

SESSION OF 2002

SUPPLEMENTAL NOTE ON SENATE BILL NO. 449

As Recommended by Senate Committee on
Transportation

Brief*

SB 449 creates new legislation and amends related statutes regarding certificates of titles. The bill would require the Division of Vehicles to create and retain a certificate of title electronically when there is a lien or security interest in a motor vehicle, a manufactured home, or a mobile home. An "electronic certificate of title" is defined as any electronic record of ownership, including any lien or liens that may be recorded and retained by the Division. The bill also removes title notarization requirements on owners of motor vehicles, manufactured homes, or mobile homes. SB 449 would take effect January 1, 2003.

Background

SB 449 was requested and supported by the Division of Vehicles. According to the Manager of the Title and Registration Bureau of the Division of Vehicles, some financial institutions began working with motor vehicle departments and created the electronic lien and paperless title concept, otherwise known as ELT. This system provides the ability to electronically exchange lien and title information directly between financial institutions and jurisdictions. According to the Manager, the ELT system will:

- ! Reduce issuance of duplicate and reissued titles;
- ! Reduce data entry errors;
- ! Result in more efficient issuance of titles, thereby improving quality assurance;
- ! Allow secured parties to file their liens electronically;

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.accesskansas.org/legislature/>

- ! Provide financial institutions more security by having the Division retain a “paperless” title until a lien is satisfied; and
- ! Provide that once a lien is satisfied the title will be issued.

Other supporters of the bill included the Johnson County Treasurer and a representative of the Kansas Bankers Association (KBA). The Johnson County Treasurer emphasized the shortcomings of the current system, especially the notarization requirement of motor vehicle title assignments. He said that only nine states still require notarization and that the requirement often frustrates customers and slows down the titling process. The KBA conferee said the new system will resolve lenders’ concerns about knowing whether or not the borrower/owner of the vehicle has registered the vehicle and received the title.

As regards the fiscal impact, the Division of Vehicles estimates that passage of this bill would result in a combined reduction in duplicate and reissue titles of approximately 10,600 per year. At present, there is a \$7 charge for each title application. Of that fee, \$2 are retained by the county treasurers. Passage of the bill would result in a \$21,200 (10,600 x \$2) reduction in fees retained at the county level.

The Division further notes that of the remaining \$5 that comes into the state per title application, \$2.50 goes to the Kansas Highway Patrol Motor Vehicle Fund; \$1.00 goes to the VIPS/CAMA Technology Hardware Fund; and \$1.50 goes to the State Highway Fund. The 10,600 fewer title applications would result in a decrease for the KHP fund of \$26,500 (10,600 x \$2.50); a decrease for the VIPS/CAMA fund of \$10,600 (10,600 x \$1); and a decrease for the State Highway Fund of \$15,900 (10,600 x \$1.50).