# Ohio Legislative Service Commission

*Russ Keller*

# Fiscal Note & Local Impact Statement

**Bill**: H.B. 237 of the 131st G.A. **Date**: December 9, 2015

**Status**: As Enacted **Sponsor**: Reps. Duffey and Hackett

**Local Impact Statement Procedure Required**: No

**Contents**: To regulate transportation network companies and their services and to exempt motor vehicle liability insurers from the requirement to provide identification cards

## State Fiscal Highlights

| STATE FUND | FY 2016 | FY 2017 | FUTURE YEARS |
|---|---|---|---|
| **General Revenue Fund** | | | |
| Revenues | Potential gain | Potential gain | Potential gain |
| Expenditures | - 0 - | - 0 - | - 0 - |
| **Public Utilities Fund (Fund 5F60)** | | | |
| Revenues | Potential gain of $10,000 or more | Potential gain of $10,000 or more | Potential gain of $10,000 or more |
| Expenditures | - 0 - | - 0 - | - 0 - |
| **Department of Insurance Operating Fund (Fund 5540)** | | | |
| Revenues | - 0 - | - 0 - | - 0 - |
| Expenditures | Potential minimal increase | Potential minimal increase | Potential minimal increase |

Note: The state fiscal year is July 1 through June 30. For example, FY 2016 is July 1, 2015 – June 30, 2016.

- The Public Utilities Commission could experience some increase in expenditures to regulate transportation network companies (TNCs). The bill imposes few specific requirements on the Commission, which could mean that application fees are sufficient to cover those costs. The Commission reported to LSC that the bill does not have a fiscal impact on PUCO.
- The bill requires each TNC to pay an annual $5,000 application fee to operate as a TNC in Ohio. The bill does not specify a fund to receive the revenue generated by the fee. Potentially, this provision could raise $10,000 or more for the Public Utilities Fund (Fund 5F60).
- Insurance provisions of the bill potentially increase costs for the Department of Insurance, which would be paid by the Department of Insurance Operating Fund (Fund 5540). Such a cost increase, if any, would likely be minimal.

- The insurance coverage requirement for TNC drivers may increase revenue under the domestic and foreign insurance premium taxes. Currently, 96.64% of such revenue is distributed to the GRF while the remaining 3.36% is allocated to the Local Government Fund and the Public Library Fund.

## Local Fiscal Highlights

| LOCAL GOVERNMENT | FY 2016 | FY 2017 | FUTURE YEARS |
|---|---|---|---|
| **Municipalities** | | | |
| Revenues | Potential loss or gain | Potential loss or gain | Potential loss or gain |
| Expenditures | Potential decrease | Potential decrease | Potential decrease |
| **Other Local Governments** | | | |
| Revenues | Potential gain | Potential gain | Potential gain |
| Expenditures | - 0 - | - 0 - | - 0 - |

Note: For most local governments, the fiscal year is the calendar year. The school district fiscal year is July 1 through June 30.

- The bill preempts local ordinances that license, register, or tax transportation network companies. The preemption could result in reduced revenue to some municipalities, and perhaps other political subdivisions, that had decided to regulate the companies at the local level. Any loss of revenue would likely be offset, at least in part, by reduced expenditures for regulating the companies.
- The insurance coverage requirement for TNC drivers may increase revenue under the domestic and foreign insurance premium taxes. Currently, 1.66% of revenue from these taxes is distributed to the Local Government Fund and 1.70% is distributed to the Public Library Fund.

## Detailed Fiscal Analysis

H.B. 237 establishes requirements governing transportation network companies, their drivers and their services. Under the bill, a transportation network company (TNC) is generally defined to be a business that uses a digital network to connect transportation network company riders with transportation network company drivers who provide specified transportation services; examples of such businesses include Uber and Lyft. The bill specifically excludes taxicabs (unless the vehicle is being used to provide services on behalf of a TNC), chauffeured limousines, and ridesharing arrangements from the definition of transportation network company services.

TNCs would be required to apply for a permit to be issued by the Public Utilities Commission (PUCO) in order to operate in Ohio. PUCO is required to issue a permit if the company affirms that it will comply with the provisions of the bill and if it pays an application fee of $5,000; a permit is valid for one year. The bill specifies that it is the intent of the General Assembly to preempt any[1] local ordinances that would license, register, tax, or otherwise regulate TNCs, TNC drivers, or TNC services.

The bill requires that TNC drivers be covered by an automobile insurance policy that recognizes that the driver is a TNC driver. The policy must provide coverage, during times that the driver is engaged in TNC services, of at least $1 million because of bodily injury or death of one or more persons, or injury to property of others in any one accident. Policy coverage provided to drivers may be less at times when they are not providing TNC services. When taxicabs are not performing TNC services, they must comply with insurance coverage requirements related to taxicabs. The insurance policy mandated by the bill may be purchased by either the driver or by the TNC.

The bill includes a number of other provisions governing the actions of a TNC, but most of the provisions have little or no fiscal effect.

Separately, H.B. 237 changes a requirement for insurers writing motor vehicle liability insurance. Under the bill, insurers may provide to policyholders the ability to utilize an electronic wireless communications device to present proof of financial responsibility in lieu of providing financial responsibility identification cards to policyholders.

## Fiscal effects

The bill requires PUCO only to issue permits, if circumstances require it, and PUCO may issue rules regarding the bill's requirements imposed on TNCs and their drivers. The bill does not specify a fund to receive the annual $5,000 application fee, nor does it specify that PUCO must audit or enforce the bill's provisions. If PUCO does nothing other than issue rules and permits, the application fees may cover its expenses. The magnitude of PUCO costs would depend on how the Commission interprets its mandate in issuing rules. The agency reported to LSC that H.B. 237 has no fiscal impact on PUCO.

The requirement that each TNC driver must be covered by an automobile liability insurance policy that provides primary coverage for the driver when the driver is logged on to the TNC's digital network or is engaged in TNC services may increase revenue under the domestic and foreign insurance premium taxes. Currently, 96.64% of such revenue is distributed to the GRF, 1.66% is allocated to the Local Government Fund, and 1.70% is allocated to the Public Library Fund.

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[1] The bill makes an exception for public-use airports, which may adopt reasonable standards, regulations, procedures, and fees that are applicable to TNC services that are provided to TNC riders who request service to, from, or on the property of the public-use airport.