

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

**SFA****BILL ANALYSIS**

Telephone: (517) 373-5383  
Fax: (517) 373-1986  
TDD: (517) 373-0543

Senate Bill 116 (as enrolled)  
Sponsor: Senator Bill Schuette  
Committee: Economic Development, International Trade and Regulatory Affairs

Date Completed: 3-21-01

### **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 regulation and licensure of pawnbrokers by townships, charter townships, counties, cities, and villages; limit the ability of counties and townships to issue licenses for locations within cities and villages; and require unlicensed businesses to obtain a license.**

Currently, a person, corporation, or firm may not carry on the business of pawnbroker in a city or incorporated village having a population over 3,000 without having obtained a license from the mayor of the city or the president of the village where the business is

to be carried on. The bill would delete references to cities and incorporated villages 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. "Chief executive officer" would mean the mayor of a city; the village president; the township supervisor; or the county executive or, if there were no county executive, the person designated by a resolution of the county board of commissioners.)

The authority of a governmental unit to issue a license under the Act would be limited as follows:

- A county could not issue a license for a location within a city or village with a population greater than 3,000.
- A county could not issue a license for a location within a city or village with a population of 3,000 or less, or within a township or charter township, if the city, village, or township had established a license fee pursuant to the Act.
- A township or charter township could not issue a license for a location within a village with a population over 3,000 or a village with a population of 3,000 or less that had established a license fee pursuant to the Act.

A person, corporation, or firm in the pawnbroker business who was not required to be licensed before the bill's effective date would have to obtain a license within 180 days after that date.

Under the Act, before a license is issued, an applicant must pay an annual license fee of \$250 and 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. A governmental unit still could set 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.)*

#### **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 273 because they are located in jurisdictions that are not covered by the Act. For example, a pawnshop apparently is operating in Midland County, not far from a casino that is located near the City of Mt. Pleasant. Since the shop is not located within a city or 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 local licensure of all pawnshops, regardless of the location of the business, the bill would enable police or other local officials to inspect the business to make sure that it was not being used to buy or sell stolen goods.

### **Supporting Argument**

Unlike a similar bill that was reported from committee in the last legislative session (Senate Bill 1400 of 1999-2000), Senate Bill 116 would avoid confusion regarding overlapping local jurisdiction and the licensure of existing pawnbroker operations. The bill would prohibit a county from issuing a license for a location within a city or village with a population over 3,000, or for a location within a smaller city or village, or within a township, if that city, village, or township had established a licensure program. Also, a township could not issue a license for a location within a village with a population over 3,000, or for a location within a smaller village if that village had established a licensure program. In addition, Senate Bill 116 specifies that a pawnbroker operation that was not required to be licensed before the bill's effective date would have to obtain a license within 180 days after the bill took effect.

Legislative Analyst: P. Affholter

### **FISCAL IMPACT**

The bill would have no fiscal impact on State government and a negligible impact on local government units.

Fiscal Analyst: D. Zin

A0102\sb116a

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.