vehicles Act (63 P.S. §818.30(b)).

We question the use of a constant overhead cost allocation that appears to be unrelated to the actual costs of activities covered by different fees. Even though this process was used to

determine other fees, why should BPOA maintain this approach? The Board and BPOA should specifically identify the overhead costs, or portion of the total overhead, to be recouped by these fees, and review their methodology for allocating these overhead costs. Is it the Board's goal to allocate all overhead costs by category to each fee? If so, we do not believe the current allocation formula gives the desired result.

Differing overhead costs

The administrative overhead costs for all fees are \$11.53, except for the certification of license history and verification of license fees, which are \$9.76. The Board should explain why these administrative costs are different.

"Business name or post office address change" and "Business physical location change" fees

We have two concerns about these fees. One, the Board increased the "Business name or post office address change" fee by 100 percent, and the "Business physical location change" fee by 200 percent. We understand that these fees haven't changed since 1989, and that the Board utilized a recent performance audit when computing the new fees. However, the Board should provide a more detailed explanation of the fee increases for these services.

Two, the fee report form for the "Business name or post office address change" fee includes the phrase "No Inspection Required." The fee report form for "Business physical location change" includes the phrase "Inspection Required." The regulation doesn't make it clear that one application requires an inspection, while the other does not. For increased clarity, the Board should consider adding these two phrases to their respective fee titles.



INDEPENDENT REGULATORY REVIEW COMMISSION

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REVIEW COMMISSION

Comments: We are submitting the Independent Regulatory Review Commission's comments on the State Board of Optometry's regulation #16A-600 (#2065). Upon receipt, please sign below and return to me immediately at our fax number 783-2664. We have sent the original through interdepartmental mail. You should expect delivery in a few days. Thank you.

Accepted by: *Superior* **Date:** 12/2/99