



Senate

General Assembly

January Session, 2001

File No. 196

Senate Bill No. 1156

Senate, April 10, 2001

The Committee on General Law reported through SEN. COLAPIETRO of the 31st Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

AN ACT CONCERNING ALTERNATIVE FUNDING FOR THE STATE LEMON LAW PROGRAM.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (a) A new automobile warranties account
2 surcharge is hereby imposed on the sale of each new passenger vehicle
3 or motorcycle sold in this state by any person licensed to offer such
4 vehicles for sale under section 14-52 of the general statutes. Such
5 surcharge shall be in addition to any tax otherwise applicable to any
6 such sales transaction.

7 (b) The surcharge assessed pursuant to this section shall be at a rate
8 of three dollars per passenger vehicle or motorcycle. Such surcharge
9 shall be collected by each licensee under section 14-52 of the general
10 statutes engaged in new passenger vehicle or motorcycle sales in this
11 state.

12 (c) Proceeds collected from surcharges assessed under this section

13 shall be deposited in the new automobile warranty account established
14 pursuant to section 2 of this act.

15 Sec. 2. (NEW) There is established a separate, nonlapsing account,
16 within the General Fund, to be known as the "new automobile
17 warranties account". The account may contain any moneys required by
18 law to be deposited in the account. The moneys in said account shall
19 be allocated to the Department of Consumer Protection to carry out the
20 purposes of chapter 743b of the general statutes.

21 Sec. 3. This act shall take effect July 1, 2001.

GL *Joint Favorable*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact: Revenue Gain (New Automobile Warranties Account), Cost (New Automobile Warranties Account), Savings

Affected Agencies: Department of Consumer Protection

Municipal Impact: None

Explanation

State Impact:

	FY 02	FY 03
Estimated Revenue from \$3 Surcharge	\$621,000	\$621,000
Estimated Cost to Implement the Lemon Law Arbitration Program	(\$174,907)	(\$181,221)
Estimated Unexpended Fund Balance	\$446,093	\$439,779

The bill creates a separate, non-lapsing account within the General Fund, known as the “New Automobile Warranties Account”, to pay for the lemon law arbitration program. The bill requires licensed new motor vehicle dealers and motorcycle dealers to collect \$3 for each new passenger vehicle and motorcycle sold in Connecticut. It is estimated

this would generate \$621,000 (207,000 vehicles x \$3) annually for the newly established fund.

There are three staff responsible for the administration of the Lemon Law arbitration program, two lead consumer information representatives and one automotive technical expert. The Governor's recommended budget, HB 6668, "An Act Concerning the State Budget for the Biennium Ending June 30, 2003, and Making Appropriations Therefor" transfers the three staff positions and associated costs of \$174,907 in FY 02 and \$181,221 in FY 03 from the General Fund to the New Automobile Warranties Account, as established in this bill.

The \$3 surcharge will generate an estimated \$621,000 annually, whereas the budgeted costs for the program are \$174,907 in FY 02 and \$181,221 in FY 03. This results in a surplus of \$446,093 in FY 02 and \$439,779 in FY 03. Any surpluses in the New Automobile Warranties Account will remain in the fund, as it is non-lapsing account.

OFA Comment:

Whether the "New Automobile Warranties Account" is subject to the spending cap is a matter of interpretation. In the past, non-appropriated funds have been excluded from the calculation of the spending cap.

OLR Bill Analysis

SB 1156

AN ACT CONCERNING ALTERNATIVE FUNDING FOR THE STATE LEMON LAW PROGRAM.**SUMMARY:**

This bill creates a separate, non-lapsing account within the General Fund to pay for the automobile lemon law program, and funds it with a \$3 surcharge on each new passenger vehicle and motorcycle sold in Connecticut. The surcharge must be collected by licensed new motor vehicle and motorcycle dealers. Money from this "New Automobile Warranties Account" must be allocated to the Department of Consumer Protection (DCP) to operate the lemon law program.

EFFECTIVE DATE: July 1, 2001

BACKGROUND***New Car Lemon Law***

The Lemon Law establishes a consumer's right to a refund or replacement vehicle if a manufacturer or its representative is unable to make a new vehicle live up to its warranty after a reasonable number of repair attempts and the defect substantially impairs the vehicle's use, safety, or value.

Under the law, a consumer seeking a refund or replacement for a defective automobile must first resort to the manufacturer's informal dispute settlement mechanism. If no such procedure exists, a consumer may request arbitration by a three-member DCP panel.

COMMITTEE ACTION

General Law Committee

Joint Favorable Report

Yea 17 Nay 0