DEPARTMENT OF AUDITS AND ACCOUNTS

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Honorable Kevin Tanner
Chairman, House Transportation Committee
416 State Capitol
Atlanta, Georgia 30334

SUBJECT: Fiscal Note
House Bill 511 (LC 39 2111)

Dear Chairman Tanner:

This bill would impose a $0.50 excise tax on for-hire ground transport trips, with the intent that collections be appropriated for transit and transit projects. It would also create the Department of Mobility and Innovation (DMI) to oversee transit planning and funding for the state. DMI would review regional transit plans developed by each of the state's nine Mobility Zones, and it would develop and administer three-year pilot programs for transit vouchers for individuals in selected counties and tax credits for employers that provide employees with transit program benefits. Existing transit functions in the Georgia Department of Transportation, Department of Human Services, and Department of Community Health would be transferred to the new agency, and the State Road and Tollway Authority and Atlanta-area Transit Link Authority would be administratively attached. The bill abolishes the Georgia Regional Transportation Authority and transfers duties to the Atlanta-area Transit Link Authority. The new agency would be created July 1, 2019 with transfers from other agencies occurring July 1, 2020.

Impact on State Revenue
Georgia State University's Fiscal Research Center (FRC) estimated that the bill would reduce state revenue by $3.95 million to $5.44 million in FY 2021, the first year of the bill's full effect (Table 1). The revenue loss would increase in later years. Local governments would loss $13.8 million to $22.3 million in FY 2021, with the loss also increasing in later years. The state amounts include new excise tax revenue (see appendix). Details of the FRC analysis are included in the appendix.

Table 1. Estimated State and Local Revenue Effects of HB 511 LC 39 2111

($ *millions*)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
State Revenue Effect					
High Ride-Sharing Case	($1.87)	($3.95)	($4.13)	($4.84)	($6.10)
Low Ride-Sharing Case	($2.51)	($5.44)	($5.81)	($6.32)	($7.03)
Local Revenue Effect					
High Ride-Sharing Case	($10.2)	($22.3)	($23.7)	($25.0)	($26.3)
Low Ride-Sharing Case	($6.3)	($13.8)	($14.6)	($15.3)	($16.1)

Note: High case for state includes more excise tax revenue.

Impact on State Expenditures
In FY 2020, the Department of Mobility and Innovation (DMI) would be established. In the first year, DMI would employ limited staff prior to the transfer of positions from other agencies. At a minimum, DMI would employ a commissioner, a Transit Link division director, two strategic program analysts for the infrastructure bank and a pilot program, and eight mobility zone managers. Additional first-year staff may not be necessary if State Road and Tollway Authority (SRTA) provides administrative support in the areas of information technology, human resources, procurement, and finance. In addition to staff, the costs include costs associated with information technology, TeamWorks financials, and rental for regional office space (offices will also include some transferred staff in FY 2021).

Exhibit 1
Department of Mobility and Innovation – FY 2020

Item	Amount
Personnel	
Commissioner	$570,000
Transit Link Director	365,000
Mobility Zone Regional Staff (8)[1]	960,000
Strategic Program Analysts (2)	195,000
Non-Personnel	
IT Infrastructure and Managed Network Services	48,000
TeamWorks Financials	14,500
Office Space for Mobility Zone staff	940,000
Total	**$3,092,500**

[1] The Atlanta region already has staff through the Atlanta-region Transit Link Authority

In FY 2021, transit staff from other state agencies would be transferred to DMI. According to Georgia Department of Transportation (GDOT), the Department of Human Resources (DHS), and the Department of Community Health (DCH) estimates, 23, 34, and 3.5 FTE would transfer, respectively for a total of 60.5. In addition, SRTA and the Atlanta-area Transit Link (ATL) Authority have 114 and 9 FTE (123 total) that would transfer to the Department. GDOT and DHS both stated that their agencies provide support services to the transit programs that would not transfer. Therefore, additional support staff would be required for human resources, budget and finance, procurement, legal services, communications, and program operations. For year two, we have provided two scenarios for administration that significantly impact the number of staff and costs.

Exhibit 2
Department of Mobility and Innovation – FY 2021

Item	Amount - Scenario 1	Amount - Scenario 2
Personnel with Fringe		
Commissioner	$570,000	$570,000
Transit Link Director	365,000	365,000
Mobility Zone Regional Staff (8)	960,000	960,000
Strategic Program Analysts (2)	195,000	195,000
Transfers – GDOT, DHS, DCH, SRTA, ATL (95.5)	9,725,000	9,725,000
New Administrative Staff	625,000	4,500,000
Non-Personnel		
IT Infrastructure and Managed Network Services	76,000	192,000
TeamWorks Financials	23,000	58,000
Office Space for Mobility Zone staff	940,000	940,000
Total	**$13,479,000**	**$17,505,000**
Additional Cost Only	**$3,754,000**	**$7,780,000**

*Funding for these positions would be transferred from the listed agencies.

- *Agency Administration Scenario 1* – DMI would use existing SRTA staff to perform many administrative functions of the agency. SRTA estimates that seven additional staff would be required at an annual cost of approximately $625,000 for salaries, benefits, and other ongoing costs. These staff would perform human resources, budget and finance, and procurement services.
- *Agency Administration Scenario 2* – DMI would hire new agency administration of 36 positions (not including the Commissioner and Transit Link Director) at an annual cost of approximately $4.5 million in salaries and benefits. New staff functions would include accounting, asset management, budget, executive and administrative, human resources, IT, legal, communications, and procurement.

It should be noted that an excess of $200 million estimated grant program activity between the above listed state agencies would fall into the administration of the newly created DMI staff. Due to time constraints, not all costs were included in the above estimates. One-time costs would include transfer of annual leave balances, IT infrastructure, and facilities costs. Additional annual costs to consider include vehicle/fleet management, grants management system, insurance premiums, board and travel costs, regular operating expenses, and marketing budget.

Sincerely,

Greg S. Griffin
State Auditor

Kelly Farr, Director
Office of Planning and Budget

GSG/KF/jca

Analysis by the Fiscal Research Center

Taxis and Limousines
Section 1-1 of the bill proposes to exempt all transportation services subject to the new excise tax imposed by Section 1-10 of the bill from the state and local sales tax. The current revenue-producing transportation services to be subject to the proposed excise tax include taxi and limousine services. The high and low revenue losses from the exemption of taxi and limo services are based on the following:

- The Georgia Department of Revenue (DOR) reports that annual state sales tax collections for the taxi and limousine industry (NAICS 4853) were $1.19 million in FY 2018 and collections have been declining since 2013.
- DOR data suggest an annual average growth rate of -3 percent from 2016 to 2018 and with slighter lower, longer-term rates of decline between 2013 and 2018. The estimates assume a high growth rate in sales tax collections after 2018 of zero percent and a low growth rate of -1.0 percent per year.
- Local sales tax estimates assume an average effective local sales tax rate of 3.29 percent, the population-weighted average local rate as of January 2019, according to the Tax Foundation.

Table A1. Taxi and Limousine Services, Projected Current Law Revenue Loss

($ *millions*)	FY 2020*	FY 2021	FY 2022	FY 2023	FY 2024
State Revenue					
High	($0.60)	($1.19)	($1.19)	($1.19)	($1.19)
Low	($0.59)	($1.16)	($1.15)	($1.14)	($1.12)
Local Revenue					
High	($0.49)	($0.98)	($0.98)	($0.98)	($0.98)
Low	($0.48)	($0.95)	($0.94)	($0.93)	($0.92)

* Reflects revenues only after Jan 1, 2020, the effective date of the proposed bill.

This section would exempt ride-sharing services from the sales tax along with taxi and limousine services. Taxable ride-sharing sales and resulting state and local sales tax revenues absent the proposed bill are estimated as follows:

- According to reporting from CNBC and other news outlets, Uber gross bookings were $11.3 billion globally in Q1 2018 and $12 billion in Q2 2018.
- These Q1 and Q2 2018 figures were added together and then doubled to represent a full year of bookings (though bookings likely have grown in the latter two quarters of the year versus the year earlier periods, insufficient data are available to determine whether there is any seasonality in bookings; this approach is less likely to overestimate revenues). The same source estimated 900,000 of Uber's 3 million worldwide drivers are in the U.S., suggesting approximately 30% of total revenue was likely earned on U.S. rides.
- This figure is then adjusted further to account for the operations of other ridesharing services, such as Lyft. Uber is estimated to have about a 71 percent market share as of 2018, according to reporting from CNBC.
- Grossing up for other providers produces an estimated U.S. tax base of $18 billion for 2018.
- To determine a low case amount that is associated with Georgia services, we multiply the figure of $18 billion by 1.50 percent, which represents Georgia's share of the national employment in the

taxi and limousine service industry based on data from the Quarterly Census of Employment and Wages for 2017. This results in an estimated sales tax base of $271 million for Georgia in 2018 and represents the low estimate for ride-sharing revenues in Georgia in 2018.

- The Contingent and Alternative Workforce Arrangements data from the Bureau of Labor Statistics indicate that Georgia's share of the US population reporting earning income through an app or website that connected them directly with consumers, including but not limited to ride-sharing services, was approximately 1.9 percent in 2018. Other data suggest that larger population and car-ownership markets tend to user ride-sharing services instead of taxis relatively more often (i.e. ride-sharing market shares vs. taxis is greater), thus for the high estimate. Georgia is assumed to represent about 2.5 percent of the national ride-sharing market, resulting in $451 million in estimated gross fares in 2018.
- According to market research firm eMarketer, U.S. adult users of Uber grew by about 17.4 percent annually from 2016 to 2018, but growth is expected to decelerate over the subsequent years. The estimates assume, based on eMarketer's forecast, annual growth rates for Uber of 11 percent for 2019, trending down to 3.0 percent for years 2023-24. The same article also projected Uber and Lyft's U.S. market shares for the same period. By combining the users and market share projections for Uber, approximate Lyft growth rates were also estimated, trending from approximately 20 percent in 2019 to 5.0 percent in 2023-24. As these growth rates represent growth in users, 2 percent inflation per year has been added to allow for growth in average fares. Though data are insufficient to estimate this, it is also possible that the numbers of rides purchased by the average user may grow for the periods of the projections, resulting in faster growth of gross bookings and greater revenue than is shown in Table 2.
- For all estimates, the state and average local sales tax rate is applied to the forecasted sales tax base, and the estimated revenue is adjusted to reflect the timing of receipts based on the state fiscal calendar. The local rate assumed, again, is 3.29 percent.

Table A2. Projected Georgia Ride-Sharing Sales and Sales Tax Revenues Loss

($ *millions*)	FY 2020*	FY 2021	FY 2022	FY 2023	FY 2024
Taxable Sales					
High	($295.9)	($648.4)	($690.9)	($729.2)	($769.7)
Low	($177.8)	($389.6)	($415.2)	($438.2)	($462.5)
State Sales Tax Revenue					
High	($11.8)	($25.9)	($27.6)	($29.2)	($30.8)
Low	($7.1)	($15.6)	($16.6)	($17.5)	($18.5)
Local Sales Tax Revenue					
High	($9.7)	($21.3)	($22.7)	($24.0)	($25.3)
Low	($5.8)	($12.8)	($13.7)	($14.4)	($15.2)

* Reflects revenues only after Jan 1, 2020, the effective date of the proposed bill.

Section 1-10

This section of the bill establishes a 50 cent per-trip excise tax on for-hire ground transportation services, including trips provided by a taxi or limousine service. The revenues generated from this tax are intended, subject to appropriations, for transit or transit projects as defined in the bill. In the event such revenue is not appropriated for these purposes for any year, the applicable tax rate will then be reduced by half to 25 cents per trip. After a second year of such non-appropriation, this tax and the relevant code section will stand repealed.

The high and low revenue gains to the state from this excise tax on taxis and limousines are based on the following:

- According to the latest US Economic Census, taxi fares accounted for about 35.4 percent of combined taxi and limo sales in Georgia in 2012, about $21 million from taxi services out of $59 million in combined sales. Note that this Census estimate is considerably larger than the roughly $30 million of taxable sales implied by DOR reported sales tax collections data. The reason for such a discrepancy is unclear, but for purposes of this fiscal note, figures implied by actual sales tax collections are used to estimate the number of rides likely to be successfully taxed under the proposed excise tax. The Census estimate of the relative sizes of the taxi and limousine markets in Georgia is nevertheless assumed to hold.
- Projected taxable sales underlying the estimates in Table A1 are split into separate estimates for taxis and limos, then divided by estimated average fares or booking charges to estimate the numbers of taxable rides.
- The average taxi fare in Georgia was estimated to be about $16.45 currently, based on data from taxifarefinder.com. High and low fares of $18.10 and $14.80 are assumed for FY 2018 in estimating, respectively, the low and high numbers of rides.
- The current average booking for limousine service was estimated to be about $174, based on industry data from IBISWorld, broken down by type service provided, as well as an internet search for prices for those services in Georgia. High and low prices for limousine trips of about $192 and $157 are assumed for FY 2018 in estimating, respectively, the low and high numbers of limousine rides.

Table A3. Taxi and Limousine Trips and Revenues

(in thousands)	FY 2020*	FY 2021	FY 2022	FY 2023	FY 2024
Trips					
High	418	837	837	837	837
Low	335	664	658	652	645
Revenues					
High	$209.0	$418.5	$418.5	$418.5	$418.5
Low	$167.5	$332.0	$329.0	$326.0	$322.5

* Reflects Jan 1 effective date.

Ride Sharing

Purchases of transportation through ride-sharing services such as Uber and Lyft are taxable transportation services under the current-law state sales and use tax, though press reports indicate that at least one network disputes that they are obligated to collect and remit the tax. The estimates herein assume that the state is able to enforce collect and remit obligations on ride-sharing networks under the sales tax absent the proposed bill or under the excise tax should the bill be enacted.

Section 1-10 also establishes a 50 cent per-trip excise tax on for-hire ground transportation services, including any ride-sharing provider or a transportation referral service. The high and low revenue gains to the state from this excise tax on ride-sharing services are based on the following:

- Uber indicated that its driver partners completed one million trips per day on average worldwide in 2016.
- Based on data obtained from travel and expense management software firm Certify.com and the website SherpaShare.com, the average gross fare of one ride-sharing trip is assumed to be between $13.80 and $17.10 dollars. The high and low sales estimates for 2018 were then divided by these high and low average fare estimates to arrive at a high low estimate of rides in 32.7 million and 15.8 million.
- These 2018 ride estimates were then estimated in FY 2020 through FY 2024 based on the growth in ride sharing users previously used to project revenues, before adjusting for inflation. Rides were estimated to grow by about 20 percent in 2019 with growth declining to five percent between 2023 and 2024.

Table A4. Projected Georgia Ride-Sharing Trips and Revenues

(millions)	**FY 2020***	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**
Trips					
High	20.7	44.5	46.6	48.2	49.9
Low	10.0	21.6	22.6	23.4	24.2
Revenues					
High	$10.4	$22.3	$13.3	$24.1	$25.0
Low	$5.0	$10.8	$11.3	$11.7	$12.1

* Reflects Jan 1 effective date.

Table A5 summarizes the revenues from the proposed excise tax on the estimated taxi, limousine, and ride-sharing trips reported in Tables A3 and A4.

Table A5. Projected State Excise Tax Revenue on For-Hire Ground Transportation

($ millions)	**FY 2020***	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**
High	$10.6	$22.7	$23.7	$24.5	$25.4
Low	$5.2	$11.1	$11.6	$12.0	$12.4

* Reflects Jan 1 effective date.

Section 2-2

The bill also creates a three-year pilot program for employers in each mobility zone to design a transit benefit program for employees to encourage use of transit to travel to work. The comprehensive program from one mobility zone will be chosen to participate in the pilot program based on criteria set out in the bill. Upon the award of a pilot program to a mobility zone, the employers listed in the proposal shall be eligible for an income tax credit of $100 per month per employee enrolled in the transit benefit program. The credit is capped at $1 million annually and is nonrefundable and not retroactive. It can be carried forward.

The bill creates nine mobility zones. Each zone is anchored by at least one metropolitan statistical area (MSA). To estimate the cost to the state of the tax credit pilot program, the number of jobs in the core urban counties of these anchor MSAs is used from the Georgia Department of Labor (DOL). The following zone characteristics were used to estimate the proposed tax credit utilization:

- Zone 9, with the Atlanta MSA has the most jobs with 2.35 million in 2017, as all the counties in zone 9 are considered core urban counties by the Census.

- Zone 7, anchored by the Albany MSA, with 2 core urban counties Lee and Dougherty, has the least, with 54,298 jobs in 2017.
- To reach the $1 million cap 833 employees per month must participate in the program.

Given the employment of 2.35 million in zone 9, if it is selected it is assumed that at least 833 employees will participate, and the $1 million cap will be reached annually. Using the average number of jobs per county for the 13 core counties in zone 9 yields 0.5 percent employee participation rate. If zone 7 is selected, due to the lower number of jobs in the anchor MSA of Albany, it is possible that fewer than 833 employees participate per month and the cap of $1 million is not reached. Given the criteria outlined in the bill, it is assumed that a relatively high number of employees would be eligible to participate, or the mobility zone proposal would not have been chosen. Applying the 0.5 percent participation rate from zone 9 yields 275 employees, about a third of the maximum of 833. This number of employees is used to estimate the low amount for the pilot program tax credit utilization. Table A6 below, shows the estimated cost in FY over the relevant 3 years as specified in the bill, beginning January 1, 2021, and ending December 31, 2023.

Table A6. Projected Pilot Project Tax Credit Utilization

($ *millions*)	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**
High	$0.00	($0.50)	($1.00)	($1.00)	($0.50)
Low	$0.00	($0.17)	($0.33)	($0.33)	($0.17)

Reflects Jan 1, 2021 effective date.

Note that the bill also establishes a pilot program to provide transit vouchers to unemployed and underemployed people in designated economically depressed counties. However, this program relies on funding to be appropriated by the General Assembly at some future date and as such is not analyzed here.