

Date of Hearing: April 27, 2015

ASSEMBLY COMMITTEE ON TRANSPORTATION
Jim Frazier, Chair
AB 516 (Mullin) – As Amended April 20, 2015

SUBJECT: Vehicles: temporary license plates

SUMMARY: Requires vehicles sold or leased without a permanent license plate to be affixed with a temporary license plate (TLP). Specifically, **this bill:**

- 1) Authorizes a first-line service provider to charge a two dollar (\$2) transaction fee to cover the cost of processing TLPs for a vehicle. Specifies that a dealer is provided the option of passing the transaction fee onto the customer.
- 2) Requires by January 1, 2017, the Department of Motor Vehicles (DMV) to develop or contract with a private industry partner to develop a TLP system that is to be used by DMV, dealers, and first-line service providers to issue TLP's at the time a vehicle is sold. Requires the TLP system to begin operation on January 1, 2017.
- 3) Permits a vehicle to operate with TLPs until either:
 - a) The permanent license plates and registration card are received by the vehicle owner; or,
 - b) 90 days have lapsed from the vehicle's selling date.
- 4) Specifies that if TLPs are not issued for a vehicle, the existing report-of-sale requirements are to remain in effect.
- 5) Increases the document processing charge a dealer under the Business Automation Program (BPA) may charge a customer from \$80 to \$95.
- 6) Authorizes a dealer to charge the TLP transaction fee to a customer or lessee of the vehicle.
- 7) Requires BPA motor vehicle dealers to affix, at the time of sale, a TLP to a motor vehicle sold without a permanent license plate.
- 8) Specifies that it is a felony for a person to alter, forge, counterfeit, or falsify a TLP.
- 9) Requires TLPs to be affixed to the front and rear of the vehicle and requires the owner to remove TLPs upon receipt of permanent plates.

EXISTING LAW:

- 1) Establishes BPA and authorizes DMV to enter into contractual agreements with private industry partners, if certain criteria are met, to provide specific services that include processing vehicle registration and titling transactions.
- 2) Authorizes a motor vehicle dealer to charge a purchaser or lessee of a motor vehicle a document processing charge, as specified.

- 3) States any person who alters, forges, counterfeits, or falsifies a certificate of ownership, registration card, license, or license plate is guilty of a felony, as specified.
- 4) Allows a vehicle displaying a copy of the report of sale to be operated without license plates or a registration card until either the license plates and registration card are received by the purchaser or the expiration of a 90-day period beginning with the date of sale of the vehicle, whichever occurs first.
- 5) Requires a dealer or lessor-retailer to submit to DMV an application and relevant fees for registration or transfer of registration of a vehicle within 30 days for a used vehicle or 20 days for a new vehicle.
- 6) Provides a dealer or lessor-retailer a specified response time if DMV returns a registration application, contingent on the type of vehicle.
- 7) Requires a new motor vehicle dealer to participate in DMV's electronic vehicle registration program (EVR).
- 8) Requires license plates to be attached upon receipt by a vehicle owner.

FISCAL EFFECT: Unknown

COMMENTS: At the time of retail sale, the vehicle dealer is responsible for applying to DMV for the registration of a new vehicle and the transfer of registration for a used vehicle. Before the dealer can deliver the vehicle to the buyer, the dealer must affix to the vehicle's windshield a DMV-created report-of-sale notice showing that the vehicle is in the process of being registered. The dealer then has 20 days for a new vehicle or 30 days for a used vehicle to deliver to DMV the application and fees necessary to register the vehicle in the buyer's name.

Prior to 2001, once DMV received and processed the application, DMV issued and mailed to the new owner two license plates, a vehicle registration card, and the appropriate registration stickers for the vehicle's rear license plate. The two license plates must remain affixed to a vehicle, but the vehicle was allowed to be operated for 180 days after purchase while displaying a report-of-sale notice rather than license plates with registration stickers.

In 2001, under SB 46 (Polanco), Chapter 127, DMV established the EVR program where motor vehicle dealers may enter into contracts to act as DMV business partners for vehicle registration and titling purposes. A business partner either directly, or through a service provider, communicates electronically with DMV to register a vehicle it has sold and then mails license plates, registration cards, and registration stickers to the buyer. Up until 2011, DMV estimated that less than half of new car dealers participated in the voluntary EVR program.

AB 1215 (Blumenfield), Chapter 329, Statutes of 2011, implemented significant changes to the vehicle registration process including, requiring new car dealers to participate in the EVR program, reducing the period a vehicle may operate a vehicle with a report-of-sale notice to 90 days, and requiring license plates to be attached upon receipt by the vehicle owner. The successful implementation of AB 1215 has resulted in industry stakeholders indicating that vehicle owners are now receiving permanent license plates between 14 to 30 days on average. Furthermore, in those instances where vehicle registration delays have occurred, industry

stakeholders indicate the delays typically relate to titling/financing issues rather than dealer errors.

AB 516 proposes to develop a statewide TLP system to ensure purchased vehicles are identifiable to law enforcement and toll operators during the period between the point of sale and when permanent license plates are received by the purchaser. Specifically, AB 516 requires either DMV or a first-line service provider develop a TLP system, requires dealers to affix TLPs on a vehicle at the point-of-sale, and requires a vehicle owner to remove TLPs and affix permanent license plates on their vehicle upon receipt. AB 516 also proposes to increase the document preparation fees a BPA dealer may charge a purchaser by \$15 to a total of \$95 and also establishes a \$2 TLP transaction fee to also be passed onto the purchaser.

Overall, proponents argue that a TLP system will assist law enforcement and also help toll agencies mitigate deliberate toll evaders. For example, in fiscal year 2013-14, the Bay Area Toll Authority generated approximately \$690 million in toll revenues however experienced a \$7 million loss in revenue tied to vehicles with no license plate. The author asserts that this legislation will "improve public safety by enabling law enforcement to identify vehicles involved in traffic violations, hit-and-run accidents, and other criminal activity. AB 516 requires new and used auto dealers to install temp tags at the point of sale so vehicles are identifiable to law enforcement and toll operators from the point they purchase the vehicle and leave the lot."

Committee concerns: While the bill's overall intent to develop and implement a TLP system is promising, the TLP system as proposed in this bill leaves several technical implementation issues unresolved relative to how the TLP system will be linked to other relevant systems and instances of fraud.

In regards to the TLP system, it remains unclear how the TLP system, the DMV vehicle registration database, and law enforcement's California Law Enforcement Telecommunications System (CLETS) will all communicate in real time. In states such as Florida, Wisconsin, and South Carolina, the DMV in each respective state administers the issuance of TLPs and permanent license plates under one system. AB 516 authorizes DMV *or* a first-line service provider to develop a TLP system, however does not speak to how the system will be operated and managed if developed by an entity other than DMV.

Regarding fraud, states such as Colorado, Pennsylvania, and Florida have all reported incidents of TLP fraud. In Florida, for example, TLPs with unregistered identification numbers have been affixed to vehicles that then use Florida's toll roads. When these vehicles come up as "no reads," the toll authorities send pictures of the vehicle and fraudulent TLP to state patrol in attempt to capture these vehicles through law enforcement. While this method may be effective in regions where pro-active enforcement is utilized on the toll roads, it is unclear how other regions will mitigate the use of fraudulent TLPs by deliberate toll evaders.

Previous legislation: AB 2197 (Mullin) of 2014, similar to this bill, would have required vehicles sold or leased without a permanent license plate to be affixed with a TLP. AB 2197 was held in the Assembly Appropriations Committee on the suspense file.

REGISTERED SUPPORT / OPPOSITION:

Support

Alameda County Transportation Commission
California Lien Agents Association
California New Car Dealers Association
California State Sheriffs' Association
Car Dealers Saving Lives
Golden Gate Bridge Highway and Transportation District
Metropolitan Transportation Commission
San Francisco County Transportation Authority

Opposition

None on file

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