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FISCAL IMPACT REPORT

SPONSOR <u>Sanchez/Gonzales</u>	LAST UPDATED <u>2/17/2025</u>	ORIGINAL DATE <u>2/15/2025</u>
SHORT TITLE <u>Notice of Termination of Franchises</u>	BILL	
	NUMBER	<u>Senate Bill 194</u>
	ANALYST <u>Hanika-Ortiz</u>	

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
RLD	No fiscal impact	No fiscal impact	No fiscal impact			

Parentheses () indicate expenditure decreases.
 *Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency Analysis Received From

New Mexico Attorney General (NMAG)
 Economic Development Department (EDD)
 Regulation and Licensing Department (RLD)

SUMMARY

Synopsis of Senate Bill 194

Senate Bill 194 (SB194) amends and adds several new sections to the Franchise Termination Act (Chapter 57, Article 23, NMSA 1978).

Section 2 expands the definition for “dealer” from farm tractor and farm implements retailers and describes “good cause” as failure to comply with requirements imposed by a franchise. The bill describes what qualifies as “good cause” and includes transferring interest without supplier’s consent; petitioning for bankruptcy; selling or liquidating assets; changing location without supplier approval; defaulting under a security agreement; abandoning the business; conviction of a felony affecting the relationship between dealer and supplier; conduct detrimental to the supplier’s reputation; or failing to maintain reasonable standards. This section also amends definitions for “inventory” and “supplier” to include construction or outdoor power equipment.

Section 3 creates conditions for the supplier, as well, with notice requirements and right-to-cure provisions; a requirement to approve or deny within 60 days a request to sell or transfer ownership interest; and, if a dealer dies, gives the estate 180 days to request the sale of assets.

Section 4 voids attempt to waive these provisions, application of state laws other than New Mexico’s, and franchise provisions that require a dealer to pay its supplier’s attorney fees.

Section 5 says a dealer can pursue remedies provided for in the contract, state law, or both.

Section 6 provides that a dealer may bring suit for damages sustained as a result of a supplier's violations and allows a dealer to seek injunctive relief against an unlawful termination.

Section 7 says the bill applies to franchises in effect or entered into after date bill becomes law.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns if enacted, or June 20, 2025.

FISCAL IMPLICATIONS

The Regulation and Licensing Department anticipates no significant fiscal impact to the department if SB194 is enacted.

SIGNIFICANT ISSUES

Because New Mexico's Franchise Termination Act only applies to businesses that deal in farm equipment, most franchise businesses are not covered under state law. SB194 attempts to correct this in part, by strengthening notice requirements for franchises seeking termination. This could add to the regulatory burden, making it harder to terminate some non-compliant franchisees.

The bill also adds a definition of "good cause" for a dealer's failure to substantially comply with essential and reasonable requirements imposed upon the dealer by the franchise. In the event of a supplier's violation of the act, damages sustained by the dealer can include the dealer's attorney and paralegal fees and costs of arbitration and injunctive relief against an unlawful termination.

AHO/sgs/hg/sgs/rl