

## Department of Planning and Budget 2020 Fiscal Impact Statement

**1. Bill Number:** SB7

**House of Origin**    ☐ Introduced    ☒ Substitute    ☐ Engrossed  
**Second House**    ☐ In Committee    ☐ Substitute    ☐ Enrolled

**2. Patron:** Saslaw

**3. Committee:** Commerce and Labor

**4. Title:** Minimum wage; increases to \$9.75 per hour effective July 1, 2020.

**5. Summary:** This bill increases the minimum wage from its current federally mandated level of \$7.25 per hour to \$9.75 per hour, effective July 1, 2020; to \$10.75 per hour, effective July 1, 2021; to \$11.75 per hour, effective July 1, 2022 and thereafter, if the employer offers health benefits to the employee or unless a higher minimum wage is required by the federal Fair Labor Standards Act (FLSA). If the employer does not offer health benefits to the employee, the bill increases the minimum wage to \$12.75 per hour, effective July 1, 2023; to \$14.00 per hour, effective July 1, 2024; and to \$15.00 per hour, effective July 1, 2025, unless a higher minimum wage is required by the federal Fair Labor Standards Act (FLSA).

The bill requires that a training wage of not less than 75 percent of the minimum wage rate otherwise set pursuant to this bill may be paid to an employee who is enrolled in an established employer on-the-job or other training program which meets standards set by regulations adopted by the Commissioner of Labor and Industry.

The bill includes home care providers in the definition of employee and provides the definition of home care providers.

The bill requires the Virginia Economic Development Partnership (VEDP) to review the potential impact or consequences of instituting a regional minimum wage in the Commonwealth. VEDP is to complete its meetings by November 30, 2020, and submit to the General Assembly and the Governor an executive summary and a report of its findings and recommendations. The executive summary and report will be submitted as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents and reports no later than the first day of the 2021 Regular Session of the General Assembly and will be posted on the General Assembly's website.

**6. Budget Amendment Necessary:** Yes, HB30/SB30, Item 120 (Department of Labor and Industry); Item 477 (Central Appropriations), and Item 313 (Department of Medical Assistance Services). See Item 8, below.

**7. Fiscal Impact Estimates:** Preliminary. See Item 8.

**Expenditure Impact: Department of Labor and Industry:**

<i><b>Fiscal Year</b></i>	<i><b>Dollars</b></i>	<i><b>Positions</b></i>	<i><b>Fund</b></i>
2020	N/A	N/A	N/A
2021	\$515,231	5	GF
2022	\$515,231	5	GF
2023	\$515,231	5	GF
2024	\$515,231	5	GF
2025	\$515,231	5	GF
2026	\$515,231	5	GF

**Expenditure Impact: Central Appropriations:**

<i><b>Fiscal Year</b></i>	<i><b>Dollars</b></i>	<i><b>Fund</b></i>
2020	N/A	N/A
2021	\$3,215,516	GF
	\$3,854,924	NGF
2022	\$5,624,313	GF
	\$5,749,846	NGF
2023	\$9,574,401	GF
	\$8,862,987	NGF
2024	\$12,656,311	GF
	\$11,056,387	NGF
2025	\$17,229,295	GF
	\$14,662,940	NGF
2026	\$21,230,116	GF
	\$18,044,860	NGF

\*In Central Appropriations, no appropriation is provided for the nongeneral fund portion.

**Expenditure Impact: Department of Medical Assistance Services:**

*Health Benefits Offered By Employers*

<i><b>Fiscal Year</b></i>	<i><b>Dollars</b></i>	<i><b>Fund</b></i>
2020	N/A	N/A
2021	\$8,783,226	GF
	\$9,178,583	NGF
2022	\$34,847,640	GF
	\$36,485,293	NGF
2023	\$63,791,657	GF
	\$66,741,261	NGF
2024	\$86,104,664	GF
	\$89,795,759	NGF
2025	\$115,213,744	GF
	\$119,781,019	NGF
2026	\$139,860,731	GF
	\$145,167,602	NGF

**Expenditure Impact: Department of Medical Assistance Services:**

*Health Benefits Not Offered By Employers*

<b><i>Fiscal Year</i></b>	<b><i>Dollars</i></b>	<b><i>Fund</i></b>
2020	N/A	N/A
2021	\$8,783,226	GF
	\$9,178,583	NGF
2022	\$34,847,640	GF
	\$36,485,293	NGF
2023	\$63,791,657	GF
	\$66,741,261	NGF
2024	\$100,737,328	GF
	\$105,111,207	NGF
2025	\$153,710,248	GF
	\$159,945,669	NGF
2026	\$198,859,362	GF
	\$206,666,869	NGF

**Resource Impact: Alcoholic Beverage Control Authority:**

<b><i>Fiscal Year</i></b>	<b><i>Dollars</i></b>	<b><i>Fund</i></b>
2020	N/A	N/A
2021	N/A	N/A
2022	(\$2,466)	GF
2023	(\$901,286)	GF
2024	(\$1,905,297)	GF
2025	(\$3,239,719)	GF
2026	(\$3,334,537)	GF

- 8. Fiscal Implications:** This fiscal impact statement is based on preliminary data and information collected to date, which remains incomplete, and will be revised to reflect additional information as it becomes available.

**Department of Labor and Industry**

The first table above reflects the bill's anticipated impact to the Department of Labor and Industry (DOLI) for costs related to enforcing the provisions of this bill.

The federal Department of Labor's Wage and Hour Division enforces the federal minimum wage laws. If the minimum wage in Virginia is raised above the federal minimum wage, the Labor Law Division in DOLI would have to begin enforcing the new minimum wage for Virginia employees beginning July 1, 2020.

Due to federal oversight of almost all employees in the state, the federal Department of Labor's Wage and Hour Division conducts inspections of alleged violations of the minimum wage laws and averages about 750 inspections per year. If this bill is enacted and increases the minimum wage above the federal mandate, the Commonwealth will be responsible for minimum wage compliance. DOLI anticipates it will have to conduct the same number of inspections as the federal Department of Labor's Wage and Hour Division (750 inspections per year). In order to

meet this workload, DOLI will need five additional staff to enforce the increased minimum wage (four additional officer positions to conduct inspections and one assistant compliance officer to assist and support the inspection activities), as U.S. Department of Labor will no longer be primarily responsible for conducting these investigations. DOLI's impact is for regulatory enforcement of the bill. Potential fiscal impacts are not available for any costs resulting from enforcement of the bill's provisions that change the training wage. If additional information becomes available, the fiscal impact statement will be revised to reflect this additional information.

The bill amends the definition of employer to include the Commonwealth, any of its agencies, institutions, or political subdivisions, and any public body. This impact estimate assumes the provisions of this bill will apply to persons employed or supported by the Commonwealth.

### **Central Accounts – State Agency Impact**

The second table above reflects the anticipated impact to state agencies based on the number of salaried employees and wage positions reflected in the Commonwealth's Personnel Management Information System (PMIS). The information in the table does not reflect any raises that have occurred since this data was obtained nor does it reflect any raises that may go into effect at a later date. PMIS data do not include information for certain state agencies, some authorities, and institutions of higher education that do not report personnel data in PMIS; therefore, this estimate does not include potential impacts to these and other state entities that do not report personnel data in PMIS. Examples include salary data for the Judicial and Legislative agencies as well as the Virginia Port Authority, Virginia Tourism Authority, Virginia Economic Development Partnership, and the University of Virginia Medical Center. It also does not include wage data for the community colleges, Longwood University, the University of Mary Washington, Radford University, and Christopher Newport University. Additionally, any fiscal impact to higher education institutions for student workers who are employed as part of an institution's work study program are unavailable. If information regarding the anticipated fiscal impacts to these agencies, authorities, and institutions becomes available, the fiscal impact statement will be revised to reflect this additional information.

Based on data provided by the Department of Human Resource Management, the minimum wage increase that would be effective on July 1, 2020, would have a total expenditure impact of approximately: \$7.07 million (from both general and nongeneral fund sources) in FY 2021; \$11.37 million (from both general and nongeneral fund sources) in FY 2022; \$18.44 million (from both general and nongeneral fund sources) in FY 2023; \$23.71 million (from both general and nongeneral fund sources) in FY 2024; \$31.89 million (from both general and nongeneral fund sources) in FY 2025; and \$39.27 million (from both general and nongeneral fund sources) in FY 2026. For these estimates, all applicable costs for salaried employees have been calculated using the wage rate applicable to employees with health insurance since salaried employees are offered health insurance coverage, while costs for applicable wage employees are estimated using the rates for employees without health insurance since it is the policy of the Commonwealth to not offer health insurance coverage to wage employees. The additional benefit costs that would result from a minimum wage increase are included in these estimates.

These are preliminary estimates for current state employees and do not account for any salary or wage increases that have been implemented since the PMIS data were obtained or that may go into effect in the future. The proposed minimum wage adjustment would impact the state salary structure, and may result in additional future costs to mitigate compression, and address occupational and employee alignment. Budget amendments would be needed to adjust the general fund transfers and appropriations to reflect the bill's general fund impact; agencies supported in part or in whole from nongeneral fund sources would be responsible for providing support for their respective nongeneral fund portions.

### **Department of Medical Assistance Services**

Raising the minimum wage in the Commonwealth also impacts the Department of Medical Assistance Service's (DMAS) expenditures because it increases the rates paid for attendant care providers, home and community based waiver services, and other provider types that currently receive rates at or near minimum wage. In addition to these direct effects, DMAS has identified adult day health care, in-home residential care, community engagement, and group day support as services that will require rate increases to keep the services viable, as the rates for these services are benchmarked against providers that currently receive wages near minimum wage. In summary, DMAS identified five main areas in which rates would increase based on this bill. Those areas include: 1) attendant care, 2) adult day health care, 3) in-home residential care, 4) community engagement, and 5) day support.

The provisions of the SB 7 substitute bifurcate the minimum wage beginning in FY 2024. Those employees offered health care coverage by their employer would continue to receive a minimum wage of \$11.75. However, for those employees who are not offered coverage from their employer, the minimum wage rate increases to \$12.75 in FY 2024, \$14.00 in FY 2025 and \$15.00 in FY 2026. While it is assumed that consumer directed personal care attendants are not offered health insurance from their employer (i.e. the Medicaid recipient), such an assumption cannot necessarily be made for other Medicaid providers. DMAS cannot yet determine what the minimum wage would be for those providers beginning in FY 2024 as there is not sufficient information available. Therefore, the following analysis provides two scenarios under each area. The first table under each area (Health Benefits Offered) reflects a lower dollar estimate where it is assumed that all employees, except consumer directed attendants, are offered health care by their employers and the minimum wage remains at \$11.75 after July 1, 2022, for all Medicaid providers. The second table (Health Benefits Not Offered) under each area assumes that no employer offers health insurance and the minimum wage continues to increase each year after FY 2023. It is assumed that the ultimate rate paid by DMAS for the identified services would fall somewhere in between estimates.

#### **Attendant Care**

Consumer-directed attendants are currently paid \$9.40 an hour outside of Northern Virginia and \$12.17 an hour in Northern Virginia. Agency-directed attendants are paid similar amounts. DMAS assumes their rates would be similarly impacted. Attendant care includes personal care, respite, and companion care authorized through the home and community based waivers and through Early and Periodic Screening, Diagnostic, and Treatment (EPSDT). The majority of the hours are paid through the Commonwealth Coordinated Care Plus (CCC Plus) program, with

fewer paid through fee-for-service. DMAS expects to pay for more than 30 million hours of agency directed care and more than 40 million hours of consumer directed care in FY 2021 through base Medicaid (program 456), Medicaid Expansion (program 45611), and the Medicaid-Children's Health Insurance Program (CHIP) hybrid program (M-CHIP program 466). In addition to the hourly rate, DMAS pays a 10 percent tax for typical employer responsibilities of social security.

#### *Health Benefits Offered*

Consumer Directed Attendant Care				
	General Fund	Federal	Special	Total Funds
SFY21	\$5,886,295	\$6,059,978	\$18,866	\$11,965,139
SFY22	\$23,354,159	\$24,081,705	\$79,401	\$47,515,265
SFY23	\$41,995,051	\$43,303,312	\$142,777	\$85,441,140
SFY24	\$63,339,690	\$65,259,877	\$209,484	\$128,809,051
SFY25	\$92,338,251	\$95,041,520	\$294,774	\$187,674,545
SFY26	\$116,873,822	\$120,236,970	\$366,641	\$237,477,433
Agency Directed Attendant Care				
	General Fund	Federal	Special	Total Funds
SFY21	\$2,896,931	\$3,079,576	\$20,162	\$5,996,669
SFY22	\$11,493,481	\$12,241,511	\$82,676	\$23,817,668
SFY23	\$20,667,381	\$22,012,477	\$148,667	\$42,828,525
SFY24	\$21,530,736	\$22,932,022	\$154,877	\$44,617,635
SFY25	\$21,638,390	\$23,046,682	\$155,651	\$44,840,723
SFY26	\$21,746,582	\$23,161,915	\$156,430	\$45,064,927

\*SFY refers to state fiscal year

#### *Health Benefits Not Offered*

Consumer Directed Attendant Care				
	General Fund	Federal	Special	Total Funds
SFY21	\$5,886,295	\$6,059,978	\$18,866	\$11,965,139
SFY22	\$23,354,159	\$24,081,705	\$79,401	\$47,515,265
SFY23	\$41,995,051	\$43,303,312	\$142,777	\$85,441,140
SFY24	\$63,339,690	\$65,259,877	\$209,484	\$128,809,051
SFY25	\$92,338,251	\$95,041,520	\$294,774	\$187,674,545
SFY26	\$116,873,822	\$120,236,970	\$366,641	\$237,477,433
Agency Directed Attendant Care				
	General Fund	Federal	Special	Total Funds
SFY21	\$2,896,931	\$3,079,576	\$20,162	\$5,996,669
SFY22	\$11,493,481	\$12,241,511	\$82,676	\$23,817,668

SFY23	\$20,667,381	\$22,012,477	\$148,667	\$42,828,525
SFY24	\$33,920,590	\$35,929,688	\$221,649	\$70,071,927
SFY25	\$54,409,044	\$57,301,585	\$318,373	\$112,029,002
SFY26	\$71,856,633	\$75,494,636	\$399,971	\$147,751,241

\*SFY refers to state fiscal year

### **Adult Day Health Care**

Adult day health care is paid by the day and is provided in a group setting. The current wage for the individual adult day health wage employee is \$15.55 in Northern Virginia and \$11.53 in the rest of the state. Benchmark rates for this service are built on wage earners being paid for nine hours each day and serving five members at the same time. Based on these benchmarks, DMAS estimates a dollar increase in wages will lead to an increase of \$1.80 daily in rates (\$1 dollar \* 9 hours per day / 5 members with paid claims).

#### *Health Benefits Offered*

Adult Day Health Care				
	General Fund	Federal	Special	Total Funds
SFY21	\$0	\$0	\$0	\$0
SFY22	\$0	\$0	\$0	\$0
SFY23	\$18,829	\$18,988	\$18	\$37,835
SFY24	\$22,898	\$23,091	\$21	\$46,010
SFY25	\$25,763	\$25,981	\$24	\$51,768
SFY26	\$28,988	\$29,232	\$27	\$58,247

\*SFY refers to state fiscal year

#### *Health Benefits Not Offered*

Adult Day Health Care				
	General Fund	Federal	Special	Total Funds
SFY 21	\$0	\$0	\$0	\$0
SFY22	\$0	\$0	\$0	\$0
SFY23	\$18,829	\$18,988	\$18	\$37,835
SFY24	\$119,198	\$120,203	\$112	\$239,512
SFY25	\$278,310	\$280,657	\$261	\$559,228
SFY26	\$447,366	\$451,139	\$419	\$898,924

\*SFY refers to state fiscal year

### **In-Home Residential**

In-home residential care is provided to an individual member enrolled in the Community Living or Family and Individual Support (FIS) waivers on an hourly basis. Providers earn \$13.53 in Northern Virginia and \$10.87 in the rest of state. Unlike rates for care provided in a group

setting, DMAS assumes a one to one impact of wage increases, so \$1.00 wage increase would increase DMAS paid rates by \$1.00.

#### *Health Benefits Offered*

In-home Residential				
	General Fund	Federal	Special	Total Funds
SFY21	\$0	\$0	\$0	\$0
SFY22	\$0	\$0	\$0	\$0
SFY23	\$1,110,395	\$1,114,559	\$463	\$2,225,417
SFY24	\$1,211,340	\$1,215,883	\$505	\$2,427,727
SFY25	\$1,211,340	\$1,215,883	\$505	\$2,427,727
SFY26	\$1,211,340	\$1,215,883	\$505	\$2,427,727

\*SFY refers to state fiscal year

#### *Health Benefits Not Offered*

In-home Residential				
	General Fund	Federal	Special	Total Funds
SFY21	\$0	\$0	\$0	\$0
SFY22	\$0	\$0	\$0	\$0
SFY23	\$1,110,395	\$1,114,559	\$463	\$2,225,417
SFY24	\$2,473,152	\$2,482,427	\$1,031	\$4,956,610
SFY25	\$4,227,223	\$4,243,675	\$1,828	\$8,472,726
SFY26	\$5,775,957	\$5,799,602	\$2,627	\$11,578,185

\*SFY refers to state fiscal year

### **Community Engagement**

Community engagement is a service for authorized members in the Developmentally Disabled waivers program and is paid hourly and in a group setting. There are eight rates: four tiers of care each with different rates for Northern Virginia and for the rest of the state. Rates are developed based on different numbers of members within each group according to the tier, from 2.64 members per staff for tier one to 1.32 members per staff for tier four. Based on historical utilization in the tiers and assuming distribution across claims, \$1.00 in wage increases would result in an average rate increase of \$0.53 in Northern Virginia and \$0.52 in the rest of state. DMAS expects over 1.2 million hours paid per year for community engagement services.

#### *Health Benefits Offered*

Should all Medicaid providers of community engagement services offer health benefits, then the minimum wage increases proposed in the legislation are not expected to have any impact on rates paid for community engagement services through FY 2026.



### *Health Benefits Not Offered*

Community Engagement				
	General Fund	Federal	Special	Total Funds
SFY 21	\$0	\$0	\$0	\$0
SFY22	\$0	\$0	\$0	\$0
SFY23	\$0	\$0	\$0	\$0
SFY24	\$169,930	\$170,081	\$17	\$340,028
SFY25	\$472,013	\$472,427	\$46	\$944,485
SFY26	\$762,130	\$762,766	\$71	\$1,524,967

\*SFY refers to state fiscal year

### **Day Support**

Day support or group day support, is a service for authorized members in the Developmentally Disabled waivers program and is paid hourly and in a group setting. There are eight rates: four tiers of care each with different rates for Northern Virginia and for the rest of the state. Rates are developed based on different numbers of members within each group according to the tier, from 7.0 members per staff for tier one to 2.0 members per staff for tier four. Based on historical utilization in the tiers and assuming distribution across claims, \$1.00 in wage increases would result in an average rate increase of \$0.36 in Northern Virginia and \$0.34 in the rest of state. DMAS expects approximately 7.5 million hours paid per year for day support services.

### *Health Benefits Offered*

Should all Medicaid providers of day support services offer health benefits, then the minimum wage increases proposed in the legislation are not expected to have any impact on rates paid for day support services through FY 2026.

### *Health Benefits Not Offered*

Day Support				
	General Fund	Federal	Special	Total Funds
SFY 21	\$0	\$0	\$0	\$0
SFY22	\$0	\$0	\$0	\$0
SFY23	\$0	\$0	\$0	\$0
SFY24	\$714,768	\$716,452	\$187	\$1,431,407
SFY25	\$1,985,407	\$1,990,012	\$512	\$3,975,930
SFY26	\$3,143,454	\$3,151,170	\$857	\$6,295,482

\*SFY refers to state fiscal year

### **DMAS Summary**

### *Health Benefits Offered*

	General Fund	Federal	Special	Total Funds
SFY21	\$8,783,226	\$9,139,554	\$39,028	\$17,961,808
SFY22	\$34,847,640	\$36,323,217	\$162,077	\$71,332,933
SFY23	\$63,791,657	\$66,449,337	\$291,924	\$130,532,917
SFY24	\$86,104,664	\$89,430,872	\$364,887	\$175,900,423
SFY25	\$115,213,744	\$119,330,065	\$450,954	\$234,994,764
SFY26	\$139,860,731	\$144,644,000	\$523,603	\$285,028,334

\*SFY refers to state fiscal year

### *Health Benefits Not Offered*

	General Fund	Federal	Special	Total Funds
SFY 21	\$8,783,226	\$9,139,554	\$39,028	\$17,961,808
SFY22	\$34,847,640	\$36,323,217	\$162,077	\$71,332,933
SFY23	\$63,791,657	\$66,449,337	\$291,924	\$130,532,917
SFY24	\$100,737,328	\$104,678,728	\$432,479	\$205,848,535
SFY25	\$153,710,248	\$159,329,875	\$615,794	\$313,655,917
SFY26	\$198,859,362	\$205,896,282	\$770,587	\$405,526,231

\*SFY refers to state fiscal year

The above estimated impacts on DMAS are based on projected utilization of services and proposed rate increases for the stated providers. DMAS assumes that utilization grows consistent with current data trends and as such includes an annual utilization inflation factor where appropriate. The services outlined above currently have a differential between Northern Virginia and the rest of the state. As the agency could not find a requirement that those differentials be maintained, no differential adjustment was included in this analysis. Maintaining differentials would have additional costs not estimated here. In addition, most of the stated services have rates based on benchmarks. Should overall costs increase with only the identified rates being adjusted for the minimum wage, a rate's percentage of benchmark may drop. As such, maintaining current benchmarking also may increase costs.

DMAS further notes that upward pressure on other rates may occur in addition to those estimated above. Moreover, other services, such as some within behavioral health and nursing facilities, also have wage employees with rates below the required minimum wage. However, these services were not included in the DMAS estimates. Other providers, including nursing facilities, hospitals and non-emergency transportation providers, may face increased costs for low-wage workers, especially as the minimum wage approaches \$15.00 per hour. Both institutional and transportation providers may seek rate increases outside of the regulatory rate adjustment periods to compensate for these higher costs. Direct evidence of this potential cost pressure comes from the annual DMAS Nursing Facility Wage Survey. Certified nursing assistants (CNAs) provide the majority of nursing care. The calendar year 2018 nursing facility wage survey indicates that

the median hourly wage for CNAs is \$14.29. In 2018, 20 percent of nursing facilities have an average wage lower than \$13.05.

In addition to the costs associated with increased rates, eligibility for Medicaid and CHIP is subject to income requirements. Raising the minimum wage may have an effect on the household income of members. As household income increases, some members will move from base Medicaid to a CHIP program, either Family Access to Medical Insurance Security (FAMIS) or M-CHIP or from base Medicaid to expansion. Additionally, other members in Medicaid, CHIP or in expansion may become ineligible for any program. Movement of people from Medicaid to CHIP or expansion or to no longer covered, would save general fund dollars. The state share of base Medicaid is 50 percent, the state share of CHIP will be 35 percent as of October 2020, and the state share of Medicaid expansion is 10 percent (paid by provider assessment). These savings are not estimated because DMAS does not have the required income and employment information to make a valid estimate of how many people this would affect.

The substitute bill also includes language that defines home care providers and adds them to the definition of “employee.” The fiscal implications of these changes has not yet been determined. However, should anything in the proposal serve to extend additional benefits or considerations to home care providers, then additional costs may be incurred by the Commonwealth.

### **Alcoholic Beverage Control (ABC)**

Any expenditure impact of this legislation to the Alcoholic Beverage Control (ABC) Authority will result in a corresponding decrease in ABC profits transferred to the general fund. ABC indicates that this bill will result in an expenditure impact of \$2,466 in FY 2022, \$901,286 in FY 2023, \$1.90 million in FY 2024, \$3.23 million in FY 2025, and \$3.33 million in FY 2026. These expenditure increases are anticipated to reduce general fund resources by the same amount.

### **Other Potential Impacts**

The Department of Social Services (DSS) indicates that an increase in the minimum wage may create cost savings related to Medicaid, SNAP, and TANF because fewer people likely would be eligible for these programs. Many families on SNAP and Medicaid currently have some earnings and an increase in the minimum wage may push some of these families over the income threshold for program participation. The savings for SNAP will be related to the eligibility determination and case management workload; SNAP benefits are 100 percent federal and are not appropriated at the state level. The savings at DSS for Medicaid will be related both to eligibility determination and case management. For TANF, some TANF participants that work part time may exit the program more quickly. Finally, the increase could generate increased revenue for the child support enforcement program for collections from noncustodial parents who are affected by the wage increase.

This bill may have fiscal impacts on state agencies that fund state-supported local employees. Any such costs are indeterminate; however, the most recent data from the Department of Social Services (DSS) indicates that there are currently employees at local departments of social services (LDSSs) whose hourly rates are below the amounts provided in the bill. The costs to

increase the wages of this population, as prescribed by the bill, can be found in the tables below. The introduced budget, HB/SB 30, provides an increase to local salary minimums and adds a three percent compression increase for local departments of social services. These estimates assume that the increases provided in the introduced budget are maintained. If these provisions are removed from HB/SB 30, the costs associated with raising wages for local departments of social services employees will be higher.

The table below assumes that all employees, including part-time employees, at local departments of social services are offered health benefits; therefore, after FY 2023, the general fund and nongeneral fund costs will continue at the same level. If localities do not offer all employees health benefits, it will result in an additional impact and require an increase in funding.

Local departments of social services employees - total cost of the increases through July 1, 2022						
FY 2021	FY 2022	FY 2023	FY 2021- FY2023 General Fund Impact	FY 2021-FY 2023 Nongeneral Fund Impact	FY 2021- FY2023 Local Impact	FY 2021- FY2023 Total Impact
\$5,269.24	\$7,997.03	\$30,003.38	\$14,928.03	\$21,634.83	\$6,706.80	\$43,269
Number of Employees: 491						

In addition to the local departments of social services funded through the Virginia Department of Social Services, other agencies that fund state-supported local government employees include the Department of Juvenile Justice (DJJ) and the State Compensation Board (SCB). DJJ supports court services unit staff, and the SCB supports permanent positions in constitutional offices. Impact estimates to DJJ and SCB for affected employees are indeterminate. The Compensation Board does not establish specific wage levels for individuals or how local offices must use the funds received from the state. The funds are allocated as a lump-sum and can be reimbursed in whatever increments are expended by the local office each month up to the maximum budgeted amount.

Another area that receives state funds and may be impacted by this bill is public education, specifically wage labor and full-time positions that presently may or will be paid a wage lower than the prescribed minimum wage in the bill for the next and future biennia. Support positions such as bus drivers and janitorial staff may be impacted. Although any cost impact would initially fall directly on local governments, any increase in the costs of public education will translate into additional state support being required in the Direct Aid to Public Education budget in future biennia when costs are re-benchmarked. Those costs are indeterminate at this time; however, any increase in prevailing costs would not impact the re-benchmarking costs of public education until the 2022-2024 biennium.

This bill may have indeterminate fiscal implications on agencies that employ contractors for services such as security or custodial care to the extent that the contract prices are based on paying wages that are currently less than the minimum wage thresholds established in this bill. These indeterminate impacts also may include labor costs associated with capital outlay projects.

Additionally, this bill requires that a training wage of not less than 75 percent of the minimum wage rate otherwise set pursuant to this bill may be paid to an employee who is enrolled in an established employer on-the-job or other training program which meets standards set by regulations adopted by the Commissioner of Labor and Industry. Any fiscal implications this provision may have on such programs supported by or reimbursed by the Commonwealth is unknown at this time.

Finally, this bill requires the Virginia Economic Development Partnership to review the potential impact or consequences of instituting a regional minimum wage in the Commonwealth, and report its findings and recommendations to the General Assembly and the Governor. Any fiscal implications of this provision are not known at this time.

**9. Specific Agency or Political Subdivisions Affected:** Department of Labor and Industry; Department of Human Resource Management; Virginia Economic Development Partnership; all state agencies; local school divisions and local governments.

**10. Technical Amendment Necessary:** No.

**11. Other Comments:** HB 395 also modifies the minimum wage.