

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

May 10, 2017

TO: Honorable Joan Huffman, Chair, Senate Committee on State Affairs

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB100 by Paddie (Relating to the regulation of transportation network companies; requiring an occupational permit; authorizing a fee.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for HB100, As Engrossed: a positive impact of \$288 through the biennium ending August 31, 2019.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2018	\$252
2019	\$36
2020	\$36
2021	\$36
2022	\$36

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from <i>General Revenue Fund</i> 1	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1	Change in Number of State Employees from FY 2018
2018	\$172,250	(\$171,998)	1.5
2019	\$120,900	(\$120,864)	1.5
2020	\$120,900	(\$120,864)	1.5
2021	\$120,900	(\$120,864)	1.5
2022	\$120,900	(\$120,864)	1.5

Fiscal Analysis

The bill would amend the Occupations Code, regarding regulation of transportation services, to add new Chapter 2402, regarding regulation of transportation network companies (TNCs).

The bill would authorize the Texas Department of Licensing and Regulation (TDLR) to set fees for a permit to operate a transportation network company under this chapter's provisions. The bill would define a transportation network company as an entity that uses a digital network service to connect passengers to digitally prearranged rides provided by personal vehicles.

The bill would allow an airport owner or operator or governmental entity with jurisdiction over a cruise ship terminal to impose regulations, including a reasonable fee, on a transportation network company that provides rides to and from the terminal. Other than these exceptions, the bill would define the regulation of TNCs as an exclusive power and function of the state.

The bill would require each transportation network company to conduct a two-year accessibility pilot program beginning not later than the 90th day after the company is issued a permit, but a company which is issued a permit on or before January 1, 2018, must begin the pilot program by that date. The subsection expires on January 1, 2020. The transportation network companies would be required to submit to TDLR a report demonstrating the company's compliance with the requirement for the program not later than the 100th day after the date the company begins the pilot program, and provide a report on the findings of the pilot program to each legislative standing committee with primary jurisdiction over transportation not later than the 75th day after the date the program ends. The bill would require TDLR to establish by rule the requirements for the accessibility pilot-program report to the legislature, provide a transportation network company with notice of the report requirements at the time TDLR issues the company's permit, and authorizes TDLR to revoke a company's permit for failure to timely submit either report.

The bill would require a transportation network company to adhere to a records retention schedule and require TDLR to provide a means for TNCs to submit required information electronically. The TNC must perform annual criminal background checks on all drivers.

The bill would authorize a transportation network company operating under a municipal ordinance immediately before the effective date of the bill to operate at any location in this state without the required state-issued permit until the later of: the 30th day after the date rules adopted by TDLR become effective; or the date the company's application for a permit submitted to the department (before the 30th day after the rules are adopted) is approved or denied.

The bill would take effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this bill does not receive the vote necessary for immediate effect, this bill takes effect September 1, 2017.

Methodology

Based on the analysis provided by TDLR, it is assumed 13 companies would be operating as TNCs in Texas. TDLR estimates the initial fee for a permit would be \$13,250, and \$9,300 annually to maintain the permit. This would result in a revenue gain of \$172,250 in General Revenue in fiscal year 2018 and \$120,900 each subsequent fiscal year.

Based on the analysis provided by TDLR, it is assumed the agency would require 1.5 additional full-time-equivalent (FTE) employees to administer the new permitting and regulatory responsibilities established in the bill. The agency estimates \$51,134 for one-time startup costs in fiscal year 2018 (computer equipment and website configuration costs for data submission) to begin operations; and annual costs beginning in fiscal year 2018 of \$87,150 in salaries and wages for one Program Specialist and a half FTE for the General Counsel's Office; \$30,607 for employee benefits; \$1,307 for other payroll contribution costs; and \$1,800 for other operating expenses.

This analysis assumes that any increased cost to TDLR, which is statutorily required to generate sufficient revenue to cover its costs of operation, would be offset by an increase in fee generated revenue. Because of the provision allowing TNCs to operate without a permit until TDLR rules are effective or the permit is approved or denied, TDLR assumes it would not need to begin regulating TNCs in fiscal year 2017 if the bill received the required votes to take effect immediately.

The Department of Insurance and Department of Public Safety indicate that any costs to those agencies associated with the bill could be absorbed within the agency's existing resources.

Technology

The costs identified above include estimated one-time information technology costs of \$51,134 for computer equipment for the additional FTEs and costs to contract a web developer to create a webpage interface that would allow the TNCs to submit required information to the agency electronically for compliance.

Local Government Impact

The bill would define regulation of TNCs as an exclusive power and function of the state and preclude municipalities or other local entities from regulating TNCs, except that airport owners and operators or governmental entities with jurisdiction over a cruise ship terminal may impose regulations and reasonable fees on TNCs that provide rides to or from the airport. According to the Texas Municipal League, no significant fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 405 Department of Public Safety, 452 Department of Licensing and Regulation, 454 Department of Insurance

LBB Staff: UP, JQ, JGA, AG, EH