



SEATTLE CITY COUNCIL
CENTRAL STAFF

Network Company Fee – Draft Proposal

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Presentation overview

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Background

#	App-Based Worker Labor Standards	Effective date
1	Domestic Workers Ordinance	July 2019
2	Independent Contractor Protections	September 2022
3	App-Based Worker Paid Sick and Safe Time*	May 2023 (temp) January 2024 (permanent)
4	App-Based Worker Minimum Payment*	January 2024
5	App-Based Worker Deactivation Rights	January 2025

**Regulations do not apply to marketplace network companies*

Network company fee proposal

Network company fee is intended to generate revenue to cover regulatory costs:

- Administration of network company licenses and/or fees,
- Implementation of app-based worker labor standards,
 - App-Based Worker Deactivation Rights Ordinance,
 - Other app-based worker labor standards, and
 - Contracts with community and business organizations for outreach and education.

Fee base and rate

- Fee on network companies that operate in Seattle.
- \$0.10 per online order for the delivery of goods or provision of other services in Seattle.
- Director could adjust the fee based on consideration of projected costs, regulatory needs, fee revenue, and other factors.

Exemption

Exemption for online orders solely for delivery of grocery items (See RCW 82.84).

- Exempt ➡ orders solely for groceries (e.g., fruit).
- Covered ➡ mixed orders for groceries and non-groceries (e.g., fruit and batteries).

“Groceries” would have same meaning as RCW 82.84.030

- Any raw or processed food or beverage, or any ingredient thereof, intended for human consumption except alcoholic beverages, cannabis products, and tobacco. "Groceries" includes, but is not limited to, meat, poultry, fish, fruits, vegetables, grains, bread, milk, cheese and other dairy products, nonalcoholic beverages, kombucha with less than 0.5% alcohol by volume, condiments, spices, cereals, seasonings, leavening agents, eggs, cocoa, teas, and coffees whether raw or processed.

Effective date and filings

Fee would become effective on January 1, 2024.

- First filing would be fourth quarter 2024 to allow time for development of software and systems.
- Subsequent filings would be quarterly.

Revenue estimates (1/2)

- **Fee is estimated to generate at least \$2.1 to \$3.0 million per year.**
- Estimated 40,000 app-based workers; limited data for online orders.
- TNC trips originating in Seattle & registered TNC drivers are possible analogs for online orders.
 - **Low estimate** ➔ 21 million online orders per year based on average TNC trips per year for 2018, 2019 & 2022 (2020 & 2021 omitted due to reduced TNC trips during pandemic).
 - **High estimate** ➔ 30 million online orders per year based on average TNC trips per driver for 2018, 2019 & 2022 x 40,000 estimated app-based workers in 2023.

Year	TNC trips	TNC drivers	# TNC trips per driver
2018	24,349,420	31,676	769
2019	26,485,762	33,058	801
2022	11,794,106	18,892	624
Average	20,876,429	27,875	749

Revenue estimates (2/2)

- **Households – estimate of # online orders purchased per week**
 - 340,000 households in Seattle
 - 1.2 to 1.7 online orders per week
- **App-based workers – estimate of # online orders performed per week**
 - 40,000 app-based workers in Seattle
 - 10 to 14 online orders per week

Allocation of proceeds

- All proceeds would be deposited into OLS Fund (SMC 3.15.007) solely to recover the following regulatory costs.
 - FAS administration of the network company license, and
 - OLS implementation of app-based worker labor standards.
- Identified amounts of funding would be adjusted annually to reflect the rate of inflation.
- Use of fee proceeds would supplement funding levels for same or similar programs in 2023 Adopted Budget.

Eligible expenditures in order of priority (1/2)

1. Fee administration

- Up to \$260,000 in 2024 for one-time software development costs.
- Up to \$106,000 per year beginning in 2024 for ongoing implementation.

2. App-Based Worker Deactivation Rights Ordinance (ORD 126878)

- Up to \$200,000 in 2024 for one-time outreach and set-up costs.
- Up to \$1.15 million per year in 2024, 2025, and 2026 for ongoing procedural enforcement.
- Up to \$1.56 million per year beginning in 2027 for ongoing procedural and substantive enforcement (i.e., full enforcement).

Eligible expenditures in order of priority (2/2)

3. App-based worker labor standards & outreach contracts

- Implementation of any app-based worker labor standard.
- Contracts with community & business organizations for outreach and education.

Timeline

Legislation for network company fee would be considered during annual budget deliberations.

Questions?