



**THE NASSAU COUNTY LEGISLATURE
OFFICE OF LEGISLATIVE BUDGET REVIEW
MAURICE CHALMERS, DIRECTOR
FISCAL IMPACT STATEMENT**

TITLE:

A local law to establish a Taxi and Limousine Commission in Nassau County.

SUMMARY OF LEGISLATION:

The proposed local law would establish a Taxi and Limousine Board and Commission to oversee and regulate the livery (for-hire vehicle) industry in Nassau County.

Presently, the Office of Consumer Affairs (OCA) regulates this industry, but the Administration cites an increase in complaints about unlicensed operators, and the rise of ridesharing enterprises (e.g. Uber, Lyft, Sidecar), as the impetus for this legislation. The County does not currently license and regulate ridesharing enterprises directly. The Administration warns that unlicensed and unregistered livery vehicles (e.g. taxis, limousines, other private livery vehicles) may not be insured and may not be in compliance with local safety standards. As proposed, the Taxi and Limousine Board would set the County's regulatory policy and the Commission would implement and enforce it.

In 2005, the County set up a seven member Commission to help OCA establish regulatory control over the livery industry. The original Commission existed until 2007 and was comprised of industry professionals, OCA employees, and one appointee from each city and town in Nassau. The previous Board was dissolved once the OCA's rules and regulations were fully formed.

The current proposal calls for a permanent five member Board. The Presiding Officer and the Minority Leader would make one appointment each, while the County Executive would make the remaining appointments. The County Executive's appointments would require legislative approval. The local law requires the Board to meet at least once per month. Members would not receive compensation but would be eligible to be reimbursed by the Commission for expenses incurred in connection with Board business. New York City, among other municipalities, selects and compensates its Taxi and Limousine Board in a similar fashion. The County's Board will recommend to the Commission those rules and regulations it deems necessary for the proper oversight of the livery industry.

The Taxi and Limousine Commission would be a stand-alone County agency. The Commission is required to adopt only those Board recommendations that would establish suitable oversight of the livery industry. A Commissioner and Deputy Commissioner would supervise a staff of 10 Taxi and Limousine Inspectors, one Executive Assistant, and one Community Service Representative. The Administration

plans to interview Sewer and Storm Water District (Sewer) Fund employees to fill the 10 proposed Inspector titles. Commission staff would be responsible for processing annual registration applications and assessing violations. The Police Department will also issue violation notices to livery drivers found operating without County authorization.

In order to accommodate this new County agency, the Administration has proposed changes to the Administrative Code (Clerk Item 500-14). Mostly, the amendments establish the transition of regulatory responsibility and power from the OCA to the Taxi and Limousine Board and Commission. The proposal does not change any registration requirements. There are no changes to the penalty and registration fee scale, but there is a slight difference in the adjudication process. The proposal increases the amount of time the County has to adjudicate cases in which a violator's vehicle was seized, from five business days after seizure to 15 business days.

EFFECTIVE DATE:

This local law would take effect immediately. According to the local law, the OCA would continue to regulate the industry until the Taxi and Limousine Board and Commission are fully established.

ECONOMIC IMPACT:

The proposed law is not expected to have a significant impact on the local economy. In the Office of Legislative Budget Review (OLBR)'s estimation, the transition of regulatory responsibility from OCA to the Taxi and Limousine Board and Commission should not affect existing licensees. Ridesharing enterprises would experience the most regulatory change, as these businesses are not presently regulated by the County. These changes could prove difficult for the rideshare industry to absorb because the County's requirements do not correspond with general industry practice. Oftentimes, rideshare enterprises do not maintain a physical location in each market they service and treat drivers as independent contractors.

The Administration has expressed some concern about how thoroughly rideshare enterprises vet their drivers. Currently, applicants for an initial, biannual County license must provide proof of insurance, licensure, submit to a background check, be fingerprinted, and pass a drug test. Applicants are drug tested within five days of being fingerprinted. Although County licenses are biannual, drivers must pass a drug test each year. The County and the New York State Department of Criminal Justice have an agreement in place whereby the OCA is notified whenever a County licensee faces criminal charges. The Board and the ridesharing industry have some time to arrive at a resolution, as the Administration does not expect the Board and Commission to be online until 2015 at the earliest.

The parties do have some common ground to build on, as rideshare enterprises may already satisfy County protocol in some respect. Depending on a given applicant's location, potential drivers must hold a commercial license and insurance or must be a certified and licensed taxi driver. For instance, OLBR was prompted with this request when it input Long Beach's zip code, 11561, into the "Sign Up" (driver application) section on Uber's webpage. On the other hand, Uber applicants in other states, such as Massachusetts, are not required to be licensed and insured commercial or taxi drivers.

FISCAL IMPACT:

As proposed, the Administration's plan represents a shift in resources, from the Sewer Fund to the Operating Fund. The Administration expects the Taxi and Limousine Board and Commission to be fully established by FY 15. In the event of a delay, the OCA will continue to regulate the livery industry. The current plan to staff the Commission with 10 Sewer Fund employees would represent roughly \$790,812 annually in salary and fringe benefits. These personnel costs are accounted for in the FY 15 Sewer Fund but not in the OCA's budget. Therefore, personnel costs for the displaced employees could burden OCA's budget until a clear mechanism is developed to transfer funding from the Sewer to the Operating Fund.

Furthermore, in regards to to the newly formed department, the County may be responsible for additional overhead, including compensation packages for a Commissioner, Deputy Commissioner, Executive Assistant and Community Service Representative. The Commission will also be responsible for any expenses Board members may incur during the course of County business. Enforcement of this proposal will generate further other than personal services(OTPS) cost for the County, as Inspectors will require vehicles to respond to complaints.

The Administration plans to cover the increased personnel and operating costs with additional volume in the fine and fee revenue lines; the registration fee and penalty schedule remain unchanged. The initial registration fee remains \$300, while the annual renewal charge continues to be \$250. Currently, the OCA only charges a \$5 exemption fee to certain livery vehicles (e.g. vehicles licensed by another municipality in County, ambullette services, etc.). The proposal does not amend this arrangement. The biannual license fee for drivers remains \$100.

Historically, the OCA collects about \$200,000 in Taxi and Limousine Registration fees and \$100,000 in License fees. The County registers about 2,300 vehicles each year, but most (1,600) qualify for the \$5 exemption fee, while the balance registers with the County. The County issues licenses to about 1,150 drivers on a biannual basis. The OCA brings in about \$100,000 in annual fine revenue. Civil fines for first time violations remain in a range between \$300 and \$1,500, two offenses in a five year period are punishable by a fine between \$600 and \$3,500, and a fine between \$1,000 and \$5,000 for three or more offenses in a five year period. All told, total livery revenue ranges between \$350,000 and \$400,000 per year.

In the "Gap Closing Actions" section of the FY 15- FY 18 Multi-Year Plan, the Administration included \$2.0 million in annual revenue from stricter enforcement of existing livery regulation, starting in FY 16. Combined with fine-tuned regulation of the rideshare industry, the Administration is banking on the proposition that more staff will lead to an increase in the number of penalties to account for the additional revenue. The Administration did not provide corroboration for the \$2.0 million revenue estimate. The question of whether the Commission will be self-funded or not will be answered in the out-years, once the Commission is entrenched in the marketplace. The revenue target may prove to be out of reach if fine volume does not increase as expected. A variety of other factors will determine that final calculation, such as the effectiveness of the Board's regulatory measures and the growth of the Commission's labor costs. The Administration will need to outline its staffing plan, including how sewer employees will be selected, how much training they will require, costs associated with such

training, and any other requirements the Civil Service Commission may have for this employee transition.

SOURCES OF INFORMATION:

Office of Consumer Affairs

Office of the County Executive

PREPARED BY:

Tyler R. Barbieri, Legislative Report Specialist