

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 575** HLS 19RS 859

Bill Text Version: **REENGROSSED**

Opp. Chamb. Action: **w/ #2 SEN COMM AMD**

Proposed Amd.:

Sub. Bill For.:

Date: May 28, 2019	8:37 AM	Author: MAGEE
Dept./Agy.: Louisiana Department of Agriculture and Forestry		Analyst: Willis Brewer
Subject: Requirements for transportation network companies		

TRANSPORTATION RE2 +\$115,000 SG EX See Note
Establishes requirements for transportation network companies

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Proposed law establishes a classification of carriers and provides that a company or driver is not a common carrier, contract carrier, or motor carrier and exempts a driver from having to register the vehicle as a commercial motor vehicle or for hire vehicle; prohibits a person from operating a company without first obtaining a permit from the DOTD and requires DOTD to issue a permit to each applicant that meets provided requirements; provides requirements and procedures for an audit of a company by DOTD; authorizes DOTD to inspect records held by the company that are necessary to investigate and resolve a specific complaint against a driver or the company; authorizes a per-trip fee of up to 1% of gross trip fare for each intrastate prearranged ride to be used by DOTD and collected by the Department of Revenue (DOR) for expenses; authorizes a local governmental subdivision to impose a per-trip fee up to 1% of the gross trip fare for each intrastate prearranged ride, and provides that the local governmental subdivision may impose such a fee by passing an ordinance that imposes the fee on each company; authorizes a local governmental subdivision with an existing ordinance that includes a per-trip fee prior to 3/1/19, and has a company operating within the corporate limits as of 3/1/19, to impose a fee up to or equal to the per-trip fee imposed as of 3/1/19, on each intrastate prearranged ride within the corporate limits of the local governmental subdivision.

EXPENDITURES	2019-20	2020-21	2021-22	2022-23	2023-24	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total						

REVENUES	2019-20	2020-21	2021-22	2022-23	2023-24	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Annual Total						

EXPENDITURE EXPLANATION

Proposed law will result in approximately \$90,000 of one-time expenditures (assumed to be SGR) and an indeterminate increase in recurring expenditures by the Department of Transportation and Development (DOTD) from SGR to make the necessary software upgrades and modifications to issue permits to Transportation Network Companies (TNCs), inspect records to investigate and resolve any complaints, and to audit a sample of records for each company that applies for a permit to be a TNC in Louisiana. Based on information from the Office of Technology Service (OTS), DOTD estimates the software upgrades and modifications will cost approximately \$90,000. DOTD cannot use the Transportation Trust Fund (TTF) - Regular to pay for the software costs and will require a SGR or other funds appropriation to cover these upfront costs.

DOTD anticipates at this time it will be able to use existing staff to absorb these additional duties. However, proposed law requires DOTD to investigate and resolve any complaint against a driver or company and the number of these complaints cannot be determined. To the extent the number of complaints or audits increases significantly beyond the current workload capacity, additional fiscal resources may be required. These fiscal resources are assumed to be from the 1% per-trip fee derived from gross trip fares for each intrastate prearranged ride for in proposed law and would be designated as SGR; however, if these funds are insufficient, additional SGF or other funds appropriation authority may be required.

EXPENDITURE EXPLANATION CONTINUED ON PAGE TWO

REVENUE EXPLANATION

Proposed law will result in an indeterminable increase in SGR revenues for the Department of Transportation and Development (DOTD) from a 1% per-trip fee derived from gross trip fares for each intrastate prearranged ride by Transportation Network Companies (TNCs). Proposed law provides that DOTD shall create a permit process in order for applicants to be allowed to conduct TNC business in Louisiana. DOTD anticipates it will incorporate the best practices of other states that have enacted similar legislation, but at this time the permitting process is not known. Proposed law prohibits DOTD from charging a fee for issuance of permits.

Proposed law will result in an indeterminable increase in SGR revenue as a result of the per-trip fee of 1% of the gross trip fare for each intrastate prearranged ride. These monies will be collected by the Louisiana Department of Revenue and deposited with DOTD to be used to cover expenses related to regulating TNC activities in the state. LDR is unable to estimate the revenue increase because no data is available regarding gross trip fare charged by TNCs currently offering rides originating in Louisiana.

Proposed law may result in an indeterminable increase in Local Funds revenue as a result of a per-trip fee up to 1% of the gross trip fare for each intrastate prearranged ride. The potential revenue will accrue to the local governing authority. The potential gross trip fares are not known; therefore, the potential revenue impact is indeterminate. Proposed law authorizes any local governmental subdivision that has enacted a company ordinance prior to 3/1/2019 that includes a per-trip fee to impose this per-trip fee amount at the 3/1/2019

REVENUE EXPLANATION CONTINUED ON PAGE TWO

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}		<input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Evan Brasseaux
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Staff Director

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CONTINUED EXPLANATION from page one:
EXPENDITURE EXPLANATION CONTINUED FROM PAGE ONE

Proposed law provides that the Department of Revenue (DOR) shall review books and records reflecting the TNC's accounting and payment of fees to any local governmental subdivision that passes an ordinance imposing a fee of up to 1% of gross trip fares and may, at its discretion or upon reasonable prior written request, conduct an audit related to the TNC's accounting and payment of fees to local government subdivisions and to the state. DOR reports that given its sole authority to audit amounts paid under the gross trip fares fee to the state and potentially to local governing entities, that it is able to provide for the additional duties utilizing existing staff and budgetary resources. However, if the number of local subdivisions imposing fees or the volumes of written requests for audits should become significant, LDR may require additional resources. DOR estimates that implementation of **proposed law** will result in a one-time expenditure of \$25,000 SGR for computer system development and testing. LDR reports this cost to be incremental and in line with new requirements passed each year by the legislature. Thus, LDR believes it can absorb this additional cost with existing budget allocation. LDR reports that it assesses the cumulative effect of all new legislation at the end of each legislative session in order to determine if additional resources are necessary.

REVENUE EXPLANATION CONTINUED FROM PAGE ONE

amount even if is more than 1%. Currently, transportation network companies (TNC) are required to acquire local government permits in certain municipalities at costs of between \$250 and \$15,000. However, **proposed law** does not provide for these municipalities/local governmental subdivisions to charge these TNCs an annual permit fee. Therefore, municipalities that have enacted ordinances as of 3/1/19 will retain the per-trip tax, but will no longer receive the permit amount. Supplanting existing permitting activities will likely have a nominal negative impact on certain large municipalities, while creating a potential new source of LF revenue collections from per-trip fees in some areas of the state where TNCs are currently not regulated by municipal ordinance. The amount of such revenues is indeterminable and will depend on the specifics of locally adopted ordinances and the level of prearranged rides that will be regulated in each locale.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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