

Department of Planning and Budget 2022 Fiscal Impact Statement

1. **Bill Number:** HB1040

House of Origin Introduced Substitute Engrossed
Second House In Committee Substitute Enrolled

2. **Patron:** Scott, P.A.

3. **Committee:** Commerce and Energy

4. **Title:** Minimum wage; small employers.

5. **Summary:** Exempts employers that are individuals or entities with 10 or fewer employees from the state minimum wage requirements.

6. **Budget Amendment Necessary:** Yes, item 304 of HB30/SB30 as introduced.

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

7a. Expenditure Impact, Department of Medical Assistance Services:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>	<i>Dollars</i>	<i>Fund</i>
2023	(\$4,888,182)	GF	(\$5,434,977)	NGF
2024	(\$10,115,575)	GF	(\$11,288,412)	NGF
2025	(\$10,473,651)	GF	(\$11,688,005)	NGF
2026	(\$10,473,651)	GF	(\$11,688,005)	NGF
2027	(\$10,473,651)	GF	(\$11,688,005)	NGF
2028	(\$10,473,651)	GF	(\$11,688,005)	NGF

8. **Fiscal Implications:** *This revised fiscal impact statement reflects updated impact estimates from the Department of Medical Assistance Services.*

The Department of Labor and Industry currently enforces wage violations. While this bill would reduce the number of potential complaints, it is not anticipated that fewer inspectors would be needed. It is anticipated that the Department would have no fiscal impact from this bill.

According to the Department of Medical Assistance Services (DMAS), eligible individual Medicaid recipients are considered the employers of record under the consumer-directed model of care and typically employ 10 or fewer employees. Under current law, the Virginia minimum wage will rise to \$12.00 an hour on January 1, 2023. Further, Appropriation Act language (Item 313 SSSS. 4., Chapter 552, 2021 General Assembly, Special Session I) requires the introduced budget to include “appropriations to support additional rate increases for agency and consumer directed personal care, respite and companion services that reflect additional increases in the state minimum wage such that the rates: (i) maintain the existing

differential between the consumer-directed Rest-of-State rate above the state minimum wage; (ii) maintain the differential between the Northern Virginia and the Rest-of-State rate; and (iii) for agency-directed services are increased by the same percentage increase applied to consumer-directed services based on the prior provisions.” As such, the introduced budget includes a 1.6 percent rate increase for all consumer directed and agency directed personal care attendants starting January 1, 2023. The cost of this increase was estimated at \$10.3 million (\$4.9 million general fund) in FY 2023 (six months of costs) and \$21.4 million (\$10.1 million general fund) in FY 2024. Out year costs of the \$12.00 per hour increase is estimated at \$22.2 million (\$10.5 million general fund). Should the January 1, 2023 minimum wage increase be removed for these employees, the rate increase in the budget would no longer be necessary. As such, the appropriation provided in the introduced budget for this cost could be removed.

This analysis does not include any assumptions for out-year Medicaid costs as there is not sufficient information to generate such estimates at this time. However, any future minimum wage increase may necessitate higher personal attendant services rates. Further, other Medicaid providers, to the extent they utilize employees at or below the minimum wage, may face increased costs. Such higher costs could place upward pressure on provider rates.

9. Specific Agency or Political Subdivisions Affected: Department of Labor and Industry,
Department of Medical Assistance Services

10. Technical Amendment Necessary: No

11. Other Comments: None