

Budget Deliberations OFFICE OF LABOR STANDARDS

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October 18, 2016

Table 1: Expenditures/Revenues (\$ in 1,000's)

	2016 Adopted Budget	2017 Proposed Budget	% Change 2016 to 2017	2018 Proposed Budget	% Change 2017 to 2018
Total Expenditures	\$1,930	\$5,272	173%	\$5,562	5.5%
Total Full-time Equivalents (FTEs)	9	22	144%	22	0.0%
Revenues					
General Subfund (GSF)	\$1,930	\$5,272	173%	\$5,562	5.5%
Total Revenues	\$1,930	\$5,272	173%	\$5,562	5.5%

Dollars rounded to nearest \$1,000; percentages to nearest 0.1%.

Interactive Budget Page Link:

<http://www.seattle.gov/city-budget/2017-18-proposed-budget/office-of-labor-standards>

INTRODUCTION

The 2017-2018 Proposed Budget establishes the Office of Labor Standards (OLS), currently a division of the Seattle Office for Civil Rights (SOCR), as an independent office. OLS is currently funded from the GSF.

In 2016, OLS was a division of SOCR. The figures in the “2016 Adopted Budget” column of Table 1 reflect OLS’s share of SOCR’s overall budget and full-time equivalent (FTE) positions. OLS’s 2016 Adopted Budget of \$1.9 million is proposed to increase to \$5.3 million in 2017 and to \$5.6 million in 2018.

The Mayor’s proposal for 2017:

- Increases funding for education and outreach to businesses and workers from \$1.2 million to \$2.3 million (for a new total of \$800,000 for businesses and a new total of \$1.5 million for workers).
- Adds and funds 13 FTEs, increasing staffing from 9 FTEs to 22 FTEs. Six of these positions will be added January 1, 2017; five in April 2017; and two in July 2017. Funding for these FTEs is appropriately scaled to reflect the estimated dates of hire.
- Provides \$50,000 for staff training. In 2016, OLS spent \$2,600 on staff training but did not have funding specifically identified for that purpose.
- Provides ongoing operating costs and one time moving costs as OLS will be moving to new office space.

BACKGROUND

The OLS was established in 2015 as a division within OLS with 5.0 FTEs and a budget of \$510,000 to develop, implement and enforce the City's local labor laws.

The City has established five local labor laws:

- **Paid Sick and Safe Time** (2012): Provides most employees paid leave due to medical, domestic violence, sexual assault or stalking issues.
- **Fair Chance Employment** (2013): Regulates when and how an employer can use criminal background information in making an employment decision.
- **Minimum Wage and Minimum Compensation** (2015): Provides workers a local minimum wage that will reach \$15 an hour in 2018 for large employers and \$15 an hour in 2021 for smaller employers. Minimum compensation (a measure of pay that includes both wages and other forms of compensation such as tips) will reach \$15 an hour in 2019.
- **Wage Theft** (2015): Provides a civil remedy for workers who do not receive full or accurate compensation.
- **Secure Scheduling** (2016): Provides workers of large retail and food service employers with a 14-day (or greater) notice of their work schedule, provides compensation for some schedule changes and for work shifts less than 10 hours apart, and requires new hours be offered to existing part-time workers before new workers are hired.

In addition, there are several initiatives such as the hotel workers ballot measure on the November ballot that, if passed, would impact and possibly further expand the scope of OLS's responsibilities.

IDENTIFIED ISSUES

There are no issues identified by Central Staff.

COUNCILMEMBER PROPOSALS

1. Establish OLS as a Fee-Supported Office – Councilmember Herbold

The Mayor's Proposed Budget fully funds OLS with GSF revenues. This proposal would re-align OLS to be a fee-supported office, consistent with other similar regulatory bodies. It would replace GSF funding with revenue from a new regulatory fee commensurate with the necessary funding allocations as defined by the Executive and Council to fully support the functions of the office.

The fee would be set by tiers varying by the number of employees for each business, and would be set to raise six million dollars annually.

If Council chooses to move forward with this proposal, the details of the fee structure will be included in legislation that would implement these budget changes. Table 2 provides the basic structure of the fee and how it would affect businesses of various sizes. (Table 2 is intended for illustrative purposes. The precise fee amounts for each tier may change as the details of implementation are worked out.)

Table 2: Fee per Business Based on Tier – Business with 10 or More Employees

Number of Employees	Number of Businesses	Employees	Cost Share by Tier	Fee per Tier
10-25	3,786	61,980	\$1,001,468	\$265
26-50	1,350	50,952	\$823,278	\$610
51-100	715	53,752	\$868,520	\$1,215
101-200	385	56,399	\$911,290	\$2,367
201-250	70	16,682	\$269,546	\$3,851
251-500	131	47,544	\$768,212	\$5,864
501-1000	37	26,778	\$432,677	\$11,694
1001-2500	18	25,736	\$415,840	\$23,102
2500+	5	31,512	\$509,168	\$101,834
	6,497	371,335	\$6,000,000	

If implemented in 2017, this fee would free up \$5.3 million in GSF. However, the Department of Finance and Administration Services has indicated that it would be unable to implement the proposed business fee until 2018 due to staffing capacity. Under this proposal, the fee would free up approximately \$5.6 million GSF in 2018.

2. Funding Increases for Directed Investigations – Councilmember Herbold

Directed investigations are investigations initiated by the OLS Director rather than OLS's current practice of opening an investigation in response to an inquiry or complaint from an outside party. The following recommended actions are each intended to increase OLS's staffing capacity, particularly so OLS can begin conducting directed investigations in 2017.

a. Add \$66,500 to accelerate hiring of one FTE Data Analyst.

This funding would accelerate the hiring of a data analyst by six months (from July 1, 2017 to January 1, 2017). OLS currently does not have any staff dedicated to data analysis. This would be a one-time add in 2017.

b. Add \$144,050 for one FTE Deputy Director or \$125,789 for one FTE Executive Assistant in 2017 and 2018.

The proposed budget includes funding to increase from 9 to 22 staff with four division managers reporting to OLS Director. The 2017 proposed budget includes two administrative staff for the office. Adding funding for either a new Deputy Director or a new Executive Assistant to support the OLS Director would enable the Director to spend more time developing policy, directing investigations, and overseeing implementation of the City's labor laws.

c. Add \$108,000 in 2017 and 2018 for one FTE Senior Investigator

This Senior Investigator would be dedicated to directed investigations. In 2016, OLS had four investigators. Six senior investigators are proposed to be added in 2017, who with the supervisor and enforcement management will bring enforcement staff to 12. However, OLS investigators currently have caseloads averaging 38 cases, and increasing cases are anticipated making it difficult to develop directed investigations. A position for directed investigations would help create capacity for that work.

3. Add \$25,000 in 2017 and 2018 for staff training – Councilmember Herbold

The 2017 Proposed Budget would increase OLS's staff training budget from \$0 in 2016 to \$50,000 in 2017. An additional increase of \$25,000 in funding (for a new total of \$75,000) for staff training in 2017 will help ensure staff have access to necessary training given the proposed increase in the office from 9 to 22 FTEs and the complexity of the laws enacted. Currently investigators are trained on the job by their supervisor; and in 2017, OLS will have one enforcement supervisor and one enforcement manager. Additional funding for staff training will allow for more formal training as well as on the job training.

4. Add \$500,000 in 2017 and in 2018 for education and outreach – Councilmember Herbold

The 2016 Adopted Budget included \$1.2 million of education and outreach. The 2017 proposed budget would increase that amount to \$2.3 million for education and outreach with \$1.5 million for workers and \$800,000 for businesses. If education and outreach funding is increased by an additional \$500,000 (for a new total of \$2.8 million), that funding could be allocated as follows:

- \$300,000 for worker education and outreach (new total of \$1.8 million in 2017) and
- \$200,000 to business education and outreach (new total of \$1.0 million in 2017).