

SUMMARY and FISCAL NOTE*

Department:	Dept. Contact:	CBO Contact:
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** Note that the Summary and Fiscal Note describes the version of the bill or resolution as introduced; final legislation including amendments may not be fully described.*

1. BILL SUMMARY

Legislation Title: AN ORDINANCE relating to the regulation of network companies; imposing license and fee requirements on network companies; adding a new Chapter 6.700 to the Seattle Municipal Code; and amending Section 3.15.007 of the Seattle Municipal Code.

Summary and Background of the Legislation: The City of Seattle (City) has recently legislated requirements in the Seattle Municipal Code that provide workplace protections for app-based workers (i.e., workers performing services in furtherance of offers facilitated or presented by network companies). The App-Based Worker Minimum Payment Ordinance (Chapter 8.37), effective January 13, 2004, will require network companies to provide app-based workers with minimum payment, transparent job information and receipts, and flexible terms of work. The App-Based Worker Deactivation Rights Ordinance (Chapter 8.40), effective January 1, 2025, will require network companies to provide app-based workers with protections against unwarranted deactivations, including advance notice of deactivation, records, and an internal challenge procedure. The Office of Labor Standards (OLS) is authorized to implement these app-based worker labor standards through policy development (e.g., rulemaking), enforcement, and collaborative outreach programs that include contracts with community organizations.

Although the City established the Office of Labor Standards (OLS) Fund in 2017 with the intention of guaranteeing annual funding for OLS programs and activities, the existing sources of revenue for this fund (i.e., business license tax revenues, General Fund) are insufficient to cover the full costs of implementing the App-Based Worker Minimum Payment and App-Based Worker Deactivation Rights Ordinances.

This legislation would require network companies to obtain an annual network company license to operate in Seattle and pay a license fee as an additional source of revenue to recover the costs of network company regulations. The Department of Finance and Administrative Services (FAS) would implement the license and fee. The FAS Director would be authorized to promulgate rules, investigate violations, and issue a notice of violation that the network company could appeal to the Hearing Examiner.

The network company license fee would be \$0.10 per online order that results in an app-based worker's delivery of goods or provision of other services in Seattle. Online orders solely for an app-based worker's delivery of groceries would be exempt from the fee. The FAS Director, in consultation with the OLS Director, would review the fee at least annually to make any adjustment necessary (by rule) to ensure the fee achieves full recovery, and no more, of the regulatory costs prescribed in the legislation.

The network company license and fee requirements would become effective on January 1, 2025. License applications and the first filing of fee payments for the 2025 calendar year would be due by December 31, 2025.

Network company license fee revenue would be allocated to FAS and OLS for eligible expenditures listed in order of priority:

1. FAS implementation of the network company license and fee;
2. OLS implementation of the App-Based Workers Deactivation Rights Ordinance; and
3. OLS implementation of the App-Based Worker Minimum Payment Ordinance.

The network company license fee is estimated to generate at least \$2.1 million per year. With limited data from network companies, this estimate is based on Transportation Network Company (TNC) trips originating in Seattle as an analog for online orders. The estimate assumes at least 21 million online orders per year based on the average number of TNC trips originating in Seattle per year for 2018, 2019, and 2022 (2020 and 2021 were omitted due to reduced TNC trips during the pandemic).¹

2. CAPITAL IMPROVEMENT PROGRAM

Does this legislation create, fund, or amend a CIP Project? ___ Yes X No

3. SUMMARY OF FINANCIAL IMPLICATIONS

Does this legislation amend the Adopted Budget? ___ Yes X No

Does the legislation have other financial impacts to The City of Seattle that are not reflected in the above, including direct or indirect, short-term or long-term costs?

Yes, the legislation would generate one-time and ongoing costs in FAS to implement the network company license and fee. The legislation would require allocation of fee revenue to FAS to fully recover these regulatory costs.

Are there financial costs or other impacts of *not* implementing the legislation?

The legislation would generate network company license fee revenue to fund implementation of the App-Based Worker Deactivation Rights and App-Based Worker Minimum Payment Ordinances. Not implementing this legislation would require redirecting funds from other resources for these purposes or reducing/foregoing implementation of these programs.

¹ A higher estimate of \$3 million per year assumes 30 million online orders per year based on the average TNC trips per registered driver for 2018, 2019, and 2022 multiplied by the estimated number of app-based workers in Seattle (749 average TNC trips x 40,000 app-based workers). Although online orders could far exceed TNC trips, projected revenues are based on the lower estimate to account for limited data and a proposed fee exemption for online orders solely for delivery of groceries.

3.b. Revenues/Reimbursements

X This legislation adds, changes, or deletes revenues or reimbursements.

Anticipated Revenue/Reimbursement Resulting from This Legislation:

Fund Name and Number	Dept	Revenue Source	2024 Revenue	2025 Estimated Revenue
General Fund (00100)		Network Company License Fee	N/A	\$2,100,000
TOTAL			N/A	\$2,100,000

Revenue/Reimbursement Notes:

This is an ongoing change. The legislation establishes requirements for allocation of network company license fee revenue. Fee payments for the 2025 calendar year would be due by December 31, 2025.

4. OTHER IMPLICATIONS

a. Does this legislation affect any departments besides the originating department?

Yes, the legislation would establish network company license and fee requirements that would be implemented by FAS. The fee revenue would be used to recover FAS’s costs of implementing the license and fee, and OLS’s costs of implementing the App-Based Worker Deactivation Rights and the App-Based Worker Minimum Payment Ordinances.

FAS estimates that administering the network company license would require \$1.14 million one-time in 2024 and \$94,000 one-time in 2025 for set-up costs and program management, and \$442,000 and 2.25 FTE per year beginning in 2025 for ongoing costs.

OLS estimates that implementing the App-Based Worker Deactivation Rights Ordinance requires \$200,000 one-time in 2024 for outreach and set-up costs, \$1.13 million per year and seven FTEs in 2024, 2025, and 2026 for procedural enforcement, and \$1.56 million per year and nine FTEs beginning in 2027 for ongoing procedural and substantive enforcement.

OLS estimates that implementing the App-Based Worker Minimum Payment Ordinance requires \$1.2 million and five full-time equivalents (FTEs) per year for ongoing costs. The 2024 Proposed Budget Adjustments include approximately \$492,000 and 3 FTEs for this work.

b. Is a public hearing required for this legislation?

No

c. Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?

No

d. Does this legislation affect a piece of property?

No

e. Please describe any perceived implication for the principles of the Race and Social Justice Initiative. Does this legislation impact vulnerable or historically disadvantaged communities? What is the Language Access plan for any communications to the public?

The legislation would require a network company license fee to fund implementation of the App-Based Worker Deactivation Rights and App-Based Worker Minimum Payment Ordinances. The City established these app-based worker labor standards to change the underlying systems creating race-based disparities in our community by strengthening job security, increasing income, and improving other terms and conditions of work.

Black, Indigenous, and other People of Color face unique barriers to economic insecurity and disproportionately work in low-wage jobs with insecure working conditions. Specifically, Black and Latinx workers are overrepresented among app-based workers, comprising almost 42 percent of app-based workers but less than 29 percent of the overall labor force.

f. Climate Change Implications

1. Emissions: Is this legislation likely to increase or decrease carbon emissions in a material way?

2. Resiliency: Will the action(s) proposed by this legislation increase or decrease Seattle's resiliency (or ability to adapt) to climate change in a material way? If so, explain. If it is likely to decrease resiliency in a material way, describe what will or could be done to mitigate the effects.

g. If this legislation includes a new initiative or a major programmatic expansion: What are the specific long-term and measurable goal(s) of the program? How will this legislation help achieve the program's desired goal(s)?

This legislation would require a network company license fee to recover the regulatory costs of network company regulations. Fee revenue would be used to recover the costs of licensing activities and implementation of two app-based worker labor standards established by the City.

Summary Attachments (if any):