

Department of Legislative Services
Maryland General Assembly
2002 Session

FISCAL NOTE

House Bill 1320 (Delegate Hutchins)
Commerce and Government Matters

Vehicle Laws - Salvage Certificates - Garage Owners

This bill authorizes commercial garage owners to apply to the Motor Vehicle Administration (MVA) for a salvage certificate and requires the application to include the certificate fee and the certificate of transfer for the vehicle. The bill limits the number of salvage certificates issued to a garage owner to three per year. The bill's definition of a commercial garage includes a parking garage, a vehicle storage facility, or a service or repair shop.

Fiscal Summary

State Effect: Net Transportation Trust Fund (TTF) revenues would increase to the extent that additional salvage certificates would be issued; the revenues would support any additional personnel that may be needed. Net revenues could increase by \$127,300 to \$250,160 in FY 2003, depending on the number of certificates that are issued.

Local Effect: None.

Small Business Effect: Minimal. The bill mostly benefits small businesses; however, the impact per business is not expected to be significant as the number of salvage certificates is limited to three per year.

Analysis

Current Law: A salvage certificate serves as an ownership document. The MVA must issue a salvage certificate to: (1) a licensed insurance company that acquires a vehicle as the result of a claim settlement; and within ten days after the date of settlement, applies

for a salvage certificate; (2) an automotive dismantler and recycler that acquires a salvage vehicle from a source other than an insurance company, acquires a salvage vehicle by a means other than a transfer of a salvage certificate, and applies for a salvage certificate; and (3) any other person who acquires or retains ownership of a vehicle that is salvage.

A salvage vehicle is one that has been: (1) damaged by collision, fire, flood, accident, trespass, or other occurrence to the extent that the cost to repair it exceeds the fair market value of the vehicle before the damage occurred; (2) acquired by an insurance company as a result of a claim settlement; or (3) acquired by an automotive dismantler and recycler as an abandoned vehicle or for rebuilding or for use as parts only.

The MVA advises that garage owners cannot sell abandoned vehicles for salvage; they may transfer the vehicle to an automotive dismantler and recycler, who is permitted to purchase a limited number of salvage certificates annually. State law requires any person who sells more than four vehicles in a 12-month period to acquire a dealer's license.

State Fiscal Effect: The MVA advises that approximately 8,000 repair and parking garages would be eligible to purchase salvage certificates and that it expects all of the facilities to apply for the maximum number of certificates. To process an additional 24,000 certificate requests, it would need three additional customer service representatives. This estimate is based on eight customer service agents handling approximately 63,000 salvage certificates annually (7,875 certificates per agent). The cost of three additional agents is \$109,840 in fiscal 2003, which accounts for the October 1 effective date and includes the purchase of three digital imaging workstations.

The MVA also advises that it would need \$50,000 to make the necessary computer programming changes required by the bill; this estimate is based on 500 hours of contractual work at \$100 per hour. The Department of Legislative Services (DLS) notes that if other legislation is passed requiring computer reprogramming changes, economies of scale could be realized and that it is unlikely it would take 500 hours (12.5 workweeks) to make the necessary changes.

If all 8,000 garages pay the \$20 certificate fee for three vehicles, TTF revenues would increase by \$480,000 annually (\$360,000 in fiscal 2003). Net TTF revenues would increase by \$250,160 in fiscal 2003.

DLS believes that not all garages will apply for salvage certificates in a given year and, therefore, fewer personnel would be needed. If 50% of the garages apply for three certificates annually, the MVA would only need one full-time and one part-time agent at a first-year cost of \$52,673. Revenues would be less as well with a 50% participation

rate. The increase would be \$240,000 annually (\$180,000 in fiscal 2003). Therefore, net TTF revenues would increase by \$127,300 in fiscal 2003.

The MVA does not expect the bill to lower the number of salvage certificates issued to automotive dismantlers and recyclers, though they would receive fewer vehicles from garages. Accordingly, there would be no offsetting decrease in revenues or decrease in the number of personnel needed to process the certificates.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Transportation, Department of State Police, Department of Legislative Services

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