



**House
Legislative
Analysis
Section**

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**House Bill 5624 as introduced
First Analysis (5-1-90)**

**Sponsor: Rep. Margaret O'Connor
Committee: State Affairs**

THE APPARENT PROBLEM:

Currently, the Michigan Vehicle Code requires the secretary of state to maintain an office in the state capitol complex and branch offices in each county with a population under 300,000. The code also requires that a branch office be maintained "in each city having a population of 10,000 or more, but not within a radius of five miles from a county office location." These requirements ensure that enough offices exist throughout the state to serve the needs of the state's citizens for vehicle licensing, driver testing, voter registration, and the like. In establishing these offices the Department of State surveys different areas to find out how great a need there is for an office and whether one specific location may serve an area better than another. Once a location has been chosen the department usually contracts to lease space from a property owner (unless the office is on state-owned land). Some people feel that locating a secretary of state office in a retail location could improve retail business by drawing in people. With this in mind, legislation has been introduced to permit the department to obtain space rent-free from a retailer in exchange for the department agreeing to establish an office in a specific retail location.

THE CONTENT OF THE BILL:

The bill would amend the Vehicle Code to permit the establishment of secretary of state branch offices in retail locations that provided space free of charge. In establishing these offices, the secretary of state would have to consider at least the following factors:

- the location of the retail store or shopping mall;
- the proximity of the proposed branch office to an existing branch office; and
- the present population of the city or township in which the proposed office would be located and the likelihood of an increase in population.

As with other secretary of state branch offices, persons licensed as automobile dealers would be prohibited from employment in these offices.

MCL 257.205

FISCAL IMPLICATIONS:

According to the Department of State, rental space for secretary of state branch offices averages between \$12,000 and \$15,000 per office annually for the department's 185 offices. Savings under the bill would depend on the number of current offices that were relocated to retail locations (such as a shopping mall) that would not charge rent, and the area in which the branch office was to be relocated, as a retail building located in a densely populated area generally commands more rent than one located in a more rural area. (4-26-90)

ARGUMENTS:

For:

The bill would provide statutory authorization to the Department of State to accept from a retail property owner (such as the owner of a mall) office space for a branch secretary of state office free of charge in exchange for agreeing to locate the office there. Administrative rules do not explicitly state whether or not the department can already do this. Some retailers apparently feel a branch office could improve business by luring people who have to come to obtain a driver's license, get re-tested, or register to vote into their stores to shop. The state would save money under this kind of arrangement and retailers could improve their sales.

Against:

The bill is not necessary as the department already has the authority, by administrative rule, to choose to locate an office under an arrangement suggested under the bill. If retailers really wished to offer the state such rent-free arrangements, why have no such agreements been made yet in locating the department's 185 statewide branch offices? The bill probably would not change this. Further, the bill could put the state in an awkward position if retailers began to compete for secretary of state branch offices and the state was forced to choose one rent-free spot over another. (Or worse, this could encourage retailers to offer to the state other economic incentives just to lure an office.) A departmental decision to locate an office should be made strictly on a location's potential for serving the needs of local citizens, not on whether an office could benefit the private sector.

POSITIONS:

The Department of State supports the bill. (4-26-90)

The Michigan Merchants Council does not oppose the bill. (4-30-90)