

Department of Legislative Services
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FISCAL AND POLICY NOTE
First Reader

Senate Bill 747
 Finance

(Senators Kramer and Lam)

Transportation Network Companies - Deactivation of Operators - Policy and Appeal Procedure

This bill requires a transportation network company (TNC) to maintain and apply a written deactivation policy, as specified, that provides the policies and procedures for the deactivation of transportation network operators, including an internal appeal procedure. An operator may file a complaint with the Public Service Commission (PSC) or bring a civil action for a violation of the deactivation appeal requirements. PSC is authorized and required to adopt regulations and take other related actions, as specified. The bill also alters and establishes related definitions.

Fiscal Summary

State Effect: Special fund expenditures for PSC increase by \$447,400 in FY 2026. Future years reflect annualization and the elimination of one-time costs. Special fund revenues increase correspondingly from assessments imposed on public service companies. The bill is not anticipated to materially affect State finances or operations due to any civil actions heard in the District Court.

(in dollars)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
SF Revenue	\$447,400	\$414,200	\$432,200	\$451,100	\$469,900
SF Expenditure	\$447,400	\$414,200	\$432,200	\$451,100	\$469,900
Net Effect	\$0	\$0	\$0	\$0	\$0

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

Local Effect: Appeals of PSC decisions are heard in the circuit courts; however, the bill is not anticipated to materially affect local government finances or operations.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary:

Modified Definitions

The definition of “transportation network company” is modified to mean an organization, including a corporation, partnership, or sole proprietor, that uses an online-enabled application, platform, or digital dispatch system to:

- connect passengers and customers with transportation network drivers;
- present offers to transportation network drivers through a digital labor platform; or
- facilitate the provision of transportation services for compensation by transportation network drivers.

The definition of “transportation network operator,” “transportation network partner,” or “transportation network driver” is modified to mean an individual who:

- has been issued a transportation network operator’s license, or is otherwise authorized, by PSC to provide transportation network services;
- provides transportation to passengers or customers (1) through a TNC’s platform and (2) between points chosen by the passenger or customer in exchange for payment of a fee to the TNC and for the operator’s service made through or by the TNC; and
- uses a motor vehicle that is owned, leased, or otherwise authorized for use by the individual and is approved by PSC and the TNC for use in providing transportation network services.

Written Deactivation Policy Required

A TNC must maintain a written policy that provides the policies and procedures for the deactivation of operators and make the policy and any updates or changes available, as specified. The deactivation policy must be (1) specific enough for an operator to understand what constitutes a violation of the policy and how to avoid violating the policy and (2) be reasonably related to the safe and efficient operation of the TNC.

“Deactivate” or “deactivation” means an action by a TNC that restricts an operator’s access to the company’s digital network for 48 hours or more. It includes (1) blocking an operator’s access to a digital network; (2) suspending an operator; and (3) changing an operator’s status from eligible to ineligible to provide transportation network services for 48 hours or more.

The deactivation policy may not include a policy that would result in a deactivation based on specified circumstances, including (1) an operator's availability to work, including the number of hours the operator is available to work; (2) a quantitative metric derived from aggregate customer ratings of an operator's performance; and (3) except in the case of egregious misconduct (as defined) or where deactivation is otherwise required by law, the results of a background check, consumer report, driving record, or record of traffic violations. PSC may adopt related regulations, as specified.

Generally, a TNC may not deactivate an operator (1) for an unwarranted reason or a reason that is inconsistent with the company's deactivation policy or (2) if the deactivation is intended to or results in discrimination or a discriminatory act. A TNC must apply the deactivation policy and penalties for violating the policy in a consistent manner. The penalty of deactivation must be reasonably related to a violation of the deactivation policy and consider mitigating circumstances.

Procedures for Deactivation

Generally before deactivating an operator, a TNC must conduct a fair and objective investigation and demonstrate by a preponderance of evidence that the alleged violation occurred, subject to specified requirements. However, a TNC may immediately deactivate an operator if (1) the deactivation is required to comply with any applicable court order or State, local, or federal law or regulation or (2) subject to additional specified processes, the operator has clearly engaged in egregious misconduct.

Except in the case of egregious misconduct, a TNC must provide an operator with at least 14 days advance notice of an impending deactivation. The bill specifies what must be included in the written notice, including the reason for the deactivation, records and evidence relied upon, the operator's right to appeal and the TNC's process for appealing, and information on how to contact an operator advocacy organization, as defined, or other entity that may be able to assist the operator. PSC must designate the form and manner of delivery of the notice and may create and distribute a model notice, as specified.

Unless otherwise provided by local, State, or federal law, a TNC must provide the operator with the records relied on to confirm or substantiate a violation of the deactivation policy. The bill specifies what the records must include, processes for providing updated records, requirements for redactions, reasons that records may be summarized, and requirements for record retention. Failure to disclose records creates a rebuttable presumption that the TNC violated these provisions. PSC may adopt related regulations, as specified.

Procedures for Appeal

A TNC must establish an internal procedure for an operator to appeal a deactivation, subject to various specified requirements. An operator who is deactivated by a TNC has the right to appeal the deactivation through the company's internal procedure; the operator has 90 days to appeal, beginning on the date the operator receives notice of the deactivation. The TNC must review and respond to an appeal within 14 days, as specified. An operator may appeal the deactivation and pursue all avenues of relief available regardless of the geographic location of the incident that leads to the TNC's decision to deactivate the operator. An operator may file a complaint with PSC or bring a civil action for a violation of the deactivation appeal provisions described above (1) on receipt of the TNC's initial response to the internal appeal or (2) within 14 days after an operator initiates an internal appeal. PSC may adopt related regulations, as specified.

Notice of Deactivation Procedures and Appeal Rights

A TNC must provide each of the company's operators written notice of the rights established under the bill within 24 hours of the operator providing transportation network service for the TNC. Additionally, at least once per year, a TNC must provide each of the company's operators notice of the operator's rights established under the bill, as specified. The notice must include specified information, including deactivation appeal rights and timelines, the TNC's internal deactivation appeal procedure, and the right to file a complaint with PSC or bring a civil action for a violation of the bill. PSC may adopt related regulations, as specified, and may create and distribute a model notice of rights.

The initial notice to each of the TNC's operators must be provided by November 1, 2025.

Information and Record Retention

PSC must adopt regulations requiring a TNC to transmit information and records on operator deactivations to PSC on at least a quarterly basis, until July 1, 2028, and at least once every six months thereafter, as specified. PSC must also adopt regulations providing for the format, security, and privacy of the records. A TNC must retain (1) records that document compliance with the bill's provisions for each of the company's operators and (2) a compliance file for each deactivation for three years, which may include specified information. The bill establishes a rebuttable presumption that the company violated these record retention requirements for the relevant periods and for each operator for whom records were not retained. PSC may adopt related regulations, as specified.

Current Law: Chapter 204 of 2015 established a regulatory framework for transportation network services that encompasses TNCs (*i.e.*, companies such as Uber and Lyft) and transportation network operators (*i.e.*, the drivers), including licensing, criminal history

records checks, insurance requirements, and assessments. A TNC may not operate in the State unless PSC has issued a permit to the company. 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. Neither statute nor regulations require or otherwise specifically address transportation network operator deactivations and appeals.

“Transportation network company” means a company that operates in the State using a digital network to connect passengers to transportation network operators or transportation network partners for transportation network services.

“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 TNC'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 TNC; 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.

State Fiscal Effect: PSC advises that the bill creates significant new and incremental requirements on its Transportation Division that cannot be absorbed within existing resources. According to PSC's most recent annual report, there are approximately 175,000 transportation network operators in the State. PSC advises that it requires additional staff to implement the various requirements associated with adjudicating operator complaints and any potential appeals of its decisions to the circuit courts, plus a one-time programming expense for record retention and security.

Accordingly, special fund expenditures for PSC increase by \$447,365 in fiscal 2026, which accounts for the bill's October 1, 2025 effective date. This estimate reflects the cost of hiring two attorneys, one administrative staff, and one Public Utility Law Judge to implement the bill's various regulatory requirements. It includes salaries, fringe benefits, one-time start-up costs, ongoing operating expenses, and a one-time \$100,000 programming expense.

Positions	4.0
Salaries and Fringe Benefits	\$308,890
Programming Costs	100,000
Other Operating Expenses	<u>38,475</u>
Total FY 2026 PSC Expenditures	\$447,365

Future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses and the elimination of one-time costs.

Generally, PSC is funded through an assessment on the public service companies that it regulates. As a result, special fund revenues for PSC increase correspondingly from assessments imposed on public service companies.

While it is possible that the changes to the definition of TNC and transportation network operator may alter the number of permitted TNCs and licensed transportation network operators, this analysis does not include any related effects on State finances or operations.

The bill is not anticipated to materially affect the finances or operations of the Maryland Insurance Administration.

Small Business Effect: Transportation network operators potentially benefit from the deactivation appeal rights and related processes established by the bill and the general expansion of related definitions to encompass a wider range of potential business models. TNCs are generally not small businesses.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: HB 1030 (Delegate Fennell, *et al.*) - Economic Matters.

Information Source(s): Public Service Commission; Maryland Insurance Administration; Maryland Association of Counties; Maryland Municipal League; Department of Legislative Services

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js/lgc

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