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Senate Bill 1400 (as reported without amendment)
Sponsor: Senator Dale L. Shugars
Committee: Economic Development, International Trade and Regulatory Affairs

Date Completed: 11-21-00

RATIONALE

Public Act 273 of 1917 prohibits a person from operating a pawnbroker business in a city or incorporated village with a population over 3,000 unless the person obtains a license from the mayor of the city or president of the village where the business will be operated. Under the Act, pawnbrokers are subject to specific record-keeping requirements (described below in **BACKGROUND**), and must forward a copy of the record of a transaction to the local police agency. Law enforcement officials reportedly examine the businesses, the property, and the records to determine whether a business is dealing in stolen property. In some parts of the State, there apparently has been an increase in the number of pawnshops that are located near casinos and in areas that are not subject to the licensing requirements of Public Act 273. It has been suggested that the regulation of pawnbrokers be extended to those operating in other governmental jurisdictions in the State.

CONTENT

The bill would amend Public Act 273 of 1917 to provide for the regulation and licensure of pawnbrokers by townships, charter townships, counties, cities, and villages (without regard to population).

The bill would delete current references to cities and incorporated villages with a population over 3,000 and refer, instead, to a "governmental unit". The bill also would delete references to the mayor of a city or president of a village and refer, instead, to the chief executive officer of the governmental unit. ("Governmental unit" would mean a city, township, charter township, county, or incorporated village.)

Supporting Argument

Some law enforcement officials have seen an increase in the number of pawnshops that are located in areas near casinos. In many cases, these shops do not fall under the regulations of Public Act

Before a license is issued, the Act requires the applicant to pay an annual license fee of \$250 and to give a \$3,000 bond. The Act also permits a city or village council to fix the annual license fee at any amount that is at least \$50 but not more than \$500. The bill would delete reference to the \$250 license fee and permit a governmental unit to fix the license fee at an amount that was at least \$50 but not more than \$500. In addition, the bill would require a governmental unit to approve the bond.

MCL 446.201 et al.

BACKGROUND

The Act requires a pawnbroker, at the time he or she receives an article of personal property or other valuable item, to keep a record that includes a description of the article, a sequential transaction number, any money loaned on the article, information about the person from whom the article was received, and the day and hour when the article was received. The record, the place of business of the pawnbroker, and all articles of property in that business are subject to examination by the city attorney, the local police agency, the prosecutor of the county where the business is located, or the Department of State Police. Within 48 hours of receiving property, a pawnbroker is required to send a copy of the record of transaction to the local police agency.

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

273 because they are located in jurisdictions that are not covered by the Act. In Midland County, for example, a pawnshop apparently is operating outside of the Mt. Pleasant city limits. Because the shop is not located within the city, or in a village of

more than 3,000 population, it is not subject to the Act. Consequently, the operator does not have to keep records of the articles that are pawned. In these situations, unless an owner gives consent for the police to enter the shop and examine the inventory, law enforcement officials must show probable cause to believe that the shop is dealing in specific stolen property, and obtain a warrant, before they can enter the business and conduct an inspection. With licensure, however, all articles of property in the business are subject to examination at any time by law enforcement officials. By requiring the licensure of all pawnshops, regardless of the location of the business, the bill would enable local police to inspect the business to make sure that it was not being used to buy or sell stolen goods.

Response: Under the bill, a person would have to obtain from a governmental unit a license to operate a pawnshop. Because the bill does not specify that the license would have to be obtained from the local government in which the business would be located, there is a concern about overlapping jurisdictions. It is not clear whether the owner of a pawnshop located in a township, for example, would have to obtain a license from the township or from the county in which the township is located. Furthermore, the bill does not define who would be the chief executive officer of a governmental unit. In a city, for example, a chief executive officer could be a mayor or a city manager.

Legislative Analyst: L. Arasim

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

Fiscal Analyst: D. Zin

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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.