Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: H.B. 237 of the 131st G.A.

Date: June 15, 2015

Status: As Introduced

Sponsor: Reps. Duffey and Hackett

Local Impact Statement Procedure Required: Yes

Contents: To regulate transportation network companies and their services

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	Potential increase	Potential increase	Potential increase
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 would likely 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. If the Commission were to interpret the bill's requirements to require it to monitor and track TNC compliance with the bill's provisions, the costs could be in the hundreds of thousands, and would likely have to be paid from the Public Utilities Fund (Fund 5F60).
- 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 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, 96.68% of such

revenue is distributed to the GRF while the remaining 3.32% is allocated to the Local Government Fund and the Public Library Fund.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2015	FY 2016	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 the same percentage 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, chauffeured limousines, and ridesharing arrangements from the definition.

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 local ordinances that would license, register, or tax TNCs.

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 providing TNC services, of at least $1 million because of bodily injury or death of one or more persons, or injury to property of others; policy coverage provided to drivers may be less at times when they are not providing TNC services. The policy 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.

Fiscal effects

The bill requires PUCO only to issue permits, if circumstances require it, and to issue rules regarding the bill's requirements imposed on TNCs and their drivers. The bill does not specify a fund to receive the $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. If PUCO conducts compliance audits, and sets up a tracking system for compliance, LSC staff think that costs would likely reach the hundreds of thousands annually, in which case the application fees would very likely fall short of covering PUCO expenses. If that were the case, PUCO costs would have to be paid from the Public Utilities Fund (Fund 5F60), using its current appropriation. The magnitude of PUCO costs would depend on how the Commission interprets its mandate in issuing rules.

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 providing TNC services may increase revenue under the domestic and foreign insurance premium taxes. Currently, 96.68% of such revenue is distributed to the GRF, 1.66% is allocated to the Local Government Fund, and 1.66% is allocated to the Public Library Fund.

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