

LFC Requester:

Henry Jacobs

AGENCY BILL ANALYSIS - 2026 REGULAR SESSION

SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Date Prepared: 1/27/26

Check all that apply:

Bill Number: SB 115

Original Correction
Amendment Substitute

Sponsor: Sens. Roberto J. Gonzales and George K. Muñoz

Agency Name and Code Number: 305 – New Mexico Department of Justice

Short Title: Franchise Termination Changes

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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY26	FY27		
None	None	None	None

(Parenthesis () indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY26	FY27	FY28		
None	None	None	None	None

(Parenthesis () indicate revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	0	0	0	0	0	0

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:
 Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

This analysis is neither a formal Opinion nor an Advisory Letter issued by the New Mexico Department of Justice. This is a staff analysis in response to a committee or legislator’s request. The analysis does not represent any official policy or legal position of the NM Department of Justice.

BILL SUMMARY

Synopsis: The bill seeks to amend the Franchise Termination Act and make substantive changes to definitions, articulate grounds and process for termination of a franchise agreement and clarify rights of dealers in legal actions against suppliers.

Section 2 (definitions) is amended to clarify/change various definitions. Most of the changes relate to the type of equipment sold by a dealer covered by this bill, expanding the definition to include “new and unused” as well as additional heavy machinery. A new definition (E) is added for “good cause,” which relates to the following section. Under the bill, “good cause” means a failure by a dealer to abide by reasonable standards imposed by suppliers.

Section 3 is a new section that outlines the process for termination of a franchise agreement. It lays out specific grounds on which a supplier can terminate a franchise relationship with a dealership, discusses the required notice, and allows for cure (under certain circumstances). The section lays out eight different “good cause” grounds for terminating a contract, many of which relate to transfers of ownership. The eight grounds are: (1) transfer of controlling ownership; (2) bankruptcy, closeout, or liquidation; (3) deletion, addition, or change of dealer location; (4) default under chattel mortgage or security agreement; (5) dealer fails to operate its business for seven consecutive days; (6) dealer pleads guilty to a relevant felony; (7) dealer has engaged in harmful conduct to costumers, the public welfare, or detrimental representations of the supplier’s products; and (8) dealer has consistently failed to meet supplier’s “requirements for reasonable standards and performance objectives.”

Subsection C lays out the notice requirements for termination under one of the eight “good cause” grounds. For causes 1-7, the supplier must send a notice of termination at least 180 days before the effective date of termination and provide the dealer 60 days to cure. If the dealer cures, the termination is void. Under cause 8, the supplier must provide two years notice prior to termination. The dealer has the ensuing time to rectify its practices and thus void the termination.

Subsection D deals with contractual rights of the supplier to approve or deny sales of a dealership. Upon notice, the supplier must provide a response within 60 days. Failure to respond acts as defacto approval. Any denial must include an explanation as to why, which must be in line with reasonable requirements consistently required of similarly situated dealers.

Subsection E deals with contractual authority of a supplier when the dealer dies. It requires

the estate of the dealer to provide notice within 180 days and the supplier to comply with the requirements of Subsection D.

Section 4 is a new section that outlines legal protections and procedures. This section provides substantive legal protections for dealers in the form of voiding all out-of-state choice of law provisions and all waivers of the provisions of this bill. It also prohibits suppliers (which are primarily large corporations) from requiring fees and costs to be paid by dealers in legal actions.

Section 5 is a supplemental provision that makes the bill supplemental to any franchise agreement and does not foreclose a dealer pursuing action under the bill.

Section 6 allows for recovery of attorney's fees and costs in actions brought by dealers.

Section 7 makes the bill applicable to franchise agreements currently in place and enacted after the effective date.

FISCAL IMPLICATIONS

N/A

SIGNIFICANT ISSUES

N/A

PERFORMANCE IMPLICATIONS

N/A

ADMINISTRATIVE IMPLICATIONS

N/A

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

N/A

TECHNICAL ISSUES

There is one minor technical issue with the definitions. The listed equipment under C “dealer” does not exactly match the listed equipment under F “inventory” or the listed equipment under G “supplier.” The definition under C includes more examples of covered equipment. It would be beneficial to the bill’s purported purpose to harmonize those three definitions.

OTHER SUBSTANTIVE ISSUES

N/A

ALTERNATIVES

N/A

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Status quo.

AMENDMENTS

N/A