

MINUTES OF THE SENATE TRANSPORTATION COMMITTEE.

The meeting was called to order by Chairperson Senator Les Donovan at 8:30 a.m. on February 7, 2002 in Room 245-N of the Capitol.

All members were present except: Senator Ed Pugh

Committee staff present: Bruce Kinzie, Revisor of Statutes
Marian F. Holeman, Committee Secretary

Conferees appearing before the committee: Sheila Walker, Dir., Div. Of Vehicles, KDOR
Don McNeely, President, KADA

Others attending: See attached list

SB 458: Vehicle dealers & manufacturers, license fees, increasing

Sheila Walker, Director, Division of Vehicles, Kansas Department of Revenue, requested this bill which would increase the cost for new, used, auction, and salvage dealers, as well as first and second stage manufacturers. Ms. Walker advised that Kansas fees would still be considerably less than other states' dealer licensing fees. The increased funds would be used to pay for background checks and the National Motor Vehicle Title Information System (NMVTIS). Ms. Walker further discussed the need for, and process involved in, the Division's background check responsibilities as well as NMVTIS (Attachment 1). Members viewed a short video presentation on the "National Motor Vehicle Title Information System," its' function and benefits as outlined briefly on page 3 of attachment 1.

Don McNeely, President, Kansas Automobile Dealers Association, appeared before the Committee in support of **SB 458**. He proposed an amendment which would spread the cost associated with implementation of NMVTIS among all licensees of the Kansas Division of Motor Vehicles, as opposed to just five type of licensees, because all will benefit from its use (Attachment 2). Members discussed the proposed amendment; i.e. page 2, line 32, \$25 should not have been crossed out - remains \$25; line 42 on supplemental locations, should be \$35 in last column, This does not apply to "temporary certificates." Discussed projected status of NMVTIS; 1) How soon how many states will be linked into the system? 2) Are the "bugs" already worked out?, etc. Jack Adolph of the Kansas Used Car Dealers Association discussed this issue with both Ms. Walker and Chairman Donovan and supports passage of the legislation.

Staff asked for clarification of page 3, line 8 in the balloon amendment regarding charge for inspection of business premises. Senator Goodwin moved to change page 3, line 8 to read \$30. Senator Schodorf seconded the motion. Motion carried. Senator Goodwin moved to adopt the balloon amendment plus minor technical changes. Senator Harrington seconded the motion. Motion carried. Senator Schodorf moved to pass **SB 458** as amended. Senator Goodwin seconded the motion. Motion carried.

Meeting adjourned at 9:25 a.m.

The next meeting is scheduled for February 12, 2002.

SENATE TRANSPORTATION COMMITTEE

GUEST LIST

DATE: FEBRUARY 7, 2002

NAME	REPRESENTING
Michael Z. West	Kearney Law
Sheila J. Walker	KDOR-DMV
J. J. & Edrin	GM
Don McNeely	KANSAS AUTOMOBILE DEALERS ASSN.
Whitney Damon	KS Automobile Dealers Assn.
Deann Williams	KS MOTOR CARRIERS ASSOC.
Christi Stewart	KS Motor Carriers Assoc
GARY DAVENPORT	KS MOTOR CARRIERS ASSN.
Tom Whitaker	KS MOTOR CARRIERS ASSN.
Ron McWhitty	KDOT
Sheila Walker	KDOR-DMV
Diane Albert	" "



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Division of Vehicles

TO: Chairman Les Donovan
Members of the Senate Transportation Committee

FROM: Sheila J. Walker, Director of Vehicles *Sheila J. Walker*

DATE: February 7, 2002

SUBJECT: SB 458 – Dealer Licensing Fees

Chairman Donovan, members of the committee, thank you for giving me the opportunity to testify in favor of Senate Bill 458. This bill would increase dealer licensing fees (under K.S.A. 8-2404).

Increasing Dealer Licensing Fees

The way the bill is currently drafted, the cost for applying for any one of the state's main dealer fees (for new, used, auction, and salvage dealers, as well as first and second stage manufacturers) would increase to a total of \$80, compared to the current \$50.

The increase brings Kansas more in line with other states' dealer licensing fees:

- Missouri - \$150
- Colorado - \$300
- Nebraska - \$200
- California - \$150

These increased funds would be deposited in the existing Dealer & Manufacturers' Fund to pay for background checks and the National Motor Vehicle Title Information System (NMVTIS).

KBI Background Checks

State law (8-2410) says the Director of Vehicles may deny, suspend or revoke a dealer's license (or renewal) if the applicant has, within five years preceding the date of application, been:

- convicted of a felony;
- convicted of any crime involving moral turpitude; or
- found guilty of any state or U.S. law in connection with such person's operation as a dealer or salesperson.

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Since becoming Director in April 1999, my general rule of thumb has been to deny all applicants who, in the last five years, have met one of these three criteria.

Up until several years ago, Alcoholic Beverage Control (ABC) had conducted background checks on our applicants through the Kansas Bureau of Investigation (KBI). When the KBI started charging for these background checks, ABC referred the duties back to Titles & Registrations. Because there was no money budgeted for the background checks, the applicants were no longer being checked.

For the past two years, the only way we knew if applicants had been convicted of a felony or any crime involving moral turpitude or found guilty of a state or U.S. law in connection with their dealer or salesperson's license was if they indicated the truth on their application.

Fortunately, we were recently able to reinstate background checks on all applicants. We negotiated a lower price for the background checks through the Kansas Bureau of Investigation. The KBI is giving us a price break for one year. Next year, the cost is expected to increase to full price.

Our legislative proposal to increase the dealer licensing fees is designed, in part, to recover the costs of the background checks.

I believe we have a public policy interest in enforcing the denial of applicants convicted of a felony or any crime involving moral turpitude or found guilty of a state or U.S. law. It is our responsibility to protect the public interest as residents buy and trade vehicles.

NMVTIS

As recommended by our Dealer Review Board, the increase in fees is also expected to cover the costs of the National Motor Vehicle Title Information System (NMVTIS). NMVTIS is required by the Anti Car Theft Act of 1992 and is used by state motor vehicle titling agencies, law enforcement, consumers, insurance carriers, dealers and others to instantly and reliably verify information on a vehicle. It is expected to decrease the ability of criminals to obtain titles fraudulently and reduce the number of titles issued on stolen vehicles.

Fewer than a dozen states are currently using NMVTIS. Kansas has submitted a letter of intent.

We would appreciate your favorable support of this bill.

National Motor Vehicle Title Information System

Enabling Legislation

The Anti Car Theft Act of 1992 created NMVTIS to reduce theft and fraud. The Act was enacted in Public Law 102-519.

Car Theft is a Profitable Business - \$8 Billion per Year

Before NMVTIS, a thief could steal a car, then take it over the state line and get a valid title by presenting fraudulent ownership documentation. Or, the thief could steal a car, switch the VIN plate for one from a junked car, and get a valid title for the stolen car. These activities were possible because the states had no instant, reliable way of validating the information on the ownership documentation prior to issuing the new title.

Fraud Affects the Economy and Consumer Safety

Vehicles that incur significant damage are considered “junk” or “salvage”. Fraud occurs when junk or salvage vehicles are presented for sale to consumers without disclosure of their real condition. The unknowing consumers pay more than the vehicle is worth, and they don’t know whether the vehicles have been adequately repaired, and may be unsafe to drive.

State titling agencies “brand” titles that are junk or salvage. However, some of these brands are lost when the paper titles travel from state to state – this is called title washing.

NMVTIS Reduces Titling of Stolen Cars and Reduces Fraud

NMVTIS allows state titling agencies to verify the validity of ownership documents before they issue new titles. NMVTIS also checks to see if the vehicle is reported “stolen” – if so, the states don’t issue the new titles. Brands are not lost when the vehicle travels from state to state, because NMVTIS keeps a history of all brands ever applied by any state to the vehicle.

See <http://www.aamva.org/AAMVA/indexNMVTISReport.html> for the full report on the pilot evaluation.

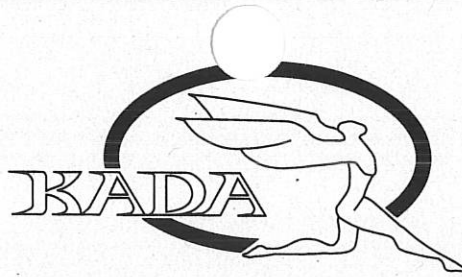
A pilot of NMVTIS showed that NMVTIS could reduce the incidence of insurance payoffs on stolen vehicles by more than \$200 million per year. The pilot showed that NMVTIS could prevent title washing of about 60,000 brands per year.

NMVTIS Benefits Everyone

For state titling agencies, NMVTIS is a powerful tool to help them do their jobs to prevent fraudulent use of the title document. NMVTIS is a tool for law enforcement to investigate vehicle thefts that are identified during the titling process. Consumers use NMVTIS to determine whether a car has been significantly damaged and how much they are willing to pay for it.

Congress Must Continue to Support NMVTIS

To date, Congress has appropriated funding to assist about half the states in their development of NMVTIS. Congress must continue to support NMVTIS so that all states can implement the system and the maximum benefit can be realized for the states, law enforcement, and consumers.



KANSAS AUTOMOBILE DEALERS ASSOCIATION

TO: The Honorable Les Donovan, Chairman
And Members Of The
Senate Committee on Transportation

FROM: Mr. Don McNeely, President
Kansas Automobile Dealers Association

RE: SB 458 – An Act Related to Motor Vehicle Dealer and
Manufacturer Licensing Fees.

DATE: February 7, 2002

Good morning Chairman Donovan and Members of the Senate Committee on Transportation. My name is Don McNeely and I am the President of the Kansas Automobile Dealers Association, which represents the franchised new car and truck dealers in Kansas, as well as the franchised new motorcycle and recreational vehicle dealers. On behalf of KADA, I am pleased to present this testimony in support of SB 458, and respectfully submit proposed amendments, which revise the licensing fee enhancements in SB 458 as introduced.

While no one likes enhancements to required state licensing fees, the industry does recognize from time to time that fee enhancements are necessary. Especially, when they provide needed funding for beneficial programs and services, which benefit the consuming public and the industry-at-large.

The licensing fee enhancements proposed in SB 458 are for such purposes, especially as they pertain to implementation of the National Motor Vehicle Title Information System (NMVTIS), which will provide immense benefits to the consuming public, the Kansas Division of Motor Vehicles, the various local and state law enforcement agencies, as well as to the wholesale and retail motor vehicle industry.

The proposed revisions to the licensing fees, which are contained in our amendment, spreads the cost associated with the implementation

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of the NMVTIS between all licensees of the Kansas Division of Motor Vehicles, as opposed to just five types of licensees. The reason for this is that all licensees will benefit from NMVTIS, as well as the consuming public.

On behalf of the Kansas Automobile Dealers Association, I thank you for your consideration of our comments in support of SB 458 and our proposed amendments.

1 where a complaint respecting the cancellation, termination or nonrenewal
 2 of a sales agreement is in the process of being heard, no replacement
 3 application shall be considered until a final order is issued by the director.
 4 Applications for renewals, except for renewals of licenses issued to sales-
 5 persons, received by the director after February 15 shall be considered
 6 as new applications. All salespersons' licenses issued on or after January
 7 1, 1987, shall expire on June 30, 1988, and thereafter shall expire, unless
 8 previously suspended or revoked, on June 30 of the calendar year for
 9 which they are granted. Applications for renewals of salespersons' licenses
 10 received by the director after July 15 shall be considered as new appli-
 11 cations. All licenses for supplemental places of business existing or issued
 12 on or after January 1, 1994, shall expire on December 31, 1994, unless
 13 previously expired, suspended or revoked, and shall thereafter expire on
 14 December 31 of the calendar year for which they are granted, unless
 15 previously suspended or revoked.

16 (e) License fees for each calendar year, or any part thereof shall be
 17 as follows:

- 18 (1) For new vehicle dealers, ~~\$50 \$80~~, \$75
- 19 (2) for distributors, ~~\$50 \$60~~, \$75
- 20 (3) for wholesalers, ~~\$50 \$60~~, \$75
- 21 (4) for distributor branches, ~~\$50 \$60~~, \$75
- 22 (5) for used vehicle dealers, ~~\$50 \$80~~, \$75
- 23 (6) for first and second stage manufacturers, ~~\$200 \$220~~ ^{\$225} plus ~~\$50 \$60~~ \$75
 24 for each factory branch in this state;
- 25 (7) for factory representatives, ~~\$25 \$35~~, \$50
- 26 (8) for distributor representatives, ~~\$25 \$35~~, \$50
- 27 (9) for brokers, ~~\$50 \$60~~, \$75
- 28 (10) for lending agencies, ~~\$25 \$35~~, \$50
- 29 (11) for first and second stage converters, ~~\$25 \$35~~, \$50
- 30 (12) for salvage vehicle dealers, ~~\$50 \$80~~, \$75
- 31 (13) for auction motor vehicle dealers, ~~\$50 \$80~~, \$75
- 32 (14) for vehicle salesperson, ~~\$10 \$25~~, and
- 33 (15) for insurance companies, ~~\$50 \$60~~, \$75

34 Any salvage vehicle dealer who is also licensed as a used vehicle dealer
 35 shall be required to pay only one ~~\$50 \$90~~ fee for both licenses. Any new
 36 vehicle dealer who is also licensed as a used vehicle dealer shall be re-
 37 quired to pay only one ~~\$50 \$90~~ fee for both licenses.

[\$75]
 [\$75]

38 (f) Dealers may establish approved supplemental places of business
 39 within the same county of their licensure or, with respect to new vehicle
 40 dealers, within their area of responsibility as defined in their franchise
 41 agreement. Those doing so shall be required to pay a supplemental license
 42 fee of \$10 \$20. In addition to any other requirements, new vehicle dealers
 43 seeking to establish supplemental places of business shall also comply with

[\$25]

1 the provisions of K.S.A. 8-2430 through 8-2432, and amendments thereto.
2 A new vehicle dealer establishing a supplemental place of business in a
3 county other than such dealer's county of licensure but within such
4 dealer's area of responsibility as defined in such dealer's franchise agree-
5 ment shall be licensed only to do business as a new motor vehicle dealer
6 in new motor vehicles at such supplemental place of business. Original
7 inspections by the division of a proposed established place of business
8 shall be made at no charge except that a ~~\$5~~ \$15 fee shall be charged by 30
9 the division for each additional inspection the division must make of such
10 premises in order to approve the same.

11 (g) The license of all persons licensed under the provisions of this act
12 shall state the address of the established place of business, office, branch
13 or supplemental place of business and must be conspicuously displayed
14 therein. The director shall endorse a change of address on a license with-
15 out charge if: (1) The change of address of an established place of busi-
16 ness, office, branch or supplemental place of business is within the same
17 county; or (2) the change of address of a supplemental place of business,
18 with respect to a new vehicle dealer, is within such dealer's area of re-
19 sponsibility as defined in their franchise agreement. A change of address
20 of the established place of business, office or branch to a different county
21 shall require a new license and payment of the required fees but such
22 new license and fees shall not be required for a change of address of a
23 supplemental place of business, with respect to a new vehicle dealer, to
24 a different county but within the dealer's area of responsibility as defined
25 in their franchise agreement.

26 (h) Every salesperson, factory representative or distributor represen-
27 tative shall carry on their person a certification that the person holds a
28 valid state license. The certification shall name the person's employer and
29 shall be displayed upon request. An original copy of the state license for
30 a vehicle salesperson shall be mailed or otherwise delivered by the divi-
31 sion to the employer of the salesperson for public display in the em-
32 ployer's established place of business. When a salesperson ceases to be
33 employed as such, the former employer shall mail or otherwise return
34 the original copy of the employee's state license to the division. A sales-
35 person, factory representative or distributor representative who termi-
36 nates employment with one employer may file an application with the
37 director to transfer the person's state license in the name of another
38 employer. The application shall be accompanied by a ~~\$2~~ \$12 transfer fee.
39 A salesperson, factory representative or distributor representative who
40 terminates employment, and does not transfer the state license, shall mail
41 or otherwise return the certification that the person holds a valid state
42 license to the division.

43 (i) If the director has reasonable cause to doubt the financial respon-

1 tion, engaged in the business of buying, selling or exchanging used motor
2 vehicles, either directly or indirectly, includes: (1) Displaying used motor
3 vehicles on a lot or showroom; (2) advertising used motor vehicles, unless
4 the person's business primarily includes the business of broadcasting,
5 printing, publishing or advertising for others in their own names; or (3)
6 regularly or actively soliciting buyers for used motor vehicles.

7 (s) The director of vehicles shall publish a suitable Kansas vehicle
8 salesperson's manual. Before a vehicle salesperson's license is issued, the
9 applicant for an original license or renewal thereof shall be required to
10 pass a written examination based upon information in the manual.

11 (t) No new license shall be issued nor any license renewed to any
12 person to act as a salvage vehicle dealer until the division has received
13 evidence of compliance with the junkyard and salvage control act as set
14 forth in K.S.A. 68-2201 *et seq.*, and amendments thereto.

15 (u) On and after the effective date of this act, no person shall act as
16 a broker in the advertising, buying or selling of any new or used motor
17 vehicle. Nothing herein shall be construed to prohibit a person duly li-
18 censed under the requirements of this act from acting as a broker in
19 buying or selling a recreational vehicle as defined by subsection (f) of
20 K.S.A. 75-1212, and amendments thereto, when the recreational vehicle
21 subject to sale or purchase is a used recreational vehicle which has been
22 previously titled and independently owned by another person for a period
23 of 45 days or more, or is a new or used recreational vehicle repossessed
24 by a creditor holding security in such vehicle.

25 (v) Nothing herein shall be construed to prohibit a person not oth-
26 erwise required to be licensed under this act from selling such person's
27 own vehicle as an isolated and occasional sale.

28 Sec. 2. K.S.A. 8-2418 is hereby amended to read as follows: 8-2418.

29 (a) The director shall remit all moneys received by or for the director
30 from fees, charges or penalties under the provisions of this act to the state
31 treasurer in accordance with the provisions of K.S.A. 75-4215, and
32 amendments thereto. Upon receipt of each such remittance, the state
33 treasurer shall deposit the entire amount in the state treasury to the credit
34 of the state highway fund, *except as provided in subsection (b).*

35 (b) On and after July 1, 2002, ~~\$10~~ of each license fee collected under (\$25)
36 subsections (e), (f) and (h) of K.S.A. 8-2404, and amendments thereto,

~~\$10~~ 37 ~~except that \$30~~ of each license fee collected under paragraphs (1), (3), ((14))
38 ~~(12) and (13)~~ of subsection (e) of K.S.A. 8-2404, and amendments thereto,

~~\$10~~ 39 ~~and \$50~~ of each license fee for first and second stage manufacturers under [collected]
40 paragraph (g) of subsection (e) of K.S.A. 8-2404, and amendments thereto, [(f) and (h)]

41 shall be remitted to the state treasurer who shall credit such amounts to
42 the vehicle dealers and manufacturers fee fund.

43 Sec. 3. K.S.A. 8-2404 and 8-2418 are hereby repealed.