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FISCAL IMPACT REPORT

SPONSOR SCORC ORIGINAL DATE 02/24/17
LAST UPDATED _____ HB _____
SHORT TITLE Theft Protection Program Warranties SB 220/SCORCS
ANALYST Amacher

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY17	FY18	FY19	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		NFI	NFI	NFI		

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Office of the Attorney General (OAG)

SUMMARY

Synopsis of the SCORC Substitute

The Senate Corporations and Transportation Committee Substitute of Senate Bill 220 amends the Service Contract Regulation Act by adding and amending definitions; providing for surety through insurance policies; and providing specific information to be included into contracts and warranties. If enacted, this bill would be effective June 16, 2017.

FISCAL IMPLICATIONS

There are no known fiscal impacts.

SIGNIFICANT ISSUES

The SCORC substitute of Senate Bill 220 amends the Service Contract Regulation Act (Chapter 59A-58 NMSA 1978) by adding and amending definitions; providing for surety through insurance policies; and providing specific information to be included into contracts and warranties.

The amendments outline a reimbursement insurance policy which would allow a provider to either provide reimbursement to the provider or in the event of the provider's non-performance,

to pay on behalf of the provider all covered obligations under the terms of the insured service contracts. Notably, the definition of “incidental costs” includes the difference between the actual value of a stolen vehicle at the time of theft and the cost of a replacement vehicle, gross receipts taxes, registration fees, transaction fees and mechanical inspection fees. Other eligible costs include insurance policy deductibles and rental vehicle charges.

This bill expands the required components of a service contract to include one or more of the following:

- repair/replacement of tires and wheels;
- removal of dents, dings or creases using the process of paintless dent removal without affecting the existing paint finish and without replacing body panels, sanding, bonding or painting;
- repair of chips or cracks in windshields or the replacement of a windshield;
- replacement of a key or key fob; and,
- other services approved by the superintendent if not inconsistent with other provisions of the Service Contract Regulation Act.

Registration and security requirements for the provider are outlined in this bill. The requirement to submit the form of service contracts with the Office of the superintendent has been removed.

OTHER SUBSTANTIVE ISSUES

As noted by the Office of Attorney General (OAG) SB 220 adds a definition for “road hazard” to mean “a hazard that is encountered while driving a motor vehicle”, with a non-exhaustive list of examples. The OAG suggests this definition could use further clarification as to what a “hazard” is within the definition, or include more language that further clarifies, or even limits, what the scope of the definition is. It does not say whether animals are considered road hazards, for example.

Furthermore, the OAG indicates it is not clear if the \$500 fee provided in Section 4 of this bill, is a non-refundable fee for the registration application or if it is a refundable fee for the registration itself, which could be refunded, in whole or in part, if the application is denied.

JMA/jle/al