



STATE FISCAL IMPACT

Drafting Number: LLS 14-0687	Date: February 4, 2014
Prime Sponsor(s): Sen. Jahn; Harvey Rep. Pabon; Szabo	Bill Status: Senate Business, Labor & Technology Fiscal Analyst: Clare Pramuk (303-866-2677)

SHORT TITLE: TRANSPORTATION NETWORK COMPANIES REGULATION

Fiscal Impact Summary*	FY 2014-2015	FY 2015-2016
State Revenue	<u>\$650</u>	<u>\$214,240</u>
Cash Funds	650	214,240
State Expenditures	<u>\$208,661</u>	<u>\$214,239</u>
General Fund	167,512	
Cash Funds	650	177,012
Centrally Appropriated Costs**	40,499	37,227
FTE Position Change	2.6 FTE	2.4 FTE
Appropriation Required: \$164,394 - Department of Regulatory Agencies (FY 2014-15)		

* This summary shows changes from current law under the bill for each fiscal year.

** These costs are not included in the bill's appropriation. See the State Expenditures section for more information.

Summary of Legislation

This bill creates a limited regulatory structure for transportation network companies (TNCs) that use digital networks to connect riders to drivers who provide transportation in their personal vehicles. TNCs are exempt from the regulation for common carriers, contract carriers, and motor carriers but must be permitted by the Public Utilities Commission (PUC) in the Department of Regulatory Agencies as long as they meet certain requirements. These include:

- filing a certificate of insurance with the PUC for \$1 million per occurrence;
- requiring personal automotive liability insurance for all drivers;
- conducting a vehicle safety inspection prior to providing service, and a minimum of one safety inspection per vehicle per year;
- obtaining criminal history record checks and driving history reports on prospective drivers; and
- prohibiting the use of drivers with certain felony convictions or moving violations.

Fees for a one-year permit are set in statute at \$325 to be deposited into the newly created, and continuously appropriated, Transportation Network Company Account in the PUC Motor Carrier Fund. The PUC may promulgate rules concerning administration, fees, safety requirements, and financial responsibility requirements. After the first year, fees must be set and adjusted by rule to cover the PUC's direct and indirect costs for regulation of TNCs. The PUC may take an enforcement action against a TNC. A TNC that fails to comply with a PUC order, decision, or rule is subject to a penalty of up to \$2,000 per offense. The PUC cannot assess a penalty against a TNC driver.

Background

There are currently two TNCs operating in Colorado; Uber and Lyft. The California Public Utilities Commission (CPUC) is the first state to regulate TNCs. In California, a 3-year permit is \$1,000 and a renewal is \$100. In addition TNCs must pay 0.33 percent of their gross California revenue plus a \$10 administrative fee to the CPUC quarterly.

State Revenue

This bill is expected to increase cash fund revenue by **\$650 in FY 2014-15** and **\$214,240 in FY 2015-16** to the Transportation Network Company Account in the PUC Motor Carrier Fund.

No penalty revenue is included in the fiscal note because the PUC does not have sufficient authority to levy fines under the bill. See the Technical or Mechanical Defects section of the bill.

Fee impact on individuals and business. Section 2-2-322, C.R.S., requires legislative service agency review of measures which create or increase any fee collected by a state agency. The fee for FY 2015-16 must be sufficient to cover the direct and indirect costs of TNC regulation and will be determined after the regulation is implemented. Since there are currently only two TNCs, the fee for each will be half of the total expenditures. Table 1 below identifies the fee impact of this bill.

Type of Fee	Current Fee	Proposed Fee	Fee Change	Number Affected	Total Fee Impact
Transportation Network Company Permit - Year 1	0	\$325	\$325	2	\$650
Transportation Network Company Permit - Year 2	325	107,120	106,795	2	213,590
TOTAL					\$214,240

State Expenditures

This bill is expected to increase expenditures by **\$208,661 and 2.6 FTE in FY 2014-15** and **\$214,239 and 2.4 FTE in FY 2015-16**. Due to the statutory limit on first year fees and because the bill precludes the use of the Motor Carrier Cash Fund, the General Fund is the assumed source of funding above the \$650 received from permit fees in the first year.

Assumptions.

- Two TNC's will contract with a combined fleet of 800 to 1,000 drivers;
- Based on the taxi and limousine industry, the PUC will receive 400 complaints per year;
- PUC staff will inspect at least 50 percent of vehicles; and
- TNCs will operate statewide.

Table 2. Expenditures Under SB14-125		
Cost Components	FY 2014-15	FY 2015-16
Personal Services	\$141,535	\$125,671
FTE	2.6	2.4
Operating Expenses and Capital Outlay Costs	17,519	5,801
Legal Services	9,108	45,540
Centrally Appropriated Costs*	40,499	37,227
TOTAL	\$208,661	\$214,239

* Centrally appropriated costs are not included in the bill's appropriation.

Department of Regulatory Agencies, PUC. Regulation of TNCs will begin with rulemaking by the PUC. This is expected to require a two-day hearing with the services of an administrative law judge, hearings reporter, and 100 hours of legal services. The PUC will establish new permit and filing requirements. Once permits are issued, PUC criminal investigators will conduct vehicle inspections, and receive and investigate complaints. Complaints brought before the PUC are expected to require 500 hours of legal services annually, beginning in FY 2014-15. Detailed costs are shown in Table 2.

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. The centrally appropriated costs subject to this policy are estimated in the fiscal note for informational purposes and summarized in Table 3.

Table 3. Centrally Appropriated Costs Under SB14-125*		
Cost Components	FY 2014-15	FY 2015-16
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$13,857	\$13,101
Supplemental Employee Retirement Payments	9,737	9,741
Indirect Costs	16,905	14,385
TOTAL	\$40,499	\$37,227

*More information is available at: <http://colorado.gov/fiscalnotes>

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State Appropriations

For FY 2014-15, the Department of Regulatory Agencies requires a General Fund appropriation of \$167,512, a cash fund appropriation of \$650 from the Transportation Network Company Account in the PUC Motor Carrier Fund, and authorization for 2.5 FTE. The Department of Law requires \$9,108 in reappropriated funds and authorization for 0.1 FTE.

State and Local Government Contacts

Regulatory Agencies Law