



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS



Telephone: (517) 373-5383
Fax: (517) 373-1986

Senate Bill 1023 (as introduced 5-22-18)
Sponsor: Senator Peter MacGregor
Committee: Commerce

Date Completed: 9-4-18

CONTENT

The bill would amend the Michigan Vehicle Code to do the following:

- **Require the Secretary of State (SOS) to establish a prelicensure dealer training program, a training program for designated individuals, and a continuing education training program, and require each training program to meet certain criteria.**
- **Require an applicant for an original eligible used vehicle dealer license to complete a prelicensure dealer license program, within the six-month period before the application.**
- **Prohibit the Department of State from renewing an eligible used vehicle dealer license unless the application included a certification from the dealer that it was in compliance with the bill's training requirements.**
- **Require an eligible used vehicle dealer to select a designated individual, and ensure that he or she completed a training program for designated individuals, within 90 days after an original dealer license was issued, and a continuing education training program once a year after the license was issued.**
- **Require certain certifications to be included on a dealer license application.**

The bill would take effect 90 days after its enactment.

Dealer Training Programs

The bill would require the SOS to establish each of the following dealer training programs for eligible used vehicle dealers:

- A prelicensure dealer training program.
- A training program for designated individuals.
- A continuing education training program.

(Under the Code, "dealer" means a person who in a 12-month period did one or more of the following: engaged in the business of purchasing, selling, exchanging, brokering, leasing, or dealing in vehicles of a type required to be titled under the Code; engaged in the business of purchasing, selling, exchanging, brokering, or dealing in salvageable parts of five or more vehicles; or engaged in the business of buying five or more vehicles to sell vehicle parts or process into scrap metal. The term also includes a person engaged in the actual remanufacturing of engines or transmissions.)

The bill would define "eligible used vehicle dealer" as a person that was licensed, or was applying for licensure, as a used or secondhand vehicle dealer, and was not licensed or seeking licensure as a new vehicle dealer.

"Designated individual" would mean any of the following individuals, if he or she were selected by an eligible used vehicle dealer to complete a training program:

- An individual who is a licensed eligible vehicle dealer, or his or her partner or officer.
- An employee of a licensed eligible used vehicle dealer, such as a general or sales manager, or an employee who is responsible for preparing title documents for the dealer.

Prelicensure Training Program

A prelicensure dealer training program would have to meet all of the following:

- Was conducted by the Department of State, or a Department-approved qualified trade organization, and was offered at least two times each calendar quarter.
- Was available to any individual who was an eligible used vehicle dealer, or his or her partner or officer, who was applying for an original dealer license.
- Included a training related to the Code and any other subject matter approved by the SOS, such as consumer protection and sales and use tax collection.

If approved by the Department, the training program could be conducted online or by other electronic means. The Department could consult with any other State departments to evaluate and approve course content it considered appropriate.

"Qualified trade organization" would mean a bona fide nonprofit member organization that is based in Michigan, that has been in existence for at least five years, and whose members are primarily eligible used vehicle dealers.

Designated Individual Training Program

A training program for designated individuals would have to meet all of the following:

- Was conducted by the Department or another person designated by the SOS, and was offered at least two times each calendar quarter.
- Was available to any designated individual.
- Included training in transferring vehicle titles, documentation of title transfer, record keeping, and any other subject matter approved by the SOS, such as consumer protection and sales and use tax collection.

If approved by the Department, the training program would be conducted online or by other electronic means.

Continuing Education Training Program

A continuing education training program would have to meet all of the following:

- Was conducted at least two times in each calendar quarter.
- Included at least two hours of training.
- Included subject matter approved by the SOS, such as transferring vehicle titles, documentation of title transfer, record keeping, consumer protection, and sales and use tax collection.
- Was conducted by the Department or a Department-approved qualified trade organization.

The Department could evaluate an approved qualified trade organization to determine whether it met the requirements for a continuing education training program. Also, it could, after a hearing, suspend or revoke a qualified trade organization's approval to offer the continuing education training for failure to comply with those requirements.

The Department could consult with any other State departments it considered appropriate to evaluate and approve course content.

Eligible Used Vehicle Dealer License

Under the bill, in the six-month period before the date of an application for an original eligible used vehicle dealer license, each individual who was the applicant, or each of his or her partners or officers, as applicable, for an original eligible used vehicle dealer license would have to complete a prelicensure dealer license program. This requirement would not apply to either of the following:

- An applicant or application for the renewal of an eligible used vehicle license.
- The holder of an original eligible used vehicle dealer license that was granted before, or was valid on, the date the bill took effect.

In the 90-day period following the issuance of an original dealer license to an eligible used vehicle dealer, the licensed dealer would have to select a designated individual and ensure that he or she completed a training program for designated individuals. However, this would not apply if the designated individual had completed a continuing education training program. An eligible used vehicle dealer would have to select a designated individual for each of its retail sales locations. An eligible used vehicle dealer could not select the same individual as the designated individual for more than one retail sales location. Additionally, these requirements would not apply to the holder of an original or renewal eligible used vehicle dealer license that was granted before, and was valid on, the bill's effective date until the license was next renewed.

In addition to the training program for designated individuals, an eligible used vehicle dealer would have to ensure that a designated individual completed a continuing education dealer program once each year after the date the original license was issued.

The Department could not renew an eligible used vehicle dealer license unless the renewal application included a certification from the dealer that it was in compliance with the applicable training requirements.

Dealer License Application

The Code permits the Secretary of State to grant a dealer license if certain criteria are met. The application for a dealer license must be in the form prescribed by the SOS and be signed by the applicant. In addition to other information that the SOS may require, the application must contain information outlined in the Code.

Under the bill, for an application submitted by or on behalf of an eligible used dealer license for an original license, the application would have to include a certification that within the six-month period before the date of the application, the applicant, his or her partners, or his or her principal officers completed a prelicensure dealer training program. This provision would not apply to an application to renew an eligible used vehicle dealer license and would not apply to an original license that was granted to an eligible used vehicle dealer before, and that was valid on, the bill's effective date.

An application submitted by or on behalf of an eligible used vehicle dealer for an original or renewal license would have to include a certification that each of the dealer's retail sales locations had an employee who had completed a training program for a designated individual and a continuing education training program.

MCL 257.248 et al.

Legislative Analyst: Stephen Jackson

FISCAL IMPACT

The bill could have an indeterminate fiscal impact on the Department of State. Currently the Department does offer dealer training programs, however, they would not meet the requirements proposed by bill. The bill would allow for the Department to approve a qualified trade organization to conduct the trainings but it is unclear as to how the trainings would be funded. The Department has indicated that there is no mechanism currently in place for it to charge a fee for the trainings.

The cost is indeterminate and would depend on how many additional trainings would be required, whether the Department opted to modify the courses it already offers, and whether the Department would choose to contract with a qualified trade organization to conduct the courses. Although the anticipated additional costs should be minimal, additional supplemental funding could be required later in the fiscal year, or additional funding could be included in the next year's annual appropriations.

Fiscal Analyst: Joe Carrasco

SAS\S1718\s1023sa

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.