

Legislative Analysis



USED VEHICLE DEALER TRAINING PROGRAM

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<http://www.house.mi.gov/hfa>

Senate Bill 1023 as enacted
Public Act 420 of 2018
Sponsor: Sen. Peter MacGregor
House Committee: Commerce and Trade
Senate Committee: Commerce
Complete to 3-20-19

Analysis available at
<http://www.legislature.mi.gov>

BRIEF SUMMARY: Senate Bill 1023 would amend the Michigan Vehicle Code to require certain applicants for a used vehicle dealer license to complete a dealer training program established by the Secretary of State (SOS).

FISCAL IMPACT: The bill would result in indeterminate costs for the Department of State (DOS) and have no fiscal impact on local units of government. (See *Fiscal Information*, below, for a detailed discussion.)

THE APPARENT PROBLEM:

There are many regulations that a prospective vehicle dealer must acquaint himself or herself with in order to conduct business in Michigan. The complaints that used car dealers receive most often are commonly due to “procedural” issues, such as failing to produce the right paperwork or filling it out incorrectly. Legislation has been offered to require all prospective vehicle dealers to take a training program, in the hope of reducing these procedural problems and allowing business to go more smoothly.

THE CONTENT OF THE BILL:

The bill would require the SOS to establish three separate training programs: a prelicensure dealer training program, a training program for designated individuals, and a continuing education training program. Each program would have to be conducted by DOS or another person designated by the SOS, would have to be offered twice quarterly, and could be conducted online or electronically if the SOS allowed. Each program’s training regimen would have additional unique course requirements. DOS would be permitted to consult with other state departments to evaluate and approve course content for a prelicensure or continuing education training program.

The Code requires an eligible vehicle dealer who is an applicant for an original license to complete the prelicensure dealer license program within six months before application for the license. An eligible used vehicle dealer would have to designate an individual to complete a training program for designated individuals within 90 days after an original dealer license was issued, as well as a continuing education training program one time each year after the license was issued. The bill would prohibit DOS from renewing the license of an eligible used vehicle dealer unless the application included certification from the dealer that it had complied with the bill’s training requirements.

MCL 257.248 et al.

FISCAL INFORMATION:

The bill would result in indeterminate costs for DOS and have no fiscal impact on local units of government. Costs would depend on the manner in which prelicensure training is implemented and may require an additional appropriation if current services are not to be affected. The bill provides DOS the option to permit a qualified third-party trade organization to conduct pre-licensure training upon DOS approval of the training material. The bill also permits training to be conducted online or by other electronic means.

DOS currently offers monthly vehicle dealer training classes that cover some, but not all, of the material required by the bill. If DOS opts to expand its current training program to satisfy the bill's requirements, it would incur additional personnel costs to support the increased training material and demand. It is not yet determined how much additional personnel costs would be required, but DOS does not anticipate that these costs would be significant. If DOS opts to offer prelicensure training online or by other electronic means, there would be one-time costs associated with developing the online hosting capabilities and software to do so. It is not yet determined whether current appropriations would cover the costs of developing an online training option or additional personnel costs.

If DOS opts to approve training through a third-party trade organization, there would be no additional costs to DOS; however, dealers would likely pay for the costs of training as determined by market rates for prelicensure training services.

ARGUMENTS:

For:

Proponents of the bill argued that providing a training program for new vehicle dealers would increase compliance with Michigan's used vehicle regulations and increase consumer satisfaction with the used vehicle industry. They pointed to the fact that several other states have prelicensing requirements for used vehicle dealers, including Ohio, which reported a dramatic reduction in consumer complaints because of its prelicensure requirements.

Against:

Some argued that the H-1 substitute, which as compared to the introduced bill reduced the number of certified personnel required to be present at dealerships from one for each location to one for every three locations, undercut some of the bill's benefits for consumer protection and regulation compliance. (The H-1 substitute is the version of the bill that was enacted.)

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