

Department of Legislative Services
 Maryland General Assembly
 2018 Session

FISCAL AND POLICY NOTE
 First Reader

Senate Bill 521 (Senator Klausmeier, *et al.*)
 Judicial Proceedings

Vehicle Laws - Towing Companies - Disposal of Abandoned Vehicles

This bill requires the Motor Vehicle Administration (MVA) to issue a salvage certificate to a towing company in possession of an abandoned vehicle under specified conditions, including that the towing company provide notice to the vehicle’s former owner and any secured party.

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) revenues increase by as much as \$210,000 in FY 2019 and by as much as \$280,000 in subsequent years due to the issuance of additional salvage certificates, as discussed below. TTF expenditures increase by about \$42,400 in FY 2019 and reach \$55,900 by FY 2023 to process the salvage certificates.

(in dollars)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
SF Revenue	\$210,000	\$280,000	\$280,000	\$280,000	\$280,000
SF Expenditure	\$42,400	\$50,600	\$52,000	\$53,900	\$55,900
Net Effect	\$167,600	\$229,400	\$228,000	\$226,100	\$224,100

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: The bill is not anticipated to materially affect local operations or finances.

Small Business Effect: Meaningful.

Analysis

Bill Summary: The bill requires MVA to issue a salvage certificate to a towing company that takes possession of an abandoned vehicle, applies for a salvage certificate, and provides the owner and any secured party with 30 days to recover the vehicle after specified

notice is provided. The bill requires a towing company, before applying for a salvage certificate for an abandoned vehicle pursuant to the bill, to send by certified mail, return receipt requested, a notice to the last known owner of the abandoned vehicle and each secured party in MVA records. The notice must (1) state that the vehicle has been taken into possession; (2) provide specified information about the vehicle; and (3) inform the owner and any secured parties of the vehicle's location, of the right to reclaim the vehicle within 30 days after the date of notice, and that – after the reclamation period – any rights, title, and interest in the vehicle are waived. The salvage certificate application must be accompanied by documentation of the required notice and a fee to be established by MVA.

The bill alters the definition of vehicle “salvage” to include an abandoned vehicle that has been taken into possession by a towing company that uses only registered tow trucks and that has towed, recovered, or stored a vehicle on behalf of a police department or garage keeper.

Current Law/Background: “Salvage” refers to a vehicle that has been (1) damaged to the extent that the cost to repair the vehicle for legal operation on a highway exceeds 75% of the fair market value of the vehicle prior to sustaining the damage; (2) acquired by an insurance company as a result of a claim settlement; or (3) acquired by an automotive dismantler and recycler as an abandoned vehicle or for rebuilding or use as parts.

A salvage certificate may be issued, under specified conditions, to an insurance company (or its authorized agent) that acquires a vehicle after a claim settlement, an automotive dismantler and recycler that acquires a salvage vehicle from a source other than an insurance company, or any other person that acquires or retains ownership of a vehicle that meets the definition of salvage.

An “abandoned vehicle” is defined as a motor vehicle, trailer, or semitrailer that:

- is inoperable and left unattended for 48 hours on public property;
- remains illegally on public property for 48 hours;
- is on private property without consent for 48 hours;
- has remained in a garage for more than 10 days after the garage keeper has given the vehicle owner notice to remove the vehicle, or beyond the time when, by contract, the vehicle was to remain in the garage;
- is left for more than 10 days in a garage by someone other than the registered owner or left by a person only authorized to have possession of the vehicle under a contract;
- has remained on public property for 48 hours and has invalid or incorrect registration plates;
- has been left unattended for 24 hours on a controlled access highway;

- has been left unattended on a highway and does not display appropriate warning devices; or
- is not reclaimed from impoundment under specific court order.

As soon as reasonably possible and within 7 days after it takes an abandoned vehicle into custody, a police department must send a notice, by certified mail, return receipt requested, to the last known registered owner of the vehicle and each secured party. The notice must state that the vehicle has been taken into possession, provide a specified description of the vehicle, and inform the owner and secured parties of the vehicle's location and the right to reclaim the vehicle upon payment of specified charges within three weeks, after which date any rights, title, and interest in the vehicle are waived. In Baltimore City and Montgomery County, the vehicle reclamation period is 11 working days after the receipt of the notice.

MVA issues licenses to conduct the business of an automotive dismantler and recycler or scrap processor (ADR/SP). After complying with specified notice procedures and a required 11 working-day reclamation period, an ADR/SP takes unencumbered title to a vehicle for purposes of dismantling, recycling, or scrap processing only. The scrap value of a vehicle varies greatly, from several hundred to several thousand dollars, based on prevailing market conditions, demand for a particular vehicle make and model, whether the vehicle is a late model year or an older vehicle, vehicle weight, and other factors.

State Revenues: Although MVA is not able to quantify the precise number of vehicles that would be towed *and* go unclaimed by the owner or secured party, about 14,000 forms were issued by law enforcement officers in the State authorizing a vehicle to be towed in fiscal 2017. Those certificates are not subject to a fee. However, MVA currently charges \$20 for a salvage certificate and indicates the fee would be the same for additional certificates issued under the bill. Assuming all 14,000 certificates currently issued by law enforcement would be issued by MVA under the bill and be subject to a \$20 fee, TTF revenues increase by as much as \$280,000 annually. Taking into account the bill's October 1, 2018 effective date, TTF revenues increase by as much as \$210,000 in fiscal 2019.

State Expenditures: Due to the additional influx of salvage certificates issued by MVA under the bill, MVA advises that additional staff are necessary to process the forms. The need for additional staff is based on the assumption that the number of salvage certificates processed by MVA increases significantly (as many as 14,000 annually), as noted above. To the extent that the increase is less significant, additional staff may *not* be necessary.

TTF expenditures increase by \$42,409 in fiscal 2019, which accounts for the bill's October 1, 2018 effective date. This estimate reflects the cost of hiring one customer agent

to process additional salvage certificates. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Position	1
Salary and Fringe Benefits	\$37,050
Operating Expenses	<u>5,359</u>
Total FY 2019 State Expenditures	\$42,409

Future year expenditures reflect a full salary with annual increases and employee turnover and ongoing operating expenses.

Small Business Effect: Some small businesses engaged in towing and storing abandoned vehicles on behalf of police departments or garage keepers may realize a meaningful increase in revenues as a result of the bill's authorization for towers to receive salvage certificates. This assumes that the receipt of the salvage certificate allows the towing service to receive a greater value for each abandoned vehicle than it might receive by transferring the vehicle to an ADR/SP instead. Some small business ADR/SPs may realize a meaningful decrease in revenues from the receipt of fewer abandoned vehicles.

Small businesses that tow and store abandoned vehicles taken into police custody on behalf of the police may be required to provide notice to abandoned vehicle owners and secured parties under the bill; however, it is assumed that the additional cost may be passed through to the contracting police department.

Additional Information

Prior Introductions: None.

Cross File: HB 1770 (Delegate Grammer) - Rules and Executive Nominations.

Information Source(s): Harford and Montgomery counties; City of College Park; Department of State Police; Maryland Department of Transportation; Department of Legislative Services

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