

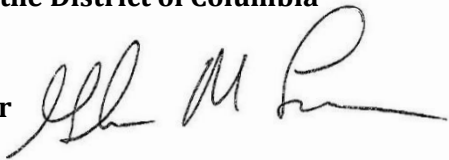
Government of the District of Columbia
Office of the Chief Financial Officer



Glen Lee
Chief Financial Officer

MEMORANDUM

TO: The Honorable Phil Mendelson
Chairman, Council of the District of Columbia

FROM: Glen Lee
Chief Financial Officer 

DATE: January 16, 2024

SUBJECT: Fiscal Impact Statement – Restaurant Revitalization and Dram Shop Clarification Amendment Act of 2023

REFERENCE: Bill 25-56, Draft Committee Print as provided to the Office of Revenue Analysis on January 10, 2024

Conclusion

Funds are not sufficient in the fiscal year 2024 through fiscal year 2027 budget and financial plan to implement the bill. The bill has one-time costs of \$600,000 in fiscal year 2025.

Background

The bill makes several changes and clarifications to the laws concerning establishments selling alcohol and the regulation of third-party meal delivery services. Specifically, the bill:

- Allows alcoholic establishments¹ to obtain a manager's license endorsement from the Alcoholic Beverage and Cannabis Administration (ABCA) for an annual fee of \$390. This endorsement allows establishments to register up to five employees as managers. Additional managers may be added to the endorsement at the cost of \$130 for each employee manager position.
- Clarifies² that an establishment licensed to sell alcoholic beverages can only be held civilly liable for an injury or damages when it knowingly serves, sells, or delivers an alcoholic beverage to a person under 21 or a person who is intoxicated.

¹ Manufacturers licensed as class A, B, or C or retailers licensed as class A, B, C/R D/R, C/H, D/H, C/T, D/T, C/N, D/N, C/X, D/X, C/B and D/B.

² By amending Title 25 of the District of Columbia Official Code.

- Limits³ civil actions against establishments knowingly selling alcohol to persons under 21 or a person who is intoxicated. A civil action may be brought by an injured person or the injured person's legal representative when the sale, service, or delivery of an alcoholic beverage is the proximate cause of a person's injury or damage.
- Requires⁴ that restaurants allow food delivery workers to use restroom facilities when performing delivery or pickup service at a restaurant.
- Requires⁵ third-party meal delivery platforms to not exclude restaurants from search results of a customer located within four miles of a restaurant.
- Requires⁶ third-party meal delivery platforms to not reduce the delivery radius of any restaurant below four miles based on the level or percentage of commissions paid.
- Prohibits⁷ third-party meal delivery platforms from reducing the number of delivery drivers available to deliver an online order from a restaurant with whom the service has a contract agreement.
- Requires⁸ third-party meal delivery platforms to disclose to restaurants any fees, commissions, and charges associated with a contracted services agreement.
- Requires⁹ the Mayor to issue a study on the working conditions for food delivery workers and issue a report to the Council no later than July 1, 2025. The study must include an examination of workers' pay, benefits, hours, and other working conditions; workers' expenses and equipment requirements; data on trip mileage and workers' acceptance of trip assignments; and worker demand for a portable benefits system.

The bill also requires¹⁰ the Mayor to conduct a public awareness campaign on the elimination of the tipped minimum wage¹¹ no later than 180 days after October 1, 2024. The District of Columbia's tipped minimum wage is paid by employers to employees who receive tips and is set to be phased out gradually each year through wage increases until July 1, 2027. The campaign must communicate to consumers and businesses what to expect during the tipped minimum wage phase-out, including changes to existing practices and an explanation of service charges.¹² The bill also prohibits service charges from being included in calculating total sales to calculate rent payable for leased commercial property.

³ Id.

⁴ By amending the Fair Meals Delivery Act of 2022, effective March 10, 2023 (D.C. Law 24-292; D.C. Official Code § 48-651 et seq.).

⁵ Id.

⁶ Id.

⁷ Id.

⁸ Id.

⁹ Id.

¹⁰ By amending the Tipped Wage Workers Fairness Amendment Act of 2018, effective December 13, 2018 (D.C. Law 22-196; D.C. Official Code passim).

¹¹ Pursuant to the District of Columbia Tip Credit Elimination Act of 2022, effective February 23, 2023 (D.C. Law 24-281; D.C. Official Code § 32-1003).

¹² Service charges are mandatory fees paid as a percentage of the total cost of the food or beverages and are used to pay base wages or tips of the employees.

The Honorable Phil Mendelson

FIS: Bill 25-56, "Restaurant Revitalization and Dram Shop Clarification Amendment Act of 2024," Draft Committee Print as provided to the Office of Revenue Analysis on January 10, 2024

Financial Plan Impact

Funds are not sufficient in the fiscal year 2024 through fiscal year 2027 budget and financial plan to implement the bill. The bill will cost \$350,000 in the fiscal year 2025 to conduct a study on the working conditions of food delivery workers and \$250,000 in fiscal year 2025 to conduct a public awareness campaign on the elimination of the tipped minimum wage. The total cost of implementing the bill is \$600,000 in fiscal year 2025.

The Department of Employment Services (DOES) requires additional funding to contract with a vendor to complete the study of working conditions for food delivery workers. The cost of completing the study in fiscal year 2025 is \$350,000. The Deputy Mayor for Planning and Economic Development (DMPED) requires \$250,000 in fiscal year 2025 to contract with a vendor to conduct a public awareness campaign on the elimination of the tipped minimum wage. The total cost of implementing the bill is \$600,000 in fiscal year 2025.

Bill 25-56, Restaurant Revitalization and Dram Shop Clarification Amendment Act of 2023					
Total Cost					
	FY 2024	FY 2025	FY 2026	FY 2026	Total
DOES Contract	\$0	\$350,000	\$0	\$0	\$350,000
DMPED Contract	\$0	\$250,000	\$0	\$0	\$250,000
Total	\$0	\$600,000	\$0	\$0	\$600,000

The provisions in the bill pertaining to the manager's license endorsement, civil liability of establishments selling alcohol, and regulation of third-party meal delivery platforms have no cost. ABCA can implement the manager's license endorsement with existing resources, and impacts on licensing fee revenue are expected to be de minimis. The Office of the Attorney General is already responsible for enforcing third-party meal delivery platform compliance with District law.