

Colorado Legislative Council Staff Fiscal Note

**FINAL  
FISCAL NOTE**

<b>Drafting Number:</b> LLS 14-0687	<b>Date:</b> October 14, 2014
<b>Prime Sponsor(s):</b> Sen. Jahn; Harvey Rep. Pabon; Szabo	<b>Bill Status:</b> Signed into Law
	<b>Fiscal Analyst:</b> Clare Pramuk (303-866-2677)

**SHORT TITLE:** TRANSPORTATION NETWORK COMPANIES REGULATION

<b>Fiscal Impact Summary*</b>	<b>FY 2014-2015</b>	<b>FY 2015-2016</b>
<b>State Revenue</b>	<b><u>up to \$227,500</u></b>	<b><u>up to \$219,520</u></b>
<i>Revenue Change</i>		
General Fund	<5,000	<5,000
Cash Funds	222,500	214,520
<i>State Diversions</i>		
General Fund	(38,135)	
Cash Funds	38,135	
<b>State Expenditures</b>	<b><u>\$251,450</u></b>	<b><u>\$214,519</u></b>
Cash Funds	205,148	177,012
Centrally Appropriated Costs**	46,302	37,507
<b>FTE Position Change</b>	2.8 FTE	2.4 FTE
<b>Appropriation Required:</b> \$205,148 - 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**

The 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 are subject to regulation by the Public Utilities Commission (PUC) in the Department of Regulatory Agencies (DORA). The PUC is required to promulgate rules concerning TNC administration, fees, safety requirements, financial responsibility requirements, and workers' compensation obligations. Under the bill, TNCs must require:

- proof that drivers are medically fit to drive;
- exterior marking on TNC cars to identify them as vehicles for hire;
- personal automotive liability insurance for all drivers;
- proof of vehicle registration;
- vehicle inspections conducted by a certified mechanic prior to providing service and at least once per year thereafter; and
- criminal history record checks and driving history reports on prospective drivers.

Ride services provided either directly by or under contract with a political subdivision are not subject to the bill.

TNC's are prohibited from using drivers with certain felony convictions or moving violations or from disclosing personal information about a TNC user without the user's consent. TNC's must provide prospective drivers and riders with specific disclosures about insurance coverage and vehicle liens. TNCs are required to provide services to the public in a nondiscriminatory manner, regardless of the geographic location of the departure point or destination, race, ethnicity, gender, sexual orientation, disability, or other potentially discriminatory factor that could prevent customers from accessing transportation.

The bill allows a taxicab company or a shuttle company to convert to a TNC model or set up a subsidiary or affiliate TNC and completely or partially suspend its certificate of public convenience and necessity that permits it to operate as a common carrier. During the period of suspension of its certificate, a taxicab company, shuttle company, or a subsidiary or affiliate of a taxicab company or shuttle company is exempt from taxi or shuttle standards.

Fees for a one-year permit are set in statute at \$111,250 and deposited into the newly created, and continuously appropriated, Transportation Network Company Account in the PUC Motor Carrier Fund. 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 \$11,000 per offense depending on the violation. The PUC cannot assess a penalty against a TNC driver.

The Division of Insurance (DOI) is required to conduct a study on the appropriateness of the insurance coverages included in the bill. The DOI is to present its findings and any recommendations to the House and Senate business committees by January 15, 2015.

## **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. A number of other states and local governments are currently considering regulatory requirements for TNCs.

## **State Revenue**

**State Diversions.** This bill diverts **\$29,027** from the General Fund in **FY 2014-15**. This revenue diversion occurs because the bill increases costs in the Department of Regulatory Agencies, Division of Insurance, which is funded with premium tax revenue that would otherwise be credited to the General Fund.

**Revenue.** This bill is expected to increase cash fund revenue by up to **\$227,500 in FY 2014-15 and \$219,520 in FY 2015-16**. Of this amount, \$222,500 in FY 2014-15 and \$214,520 in FY 2015-16 is from fees and goes to the TNC Account in the PUC Motor Carrier Fund; all fee revenue will be used to fund PUC regulation of TNCs. Fine revenue goes to the General Fund and is estimated at less than \$5,000 per year.

**Fine Revenue.** This bill makes TNCs subject to civil penalties levied by the PUC. Because this is a new type of business and the type and severity of penalties are unknown, fine revenue is estimated at less than \$5,000 per fiscal year.

**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 2014-15 is set at \$111,250. For FY 2015-16 fees must be sufficient to cover the direct and indirect costs of TNC regulation and will be determined after the regulation is implemented. Based on the cost estimate in the fiscal note, fees for FY 2015-16 are indicated to be \$107,260. Table 1 below identifies the fee impact of this bill.

<b>Table 1. Fee Impact on Transportation Network Companies*</b>			
<b>Type of Fee</b>	<b>Proposed Fee</b>	<b>Number Affected</b>	<b>Total Fee Impact</b>
TNC Permit - Year 1	\$111,250	2	\$222,500
TNC Permit - Year 2	107,260	2	214,520
<b>TOTAL</b>			<b>\$437,020</b>

\* Fee calculations assume two companies will be licensed.

### State Expenditures

This bill is expected to increase expenditures for DORA by **\$251,450 and 2.8 FTE in FY 2014-15 and \$214,519 and 2.4 FTE in FY 2015-16**. These costs are shown in Table 2 and detailed below.

<b>Table 2. Expenditures Under SB14-125</b>		
<b>Cost Components</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>
Personal Services	\$168,139	\$125,671
FTE	2.8	2.4
Operating Expenses and Capital Outlay Costs	27,901	5,801
Legal Services (0.1 FTE FY 14-15, 0.3 FTE FY 15-16)	9,108	45,540
Centrally Appropriated Costs*	46,302	37,507
<b>TOTAL</b>	<b>\$251,450</b>	<b>\$214,519</b>

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

**Public Utilities Commission.** This bill is expected to increase costs to the PUC by **\$222,423 and 2.5 FTE in FY 2014-15 and \$214,519 and 2.1 FTE in FY 2015-16**. 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 and 0.1 FTE from the Department of Law. 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 and 0.3 FTE from the Department of Law annually, beginning in FY 2015-16. Ongoing staff for the regulation of TNCs include a criminal investigator and administrative assistant. Costs for the PUC include standard operating expenses, capital outlay, and travel.

**Division of Insurance.** The DOI is expected to have increased costs of \$29,027 and 0.2 FTE in FY 2014-15 only, to conduct the insurance study. Costs for the DOI include stakeholder meetings, data purchase and analysis, and report preparation.

**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.

<b>Table 3. Centrally Appropriated Costs Under SB14-125*</b>		
<b>Cost Components</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$16,349	\$13,101
Supplemental Employee Retirement Payments	11,676	9,741
Indirect Costs	18,277	14,665
<b>TOTAL</b>	<b>\$46,302</b>	<b>\$37,507</b>

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

### **Effective Date**

The bill was signed by the Governor and took effect on June 5, 2014. The insurance and disclosure requirements took effect July 1, 2014.

### **State Appropriations**

For FY 2014-15, the Department of Regulatory Agencies requires a cash fund appropriation of \$179,777 from the Transportation Network Company Account in the PUC Motor Carrier Fund, \$25,371 from the Division of Insurance Cash Fund, and authorization for 2.7 FTE. The Department of Law requires \$9,108 in reappropriated funds from the DORA and authorization for 0.1 FTE.

The bill includes an appropriation of \$179,777 and 2.5 FTE for the PUC and \$9,108 and 0.1 FTE for the Department of Law. The bill was amended on third reading in the House to include the study to be conducted by DOI but the costs were not included in the bill's appropriation.

### **State and Local Government Contacts**

Regulatory Agencies      Law