SFA BILL ANALYSIS

Senate Fiscal Agency • Lansing, Michigan 48909 • (517) 373-5383

Senate Bill 200 (as reported with amendment)
Sponsor: Senator Dick Posthumus
Committee: Commerce and Technology

Date Completed: 4-27-87

RATIONALE

Public Act 10 of 1986 revised the "essential insurance" provisions of the Insurance Code. One of the measures adopted by that Act established the Automobile Theft Prevention Authority and Fund. The creation of the Authority, which provides financial support to auto theft prevention efforts by law enforcement agencies and to educational programs on auto theft, was a response to concerns that the primary factor driving up the cost of automobile insurance in Michigan was auto theft. Since the enactment of the 1986 reforms, however, some people now feel that the provisions of law governing the Authority and Fund appropriately belong in the Motor Vehicle Code; and that, to clarify the Authority's status as a public entity, a public fee imposed by the State on motorists, rather than private funding collected by insurers, should be used to fund the Authority's activities.

CONTENT

Senate Bill 200 would amend the Michigan Vehicle Code to incorporate the Automobile Theft Prevention Authority and Fund within the Code (instead of the Insurance Code which regulates the existing Authority and Fund); to revise the powers of the Authority and the method of raising revenues for the Fund; and to repeal the sections of the Insurance Code that currently regulate the Authority and Fund.

Like the existing Authority, the Authority under the Vehicle Code would be within the Department of State Police and would exercise its powers independently of the Department head. The Authority would retain many of its existing powers, including the powers to make grants and investments; procure insurance against loss in connection with its property, assets, and activities; and invest money held in reserve or sinking funds, or money not required for immediate use or disbursement. The bill would revise the powers of the Authority by doing all of the following:

- Reducing the term of a member of the board of directors from four years to two years.
- Deleting a provision allowing the Authority to "do all other things necessary or convenient to achieve the objectives and purposes of the authority", in addition to its specified powers.
- Deleting a provision authorizing money from the Fund to be used for "financial support for neighborhood or community organizations or business organizations for programs designed to reduce the incidence of automobile theft".
- Deleting a provision which specifies that money in the Fund can be used only "to enhance automobile theft efforts as determined by the authority".
- Specifying that money in the Fund could not be used directly "to provide venture capital to businesses or individuals".
- Changing the Authority's sunset date from July 1, 1991, to July 1, 1989.

Under the bill, revenues for the Automobile Theft Prevention Fund would be generated by an annual assessment of 75 cents to be imposed on each owner of a vehicle registered in Michigan. (Currently, revenues are generated by an assessment, imposed on auto insurers, of $1 per car year of insurance sold.) The bill also would leave out an existing provision that specifies that money in the Automobile Theft Prevention Fund is not considered to be State money.

The bill provides that, at the time of liquidation, money from the Fund would be credited to the Department of State Police for use in "economic automobile theft prevention". ("Economic automobile theft" means automobile theft perpetrated for financial gain.) Under current law, the proceeds of liquidation must be returned to insurers in proportion to their contribution to the Fund.

The bill would repeal the sections of the Insurance Code that currently regulate the Automobile Theft Prevention Authority and Fund (MCL 500.6101-500.6125).

The bill specifies that it would not dissolve and recreate the Automobile Theft Prevention Authority created in the Insurance Code, but that the authority would be "intended to continue to be the same public body corporate and politic" as created in the Insurance Code.

Proposed MCL 257.254a-257.254g and 257.810a

FISCAL IMPACT

The most significant fiscal change would be in the source of financing the Auto Theft Prevention Fund program. Current law provides for funding to come from insurance companies based upon each year's number of auto insurance policies issued. The proposal would change the funding to have car owners pay 75 cents per annual registration for each vehicle. The total funds available to operate the program would be virtually the same ($6.5 million - $7.0 million annually under the insurance program and $6.9 million under the auto registration program). However, by using the insurance companies as the collection point, these revenues currently are counted as private sources of revenue, and therefore, are not considered State spending from State resources under the tax limitation amendment. By being switched to a State fee, the revenues would become a State restricted source of finance, and therefore, they would be considered State spending when calculating the required minimum amount of payments to units of local government (41.61% of State spending from State resources). In recessionary periods of low State revenues and high State operated program costs, this distinction can be significant. For FY 1986-87 and FY 1987-88, however, this revenue classification difference

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would not be important, as the State has a sizable surplus of payments to units of local government.

ARGUMENTS

Supporting Argument

The provisions of law regulating the Automobile Theft Prevention Authority and Fund belong in the Motor Vehicle Code rather than the Insurance Code, since they are designed to assist the State Police and local law enforcement agencies in auto theft prevention efforts. The reason the Authority and Fund originally were enacted under the Insurance Code is that insurance carriers pushed for comprehensive auto theft prevention efforts to be included in the 1986 essential insurance reforms (Public Act 10 of 1986).

Supporting Argument

The status of the Automobile Theft Prevention Authority as a State entity should be clarified. The Board of Directors consists of six gubernatorial appointees and the Director of the Department of State Police, or the Director's designee, and money from the Fund is used to support the efforts of the State Police and local agencies to prevent auto theft. Since the Authority clearly is a State entity, it should be funded by State fees rather than assessments on private insurers.

Supporting Argument

The bill would provide for increased legislative oversight of the Authority by changing the sunset date from July 1, 1991, to July 1, 1989; by reducing the term of a board member from four years to two years; and by deleting a provision that money in the Automobile Theft Prevention Fund is not considered to be State money.

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