

## SUMMARY and FISCAL NOTE\*

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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 employment in Seattle; requiring certain employers to make required healthcare expenditures to or on behalf of certain employees for the purpose of improving access to medical care; adding a new Chapter 14.28 to the Seattle Municipal Code (SMC); and amending Sections 3.15.000 and 6.208.020 of the SMC.

**Summary and background of the Legislation:** This legislation requires employers to provide hourly, non-supervisory employees working in large hotels with access to affordable medical care. Covered employers include those who own, operate and/or control a large hotel with 100 or more rooms; or those who own, control, or operate an ancillary hotel business with 50 or more employees worldwide. Covered employees include those who work an average of 80 hours or more per month. Key protections include:

1. Employers must pay a monthly required healthcare expenditure for each employee.
  - a. \$560 per month for an employee with no spouse, domestic partner, or dependents;
  - b. \$952 per month for an employee with only dependents;
  - c. \$1,120 per month for an employee with only a spouse or domestic partner;
  - d. \$1,680 per month for an employee with a spouse or domestic partner and dependents.
2. Employers must pay the required healthcare expenditure through one or more of three forms.
  - a. Additional pay to the employee;
  - b. Payments to a third party to provide healthcare services; and/or
  - c. Monthly expenditures for healthcare services by the employer's self-insured and/or self-funded insurance program(s).
3. Employees may voluntarily decline an employer's offer of employer-sponsored health insurance. If an employee declines, employers may satisfy the healthcare expenditure requirements if certain requirements are met.
  - a. The employer's offer meets the required healthcare expenditure rate for that employee; and
  - b. The employer's offer would not result in that employee paying more towards the purchase of a monthly health insurance premium than a dollar amount equivalent to 20 percent of the monthly required healthcare expenditure amount for a single person with no spouse and no dependents.
4. Healthcare expenditure rates will be adjusted annually.

- a. Adjustments are based on the average approved rate increase percentage for insurers that sell inside the Washington State Health Benefit Exchange. The Office of Labor Standards shall determine the amounts and file a schedule of such amounts with the City Clerk.
5. Collective bargaining agreement waivers are permitted.
  - a. Employees covered by a bona fide collective bargaining agreement may agree to a waive legislative requirements if the agreement is ratified by the employees and has alternative safeguards that meet the public policy goals of the legislation.

This legislation also provides a private right of action and authorizes the Office of Labor Standards to coordinate implementation and enforcement.

As background, this legislation establishes protections to employees similar to those included in the Hotel Employees Health and Safety Initiative (Initiative 124). Initiative 124 was passed by voters on November 6, 2016; added to the Seattle Municipal Code as [Section 14.25](#); and became effective on November 30, 2016.

Subsequent to Initiative 124's passage, various hotel associations filed an action in state court challenging its validity. The King County Superior Court upheld the initiative. However, on December 24, 2018, Division I of the Washington State Court of Appeals invalidated the initiative in its entirety based on its conclusion that the initiative contained multiple, unrelated subjects. The City Attorney's Office filed a petition for review in the Washington State Supreme Court. The Supreme Court has decided to take up a review, and oral argument has been scheduled for September 17, 2019. At least until resolution of the Supreme Court proceedings, the provisions of Initiative 124 are effectively on hold.

The provisions in this legislation become effective on April 1, 2020.

## 2. CAPITAL IMPROVEMENT PROGRAM

Does this legislation create, fund, or amend a CIP Project? \_\_\_ Yes   x   No

## 3. SUMMARY OF FINANCIAL IMPLICATIONS

**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. This legislation establishes an implementation and enforcement role for the Office of Labor Standards and an appeal role for the Hearing Examiner. Additional resources to support these activities may need to be considered in the Mayor's 2020 Proposed Budget and future budget deliberations.

**Is there financial cost or other impacts of *not* implementing the legislation?**

There are no financial costs to the City of not implementing the legislation. However, not implementing this legislation could have a significant impact on hotel workers who will not have access to affordable medical care.

**4. OTHER IMPLICATIONS**

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

Yes. The Office of Labor Standards will implement and enforce this legislation. The Hearing Examiner will conduct hearings on appeals from employers. There also may be an undetermined number of legal referrals to the City Attorney.

**b. Is a public hearing required for this legislation?**

No.

**c. Does this legislation require landlords or sellers of real property to provide information regarding the property to a buyer or tenant?**

No.

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

No.

**e. Does this legislation affect a piece of property?**

No.

**f. 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?**

This legislation supports the City's commitment to eliminate racial disparities and achieve racial equity in Seattle by establishing workplace protections that particularly focus on issues experienced by vulnerable or historically disadvantaged workers. According to the federal Bureau of Labor Statistics, people of color, women, and immigrants and refugees represent a disproportionate portion of the hotel industry who would not otherwise have access in Seattle to the minimum requirements and protections of this legislation.

Regarding language access, this legislation requires the Office of Labor Standards to create and make available a poster with notice of employee rights in English, Spanish and other languages; employers must then display this poster in the employee's primary language in a

conspicuous and accessible place at the jobsite. The Office of Labor Standards is well positioned to implement this requirement and translate other informational materials. The office currently uses a two-step translation process that involves professional services and community review to translate posters into more than 18 languages; templates and general outreach into Seattle's top tier languages; and press releases into Spanish and Chinese. The office also contracts with community and business organizations for outreach that include interpretation and translation services.

**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).**

Outreach and enforcement will be key to effectiveness of this legislation. The Office of Labor Standards would be expected to publicly share information on these efforts on an [on-line, quarterly dashboard](#). The same metrics publicized for other local labor standards should apply here (e.g., number of inquiries, number of investigations, amount of remedies). With or without this legislation, the Office of Labor Standards also will continue to contract with community and business organizations to conduct measurable outreach and education efforts on worker rights and employer responsibilities.