

MINUTES OF THE SENATE COMMITTEE ON TRANSPORTATION AND TOURISM

The meeting was called to order by Chairman Ben Vidricksen at 9:05 a.m. on February 10, 1998 in Room 254-E of the Capitol.

All members were present except:

Committee staff present: Hank Avila, Legislative Research Department
Bruce Kinzie, Revisor of Statutes
Marian Holeman, Committee Secretary

Conferees appearing before the committee: Betty McBride, Dir. Div. Of Vehicles
Chuck Stones, Ks. Bankers Assn.

Others attending: See attached list

SB-542: Regarding certificates of title - repossessed vehicles.

The House just passed a bill to extend the sunset time on the \$7.00 title fee. SB-542 deals with a related but different issue of repossessed vehicles outside the state and issuance of titles for them. The concerned parties prefer to keep the two bills separate. Betty McBride, Director, Kansas Division of Vehicles provided members background information leading to the need for, and implementation of, this policy change. She also included supporting information in the Fiscal Note (Attachment 1).

Question raised as to whether or not the \$2.00 increase is sufficient, because this leaves no room for maintenance support. The statutes say that chartered financial institutions operating in the state of Kansas may title repossessed vehicles in Kansas. Closing the loophole in the law that allows this service to be provided; i.e. going back to just providing titles for Kansans, did not seem to be a viable option. Other state charges vary greatly. Kansas is one of the cheapest states for titling vehicles. The charge would still be low if a \$3.00 increase were added. Service is one of the factors that created the increase. These titles will clearly indicate it is for a repossessed vehicle. The Division anticipates an increase in requests for titles. Temporary employees cannot meet the demands of this work. Trained staff who will really know what to look for are needed and it takes at least a year to do this.

Chuck Stones, Kansas Bankers Association, urged passage of the bill providing the appropriations process will allow the funds to be utilized to support it (Attachment 2). They worked to develop the legislation that created the current situation, not anticipating these results, and have also worked to develop this bill to correct the problem.

Discussion covered the staffing to be supported by this fee increase. The Division of Vehicles is different from other state agencies in that they are a customer service agency and it runs on fees. The FTE is still a budget item and must be considered as to whether or not they will grant the fee. There must be a reason to collect the fee. It would help to show the fee is bringing in more than what is required to just balance the scale. Charging a differential rate for out of state titles would be very time consuming and require far more staff to accomplish.

Senator Karr moved to amend the increase to \$3.00 rather than \$2.00. Senator Gilstrap seconded the motion. Discussed the need for this and the allocation of the funds specifically to be used for administration, operations, and personnel associated with processing the repossessed titles. Motion carried.

Senator Karr moved to report the bill as amended favorable for passage. Senator Gilstrap seconded the motion. Motion carried. Senator Harrington will carry the bill.

SCR-1617: Re modernization of U.S.-169.

The Committee discussed the concurrent resolution when the US 169 Highway group appeared before the committee. Senator Tyson moved to recommend SCR-167 urging the US Congress to support the designating of US-169 highway as a demonstration project favorable for passage. Senator Jordan seconded the motion. Motion carried. Senator Tyson will carry the resolution.

The meeting adjourned at 10:00 a. m. The next meeting is scheduled for Wednesday, February 11, 1998.

Betty McBride, Director of Vehicles
Kansas Department of Revenue
915 SW Harrison St.
Topeka, KS 66626-0001



(913) 296-3601
FAX (913) 296-3852
Hearing Impaired TTY (913) 296-3909

Division of Vehicles

MEMORANDUM

TO: Senator Ben Vidricksen, Chairman
Senate Transportation Committee

FROM: Betty McBride, Director
Division of Vehicles

DATE: Tuesday February 10, 1998

SUBJECT: Senate Bill 542

Mr. Chairman, members of the Committee, I am Betty McBride, Director of the Kansas Division of Vehicles. I want to thank you for the opportunity to appear today in support of Senate Bill 542.

If passed, Senate Bill 542 will require applicants to pay an additional \$2.00 when obtaining a certificate of title for a repossessed vehicle. This fee is in addition to the \$7.00 title fee currently charged. A fund will be established, called the "Repossessed Certificate of Title Fee Fund". Moneys credited to this fund shall be used by the Division of Vehicles for the purpose of funding the administration and operations, including personnel associated with the processing and issuance of titles for repossessed vehicles.

Prior to December, 1996, repossessed vehicle title applications were processed by the Division of Vehicles for only Kansas financial institutions who met the Division's titling requirements. At the end of 1996, the Division began receiving out of state financial institutions' applications for repossessed titles for all their agencies, nationwide. Applications were refused; however, upon review of the Kansas Statutes by the Division's Legal Services Bureau, a determination was made that the out of state financial institutions did, in fact, have the right to funnel all titles for repossessed vehicles from their nationwide agencies, through the State of Kansas.

This change in policy drastically increased the number of repossessed title applications received and processed within the Title and Registration Bureau. Prior to the change, approximately thirty five (35) repossession titles were received daily and were processed by one associate. The Bureau is currently receiving approximately 107 repossessed title applications daily, and it is anticipated that if all financial institutions are allowed to process their out-of-state titles through the State of Kansas, the Division of Vehicles could incur an increase to 300 titles per day.

The number of new title services (Title services are entities that bring title work in each day to the Division for same day service.) has increased from four (4) to forty three (43) since Kansas began accepting repossessions from other states. Out of state title services are using post office boxes in Kansas to process other states' repossession titles. 817,243 titles were issued in 1996. This number increased to 858,559 in 1997. The 41, 316 increase in 1997 is attributed to the repossessed titles issued.

SENATE TRANSPORTATION & TOURISM
COMMITTEE -DATE: 2-10-98

Attachment # 1

These increases have affected the level of service our Division can deliver, and has resulted in delays of title delivery to our Kansas Dealers, Kansas Financial Institutions, and our Kansas citizens. because Kansas titles are less expensive than most states', and the turnaround time for repossession titles is much faster, Kansas has become an attractive state for titling repossessed vehicles.

It is this situation which prompted Senator Harrington to request legislation to address this problem, after receiving constituents' complaints.

Turnaround time has increased proportionally to the number of repossession titles submitted. The following table demonstrates the current problem:

	Nov. 1996	Aug. 1997	Aug. 1998	Aug. 1999
Repo titles handled daily by T&R: This figure represents projected increases based on the current % of increase.	35 App./day	100/day	200/day	300/day

	Past Incr.	Current	1998 Incr.	1999 Incr.	Tot. 3yr Incr.
Percent of Increase: This figure represents projected increases based on the current % of increase at current level of staffing.	0%	100%	100%	100%	300%

	Nov. 1996	Aug. 1997	Aug. 1998	Aug. 1999
Repo application processing time: This figure represents projected increase based on current rate of increase at the current level of staffing.	7-10 Days	21 Days	45 Days	90 Days+

Costs for the operation, administration and staffing of this function are estimated at \$125,874 annually. The Title and Registration Bureau estimates 1,000 to 1,500 certificates of title, for repossessed vehicles will be issued weekly; of which, the majority will be titles issued to out of state financial institutions. As indicated below, passage of Senate Bill 542 will provide the funding necessary to administer this function.

1,000 per week x 52 weeks = 52,000 titles x \$2.00 = \$104,000.00
 1,500 per week x 52 weeks = 78,000 titles x \$2.00 = \$156,000.00

Mr. Chairman, members of the Committee, I request your favorable consideration for passage of Senate Bill 542 so that the Division of Vehicles can again provide the quality of service to our Kansas citizens that they deserve.

Thank you again for allowing me the time to appear. I will stand for questions.



DIVISION OF THE BUDGET

Room 152-E

State Capitol Building

Topeka, Kansas 66612-1575

(785) 296-2436

FAX (785) 296-0231

Bill Graves
GovernorGloria M. Timmer
Director

February 10, 1998

The Honorable Ben Vidricksen, Chairperson
Senate Committee on Transportation and Tourism
Statehouse, Room 143-N
Topeka, Kansas 66612

Dear Senator Vidricksen:

SUBJECT: Fiscal Note for SB 542 by Senate Committee on Transportation and Tourism

In accordance with KSA 75-3715a, the following fiscal note concerning SB 542 is respectfully submitted to your committee.

SB 542 would impose an additional \$2 fee on certificates of title for repossessed vehicle titles. The additional \$2 fee would be deposited in the newly created Repossessed Certificates of Title Fee Fund in the Department of Revenue. The bill would require that expenditures from the fund be made only for the administration, operations, and personnel associated with the processing of certificates of title for repossessed vehicles. Under current law, the fee for a certificate of title is \$7. The bill would increase the fee to \$9 for repossessed vehicle titles.

Estimated State Fiscal Impact				
	FY 1998 SGF	FY 1998 All Funds	FY 1999 SGF	FY 1999 All Funds
Revenue	--	--	--	\$ 104,000
Expenditure	--	--	--	\$ 97,570
FTE Pos.	--	--	--	3.0

The Honorable Ben Vidricksen, Chairperson

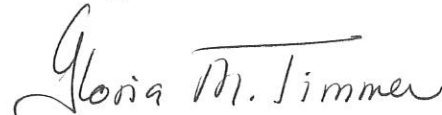
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The Department of Revenue estimates between 1,000 and 1,500 certificates of title are processed each week for repossessed vehicles. Assuming there are 52,000 titles processed each year, the Division of the Budget estimates that the additional \$2 fee would generate \$104,000 in receipts for the Repossessed Certificates of Title Fee Fund during FY 1999.

The Department of Revenue estimates that 3.0 additional FTE positions and associated salaries and wages, one-time capital outlay, and other operating expenditures would be required to process the expected volume of repossessed vehicle titles without slowing down the titling process for other vehicles. Estimated expenditures include \$76,050 for salaries and wages, \$17,400 for office setup, \$828 for annual operating expenditures, and \$3,292 for one-time programming changes. Any fiscal effect resulting from the passage of this bill would be in addition to the recommendations included in *The FY 1999 Governor's Budget Report*.

Sincerely,



Gloria M. Timmer
Director of the Budget

cc: Lynn Robinson, Department of Revenue

Kansas Bankers Association

800 SW Jackson, Suite 1500

Topeka, KS 66612

785-232-3444 Fax - 785-232-3484 e-mail - kbacs@ink.org

TO: Senate Transportation and Tourism Committee

FROM: Chuck Stones, Director of Research

RE: SB 542

Mr Chairman and Members of the Committee:

Thank you for the opportunity to appear before you regarding SB 542. The KBA has been in communication with the DOR regarding this issue for over a year. We are very sympathetic to their situation. Over the summer, in discussions with the Dept., we all determined that the provisions of SB 542 were the best way to proceed in this situation. We are supportive of the bill, providing the appropriations process goes accordingly also.

We urge your favorable action.

Chuck Stones



*Senate Transportation & Tourism
2-10-98
Attachment #2*

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