

Date of Hearing: June 20, 2022

ASSEMBLY COMMITTEE ON TRANSPORTATION
Laura Friedman, Chair
SB 986 (Umberg) – As Amended May 19, 2022

SENATE VOTE: 36-0

SUBJECT: Vehicles: catalytic converters

SUMMARY: This bill requires a traceable method of payment for catalytic converters and prohibits a dealer or retailer from selling a new or used motor vehicle equipped with a catalytic converter unless the catalytic converter has been engraved or etched with the vehicle identification number (VIN) of the vehicle to which it is attached, punishable by an infraction, with exceptions. Specifically, **this bill:**

- 1) Provides the exemption for catalytic converters received pursuant to a written agreement only if the written agreement also includes a regularly updated log or record describing each catalytic converter received under the agreement, as specified.
- 2) Exempts collector motor vehicles or licensed automobile dismantlers from the requirement to etch a catalytic converter.

EXISTING LAW:

- 1) Defines “core recycler” as a person or business, including a recycler or junk dealer that buys used individual catalytic converters, transmissions, or other parts previously removed from a vehicle.
- 2) Clarifies a person or business that buys a vehicle that may contain these parts is not a core recycler.
- 3) Requires a core recycler who accepts a catalytic converter for recycling shall maintain a written record that contains all of the following:
 - a) The place and date of each sale or purchase of a catalytic converter made in the conduct of his or her business as a core recycler.
 - b) The name, valid driver’s license number, and state of issue, or California-issued identification number, of the seller of the catalytic converter and the vehicle license number, including state of issue of a motor vehicle used in transporting the catalytic converter to the core recycler’s place of business. If the seller is a business, the written record shall include the name, address, and telephone number of the business.
 - c) A description of the catalytic converters purchased or sold, including the item type and quantity, amount paid for the catalytic converter, and identification number, if any, and the VIN.
 - d) A statement indicating either that the seller of the catalytic converter is the owner of the catalytic converter, or the name of the person from whom he or she has obtained the

catalytic converter, including the business, if applicable, as shown on a signed transfer document. (BPC § 21610)

- 4) Requires a core recycler engaged in the selling or shipping of used catalytic converters to other recyclers or smelters shall retain information on the sale that includes all of the following:
 - a) The name and address of each person to whom the catalytic converter is sold or disposed of.
 - b) The quantity of catalytic converters being sold or shipped.
 - c) The amount that was paid for the catalytic converters sold in the transaction.
 - d) The date of the transaction.
- 5) Prohibits a core recycler from providing payment for a catalytic converter unless all of the following requirements are met:
 - a) The payment is made by check and provided to the seller by mail at the address provided or mailed to the seller's business address.
 - b) Collected by the seller from the recycler on the third business day after the date of sale.
 - c) A seller that is a business may receive immediate payment. A seller that is a business that has a contract with a core recycler or a seller that is a licensed auto dismantler may receive immediate payment by check or by debit card or credit card.
 - d) At the time of sale, the core recycler obtains a clear photograph or video of the seller.
 - e) The core recycler obtains a copy of the valid driver's license of the seller or the seller's agent containing a photograph and an address of the seller or the seller's agent, or a copy of a state or federal government issued identification card containing a photograph and an address of the seller or the seller's agent.
 - f) If the seller prefers to have the check for the catalytic converter mailed to an alternative address, other than a post office box, the core recycler shall obtain a copy of a driver's license or identification card described above and a gas or electric utility bill addressed to the seller at the alternative address with a payment due date no more than two months prior to the date of sale. For the purpose of this subparagraph, "alternative address" means an address that is different from the address appearing on the seller's driver's license or identification card.
 - g) The core recycler obtains a clear photograph or video of the catalytic converter being sold.
 - h) At the time of sale, the core recycler obtains a written statement from the seller indicating how the seller obtained the catalytic converter.

- 6) States certain requirements shall not apply to a core recycler that buys used catalytic converters, transmissions, or other parts removed from a vehicle if the core recycler and the seller have a written agreement for the transaction.
- 7) Requires core recyclers accepting catalytic converters from licensed auto dismantlers or from recyclers who hold a written agreement with a business that sells catalytic converters for recycling purposes are required to collect only the following information:
 - a) Name of seller or agent acting on behalf of the seller.
 - b) Date of transaction.
 - c) Number of catalytic converters received in the course of the transaction.
 - d) Amount of money that was paid for catalytic converters in the course of the transaction.
- 8) States a core recycler shall keep and maintain the information required pursuant to this section for not less than two years.
- 9) States a core recycler shall make the information required pursuant to this section available for inspection by local law enforcement upon demand.
- 10) States a person who makes, or causes to be made, a false or fictitious statement regarding any information required pursuant to this section is guilty of a misdemeanor.
- 11) States a person who violates the requirements of this section is guilty of a misdemeanor.
- 12) States upon conviction, a person who knowingly and willfully violates the requirements of this section shall be punished as follows:
 - a) For a first conviction, by a fine of one thousand dollars (\$1,000).
 - b) For a second conviction, by a fine of not less than two thousand dollars (\$2,000). In addition to this fine, the court may order the defendant to cease engaging in the business of a core recycler for a period not to exceed 30 days.
 - c) For a third and subsequent conviction, by a fine of not less than four thousand dollars (\$4,000). In addition to this fine, the court shall order the defendant to cease engaging in the business of a core recycler for a period not less than one year.
- 13) Requires the provisions of this section apply to core recyclers and do not apply to a subsequent purchaser of a catalytic converter who is not a core recycler. Other than subdivision (f), the provisions of this section do not apply to a core recycler who holds a written agreement with a business or recycler regarding the transactions.

FISCAL EFFECT: According to Senate Appropriations Committee, Unknown workload cost pressures on the courts to adjudicate charges that are brought under the provisions of this bill (Trial Court Trust Fund, General Fund).

COMMENTS:

Catalytic converter thefts are on the rise. The Bureau of Automotive Repair (BAR) reported about 1,600 converter thefts per month statewide in 2021. According to data provided by the Personal Insurance Federation of California, insurance claims for catalytic converter thefts in California have gone up from a monthly average of 183 in 2020 to 477 claims in January of 2022. Claims rose by 308% from 2019 to 2020 and 100% from 2020 to 2021. California had the highest number of claims in the United States, accounting for 28% of all theft claims in the country. The insurance industry paid over \$23 million in repair costs for catalytic converters in 2021 alone, an 11.5% increase from the year before.

A catalytic converter is an exhaust emission control device that converts toxic gases and pollutants in exhaust gas from an internal combustion engine into less-toxic pollutants.

Catalytic converter theft has been on the rise because they are coated with precious metals such as rhodium that is valued at over \$14,000 per ounce and palladium which is valued at \$2,500 per ounce. Toyota and Honda vehicles have been particularly attractive to thieves, because the location of the converters on certain vehicles that make it so that a thief can steal one with basic tools, such as a pipe wrench or cordless saw, in a manner of minutes.

The increase in theft, combined with supply chain issues has resulted in a shortage of replacement catalytic converters. This is likely to grow worse because of the war in Ukraine and Russia being the world's largest producer of palladium.

BAR has made several recommendations to deter theft of catalytic converters, including parking cars in well-lit areas, installing motion-sensing alarm systems, installing theft prevention devices like steel cages, and etching the converter shell with a VIN or license plate number.

According to the author, "Catalytic converter thefts more than quadrupled in 2021 from 2020 — and the trend shows no signs of slowing down this year. There are significant challenges in prosecuting the theft of catalytic converters under current California law. Law enforcement can make arrests of individuals in possession of suspected stolen catalytic converters, but are often unable to prove a case in court. Unlike most major parts of vehicles sold in the United States, under existing law, catalytic converters do not have a serial identification number on them. The serial number is crucial to establish that parts are stolen, even if the stolen vehicle has already been broken down. Therefore, SB 986 will require car dealers to mark vehicles' catalytic converters up for sale. Requiring the marking of catalytic converters would be a tremendous help to law enforcement in their attempts to bring this significant theft issue under control. SB 986 will also require core recyclers to record and log the unique identification number on each catalytic converter along with the seller's name, date, number of catalytic converters sold and the amount of money given in exchange. This log will allow local law enforcement to investigate and prosecute criminals who have sold stolen parts."

In line with one of BAR's recommendations, this bill requires auto repair dealers and car dealers to etch a vehicles VIN onto the catalytic converter. Having the VIN, makes it easier for law enforcement to potentially identify the victim of a crime in the case that they recover the catalytic converter before it is smelted for the precious metals. Unlike AB 2682 (Gray) of 2022, this bill does not make it a crime to scratch the number off.

The Los Angeles District Attorney's Office, the sponsor of this bill, writes "While the number of catalytic converter thefts skyrocket across California, there are significant legal challenges to investigating and prosecuting these crimes under California's existing statutes. These motor vehicle parts are very valuable and easily removed by thieves. Most major vehicle parts such as the engine block, transmission, frame, doors, and firewall sold in the United States are identified by an imprinted serial number relating to the unique Vehicle Identification Number (VIN). These identification markings allow law enforcement to establish that parts are stolen, even if the stolen vehicle has already been fully broken down. However, this serial number identification process currently does not apply to catalytic converters, and as such, vehicle manufacturers do not mark these parts with a serial number. Consequently, law enforcement may arrest individuals in possession of hundreds of suspected stolen catalytic converters but be unable to prove a single case in court because without any identifying markers, it is impossible to determine the source of these parts. Unless police catch these individuals in the act of theft, there is virtually no way to identify the crime victims to prove that the parts were stolen. This legal loophole has resulted in an explosion in catalytic converter thefts, which currently is a crime that brings high profits with very little fear of legal repercussions."

In addition, this bill requires a core recycler to additionally obtain and keep information regarding any identifying information etched or engraved on the catalytic converter. This bill requires payment for a catalytic converter to be made by any traceable method other than cash. Additionally, this bill amends existing law that exempts a core recycler from these recordkeeping requirements when the catalytic converter was purchased pursuant to a written agreement between the core recycler and the seller by requiring the core recycler to maintain a regularly updated log or record describing each catalytic converter received under the agreement.

According to the Los Angeles District Attorney's Office, these changes to the core recycle law will help ensure there is a way to verify that a catalytic converter found in the possession of a core recycler or seller was in fact sold under that contract instead of being obtained illicitly outside that contract.

The Alliance for Automotive Innovation, writing in opposition to this bill, argues "As a matter of policy, the Alliance opposes mandatory etching and engraving of catalytic converters for several reasons, outlined below.

- There is little, if any, evidence that engraving actually serves as a deterrent to catalytic converter theft.
- Etching or engraving could potentially damage the catalytic converter, rendering it ineffective in achieving its intended clean air purposes.
- Many vehicles have more than one catalytic converter and many of these devices are installed in locations on the vehicle that would require a significant dismantling of the vehicle or for the purpose of applying the etching or engraving.
- Under the California Air Resources Board's proposed zero emission vehicle (ZEV) rules, the sale of vehicles with catalytic converters will decline sharply in the coming years and be nonexistent by 2035.
- The number of vehicles that actually go through the sales process each year, triggering the bill's requirement, is very small compared to the number of vehicles

currently on the road in California. The result of the bill would be to create a significant cost to consumers with very little law enforcement/public safety benefit.”

The Alliance of Automotive Innovation has proposed a series of amendments, including limiting the VIN marking requirement to the 25 most targeted vehicles for catalytic converter theft, exempting vehicles that have cages or other alternative protected devices installed to prevent theft, allowing dealers to charge consumers for the cost of the VIN marking, requiring insurers to offer insurance premium discounts for vehicles subject to the mandate, and increasing penalties for catalytic converter theft.

The California New Car Dealers Association (CNCDA), also opposed to the bill, are seeking similar amendments to the Alliance of Automotive Innovation, except they are requesting DMV, not CHP, identify the cars with the highest catalytic converter theft rates. They are not asking for an increase in penalties for catalytic converter theft. CNCDA is also asking for more flexibility on the types of markings that may be made on the catalytic converter beyond etching.

The National Auto Auction Association (NAAA), writing in opposition to this bill, is asking for an exemption from the etching requirement for dealers conducting wholesale motor vehicle auctions. They argue “NAAA member auctions sit in a unique place in the supply chain; they do not own the vehicles that are consigned through their physical and digital marketplaces and do not sell vehicles to retail consumers. Providing an exemption for wholesale transactions would still achieve the goal of protecting California consumers prior to the retail purchase of a vehicle.”

Committee comments: Not all catalytic converters are the same. While older Honda and Toyota models have catalytic converters that are visible to the naked eye and can be stolen in minutes, other manufacturers have installed the catalytic converters in a manner that would take hours to remove or access to etch the VIN as required under this bill. The author of this bill and other bills with similar requirements may want to consider whether the etching requirement as required under this bill should apply to all catalytic converters, or if it should be narrowed to ones that are more easily stolen. Maine, for example, limits the marking requirement to vehicles where the catalytic converter is visible.

Related Legislation:

AB 1622 (Chen) of 2022 would require the Department of Consumer Affairs to provide a licensed smog check station with a sign informing customers about strategies for deterring catalytic converter theft, including the etching of identifying information on the catalytic converter, and require the sign to be posted conspicuously in all licensed smog check stations in an area frequented by customers. The bill would also authorize stations where licensed smog check technician repairs are performed to offer and recommend to customers the etching as an optional service provided in conjunction with the smog check. That bill died in the Assembly Transportation Committee.

AB 1653 (Patterson) of 2022 adds vehicle burglary and theft of vehicle parts and accessories to the California Highway Patrol regional property crimes task force for organized retail theft. That bill passed out of the Assembly and is pending before the Senate Appropriations Committee.

AB 1659 (Patterson) of 2022 would revise the definition of an “automobile dismantler” to include a person who keeps or maintains two or more used catalytic converters that are not

attached to a motor vehicle on property owned by the person, or under their possession or control, for specified purposes. That bill died in the Assembly Transportation Committee.

AB 1740 (Muratsuchi) of 2022 requires a core recycler who accepts a catalytic converter for recycling to maintain a written record that contains the year, make, model, and VIN of the vehicle from which the catalytic converter was removed. Prohibits a core recycler from purchasing or receiving a catalytic converter from a person that is not a commercial enterprise or owner of the vehicle from which the catalytic converter was removed. That bill is pending in Senate Appropriations Committee.

AB 1984 (Choi) of 2022 would prohibit the purchase, sale, receipt, or possession of a stolen catalytic converter, as specified. The bill specifies that a peace officer would need not to have actual knowledge that the catalytic converter is stolen to establish probable cause for arrest, and that for prosecution, circumstantial evidence may be used to prove the stolen nature of the catalytic converter. That bill died in the Assembly Transportation Committee.

AB 2398 (Villapudua) of 2022 would have made possession of a detached catalytic converter a wobbler, punishable by imprisonment in a county jail for not more than one year, or in the county jail for 16 months, or two, or three years. That bill failed passage in the Assembly Public Safety Committee.

AB 2407 (O'Donnell) of 2022 would require a core recycler to report specified information about the purchase and sale of catalytic converters to the chief of police or the sheriff, as prescribed, and to request to receive theft alert notifications regarding the theft of catalytic converters from a specified theft alert system. The bill would also require a core recycler to obtain the thumbprint of a seller of a catalytic converter and to preserve the thumbprint for two years. The bill would limit the inspection or seizure of a thumbprint to that performed by law enforcement pursuant to a criminal search warrant based upon probable cause. AB 2407 is pending before The Senate Business and Professions Committee.

AB 2682 (Gray) of 2022 requires any automotive repair dealer that installs or replaces a catalytic converter on a motor vehicle to ensure that the catalytic converter is permanently marked with the vehicle identification number (VIN) of the vehicle on which it is being installed, as specified, with cost recovery and penalties, as specified. Requires a smog check station to notify a customer whether the catalytic converter is permanently marked, as specified. Prohibits a person from removing, altering, or obfuscating any VIN or other unique marking that has been added to a catalytic converter, or possessing a catalytic converter whether the VIN has been removed, altered, or obfuscated, and provides exceptions, as specified, and provides penalties, as specified. Requires no manufacturer shall deliver a new vehicle assembled after January 1, 2024, equipped with a catalytic converter for sale in this state unless the catalytic converter has been permanently marked with the VIN of the vehicle to which it is attached. That bill is the Senate Business and Professions Committee

SB 919 (Jones) of 2022 would prohibit a core recycler from purchasing or otherwise receiving any catalytic converter that is not engraved, etched, or otherwise permanently marked with the VIN of the vehicle that it was removed from. The bill would require a core recycler to maintain a log that includes a description of all catalytic converters purchased or received by the core recycler, as specified. The bill would prohibit a person from buying, selling, receiving, or possessing a stolen catalytic converter as well as removing, altering, or obfuscating a VIN or other unique marking that has been added to a catalytic converter. This bill would prohibit a

dealer or retail seller from selling a motor vehicle equipped with a catalytic converter unless the catalytic converter has been engraved, etched, or otherwise permanently marked with the VIN of the vehicle to which it is attached. SB 919 passed Senate Business, Professions and Economic Development Committee and is pending in Senate Public Safety Committee.

SB 1087 (Gonzalez) of 2022 requires a traceable payment method for catalytic converters; provides that the exemption for catalytic converters received pursuant to a written agreement is only valid if the written agreement also includes a regularly updated log or record describing each catalytic converter received under the agreement, as specified; prohibits a core recycler from purchasing a catalytic converter from anybody other than certain specified sellers, including an automobile dismantler, an automotive repair dealer, or an individual possessing documentation, as specified, that they are the lawful owner of the catalytic converter; prohibits any person from purchasing a used catalytic converter from anybody other than certain specified sellers, including an automobile dismantler, an automotive repair dealer, or an individual possessing documentation, as specified, that they are the lawful owner of the catalytic converter. That bill is pending before Assembly Business and Professions Committee.

Previous Legislation:

SB 366 (Umberg), Chapter 601, Statutes of 2021 reconstituted the Vehicle Dismantling Industry Strike Team (VDIST), which amongst other things, requires a study the number of unlicensed automobile dismantlers investigated and the number of investigations that resulted in an enforcement action for the theft of catalytic converters.

REGISTERED SUPPORT / OPPOSITION:

Support

Los Angeles County District Attorney's Office (Sponsor)
Arcadia Police Officers Association
Auto Club of Southern California (AAA)
Beverly Hills; City of
Buena Park; City of
Burbank Police Officers' Association
California Contract Cities Association
California District Attorneys Association
California Low-income Consumer Coalition
City of Long Beach
Claremont Police Officers Association
Consumers for Auto Reliability & Safety
Corona Police Officers Association
Culver City Police Officers' Association
Fountain Valley Police Department
Fullerton Police Officers' Association
Huntington Beach; City of
Inglewood Police Officers Association
Insurance Auto Auctions, INC.
Lakewood; City of
Los Angeles Sheriff's Department
Los Angeles School Police Officers Association

Newport Beach Police Association
Orange County Sheriff's Department
Palos Verdes Police Officers Association
Placer County Deputy Sheriffs' Association
Pomona Police Officer Association
Prosecutors Alliance California
Prosecutors Alliance of California
Riverside Police Officers Association
Riverside Sheriffs' Association
Santa Ana Police Officers Association
Santa Ana; City of
Upland Police Officers Association

Oppose

Alliance for Automotive Innovation
California New Car Dealers Association
National Auto Auction Association

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