



SENATE BILL

224

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# PLAN OF OPERATION



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# PURPOSE AND EXECUTIVE SUMMARY

## Purpose and Executive Summary

Senate Bill 224 (SB224), 88th Legislature, Regular Session, creates enhanced criminal penalties related to criminal conduct involving catalytic converters and administrative penalties relating to regulatory provisions for metal recycling entities (MRE).

The Motor Vehicle Crime Prevention Authority (MVCPA) is charged with the development and implementation of a Plan of Operation to coordinate activities with the Texas Department of Public Safety (TxDPS), the Texas Department of Licensing and Regulation (TDLR), and the Texas Department of Motor Vehicles (TxDMV) to review records and respond to suspicious activities. The MVCPA may also establish a task force of persons regulated by the aforementioned agencies who have substantial business experience in transactions involving catalytic converters.

The Plan of Operation describes a strategy to protect the legitimate stream of commerce, ensure regulated persons are not inserting stolen catalytic converters into the stream of commerce, and provide risk-based targeting and random auditing of the records of regulated entities.

# BACKGROUND AND DISCUSSION

## Regulatory Authority

### **Metal Recycling Entities (MRE)**

The Texas Department of Public Safety registers and regulates MREs involved in performing the manufacturing process by which scrap, used, or obsolete metal is converted into raw material products consisting of prepared grades and having an existing or potential economic value. (Texas Occupations Code, Chapter 1956 and related administrative rules.)

### **Used Automotive Parts Recyclers**

The Texas Department of Licensing and Regulation licenses and regulates Used Automotive Parts Recycling businesses involved in the dismantling and reuse or resale of used automotive parts. (Texas Occupations Code Chapter 2309 and Texas Admin Code Chapter 87.)

### **Salvage Dealers**

The Texas Department of Motor Vehicles licenses and regulates motor vehicle dealers holding General Distinguishing Numbers (GDNs) who buy or sell more than five salvage or non-repairable motor vehicles in a calendar year, or rebuild more than five salvage motor vehicles in a calendar year. (Transportation Code, Chapter 501, and Occupations Code, Chapter 2302.)

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## Development of Software for Tracking SB 224 Funding

The MVCPA will provide the funding and coordinate with TxDMV to acquire or develop software required for the activities required by SB 224, including grant management and tracking functions.

## Partner Agency Coordination and Records Review

In coordination with TxDPS, TDLR, and TxDMV, MVCPA will develop criteria to identify suspicious activities involving the purchase, acquisition, sale, or transfer of catalytic converters removed from motor vehicles. Such criteria may include:

- Sale of multiple catalytic converters by one individual.
- Sale of catalytic converters involving multiple transactions over a period by individuals.
- Failure to keep proper records of purchase or acquisition of catalytic converters.
- Multiple violations of statutes and rules.

MVCPA staff, with the assistance of analysts from state agencies who regulate businesses involving the purchase, acquisition, sale, or transfer of catalytic converters, will perform reviews of applicable records to identify suspicious activities and report findings to MVCPA.

Partner agencies will share identified trends, anomalies, and associated information for the entities regulated by their agency.

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## Meeting Frequency with Partner State Agencies and/or Grantee Taskforces

MVCPA will meet with partner agencies (TxDMV, TxDPS, and TDLR) and other involved entities as needed to coordinate activities, intelligence sharing, compliance trends, investigative needs, and reporting related to the implementation of SB224.

**Partner State Agency Meetings** will occur no less than twice per month for the first six (6) months, and quarterly thereafter.

**Grantee Taskforce Meetings** will occur no less than once per month for the first six (6) months. Meeting frequency can be increased at the request of the MVCPA Director or MVCPA Board. Meetings after 6 months will occur quarterly or as needed.

**Advisory Committee Meetings** will occur no less than once per quarter each fiscal year. Meetings will include partner agencies, grantee taskforces, and representatives from regulated entities. The MVCPA Chairman will assign board member(s) to coordinate with the MVCPA Director to develop the membership of the Advisory Committee.

**The MVCPA Board has granted the MVCPA Director and the TxDMV Deputy Executive Director the authority to alter the frequency of the above meetings based on observed needs of the participants to achieve the goals of the program.**

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## Response to Suspicious Activities

- Suspicious activities identified as suspected criminal violations will be forwarded to MVCPA Taskforce law enforcement personnel and the TxDPS Criminal Investigations Division for investigation.
- Suspicious activities identified as suspected administrative violations will be forwarded to TDLR and TxDMV for inspection and follow-up.
- Suspicious Activities / Criteria / Risk-Based Factors
  - MVCPA will coordinate with partner agencies to identify and implement risk factors to be incorporated into the implementation plan. Each partner agency will identify and submit risk factors specific to their regulated entities. Variables for consideration include but are not limited to:
    - Criminal violations
    - Sale of multiple catalytic converters by an entity or overall transaction volume;
    - Sale of multiple catalytic converters/transactions over a period of time by a particular entity;
    - Past violation history;
    - Failure to maintain proper records of purchase, sale or acquisition;
    - Complaints;
    - Multiple violations;
    - Discrepancies or inconsistencies in data.

### Classification of Investigations

MVCPA will coordinate with partner agencies to establish Priority I and Priority II Investigation Categories. Criteria for each category shall be established to timely and appropriately respond to complaints and investigations.

### Inspection Frequency

Inspections will be conducted in accordance with partner agency governing statutes, rules, and agency procedure. Partner agencies will consider leveraging random inspections, complaint-based reviews, or inspections that coincide with licensure renewal.

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## Identification of Resource Needs

### **Partner Agency Resources**

MVCPA coordinated with partner state agencies to identify preliminary resources needed to effectively implement SB224. MVCPA, working with TxDMV finance staff, will establish a process to request and distribute resources to partner agencies and establish a quarterly report. MVCPA will coordinate with partner state agencies to develop and implement the quarterly report.

### **Grantee Resources Needed**

MVCPA coordinated with existing auto theft task force grantees to discuss investigative trends and offenses to identify resources needed to implement SB224.

Identified resources include:

- Task force agents and investigators
- Equipment
- Prosecutor assistance

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## Funding Mechanisms

### **Grants**

MVCPA has express statutory authority to issue grants in its own name, including grants to local law enforcement to combat motor vehicle theft, burglary from a motor vehicle, and/or fraud-related motor vehicle crime. SB 224 provides additional authority for MVCPA to provide funding to combat catalytic converter theft in Texas.

### **Inter-Agency Contracts (IACs)**

MVCPA may use standard contractual agreements between State of Texas agencies, including IACs, to formalize agreements to “coordinate efforts with the Department of Public Safety [and] the Texas Department of Licensing and Regulation.”

### **Direct Expenditures**

Because MVCPA is administratively attached to TxDMV, the department may allocate expenditures to MVCPA funding sources as needed to carry out the functions of the program. Examples include salaries and benefits, meeting and conference expenses, and other operating costs. MVCPA Staff will consult with TxDMV’s finance and legal staff to determine the most appropriate funding mechanism for distributing funds and will bring these agreements to the MVCPA Board for approval.