

STATE OF KANSAS



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GOVERNOR JEFF COLYER, M.D.
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February 28, 2018

The Honorable Rick Wilborn, Chairperson
Senate Committee on Judiciary
Statehouse, Room 541-E
Topeka, Kansas 66612

Dear Senator Wilborn:

SUBJECT: Fiscal Note for SB 426 by Senate Committee on Federal and State Affairs

In accordance with KSA 75-3715a, the following fiscal note concerning SB 426 is respectfully submitted to your committee.

SB 426 would amend existing law concerning dealership agreements between farm, outdoor power, and lawn and garden equipment retailers and manufacturers and suppliers. Current law contains provisions for the relationship between a farm equipment dealer and a manufacturer with regard to warranty work performed on farm equipment for a consumer by a dealer when the equipment was sold on or before July 1, 2000. SB 426 would change that date to July 1, 2018, and amend those provisions to specify how warranty claims are to be submitted; re-submitted when a procedural or technical mistake is made on the claim; approved or rejected; compensated; paid; and audited. With regard to cancellation of a contract between a farm equipment, outdoor power equipment, or lawn and garden equipment dealer and a manufacturer or supplier of such equipment, the bill specifies that any term of a contract, expressed or implied, that is inconsistent with current law, is void and unenforceable and would not waive the rights provided to any person by that law.

With regard to current law intended to prevent arbitrary or abusive conduct and preserve and enhance the reasonable expectations for success in the business of distributing farm, outdoor power, or lawn and garden equipment, the bill would define "change in competitive circumstances." Current law prohibits farm, outdoor power, and lawn and garden equipment manufacturers from terminating, cancelling or failing to renew a dealership agreement without good cause. To those prohibitions, the bill would add a prohibition against substantially changing the competitive circumstances of a retailer. SB 426 would allow consideration of a provision or allowance in a dealership agreement for an event, act, or omission, but that provision would not control whether the event, act or omission resulted in a change in competitive circumstances. The bill would require manufacturers to notify dealers of substantial changes in competitive

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circumstances and would specify the requirements for the sale or transfer of any portion of a dealership and the circumstances under which a manufacturer could deny a request for the sale or transfer of any part of the dealer's business ownership. The bill would also prohibit a manufacturer or supplier from preventing the issuance or transfer of a non-controlling ownership interest in a farm, outdoor power, or lawn and garden equipment dealer.

The bill would prohibit any outdoor power equipment or lawn and garden equipment manufacturer or supplier from coercing or attempting to coerce a retailer to accept delivery of equipment the retailer had not ordered or to refuse to purchase equipment made by another supplier. The bill would also prohibit the manufacturer or supplier from conditioning or attempting to condition the sale of equipment on a requirement that the retailer also purchase other goods or services or from discriminating in prices charged to similarly situated retailers for equipment of like grade and quality.

According to the Secretary of State and the Attorney General, enactment of SB 426 would have no fiscal effect on expenditures or revenues of the state.

Sincerely,



Larry L. Campbell
Chief Budget Officer

cc: Linda Borrer, Office of the Secretary of State
Willie Prescott, Office of the Attorney General