

39:10-11.2 to 39:10-11.6

LEGISLATIVE HISTORY CHECKLIST

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LAWS OF:	2017	CHAPTER:	308
NJSA:	39:10-11.2 to 39:10-11.6 (Establishes electronic lien and titling system for New Jersey motor vehicles.)		
BILL NO:	S2968	(Substituted for A1943)	
SPONSOR(S)	Vitale and others		
DATE INTRODUCED:	1/30/2017		
COMMITTEE:	ASSEMBLY:	Transportation & Independent Authorities Appropriations	
	SENATE:	Transportation Budget & Appropriations	
AMENDED DURING PASSAGE:	Yes		
DATE OF PASSAGE:	ASSEMBLY:	1/8/2018	
	SENATE:	1/8/2018	
DATE OF APPROVAL:	1/16/2018		

FOLLOWING ARE ATTACHED IF AVAILABLE:

FINAL TEXT OF BILL (First Reprint enacted) Yes

S2968

SPONSOR'S STATEMENT: (Begins on page 3 of introduced bill) Yes

COMMITTEE STATEMENT:

ASSEMBLY: No

SENATE: Yes Transportation
Budget & Appropriations

(Audio archived recordings of the committee meetings, corresponding to the date of the committee statement, ***may possibly*** be found at www.njleg.state.nj.us)

FLOOR AMENDMENT STATEMENT: No

LEGISLATIVE FISCAL ESTIMATE:	Yes	12/20/2017 1/11/2018
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A1943

SPONSOR'S STATEMENT: (Begins on page 3 of introduced bill) Yes

COMMITTEE STATEMENT:

ASSEMBLY: Yes Transportation & Independent
Appropriations Authorities

SENATE: No

(Audio archived recordings of the committee meetings, corresponding to the date of the committee statement, ***may possibly*** be found at www.njleg.state.nj.us)

(continued)

FLOOR AMENDMENT STATEMENT:

No

LEGISLATIVE FISCAL ESTIMATE:

Yes

VETO MESSAGE:

No

GOVERNOR'S PRESS RELEASE ON SIGNING:

No

FOLLOWING WERE PRINTED:

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REPORTS:

No

HEARINGS:

No

NEWSPAPER ARTICLES:

No

RH/CL

P.L. 2017, CHAPTER 308, *approved January 16, 2018*
Senate, No. 2968 (*First Reprint*)

1 **AN ACT** concerning an electronic lien and titling system for New
2 Jersey motor vehicles and supplementing Title 39 of the Revised
3 Statutes.

4
5 **BE IT ENACTED** *by the Senate and General Assembly of the State*
6 *of New Jersey:*

7
8 1. a. Within 60 days of the effective date of this act, the Chief
9 Administrator of the New Jersey Motor Vehicle Commission shall
10 complete a study to determine whether the commission has the
11 resources and capability to establish and implement, within 12
12 months of the effective date of this act, an electronic lien and titling
13 system to process and administer, in a cost-effective manner, the
14 notification, recording, and release of security interests and title
15 information by the lienholders of motor vehicles in lieu of a paper
16 based system used for those purposes.

17 b. If the chief administrator determines that the commission
18 has the resources and capability to establish and implement an
19 electronic lien and titling system, the commission shall establish
20 and implement an electronic lien and titling system within 12
21 months of the effective date of this act.

22 c. If the chief administrator determines that the commission
23 does not have the resources and capability to establish and
24 implement an electronic lien and titling system, the commission
25 shall contract with a qualified bidder to establish and implement an
26 electronic lien and titling system for the State. A contract entered
27 into pursuant to this subsection shall be offered, advertised, and
28 awarded in the manner prescribed in chapter 34 of Title 52 of the
29 Revised Statutes and consistent with the provisions of sections 2
30 and 3 of this act.

31
32 2. In addition to the requirements set forth in chapter 34 of
33 Title 52 of the Revised Statutes, whenever the chief administrator
34 seeks to contract for the establishment and implementation of an
35 electronic lien and titling system, the specifications and invitations
36 for bids shall include, but not be limited to, provisions providing
37 that the contract:

38 a. shall be for a term of not less than seven years;

EXPLANATION – Matter enclosed in bold-faced brackets **[thus]** in the above bill is
not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

¹Senate SBA committee amendments adopted December 18, 2017.

b. shall be a no-cost contract, ensuring that: (1) the commission shall be assessed no charges by the successful bidder for establishing and implementing the electronic lien and titling system; and (2) the successful bidder shall be obligated to reimburse the commission for all reasonable implementation costs directly associated with the establishment and implementation of the electronic lien and titling system; and

c. authorizes the successful bidder to charge participating lienholders and their agents reasonable fees for implementing and administering an electronic lien and titling system.

3. In addition to the provisions of chapter 34 of Title 52 of the Revised Statutes concerning the qualifications of bidders, an applicant seeking to enter into a contract with the State to establish and implement an electronic lien and titling system shall have a demonstrated history of directly providing both electronic lien services to state motor vehicle departments or agencies and electronic lien software and services to lienholders.

4. Within one year of the date upon which an electronic lien and titling system established pursuant to this act becomes operational, all lienholders, except individuals and those lienholders who are not normally engaged in the business of financing motor vehicles and are administratively exempted by the chief administrator, shall participate in the electronic lien and titling system.

5. The chief administrator may adopt, pursuant to the “Administrative Procedure Act,” P.L.1968, c.410 (C.52:14B-1 et seq.), rules and regulations to effectuate the purposes of this act, including, but not necessarily limited to, regulations providing for the oversight of any successful bidder by the chief administrator and¹ regulations designating the class or classes of lienholders that are exempt from the provisions of the act requiring participation by all lienholders within one year.

6. This act shall take effect immediately.

Establishes electronic lien and titling system for New Jersey motor vehicles.

SENATE, No. 2968

STATE OF NEW JERSEY
217th LEGISLATURE

INTRODUCED JANUARY 30, 2017

Sponsored by:

Senator JOSEPH F. VITALE

District 19 (Middlesex)

Senator LINDA R. GREENSTEIN

District 14 (Mercer and Middlesex)

Co-Sponsored by:

Senator Oroho

SYNOPSIS

Establishes electronic lien and titling system for New Jersey motor vehicles.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 11/13/2017)

1 **AN ACT** concerning an electronic lien and titling system for New
2 Jersey motor vehicles and supplementing Title 39 of the Revised
3 Statutes.

4
5 **BE IT ENACTED** *by the Senate and General Assembly of the State*
6 *of New Jersey:*

7
8 1. a. Within 60 days of the effective date of this act, the Chief
9 Administrator of the New Jersey Motor Vehicle Commission shall
10 complete a study to determine whether the commission has the
11 resources and capability to establish and implement, within 12
12 months of the effective date of this act, an electronic lien and titling
13 system to process and administer, in a cost-effective manner, the
14 notification, recording, and release of security interests and title
15 information by the lienholders of motor vehicles in lieu of a paper
16 based system used for those purposes.

17 b. If the chief administrator determines that the commission
18 has the resources and capability to establish and implement an
19 electronic lien and titling system, the commission shall establish
20 and implement an electronic lien and titling system within 12
21 months of the effective date of this act.

22 c. If the chief administrator determines that the commission
23 does not have the resources and capability to establish and
24 implement an electronic lien and titling system, the commission
25 shall contract with a qualified bidder to establish and implement an
26 electronic lien and titling system for the State. A contract entered
27 into pursuant to this subsection shall be offered, advertised, and
28 awarded in the manner prescribed in chapter 34 of Title 52 of the
29 Revised Statutes and consistent with the provisions of sections 2
30 and 3 of this act.

31
32 2. In addition to the requirements set forth in chapter 34 of
33 Title 52 of the Revised Statutes, whenever the chief administrator
34 seeks to contract for the establishment and implementation of an
35 electronic lien and titling system, the specifications and invitations
36 for bids shall include, but not be limited to, provisions providing
37 that the contract:

38 a. shall be for a term of not less than seven years;

39 b. shall be a no-cost contract, ensuring that: (1) the commission
40 shall be assessed no charges by the successful bidder for
41 establishing and implementing the electronic lien and titling system;
42 and (2) the successful bidder shall be obligated to reimburse the
43 commission for all reasonable implementation costs directly
44 associated with the establishment and implementation of the
45 electronic lien and titling system; and

46 c. authorizes the successful bidder to charge participating
47 lienholders and their agents reasonable fees for implementing and
48 administering an electronic lien and titling system.

1 the Revised Statutes). In addition, the bill specifies that the
2 contract would: 1) be for a term of not less than seven years;
3 2) be a no-cost contract, ensuring that the MVC is assessed no
4 charges by the successful bidder for establishing and implementing
5 the electronic lien and titling system and that the successful bidder
6 is obligated to reimburse the MVC for all reasonable costs directly
7 associated with the establishment and implementation of the
8 system; and 3) include an authorization permitting the successful
9 bidder to charge participating lienholders and their agents
10 reasonable fees.

11 The bill also specifies requirements for applicants seeking to
12 enter into a contract with the State. In addition to the qualifications
13 set forth in the State public contracts law, the bill requires
14 applicants to have a demonstrated history of directly providing both
15 electronic lien services to state motor vehicle departments or
16 agencies and electronic lien software and services to lienholders.

17 Finally, the bill mandates that within one year of the date upon
18 which the electronic lien and titling system becomes operational, all
19 lienholders in New Jersey are required to participate in the system,
20 except individuals and those lienholders who are not normally
21 engaged in the business of financing motor vehicles and are
22 administratively exempted by the chief administrator.

SENATE TRANSPORTATION COMMITTEE

STATEMENT TO

SENATE, No. 2968

STATE OF NEW JERSEY

DATED: DECEMBER 4, 2017

The Senate Transportation Committee reports favorably Senate Bill No. 2968.

As reported, this bill requires the New Jersey Motor Vehicle Commission (MVC) to complete a study to determine whether it has the resources and capability to establish and implement, within 12 months of the bill's effective date, an electronic lien and title system to process and administer, in a cost-effective manner, the notification, recording, and release of security interests and titling information by the lienholders of motor vehicles in lieu of the current paper-based system.

If the MVC determines it has the resources and capability to establish and implement the system, it is to establish and implement the system within 12 months of the bill's effective date.

If the MVC determines it does not have the resources and capability to establish and implement the system, the MVC is required to contract with a qualified bidder to establish and implement the system for the State. The contract is to be offered, advertised, and awarded in accordance with the State public contracts law. In addition, the bill specifies that the contract is to:

- (1) be for a term of not less than seven years;
- (2) be a no-cost contract, ensuring that the MVC is assessed no charges by the successful bidder for establishing and implementing the electronic lien and titling system and that the successful bidder is obligated to reimburse the MVC for all reasonable costs directly associated with the establishment and implementation of the system; and
- (3) permit the successful bidder to charge participating lienholders and their agents reasonable fees.

In addition, the bill requires contract applicants to have a demonstrated history of directly providing both electronic lien services to state motor vehicle departments or agencies and electronic lien software and services to lienholders.

The bill mandates that within one year of the date upon which the electronic lien and titling system becomes operational, all lienholders in New Jersey are required to participate in the system, except individuals and those lienholders who are not normally engaged in the business of financing motor vehicles and who are administratively exempted by the chief administrator.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO SENATE, No. 2968

with committee amendments

STATE OF NEW JERSEY

DATED: DECEMBER 18, 2017

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 2968 with committee amendments.

This bill, as amended, requires the New Jersey Motor Vehicle Commission (MVC) to complete a study to determine whether it has the resources and capability to establish and implement, within 12 months of the bill's effective date, an electronic lien and title system to process and administer, in a cost-effective manner, the notification, recording, and release of security interests and titling information by the lienholders of motor vehicles in lieu of the current paper-based system.

If the MVC determines it has the resources and capability to establish and implement the system, it is to establish and implement the system within 12 months of the bill's effective date.

If the MVC determines it does not have the resources and capability to establish and implement the system, the MVC is required to contract with a qualified bidder to establish and implement the system for the State. The contract is to be offered, advertised, and awarded in accordance with the State public contracts law. In addition, the bill specifies that the contract is to:

- (1) be for a term of not less than seven years;
- (2) be a no-cost contract, ensuring that the MVC is assessed no charges by the successful bidder for establishing and implementing the electronic lien and titling system and that the successful bidder is obligated to reimburse the MVC for all reasonable costs directly associated with the establishment and implementation of the system; and
- (3) permit the successful bidder to charge participating lienholders and their agents reasonable fees.

In addition, the bill requires contract applicants to have a demonstrated history of directly providing both electronic lien services to state motor vehicle departments or agencies and electronic lien software and services to lienholders.

The bill mandates that within one year of the date upon which the electronic lien and titling system becomes operational, all lienholders in New Jersey are required to participate in the system, except individuals and those lienholders who are not normally

engaged in the business of financing motor vehicles and who are administratively exempted by the chief administrator.

COMMITTEE AMENDMENTS:

The committee amendment permits regulations to be adopted providing for the oversight of any successful bidder by the chief administrator.

FISCAL IMPACT:

The Office of Legislative Services notes that the bill provides that in the event that the New Jersey Motor Vehicle Commission (MVC) establishes an electronic lien and titling system through an external contract, the contract is required to be a no cost contract. The no cost contract ensures that MVC is not assessed any charges for the establishment of the electronic lien titling system.

If the MVC establishes an internal electronic lien and titling system, there will likely be an initial increase in State costs for the establishment of the new system. Whether the State will face increased or decreased future costs will depend upon whether the electronic system can be administered at a lower cost than the existing paper-based system.

If the MVC contracts with an outside vendor, additional electronic lien and titling fees permitted under the bill, in order to establish a “no-cost” contract, may mitigate the cost of establishing the electronic system for the MVC. The vendor would likely reimburse the MVC for these reasonable expenses. The MVC will likely face a reduction in revenues from no longer collecting the paper-based lien and title fees and a reduction in costs from no longer administering the paper-based system. The magnitude of those paper based revenues and costs will determine whether the MVC will face a long term net savings or cost.

LEGISLATIVE FISCAL ESTIMATE
SENATE, No. 2968
STATE OF NEW JERSEY
217th LEGISLATURE

DATED: DECEMBER 20, 2017

SUMMARY

Synopsis: Establishes electronic lien and titling system for New Jersey motor vehicles.

Type of Impact: Possible change in State costs and increase in State revenues.

Agencies Affected: New Jersey Motor Vehicle Commission (MVC)

Office of Legislative Services Estimate

Fiscal Impact	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
State Cost	Indeterminate – See comments below		
Local Revenue	Indeterminate – See comments below		

- The bill provides that in the event that the New Jersey Motor Vehicle Commission (MVC) establishes an electronic lien and titling system through an external contract, the contract is required to be a no cost contract. The no cost contract ensures that MVC is not assessed any charges for the establishment of the electronic lien titling system.
- If the MVC establishes an internal electronic lien and titling system, there will likely be an initial increase in State costs for the establishment of the new system. Whether the State will face increased or decreased future costs will depend upon whether the electronic system can be administered at a lower cost than the existing paper-based system.
- If the MVC contracts with an outside vendor, additional electronic lien and titling fees permitted under the bill, in order to establish a “no-cost” contract, may mitigate the cost of establishing the electronic system for the MVC. The vendor would likely reimburse the MVC for these reasonable expenses. The MVC will likely face a reduction in revenues from no longer collecting the paper-based lien and title fees and a reduction in costs from no longer administering the paper-based system. The magnitude of those paper based revenues and costs will determine whether the MVC will face a long term net savings or cost.

BILL DESCRIPTION

This bill establishes an electronic lien and titling system for New Jersey motor vehicles to replace the State's current paper-based system.

Under the bill, the MVC is required to complete a study to determine whether it has the resources and capability to establish and implement, within one year of the bill's enactment, an electronic lien and titling system to process and administer, in a cost-effective manner, the notification, recording, and release of security interests and titling information by the lien holders of motor vehicles in lieu of the current paper-based system.

If the MVC determines it does have the resources and capability to implement the new system, it is to proceed to establish the system within 12 months. If the MVC concludes that it does not have the resources and capability to implement the new system, it is to contract with a qualified bidder to establish and implement the system for the State.

The contract is to be offered, advertised, and awarded in accordance with the State public contracts law. In addition, the bill specifies that the contract is to:

(1) be for a term of not less than seven years;

(2) be a no-cost contract, ensuring that the MVC is assessed no charges by the successful bidder for establishing and implementing the electronic lien and titling system and that the successful bidder is obligated to reimburse the MVC for all costs directly associated with the establishment and implementation of the system; and

(3) include an authorization permitting the successful bidder to charge participating lien holders and their agents reasonable fees.

The bill specifies the requirements for applicants seeking to enter into a contract with the State. In addition to the qualifications set forth in the State public contracts law, the bill requires contract applicants to have a demonstrated history of directly providing both electronic lien services to state motor vehicle departments or agencies and electronic lien software and services to lien holders.

Finally, the bill mandates that within one year of the date upon which the electronic lien and titling system becomes operational, all lien holders in New Jersey are required to participate in the system, except individuals and those lien holders who are not normally engaged in the business of financing motor vehicles and are administratively exempted by the chief administrator.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The Office of Legislative Services (OLS) is unable to determine the fiscal impact of the proposed bill because the impact is contingent upon decisions to be made after the bill's enactment. The bill requires the Chief Administrator of the MVC to undertake a study to determine whether the MVC has the resources and capability to establish and implement an electronic lien and titling system within 12 months of the bill's effective date. The bill requires the MVC to implement the system if the MVC has the capability to establish and implement the

system, and requires the MVC to contract with an outside firm to implement the system, if the MVC does not have the capability.

The OLS does not have access to information about the MVC computer system or the internal information technology resources available to the MVC to effectively evaluate the internal or external cost of establishing and operating an electronic lien titling system. When the Chief Administrator of the MVC has completed the study, the system costs, whether established internally or externally, should be known.

It should be noted that the bill provides for the MVC to establish a new fee for the electronic lien and titling system to be collected by the outside contractor if the MVC utilizes an outside contractor, but the bill does not compel the MVC to maintain or alter lien and title fees if the system is established internally. Whether the MVC charges a new fee for the new internally established system would also be a factor in the amount of revenue that the State would likely obtain as a result of this bill. If the MVC does not charge an additional fee with an internally established system, the MVC may not offset the costs of switching from the paper-based system to an electronic system. The net cost of establishing the system internally would depend fully upon the MVC's existing revenues and those costs would likely be higher than if the system were established through an outside contractor, who is permitted by the bill to collect fees, and reimburse the MVC for all reasonable expenses that the MVC faces in setting up an electronic system with the contractor.

The bill authorizes contractor fees as a means of compensating the MVC for the "no-cost" contract and compensating the contractor for the work that it performs. This implies that the full cost of implementing and administering this electronic system will be derived from these fees and that the MVC will not be expected to redirect any savings realized from reducing or eliminating its paper-based system to the electronic system administrator. However, it also means that the MVC may no longer collect lien and title fees.

Assuming that this new electronic lien and titling system is administered through an external vendor, it is likely that the overall result of the bill would be an increase in revenue for the MVC equal to the cost of implementing the new electronic system, which is to be paid for by users of the new system and offset by the loss of lien and title revenue collected under the current paper-based system. The MVC would likely experience an increase in costs for the initial implementation of the system, which would likely be accompanied by a reduction in costs equal to the cost of administering the existing paper-based lien and titling system.

The net impact to the MVC will be the difference between the amount of revenue that the MVC generates in lien and title fees under the current system and its cost of administering the current paper-based lien and title system.

Section: Authorities, Utilities, Transportation and Communications

*Analyst: Patrick Brennan
Senior Fiscal Analyst*

*Approved: Frank W. Haines III
Legislative Budget and Finance Officer*

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

SENATE, No. 2968

STATE OF NEW JERSEY
217th LEGISLATURE

DATED: JANUARY 11, 2018

SUMMARY

- Synopsis:** Establishes electronic lien and titling system for New Jersey motor vehicles.
- Type of Impact:** Possible change in State costs and increase in State revenues.
- Agencies Affected:** New Jersey Motor Vehicle Commission (MVC)

Office of Legislative Services Estimate

Fiscal Impact	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
State Cost	Indeterminate – See comments below		
Local Revenue	Indeterminate – See comments below		

- The bill provides that in the event that the New Jersey Motor Vehicle Commission (MVC) establishes an electronic lien and titling system through an external contract, the contract is required to be a no cost contract. The no cost contract ensures that MVC is not assessed any charges for the establishment of the electronic lien titling system.
- If the MVC establishes an internal electronic lien and titling system, there will likely be an initial increase in State costs for the establishment of the new system. Whether the State will face increased or decreased future costs will depend upon whether the electronic system can be administered at a lower cost than the existing paper-based system.
- If the MVC contracts with an outside vendor, additional electronic lien and titling fees permitted under the bill, in order to establish a “no-cost” contract, may mitigate the cost of establishing the electronic system for the MVC. The vendor would likely reimburse the MVC for these reasonable expenses. The MVC will likely face a reduction in revenues from no longer collecting the paper-based lien and title fees and a reduction in costs from no longer administering the paper-based system. The magnitude of those paper based revenues and costs will determine whether the MVC will face a long term net savings or cost.

BILL DESCRIPTION

This bill establishes an electronic lien and titling system for New Jersey motor vehicles to replace the State's current paper-based system.

Under the bill, the MVC is required to complete a study to determine whether it has the resources and capability to establish and implement, within one year of the bill's enactment, an electronic lien and titling system to process and administer, in a cost-effective manner, the notification, recording, and release of security interests and titling information by the lien holders of motor vehicles in lieu of the current paper-based system.

If the MVC determines it does have the resources and capability to implement the new system, it is to proceed to establish the system within 12 months. If the MVC concludes that it does not have the resources and capability to implement the new system, it is to contract with a qualified bidder to establish and implement the system for the State.

The contract is to be offered, advertised, and awarded in accordance with the State public contracts law. In addition, the bill specifies that the contract is to:

- (1) be for a term of not less than seven years;
- (2) be a no-cost contract, ensuring that the MVC is assessed no charges by the successful bidder for establishing and implementing the electronic lien and titling system and that the successful bidder is obligated to reimburse the MVC for all costs directly associated with the establishment and implementation of the system; and
- (3) include an authorization permitting the successful bidder to charge participating lien holders and their agents reasonable fees.

The bill specifies the requirements for applicants seeking to enter into a contract with the State. In addition to the qualifications set forth in the State public contracts law, the bill requires contract applicants to have a demonstrated history of directly providing both electronic lien services to state motor vehicle departments or agencies and electronic lien software and services to lien holders.

Finally, the bill mandates that within one year of the date upon which the electronic lien and titling system becomes operational, all lien holders in New Jersey are required to participate in the system, except individuals and those lien holders who are not normally engaged in the business of financing motor vehicles and are administratively exempted by the chief administrator.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The Office of Legislative Services (OLS) is unable to determine the fiscal impact of the proposed bill because the impact is contingent upon decisions to be made after the bill's enactment. The bill requires the Chief Administrator of the MVC to undertake a study to determine whether the MVC has the resources and capability to establish and implement an electronic lien and titling system within 12 months of the bill's effective date. The bill requires the MVC to implement the system if the MVC has the capability to establish and implement the

system, and requires the MVC to contract with an outside firm to implement the system, if the MVC does not have the capability.

The OLS does not have access to information about the MVC computer system or the internal information technology resources available to the MVC to effectively evaluate the internal or external cost of establishing and operating an electronic lien titling system. When the Chief Administrator of the MVC has completed the study, the system costs, whether established internally or externally, should be known.

It should be noted that the bill provides for the MVC to establish a new fee for the electronic lien and titling system to be collected by the outside contractor if the MVC utilizes an outside contractor, but the bill does not compel the MVC to maintain or alter lien and title fees if the system is established internally. Whether the MVC charges a new fee for the new internally established system would also be a factor in the amount of revenue that the State would likely obtain as a result of this bill. If the MVC does not charge an additional fee with an internally established system, the MVC may not offset the costs of switching from the paper-based system to an electronic system. The net cost of establishing the system internally would depend fully upon the MVC's existing revenues and those costs would likely be higher than if the system were established through an outside contractor, who is permitted by the bill to collect fees, and reimburse the MVC for all reasonable expenses that the MVC faces in setting up an electronic system with the contractor.

The bill authorizes contractor fees as a means of compensating the MVC for the "no-cost" contract and compensating the contractor for the work that it performs. This implies that the full cost of implementing and administering this electronic system will be derived from these fees and that the MVC will not be expected to redirect any savings realized from reducing or eliminating its paper-based system to the electronic system administrator. However, it also means that the MVC may no longer collect lien and title fees.

Assuming that this new electronic lien and titling system is administered through an external vendor, it is likely that the overall result of the bill would be an increase in revenue for the MVC equal to the cost of implementing the new electronic system, which is to be paid for by users of the new system and offset by the loss of lien and title revenue collected under the current paper-based system. The MVC would likely experience an increase in costs for the initial implementation of the system, which would likely be accompanied by a reduction in costs equal to the cost of administering the existing paper-based lien and titling system.

The net impact to the MVC will be the difference between the amount of revenue that the MVC generates in lien and title fees under the current system and its cost of administering the current paper-based lien and title system.

Section: Authorities, Utilities, Transportation and Communications

*Analyst: Patrick Brennan
Senior Fiscal Analyst*

*Approved: Frank W. Haines III
Legislative Budget and Finance Officer*

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).

ASSEMBLY, No. 1943

STATE OF NEW JERSEY

217th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2016 SESSION

Sponsored by:

Assemblyman CRAIG J. COUGHLIN

District 19 (Middlesex)

Assemblyman JOHN S. WISNIEWSKI

District 19 (Middlesex)

Assemblyman NICHOLAS CHIARAVALLOTI

District 31 (Hudson)

Assemblyman RAJ MUKHERJI

District 33 (Hudson)

Co-Sponsored by:

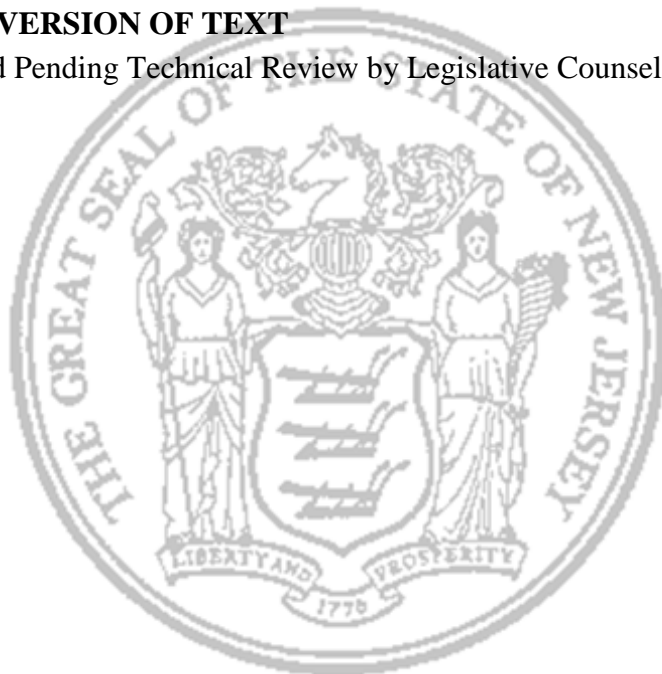
Assemblyman Diegnan and Assemblywoman Pinkin

SYNOPSIS

Establishes electronic lien and titling system for New Jersey motor vehicles.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel.



(Sponsorship Updated As Of: 1/20/2017)

1 **AN ACT** concerning an electronic lien and titling system for New
2 Jersey motor vehicles and supplementing Title 39 of the Revised
3 Statutes.

4
5 **BE IT ENACTED** *by the Senate and General Assembly of the State*
6 *of New Jersey:*

7
8 1. a. Within 60 days of the effective date of this act, the Chief
9 Administrator of the New Jersey Motor Vehicle Commission shall
10 complete a study to determine whether or not the commission has
11 the resources and capability to establish and implement within 12
12 months of the effective date of this act an electronic lien and titling
13 system to process and administer, in a cost-effective manner, the
14 notification, recording, and release of security interests and title
15 information by the lienholders of motor vehicles in lieu of a paper
16 based system used for those purposes.

17 b. If the chief administrator determines that the commission
18 has the resources and capability to establish and implement an
19 electronic lien and titling system, the commission shall proceed to
20 establish and implement an electronic lien and titling system within
21 12 months of the effective date of this act.

22 c. If the chief administrator determines that the commission
23 does not have the resources and capability to establish and
24 implement an electronic lien and titling system, the commission
25 shall contract with a qualified bidder to establish and implement an
26 electronic lien and titling system for the State. A contract entered
27 into pursuant to this subsection shall be offered, advertised, and
28 awarded in the manner prescribed in chapter 34 of Title 52 of the
29 Revised Statutes and consistent with the provisions of sections 2
30 and 3 of this act.

31
32 2. In addition to the requirements set forth in chapter 34 of
33 Title 52 of the Revised Statutes, whenever the chief administrator
34 seeks to contract for the establishment and implementation of an
35 electronic lien and titling system, the specifications and invitations
36 for bids shall include, but not be limited to, provisions providing
37 that the contract:

38 a. Shall be for a term of not less than seven years;

39 b. Shall be a no-cost contract, ensuring that: (1) the
40 commission shall be assessed no charges by the successful bidder
41 for establishing and implementing the electronic lien and titling
42 system; and (2) the successful bidder shall be obligated to
43 reimburse the commission for all reasonable implementation costs
44 directly associated with the establishment and implementation of
45 the electronic lien and titling system; and

46 c. Authorizes the successful bidder to charge participating
47 lienholders and their agents reasonable fees for implementing and
48 administering an electronic lien and titling system.

1 (chapter 34 of Title 52 of the Revised Statutes). In addition, the bill
2 specifies that the contract would:

3 (1) be for a term of not less than seven years;

4 (2) be a no-cost contract, ensuring that the MVC is assessed no
5 charges by the successful bidder for establishing and implementing
6 the electronic lien and titling system and that the successful bidder
7 is obligated to reimburse the MVC for all reasonable costs directly
8 associated with the establishment and implementation of the
9 system; and

10 (3) include an authorization permitting the successful bidder to
11 charge participating lienholders and their agents reasonable fees.

12 The bill also specifies requirements for applicants seeking to
13 enter into a contract with the State. In addition to the qualifications
14 set forth in the State public contracts law, the bill requires
15 applicants to have a demonstrated history of directly providing both
16 electronic lien services to state motor vehicle departments or
17 agencies and electronic lien software and services to lienholders.

18 Finally, the bill mandates that within one year of the date upon
19 which the electronic lien and titling system becomes operational, all
20 lienholders in New Jersey must participate in the system, except
21 individuals and those lienholders who are not normally engaged in
22 the business of financing motor vehicles and are administratively
23 exempted by the chief administrator.

ASSEMBLY TRANSPORTATION AND INDEPENDENT
AUTHORITIES COMMITTEE

STATEMENT TO

ASSEMBLY, No. 1943

STATE OF NEW JERSEY

DATED: JANUARY 19, 2017

The Assembly Transportation and Independent Authorities Committee reports favorably Assembly Bill No. 1943.

As reported, this bill requires the New Jersey Motor Vehicle Commission (MVC) to complete a study to determine whether it has the resources and capability to establish and implement, within 12 months of the bill's effective date, an electronic lien and titling system to process and administer, in a cost-effective manner, the notification, recording, and release of security interests and titling information by the lienholders of motor vehicles in lieu of the current paper-based system.

If the MVC determines it has the resources and capability to establish and implement the system, it is to proceed to establish and implement the system within 12 months of the bill's effective date.

If the MVC determines it does not have the resources and capability to establish and implement the system, the MVC is required to contract with a qualified bidder to establish and implement the system for the State. The contract is to be offered, advertised, and awarded in accordance with the State public contracts law. In addition, the bill specifies that the contract is to:

(1) be for a term of not less than seven years;

(2) be a no-cost contract, ensuring that the MVC is assessed no charges by the successful bidder for establishing and implementing the electronic lien and titling system and that the successful bidder is obligated to reimburse the MVC for all reasonable costs directly associated with the establishment and implementation of the system; and

(3) permit the successful bidder to charge participating lienholders and their agents reasonable fees.

In addition, the bill requires contract applicants to have a demonstrated history of directly providing both electronic lien services to state motor vehicle departments or agencies and electronic lien software and services to lienholders.

The bill mandates that within one year of the date upon which the electronic lien and titling system becomes operational, all lienholders in New Jersey are required to participate in the system, except individuals and those lienholders who are not normally

engaged in the business of financing motor vehicles and who are administratively exempted by the chief administrator.

This bill was pre-filed for introduction in the 2016-2017 session pending technical review. As reported, the bill includes the changes required by technical review, which has been performed.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 1943

with committee amendments

STATE OF NEW JERSEY

DATED: DECEMBER 18, 2017

The Assembly Appropriations Committee reports favorably Assembly Bill No. 1943, with committee amendments.

As amended, this bill requires the New Jersey Motor Vehicle Commission (MVC) to complete a study to determine whether it has the resources and capability to establish and implement, within 12 months of the bill's effective date, an electronic lien and titling system to process and administer, in a cost-effective manner, the notification, recording, and release of security interests and titling information by the lienholders of motor vehicles in lieu of the current paper-based system.

If the MVC determines it has the resources and capability to establish and implement the system, it is required to establish and implement the system within 12 months of the bill's effective date.

If the MVC determines it does not have the resources and capability to establish and implement the system, the MVC is required to contract with a qualified bidder to establish and implement the system for the State. The contract is to be offered, advertised, and awarded in accordance with the State public contracts law. In addition, the bill specifies that the contract is to:

(1) be for a term of not less than seven years;

(2) be a no-cost contract, ensuring that the MVC is assessed no charges by the successful bidder for establishing and implementing the electronic lien and titling system and that the successful bidder is obligated to reimburse the MVC for all reasonable costs directly associated with the establishment and implementation of the system; and

(3) permit the successful bidder to charge participating lienholders and their agents reasonable fees.

In addition, the bill requires contract applicants to have a demonstrated history of directly providing both electronic lien services to state motor vehicle departments or agencies and electronic lien software and services to lienholders.

The bill mandates that within one year of the date upon which the electronic lien and titling system becomes operational, all lienholders in New Jersey are required to participate in the system, except individuals and those lienholders who are not normally

engaged in the business of financing motor vehicles and who are administratively exempted by the chief administrator.

As amended, this bill is identical to Senate Bill No. 2968 of 2017.

FISCAL IMPACT:

The bill provides that if the New Jersey Motor Vehicle Commission (MVC) establishes an electronic lien and titling system through an external contract, the contract is required to be a no cost contract. The no cost contract ensures that MVC is not assessed any charges for the establishment of the electronic lien titling system.

If the MVC establishes an internal electronic lien and titling system, there will likely be an initial increase in State costs for the establishment of the new system. Whether the State will face increased or decreased future costs will depend upon whether the electronic system can be administered at a lower cost than the existing paper-based system.

If the MVC contracts with an outside vendor, additional electronic lien and titling fees permitted under the bill, in order to establish a “no-cost” contract, may mitigate the cost of establishing the electronic system for the MVC. The vendor would likely reimburse the MVC for these reasonable expenses. The MVC will likely face a reduction in revenues from no longer collecting the paper-based lien and title fees and a reduction in costs from no longer administering the paper-based system. The magnitude of those paper based revenues and costs will determine whether the MVC will face a long term net savings or cost.

COMMITTEE AMENDMENTS:

The committee amendments make certain technical and grammatical changes to the bill. The amendments also clarify that regulations may be adopted pertaining to the oversight of successful bidders under the bill.

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

ASSEMBLY, No. 1943
STATE OF NEW JERSEY
217th LEGISLATURE

DATED: JANUARY 11, 2018

SUMMARY

- Synopsis:** Establishes electronic lien and titling system for New Jersey motor vehicles.
- Type of Impact:** Possible change in State costs and increase in State revenues.
- Agencies Affected:** New Jersey Motor Vehicle Commission (MVC)

Office of Legislative Services Estimate

Fiscal Impact	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
State Cost	Indeterminate – See comments below		
Local Revenue	Indeterminate – See comments below		

- The bill provides that in the event that the New Jersey Motor Vehicle Commission (MVC) establishes an electronic lien and titling system through an external contract, the contract is required to be a no cost contract. The no cost contract ensures that MVC is not assessed any charges for the establishment of the electronic lien titling system.
- If the MVC establishes an internal electronic lien and titling system, there will likely be an initial increase in State costs for the establishment of the new system. Whether the State will face increased or decreased future costs will depend upon whether the electronic system can be administered at a lower cost than the existing paper-based system.
- If the MVC contracts with an outside vendor, additional electronic lien and titling fees permitted under the bill, in order to establish a “no-cost” contract, may mitigate the cost of establishing the electronic system for the MVC. The vendor would likely reimburse the MVC for these reasonable expenses. The MVC will likely face a reduction in revenues from no longer collecting the paper-based lien and title fees and a reduction in costs from no longer administering the paper-based system. The magnitude of those paper based revenues and costs will determine whether the MVC will face a long term net savings or cost.

BILL DESCRIPTION

This bill establishes an electronic lien and titling system for New Jersey motor vehicles to replace the State's current paper-based system.

Under the bill, the MVC is required to complete a study to determine whether it has the resources and capability to establish and implement, within one year of the bill's enactment, an electronic lien and titling system to process and administer, in a cost-effective manner, the notification, recording, and release of security interests and titling information by the lien holders of motor vehicles in lieu of the current paper-based system.

If the MVC determines it does have the resources and capability to implement the new system, it is to proceed to establish the system within 12 months. If the MVC concludes that it does not have the resources and capability to implement the new system, it is to contract with a qualified bidder to establish and implement the system for the State.

The contract is to be offered, advertised, and awarded in accordance with the State public contracts law. In addition, the bill specifies that the contract is to:

- (1) be for a term of not less than seven years;
- (2) be a no-cost contract, ensuring that the MVC is assessed no charges by the successful bidder for establishing and implementing the electronic lien and titling system and that the successful bidder is obligated to reimburse the MVC for all costs directly associated with the establishment and implementation of the system; and
- (3) include an authorization permitting the successful bidder to charge participating lien holders and their agents reasonable fees.

The bill specifies the requirements for applicants seeking to enter into a contract with the State. In addition to the qualifications set forth in the State public contracts law, the bill requires contract applicants to have a demonstrated history of directly providing both electronic lien services to state motor vehicle departments or agencies and electronic lien software and services to lien holders.

Finally, the bill mandates that within one year of the date upon which the electronic lien and titling system becomes operational, all lien holders in New Jersey are required to participate in the system, except individuals and those lien holders who are not normally engaged in the business of financing motor vehicles and are administratively exempted by the chief administrator.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The Office of Legislative Services (OLS) is unable to determine the fiscal impact of the proposed bill because the impact is contingent upon decisions to be made after the bill's enactment. The bill requires the Chief Administrator of the MVC to undertake a study to determine whether the MVC has the resources and capability to establish and implement an electronic lien and titling system within 12 months of the bill's effective date. The bill requires the MVC to implement the system if the MVC has the capability to establish and implement the

system, and requires the MVC to contract with an outside firm to implement the system, if the MVC does not have the capability.

The OLS does not have access to information about the MVC computer system or the internal information technology resources available to the MVC to effectively evaluate the internal or external cost of establishing and operating an electronic lien titling system. When the Chief Administrator of the MVC has completed the study, the system costs, whether established internally or externally, should be known.

It should be noted that the bill provides for the MVC to establish a new fee for the electronic lien and titling system to be collected by the outside contractor if the MVC utilizes an outside contractor, but the bill does not compel the MVC to maintain or alter lien and title fees if the system is established internally. Whether the MVC charges a new fee for the new internally established system would also be a factor in the amount of revenue that the State would likely obtain as a result of this bill. If the MVC does not charge an additional fee with an internally established system, the MVC may not offset the costs of switching from the paper-based system to an electronic system. The net cost of establishing the system internally would depend fully upon the MVC's existing revenues and those costs would likely be higher than if the system were established through an outside contractor, who is permitted by the bill to collect fees, and reimburse the MVC for all reasonable expenses that the MVC faces in setting up an electronic system with the contractor.

The bill authorizes contractor fees as a means of compensating the MVC for the "no-cost" contract and compensating the contractor for the work that it performs. This implies that the full cost of implementing and administering this electronic system will be derived from these fees and that the MVC will not be expected to redirect any savings realized from reducing or eliminating its paper-based system to the electronic system administrator. However, it also means that the MVC may no longer collect lien and title fees.

Assuming that this new electronic lien and titling system is administered through an external vendor, it is likely that the overall result of the bill would be an increase in revenue for the MVC equal to the cost of implementing the new electronic system, which is to be paid for by users of the new system and offset by the loss of lien and title revenue collected under the current paper-based system. The MVC would likely experience an increase in costs for the initial implementation of the system, which would likely be accompanied by a reduction in costs equal to the cost of administering the existing paper-based lien and titling system.

The net impact to the MVC will be the difference between the amount of revenue that the MVC generates in lien and title fees under the current system and its cost of administering the current paper-based lien and title system.

Section: Authorities, Utilities, Transportation and Communications

*Analyst: Patrick Brennan
Senior Fiscal Analyst*

*Approved: Frank W. Haines III
Legislative Budget and Finance Officer*

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).