
Detailed Fiscal Analysis

Bill provisions

The key changes in the bill include:

1. Extending the Lemon Law to cover vehicles leased for 30 days or more.
2. Defining a “Buyback” vehicle as one that has been replaced or repurchased because the consumer asserted that it did not conform to warranty, presented documentation of the nonconformity and has requested a replacement or repurchase of the vehicle.
3. Changing 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 five years of the date of original delivery of the vehicle.
4. Requiring that a consumer be notified when a vehicle was previously sold as new and specify the conditions or defects for which it was bought back.
5. Requiring that a “Buyback” certificate of title to be issued for any “Buyback” vehicle sold.
6. Creating 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.

Bill effects

State costs - The Attorney General’s office could incur minimal costs in order to investigate and prosecute alleged violators of Division (D) of section 1345.76 of the bill, which requires car dealers obtain a “Buyback” certificate of title for automobiles defined as buybacks in the bill.

County and municipal costs - 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, costs and revenues could be minimal.

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.

Two factors could minimize the fiscal impacts of the bill:

1. Ohio courts have already extended the same rights to consumers that lease vehicles as those that purchase vehicles. Therefore, the bill's extension of the Lemon Law to leased vehicles simply codifies this right.
2. There is 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 vast majority of complaints about possible "lemons" are resolved through this process.

BBB dispute resolution process - The most commonly used mediation process for resolving lemon law disputes 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. 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. Of those 1043 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 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 or 21% of all complaints were formally arbitrated, with the customer receiving an award in about 132 cases or in 59% of formally arbitrated cases. BBB officials assert that almost every single Lemon Law complaint is resolved or dropped during this dispute resolution process.

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

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