

MINUTES OF THE HOUSE TRANSPORTATION COMMITTEE

The meeting was called to order by Chairman Gary Hayzlett at 1:30 p.m. on February 17, 2009, in Room 783 of the Docking State Office Building.

All members were present except Representative Henry who was excused.

Committee staff present:

Bruce Kinzie, Office of the Revisor of Statutes
Hank Avila, Kansas Legislative Research Department
Jill Shelley, Kansas Legislative Research Department
Betty Boaz, Committee Assistant

Conferees appearing before the committee:

Representative Ann Mah
Vince Melvin, M & M Salvage
Steve Kearney, Representing Auto Sales Dealers

Others attending:

See attached list.

Chairman Hayzlett opened the meeting and advised the Committee there was going to be a presentation by representatives from CarFax. The first representative was Timothy Sowton, Government Relations and Business Development, R. L. Polk & Company. R. L. Polk & Company buy automotive records from every state. He said they were here on their annual visit to Topeka to meet with the Motor Vehicle Division staff. He then introduced Paul Kinitra, who is the Governmental Relations Manager for Car-Fax. He gave a power-point presentation to the Committee.

Chairman Hayzlett introduced Secretary Miller. Secretary Miller passed on remarks from the Governor regarding her vision for transportation. She quoted the Governor as saying the new strategic approach to transportation crafted by the Transportation-Leveraging Investments in Kansas Task Force (T-LINK) will give Kansas the flexibility to seize future economic opportunities while demanding greater accountability and efficiency in meeting our transportation needs. The Governor asked T-LINK members to continue their service to the state by serving as an advisory body for implementation. According to Secretary Miller, Governor Sebelius said KDOT has been directed to report progress to and seek input from T-LINK as recommendations are being implemented.

The Chairman opened the hearing on **HB 2258**.

HB 2258 - Licensing vehicle crushers, recyclers, rebuilders scrap metal recycler.

Chairman Hayzlett recognized Representative Mah. (Attachment #1) According to Representative Mah she became aware of the issues related to automobile recycling last summer when she learned of a recycler in her district who might be recycling stolen vehicles. She notified the Department of Revenue to provide information which eventually led to an arrest. She was advised by staff in the Department of Revenue that there are some holes in the law that need to be covered to reduce the opportunities for cars to be stolen and crushed with no oversight.

The next proponent was Vincent P. Melvin, Jr., President of M & M Auto Parts, Inc. (Attachment #2) According to Mr. Melvin he feels that the scrap dealers should be licensed and controlled by the State. He said the biggest reason is to control the vehicles that are being removed from service. He said the other reason is to assist the local police department with vehicles that may be stolen.

The Chairman recognized Steve Kearney who was representing the KS Automotive Recyclers Ass'n. (Attachment #3) According to Mr. Kearney there is a problem in the disposition of an automobile in which all those involved are not licensed and regulated. He said this bill is intended to take care of that issue which will create a system that discourages fraud, auto theft and protects consumers by licensing vehicle crushers, recyclers, scrap metal recyclers, rebuilders, and salvage vehicle pools. He said the salvage pool was another gap in the life of an automobile that presents opportunity for fraud and auto theft.

CONTINUATION SHEET

Minutes of the House Transportation Committee at 1:30 p.m. on February 17, 2009, in Room 783 of the Docking State Office Building.

Chairman Hayzlett drew the Committee's attention to written testimony in support of **HB 2258** from Chief of Police Ronald L. Miller, Topeka Police Department (Attachment #4). Written testimony was also provided by Michael George on behalf of Sheriff Richard W. Barta, Shawnee County Sheriff's Office saying they are not opposed to **HB 2258**. (Attachment #5)

Michael J. McLlin, Manager of Titles and Registration Bureau, Division of Vehicles offered a balloon amendment on **HB 2258**. (Attachment 6)

There being no other proponents and no opponents the Chairman closed the hearing on **HB 2258**.

It was the Chairman's desire to work **HB 2133** so he opened it to the Committee for discussion, comments or motions. The Committee discussed the bill at length. Representative King made a motion to Table **HB 2133**, seconded by Representative Wetta and the motion carried.

Chairman Hayzlett opened **HB 2134** for discussion, comments or motions. After discussions, Representative Long made a motion to carry over **HB 2134** until next year, Representative Rardin seconded it. There was more discussion. Representative Long withdrew her motion as did the second. Representative Peck made a motion to pass favorably **HB 2134**, seconded by Representative Proehl and the motion carried.

The Chairman opened **HB 2188** for discussion, comments or motions. Staff explained **HB 2188** to the Committee. Representative Vickrey made a motion to pass favorably **HB 2188**, seconded by Representative Peck., After more discussion Representative Vickrey amended his motion to align the renewal date with the renewal date for a dealer license to avoid confusion of the expiration dates, seconded by Representative Proehl, the motion carried.

It was the Chairman's desire to work **HB 2258**. Representative Burgess made a motion to amend the bill to make the new requirements apply consistently to all of these types of businesses; to allow any member of law enforcement rather than only members of the Highway Patrol to have access to business records; and to make technical corrections, seconded by Representative Ballard, motion to amend **HB 2258** carried. Representative Menghini made a motion to pass **HB 2258, As Amended**, seconded by Representative King, the motion carried.

There being no further business before the Committee, the meeting was adjourned at 2:30 p.m. The next meeting will be on March 4, 2009.

HOUSE TRANSPORTATION COMMITTEE GUEST LIST

DATE: February 17, 2009

NAME	REPRESENTING
Kathryn Uttern	KAC
Michael Heering	Shannon County Sheriff
Tim Souton	R.L. Polk & Co.
Pamela Lewis	CAPITOL CITY GRASS
John D. Piegner	Piegner Smith & Assoc.
Matt Casey	GBA
Budd Burke	Highway ^{SW ASSN} 69 ASSN
KEITH PANGBORN	KEARNEY & ASSOC.
Paul Kapitra	Cartax
Patrick Newby	Ee Refolme
Ray Milk	Div. of Vehicles
SEAN MILLER	CAPITOL STRATEGIES

STATE OF KANSAS

ANN E. MAH
REPRESENTATIVE, 53RD DISTRICT
3351 SE MEADOWVIEW DR.
TOPEKA, KANSAS 66605
(785) 266-9434



TOPEKA

HOUSE OF
REPRESENTATIVES

CAPITOL BUILDING
TOPEKA, KANSAS 66612
(785) 296-7668

House Committee on Transportation
HB 2258
Testimony – February 17, 2009

Mr. Chairman and Committee:

Thank you for hearing our bill today. I first became aware of issues related to automobile recycling last summer when I learned of a “recycler” in my district that might be “recycling” stolen vehicles. I notified Department of Revenue employees to provide information for an investigation that eventually led to an arrest.

In visiting with Mike McGlenn, in the Titles and Registration division, he said that there were some holes in the law that needed to be covered to reduce the opportunities for cars to be stolen and crushed with no oversight. We are here to cover the holes today and create a tool for law enforcement to catch and prosecute car thieves and their “recycling” accomplices.

I’ll let those in the business tell you why this bill is needed and important to them. I appreciate your hearing the bill and urge you to send this to the House so it might become law this year.

Rep. A. E. Mah

House Transportation
Date: 2-17-09
Attachment # 1

Larry Ann Mah

Subject: TESTIMONY HB 2258

Testimony before the House Committee on Transportation HB 2258 February 17, 2009

MY NAME IS VINCENT P. MELVIN JR, I AM THE PRESIDENT OF M & M AUTO PARTS INC.
841 NW TYLER ST. TOPEKA, KS. 66608. WE HAVE BEEN IN BUSINESS FOR 25 YEARS NEXT MONTH.
FROM BEGINNING WE WERE REQUIRED TO HAVE A AUTO SALVAGE LICENSE FROM THE STATE OF KANSAS
BECAUSE WE PURCHASE SALVAGE VEHICLES AND SELL THE PARTS FROM THE VEHICLES. WE ALSO HAVE A
USED CAR LICENSE FROM THE STATE OF KANSAS. THESE LICENSE REQUIRES US TO REPORT EACH
VEHICLE WE SALE OR SCRAP . WHEN WE SCRAP OR SELL A USED VEHICLE WE DOCUMENT THE DATE OF
SALE AND THE VIN # AND TO WHO THE VEHICLE WAS SOLD TOO AND SEND IN A MONTHLY REPORT. THESE
LICENSE'S ALSO REQUIRES WE BE BONDED ON EACH LICENSE.

I UNDERSTAND THIS BILL WHEN PASSED WILL REQUIRE SCRAP YARDS TO APPLY FOR AND RECEIVE A
LICENSE FROM THE STATE OF KANSAS. I WAS TOLD THAT A SCRAP YARD DID
NOT REQUIRE A LICENSE BECAUSE THEY DID NOT SELL PARTS OFF OF THE VEHICLES.
EACH AND EVERY VEHICLE THEY PROCESS THEY WILL BE REQUIRED TO SUBMIT THE SAME INFORMATION AS
THE PRESENT LICENSED DEALERS TO THE STATE EACH MONTH ALONG WITH THE COPY OF THE TITLE.

1

I BELIEVE THIS IS VERY IMPORTANT THAT THE SCRAP DEALERS BE LICENSED AND CONTROLLED BY THE
STATE OF KANSAS. THE BIGGEST REASON IS TO CONTROL THE VEHICLES THAT ARE BEING REMOVED FROM
SERVICE. THE OTHER REASON IS TO ASSIST THE LOCAL POLICE DEPARTMENT WITH VEHICLES THAT MAY
BE STOLEN. IT IS EASY TO SELL A VEHICLE TO A SCRAP DEALER WITH OUT A TITLE OR CERTIFICATE
OF TITLE. NO QUESTIONS ASKED.

I TRUST THAT YOU WILL VOTE TO PASS THIS BILL.

THANK YOU

VINCENT P. MELVIN JR
PRESIDENT
M & M AUTO PARTS INC

House Transportation
Date: 2-17-09
Attachment # 2

2

HB 2258 TESTIMONY ON BEHALF OF
THE KANSAS AUTOMOTIVE RECYCLERS ASSOCIATION

TO: HOUSE TRANSPORTATION COMMITTEE
FROM: STEVE KEARNEY ON BEHALF OF KARA
SUBJECT: HB 2258
DATE: 2/17/2009

Chairman Hayzlett and members of the committee, thank you for considering this important issue. The membership of the Kansas Automotive Recyclers Association which is comprised of salvage vehicle dealers supports the concepts embodied in HB 2258.

One of the gaping holes in the cradle to grave lifetime of an automobile has long been the fact that not all those involved in the disposition of automobiles are licensed and regulated, in this instance by the Kansas Department of Revenue. This bill intends to close that gap and create a system that discourages fraud, auto theft and protects consumers by licensing vehicle crushers, recyclers, scrap metal recyclers, rebuilders, and salvage vehicle pools.

Two of separate and distinct areas of concern for Kansas have been "rebuilders" and "salvage vehicle pools". If a vehicle finds itself at either of these junctures during its lifetime, the potential for damage to Kansans exists. In the instance of a "rebuilder", the return of a motor vehicle to Kansas roads in the hands of what can be an unsuspecting consumer by an unregulated entity can result in an unsafe vehicle returned to the road without adequate disclosure. Once resold or traded in on another vehicle the fact that a vehicle is rebuilt can be lost, and the consumer and unsuspecting car dealer taking it on a trade can be damaged both economically and incur liability for failing to disclose or otherwise inform a consumer about a car's history.

The "salvage pool" is another gap in the life of an automobile that presents opportunity for fraud and auto theft. These "pools" also known as insurance auto auctions are not regulated through licensure and frequently are selling damaged vehicles to other than licensed salvage dealers, but to rebuilders, foreign nationals and those looking for titles matching vehicles that have been or will be stolen. With the advent of online bidding almost exclusively by these "pools", the tracking of to whom the vehicle is sold and what the use of the vehicle or title is, have been exacerbated.

In 2006, a Legislative Post Audit was conducted in this area and I would commend it to your review. It is Audit number 06PA06. The recommendations by Post Audit were as follows:

"To better protect the citizens of Kansas from the physical and financial dangers of salvage vehicles that have been inadequately repaired or fraudulently titled, the Department of Revenue's Division of Vehicles should propose legislation to the 2007 Legislature that would give the State meaningful oversight of salvage vehicle pools. In developing that proposal, the Division

House Transportation
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should consider the following options:

1. implementation of a Buyer Identification (BID) card system to help ensure that only persons with a legitimate interest in salvage vehicles can make purchases at salvage auctions
2. authority for the Department of Revenue to review titles and other sales records maintained by salvage pools
3. creation of sanctions for salvage pools that fail to maintain vehicle titles as required by current State law.”

Thank you for this opportunity to provide the thoughts of our members.

Committee on Transportation
Testimony HB 2258

"As the Chief of Police for the Topeka Police Department I support efforts to regulate vehicle crushers, vehicle recyclers, scrap metal recyclers, rebuilders, and salvage vehicle pools. In Topeka we have experienced issues pertaining to the businesses. Cars have been stolen off the street and taken to vehicle recyclers to be sold as scrap. We have experienced stolen scrap metal including City of Topeka utility "manhole" covers actually stolen from the street and taken to local scrap yards to be sold as scrap metal. Throughout the state other jurisdictions have experienced the same type of problems. Bills requiring licensing and regulation would help reduce crime in Kansas."

Chief Ronald L. Miller
Police Department
320 S. Kansas Ave.
Topeka, KS 66603
785-368-9437 (O)
785-368-9452 (F)
www.topeka.org
rmiller@topeka.org

House Transportation
Date: 2-17-09
Attachment # 4



**Shawnee County
Sheriff's Office
Sheriff Richard W. Barta
Law Enforcement Center**

320 S. KANSAS, SUITE 200
TOPEKA, KANSAS 66603-3641
785-368-2200

February 17, 2009

**TESTIMONY ON HOUSE BILL 2258
BEFORE THE COMMITTEE ON
TRANSPORTATION**

The Shawnee County Sheriff's Office is not opposed to the provisions of House Bill No. 2258. The Sheriff supports the bill. We do offer one suggestion for amendment. The Sheriff believes that the bill should allow inspection of the records by all law enforcement agencies instead of just the Kansas Highway Patrol. We believe this would be a more efficient procedure for enforcement.

Submitted by Michael George on
Behalf of Sheriff Richard W. Barta
Shawnee County Sheriff's Office

House Transportation
Date: 2-17-09
Attachment # 5

1 (hh) "Salvage vehicle pool" means any person who as an agent for a
 2 third party is primarily engaged in the business of storing, displaying and
 3 offering for sale salvage vehicles.

4 (ii) "Major component part" means any vehicle part including the
 5 front clip, rear clip, doors, frame, chassis, engine, transmission, transaxle,
 6 cab, bed and box bearing the public vehicle identification number or
 7 engine number, if manufactured prior to 1981; or any vehicle part bearing
 8 a derivative of such number.

9 (jj) "Recreational motor vehicle" means a recreational vehicle as de-
 10 fined by subsection (f) of K.S.A. 75-1212, and amendments thereto.

11 (kk) "Vehicle crusher" means any person, other than a vehicle recy-
 12 cles or a scrap metal recycler, who engages in the business of flattening,
 13 crushing or otherwise processing end-of-life vehicles for recycling. Vehicle
 14 crushers include, but are not limited to, persons who use fixed or mobile
 15 equipment to flatten or crush end-of-life vehicles for a vehicle recycler or
 16 a scrap metal recycler.

17 (ll) "Vehicle recycler" means a person who engages in the business of
 18 acquiring, dismantling, removing parts from or destroying end-of-life ve-
 19 hicles for the primary purpose of reselling the vehicle parts.

20 (mm) "Scrap metal recycler" means a person who engages in the busi-
 21 ness of shredding or otherwise processing end-of-life vehicles or other
 22 scrap metal into prepared grades and whose principal product is scrap
 23 iron, scrap steel or nonferrous metallic scrap for sale for remelting
 24 purposes.

25 (nn) "End-of-life vehicle" means any vehicle that is sold, given or
 26 otherwise conveyed to a vehicle recycler or scrap metal recycler for pur-
 27 poses of resale of its parts or recycling.

28 (oo) "Rebuilder" means a person who is engaged in the business of
 29 rebuilding salvage vehicles, as defined in K.S.A. 8-196, and amendments
 30 thereto, and selling such rebuilt salvage vehicles.

31 Sec. 4. K.S.A. 2008 Supp. 8-2404 is hereby amended to read as fol-
 32 lows: 8-2404. (a) No vehicle dealer shall engage in business in this state
 33 without obtaining a license as required by this act. Any vehicle dealer
 34 holding a valid license and acting as a vehicle salesperson shall not be
 35 required to secure a salesperson's license.

36 (b) No first stage manufacturer, second stage manufacturer, factory
 37 branch, factory representative, distributor branch or distributor represen-
 38 tative shall engage in business in this state without a license as required
 39 by this act, regardless of whether or not an office or other place of busi-
 40 ness is maintained in this state for the purpose of conducting such
 41 business.

42 (c) An application for a license shall be made to the director and shall
 43 contain the information provided for by this section, together with such

(line 27) An end-of-life vehicle shall be considered a nonrepairable vehicle.

1 or negotiable certificates of deposits until at least two years after the date
2 of delivery of the certificate of title to the motor vehicle which was the
3 subject of the last motor vehicle sales transaction in which the licensee
4 engaged prior to the date of the deposit of the surety bond. The cash
5 deposit or market value of any such securities shall be equal to or greater
6 than the amount of the bond required for the bonded area and any in-
7 terest on those funds shall accrue to the benefit of the depositor.

8 (k) No license shall be issued by the director to any person to act as
9 a new or used dealer, wholesaler, broker, salvage vehicle dealer, auction
10 motor vehicle dealer, *vehicle crusher, vehicle recycler, scrap metal recy-
11 cles, salvage vehicle pool, second stage manufacturer, first stage con-
12 verter, second stage converter* or distributor unless the applicant for the
13 vehicle dealer's license maintains an established place of business which
14 has been inspected and approved by the division. First stage manufac-
15 turers, factory branches, factory representatives, distributor branches, dis-
16 tributor representatives and lending agencies are not required to maintain
17 an established place of business to be issued a license.

(line 11) rebuilder,

18 (l) Dealers required under the provisions of this act to maintain an
19 established place of business shall own or have leased and use sufficient
20 lot space to display vehicles at least equal in number to the number of
21 dealer license plates the dealer has had assigned.

22 (m) A sign with durable lettering at least 10 inches in height and easily
23 visible from the street identifying the established place of business shall
24 be displayed by every vehicle dealer. Notwithstanding the other provi-
25 sions of this subsection, the height of lettering of the required sign may
26 be less than 10 inches as necessary to comply with local zoning
27 regulations.

28 (n) If the established or supplemental place of business or lot is
29 zoned, approval must be secured from the proper zoning authority and
30 proof that the use complies with the applicable zoning law, ordinance or
31 resolution must be furnished to the director by the applicant for licensing.

32 (o) An established or supplemental place of business, otherwise
33 meeting the requirements of this act may be used by a dealer to conduct
34 more than one business, provided that suitable space and facilities exist
35 therein to properly conduct the business of a vehicle dealer.

36 (p) If a supplemental place of business is not operated on a contin-
37 uous, year-round basis, the dealer shall give the department 15 days' no-
38 tice as to the dates on which the dealer will be engaged in business at the
39 supplemental place of business.

40 (q) Any vehicle dealer selling, exchanging or transferring or causing
41 to be sold, exchanged or transferred new vehicles in this state must sat-
42 isfactorily demonstrate to the director that such vehicle dealer has a bona
43 fide franchise agreement with the first or second stage manufacturer or

1 of 45 days or more, or is a new or used recreational vehicle repossessed
2 by a creditor holding security in such vehicle.

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

6 Sec. 5. K.S.A. 8-2408 is hereby amended to read as follows: 8-2408.
7 Except as hereinafter provided, every person licensed as a dealer under
8 provisions of this act shall:

9 (a) On or before the 20th day of each month, file a monthly report,
10 on a form prescribed and furnished by the division of vehicles, listing all
11 sales or transfers, except sales or transfers by a first or second stage man-
12 ufacturer to a vehicle dealer of new or used vehicles, including the name
13 and address of the purchaser or transferee, date of sale, the serial or
14 identification number of the vehicle, and such other information as the
15 division may require.

16 (b) Salvage vehicle dealers ~~and vehicle recyclers~~ shall, in addition to
17 their monthly sales report for used vehicles, if applicable, *on or before*
18 *the 20th day of each month* file a ~~quarterly~~ report on a form prescribed
19 and furnished by the division, listing all vehicles for which the major
20 component part containing the vehicle identification number or engine
21 number if manufactured prior to 1981, has been disposed of or sold. The
22 certificate of title or transfer certificate for all vehicles listed must accom-
23 pany the quarterly report.

24 (c) Make available during regular business hours to any employee of
25 the division or any member of the ~~highway patrol~~ for the purpose of *law enforcement*
26 investigation or inspection, all records concerning vehicles purchased,
27 sold or exchanged during the preceding 12 months, including certificates
28 of title on all vehicles owned by the dealership, except those titles sur-
29 rendered pursuant to subsection (b).

30 (d) Whenever a dealer sells or otherwise disposes of such dealer's
31 business, or for any reason suspends or goes out of business as a dealer,
32 such dealer shall notify the division and return the dealer's license and
33 dealer plates, and the division upon receipt of such notice and plates shall
34 cancel the dealer's license, except that such dealer may, upon payment
35 of 50% of the annual fee to the division, have the license and dealer plates
36 assigned to the purchaser of the business.

37 (e) In addition to the requirements of subsection (a), any dealer pay-
38 ing a commission or fee to a broker shall report to the division, on the
39 monthly sales report, the name of the broker and the broker's license
40 number.

41 (f) Dealers, licensed as brokers must in addition to the requirements
42 of subsection (a) include on the monthly sales reports, the name of the
43 seller, the transferor or dealer that owns the vehicle and whether the

(line 18) Delete "quarterly" and insert monthly.

(line 16) , vehicle crushers, scrap metal recyclers, rebuilders and salvage vehicle pools

1 seller or the purchaser paid the broker's fee or commission.
 2 (g) Lending agencies licensed under this act, which sell two or less
 3 repossessed vehicles a month, shall not be required to file the monthly
 4 reports under subsection (a), except that such lending agencies shall re-
 5 port annually, on a form prescribed and furnished by the division, the
 6 total number of sales or transfers of such vehicles.

7 Sec. 6. K.S.A. 8-2434 is hereby amended to read as follows: 8-2434.
 8 It shall be unlawful and constitute a misdemeanor, punishable by a fine
 9 not to exceed \$2,500, for any person to do business as a motor vehicle
 10 dealer, salvage vehicle dealer, motor vehicle manufacturer, motor vehicle
 11 converter, auction motor vehicle dealer, *vehicle crusher, vehicle recycler,*
 12 *rebuilder, scrap metal recycler* or salesperson without a license issued by
 13 the director. The isolated or occasional sale of a vehicle by a person who
 14 owned such vehicle shall not constitute the doing of business as a vehicle
 15 dealer.

(line 12) , salvage
vehicle pool

16 Sec. 7. K.S.A. 8-2436 is hereby amended to read as follows: 8-2436.
 17 (a) A salvage vehicle pool shall register with the division and shall pay a
 18 one-time registration fee of \$50 be licensed in accordance with the pro-
 19 visions of this act.

20 (b) A salvage vehicle pool shall have available on the premises a cer-
 21 tificate of title or a facsimile or photocopy of the complete title of a salvage
 22 vehicle sold by the salvage vehicle pool.

23 (c) The provisions of this section shall be part of and supplemental
 24 to the vehicle dealers and manufacturers licensing act.

25 Sec. 8. K.S.A. 8-135c, 8-1,137, 8-2408, 8-2434 and 8-2436 and K.S.A.
 26 2008 Supp. 8-2401 and 8-2404 are hereby repealed.

27 Sec. 9. This act shall take effect and be in force from and after its
 28 publication in the statute book.