

**The Florida Senate**  
**BILL ANALYSIS AND FISCAL IMPACT STATEMENT**

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

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Prepared By: The Professional Staff of the Appropriations Subcommittee on Transportation, Tourism, and Economic  
Development

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BILL: PCS/CS/SB 974 (141874)

INTRODUCER: Appropriations Subcommittee on Transportation, Tourism, and Economic Development;  
Infrastructure and Security Committee and Senator Perry

SUBJECT: Damaged, Dismantled, Derelict, or Salvage Motor Vehicles

DATE: April 8, 2019

REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Proctor</u>	<u>Miller</u>	<u>IS</u>	<u>Fav/CS</u>
2.	<u>Wells</u>	<u>Hrdlicka</u>	<u>ATD</u>	<u>Recommend: Fav/CS</u>
3.	<u>                    </u>	<u>                    </u>	<u>AP</u>	<u>                    </u>

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**Please see Section IX. for Additional Information:**

COMMITTEE SUBSTITUTE - Substantial Changes

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**I. Summary:**

PCS/CS/SB 974 makes changes to the business of storing and selling or reselling damaged or dismantled motor vehicles.

The bill requires that when an insurance company notifies an independent entity in possession of a motor vehicle to release a vehicle, the insurance company must provide the independent entity a release statement authorizing release of the vehicle to the owner or *to the lienholder*.

The bill allows the independent entity's notice to the owner to be provided by a commercial delivery service that provides proof of delivery, in addition to certified mail. When the Department of Highway Safety and Motor Vehicles (DHSMV) does not have the owner's address on record, the bill allows the notice to be sent to the vehicle owner's address on file with the insurance company and on file with the vehicle's most recent titling jurisdiction.

The bill allows an independent entity in possession of a vehicle to apply for a certificate of destruction or a certificate of title if a vehicle is not claimed within 30 days after the attempted delivery of notice to the owner; at present, an application can be made only after delivery of the notice to the owner.

When applying for a certificate of destruction or salvage certificate of title, the bill requires the independent entity in possession of a vehicle to:

- Provide proof of all lien satisfactions or proof of a release on all liens on a vehicle;
- Provide an affidavit indicating a notice had been sent to all lienholders and 30 days has passed since the notice was delivered or delivery was attempted, in the event a lien satisfaction or a release of all liens on a vehicle cannot be obtained;
- Provide proof of notice delivery to the lienholder at the address on the certificate of title and, if the address is different than the one on file with the Department of State for the lienholder's registered agent, provide proof of notice delivery to that address.

Effective October 1, 2019, the bill allows a licensed salvage motor vehicle dealer or motor vehicle auction or insurance company that processes title transactions, derelict motor vehicle certificates, and certificates of destruction for derelict and salvaged vehicles to act as an electronic filing system agent of the DHSMV, if the entity does so in the normal course of business.

The bill does not have a significant fiscal impact to state and local government. See Section V.

The bill takes effect July 1, 2019.

## **II. Present Situation:**

### **Notice of Possession**

Pursuant to s. 319.30, F.S., an insurance company may notify an independent entity<sup>1</sup> that obtains possession of a damaged or dismantled motor vehicle (vehicle) to release the vehicle to the owner. The notice must include a release statement on a form prescribed by the Department of Highway Safety and Motor Vehicles (DHSMV) authorizing the independent entity to release the vehicle to the owner. The form must contain:

- The policy and claim number;
- The name and address of the insured;
- The vehicle identification number; and
- The signature of an authorized representative of the insurance company.

The independent entity in possession of the vehicle must send a notice by certified mail to the owner that the vehicle is available for pick up when it receives a release statement from the insurance company. It must inform the owner that he or she has 30 days after receipt of the notice to pick up the vehicle from the independent entity. If the vehicle is not claimed within 30 days after the owner receives the notice, the independent entity may apply for a certificate of destruction or a certificate of title.

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<sup>1</sup> See s. 319.30(1)(g), F.S. ("Independent entity" means a business or entity that may temporarily store damaged or dismantled motor vehicles pursuant to an agreement with an insurance company and is engaged in the sale or resale of damaged or dismantled motor vehicles. The term does not include a wrecker operator, a towing company, or a repair facility.)

The independent entity must make a notification in the National Motor Vehicle Title Information System before releasing any damaged or dismantled motor vehicle to the owner or before applying for a certificate of destruction or salvage certificate of title.

Upon applying for a certificate of destruction or salvage certificate of title, the independent entity must provide a copy of the release statement from the insurance company, proof of providing the 30-day notice to the owner, proof of notification to the National Motor Vehicle Title Information System, and payment of any applicable fees.

### **Electronic Filing System (EFS)**

In 2009, legislation was passed which established state jurisdiction over the EFS program,<sup>2</sup> which is a software application that interacts with the Florida Real-time Vehicle Information System (FRVIS) to securely process title and registration transactions, customer inquiries, and updates in real-time. Certified service providers build their own interface systems that link up with the EFS to provide transaction services to EFS agents (primarily motor vehicle dealers). The EFS agents provide title and registration processing services to customers when products are purchased. The EFS will also generate the appropriate DHSMV documents, including the vehicle registration, title application form, and in some cases the title certificate (printed from Tallahassee).<sup>3</sup> At the end of the EFS transaction, the customer's vehicle is titled and registered without having to visit a tax collector or a DHSMV office.

The tax collector is responsible for reviewing and approving EFS title and registration transactions processed by participating EFS agents in the county. Access to the EFS by dealers and other organizations is provided through a certified service provider (CSP). There are currently five certified service providers participating in the EFS:

- CVR.
- Title Technologies Auto Data Direct, Inc.
- Decision Dynamics, Inc.
- DLRdmv.<sup>4</sup>

These certified service providers have over 2,400 EFS agents providing title and registration services throughout the state.<sup>5</sup> However, EFS is an optional service for EFS agents. All 67 counties have the capability to offer EFS connections to agents, however, all agents do not participate.

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<sup>2</sup> Chapter 2009-206, s. 3, Laws of Fla., preempted to the state jurisdiction over the system.

<sup>3</sup> The Department of Highway Safety and Motor Vehicles, Electronic Filing System (EFS), available at <https://www.flhsmv.gov/motor-vehicles-tags-titles/electronic-lien-titles/electronic-filing-system-efs/> (last visited Mar. 14, 2019).

<sup>4</sup> *Id.*

<sup>5</sup> Email from Kevin Jacobs, Deputy Legislative Affairs Director, Department of Highway Safety and Motor Vehicles, EFS Background - 765 (March 7, 2019) (on file with the Senate Infrastructure and Security Committee).

## Electronic Filing System Rule Requirements

Florida Administrative Code Chapter 15C-16 prescribes and defines the DHSMV EFS and the participation requirements, certification of service providers, system requirements, and enforcement authority for noncompliance.

A tax collector must:

- Appoint an EFS agent to the county after the DHSMV notifies the tax collector that the entity is authorized;
- Review supporting documentation from EFS transactions processed in the county; and
- Receive funds collected electronically from EFS transactions from the CSP and remit funds to the State.<sup>6</sup>

EFS agents must sell products that can be titled and registered, provide title and registration services on behalf of customers, enter into a contract with a CSP, apply to the DHSMV to become an authorized EFS agent, have a satisfactory background check with no felony convictions in the last 7 years, have no state-initiated disciplinary actions within the last 2 years, and may only operate in the county for which they are authorized.<sup>7</sup>

The DHSMV has enforcement over the EFS agents. Violations can result in revocation of an EFS agent's ability to use the electronic filing system. Violations include unauthorized access of data by users, failing to execute electronic funds transfers, charging title and registration fees in excess of those allowed by law, and failing to correct errors or clear pending transactions as required by the DHSMV.<sup>8</sup>

## Salvage Dealers and Metal Recyclers

Secondary metals recyclers<sup>9</sup> must be licensed by the Department of Revenue<sup>10</sup> and salvage motor vehicle dealers<sup>11</sup> must be licensed by the DHSMV.<sup>12</sup> Currently salvage dealers and metal recyclers initiating a certificate of destruction, salvage title, and derelict vehicle certificate transactions must, in person or by mail, process the request at the tax collector office or license plate agency as directed by the DHSMV and pay any applicable fees for the transaction.<sup>13</sup> Application documents are reviewed by the tax collector or license plate agency and then processed or rejected. If the documents are approved, the tax collector or license plate agency processes the transaction, uploads the documents to FRVIS, and prints the certificate of destruction, salvage title, or derelict vehicle certificate. If the documents are rejected, the salvage

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<sup>6</sup> Rule 15C-16.009, F.A.C.

<sup>7</sup> Rule 15C-16.010, F.A.C.

<sup>8</sup> Rule 15C-16.013, F.A.C.

<sup>9</sup> Secondary metals recycler is defined in s. 538.18(11) F.S.

<sup>10</sup> Section 538.25, F.S.

<sup>11</sup> See s. 320.27(1)(c)5., F.S. ("Salvage motor vehicle dealer" means any person who engages in the business of acquiring salvaged or wrecked motor vehicles for the purpose of reselling them and their parts.)

<sup>12</sup> *Id.*

<sup>13</sup> Department of Highway Safety and Motor Vehicles, Division of Motorist Services, *Motor Vehicle Procedures Manual, Uninsured Motor Vehicles or Mobile Homes Declared Total Loss, Motor Vehicles Junked by Owners and Derelict Motor Vehicles* (December 18, 2014), available at <https://www3.flhsmv.gov/dmv/Proc/tl/tl-35.pdf> (last visited on Mar. 9, 2019).

dealers and metal recyclers must correct any errors in the documentation or application and start the process again.

### III. Effect of Proposed Changes:

**Section 1** amends s. 319.30(9), F.S., related to damaged or dismantled vehicles held by independent entities.

The insurance company is currently required to send the independent entity in possession of a vehicle a release statement that authorizes the independent entity to release the vehicle to the vehicle's owner. The bill requires the release statement to also authorize release to lienholders.

The bill allows the independent entity to provide the notice of pickup to the owner by another commercially available delivery service that provides proof of delivery in addition to the current option of sending the notice by certified mail. Under the bill the owner has 30 days *from the date of delivery or attempted delivery* of the notice to claim the vehicle, instead of 30 days *from the date of receipt* of the notice in current law.

Currently, the independent entity must deliver the notice to the owner's address that is in DHSMV records. Under the bill, if the DHSMV records do not contain the owner's address, then the independent entity must deliver the notice to the address in the release statement from the insurance company, as well as any address provided by the latest titling jurisdiction identified through the National Motor Vehicle Title Information System or an equivalent commercially available system.

All records related to the 30-day notice sent to the owner, the results of any searches of the National Motor Vehicle Title Information System or an equivalent commercially available system, and any notifications to the National Motor Vehicle Title Information System must be maintained for a minimum of three years by the independent entity.

The bill also adds a requirement that independent entities must provide proof of all lien satisfactions or proof of a release on all liens on a vehicle when applying for a certificate of destruction or salvage certificate of title. If the independent entity is unable to obtain a lien satisfaction or a release of all liens on the motor vehicle, the independent entity must provide an affidavit stating that:

- Notice was sent to all lienholders that the motor vehicle was available for pickup,
- 30 days have passed since the notice was delivered or attempted to be delivered,
- Attempts have been made to obtain a release from all lienholders, and
- All such attempts have been to no avail.

The notice to lienholders and attempts to obtain a release from lienholders may be by written request delivered in person or by certified mail or another commercially available delivery service that provides proof of delivery to the lienholder at the lienholder's address as provided on the certificate of title. If the lienholder's address on the certificate of title is different than the one on file with the Department of State (DOS) for a financial institution's registered agent for

service of process, notice, levy, or demand,<sup>14</sup> then the independent entity must deliver the notice to the address on file with the DOS.

Effective October 1, 2019, **Section 2** amends s. 320.03, F.S., to authorize a licensed salvage motor vehicle dealer or motor vehicle auction<sup>15</sup> or insurance company that processes title transactions, derelict motor vehicle certificates, and certificates of destruction for derelict and salvaged vehicles physically located in Florida to be an ESF agent if the entity does so in the normal course of business. The DHSMV is granted rule making authority to administer these activities, including, but not limited to, rules establishing participation requirements, certification of service providers, electronic filing system requirements, disclosures, and enforcement authority for noncompliance.

The bill takes effect July 1, 2019.

#### **IV. Constitutional Issues:**

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

D. State Tax or Fee Increases:

None.

E. Other Constitutional Issues:

None.

#### **V. Fiscal Impact Statement:**

A. Tax/Fee Issues:

None.

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<sup>14</sup> See s. 655.0201(2), F.S., which provides requirements for service of process, notice, levy, or demand on financial institutions.

<sup>15</sup> A “motor vehicle auction” is any person offering motor vehicles or recreational vehicles for sale to the highest bidder where buyers are licensed motor vehicle dealers. The person is prohibited from selling a vehicle to anyone other than a licensed motor vehicle dealer. Section 320.27(1)(c)4., F.S.

**B. Private Sector Impact:**

Salvage dealers, metal recyclers, and motor vehicle auctions may see a decrease in both processing time and cost for a certificate of destruction, salvage title, and derelict vehicle certificate transactions.

**C. Government Sector Impact:**

Tax collectors and license plate agency offices may see an indeterminate decrease in workload for processing a certificate of destruction, salvage title, and derelict vehicle certificate transaction.

The bill is not expected to impact revenues of the tax collectors and license plate agency offices for fees collected for use of the EFS. Transactions conducted by EFS agents include the collection of all required fees, which are paid to the tax collectors and license plate agency offices; the tax collectors and license plate agency offices are ultimately responsible for the final review and submittal of any electronic documents processed by EFS agents.

The changes made by the bill to the EFS will require the DHSMV to update its systems. The department estimates that 276 hours will be required for programming and implementation. These hours are estimated to have a fiscal impact to the department of \$9,660 in state employee and contracted resources which can be absorbed within existing resources.<sup>16</sup>

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

The bill authorizes the DHSMV to adopt rules to administer the EFS.

The bill allows the independent entity to apply for a certificate of destruction or certificate of title 30 days after the delivery or *attempted delivery* of the required notice to a vehicle owner. The bill does not define *attempted delivery* and does not allow this event to begin the time period for other required notices.

On lines 102 to 104, the bill requires the independent entity to provide an affidavit that states that “30 days have passed since the notice was delivered or attempted to be delivered pursuant to this section.” By referencing “this section,” it is unclear if the notice referred to is the one that must be provided to the owner or the one provided to all lienholders.

Additionally, the affidavit statement required on lines 101 to 102 of the bill is the first instance that requires notice to be sent to all lienholders stating that the vehicle is available for pickup. If

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<sup>16</sup> Email from DHSMV to Senate Transportation, Tourism, and Economic Development Appropriations Subcommittee staff on March 15, 2019 (on file with the subcommittee).

a 30-day notice must also be sent to all lienholders that a vehicle is available for pickup, then the requirement should be specifically stated prior to being required in the paragraph related to requirements for an application for certificate of destruction or salvage certificate of title.

#### **VIII. Statutes Affected:**

This bill substantially amends the following sections of the Florida Statutes: 319.30 and 320.03.

#### **IX. Additional Information:**

##### **A. Committee Substitute – Statement of Substantial Changes:**

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

##### **Recommended CS/CS by Appropriations Subcommittee on Transportation, Tourism, and Economic Development on April 4, 2019:**

The committee substitute:

- Authorizes an insurance company to notify an independent entity that has possession of a damaged or dismantled motor vehicle to release that vehicle to the lienholder as well as the owner.
- Allows a licensed salvage motor vehicle dealer, motor vehicle auction, or an insurance company to be an electronic filing system agent.

##### **CS by Infrastructure and Security on March 12, 2019:**

- The CS allows for the use of a commercially available system, in addition to the National Motor Vehicle Title Information System, by an independent entity to obtain a vehicle owner's address.
- The CS adds a requirement that independent entities must provide proof of all lien satisfactions or proof of a release on all liens on a vehicle when applying for a certificate of destruction or salvage certificate of title.
- The CS also requires that if the lienholder's address is different than the one on file with the DOS for a financial institution's registered agent or service, then the notice must also be provided to the address on file with the DOS.

##### **B. Amendments:**

None.