

Fiscal Estimate Narratives

DOT 8/10/01

LRB Number 01-2630/2	Introduction Number AB-458	Estimate Type Corrected
Subject Title branding for hail-damaged motor vehicles		

Assumptions Used in Arriving at Fiscal Estimate

ASSUMPTIONS FOR HAIL-DAMAGED VEHICLES

New Definition: AB 458 creates a new definition in s.340.01(20m), Wis.Stats., for a "hail-damaged" vehicle that can be registered and titled and that has "been damaged by hail to the extent that the estimated or actual cost, whichever is greater, of repairing the vehicle exceeds 70% of its fair market value". Hail-damaged vehicles as defined in AB 458 would not be included in the definition of "salvage vehicle" as defines in s.340.01(55g), Wis.Stats., and thus would be exempt from inspection similar to a salvage vehicle inspection even if the vehicle owner or a subsequent owner decides to repair the vehicle.

Current law: Current Wisconsin law, s.340.01(55g), Wis.Stats., defines a "salvage vehicle" as a vehicle "less than 7 years old that is not precluded from subsequent registration and titling and which is damaged by collision or other occurrence to the extent that the estimated or actual cost, whichever is greater, of repairing the vehicle exceeds 70% of its fair market value". Registration and titling for a repaired salvage vehicle (ref. s.342.065 and s.342.07, Wis.Stats.) requires an inspection by a DOT-authorized inspector 1) to determine if the required salvage vehicle is the same vehicle for which the original title was submitted, 2) to verify the source and ownership of the major components used to recondition the vehicle, and 3) to determine whether the repaired vehicle is in compliance with safety equipment requirements. If the salvage vehicle passes the inspection, a new certificate of title is issued for the vehicle that permanently records the fact that the vehicle was previously a salvage vehicle. The intent of this section of Chapter 342 is to ensure the accurate branding of a vehicle for current and any subsequent vehicle owners by identifying the vehicle as having been previously significantly damaged, and to prevent the use of stolen or illegal parts in the repair of the vehicle.

Private inspections: AB 458 also creates s.342.07(2m), Wis.Stats., which would permit DOT to contract with a private individual or agency, instead of using only a DOT-authorized inspector, to examine a repaired salvage vehicle in two of the three required areas: to verify the source and ownership of the major parts or components used to recondition the vehicle and to determine whether the repaired vehicle is in compliance with safety requirements. Note that administrative rule Trans 149.03(2)(a) stipulates that the DOT-authorized inspector shall be a Wisconsin law enforcement officer or full-time employee of the department of transportation."

continued on next pages...

Long-Range Fiscal Implications

unknown

continued...

Fiscal Estimate AB 458 (LRB2640/2)

July 20, 2001

DOT/State Patrol - Lorelee Brumund (267-3622)

Numbers of inspectors and inspections: In 2000, the State Patrol had 89 salvage vehicle-certified inspectors and 40 certified inspectors from other law enforcement agencies. These inspectors are not assigned solely to the task of salvage vehicle inspections, but perform the inspections in addition to other law enforcement duties. The State Patrol performs approximately 4000 salvage vehicle inspections annually, or 75% of all inspections statewide. The remaining 25% are performed by other authorized law enforcement personnel.

In AB 458, *hail-damaged* vehicles would not be included in the salvage vehicle inspection regulations or annual activity totals because they would be excluded from the definition of "salvage vehicle" and thus excluded from any salvage vehicle inspection.

FISCAL EFFECT FOR HAIL DAMAGED VEHICLES

Division of Motor Vehicle cost to develop a new title notation for "hail-damaged vehicle":

114 days of data processing to create a new title notation and processing for "hail-damaged" vehicles on original documents, subsequent documents, to display the new title during vehicle queries, to reflect the new title on monthly processor statistics and audits, to ensure compatibility with the new Client/Server Redesign issuance system, and to be accessible for modifications via the Vehicle Record Edit (VRE) .

114 days @ \$500 / day personnel costs = \$ 57,000

114 days @ \$77 /day CPU costs = \$ 8,780

DMV data processing cost (one time) \$ 65,780

Division of State Patrol costs: The Division of State Patrol would not incur any additional inspection-related costs since AB 458 exempts hail-damaged vehicles from inspections which are required for salvage vehicles. Additionally, it is impossible to determine how many vehicles would be defined as "hail-damaged" on an annual basis due to the impossibility of predicting hail occurrences, the extent of hail occurrences on vehicles, and how many vehicles may be actually damaged in compliance with the new definition. In 2000, Wisconsin experienced a significant hail storm. During the two weeks following the storm, the State Patrol personnel located in the area of the state most effected by the storm conducted 268 salvage vehicle inspections. The majority of these were due to hail damage. All the inspected vehicles were identified under the current definition of "salvage vehicle" which includes hail-damaged vehicles. However, it is impossible to determine if future hail storms will result in similar frequencies of damage or if the vehicles similar to those inspected in 2000 because of hail damage would also

have to be defined as salvage vehicles under changes made by AB 458. Historically, hail-damage vehicles comprise less than 10% of the total average salvage vehicle inspections conducted in Wisconsin.

It is anticipated, however, that any change in the definition of “salvage vehicle” which would eliminate hail damaged vehicles from a sudden demand for inspections would alleviate some inspection workload increases, an increased demand for DMV vehicle title processing, and vehicle owner delays.

ASSUMPTIONS FOR ESTABLISHING A PRIVATE SALVAGE VEHICLE INSPECTION PROGRAM

Current law: A salvage vehicle as defined in s.340.01(55g), Wis.Stats., as “a vehicle less than 7 years old that is not precluded from subsequent registration and titling and which is damaged by collision or other occurrence to the extent that the estimated or actual cost, whichever is greater, of repairing the vehicle exceeds 70% of its fair market value...” must comply with certain regulations. Registration and titling for a repaired salvage vehicle (ref. s.342.065 and s.342.07, Wis.Stats.) requires an inspection by a DOT-authorized inspector 1) to determine if the repaired salvage vehicle is the same vehicle for which the original title was submitted, 2) to verify the source and ownership of the major parts of the components used to recondition the vehicle, and 3) to determine whether the repaired vehicle is in compliance with safety equipment requirements. If the salvage vehicle passes the inspection, a new certificate of title is issued for the vehicle that permanently records the fact that the vehicle was previously a salvage vehicle. The intent of this section of Chapter 342 is to ensure the accurate branding of a vehicle for current and any subsequent vehicle owners by identifying the vehicle as having been previously significantly damaged, and to prevent the use of stolen or illegal parts in the repair of the vehicle.

Private inspections: AB 458 creates s.342.07(2m), Wis.Stats., which would *permit* DOT to contract with a private individual or agency, instead of using only a DOT-authorized inspector, to examine a repaired salvage vehicle in two of the three required areas: to verify the source and ownership of the major parts of the components used to recondition the vehicle and to determine whether the repaired vehicle is in compliance with safety equipment requirements. The inspection of the salvage vehicle to determine whether the vehicle is the same vehicle for which the original title was submitted is retained as a function of DOT-authorized inspectors which are law enforcement officers. Note that the current administrative rule Trans 149.03(2)(a) stipulates that the DOT-authorized inspector “shall be a Wisconsin law enforcement officer or full-time employee of the department of transportation division of state patrol.”

Promulgation of rules and oversight: AB 458 also creates s.342.07(5), Wis.Stats., which requires DOT to promulgate rules to “determine and certify the competency of inspectors...and to prescribe the manner and form for certification” of the inspectors. This would require DOT to develop an extensive oversight process for contracted private

individuals/agencies (in addition to the inspection procedures established in Trans 149) including:

- DMV data processing tasks to indicate and record identification of the individual and agency conducting the inspection to ensure accurate distribution of inspection fee revenues.
- Development of a procedure to compile, combine, and certify inspection reports from various individuals and agencies for submittal to DOT for vehicle title and registration.
- Development of a statewide training program to certify private inspectors and agencies similar to the 32-hour training for salvage vehicle inspection currently received by law enforcement officers including:
 - 1) Establishment of training criteria; combination of existing training requirements with supplementary requirements for non-law enforcement inspectors.
 - 2) Establishment of approved training facilities (e.g. tech schools)
 - 3) Establishment of demand for training
- Development of a scheduled inspection recertification procedure for private inspectors and agencies similar to the certification and testing procedures currently followed by law enforcement officers, private mechanics (e.g. ANSI) and technicians (*see Technical Memorandum attached*)
- Establishment of inspection locations with considerations for:
 - 4) alternatives for requesting multiple locations for different inspection requirements;
 - 5) availability of inspectors in a particular location;
 - 6) availability of inspection equipment, and;
 - 7) accessibility to consumers.
- Creation of a procedure for general oversight and performance audits of the private inspectors/agencies related to timely inspections, complete and accurate documentation of inspections, record-keeping procedures, authenticity of certifications, financial accounting, and customer service.

Numbers of inspectors and inspections: In 2000, the State Patrol had 89 salvage vehicle-certified inspectors and 40 certified inspectors from other law enforcement agencies. These inspectors are not assigned solely to the task of salvage vehicle inspections, but perform the inspections in addition to other law enforcement duties. The State Patrol performs approximately 4000 salvage vehicle inspections annually, or 75% of the all inspections performed statewide. The remaining 25% are performed by other authorized law enforcement personnel.

Inspection fee disbursement: AB 458:

- amends s.342.07(3)(b)1, Wis.Stats., to reimburse 75% of the inspection fee to the city, village, town or county that employs the non-DOT inspector (local law enforcement officer), except as provided for in newly created s.347.07(3)(b)(2), Wis.Stats.;

- creates s.342.07(3)(b)2, Wis.Stats., to reimburse 25% of the inspection fee for the VIN verification inspection only (s.342.07(2)(a), Wis.Stats.) to the city, village, town or county that employs the non-DOT inspector (local law enforcement officer);
- creates s.342.07(3)(c), Wis.Stats., reimburses 75% of the inspection fee for the inspection of vehicle parts and safety compliance (s.342.07(b) and (c), Wis.Stats.) performed by a DOT inspector (State Patrol) to the Transportation Fund.
- Law enforcement inspectors would retain the requirement of inspecting vehicles for certification of ownership (i.e. VIN inspection).

Fees for inspections performed completely by the State Patrol are sent to the Transportation Fund as 100% of the fee.

The fee disbursement for inspections performed jointly by a law enforcement officer and a private individual or agency would be based on the percentages applicable to the type of inspection performed by each inspector.

AB 458 does *not* change the fee for salvage vehicle inspection from \$80 as identified in s.342.07(3), Wis.Stats.

FISCAL EFFECT OF ESTABLISHING A PRIVATE SALVAGE VEHICLE INSPECTION PROGRAM

Division of Motor Vehicle cost to develop data processing program for inspector identification and fee revenue disbursements:

207 days of data processing	
207 days @ \$500/day personnel costs	= \$ 103,500
207 days @ \$77/day CPU costs	= \$ 15,940
DMV data processing cost (one time)	\$ 119,440

Division of State Patrol estimated average annual cost of salvage vehicle inspections:

875 “mandays” of salvage vehicle inspection annually
Inspector salaries dedicated to salvage vehicle inspections = \$221,900
Fringe benefits dedicated to salvage vehicle inspections salaries = \$ 98,800
Additional costs associated with salvage vehicle inspections (travel, fleet costs) = \$ 14,300
<u>Total cost dedicated to salvage vehicle inspections = \$335,000*</u>

* This total cost does not indicate that the State Patrol would save or reduce costs of up to an annual average of \$335,000 if salvage vehicle inspections were not performed by State Patrol personnel. The State Patrol inspectors currently performing salvage vehicle inspections would be assigned to other inspector activities and thus would incur similar costs in the performance of those duties.

Year 2000 salvage vehicle inspection revenues:

Transportation Fund revenue from salvage vehicle inspections = \$347,800

Municipalities' revenue from salvage vehicle inspections = \$185,300

Division of State Patrol average annual cost of providing salvage vehicle inspection training at the Wisconsin State Patrol Academy:

\$ 5,000*

* This does not indicate a savings or cost reduction to the State Patrol; the State Patrol would continue to provide training for inspectors as a replacement to or in addition to training provided by another institution.

Parameters:

32-hours of instruction

6 instructors from various areas of expertise

course administration by State Patrol staff

commuting, non-resident students

25 students per class

Division of State Patrol costs to provide oversight:

1 additional FTE position = \$ 88,500*

* This position includes an average Inspector Sergeant salary, fringe benefits, travel and fleet costs, communications equipment costs, data processing costs, and materials/supplies expenses.

Position duties:

Development of training criteria

Coordination of training location alternatives

Coordination of inspection locations

Development of certification procedures

Development of inspection forms submittal procedures

Coordination of inspection process with DMV

General oversight/performance audit

Inspection fee disbursement:

It is not possible to determine the revenue effect on local jurisdictions or private individuals/agencies who may perform salvage inspections. The number of individuals/agencies wanting to enter into the business of salvage vehicle inspections is not known, nor is it determinable how many of those interested individuals/agencies would be able to complete the inspection training and certification process to qualify to be inspectors.

Additionally, it is not possible to determine how many hail-damaged vehicles may be taken out of the overall annual demand for salvage vehicle inspections if AB 458 were to be implemented.

It is also impossible to determine if private individuals/agencies will be competitive in pricing salvage vehicle inspections, or in offering other services in conjunction with inspections, thus effecting the overall costs to consumers.

Conclusions:

- One-time data processing cost to DMV for title creation of “hail-damaged vehicle” of **\$ 65,780**.
- One-time data processing cost to DMV for establishing a private salvage vehicle inspection program of **\$119,440**.
- Impossible to determine transfer of salvage vehicle inspections from DOT (State Patrol and other law enforcement) inspectors to private individuals or agencies. AB 458 is permissive.
- State Patrol average annual cost of **\$335,000** to perform salvage vehicle inspections would be transferred to other inspector activities.
- State Patrol and other law enforcement inspectors would retain requirement to perform all inspections to certify vehicle ownership.
- Cost for inspector training may be retained by the Wisconsin State Patrol Academy at an average course cost for 25 commuting students of **\$5000**.
- Staff cost for one additional State Patrol officer to provide oversight/performance audit of the program is **\$88,500**.
- Inspection fee disbursement combinations, and thus possible revenues for private and/or other jurisdictions performing inspections, are impossible to estimate due to the uncertainty of the language of AB 458.
- The \$80 fee established in statute does not change in AB 458.

Fiscal Estimate Worksheet - 2001 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

LRB Number 01-2630/2		Introduction Number AB-458	
Subject			
Title branding for hail-damaged motor vehicles			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
\$65,780 DMV dataprocessing costs for "hail-damaged vehicle" title \$119,440 DMV dataprocessing costs for identification of private inspectors			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes		\$88,500	
(FTE Position Changes)		(1.0 FTE)	
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category		\$88,500	\$
B. State Costs by Source of Funds			
GPR			
FED			
PRO/PRS			
SEG/SEG-S		88,500	
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
		Increased Rev	Decreased Rev
GPR Taxes		\$	\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues		\$	\$
NET ANNUALIZED FISCAL IMPACT			
		State	Local
NET CHANGE IN COSTS		\$88,500	\$
NET CHANGE IN REVENUE		\$	\$
Agency/Prepared By		Authorized Signature	
DOT/ Carol Buckmaster (608) 267-6979		Carol Buckmaster (608) 267-6979	
		Date	
		8/10/01	