

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION**

**March 13, 2017**

**TO:** Honorable Kelly Hancock, Chair, Senate Committee on Business & Commerce

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: SB176** by Schwertner (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 SB176, As Introduced: a positive impact of \$1,215,381 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	\$581,700
2019	\$633,681
2020	\$633,681
2021	\$633,681
2022	\$633,681

**All Funds, Five-Year Impact:**

Fiscal Year	Probable Revenue Gain/(Loss) from <i>General Revenue Fund</i>	Probable Savings/(Cost) from <i>General Revenue Fund</i>	Probable Revenue Gain/(Loss) from <i>New Other Fund</i> <i>Outside the Treasury</i>	Probable Savings/(Cost) from <i>New Other Fund</i> <i>Outside the Treasury</i>
	1	1		
2018	\$785,000	(\$203,300)	\$60,000	(\$60,000)
2019	\$785,000	(\$151,319)	\$60,000	(\$60,000)
2020	\$785,000	(\$151,319)	\$60,000	(\$60,000)
2021	\$785,000	(\$151,319)	\$60,000	(\$60,000)
2022	\$785,000	(\$151,319)	\$60,000	(\$60,000)

<b>Fiscal Year</b>	<b>Change in Number of State Employees from FY 2017</b>
2018	2.0
2019	2.0
2020	2.0
2021	2.0
2022	2.0

## **Fiscal Analysis**

This bill would amend Subtitle C of Title 14 of the Occupations Code, regarding regulation of transportation services, to add new Chapter 2402, regarding regulation of transportation network companies (TNCs). 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 the Texas Department of Licensing and Regulation (TDLR) to charge an annual fee for a permit to operate a transportation network company under this chapter's provisions. The permit would be valid for two years, assuming the annual fee were remitted to maintain the permit. The permit fee would be tiered based on the number of drivers using the company's digital network. The fees are: (1) \$10,000 for a transportation network company whose digital network is used by 50 or fewer drivers; (2) \$30,000 for a transportation network company whose digital network is used by 51-200 drivers; (3) \$75,000 for a transportation network company whose digital network is used by 201-1,000 drivers; and (4) \$125,000 for a transportation network company whose digital network is used by more than 1,000 drivers.

The bill also authorizes a surcharge in an amount not to exceed \$20,000 on TNCs that do not provide a minimum level of wheelchair-accessible service, as determined by the Commission on Licensing and Regulation. Those fees would be remitted to the Comptroller and deposited in a trust fund outside the state treasury. TDLR would distribute those funds as grants, which could not exceed \$15,000 per grant. TDLR would only provide grants to TNCs that meet or exceed the minimum level of wheelchair-accessible service.

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.

This legislation would do one or more of the following: create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either with or outside of the Treasury, or create a dedicated revenue source. The fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature.

This bill would take effect September 1, 2017.

## **Methodology**

Based on the analysis provided by TDLR, it is assumed 13 companies would be operating as TNCs in Texas. Of those companies, it is assumed two of those companies would have over 1,000 drivers using their networks, five would have between 201-1,000 drivers, five would have 51-200 drivers, and one would have 50 or fewer drivers. This would yield a gain of \$785,000 in annual revenue to the General Revenue Fund. It is also assumed three of the seven companies with over 200 drivers

would not have a wheelchair accessible vehicle available and so would be subject to the \$20,000 surcharge. This would result in an annual revenue gain of \$60,000 to Other Funds.

Based on the analysis provided by TDLR, it is assumed the agency would require 2.0 additional full-time-equivalent (FTE) employees to administer the new permitting, regulatory, and grant making responsibilities established in the bill. This would have an estimated cost to General Revenue of \$203,300 in fiscal year 2018 and \$151,319 each year thereafter. The cost estimate includes \$51,981 for one-time startup costs (computer equipment and website configuration costs for data submission) in fiscal year 2018; and annual costs of \$109,002 in salaries and wages for one Program Specialist, a half FTE for the General Counsel's Office, and a half FTE grant coordinator; \$38,282 for employee benefits; \$1,635 for other payroll contribution costs; and \$2,400 for other operating expenses.

Based on analysis by the Legislative Budget Board, four of the 13 companies may qualify to receive grants, which would result in an annual cost of \$60,000 to Other Funds.

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 \$51,981 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 not allow municipalities or other local entities to impose requirements or taxes on TNCs. 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, CL, EH, JQ, JGA