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FISCAL IMPACT REPORT

ORIGINAL DATE 02/02/09

SPONSOR Cote LAST UPDATED _____ HB 46

SHORT TITLE Salvage Vehicle Titles and Safety SB _____

ANALYST Lucero

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY09	FY10	FY11	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total		\$0.01	\$0.01	\$0.03	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to HB12; HB31

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

House Bill 46 proposes to amend the Motor Vehicle Code, Section 66-3-10.1 NMSA 1978 to provide rule making authority to the Motor Vehicle Division (MVD) to establish criteria for the division or its designee to make a determination that a salvage vehicle has been repaired to a safe and roadworthy condition. Pursuant to that rule a certificate of title may be issued to that vehicle which removes the salvage brand from the title of a salvage vehicle. Subsequent transfers of ownership shall be by title that is not branded.

FISCAL IMPLICATIONS

MVD (or its designee) would be required to make a determination of roadworthiness and is safe to operate. This is not part of MVD's current responsibility, area of expertise, or capability. Implementation would likely require a third party or additional staff to inspect and certify the vehicle's condition.

SIGNIFICANT ISSUES

By providing for removal of the salvage brand from a vehicle that MVD determines to be "repaired to a roadworthy condition necessary for safe operation on highways," the amendment would effectively redefine "salvage vehicle." If the intent is to redefine "salvage vehicle", then the definition of "salvage vehicle" [Section 66-1-4.16 (C) NMSA 1978] should also be amended.

MVD has no expertise to evaluate roadworthiness of a repaired salvage vehicle, and the bill includes no specific authorization to charge an addition fee to accomplish the inspection and evaluation.

Vehicle title branding is the use of a permanent designation on a vehicle's title, registration, or permits to indicate that a vehicle has been written off due to collision, fire or flood damage or has been sold for scrap. The designation or brand is mandatory in most states. The title branding programs typically have two objectives:

1. A deterrent to auto theft
 - There is a risk that a smashed vehicle will be repaired using stolen parts if new, aftermarket or used parts to make the repair would cost more than the vehicle is worth.
2. A consumer-protection warning
 - Cars which have been involved in serious collisions often find their way into auctions and onto dealer's lots. A permanent record of a severe accident warns potential subsequent owners that a car has been damaged (and possibly repaired). Properly repaired and carefully inspected, the vehicles may be good - but an improper repair after a serious accident may leave the vehicle frame, body or key electrical and mechanical systems in damaged or less than roadworthy condition.

PERFORMANCE IMPLICATIONS

Without additional staff, vehicle inspections could significantly extend wait times at MVD field offices.

ADMINISTRATIVE IMPLICATIONS

It is unclear whether administrative responsibility for determination of roadworthiness would expose the division to liability issues. MVD has no expertise to evaluate roadworthiness of a repaired salvage vehicle, and the bill includes no specific authorization to charge an addition fee to accomplish the inspection and evaluation. Presumably the evaluation would have to be performed by a certified contractor to MVD; however, it is unclear whether MVD would be allowed to impose an additional fee for this special service.

Additional costs would likely be incurred if MVD representatives are required to testify in administrative hearings and trials that result from purchasers discovering a vehicle's history of extensive damage after the fact, when that history is not disclosed by the seller at time of sale.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

HB12 "Alternative Vehicle Registrations", HB31 "Motor Vehicle Theft and Embezzlement"

TECHNICAL ISSUES

The bill should provide safety inspection criteria.

OTHER SUBSTANTIVE ISSUES

A salvage vehicle is one that has been damaged to the extent that it is uneconomical to repair the vehicle. Current statute and rule require that once a title has been salvage-branded, all subsequent transfers of title must be by salvage-branded title. A permanent salvage brand, by establishing a permanent record of the damage on the vehicle's title, serves to protect consumers and insurers from title washing and deceptive sales practices. The salvage brand does not prevent a vehicle from being repaired and operated, and does not indicate a lack of road-worthiness. Its removal, however, would facilitate non-disclosure by a seller of a history of serious damage to the vehicle.

Any process for removing the salvage brand from a vehicle would significantly increase the risk of title washing, including opportunities for fraudulent claims of roadworthiness and for salvage vehicles being brought to New Mexico from other states for the purpose of removing the salvage brand. The insurance industry may also be impacted, as a vehicle's insurability and associated value would likely be affected.

A buyer should probably be aware that a vehicle was (at any time) determined to be a salvage vehicle. Under this bill's provisions, consumers could be placed in a position of possibly not having all necessary information when buying a vehicle to determine if it will be a safe or appropriate choice for them. A salvage repaired vehicle may not exhibit the expected typical resistance to structural damage in the event of an accident.

Vehicles damaged by flood might be repaired and look good, but may have sustained substantial damage including mold. If a consumer who is allergic to mold were to buy one of these cars and not know the origins, it could lead to serious health consequences.

ALTERNATIVES

The bill could be amended to provide authority to MVD to charge fee. The fee could be used to cover administrative costs and or offset the cost of joining the National Motor Vehicle Title Information System (NMVTIS). Currently, 25 states are involved in NMVTIS and 11 states are in development.

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