SB14-125

Colorado Legislative Council Staff Fiscal Note

STATE
REVISED FISCAL IMPACT

(replaces fiscal note dated March 31, 2014)

Drafting Number:	LLS 14-0687	**Date:**	April 15, 2014
Prime Sponsor(s):	Sen. Jahn; Harvey Rep. Pabon; Szabo	**Bill Status:**	House Finance
		Fiscal Analyst:	Clare Pramuk (303-866-2677)

SHORT TITLE: TRANSPORTATION NETWORK COMPANIES REGULATION

Fiscal Impact Summary*	FY 2014-2015	FY 2015-2016
State Revenue	**up to $220,000**	**up to $219,520**
General Fund	<5,000	<5,000
Cash Funds	215,000	214,520
State Expenditures	**$222,423**	**$214,519**
Cash Funds	179,777	177,012
Centrally Appropriated Costs**	42,646	37,507
FTE Position Change	2.6 FTE	2.4 FTE
Appropriation Required: $179,777 - 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

As amended by the House Transportation Committee, 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. 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. 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 must not exceed a total of $215,000, divided evenly among all TNCs unless the General Assembly determines an increased aggregate amount is necessary. Funds will be 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.

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

This bill is expected to increase cash fund revenue by up to **$220,000 in FY 2014-15 and $219,520 in FY 2015-16.** Of this amount, $215,000 in FY 2014-15 and $214,520 in FY 2015-16 is from fees and goes to the 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 as 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 $107,500 per company if only two companies are permitted. 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. 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.

Table 1. Fee Impact on Transportation Network Companies*			
Type of Fee	**Proposed Fee**	**Number Affected**	**Total Fee Impact**
TNC Permit - Year 1	$107,500	2	$215,000
TNC Permit - Year 2	107,260	2	$214,520
		TOTAL	**$429,520**

* *Fee calculations assume two companies will be licensed. Fees will be reduced if additional companies become permitted in FY 2014-15.*

State Expenditures

This bill is expected to increase expenditures by **$222,423 and 2.6 FTE in FY 2014-15 and $214,519 and 2.4 FTE in FY 2015-16** from the TNC Account.

Assumptions. The fiscal note is based on the following:

- 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;
- the DOI is expected to receive 60 cancellation or nonrenewal complaints per year;
- PUC staff will inspect at least 50 percent of vehicles;
- TNCs will operate statewide;
- rates for private passenger auto policies will increase; and
- insurance companies will make additional rate and form filings.

Table 2. Expenditures Under SB14-125		
Cost Components	**FY 2014-15**	**FY 2015-16**
Personal Services	$152,956	$125,671
FTE	2.6	2.4
Operating Expenses and Capital Outlay Costs	17,713	5,801
Legal Services (0.1 FTE FY 14-15, 0.3 FTE FY 15-16)	9,108	45,540
Centrally Appropriated Costs*	42,646	37,507
TOTAL	**$222,423**	**$214,519**

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

Department of Regulatory Agencies, PUC. 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. Detailed costs are shown in Table 2 above.

Department of Regulatory Agencies, DOI. The DOI is expected to have increased workload as a result of this bill. Because the fiscal note assumes that policy cancellations and nonrenewals will increase, the DOI is expected to have an increase in consumer complaints. These types of complaints are not complex and represent a minimal increase in workload, which does not require new appropriations.

The DOI routinely reviews rate and form filings during the first part of the calendar year. Legislation that requires an out-of-cycle filing generally has a fiscal impact. Each filing requires one and one half hours of review by a rate analyst and three hours of actuarial review. If as few as half of the 158 insurance companies that write private passenger auto insurance choose to file new rates and forms out-of-cycle, the DOI will have an increase of 356 hours. This workload increase does not require a new appropriation.

***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)	$15,118	$13,101
Supplemental Employee Retirement Payments	10,622	9,741
Indirect Costs	16,906	14,665
TOTAL	**$42,646**	**$37,507**

**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. The insurance and disclosure requirements take 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, and authorization for 2.5 FTE. The Department of Law requires $9,108 in reappropriated funds from the DORA and authorization for 0.1 FTE.

State and Local Government Contacts

Regulatory Agencies Law