

Date of Hearing: June 13, 2016

ASSEMBLY COMMITTEE ON TRANSPORTATION
Jim Frazier, Chair
SB 773 (Allen) – As Amended May 31, 2016

SENATE VOTE: 40-0

SUBJECT: Vehicles: registration fraud

SUMMARY: Requests the University of California (UC) to conduct a study on motor vehicle registration fraud. Specifically, **this bill:**

- 1) Makes legislative findings and declarations regarding vehicle registration fraud and the negative impacts associated with vehicle registration fraud.
- 2) Requests UC to conduct a study on motor vehicle registration fraud.
- 3) Provides that the study is to include, but not be limited to, identifying the magnitude of vehicle registration fraud, methods used by motorist to commit vehicle registration fraud, and the cost to the state and local governments in lost revenues, effects on air pollution, and recommended strategies for increasing compliance with registration requirements.
- 4) Requires the Department of Motor Vehicles (DMV) to enter into an agreement with UC to share vehicle registration information.
- 5) Requires the Department of the California Highway Patrol (CHP) to share information related to efforts to combat registration fraud, including the California Help Eliminate All the Evasive Registration Scofflaws (CHEATERS) program.
- 6) Requests UC to complete and post the study on its Internet Web site no later than January 1, 2017.
- 7) Requires DMV to post on its Internet Web site detailed instructions for motorists that describe how to prevent theft of vehicle registration tabs.

EXISTING LAW:

- 1) Prohibits a person from driving, moving, or parking a motor vehicle on the highway or in a public parking facility unless it is registered with DMV.
- 2) Requires that a registration fee of \$43 be paid to DMV for an initial vehicle registration or registration renewal to fund the operations of DMV and CHP related to enforcement of the statutes of the Vehicle Code.
- 3) Requires all drivers and motor vehicle owners to carry evidence of financial responsibility. Further requires all insurance companies to report insurance status information to DMV for all private-use vehicles.

- 4) Authorizes DMV to suspend, cancel, or revoke the registration of a vehicle if DMV determines that insurance coverage has been cancelled, evidence of insurance coverage has not been submitted to DMV, or false insurance information has been submitted to DMV.
- 5) Requires an owner to register their vehicle within 20 days of accepting employment or establishing residency in California or be subject to specified penalties.
- 6) Establishes the Motor Vehicle Inspection Program, commonly referred to as the Smog Check Program, and requires vehicle owners to have their vehicles tested every two years, coinciding with renewal of vehicle registration, with certain exceptions provided.
- 7) Establishes CHEATERS program, administered by CHP, allowing a person who identifies an out-of-state license plate to anonymously report to the vehicle to CHP.

FISCAL EFFECT: Unknown

COMMENTS: Vehicle registration fraud continues to be a significant public policy issue for states across the country. States such as Iowa, New York, New Jersey, Illinois, and Wisconsin have attempted to crack down on vehicles illegally registered to avoid higher government fees and insurance premiums. For example, the Iowa Department of Transportation recently canceled more than 450 vehicle titles and registrations obtained using false or fictitious information and operating in New York City. Similarly, in California in 2014, using information provided through the CHEATERS hotline, CHP carried out an enforcement campaign targeting drivers with out-of-state license plates or expired license plate tags. Through this enforcement campaign, the state was ultimately able to collect \$1.9 million in unpaid registration fees.

While the CHEATERS program allows motorists to voluntarily report vehicles with out-of-state license plates, the state currently lacks adequate data to determine the methods and magnitude of vehicle registration fraud within the state. The Bay Area Air Quality Management District, the sponsor of this bill, notes that in addition to out-of-state vehicle fraud, motorists fail to register their vehicle or fail to renew registration because their vehicle cannot pass smog testing, resulting in unknown but likely deleterious effects on air quality. Although some studies have indicated the number of unregistered vehicles operating in state is somewhere between 1%-8%, no official data exist of how many unregistered vehicles are currently operating on California roads that are associated with these illegal activities. As a result, the lack of accurate data impedes the state's ability to assess the negative impacts associated with this illegal activity on air quality, state and local government revenues, and insurance premiums.

With this bill, the author intends to allow the state to gather data on the scope and magnitude of vehicle registration fraud and the number operating unregistered vehicles within the state. The author notes that this bill will enable the state to gain critical information related to unregistered cars and trucks, as well as policy recommendations on how best to remedy the situation. In turn, the study will develop effective policy recommendations that will potentially lead to recouping millions of dollars in lost revenue that can be used for vital services such as CHP enforcement, removing abandoned vehicles, and transportation projects.

Proposed author's amendments: Because this bill was introduced last year but not yet heard in this committee, the author proposes amending the bill in committee to change the date that by which UC is requested to post a report of the study from January 1, 2017 to January 1, 2018 to

allow adequate time to complete the study. The author also proposes amending the bill to change the sunset date of the bill's provisions from January 1, 2020 to January 1, 2021, for the same reasons.

REGISTERED SUPPORT / OPPOSITION:

Support

Bay Area Air Quality Management District (Sponsor)

3M Company

California Air Pollution Control Officers Association

California Public Parking Association

Metropolitan Transportation Commission

Natural Resources Defense Council

Valley Clean Air Now

Opposition

None on file

Analysis Prepared by: Justin Behrens / TRANS. / (916) 319-2093