

Department of Legislative Services
 Maryland General Assembly
 2015 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 868

(Senator Ferguson, *et al.*)

Finance

Economic Matters

Public Utilities - Transportation Network Services and For-Hire Transportation

This bill establishes a regulatory framework for “transportation network services” that encompasses “transportation network companies” and “transportation network operators.” Transportation network companies are considered common carriers. Local governments are authorized to assess transportation network services that originate in their jurisdiction – generally up to 25 cents per trip – subject to specified requirements. The Public Service Commission (PSC) must adopt various regulations to implement the framework.

The bill takes effect July 1, 2015.

Fiscal Summary

State Effect: Special fund expenditures for PSC increase by \$109,300 in FY 2016 for staff needed to implement the bill. Future year expenditures reflect annualization and the elimination of one-time costs. Special fund revenues increase correspondingly from assessments imposed on public service companies. Maryland Insurance Administration (MIA) special fund revenues increase minimally in FY 2016 due to \$125 rate and form filings fees. Special fund expenditures for MIA increase by \$59,600 in FY 2016 and by \$8,900 in FY 2017 for contractual staff to complete a required study and report. The volume of the filings that must be reviewed may necessitate additional contractual support in FY 2016 only. Special fund revenues and expenditures for the Comptroller increase beginning as early as FY 2016 to the extent that local governments assess transportation network services as authorized under the bill. The amount cannot be reliably estimated at this time.

(in dollars)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
SF Revenue	\$109,300	\$104,100	\$108,800	\$113,800	\$119,000
SF Expenditure	\$168,900	\$113,000	\$108,800	\$113,800	\$119,000
Net Effect	(\$59,600)	(\$8,900)	\$0	\$0	\$0

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: Local revenues increase as early as FY 2016 to the extent that local governments assess transportation network services as authorized under the bill. Local transportation-related expenditures increase correspondingly, as required under the bill.

Small Business Effect: Meaningful.

Analysis

Bill Summary:

Transportation Network Companies, Operators, and Services

“Transportation network company” means a company that has been issued a permit by PSC and operates in the State using a digital network to connect passengers to transportation network operators or transportation network partners for transportation network services (e.g., Uber or Lyft).

“Transportation network operator,” “transportation network partner,” or “transportation network driver” means an individual who:

- has been issued a transportation network operator’s license or is otherwise authorized by PSC to provide transportation network services;
- receives, through a transportation network company’s digital network application, a connection to a potential passenger to transport the passenger between points chosen by the passenger in exchange for the payment of a fee to the transportation network company; and
- uses a motor vehicle that is owned, leased, or otherwise authorized for use by the individual and is approved for use in providing transportation network services by PSC.

The definition of “providing passenger-for-hire services” is expanded to include providing transportation network services. “Transportation network services” means the activities of an operator during:

- *transportation network coverage period one*, during which the operator is logged onto and ready to accept a prearranged ride request made through a transportation network company’s digital network application;

- *transportation network coverage period two*, during which the operator accepts a ride request from a passenger that is prearranged through a transportation network company's digital network application, and is traveling to a predetermined location to pick up the passenger; and
- *transportation network coverage period three*, during which the operator transports the passenger and continuing until the passenger departs the motor vehicle.

It does not include providing taxicab services, sedan services, or limousine services.

Regulatory Framework for Transportation Network Companies, Operators, and Services

A separate regulatory system is established for transportation network services that encompasses transportation network companies and transportation network operators, including licensing, criminal history records checks, and insurance requirements, among others. PSC must adopt various regulations to implement the framework.

To the extent not otherwise covered under the new framework established by the bill, transportation network companies, operators, and services are subject to (1) any applicable provisions in Titles 9 or 10 of the Public Utilities Article and (2) regulations adopted by PSC for the regulation of transportation network services.

The bill may not be construed to authorize a transportation network company to be out of compliance with applicable regulations adopted by PSC in accordance with the Public Utilities Article, as amended by the bill.

Generally, records provided to a State agency by a transportation network company under the bill are not subject to release under the Maryland Public Information Act or any other law. Further, specified agencies may not disclose the records or information provided unless required to by subpoena or court order, and must notify the transportation network company before disclosing the information.

License Application

A transportation network operator's license is established as a new type of license issued by PSC, subject to specified conditions. Generally, a transportation network operator may not provide transportation network services unless PSC has authorized the operator to operate on a provisional basis or has issued a valid temporary or permanent transportation network operator's license to provide transportation network services. The sole exclusion from this requirement is for a person providing a trip for which the Washington Metropolitan Area Transit Commission (WMATC) requires a certificate of authority.

PSC may approve an applicant to be an operator and issue a *temporary* transportation network operator's license to the applicant if:

- the applicant provides all information that PSC requires for the application; and
- PSC is satisfied with the successful submission of the applicant's (1) national criminal history records check, including searches of specified databases and (2) driving record check.

This information may be submitted to PSC by a transportation network company on behalf of a transportation network operator.

PSC must adopt regulations that provide a process that is as expeditious as possible and uses electronic means for (1) the submission of the above information; (2) the issuance of a temporary or permanent transportation network operator's license or alternative authority to operate on a provisional basis; and (3) license renewal.

PSC may issue a *permanent* transportation network operator's license to an applicant upon the submission of a satisfactory supplemental criminal background check as specified in current law (the background check process currently in place for applicants for a for-hire driver's license). However, PSC may not require an applicant to comply with this provision prior to April 1, 2016, if specified conditions are met. A transportation network company may request a waiver of the supplemental criminal background check requirement for approval by PSC, subject to specified conditions.

Accessibility of Transportation Network Services

PSC must adopt regulations to ensure that transportation network companies and operators are making reasonable efforts to make transportation network services accessible to all people, including individuals with disabilities. The regulations must provide for:

- the transportation of passengers with service animals;
- the accessibility of websites and mobile applications used to provide transportation network services;
- the reasonable accommodations necessary to serve individuals with disabilities; and
- the provision of information to an operator by a transportation network company related to the requirements of federal and State laws related to antidiscrimination.

Insurance Requirements – Transportation Network Operators and Companies

A transportation network operator, a transportation network company on the behalf of the transportation network operator, or a combination of both must maintain primary motor vehicle insurance that recognizes that the individual is a transportation network operator or otherwise uses a motor vehicle to transport passengers for hire and covers the operator while the operator is providing transportation network services. While an operator is providing transportation network services, the insurance must provide security of at least:

- for the payment of claims for bodily injury or death arising from an accident, up to \$50,000 for any one person and up to \$100,000 for any two or more persons, in addition to interest and costs; and
- for the payment of claims for property of others damaged or destroyed in an accident, up to \$25,000, in addition to interest and costs.

The insurance must also provide uninsured motorist coverage and personal injury protection coverage as required under current law. These requirements must be deemed to satisfy the financial responsibility requirement for a motor vehicle as specified in current law.

These requirements may be satisfied by motor vehicle insurance maintained by a transportation network operator, a transportation network company, or both. However, if insurance is provided by both the transportation network company and the transportation network operator, the insurance maintained by the transportation network operator is primary.

The insurance maintained by a transportation network company must provide the required coverage from the first dollar of a claim and provide for the duty to defend the claim in the event that the insurance maintained by a transportation network operator has coverage that has canceled or has lapsed or is otherwise not in force.

A transportation network company must (1) verify that the required coverage is maintained at all times and (2) provide to PSC and the Insurance Commissioner specified records and information related to the insurance coverage annually upon each renewal.

The required insurance must be issued by (1) an insurer authorized to do business in the State or (2) solely with respect to insurance maintained by a transportation network company, an eligible surplus lines insurer, subject to specified requirements.

Before an operator may accept a request for a ride made through the transportation network company's digital network, the company must disclose to the operator, in writing:

- the insurance coverage, including the types of coverage and the limits for each coverage that the transportation network company provides while the operator is providing transportation network services;
- that the operator should contact the operator's personal motor vehicle insurer or agent to advise the insurer or agent that the operator will be providing transportation network services and to determine the coverage, if any, that may be available from the operator's personal motor vehicle policy; and
- that, if the motor vehicle that the operator uses to provide transportation network services has a lien against it, using the motor vehicle for transportation network services without physical damage coverage may violate the terms of the contract with the lienholder.

If an accident occurs that involves a motor vehicle that is being used to provide transportation network services, the operator, on request of directly interested parties, including a motor vehicle insurer or an investigative law enforcement officer, must provide proof of satisfactory insurance and disclose whether the accident occurred while the operator was providing transportation network services.

In a claim coverage investigation following a vehicular accident, a transportation network company and any insurer potentially providing coverage as authorized in the bill must cooperate to facilitate the exchange of information with directly involved parties and any insurer of an operator, if applicable, including (1) the precise times that an operator was logged onto the transportation network company's digital network within 12 hours of the accident and (2) a clear description of the coverage, exclusions, and limits provided under any motor vehicle insurance maintained for transportation network services.

Insurance Requirements – Exclusions and Limitations

An authorized insurer that writes motor vehicle liability insurance in the State may exclude any and all coverage and the duty to defend afforded under an owner's or operator's personal motor vehicle insurance policy for any loss or injury that occurs while the vehicle operator is providing transportation network services. This applies to any coverage included in a motor vehicle liability insurance policy.

A motor vehicle insurer that defends or indemnifies a claim against a driver for which coverage is excluded under the terms of its policy must have a right of contribution against other insurers that provide insurance to the same driver in satisfaction of the requirements for transportation network services established by the bill at the time of the loss.

The insurance requirements specified in the bill may not be deemed to invalidate or limit an exclusion contained in a policy, including any policy in use or approved for use before July 1, 2015, that excludes coverage for motor vehicles that are used to transport passengers or property for a charge or are available for hire by the public.

If a motor vehicle insurer excludes coverage for providing transportation network services, the insurer must provide written notice to the named insured stating that the policy excludes coverage for providing transportation network services, subject to specified requirements.

The insurance requirements specified in the bill may not be construed to require a personal motor vehicle insurance policy to provide primary or excess coverage. The bill's insurance requirements also do not imply or require that a personal motor vehicle insurance policy provide coverage while the vehicle operator is providing transportation network services.

Coverage under a motor vehicle insurance policy maintained by a transportation network company may not be dependent on a personal motor vehicle insurer first denying a claim. Further, a personal motor vehicle insurance policy may not be required to first deny a claim.

Nothing in the insurance requirements specified in the bill precludes a motor vehicle insurer from providing coverage for a transportation network operator's motor vehicle while the operator is providing transportation network services if the motor vehicle insurer elects to do so by contract or endorsement.

In-state Coverage of Transportation Network Services

It is the intent of the General Assembly that (1) the insurance coverages for transportation network companies and transportation network operators required under the bill be provided, to the extent available, by insurance carriers admitted in the State and (2) MIA expedite review of applications by authorized insurers for approval of insurance products for transportation network services, and that these products become available for purchase by July 1, 2016. In addition, MIA must conduct a study on:

- the availability of the insurance requirements specified in the bill for the transportation network industry offered by insurers admitted in the State;
- the methods to increase the availability of such coverages by admitted carriers; and
- the affordability of such coverages.

MIA may consult with various specified stakeholders in conducting the study. By November 1, 2016, MIA must report its findings and recommendations, including legislative and regulatory actions, to the Senate Finance Committee and the House Economic Matters Committee.

Further, beginning July 1, 2017, and annually thereafter through July 1, 2021, the Insurance Commissioner must make a determination whether, with regard to the insurance requirements specified in the bill, there is a viable, affordable, and adequate market of admitted carriers in the State available to provide the required coverages to the transportation network services industry.

Modernization of Existing For-hire Transportation Services

The for-hire driver's license application process is altered to be substantially similar to the process established for transportation network operator licenses, including the authorization of alternative forms of criminal history records checks and the issuance of permanent licenses under specified conditions.

PSC must study the laws and regulations that apply to sedan, limousine, and taxicab services for purposes of modernizing and streamlining the application processes and other requirements and allowing these services to better compete in the marketplace. By December 1, 2015, PSC must submit an interim report, and by July 1, 2016, PSC must submit a final report with any findings and recommendations, including legislative and regulatory actions, to the Senate Finance Committee and the House Economic Matters Committee.

Assessments on Transportation Network Services

Generally, a county or municipality that licensed or regulated taxicab services on or before January 1, 2015, either directly or through PSC, may impose an assessment on trips that originate within the county or municipality. "Assessment" means a charge imposed by a local jurisdiction on each transportation network service that includes a passenger trip during transportation network coverage period three by an operator. Except for an exempt jurisdiction, an assessment may be up to 25 cents per trip. The revenue generated from the assessments must be used for transportation purposes.

An exempt jurisdiction is a county or municipality that imposed a tax, fee, or charge on for-hire transportation services provided on a per-ride or per-passenger basis operated in that county or municipality on or before January 1, 2015 (in practice, this applies to Baltimore City).

Generally, an assessment may not be imposed on a transportation network service by both a county and a municipality. However, in a county that was not authorized to impose an assessment on or before January 1, 2015, and that has not imposed an assessment by July 1, 2016, both the county and a municipality may impose an assessment, subject to specified notification requirements.

A transportation network company must:

- collect assessments on behalf of an operator who accepts a request for a ride made through the transportation network company's digital network;
- collect any assessment, fee, charge, or tax imposed by an exempt jurisdiction on a transportation network service; and
- submit to the Comptroller no later than 30 days after the end of a calendar quarter, or as otherwise specified by the Comptroller in regulations (1) the assessments and other revenues collected by the transportation network company on behalf of the transportation network operators; (2) the allocation of the assessments and other revenues attributable to each county or municipality that has imposed an assessment; and (3) under oath, a certification that it has submitted the correct amount of assessments and revenues.

The Comptroller must distribute each quarter the amount – up to 5% of the revenue from the assessments and other revenues – necessary to administer the assessments to an administrative cost account. After making this distribution, within 45 days of the end of each quarter, the Comptroller must then distribute the remaining revenue to the county or municipality that is the source of the revenue.

The Comptroller may inspect, at a transportation network company's place of business or a mutually agreed-upon location, no more than annually, records necessary to ensure that the transportation network company has remitted the correct revenues and allocations, subject to specified conditions.

The Transportation Network Assessment Fund is established and consists of assessment revenues submitted to the Comptroller from transportation network companies under the bill. The purpose of the fund is to (1) receive assessment revenues submitted from transportation network companies and (2) disburse assessment revenues to the appropriate counties and municipalities. No part of the fund may revert or be credited to the general fund or another special fund.

The Comptroller may adopt regulations to carry out the above provisions, including requirements and procedures regarding the administration, collection, and enforcement of the assessment.

Current Law: PSC generally regulates persons engaged in the public transportation of individuals for-hire in vehicles such as cars, vans, limousines, and buses.

Common Carriers

“Common carrier” means a person, public authority, or federal, State, district, or municipal transportation unit that is engaged in the public transportation of persons for hire, by land, water, air, or any combination of them. It includes, among others:

- a car company, motor vehicle company, automobile company, or a motor bus company;
- a taxicab company; and
- a transit company.

It does not include a county revenue authority, a toll bridge or other facility owned and operated by a county revenue authority, a vanpool or launch service, or a for-hire water carrier.

Each common carrier must provide reasonable, proper, and equal facilities for the prompt interchange and transfer of passengers between its lines and the lines of every other common carrier. A common carrier may not discriminate against other common carriers in transferring, receiving, or forwarding passengers to or from other common carriers.

In addition to other information that PSC requires, the tariff schedules of each common carrier must show (1) all of the current rates, fares, and charges for the transportation of passengers within the State between specified points; (2) the points between which passengers will be carried; (3) the classification of passengers; (4) the privileges or facilities granted; and (5) all rules and regulations that may change, affect, or determine any part of the aggregate of the rates, fares, or charges or the value of the service rendered.

Motor Carrier Permits for Vehicles

Generally, a motor carrier permit is required for a *passenger motor vehicle* used in the transportation of persons for hire. A motor carrier permit may not be issued unless PSC, after considering the number of vehicles the applicant will use, the rate the applicant will charge, the potential demand, the qualifications of the applicant, and any other factors that PSC considers relevant, determines that the issuance of a motor carrier permit will be best

for the public welfare and convenience. PSC may suspend, revoke, or subsequently deny a motor carrier permit for specified violations.

Taxicab Permits

A person must have a permit issued by PSC whenever the person operates as a taxicab business in or from a point in Baltimore City, Baltimore County, the City of Cumberland, or the City of Hagerstown. Local jurisdictions regulate taxicabs outside of these areas. An applicant for a taxicab permit to operate a taxicab business must apply to PSC, which must issue a permit if, after investigation, PSC determines that issuing the permit would be best for the public welfare and convenience.

In determining whether to issue a permit, PSC must consider all relevant factors including the number of taxicabs to be used, the taxicab and other transportation services already available in the locality, and the rate to be charged. PSC must reject an application or revoke or suspend an existing permit if it appears that a taxicab company is making an effort to mislead the public by imitating the name, design, or distinctive combination of colors of any taxicab already approved by PSC. Each taxicab must have the name of the permit holder displayed on each side of the vehicle and the word “taxicab” conspicuously displayed.

A taxicab for which a permit is required may not be operated unless the permit holder:

- obtains a liability insurance policy that is approved by PSC and insures the permit holder and taxicab driver against liability to a passenger or member of the public for property damage, personal injury, or death resulting from an accident in which the taxicab is involved; or
- deposits with PSC a bond with a casualty or surety company authorized to do business in the State that is approved by PSC and is made out to the State as obligee for the use and benefit of passengers and members of the public, and undertakes to indemnify passengers and members of the public against property damage, personal injury, or death resulting from an accident in which the taxicab is involved.

Taxicabs are subject to specified requirements for operation, fares, and rates. Taxicabs may only charge the rate of fare or charge established by law, which must be displayed in each taxicab, and must give a receipt of fares on request. A driver of a taxicab may not operate the taxicab recklessly, in an unsafe manner, or in disregard of the laws or municipal ordinances governing the operation of motor vehicles.

Individuals Licensed to Provide For-hire Driving Services

Current law relating to for-hire driving services supplements other law relating to the operation and licensing of motor vehicles. It applies to any motor vehicle used in the transportation of persons in exchange for remuneration except (1) motor vehicles designed to transport 15 or more persons and (2) subject to specified conditions, transportation solely provided by or on behalf of a unit of government or certain nonprofits, provided that the entity requires a criminal history records check and driving record check for its drivers.

Generally, a person may not operate a motor vehicle for hire in the State under a permit or authorization to transport passengers (such as a motor carrier permit) issued by PSC or the appropriate local authority unless the person holds a for-hire driver's license issued by PSC. Certain exceptions apply for local governments that issue taxicab licenses.

Generally, an applicant for a for-hire driver's license must (1) submit to PSC a completed application; (2) state on the form that the applicant is applying for a passenger-for-hire driver's license or a taxicab driver's license; (3) pay an application fee set by PSC; (4) file with the application two recent photographs; and (5) apply to the Criminal Justice Information System Central Repository for a State criminal history records check as specified. PSC must require a driving record check of the applicant, attach one of the photographs to the for-hire driver's license when issued, and file the other photograph with the for-hire driver's license application. In addition to the State criminal history records check, PSC may require an applicant to obtain a federal criminal history records check.

After the initial criminal history records check is complete, PSC must issue a passenger-for-hire driver's license or a taxicab driver's license, as appropriate, to each applicant that meets the statutory requirements. A for-hire driver must have the license in his or her possession whenever operating a motor vehicle for hire.

PSC may deny an applicant a license or suspend or revoke the license of a licensee if the applicant or licensee has been convicted of a crime that bears a direct relationship to the applicant's or licensee's fitness to serve the public as a for-hire driver.

Civil Penalties

Generally, a person may not transport, solicit for transport, or agree to transport any person or baggage in a motor vehicle for hire unless the operator of the motor vehicle is licensed by PSC. A person who owns or is in charge of a motor vehicle may not allow the motor vehicle to be used in violation of the laws relating to for-hire driving services. Subject to specified hearing provisions, PSC may impose a penalty of up to a \$500 fine for each violation.

Personal Automobile Insurance

Maryland law requires an owner of a motor vehicle that is required to be registered in the State to maintain insurance for the vehicle during the registration period. The security required must provide at least the payment of claims (1) for bodily injury or death arising from an accident of up to \$30,000 for any one person and up to \$60,000 for any two or more persons; (2) for property of others damaged or destroyed in an accident of up to \$15,000; (3) unless waived, for personal injury protection of \$2,500 per person; and (4) for uninsured motorist coverage in the same amounts as required for bodily injury or death. Automobile liability insurance coverage is mandatory in 49 states and the District of Columbia. Maryland law requires drivers to purchase uninsured motorist coverage.

Insurance or Bonds Required for Motor Vehicles Carrying Passengers

In Maryland, a motor vehicle carrying passengers for which a motor carrier permit is required may not be operated unless the owner maintains a minimum liability insurance policy or bond for that vehicle. As shown below, this security is greater than the requirement for personal vehicles. The owner of the motor vehicle must file proof of either the insurance coverage or the bond with PSC. Coverage minimums vary based on the carrying capacity of the vehicle. The minimum per-accident insurance required for each motor vehicle is:

- with a seating capacity of 7 passengers or fewer: \$50,000 for injury to any 1 person, \$100,000 for injuries to 2 or more persons, and \$20,000 for property damage; or a \$120,000 combined single limit.
- with a seating capacity from 8 to 15 passengers: \$75,000 for injury to any 1 person, \$200,000 for injuries to 2 or more persons, and \$50,000 for property damage; or a \$250,000 combined single limit.
- with a seating capacity of 16 passengers or more: \$75,000 for injury to any 1 person, \$400,000 for injuries to 2 or more persons, and \$100,000 for property damage; or a \$500,000 combined single limit.

Washington Metropolitan Area Transit Commission

WMATC was created in 1960 by the Washington Metropolitan Area Transit Regulation Compact to regulate certain transportation carriers on a coordinated regional basis. Today, WMATC regulates private sector passenger carriers, including some sedan and limousine operators, transporting passengers for hire between points in the Washington Metropolitan Area Transit District (generally, all of Washington, DC, parts of Northern Virginia, and Montgomery and Prince George's counties).

PSC includes its share of the WMATC budget in its own budget. Budget allocations are based upon the population of the compact signatories in the compact region. In Maryland, this includes Montgomery and Prince George's counties. Maryland's share of WMATC's fiscal 2015 budget is \$375,227.

Background: The bill creates a regulatory structure for transportation network companies and transportation network operators. There are currently multiple services that likely meet these definitions. For example, Uber Technologies, LLC and Lyft likely meet the definition of a "transportation network company," with the drivers for certain Uber services (UberX and UberXL) and Lyft likely meeting the definition of "transportation network operator." The companies have developed applications that use a mobile phone's GPS to detect the user's location and connect the user with the nearest available driver (transportation network operator).

The various Uber services are generally reflective of the mode of transportation offered. For example, UberX offers "everyday cars," Uber Black offers "high-end sedans," and Uber SUV offers an SUV to seat up to six people. These services are coordinated through a mobile phone application created and owned by Uber Technologies, LLC.

Regulation as a Common Carrier by PSC

In May 2013, PSC initiated Case No. 9325 involving UberBlack and UberSUV (which are Uber's motor carrier services). In February 2014, PSC issued an order in the case approving a proposed settlement between Uber and PSC staff. Under the terms of the settlement, Uber's subsidiary, Drinnen LLC, agrees to be treated as a common carrier and must file for a motor carrier permit with PSC. The settlement also requires Drinnen to provide PSC with the names of all drivers who accept trip requests through Uber's digital platform in Maryland. Drinnen must file with PSC a schedule of its times, rates, and charges, which may include maximum and minimum rates and surge pricing. This information will also be made available to the public on the Internet.

A remaining issue in Case No. 9325 concerns draft regulations that would govern all nontaxicab for-hire carriers, including transportation network operators that use drivers who are not already licensed by PSC. The draft regulations, which were filed by PSC's Office of Staff Counsel after receiving input from a working group, were the subject of a rulemaking (RM 55) in March 2015 but have not been finalized.

Insurance

One of the biggest concerns expressed by citizens and regulators related to ride-share programs is safety, and a large component of driver and passenger safety is automobile insurance. Both Uber and Lyft (the two most prominent transportation network companies

in Maryland), currently provide commercial automobile insurance after a ride request has been accepted until the time the ride has ended in the application for their personal vehicle transportation services. Uber and Lyft each provide \$1.0 million in liability coverage.

Uber's limited excess policy provides coverage when a driver is signed into the application but before a ride is accepted. The policy provides coverage for bodily injury up to \$50,000 per person per accident with a total of \$100,000 per accident and up to \$25,000 per accident for property damage. This policy is contingent to a driver's personal automobile insurance policy, which means it will only pay if the driver's personal automobile insurer declines a claim or pays nothing on a claim.

Recent Activities in Other States

In September 2014, California enacted legislation that sets insurance standards for ride-share companies. Effective July 2015, the legislation requires ride-share vehicles to have \$50,000 coverage per injury in an accident with up to \$100,000 covered and \$30,000 for property damage before the driver picks up a passenger.

In October 2014, the Florida Office of Insurance Regulation announced that Uber's insurance policy legally meets the minimum insurance requirements in that state. In the same month, the South Carolina Department of Insurance also found that Uber's insurance policy legally meets that state's minimum insurance requirements, and the D.C. Council voted to approve new rules governing ride-share services, including a requirement that a transportation network company provide coverage of at least \$1.0 million per occurrence for accidents when a passenger is in a vehicle being used for transportation network services.

In February 2015, Virginia passed legislation establishing a regulatory framework for the application based car services, allowing them to legally operate in the State. Virginia's legislation includes the following:

- companies must pay \$100,000 for a license to operate in Virginia;
- operators must be at least 21 years of age and properly licensed to drive;
- operators must undergo a background check that includes a comprehensive review for felonies and a search of the sex offender and crimes against minors registry;
- the company or operator must have insurance that covers up to \$1.0 million in accident damage; and
- operators must abide by a zero-tolerance policy regarding drug and alcohol use.

State Fiscal Effect:

Public Service Commission

PSC special fund expenditures increase by \$109,302 in fiscal 2016, which accounts for the bill’s July 1, 2015 effective date. This estimate reflects the cost of hiring one administrative specialist and one *half-time* assistant staff counsel to implement and oversee the regulation of transportation network services. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Positions	1.5
Salaries and Fringe Benefits	\$95,554
Other Operating Expenses	<u>12,748</u>
Total FY 2016 PSC Expenditures	\$109,302

Future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

Special fund revenues increase correspondingly from assessments imposed on public service companies, as authorized under current law.

Maryland Insurance Administration

MIA special fund revenues increase minimally in fiscal 2016 due to \$125 rate and form filings fees. The volume of the filings that must be reviewed may necessitate additional contractual support for that year only. In addition, MIA advises that it cannot complete the required study and report with existing staff. Therefore, special fund expenditures increase by \$59,555 in fiscal 2016 and by \$8,911 in fiscal 2017 for contractual staff to complete the required study and report.

Comptroller

Special fund revenues and expenditures for the Comptroller increase beginning as early as fiscal 2016 to the extent that local governments assess transportation network services as authorized under the bill. The amount cannot be reliably estimated at this time; however, as the bill authorizes up to 5% of the revenue collected to be used for the Comptroller’s administrative expenses, the cost to the Comptroller is likely neutral. Assuming the number of transportation network companies is less than 10, the Comptroller advises that it requires one accountant to administer the program and one *half-time* auditor to ensure tax compliance by transportation network companies without compromising existing compliance audits.

If the number of transportation network companies increases to more than 10, additional programming expenses are required to automate the filing process.

General fund revenues may increase minimally due to investment earnings of the new special fund.

Local Fiscal Effect: Generally, a county or municipality that licensed or regulated taxicab services on or before January 1, 2015, either directly or through PSC, may impose an assessment on trips that originate within the county or municipality – up to 25 cents per trip. An exempt jurisdiction has no limit on the amount that it may assess. In a county that was not authorized to impose an assessment on or before January 1, 2015, and that has not imposed an assessment by July 1, 2016, both the county and a municipality may impose an assessment.

Therefore, local revenues increase beginning as early as fiscal 2016 to the extent that local governments assess transportation network services as authorized under the bill. Local transportation-related expenditures increase correspondingly, as required under the bill.

Small Business Effect: Many transportation network operators may be considered small businesses. The effect of the bill on these businesses is unclear, as they are currently operating outside the traditional regulatory structure for transportation services. Transportation network operators benefit to the extent that the bill precludes PSC from regulating their service under the current for-hire transportation structure – the decision on which has yet to be made by PSC. However, taxicab companies are also generally small businesses, and may experience reduced demand for their services due to the bill's establishment of a regulatory framework for transportation network services.

Additional Information

Prior Introductions: None.

Cross File: HB 1231 (Delegate Waldstreicher, *et al.*) – Economic Matters.

Information Source(s): Public Service Commission, Office of People's Counsel, Maryland Insurance Administration, Department of Public Safety and Correctional Services, Maryland Department of Transportation, Comptroller's Office, Uber Technologies Inc., Lyft, *The Washington Post*, *The New York Times*, Department of Legislative Services

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Analysis by: Stephen M. Ross

Direct Inquiries to:
(410) 946-5510
(301) 970-5510