HB 18-1320

Legislative
Council Staff
Nonpartisan Services for Colorado's Legislature

FINAL FISCAL NOTE

Drafting Number:	LLS 18-1045	**Date:**	August 9, 2018
Prime Sponsors:	Rep. Pabon Sen. Jahn	**Bill Status:**	Signed into Law
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Bill Topic: DEREGULATION OF LARGE-MARKET TAXICAB SERVICE

Summary of Fiscal Impact:

☒ State Revenue
☒ State Expenditure *(minimal)*
☐ State Transfer
☒ TABOR Refund
☐ Local Government
☐ Statutory Public Entity

This bill reduces the level of regulation for companies providing large-market taxicab services along the Front Range. Beginning in FY 2018-19, it will increase fee revenue, decrease tax revenue, and increase workload on an ongoing basis.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: The fiscal note reflects the enacted bill.

Table 1
State Fiscal Impacts Under HB 18-1320

		FY 2018-19	FY 2019-20
Revenue	General Fund	*Reduction. See State Revenue section.*	
	Cash Funds	$8,000	$8,000
		up to $8,000	**up to $8,000**
Expenditures		-	-
Transfers		-	-
TABOR Refund	General Fund	up to $8,000	up to $8,000

Summary of Legislation

Under current law, taxicab companies are regulated by the Public Utilities Commission (PUC) in the Department of Regulatory Agencies (DORA) as common carriers. Common carriers are subject to the broadest PUC regulation, including market entry, services, routes, rates, operational standards, insurance, and safety. This bill reclassifies large-market taxicab services as a new category of limited regulation motor carriers.

Large-market taxicab services are defined in the bill as providing indiscriminate passenger transportation for compensation in a taxicab on a call-and-demand basis, within and between points in the counties of Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, El Paso, Jefferson, Larimer, and Weld, and between those points and all points in Colorado, with the first passenger having exclusive use of the taxicab unless the passenger agrees to multiple loadings. As limited regulation motor carriers, these companies must:

- obtain a permit on or after January 1, 2019;
- be insured;
- have all vehicles inspected by a qualified mechanic;
- ensure drivers submit to a fingerprint background check; and
- provide up-front rate estimates to customers.

In order to be eligible for the permit, a large-market taxicab service must have at least 25 vehicles in its fleet at all times (10 vehicles for El Paso, Larimer, and Weld counties).

The PUC must determine by rule the maximum rate that may be charged for large-market taxicab services in each county. Permitted large-market taxicab services must file a rate schedule with the PUC, with no limit to the number or frequency of updated rate schedules. Unless a rate schedule exceeds the maximum rate established by the PUC, the PUC may not reject a rate schedule.

The bill clarifies that large-market taxicab services that operate without a permit are subject to existing civil penalties and also provides specifics on permit revocation. It also clarifies that a taxi company's Certification of Public Convenience and Necessity qualifies as a devalued asset for tax purposes. Finally, the bill clarifies that nothing in the bill requires or prohibits a large-market taxicab service provider to form a union or a driver to join a labor union.

The bill requires the PUC to create a document or an electronic system to communicate that a person is authorized to provide a large-market taxicab service to the Department of Revenue for the purpose of issuing an existing taxicab license plate.

Background, Data, and Assumptions

There are approximately 10 taxicab companies subject to the bill, representing a small fraction of common carriers regulated by the PUC. The largest volume of regulatory workload for the PUC with common carriers relates to safety and insurance regulations, which remains unchanged by the bill, including the fingerprint background check requirement. As a result, no workload offset is created in the PUC, and no change to revenue or expenditures resulting from the fingerprint background check is expected.

The removal of market entry regulations could create growth in the industry; however, the fiscal note has not assumed industry growth.

State Revenue

Beginning in FY 2018-19, the bill is expected to increase state cash fund revenue to the Motor Carriers Cash Fund by $8,000 per year. On an ongoing basis, the bill may decrease state General Fund revenue from tax collections. These impacts are discussed below.

Fee impact on large-market taxicab services. Colorado law requires legislative service agency review of measures which create or increase any fee collected by a state agency. Under current law, applicants seeking to provide taxi service in the metropolitan area are charged a one-time application fee of $800. The fiscal note assumes a similar amount will be collected on an annual basis from approximately 10 applicants. The fee amounts shown in Table 2 are estimates only; actual fees will be set administratively by the PUC.

Table 2
Fee Impact on Large-Market Taxicab Services

Fiscal Year	Type of Fee	Proposed Fee	Number Affected	Total Fee Impact
FY 2018-19	One-time permit application fee	$800	10	$8,000
FY 2019-20	Annual permit fee	$800	10	$8,000

Tax implication of a devalued asset. The bill clarifies that a Certificate of Public Convenience and Necessity owned by a large-market taxicab service qualifies as a devalued asset for tax purposes, which will result in an ongoing state revenue reduction. Approximately 10 companies are assumed to have this asset, which may be used as an expense to offset a business's income, reducing their tax liability. The expense may be carried over until the full value of the asset is utilized. Because the value of these assets is unknown, a precise estimate of this revenue reduction has not been made.

Fine revenue. No change in fine revenue is expected since large-market taxicab services will be subject to the same civil penalties in current law. For informational purposes, fine penalties are specific to the type of violation. In general, non-safety violations are capped at $1,100, with each day representing a separate violation. Safety violations are governed by the Code of Federal Regulations, with different fine amounts for different violations. Fines are credited to the Legal Services Offset Fund in the Department of Law up to $250,000, in which case the excess is transferred to the General Fund.

TABOR Refund

Beginning in FY 2018-19, the bill increases cash fund revenue and reduces General Fund revenue on an ongoing basis. The increased cash fund revenue will increase the TABOR refund obligation by $8,000 per year, which will decrease the amount available for the General Fund budget. The reduction in General Fund revenue will reduce the TABOR refund obligation by an unknown amount, which will increase the amount available for the General Fund budget. State revenue subject to TABOR is not estimated for years beyond FY 2019-20.

State Expenditures

The bill will increase workload for the PUC and the Department of Revenue (DOR) beginning in FY 2018-19.

Public Utilities Commission. In FY 2018-19, the PUC will perform rulemaking to implement the bill within the normal course of business. The bill also requires the PUC to have a system in place to communicate taxicab status with the Department of Revenue for the purpose of vehicle registration and taxicab license plates, and requires the PUC to accept unlimited rate filings from large-market taxicab services. The PUC implemented an e-filing system in 2010 which can manage both processes. No change in appropriations is required.

Department of Revenue. Beginning in FY 2018-19, workload in DOR will increase to review the new devalued asset created by the bill. Since this asset will be utilized by a limited number of companies, the fiscal note assumes that this workload increase can be accomplished within existing appropriations.

Effective Date

The bill was signed into law by the Governor on June 1, 2018, and took effect on August 8, 2018.

State and Local Government Contacts

Counties	Information Technology	Law
Municipalities	Public Safety	Regulatory Agencies