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Fiscal Note Memorandum

April 13, 2023

TO: Senate Appropriations Committee

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SUBJECT: Fiscal Assessment of Proposed Amendment SB098_L.008

This memorandum is an assessment of the fiscal impact of the attached proposed draft amendment L.008 to Senate Bill 23-098. This fiscal assessment is for the impact of the bill with inclusion of this amendment only. Any other added amendment could influence the fiscal impact.

Summary of Proposed Amendment

Amendment L.008 creates the Gig Worker Transparency Fund. It requires transportation network companies (TNCs) and delivery network companies (DNCs) to pay a fee of two cents per prearranged ride or delivery task. This amount will be adjusted for inflation each year. Money in the fund is continuously appropriated to the Department of Labor and Employment to administer and enforce the bill.

Fiscal Impact of Amendment

With Amendment L.008, state fee revenue to the Gig Worker Transparency Fund will increase by an up to \$500,000 in FY 2023-24 and \$1 million per year in future years. The fee will be adjusted for inflation beginning in FY 2024-25 (see Technical Note regarding fee implementation and inflation adjustments). Additionally, the Department of Revenue will have costs to collect and report the new fee revenue.

Bill's Revised Fiscal Impact with Amendment

Table 1, on the following page, shows the fiscal impact of the bill with Amendment L.008. Compared to the fiscal note prepared on March 2, 2023, the amendment creates new revenue for the continuously appropriated Gig Worker Transparency Fund and adds new expenditures to the Department of Revenue. It also reduces first-year enforcement costs for the CDLE.

**Table 1
State Fiscal Impacts Under SB 23-098 with Amendment L.008**

		Budget Year FY 2023-24	Out Year FY 2024-25
Revenue	Cash Funds	up to \$500,000	\$1,000,000
	Total Revenue	up to \$500,000	\$1,000,000
Expenditures	General Fund	\$340,565	\$7,392
	Cash Funds	-	\$599,108
	Centrally Appropriated	\$44,341	\$109,012
	Total Expenditures	\$384,906	\$715,512
	Total FTE	2.5 FTE	6.3 FTE
Transfers		-	-
Other Budget Impacts	TABOR Impact	up to \$500,000	\$1,000,000
	General Fund Reserve	\$51,085	\$1,109

State Revenue

Amendment L.008 adds a transparency fee of \$0.02 per TNC ride or DNC delivery to the bill, which will increase state revenue by an estimated \$1.0 million per year once fully implemented. Revenue in FY 2023-24 may be less than this estimate, potentially up to \$500,000, after accounting for the time needed for the DOR to establish the fee collection system and technical guidance (see Technical Note). Revenue will increase in future years based on inflation and any additional growth in rides/deliveries. The Department of Revenue will transmit fee collections to the Gig Worker Transparency Fund to fund enforcement activities by the Division of Labor Standards and Statistics in the CDLE.

Assumptions. This fiscal note assumes there will be 25 million TNC rides and 25 million DNC deliveries in FY 2023-24 and subsequent years. The TNC estimate is based on rideshare fee revenue collected by the Nonattainment Area Pollution Mitigation Enterprise. The DNC estimate uses nationwide deliveries reported by one DNC platform, in proportion to its market share and the Colorado population.

Fee impact on TNC and DNC users. Colorado law requires legislative service agency review of measures which create or increase any fee collected by a state agency. A full-year fee impact is shown in Table 2. These amounts are estimates only, particularly for DNCs, for which there is limited data available.

**Table 2
Annual Fee Impact Under SB 23-098 with Amendment L.008**

Type of Fee	Proposed Fee	Number Affected	Total Fee Impact
TNC Transparency Fee	\$0.02	25,000,000	\$500,000
DNC Transparency Fee	\$0.02	25,000,000	\$500,000
	Total		\$1,000,000

State Expenditures

Amendment L.008 increases workload and expenditures in the Department of Revenue (DOR) to collect, administer, and enforce the new fee. The DOR will need to update state forms and systems and perform required development and testing work, which will cost \$31,428 in FY 2023-24 only. Ongoing data management and reporting costs of \$7,392 are required in FY 2024-25 and beyond. All DOR costs are paid from the General Fund. The amendment decreases expenditures in CDLE in FY 2023-24 to \$353,478, as the amendment shifts workload requirements related to enforcement to April 1. Based on the timing of fee collections, it is assumed that General Fund will be required in the first year and costs will be paid from the Gig Worker Transparency Fund in subsequent years. Expenditures are shown in Table 3.

Table 3
Expenditures Under SB 23-098 with Amendment L.008

	FY 2023-24	FY 2024-25
Department of Labor and Employment		
Personal Services	\$214,542	\$481,597
Operating Expenses	\$17,485	\$22,345
Capital Outlay Costs	\$20,010	-
Legal Services	\$57,100	\$95,166
Centrally Appropriated Costs ¹	\$44,341	\$109,012
FTE – Personal Services	2.2 FTE	5.8 FTE
FTE – Legal Services	0.3 FTE	0.5 FTE
CDLE Subtotal	\$353,478	\$708,120
Department of Revenue		
Computer Programming	\$31,428	-
Reporting	-	\$7,392
DOR Subtotal	\$31,428	\$7,392
Total	\$384,906	\$715,512
Total FTE	2.5 FTE	6.3 FTE

¹ Centrally appropriated costs are not included in the bill's appropriation.

Technical Note

Implementation timeline. Amendment L.008 requires the DOR to start collecting transparency fees on and after July 1, 2023. However, the DOR does not have the capacity to establish the forms, rules, and guidance publications necessary to begin collecting the fees until no earlier than January 1, 2024, and potentially as late as July 1, 2024. This will impact the ability to use the Gig Worker Transparency Fund to pay for costs in CDLE in FY 2023-24, resulting in the need for General Fund in the first year.

Inflation adjustment. Given the relatively small per ride/delivery fee amount (\$0.02), inflation adjustments of 3.5 percent in FY 2024-25, based on the March 2023 LCS economic and revenue forecast, will result in a fraction of a cent adjustment to \$0.0207, which may be difficult to track and remit. This analysis assumes that the fee will be rounded to the nearest cent based on cumulative inflation since July 1, 2023, and therefore will not increase above \$0.02 for several fiscal years.

State Appropriation

With Amendment L.008, the bill requires the following General Fund appropriations for FY 2023-24:

- \$309,137 to the CDLE and 2.2 FTE, of which \$57,100 is reappropriated to the Department of Law with an additional 0.3 FTE; and
- \$31,428 to the Department of Revenue.