

# Legislative Analysis

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## STATEWIDE DATABASE: PAWNBROKERS, PRECIOUS METAL & GEM DEALERS, & SECOND HAND DEALERS

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

**House Bills 4266-4268 as introduced**  
**Sponsor: Rep. Mike Callton, D.C.**  
**Committee: Financial Services**

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

**Complete to 4-9-15**

### SUMMARY:

Taken together, the bills would require the Department of State Police to implement and maintain a statewide electronic database of items pawned to or purchased by a pawnbroker, precious items received or purchased by a precious metal and gem dealer, and second hand articles purchased or received in exchange by a second hand dealer or junk dealer. These commercial entities would have to report certain specified information to the database.

Each of the bills would amend a different act. House Bill 4266 would amend the Precious Metal and Gem Dealer Act (PA 95 of 1981). House Bill 4267 would amend the act that regulates second hand dealers and junk dealers (PA 350 of 1917). House Bill 4268 would amend the act that regulates pawnbrokers (PA 273 of 1917). The three bills are tie-barred, meaning none can take effect unless all are enacted.

Each of those commercial entities are licensed by local units of government rather than the state. Currently, each statute requires extensive reporting of transactions to local law enforcement; the statewide database would appear to be replacing that.

#### Statewide Database

Under House Bill 4268, the Department of State Police (MSP) would have to implement and maintain a statewide electronic database within 90 days after the bill's effective date. Only the MSP and other law enforcement agencies would have access to the information in the database. Information in the database and any information forwarded to the department or to a third-party for inclusion in the database would be confidential, not subject to disclosure under the Freedom of Information Act, and could not be disclosed except for purposes of the act and for law enforcement purposes.

The State Police could operate the database or could select and contract with a single third-party provider to operate it. If the department contracts with a third party then all information obtained would be electronically stored in the department.

#### Electronically Transmitted Information

Each of the bills would require that certain information about transactions be electronically transmitted to the MSP database within 48 hours.

The information would have to include, among other things: a description of the item involved in the transaction; where applicable, the serial number, model number, or other identifying mark; the purchase price; the business's name and address; the date and time of the transaction and transaction number, and name of the employee purchasing or receiving the item; identifying information about the customer, as specified, including date of birth and driver license, and address; the number of the dealer's check, bank draft, or money order, or the notation "cash" for a cash transaction; and the customer's thumbprint.

For pawnbrokers, additional information would be required, including the amount loaned on the item, if a pawned item; the purchase price, if a purchased item; if applicable, the item's trade name, color, size, number of jewels, material, stone set design, number of stones, description, kind, and size of each stone, inscription, or initials. Also required would be the customer's height, weight, gender, race, and signature.

A dealer would need to retain an electronic copy of any information transmitted for at least five years in a format determined by the department.

For Second Hand Dealers and Junk Dealers, electronic transmission of information to the database would only apply if an article received or purchased has a serial number or if the price paid by the dealer or the value of the item or items given in exchange for the article is \$15 or more.

#### Software Implementation

Within 180 days after the effective date of this bills, each entity covered by the bills would have to implement any software that the MSP determines is necessary to administer the collection of information. Each business would pay an annual fee of up to \$250 for each of its licensed locations for the implementation and maintenance of the database; the MSP would determine the amount and collect the fee. Each dealer would have to provide proof of payment to the department.

#### Local Ordinance Duplication

Each of the bills would prohibit a governmental unit, a city, a village, or a county from adopting or enforcing a local law, ordinance, resolution or rule that duplicates, extends revises, or conflicts with any provisions of the acts being amended.

MCL 445.402, et al. (HB 4267); 445.483, et al. (HB 4266); 446.201, et al. (HB 4268).

### **FISCAL IMPACT:**

#### Michigan State Police

House Bills 4266 through 4268 would create nominal additional costs for the Department of State Police (MSP) to the extent that the MSP anticipates acting as a "password administrator" between a third-party vendor who would develop, implement, and operate the statewide electronic database and local law enforcement officers requesting access to the database. MSP also anticipates that the \$250 annual database fee would entirely pass-through from the regulated entity to the third-party vendor to support the vendors' costs of

providing the database, and that consequently, MSP would be left to support the personnel costs associated with the "password administrator" out of existing departmental resources. MSP estimates that between one-quarter and one-half of a full-time equated (FTE) would be required to act as the "password administrator." Utilizing estimated average all-inclusive personnel costs of \$90,200 per FTE, per annum, the additional costs created for MSP would range between \$22,550 and \$45,100 annually.

#### Local Units of Government

HB 4266-4268 would have a varying, but likely nominal, fiscal impacts on local law enforcement agencies (agencies) to the extent that the current regulatory regimes implemented, administered, and enforced by various agencies under the laws amended by HB 4266-4268 presumably produce varying financial gains or losses for those agencies, and by relocating those regulatory regimes to the MSP, various agencies would experience varying, but likely nominal, fiscal impacts.

HB 4268 also would generate additional revenue for local units of government to the extent that it would permit locals to collect an application processing fee, not to exceed \$50, in addition to the annual licensure fee established in current law between \$50 and \$500, for the review and processing of applications for licensure of pawnbrokers.

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