
SENATE COMMITTEE ON APPROPRIATIONS

Senator Sabrina Cervantes, Chair
2025 - 2026 Regular Session

SB 1029 (Seyarto) - Vehicle lien sales: Department of Motor Vehicles: notice

Version: February 10, 2026
Urgency: No
Hearing Date: April 27, 2026

Policy Vote: TRANS. 12 - 0
Mandate: No
Consultant: Mark McKenzie

Bill Summary: SB 1029 would require the Department of Motor Vehicles (DMV) to send a notice to a vehicle owner whose vehicle was sold at a lien sale that specifies the amount of any remaining balance from the proceeds of that sale that were forwarded to DMV, and the process for filing a claim to retrieve any available funds.

Fiscal Impact:

- DMV would incur one-time costs in the first year, likely in the range of \$350,000, to develop and adopt regulations and to perform necessary IT programming to facilitate sending notifications to registered owners, legal owners, and other persons known to have an interest in a vehicle sold at a lien sale. Costs for a standard regulations package are typically in the range of \$115,000, but can vary depending on the scope and content. DMV estimates that one-time automation costs related to this bill would be approximately \$235,000. Staff notes that these programming efforts would not impact core legacy systems or the department's ongoing IT modernization efforts. (Motor Vehicle Account)
- DMV estimates ongoing costs of approximately \$75,000 annually for staff time and postage necessary to send notices by certified mail with return receipt requested to registered and legal owners, and all persons known to have an interest in the vehicle. (Motor Vehicle Account)

Background: Existing law provides lienholder rights to a person for compensation to which the person is legally entitled for making repairs or performing labor upon, furnishing supplies or materials for, and for the storage, repair, or safekeeping of, and for the rental of parking space for, any vehicle subject to registration by the DMV. The lien arises when a registered owner is presented with a written statement of charges for completed work or services, but if possession is the result of a public agency or private party impound, the lien arises when the vehicle is transported. A lien may be satisfied by getting a court judgment or by selling the vehicle through a lien sale process.

Existing law specifies processes and procedures that must be followed in order for a lienholder to conduct a lien sale. Owners of vehicles subject to a lien are notified of a pending lien sale before the vehicle is sold. Depending on the value of the vehicle, either DMV (for vehicles with a value exceeding \$4,000) or the lienholder (for vehicles valued at or below \$4,000) must send written notice of the pending lien sale to the registered owner and legal owner at their addresses of record, and to any other person known to have an interest in the vehicle. The notice must include a description of the vehicle, the details of the lien, a Declaration of Opposition form, and details of opposition process. The owner of the vehicle may submit the Declaration of Opposition

form to DMV to contest and pause the sale. The lien sale may only continue if the lienholder then successfully files an action in court. Vehicles valued over \$4,000 have additional lien sale notification requirements, including an additional notice sent to the vehicle's owner 20 days prior to the sale, and more robust public noticing requirement.

Existing law specifies the process for the disposal of proceeds of a vehicle lien sale. Specifically, the lienholder is entitled to the amount necessary to discharge the lien and the cost of processing the vehicle, as specified. The balance of any proceeds, if any, must be forwarded to the DMV within five or 15 days of the lien sale, as specified, and deposited into the Motor Vehicle Account (MVA). Any person claiming an interest in the vehicle may file a claim with the DMV for any portion of the funds that were forwarded to the department. Upon a determination that the claimant is entitled to an amount from the balance of proceeds, the DMV must pay that amount, which cannot exceed the amount forwarded to the department. Any claim on the balance of proceeds from a lien sale must be filed within three years of the date the funds were deposited in the MVA.

While most vehicle lien sales end in a loss, some result in excess proceeds that are forwarded to the DMV. According to the author, over \$8 million in excess proceeds from lien sales were deposited into the MVA from 2016 to 2024. It is unclear how many claims on those proceeds were filed by vehicle owners. Existing law does not require DMV to notify registered or legal owners, or other persons with an interest in a vehicle sold at a lien sale, that excess funds from the sale have been forwarded to the department. DMV recently launched a lien sale excess fees lookup tool on its website that allows vehicle owners to enter a license plate or vehicle identification number to determine whether a refund is available.

Proposed Law: SB 1029 would require DMV, within 14 days of receipt of the balance of proceeds of a vehicle lien sale that are forwarded to the department, to provide a notice specifying the amount of funds forwarded to DMV, and information on how to file a claim for any portion of the funds. The notice must be sent, by certified mail and with return receipt requested, to the registered and legal owners of the vehicle, as well as all persons known to have an interest in the vehicle.

Related Legislation: AB 2269 (Macedo), which is currently pending in the Assembly Transportation Committee, would increase the vehicle value threshold from \$4,000 to \$7,000 for vehicles sold through a lien sale to determine the processes and procedures that would be applicable for lien sale, as specified.

Staff Comments: The Motor Vehicle Account (MVA) is the primary funding source for the California Highway Patrol and DMV. The MVA has had a structural deficit since the 2021-22 fiscal year, with expenditures exceeding revenues by approximately \$60 million in the current year, and approximately \$112 million in the budget year (projected). Absent further actions to address the MVA fund condition, approving any new proposals that increase MVA expenditures would exacerbate the current structural imbalance of the fund. The Budget Summary published for the Governor's proposed 2026-27 Budget notes that "the MVA will be insolvent as soon as 2028-29. Given the ongoing fiscal constraints in the MVA, the Administration will continue to limit new workload or initiatives, including those with delayed implementation dates that would create additional cost pressures over time."

The DMV indicates that it would not be able to complete the necessary automation workload in advance of the bill's January 1, 2027 operative date given its current modernization priorities and the structural imbalance of the MVA. Furthermore, DMV would need to adopt regulations to implement the bill, which is expected to take 9-12 months to complete.

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