

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: July 7, 2011
POSITION: Oppose
SPONSOR: Consumers for Auto Reliability and Safety

BILL NUMBER: AB 753
AUTHOR: W. Monning

BILL SUMMARY: Vehicles: Rentals

This bill would require a rental company to only rent a vehicle that is subject to a recall notice if the vehicle has been repaired according to federal regulations.

FISCAL SUMMARY

There would be no fiscal impact on state agencies.

This bill would not result in a reimbursable mandate because costs to local government which result from legislation defining a new crime or changing an existing definition of a crime are not reimbursable by the state.

COMMENTS

Finance is opposed to the bill because it is unnecessary because California law already prohibits rental car companies from renting out vehicles that do not conform to federal motor vehicle safety standards.

Analyst/Principal (0741) K. Amann	Date	Program Budget Manager Mark Hill	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS Form DF-43 (Rev 03/95 Buff)

W. Monning

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AB 753

ANALYSIS

A. Programmatic Analysis

Existing federal law:

- Requires manufacturers to notify owners, dealers, and distributors about defects that relate to motor vehicle safety or noncompliance with federal motor vehicle safety standards.

Existing state law:

- Prohibits rental car companies from renting vehicles that do not conform to federal motor vehicle safety standards or which are not mechanically safe to operate.
- Authorizes the CHP to conduct periodic unannounced inspections of rental car companies to ascertain compliance with safety standards.

This bill would:

- Specify that a rental company cannot rent a vehicle that has been recalled by the manufacturer until:
 - Required repair or modification has been performed according to federal requirements.
 - Interim steps, if identified in the recall notice, have been completed.
- Declare that a vehicle is not subject to the federal safety recall if the notice has not been received by the rental car company or the recall notice only applies to geographic regions outside of the state.

Discussion:

According to the author's office, although current law prohibits the renting of a vehicle that is not mechanically safe, in the past few years most of the major car rental companies have rented vehicles that were subject to safety recall notices by the manufacturer. These findings came to light after the National Highway Transportation Safety Administration concluded an investigation of safety recalled rental cars accidents. The investigation was prompted after a 2004 accident in Santa Cruz. Although the vehicle had been recalled by the manufacturer for fire hazard due to a faulty power steering part, it was rented and involved in an accident that resulted in a fire that killed two of the vehicle's occupants. The family of the deceased filed a lawsuit which resulted in a \$15 million jury award to the family. Subsequently, most rental companies have changed their policies and factory recalled cars are not rented until the repair has been performed or the vehicle has been declared safe.

Although CHP has authority to conduct unannounced inspections of rental car companies to ensure compliance with state law, CHP indicates that their activities are generally limited to incidents where a safety violation discovered during an accident investigation.

B. Fiscal Analysis

This bill should not result in additional costs to state agencies.

BILL ANALYSIS/ENROLLED BILL REPORT--(CONTINUED)

AUTHOR

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Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							Fund Code
	LA	(Dollars in Thousands)							
	CO	PROP							
	RV	98	FC	2011-2012	FC	2012-2013	FC	2013-2014	
2720/CHP	SO	No		----- No/Minor Fiscal Impact -----					0044
<u>Fund Code</u>	<u>Title</u>								
0044	Motor Vehicle Account, STF								