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TITLING DRIVER EDUCATION VEHICLES

Senate Bill 1243 with House committee amendments

First Analysis (6-7-00)

Sponsor: Sen. Bill Bullard, Jr.
House Committee: Transportation
**Senate Committee: Transportation and
Tourism**

THE APPARENT PROBLEM:

According to committee testimony, it is customary for driver education programs operated by school districts to lease cars from dealerships in their communities during the summer months, and to use those leased vehicles when they offer driver training to young, first-time drivers. Usually the rental fees charged by the dealers are reduced, and the term of the lease is for two or three months.

Under the law, when a vehicle is used as a taxi or police vehicle, or by a political subdivision of this state, its certificate of title is color-coded (orange) to call attention to its use. When a political subdivision of the state is a school district, and when the school district uses the vehicle for a driver education program, then the orange-colored certificate of title also must indicate the vehicle's use (or former use) as a driver education vehicle. Once a vehicle is issued an orange-colored title, that title and the information it contains about the vehicle's former use follow the vehicle when it is sold.

Recently some school districts have reported difficulty finding dealers who will lease vehicles to them for affordable rates, if at all. The dealers are reluctant to participate in school-based driver education programs because the vehicles they lease for that purpose are "branded" with orange titles after the leased cars are returned for resale. Dealers report that on average, the value of a vehicle with a "branded" title diminishes between \$1,500 and \$2,000. This occurs despite the fact that leased driver education vehicles are not driven long, hard, or fast. Nonetheless, used or demonstration vehicles that have been used by driver education students as training vehicles are perceived to be worth less than other demonstration or used vehicles.

Vehicles used by private driver education companies are not issued orange-colored titles, and their former use is not noted at the time of resale.

In order to ensure that schools have ready access to leased vehicles for their driver education programs, and to prevent dealers from being financially penalized when they participate in their communities' school-based programs, legislation has been introduced.

THE CONTENT OF THE BILL:

The bill would amend the Michigan Vehicle Code to exempt from certain vehicle titling requirements a vehicle loaned or leased to a political subdivision of the state for use as a driver education vehicle.

The code requires that an application for a certificate of title contain certain information, including whether the vehicle is to be or has been used as a taxi or police vehicle, or by a political subdivision of the state. Under the bill, a certificate of title for a vehicle owned by a dealer and loaned or leased to a political subdivision of the state for use as a driver education vehicle would be exempt from having to include this information.

A certificate of title also must contain certain information, including whether the vehicle is to be used or has been used as a taxi, as a police vehicle, or by a political subdivision of the state. The code exempts from this requirement a vehicle owned by a dealer and loaned to a political subdivision of the state for use as a driver education vehicle. Under the bill, this exemption also would apply to a dealer-owned vehicle that had been leased to a political subdivision for use as a driver education vehicle.

The code also requires that a certificate of title for a police vehicle, a vehicle owned by a political subdivision of the state, a salvage vehicle, a rebuilt vehicle, and a scrap vehicle be different in color from the certificate of title for all other vehicles. Under the

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bill, this requirement would not apply to a vehicle loaned or leased to a political subdivision of the state for use as a driver education vehicle.

Finally, the bill would eliminate the requirement in current law that the written statement which must be provided by the seller of a vehicle to the buyer (in person or by mail) within 20 days after the delivery of the vehicle disclose whether the vehicle sold was a vehicle that the seller had loaned to a political subdivision of the state for use as a driver education vehicle. Under current law that written statement, completed on a form prescribed by the secretary of state in conjunction with the Department of Treasury, must describe the name and address of the seller, the name and address of the buyer, the vehicle sold, the cash sale price, the cash paid down, the amount credited the buyer for a trade-in, a description of the trade-in, the amount charged for vehicle insurance, the types of insurance covered by the insurance policy, the amount charged for a temporary registration plate, and amount of any other charge, the net balance due from the buyer, and a summary of insurance coverage. Further and under the law, the written statement also must disclose if the vehicle sold is a vehicle that the seller had loaned to a political subdivision of this state for use as a driver education vehicle. This requirement would be removed under the bill.

MCL 257.217 et al.

HOUSE COMMITTEE ACTION:

The House Transportation Committee amended Senate Bill 1243 to eliminate the requirement in current law that the written statement which must be provided by the seller to the buyer (in person or by mail) within 20 days after the delivery of the vehicle disclose whether the vehicle sold was a vehicle that the seller had loaned to a political subdivision of the state for use as a driver education vehicle. The committee also made technical amendments to the exception clause.

FISCAL IMPLICATIONS:

The Senate Fiscal Agency notes that the bill would have no fiscal impact on state or local government. (5-17-00)

ARGUMENTS:

For:

This legislation would help school districts negotiate leasing rates for their driver education program training

vehicles that are favorable to the districts' taxpayers. Dealers will be more apt to participate in school-based driver education programs if they are not penalized with orange-colored titles that reduce the resale value of the once-leased cars by as much as \$2,000. What's more, this legislation would treat school-based driver education vehicles in a manner more similar to vehicles used by private driver training programs. Vehicles used by private driver education companies are not issued orange-colored titles. Further, the former use of the vehicles is not noted in written disclosure agreements at the time of resale.

Against:

A consumer who is buying a used or demo vehicle should be made aware of the former use of that vehicle when it has been used as a training car by young and first-time drivers during their driver education program. If the object of this legislation is parity between private and public driver training programs--that is, to ensure that private programs do not enjoy a vehicle leasing rate advantage over school-based programs--then a better way to accomplish equitable treatment would be to require that the vehicles used by private driver education agencies also be issued color-coded titles that indicate their use and former use. That way, the primary policy objective--consumer awareness--would be maintained.

Response:

Although this approach would address the matter of equitable treatment between private and public driver training programs and maintain consumer awareness, it would not ensure an ample supply of automobiles at affordable leasing rates for driver training programs. The fact that a training vehicle's value is diminished by up to \$2,000 would continue to make dealers reluctant to participate in both private and public programs. Since the vehicles driven by first-time drivers are not driven long, or fast, or hard (for example, they are not used to tow heavy trailers or boats), they are seldom damaged. There is no reason to "brand" them with orange-colored titles and special disclosure requirements, when they do not pose health or safety threats to their new owners.

Reply:

If the vehicles driven by first-time drivers are safe and not structurally damaged, then their diminished resale value would appear to be a matter of imagined imperfection--a perception that is not grounded in evidence. There is no need to change this law and to withhold useful information from consumers. Rather, a good salesperson should be able to make a sale when buyers are fully informed. Only then can consumers

weigh the advantages and disadvantages of a previously used vehicle and make an informed choice.

POSITIONS:

There are no positions on the bill.

Analyst: J. Hunault

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.