



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: H. 3525 As signed by the Governor on June 24, 2015
 Author: Sandifer
 Requestor: House Labor, Commerce, and Industry
 Date: July 6, 2015
 Subject: Transportation network companies
 RFA Analyst(s): Wren, Fulmer, and Stein

Estimate of Fiscal Impact

	FY 2015-16	FY 2016-17
State Expenditure		
General Fund	Minimal	N/A
Other and Federal	N/A	N/A
Full-Time Equivalent Position(s)	0.00	0.00
State Revenue		
General Fund	N/A	N/A
Other and Federal	\$7,500	N/A
Local Expenditure	N/A	N/A
Local Revenue	\$742,500	N/A

Fiscal Impact Summary

This bill is expected to have a minimal expenditure impact on the Revenue and Fiscal Affairs Office that can be absorbed within the agency's current appropriations.

This bill is expected to increase Other Funds revenue of the Office of Regulatory Staff by \$7,500 in FY 2015-16. Additionally, local revenue is expected to increase by \$742,500 in FY 2015-16.

Explanation of Fiscal Impact

State Expenditure

This bill enacts the South Carolina Transportation Companies Act by adding Article 16 to Chapter 23, Title 58. This bill differentiates transportation network companies from taxi, charter bus, charter limousine, and for-hire service businesses. Additionally, the bill provides that transportation network companies are governed by the Office of Regulatory Staff (ORS) and must obtain a permit from ORS prior to beginning operations. ORS is authorized to collect a one percent local assessment fee on all gross trip fares. ORS is permitted to retain one percent of the local assessment fee and the remaining ninety-nine percent must be remitted to local governments based on where the trips originate. This bill also outlines the automobile insurance requirements for transportation network companies and drivers and provides the application process required for all drivers.

Department of Insurance. The Department of Insurance indicates this bill will have no expenditure impact on the agency.

Revenue and Fiscal Affairs Office. The Revenue and Fiscal Affairs Office indicates this bill will have a minimal expenditure impact that can be absorbed by the agency.

Office of Regulatory Staff. The Office of Regulatory Staff indicates that they do not have sufficient data to determine the expenditure impact of this bill.

Public Service Commission. The Public Service Commission indicates this bill will have no expenditure impact on the agency.

State Revenue

This bill allows the Office of Regulatory Staff (ORS) to assess each transportation network company an undisclosed annual fee in an amount necessary for ORS to carry out the requirements of this act. Additionally, the bill permits ORS to retain one percent of the local assessment fee charged by transportation network companies on gross trip fares. Within sixty days of the end of the calendar quarter, ORS shall distribute the remaining portion of the total local assessment fees to each municipality where a trip originated during the reporting period. For trips that originate outside a municipality, the remaining funds of the local assessment fee must be remitted to the county where the trip originated. This bill also outlines the penalties associated with violations by transportation network companies. The penalties range from one hundred dollars for a first offense to not less than one thousand dollars for third and subsequent offenses. Seventy-five percent of the penalties collected as a result of violations must be remitted to ORS and must be used for enforcement operations.

The Office of Regulatory Staff indicates they do not have sufficient data to determine the revenue impact of this bill. Based on articles from Forbes, Wall Street Journal, and Business Insider, national revenues from Uber are expected to reach \$10 billion by the end of 2015. Additionally, these sources indicate that Uber's revenue will grow about 300% next year. Using the \$10 billion figure, accounting for the state's 1% local assessment fee, prorating this amount for South Carolina's 1.5% share of the U.S. population, and applying a discount rate of 50% to account for the majority of Uber's revenue that comes from large metropolitan cities, such as San Francisco and New York, we estimate approximately \$750,000 in additional revenue for the state in FY 2015-16. Of the \$750,000, the Office of Regulatory Staff is permitted to retain 1%, or \$7,500, to cover expenses for the regulation of transportation network companies and for the collection, remittance, and distribution of local assessment fees. The remaining \$742,500 would be distributed to municipal and county governments based on where the trips originated. Please note that these figures only account for Uber services and do not account for other transportation network companies that could begin operations in the state.

Local Expenditure

N/A

Local Revenue

This bill specifies that municipal and county governments must receive 99% of the 1% local assessment fee charged on gross trip fares of all transportation network companies. Based on the analysis stated above, we estimate this bill will generate \$750,000 in additional revenue for the

state. Of this \$750,000, we estimate that \$742,500 will be distributed to municipal and county governments based on where the trips originated. Please note that this figure accounts only for Uber services and does not account for other transportation network companies that could begin operations in the state.



Frank A. Rainwater, Executive Director