

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1413S.02I
Bill No.: SB 398
Subject: Consumer Protection; Merchandising Practices; Motor Vehicles; Revenue,
Department of; Courts; Transportation
Type: Original
Date: March 6, 2023

Bill Summary: This proposal modifies provisions relating to the Motor Vehicle Franchise Practices Act.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on <u>Other State Funds</u>	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on FTE	0	0	0

- Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue (DOR)** assume the following regarding this proposal:

Administrative Impact

To implement the proposed legislation, the Department will be required to:

- Update the Missouri titling manual;
- Make changes to procedures, correspondence letters, forms, and the Department website;
- Provide License Offices and stakeholders these changes as applicable; and
- Train staff

FY 2024- Motor Vehicle Bureau

Associate Research/Data Analyst 40 Hrs @ \$19.90 = \$796

Lead Admin Assistant 20 Hrs @ \$17.05 = \$341

Administrative manager 5 Hrs @ \$26.96 = \$135

FY 2024 Strategy and Communications Office

Associate Research/Data Analyst 10 Hrs @ \$19.90 = \$199

Total Cost =\$1,471

The Department anticipates absorbing these costs and that there will be Minimal Impact. If multiple bills are passed that require department resources, FTE may be requested through the appropriations process.

Oversight assumes DOR will use existing staff and will not hire additional FTE to conduct these activities; therefore, Oversight will not reflect the administrative costs DOR has indicated on the fiscal note.

Officials from the **Attorney General's Office** assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note.

Officials from the **Office of Administration** did not respond to **Oversight's** request for fiscal impact for this proposal.

<u>FISCAL IMPACT – State Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

Small motor vehicle dealerships could be impacted as a result of this proposal.

FISCAL DESCRIPTION

This act modifies the Motor Vehicle Franchise Practices Act ("MVFP Act").

This act prohibits certain entities from engaging in the business of selling motor vehicles, except as permitted by the MVFP Act, and specifies parties that shall have standing to enforce the prohibitions.

The act also modifies how motor vehicle franchisees are compensated for warranty and other factory compensated repairs. Warranty agreements shall be properly fulfilled, and franchisees shall be adequately and fairly compensated for labor and parts as described in the act. In no event shall compensation to a franchisee for labor time and rates be less than the times and rates charged by the franchisee to retail customers for non-warranty service and repairs. Franchisors shall reimburse franchisees for parts at the prevailing retail price charged by that franchisee. The act prohibits reduction in payments due to pre-established market norms or averages, and prohibits franchisors from establishing restrictions or limitations on repair frequency due to failure rate indexes or national failure averages.

The act specifies a timeline for claims and payments under the act, including with regard to appeals of disapproved claims. No debit reduction or charge-back shall be made on any item on a warranty repair order absent a finding of fraud or illegal actions by the franchisee. Franchisors shall not impose any form of cost recovery fees or surcharges against a franchisee for payments made in accordance with the act.

Timely warranty claims shall not be deemed invalid solely because unavailable parts cause additional use and mileage to the vehicle. If a franchisor imposes a recall or stop sale on any new vehicle in a franchisee's inventory which prevents sale of the vehicle, the franchisor shall compensate the franchisee for any interest and storage until the vehicle is repaired and made ready for sale.

Franchisors shall not restrict the nature or extent of services to be rendered or parts to be provided so as to prevent the franchisee from satisfying the warranty by rendering services in a good and workmanlike manner and providing parts that are required in accordance with generally accepted standards.

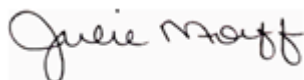
Franchisors' obligations under the act shall also apply to entities affiliated with the franchisor, as described in the act, if a warranty or service repair plan is issued by that entity instead of or in addition to one issued by the franchisor.

Under the act, a franchisee shall not request a franchisor to approve a different labor or parts rate more than once per calendar year, rather than more than twice per calendar year.


This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Attorney General's Office



Julie Morff
Director
March 6, 2023



Ross Strobe
Assistant Director
March 6, 2023