



Office of the State Auditor
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Making government work better



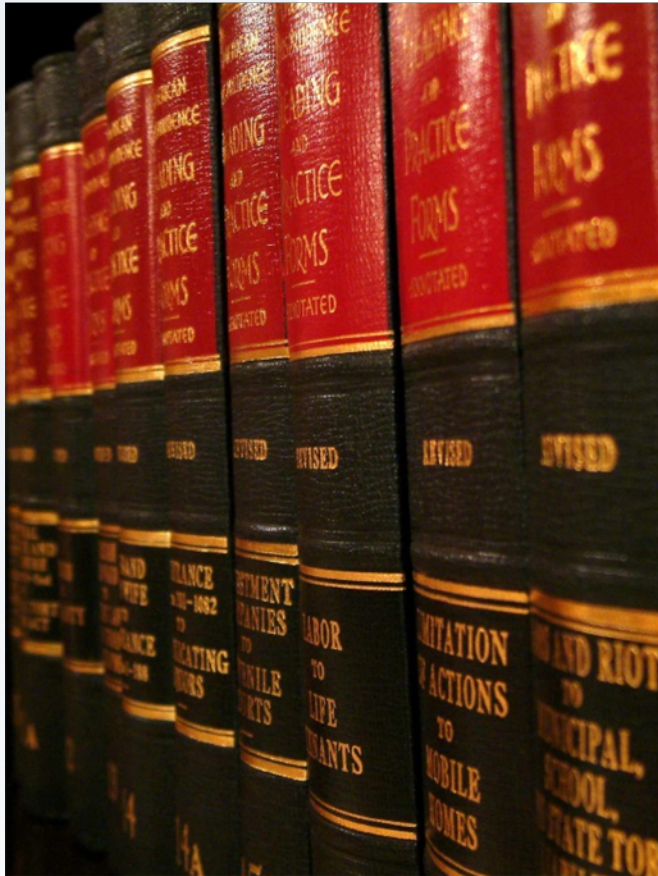
From Airbnb to Zipcar: **The Impact of the Sharing Economy on Communities**

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What is DLM?

- DLM was established within the Office of the State Auditor in 1980 as part of the implementation of Proposition 2 ½.
- The Division's principal role is to provide determinations of whether a state law or policy constitutes an unfunded mandate as defined by MGL c. 29, §27C
- **Under M.G.L. c. 11, § 6B, DLM has authority to review local cost impacts of any state law or policy, even one that does not meet the technical definition an unfunded mandate.**

What DLM does . . .



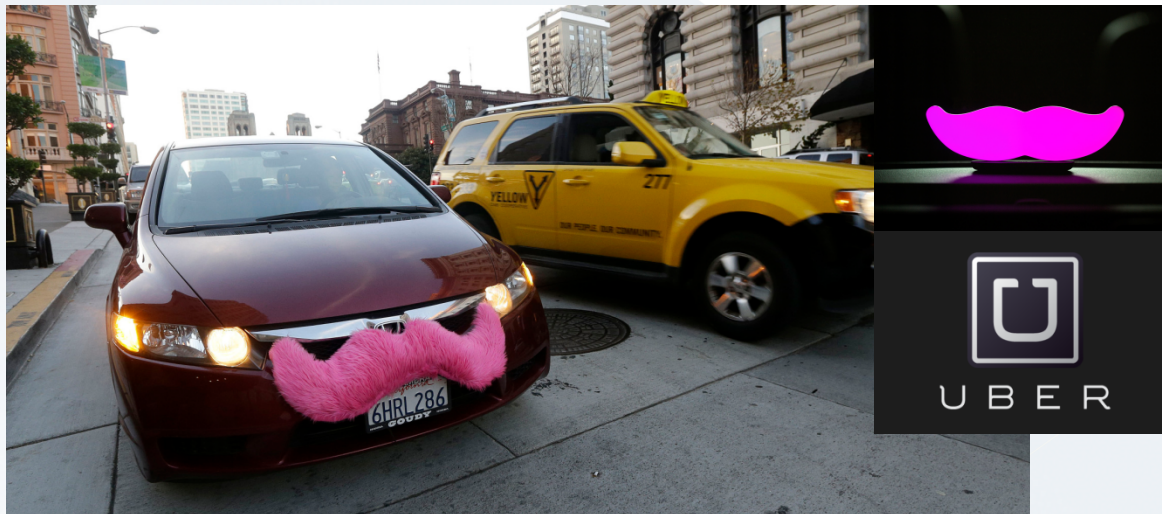
- Issues mandate determinations and municipal impact studies
- Examines effects of state law and state policy on municipal budgets

Why does DLM care about the effects of the sharing economy?

- ⦿ Displacement and/or disruption of current business models *may* lead to:
 - > **Changes in local revenue patterns and sources**
 - > **Hidden infrastructure costs**
 - > **Changes to local “brick-and-mortar” commercial tax base**
 - > **Push to create new regulatory structures that increase local budgets**

The Rise of TNCs

- Bills now in the legislature offer differing visions for regulatory frameworks for transportation network companies (TNCs) such as Uber and Lyft.
- None of these bills modifies local regulatory frameworks and costs for the taxi industry, which remain unchanged.
- None of these bills anticipates changes in local costs or revenues if TNCs substantially replace taxis as the dominant ride-for-hire mode.



Scouting Report I: Resistance is futile

- According to a new study from *Certify*, Uber has surpassed taxis and car rentals on a per-ride basis in the business travel market: In Q4 of 2015, Uber had 41% of rides, rental cars 39% and taxis 20%
- Earlier this month, Lyft announced a \$500 million investment by GM, opening the door for future creation of daily “rentals” by Lyft drivers and, longer term, for autonomous vehicle technology in the ride-for-hail market.

Scouting Report II: Other Cities, Other Models

- New York regulates TNC operators like any other “black car” service, so every trip generates state and local sales tax (\$15.9 million in FY2015).
- Minneapolis has already phased out limits on taxi medallions and established a separate, “corporate” license covering TNCs (\$200 per car for taxis; approximately \$45,000 per company for TNCs) .
- San Francisco wants each TNC driver to register as a small business operator, but many drivers don't, costing the city at least \$500,000 per year.

Scouting Report III:

In MA, Taxis *Not* a Big Source of Muni \$\$\$

- Boston (\$500K) and Cambridge (\$790K) spend much more on regulating taxis than they receive in local tax and fee receipts.
- For many communities (Brookline, Danvers, Somerville, Worcester), revenues from taxi licensing, auto excise, property taxes, cabstand rentals, and other taxi-related sources are simply not a significant source of revenue.

Fiscal Questions for Local Governments

- ⦿ Does a “sharing-economy” innovation disrupt or diminish a current source of revenue? (example: Airbnb)
- ⦿ Does a “sharing-economy” innovation transform a sector that generates major regulatory costs?
- ⦿ Does a “sharing-economy” innovation transform a sector that generates major infrastructure costs that aren’t covered by existing revenue sources?