

# Fiscal Note & Local Impact Statement

122<sup>nd</sup> General Assembly of Ohio

BILL: Sub. H.B. 559 DATE: April 1, 1998

STATUS: As Reported by House Transportation and Public Safety SPONSOR: Rep. Mottley

LOCAL IMPACT STATEMENT REQUIRED: No — Minimal cost

CONTENTS: Revisions to the Nonconforming New Motor Vehicle Law

## State Fiscal Highlights

STATE FUND	FY 1998	FY 1999	FUTURE YEARS
<b>General Revenue Fund</b>			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	Potential minimal increase	Potential minimal increase

- The Attorney General's office could incur minimal costs in order to investigate and prosecute alleged violators of Division (E) of section 1345.76 of the bill, which requires car dealers to apply for a "Buyback" certificate of title for certain automobiles.

## Local Fiscal Highlights

LOCAL GOVERNMENT	FY 1998	FY 1999	FUTURE YEARS
<b>Counties and Municipalities</b>			
Revenues	Potential minimal gain	Potential minimal gain	Potential minimal gain
Expenditures	Potential minimal increase	Potential minimal increase	Potential minimal increase

- Counties and municipalities could have a minimal increase in court costs and fees for any increase in civil cases as a result of the provisions in the bill.
- Municipalities and counties could have increases in court costs, and counties could have increases in fine revenues and in prosecution and incarceration costs, for any increase in court cases due to the misdemeanor charge created by the bill.



---

## ***Detailed Fiscal Analysis***

### **Provisions of the Bill**

The key changes in the bill include:

- 1) Extending the Lemon Law to cover vehicles leased for 30 days or more.
- 2) Defines a “Buyback” vehicle as one that has been replaced or repurchased because the consumer asserted that it did not conform to warranty and presented documentation of the conformity.
- 3) Allows for an additional award in a civil suit if a car manufacturer, its agent, or dealer is found to have violated the Lemon Law and to have acted in bad faith or in a harassing manner in dealings with the consumer.
- 4) Changes the time period for which a civil suit under the Lemon Law may be brought **from** within two years of the expiration of the express warranty term **to** within four years of the date of original delivery of the vehicle.
- 5) Requires a consumer to be notified that a vehicle was previously sold as new and specify the conditions or defects for which it was bought back.
- 6) Requires a “Buyback” certificate of title to be issued for any “Buyback” vehicle sold.
- 7) Creates a non-specified misdemeanor for any manufacturer, its agent, or dealer that does not meet the bill’s notification requirements or obtain Buyback certificates for required vehicles.

### **Effects of the Bill**

The additional civil suit award created in the bill could result in the filing of more civil cases under the Lemon Law provisions when a consumer believes that the manufacturer or dealer has acted in bad faith. This could mean increased costs and fine revenue to counties and municipalities.

However, Ohio courts have already extended the same rights to consumers that lease vehicles as those that purchase vehicles. Another factor that limits civil suits under the Lemon Law is that there is already a dispute resolution system in place for resolving Lemon Law complaints. All manufacturers must provide a mediation process that is approved by the Ohio Attorney General.

The most commonly used process in Ohio is probably the dispute resolution service provided by the Better Business Bureau of Ohio (BBB). In calendar year 1996, the BBB received nearly 1,400 complaints from consumers interested in its dispute resolution program. The BBB estimates that about 75% or 1043 of those complaints were Lemon Law related. Of those

complaints, about 483 were resolved through conciliation or before official face-to-face arbitration. During reconciliation the BBB relays the complaint to the business and may work as a go-between for the two parties. Approximately another 337 complaints were withdrawn or the customer was not eligible for restitution under the Lemon Law or the customer and the business resolved the complaint without notifying the BBB. About 223 complaints were formally arbitrated with the customer receiving an award in about 132 cases. BBB officials said that almost every single Lemon Law complaint is resolved or dropped during this dispute resolution process. It is rare for a case to go to trial. This is partly because the resolution process works well and partly because Lemon Law cases are generally not lucrative enough for most attorneys to want to litigate a case.

The creation of a new misdemeanor charge could result in increased costs to counties and municipalities in order to hear cases against alleged violators. Counties could also realize new fine revenue from fines assessed by the court against violators of the misdemeanor in the bill and/or costs to incarcerate violators. Assuming the businesses generally follow the bill's provisions, this cost could be minimal.

□ *LBO staff: Alexander C. Heckman, Budget/Policy Analyst*

*H:\FN122\HB0559HR.DOC*