

## SUMMARY and FISCAL NOTE\*

<b>Department:</b>	<b>Dept. Contact/Phone:</b>	<b>CBO Contact/Phone:</b>
Office of Labor Standards	Jeneé Jahn, 6-5426	Arushi Kumar, 4-0225

\* 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 transportation network company drivers; amending Section 14.32.040 of the Seattle Municipal Code to change the Transportation Network Company (TNC) coverage trip threshold; and amending the effective date of Ordinance 125976.

**Summary and background of the Legislation:** In November 2019, the City passed Ordinance 125971, creating Seattle Municipal Code Chapter 5.39, to generate revenue to invest in, among other things, a driver resolution center to provide services to TNC drivers. This ordinance imposes a tax on transportation network companies providing 1,000,000 or more trips per quarter or more on a per-trip basis. The ordinance went into effect on July 1, 2020.

In November 2019, the City passed the TNC Driver Deactivation Rights Ordinance (DRO), Ordinance 125976, creating Seattle Municipal Code Chapter 14.32, which provided deactivation rights to TNC drivers. The TNC Driver Deactivation Rights Ordinance (DRO) applies to TNCs providing more than 1 million trips per quarter and has a current effective date of October 1, 2020. The ordinance requires the Office of Labor Standards (OLS) to engage in administrative rulemaking, contract with neutral arbitrator(s) who will perform deactivation arbitration proceedings, and contract with a Driver Resolution Center (DRC) to represent drivers in deactivation proceedings as well as conduct outreach and education. As set forth in the fiscal note for the ordinance, the DRC and OLS implementation costs are to be funded through the TNC tax, SMC 5.39.

*Amendment to Effective Date.* Because the TNC tax applies only to TNCs who provide more than 1 million trips per quarter, projected revenues have been severely reduced due the COVID-19-related drop in TNC trip volume. By way of illustration, trips fell from 6.8 million in Quarter 2 2019 to 811,950 in Quarter 2 2020. In the first quarter since the tax's effective date, there have been no qualifying taxpayers and no revenue generated. Due to the lack of funding, OLS will be unable to implement the DRO by October 1, 2020. The revenue shortfall and the infeasibility of the effective date necessitates a change to the effective date of the ordinance to account for the slower generation and inherent uncertainty of revenue generation. The ordinance delays the effective date until July 1, 2021 provided the City Budget Office has certified to the City Clerk that the City has collected sufficient revenues under Chapter 5.39 of the Seattle Municipal Code to fund the implementation of this ordinance. If the City Budget Office has not filed such certification by July 1, 2021, the ordinance will take effect 60 days following such certification.

*Amendment to TNC Coverage Trip Threshold.* Given the significant drop in trips and the anticipate gradual trip recovery, a change in the trip threshold for TNC coverage is needed to effect the purpose of this ordinance. The amendment alters the trip threshold from “more than 1,000,000 trips” to “200,00 or more trips” in the last quarter. This trip threshold matches the recently transmitted TNC Minimum Compensation Ordinance and the companion amendments seen in the TNC Tax, SMC 5.39.

## 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?

No. The amendments do not have financial impacts to the City of Seattle.

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

Due to the impacts of COVID-19 on capacity and funding, the City is unable to implement the ordinance by the current effective date, including rulemaking, contracting with one or more neutral arbitrators to conduct arbitration proceedings, and contracting with the Driver Resolution Center. Should this legislation not be implemented, OLS would be required to complete rulemaking and contract with neutral arbitrator(s), but would be without the necessary funding and capacity to do so. Further, while contracting with a DRC is permissive, core goals of the ordinance would be unrealized if the City does not contract with the DRC. Accordingly, failure to amend the ordinance would result in significant statutory and financial obligations that OLS would not be resourced to complete.

## 4. OTHER IMPLICATIONS

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

No.

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?**

The amendments allow for sufficient time and revenue generation to implement this ordinance. The underlying ordinance establishes deactivation rights for TNC drivers. TNCs represent that their business models rely on TNC drivers being classified as independent contractors, and that they are exempt from existing minimum labor standards established by federal, state, and local law. In 2018, the King County Department of Licensing issues 31,676 TNC driver permits. A large number of those drivers are immigrants and people of color who have taken on debt or invested their savings to purchase and/or lease vehicles to provide TNC services. TNC drivers are subject to TNC companies' policies that can be unilaterally changed so they can be deactivated or terminated for a variety of reasons. The TNCs frequently deactivate drivers with limited review of those deactivations. Establishing a reasonable standard for the deactivations of TNC drivers as well as cost-free access to an arbitration process in which unwarranted deactivations may be challenged will help ensure that thousands of drivers, particularly drivers who are immigrants or people of color, and who provide vital transportation services in Seattle will be able to enjoy a small measure of job security. The ordinance requires that notices that are provided by OLS be made available in "English and other languages."

OLS has extensive experience developing materials in other languages and working with community partners to ensure that translations are appropriate for the particular demographic groups in impacted communities. OLS intends to provide translations based on the specific demographics of the TNC driver community, as established through available data and consultation with driver and community-based organizations. Further, through the request for proposal process, OLS is committed to ensuring that the DRC provides its services in an accessible manner.

**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).**

N/A

**List attachments/exhibits below:**

N/A