

Approved 2-7-90  
Date

MINUTES OF THE SENATE COMMITTEE ON TRANSPORTATION AND UTILITIES

The meeting was called to order by Sen. Bill Morris at  
Chairperson

9:02 a.m./p.m. on January 31, 1990 in room 254-E of the Capitol.

All members were present ~~except~~.

Committee staff present:

Ben Barrett, Legislative Research Department  
Bruce Kinzie, Revisor of Statutes  
Louise Cunningham, Committee Secretary

Conferees appearing before the committee:

Mark Wettig, Department of Revenue  
Jerel Wright, Kansas Credit Union League  
Chuck Stones, Kansas Bankers Association  
Steve Wiechman, Kansas Automotive Dismantlers and Recyclers Association  
Pat Wiechman, Kansas Automotive Dismantlers and Recyclers Association

Mark Wettig had the figure the committee had requested for S.B. 483 regarding penalties collected. He said last year \$56,000 had been collected with the penalty at 5%. The computer would be able to handle the 5% penalty without serious problems.

Hearing on S.B. 485 - Increasing fees for filing security interest in motor vehicles.

Mark Wettig said the actual cost to process a Notice of Security Interest by a secured party is \$2.50 and the bill also contains provisions for the banking industries to obtain needed information in order to satisfy federal banking regulators. A copy of his statement is attached. (Attachment 1).

Jerel Wright said they support the bill because it would solve the credit union's problem by having the county provide the written proof of lien to the credit union. A copy of his statement is attached. (Attachment 2).

Chuck Stones said the banking industry needs a solution to this problem because lien holders are not getting enough information. Some liens are falling through the cracks. They met with the Department of Revenue and this bill would solve the problem. They support it.

A motion was made by Sen. Francisco to amend S.B. 485 by inserting on page 4, line 29 after "delivery ." the sentence "The county treasurers shall mail a copy of the title application to the lienholder. Motion was seconded by Sen. Thiessen. Motion carried.

A motion was made by Sen. F. Kerr to recommend S.B. 485 as amended, favorably for passage. Motion was seconded by Sen. Sallee. Motion carried. S.B. 485 will be carried by Sen. Doyen.

Hearing and Action on S.B. 482 - Salvage vehicle dealers, place of business.

Steve Wiechman said this bill was requested because presently salvage dealers that desire to sell used vehicles at retail must have both a used and salvage license. This is administratively efficient but there is a great deal of confusion for everyone and the possibility of abuse exists. This bill would clean up the language. He also

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON TRANSPORTATION AND UTILITIES,  
room 254-E, Statehouse, at 9:02 a.m./~~p.m.~~ on January 31, 1990

asked that all who are in the salvage business should contribute to the workers compensation fund so all salvage dealers would be playing on the same turf. A copy of his statement is attached. (Attachment 3).

He was asked who would object to this bill and he said he knew of no one. This would not affect the parts stores.

Mark Wettig said they oppose S.B. 482 because he felt this should be handled by the Worker's Compensation Administrator. A copy of his statement is attached. (Attachment 4).

A motion was made by Sen. Rock to strike on page 5, line 38, the portion beginning with "In addition", and ending on page 6, line 5 with the word "license". Motion was seconded by Sen. Francisco. Motion carried.

A motion was made by Sen. Rock to recommend S.B. 482 as amended, favorably for passage. Motion carried. S.B. 482 will be carried by Sen. Morris.

The Chairman suggested that this committee might request a study to insure that those that should have Workman's Compensation do have it.

Hearing on S.B. 531 - Transfer certificates for salvage vehicles.

Pat Wiechman said this bill would address the problem of junk vehicles being disposed of on city streets, county roads, in pastures and backyards. A copy of her statement is attached. (Attachment 5).

Mark Wettig said they were opposed to the bill but with the amendments suggested in Pat Wiechman's statement there would be no problem with the bill.

Harold Turntine, Vehicle Services Administrator, said this bill would be a big help to them.

A motion was made by Sen. Francisco to amend the bill on page 1 with the amendments proposed by Ms. Wiechman in her statement. Motion was seconded by Sen. Hayden. Motion carried.

A motion was made by Sen. Francisco and was seconded by Sen. Hayden to recommend S.B. 531 as amended, favorably for passage. Motion carried. Sen. Francisco will carry the bill.

Action on S.B. 483 - Taxation of motor fuels, payment, penalty.

A motion was made by Sen. Martin to recommend S.B. 483, as amended to include the 5% penalty, favorably for passage. Motion was seconded by Sen. Rock. Motion carried. Sen. Martin will carry the bill.

Action on S.B. 481 - Increasing fee for duplicate registration receipt.

A motion was made by Sen. Rock and was seconded by Sen. Vidricksen to recommend S.B. 481 favorably for passage. Motion carried. Sen. Vidricksen will carry the bill.

Meeting was adjourned at 10:00 a.m.

SENATE TRANSPORTATION AND UTILITIES COMMITTEE

Date 1-31 Place 254-E Time 9:02

GUEST LIST

NAME	ADDRESS	ORGANIZATION
Pat Wiechman	Topeka	Ks Automotive Dismantlers & Recyclers Assn.
Steven R. Wiechman	Topeka	KIADRA
Michael Kuhn	Topeka	KHP
David Hornbaker	Topeka	KHP
Nancy Hempen	Lawrence	County Treas. Assn.
Larry J. Stutz	Alma, Ks	First National Bank in ALMA
Chuck Stones	Topeka	KBA
Paul Wright	Topeka	KCUL
Cindy Gelpin	Topeka	Budget Division
Tom Whitaker	Topeka	Ks Motor Carriers Assn
Warren Hemann	Overland Park	Yellow Freight System
JEFF SONNICH	TOPEKA	KNLSI
Jacques Dakes	Topeka	Ks. Ind. Auto. Dealers Assn
Steve KENNEDY	Topeka	COASTA
Roger W. BARR	Topeka	T. C. U.

## MEMORANDUM

**TO:** The Honorable Bill Morris, Chairman  
Senate Transportation and Utilities

**FROM:** Mark E. Wettig  
Special Assistant to the Secretary of Revenue

**DATE:** January 31, 1990

**SUBJECT:** Senate Bill 485

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I appreciate the opportunity to appear before you today in support of legislation requested by the Department of Revenue. Senate Bill 485 is the result of a Department recommendation concerning Notice of Security Interest fees.

### BACKGROUND

The current fee for the filing of a Notice of Security Interest by a secured party is \$1.50. This summer the Department did an intensive internal audit of all user fees which have not been changed for some time, to determine if such fees fell short of the Department's actual costs for the services rendered. The auditors determined that the actual cost to process the NSI filing is \$2.50. The current fee has not been raised since 1979.

The bill also contains provisions for County Treasurers to charge a \$1.00 fee to mail a copy of the title application to the lienholder. This was instituted due to the banking industries feeling that they needed this information in their loan files in order to satisfy federal banking regulators. In order to clarify that the provision is mandatory, the Department would suggest the attached amendment.

### RECOMMENDATION

The Department urges the committee to support Senate Bill 485.

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1 for registration, except that no application for registration shall be  
2 required for a mobile home or travel trailer used for living quarters  
3 and not operated on the highways.

4 (4) The fee for each original certificate of title shall be ~~\$9.00~~  
5 ~~until January 1, 1990 and \$3.50 thereafter~~, in addition to the fee  
6 for registration of such vehicle, trailer or semitrailer. The certificate  
7 of title shall be good for the life of the vehicle, trailer or semitrailer  
8 while owned or held by the original holder of the certificate of title.

9 (5) Upon sale and delivery to the purchaser of every vehicle  
10 subject to a purchase money security interest as defined in K.S.A.  
11 84-9-107, and amendments thereto, the dealer or secured party may  
12 complete a notice of security interest and when so completed, the  
13 purchaser shall execute the notice, in a form prescribed by the  
14 division, describing the vehicle and showing the name and address  
15 of the secured party and of the debtor and other information the  
16 division requires. The dealer or secured party may, within 10 days  
17 of the sale and delivery, mail or deliver the notice of security interest,  
18 together with a fee of ~~\$1.50~~ \$2.50, to the division. The notice of  
19 security interest shall be retained by the division until it receives  
20 an application for a certificate of title to the vehicle and a certificate  
21 of title is issued. The certificate of title shall indicate any security  
22 interest in the vehicle. Upon issuance of the certificate of title, the  
23 division shall mail or deliver confirmation of the receipt of the notice  
24 of security interest, the date the certificate of title is issued and the  
25 security interest indicated, to the secured party at the address shown  
26 on the notice of security interest. The proper completion and timely  
27 mailing or delivery of a notice of security interest by a dealer or  
28 secured party shall perfect a security interest in the vehicle described  
29 on the date of such mailing or delivery. *Each county treasurer may*  
30 *charge a \$1.00 service fee for processing and mailing a copy of the*  
31 *title application to the lienholder.*

32 (6) It shall be unlawful for any person to operate in this state a  
33 vehicle required to be registered under this act, or to transfer the  
34 title to any such vehicle to any person or dealer, unless a certificate  
35 of title has been issued as herein provided. In the event of a sale  
36 or transfer of ownership of a vehicle for which a certificate of title  
37 has been issued, which certificate of title is in the possession of the  
38 transferor at the time of delivery of the vehicle, the holder of such  
39 certificate of title shall endorse on the same an assignment thereof,  
40 with warranty of title in a form prescribed by the division and printed  
41 thereon and the transferor shall deliver the same to the buyer at  
42 the time of delivery to the buyer of the vehicle or at a time agreed  
43 upon by the parties, not to exceed 30 days, inclusive of weekends

The county treasurers shall  
mail a copy of the title  
application to the lienholder.

TESTIMONY ON S.B. 485

AN ACT concerning fees for filing of security interests

Presented to the

SENATE COMMITTEE ON TRANSPORTATION AND UTILITIES

January 31, 1990

by the

KANSAS CREDIT UNION LEAGUE

Mr. Chairman, members of the Committee:

I am Jerel Wright, Governmental Affairs Director for the Kansas Credit Union League (KCUL). Our association represents 98% of the 147 state-chartered and 42 federally-chartered credit unions located in Kansas. KCUL member credit unions serve the personal financial needs of over 500,000 individual credit union members and have over \$1.5 billion in combined assets. Kansas credit unions range in asset size from \$29,000 to \$114 million and range in membership size from 58 to 43,000 members.

CREDIT UNIONS SUPPORT SB 485

As part of a loan transaction involving the use of a motor vehicle as collateral, every credit union routinely files a security interest in the motor vehicle. The security interest of the lienholder (credit union) is perfected by registering the credit union's lien on the title.

This can be done either by having the owner place the credit union's lien on the title when the car is registered with the county motor vehicles department or the credit union may, within

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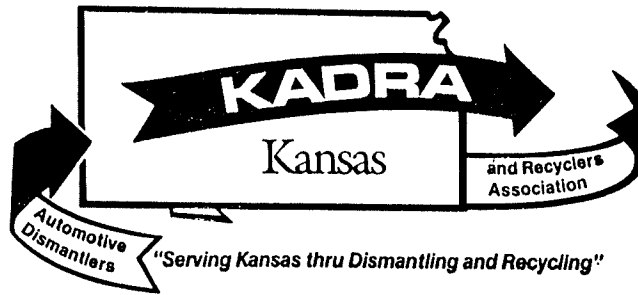
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10 days of the sale and delivery of the vehicle, mail or deliver the notice of security interest, to the Kansas Division of Motor Vehicles. The division will then register the lien when the title application is received from the county.

In either case, the credit union has no written verification of their lien which the Kansas State Department of Credit Unions (the regulatory agency for all 147 state-chartered credit unions in Kansas) requires to be in loan files in order to show that the credit union has a perfected security interest in a specific vehicle.

The new language on page 4, lines 29, 30 and 31 indicates that each county can provide a copy of the title application to the lienholder (credit union). This change will help solve the credit union's problem by having the county provide the written proof of lien to the credit union. For this reason, we support passage of SB 485.

Thank you, Mr. Chairman, for considering our comments. I am available for questions at your convenience.



**SENATE COMMITTEE ON TRANSPORTATION  
AND UTILITIES**

January 31, 1990

**SENATE BILL NO. 482**

Mr. Chairman, Members of the Committee:

I am Steven R. Wiechman, general counsel for the Kansas Automotive Dismantlers and Recyclers Association.

Senate Bill 482 is the result of our Association working with the Division of Vehicles in an attempt to address some clean up language to K.S.A. 8-2401.

By way of history, dating back to the years of the Salvage Control Board, there was a transfer of duties from the Department of Transportation to the Department of Revenue. Cautious changes were made in an attempt to protect the interest and needs of all parties. Prior to the changes in 1986, there was a need for a separate Salvage Dealer license. The language surrounding that

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**1101 W. 10 Topeka, Kansas 66604**  

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license was continued into the law changes. Presently, those salvage dealers that desire to sell used vehicles at retail, must have both a used and salvage license. This is issued as a combination Used and Salvage License. Although administratively efficient, the result has been a great deal of confusion for everyone and the possibility of abuse was created and has been used.

As it now stands, anyone desiring to "beat the system" can first obtain a used vehicle dealers license by meeting the requirements for that license which include certain zoning requirements. After the used license is in place, the dealer is then in the position to check the "Used and Salvage" designation on the renewal application. While it is true that most counties and cities have special zoning requirements for salvage operations, it is also true that many of the local zoning approvals are not checked very closely on renewals, under the theory that they were in business before and there is really no change, so it is approved. As a result, the "Used and Salvage" license

often gets issued to dealers that do not meet the zoning requirements of the city or county for the salvage industry. The counties and cities then have salvage operations doing business in areas where they are not approved to be. The problem is that it then creates a Court battle and expense for local government. It also creates a bad image for salvage dealers interested in promoting the industry.

By simply removing the words "at wholesale" in paragraph (gg) there is no longer a need for dual licensing. Salvage dealers will be able to be salvage dealers who can sell at wholesale or retail if they wish. In essence, it will prevent the error and eliminate costs and problems for cities, counties and the State and will put the industry into a posture for improvement through better disclosure and control where needed.

The second part of SB 482 compliments the clean up of the first part. In Paragraph (ii), we propose to add additional requirements to the definition for an

established place of business for a salvage vehicle dealer. This language is taken from recently passed Michigan law and first came to our attention through a memorandum from Department of Revenue. As you may know, Michigan has experienced many problems in the areas of vehicle theft, and the disposal of stolen parts and vehicles to "shade tree" salvage operators. The proposed language clearly indicates that if you are in the salvage business, you play on the same turf as all salvage dealers. You must contribute to the workers compensation costs equal with other salvage dealers. Everyone will be treated the same and it will contribute a fair share to the workers compensation costs while establishing a standard that is uniform for all.

To be fair and equal to all and to insure that no one is excluded because they do not have to have the insurance that is required under this law, it may be desirable to add language to the effect that if you are a sole proprietor without employees, and you have

affirmatively chosen not to carry workers compensation, the requirements of this provision shall not apply.

We believe this standard adopted by Michigan leaves little room to bend and manipulate to meet the situation. It is a fair and equal disclosure requirement that will better regulate the industry and put ALL salvage dealers on a equal basis.

KADRA requests your favorable passage of Senate Bill 482. If you have any questions, I will be happy to try to address them.

Respectfully submitted,

Steven R. Wiechman  
General Counsel

## MEMORANDUM

**TO:** The Honorable Bill Morris, Chairman  
Senate Transportation and Utilities

**FROM:** Mark E. Wettig  
Special Assistant to the Secretary of Revenue

**DATE:** January 31, 1990

**SUBJECT:** Senate Bill 482

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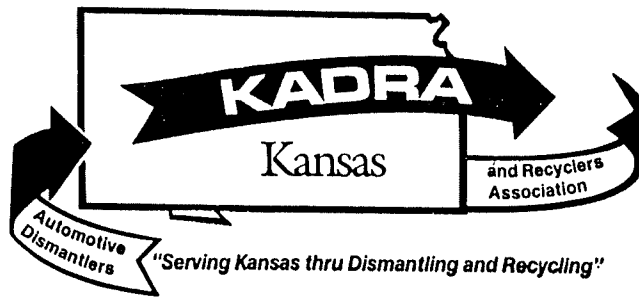
The Department of Revenue appears today in opposition to Senate Bill 482.

### BACKGROUND

If the intent of Senate Bill 482 is to insure that salvage dealers are providing worker's compensation insurance coverage for their employees, the Department would suggest that a simpler approach would be for us to supply the Worker's Compensation Administrator at the Department of Human Resources with a list of all vehicle dealers (not just salvage) and let them handle their own area of expertise in enforcing and administering the work comp laws.

Thank you.

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**SENATE COMMITTEE ON TRANSPORTATION  
AND UTILITIES**

January 31, 1990

**Senate Bill No. 531**

Mr. Chairman, Members of the Committee:

I am Pat Wiechman, executive secretary for the Kansas Automotive Dismantlers and Recyclers Association.

Senate Bill 531 was requested by our Association in an attempt to address a long standing problem that is growing by the minute, that of junk vehicles that have been disposed of on city streets, on county roads, in pastures and in back yards. Several of the inspectors for the Department have expressed their concern for proper documentation of ownership for these vehicles. In most cases, these vehicles are at least ten model years or older and the owners, if the owners can be found, have misplaced

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the titles and have no desire to exert time, effort or money to obtain duplicate titles. Or, the owners may have surrendered the title at some time as "JUNK" and another title cannot be obtained. The result is that the owner sells the vehicle without title to persons not licensed as dealers or abandons the vehicle. There is an overwhelming abundance of such vehicles clogging Kansas landscape with no way to economically or expeditiously remedy the situation. The attempt to handle these vehicles, after the owner abandons, is a costly burden to our cities and counties. Additionally, the State continues to carry these vehicles in the computer records. SB 531 is a simple alternative to the "title hassel."

SB 531 would create a "*transfer certificate*" that would be printed on "secure paper" and only be used to transfer ownership of a motor vehicle ten or more model years of age from the owner of the vehicle to a licensed salvage vehicle dealer. When the transfer is completed it would have the same affect as surrendering the title as

"junk" and no subsequent title could ever be issued; and the transfer certificate could not be used to transfer ownership.

Additionally, through SB 531 the language in K.S.A. 8-135 and 8-198 concerning junk titles will be stricken and new language added to the statute as new Section 2 to address the junk title.

We have worked with the Department of Revenue, Division of Vehicles, since last summer in an attempt to address these problems. This week we were advised that the Department's legal staff and the highway patrol had some problems with the bill as it was written. Our Association has met with both and I have attached a bill balloon incorporating the changes that we all believe will enhance and make the law workable.

You will note that in the new subsection (d) the division will issue the transfer certificate after the division has verified ownership. If it is found that a certificate of title can be issued, a duplicate title will



be forwarded to the dealer for proper handling. The last part of that subsection addresses the possibility that the vehicle has been sold by someone other than the person that appears on the face of the title or the possibility that the division has no record of the vehicle. In either case, the salvage vehicle dealer would be granted a possessory lien and the procedure would follow that has already been established by statute for tow truck operators who have a similar lien.

SB 531 also makes provision for the Department to fund this effort by charging a fee not to exceed that of an original title fee for each transfer certificate issued to a salvage dealer.

KADRA requests your favorable passage of Senate Bill 531 with the proposed amendments. I will be happy to try to answer any questions you may have.

Respectfully submitted,

Patricia M. Wiechman  
Executive Secretary

SENATE BILL No. 531

By Committee on Transportation and Utilities

1-22

9 AN ACT relating to motor vehicles; concerning salvage vehicles;
10 providing for a transfer certificate; amending K.S.A. 1989 Supp.
11 8-135 and 8-198 and repealing the existing sections.

12
13 Be it enacted by the Legislature of the State of Kansas:

14 New Section 1. (a) A transfer certificate, which shall be of similar
15 qualities as a certificate of title and, notwithstanding any provision
16 of article 1 of chapter 8 of the Kansas Statutes Annotated, shall only
17 be used to transfer ownership of a motor vehicle 10 or more model
18 years of age to any licensed salvage vehicle dealer, as defined in
19 K.S.A. 8-2401, and amendments thereto, when the owner thereof
20 does not have a certificate of title in the owner's possession. Any
21 such transfer of ownership through a transfer certificate shall have
22 the same affect as surrendering of a title as salvage or junk and no
23 subsequent title shall be issued.

24 (b) Any such vehicle transferred through the use of a transfer
25 certificate shall be dismantled, disassembled or recycled and may
26 not be sold as a unit at retail. Such unit may be sold as a unit by
27 the dealer to a scrap processor for recycling after the salvageable
28 parts have been removed.

application for

29 (c) The transfer certificate shall be in three parts. The licensed
30 salvage vehicle dealer shall complete the blank certificate provided
31 by the division by completing all the information on the form. The
32 dealer, after verification of the identification of the owner or
33 transferor, shall obtain the owner's or transferor's signature on the
34 certificate of transfer. The original of the form shall be forwarded
35 to the director. The second copy of the certificate shall be retained
36 by the dealer. The third copy shall be given to the owner or
37 transferor.

application

application for

38 (e) (d) Any current registration for the vehicle may be transferred
39 to an after-acquired vehicle by the owner or transferor in accordance
40 with the provisions of article 1 of chapter 8 of the Kansas Statutes
41 Annotated.

42 (f) (e) The director of vehicles may charge a fee not to exceed that
43 of an original title fee for each such form issued to a licensed salvage

(d) The division, upon receipt of the application for transfer certificate, shall verify ownership of the vehicle and, thereafter, shall issue a certificate of transfer, as prescribed by the director of vehicles, or a certificate of title. If the owner of the vehicle is other than the transferor, or in the event that the vehicle has never been titled in the State of Kansas, the salvage vehicle dealer shall be granted a possessory lien to the extent of any money, service, storage costs and actual expenses incurred by the dealer for such vehicle. The lien shall be foreclosed in the manner provided by Article 11, Chapter 8, within 60 days of the date of notification by the department.