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Hon. Rob Bonta
Attorney General
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Sacramento, California 95814

INITIATIVE COORDINATOR
ATTORNEY GENERAL'S OFFICE

Attention: Ms. Anabel Renteria
Initiative Coordinator

Dear Attorney General Bonta:

Pursuant to Elections Code Section 9005, we have reviewed the proposed statutory initiative (A.G. File No. 25-0028, Amendment #1) related to rideshare companies.

BACKGROUND

Rideshare Companies Provide Transportation Services to Passengers. Rideshare companies—sometimes known as Transportation Network Companies—allow passengers to hire drivers using a smartphone application. Drivers for rideshare companies work as independent contractors rather than employees, generally using their own vehicles and choosing when and where to work. Most drivers for rideshare companies drive part-time and many only work for less than a year.

California Public Utilities Commission (CPUC) Regulates Rideshare Companies. The state—through CPUC—oversees rideshare companies by regulating their operations, issuing them operating permits, and investigating complaints against them. Pursuant to its regulations, the commission also receives annual reports from rideshare companies with self-reported information on vehicle accidents, assaults, and other key data. CPUC assesses fees on rideshare companies to cover the costs of its regulatory activities.

Rideshare-Related Incidents Can Result in Allegations of Wrongdoing. Rideshare has become a frequently used method of transportation in California. According to a 2023 report by the San Francisco County Transportation Authority, rideshare companies reported that a couple hundred million rides took place in California annually between September 2019 and August 2020. A small share of these rides resulted in reports of allegations of wrongdoing by the driver or passenger. For example, the same report noted that the two largest rideshare companies—


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which make up the majority of the industry—disclosed 27,000 collisions and 20,000 assault or harassment incidents to CPUC over the same time period.

Some Allegations of Rideshare-Related Wrongdoing Result in Lawsuits. In some instances, people who allege wrongdoing related to rideshare seek compensation, such as for damages. If an agreement for compensation cannot be reached outside of court, these people may pursue lawsuits in court. In rideshare-related court cases, monetary awards can be levied against various parties, including the person who is found to have committed the wrongdoing—such as the driver or passenger—and/or the rideshare company.

Level of Legal Responsibility in Lawsuits Can Vary Among Road Users. Under current law, various types of road users face different levels of legal responsibility. For example, noncommercial drivers generally are required to exercise a reasonable level of care when operating their vehicles. Under this standard, drivers must act in the way that a reasonable, prudent driver would under similar circumstances. However, some users of the road have higher levels of responsibility under the law. For example, companies that provide transportation services to the general public for a fee—known as “common carriers”—are subject to a “heightened duty of care.” Under this higher standard, a level of vigilance, skill, and care generally must be followed, above what a typical reasonable driver might be expected to perform. This higher standard can mean that when lawsuits are brought, common carriers are more likely to be found liable and face monetary penalties than other types of drivers. Currently, CPUC does not regulate rideshare companies as common carriers.

PROPOSAL

Increases Rideshare Companies’ Legal and Financial Responsibility for Driver Wrongdoing. The measure includes provisions that increase the level of legal and financial responsibility to which rideshare companies would be subject. Specifically, it would:

- ***Classify Rideshare Companies as Common Carriers With Higher Level of Legal Responsibility.*** This measure would explicitly state that rideshare companies are common carriers and, as a result, would be subject to a heightened duty of care when operating vehicles.
- ***Increase Rideshare Companies’ Financial Responsibility for Damages.*** In addition to specifying that rideshare companies are common carriers, the measure also would hold rideshare companies legally responsible for any and all damages caused by a rideshare driver’s negligence, recklessness, or willful misconduct, regardless of the culpability of the rideshare company itself.

FISCAL EFFECTS

Increased State Court Costs. The higher level of legal and financial responsibility imposed on rideshare companies by the measure could make it more likely that people would try to file rideshare-related lawsuits, as they may expect a greater likelihood of prevailing and/or securing a larger monetary award. This, in turn, could increase state trial court workload and costs to

process civil cases. These increased costs could potentially range from the millions of dollars to the low tens of millions of dollars annually.

Increased Costs for CPUC. The measure would also result in higher costs for CPUC associated with developing, implementing, and enforcing new regulations. These costs could be in the low millions of dollars annually, and would be covered by regulatory fees paid by rideshare companies.

Summary of Fiscal Effects. We estimate that this measure would have the following major fiscal effects:

- Increased state court costs ranging from the millions of dollars to the low tens of millions of dollars annually to process increased civil case workload.
- Increased costs to CPUC in the low millions of dollars annually to develop, implement, and enforce new regulations, to be covered by fees paid by rideshare companies.

Sincerely,



for Gabriel Petek
Legislative Analyst



for Joe Stephenshaw
Director of Finance