

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

March 15, 2017

TO: Honorable Geanie W. Morrison, Chair, House Committee on Transportation

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 Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB100, As Introduced: a negative impact of (\$128,078) through the biennium ending August 31, 2019, if the effective date of the bill is June 1, 2017; or a negative impact of (\$162,862) through the biennium ending August 31, 2019, if the effective date of the bill is September 1, 2017.

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

All Funds, Six-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from General Revenue Fund	Probable Savings/(Cost) from General Revenue Fund	Change in Number of State Employees from FY 2017
	1	1	
2017	\$65,000	(\$81,350)	1.5
2018	\$65,000	(\$120,864)	1.5
2019	\$65,000	(\$120,864)	1.5
2020	\$65,000	(\$120,864)	1.5
2021	\$65,000	(\$120,864)	1.5
2022	\$65,000	(\$120,864)	1.5

The table above shows Scenario 1, which assumes the bill takes effect June 1, 2017. The table below shows Scenario 2, which assumes the bill takes effect September 1, 2017.

Fiscal Year	Probable Revenue Gain/(Loss) from General Revenue Fund 1	Probable Savings/(Cost) from General Revenue Fund 1	Change in Number of State Employees from FY 2017
2018	\$65,000	(\$171,998)	1.5
2019	\$65,000	(\$120,864)	1.5
2020	\$65,000	(\$120,864)	1.5
2021	\$65,000	(\$120,864)	1.5
2022	\$65,000	(\$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 require the Texas Department of Licensing and Regulation (TDLR) to charge an annual fee of \$5,000 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 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 fingerprint background checks on all drivers.

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 and would pay \$5,000 each year to maintain the permit required by the bill, resulting in a revenue gain of \$65,000 to the General Revenue Fund per 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 (computer equipment and website configuration costs for data submission) to begin operations; and annual costs 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 agency is statutorily required to generate sufficient revenue to cover its costs of operation. To the extent revenue generated by this program is not sufficient to cover costs, the agency may raise fees on other licensee populations to comply with statutory provisions.

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.

Scenario 1 assumes the bill takes effect immediately upon a two-thirds vote of all members elected

to each house. It is assumed all companies would register with the state, yielding \$65,000 in revenue in fiscal year 2017. It is also assumed the agency would immediately begin program operations; therefore, one time start up costs of \$51,134 would also occur in fiscal year 2017. For the last three months of fiscal year 2017, the proportional ongoing costs would be \$21,788 in salaries and wages for one Program Specialist and a half FTE for the General Counsel's Office; \$7,652 for employee benefits; \$326 for other payroll contribution costs; and \$450 for other operating expenses.

Scenario 2 assumes the bill takes effect September 1, 2017. Therefore, revenue and costs would begin in fiscal year 2018 as outlined above. One time startup costs would also occur in fiscal year 2018.

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 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, AG, EH, JQ, JGA