

MINUTES OF THE House COMMITTEE ON Transportation

The meeting was called to order by Larry Wilbert at
Vice-Chairperson

1:30 a.m./p.m. on January 27, 1987 in room 519-S of the Capitol.

All members were present except: Representative Gross

Committee staff present:

Bruce Kinzie, Revisor of Statutes
Hank Avila, Legislative Research
Donna Mulligan, Committee Secretary

Conferees appearing before the committee:

Mr. Charles Belt, Wichita Auto Dealers Association
Mr. Larry Humes, Kansas Department of Revenue

The meeting was called to order by Vice-Chairman Larry Wilbert, and minutes of the January 15, 1987 Transportation Committee meeting were distributed. It was announced the first order of business would be a continuation of the hearing on HB-2026 concerning bonding requirements for vehicle dealers and vehicle brokers.

Mr. Charles Belt, Wichita Auto Dealers Association, testified in support of HB-2026. (See Attachment 1)

Mr. Belt addressed an issue which was brought up in the hearing of January 20, 1987, on HB-2026, concerning the Missouri bonding program, and said the Missouri Department of Revenue has made demands for various surety companies and paid consumer claims totaling \$100,000 since August 1, 1984.

He reported the Missouri Department of Revenue presently receives claims on Missouri automobile dealer bonds at the rate of five or six claims per month, and 95 percent of the claims are authorized by the Department to be paid.

Mr. Belt said the bonding requirements for vehicle dealers and vehicle brokers in HB-2026, primarily grew from an interest by the various dealers in order to upgrade the image of their industry.

Mr. Larry Humes, Kansas Department of Revenue, testified concerning HB-2026. (See Attachment 2)

He said the Department of Revenue's position on HB-2026 is neutral, and requested that a notice provision be placed in the statute since the burden is placed on the director to determine that no outstanding claims exist against the dealers' deposit before issuing a refund.

Mr. Humes also recommended a provision be added to HB-2026, empowering the Department of Revenue to proceed against a dealers' bond or deposit for an unpaid civil penalty, as this would be a valuable enforcement tool for the department.

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Transportation,
room 519-S, Statehouse, at 1:30 ~~xxx~~ am/p.m. on January 27, 1987

Representative Snowbarger asked if the bonding provision in the current statutes whereby the Department of Revenue can require a bond is being used. Mr. Mark Wettig, Attorney, Kansas Department of Revenue, replied the bond which can now be required is not for the benefit of the consumer in terms of proceeding against the bond.

The hearing on HB-2026 was concluded.

A motion was made by Representative Harper that the minutes of the January 15, 1987 joint meeting of the House and Senate Transportation Committees be approved. The motion was seconded by Representative Shore. Motion passed.

The meeting was adjourned at 2:05 p.m.


Rex Crowell, Chairman



Wichita Automobile Dealers Association

TESTIMONY PRESENTED

TO

HOUSE TRANSPORTATION COMMITTEE

JANUARY 20, 1987

Mr. Chairman, members of the committee, my name is Charles Belt, Executive Director of the Wichita Auto Dealers Association. I appreciate the opportunity to appear before you today in support of HB 2026.

As I am sure you are aware, the Special Interim Committee on Transportation which met last summer and fall, recommended this legislation favorably to the full legislature. Their committee report reached the following conclusion, "it is the Committee's judgment that the protection afforded by a bonding requirement merits its imposition. If Kansas were to enact such a law, it would join the vast majority of states which already have such legislation."

The main provision of HB 2026 states, "applicants or licensees as a used vehicle dealer, a new vehicle dealer, or a broker would be required to provide a \$25,000 surety bond as an indemnity against loss for an act which constitutes grounds for suspension or revocation of their license." The proposed legislation provides for alternate means, other than a surety bond, of satisfying the bonding requirement. None of the alternatives, particularly the surety bond, place an unreasonable financial burden on any dealer.

The legislation outlined in HB 2026 is not new. A similar bill, SB 470, passed in the Senate last year, but died in this committee upon adjournment. Many of you have heard all of the previous testimony, probably more than you ever wanted to hear! With that in mind, let me quickly conclude by enumerating some of the groups/individuals supporting this legislation besides the Wichita Auto Dealers.

You have heard previously from Jim Sullins, representing the Kansas Motor Car Dealers Association. In addition, the Attorney Generals Office, the Kansas Peace Officers

WICHITA AUTOMOBILE DEALERS ASSOCIATION TESTIMONY

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Association, and Governor Mike Hayden have expressed support of dealer bonding. Governor Hayden, in written response to a question on the bonding proposal replied, "I support the concepts embodied in 1986 session SB 470. I would sign this type of legislation if passed by the legislature. Bonding for motor vehicle dealers is a good idea which help protect Kansas consumers from suffering monetary injury as a result of misrepresentation by the dealer."

Members of the committee, HB 2026 is good legislation, it's good for the consumer--and it's good for the industry. I ask for your expeditious and favorable consideration of HB 2026.

Thank you Mr. Chairman and committee members for your time. I stand for questions.



KANSAS DEPARTMENT OF REVENUE
Office of the Secretary
State Office Building · Topeka, Kansas 66612-1588

To: House Committee on Transportation
From: Larry D. Humes, Assistant to the Secretary
Date: January 20, 1987
Re: House Bill 2026, Bonding of Vehicle Dealers and Brokers

The Department of Revenue's position on HB 2026 is neutral. The department's testimony during the 1986 interim session questioned what impact bonding might have on the low volume vehicle dealer. Our concerns have been answered through the testimony of surety companies and other states which presently have bonding requirements for vehicle dealers.

Administratively the department raises two points for your consideration. Since the burden is placed on the director to determine that no outstanding claims exist against the dealers' deposit before issuing a refund, we request that a notice provision be placed in the statute. The notice requirement would provide that anyone having a claim against the deposit would be required to give notice of the claim to the director. This notice should alleviate situations where claims are not discovered within one year after the dealer ceases to be licensed.

Secondly, the bill as written, contains no provision empowering the Department of Revenue to proceed against a dealers' bond or deposit for an unpaid civil penalty. The addition of such a provision would be a valuable enforcement tool for the department.