

Department of Planning and Budget 2024 Session Fiscal Impact Statement

1. **Bill Number:** HB1

House of Origin Error! Bookmark not defined. Introduced Substitute
 Engrossed
Second House In Committee Substitute Enrolled

2. **Patron:** Ward

3. **Committee:** Passed both Houses.

4. **Title:** Minimum wage; increases wage to \$13.50 per hour effective January 1, 2025.

5. **Summary:** Increases the minimum wage from the current rate of \$12.00 per hour to \$13.50 per hour effective January 1, 2025, and to \$15.00 per hour effective January 1, 2026. The bill satisfies a reenactment clause included in Chapters 1204 and 1242 of the Acts of Assembly of 2020.

6. **Budget Amendment Necessary:** Yes, to Item 469 under Central Appropriations, Item 288 under the Department of Medical Assistance Services (DMAS), and Items under the State Compensation Board.

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

7a1. Expenditure Impact: Item 469, Central Appropriations

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2025	\$3,080,887	GF
	\$4,420,393	NGF
2026	\$11,382,699	GF
	\$14,585,629	NGF
2027	\$23,767,067	GF
	\$23,821,327	NGF
2028	\$29,263,326	GF
	\$28,843,163	NGF
2029	\$34,946,342	GF
	\$34,545,587	NGF
2030	\$40,863,105	GF
	\$39,944,590	NGF

7a2. Expenditure Impact: Item 288, DMAS

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2025	\$4,832,365	GF
	\$5,661,321	NGF
2026	\$59,021,897	GF
	\$69,197,274	NGF
2027	\$147,375,636	GF

	\$172,884,482	NGF
2028	\$199,987,492	GF
	\$234,765,146	NGF
2029	\$256,524,991	GF
	\$301,329,207	NGF
2030	\$311,895,003	GF
	\$366,622,703	NGF

7a3. Expenditure Impact: Items 60, 62, 63, 64, and 66 – State Compensation Board

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2025	\$185,234	GF
2026	\$1,041,709	GF
2027	\$1,847,274	GF
2028	\$1,817,763	GF
2029	\$2,668,693	GF
2030	\$2,600,266	GF

- 8. Fiscal Implications:** This bill increases the minimum wage from the current rate of \$12.00 per hour to \$13.50 per hour effective January 1, 2025, and to \$15.00 per hour effective January 1, 2026.

House and Senate approved amendments to the introduced budget, HB30/SB30, include \$3.1 million the first year and \$11.4 million the second year from the general fund to cover costs for state employees in Central Accounts, \$4.8 million the first year and \$59.0 million the second year from the general fund and \$5.7 million the first year and \$69.2 million the second year from nongeneral fund to the Department of Medical Assistance Services (DMAS), and \$185,234 the first year and \$1.0 million the second year from the general fund to the appropriate Item in the Compensation Board to implement the provisions of this bill.

Central Appropriations

The introduced budget, HB30/SB30, includes \$1.1 million the first year and \$3.3 million the second year from the general fund in Item 469, Central Appropriations, to support current minimum wage levels. The introduced budget also assumes a 3.84 percent increase in the minimum wage each January.

The table below provides the estimated cost to state agencies' due to increases in the Virginia minimum wage as proposed in the bill; the table in 7.a.1., above, reflects the amount of additional funding required in a budget amendment. The estimates are based on data pulled from the Commonwealth's Cardinal Human Capital Management (HCM) system and supplemented by data from certain public institutions of higher education who do not fully report wage employee data in HCM, for any employee that currently makes less than \$15.00 per hour or the annual salary equivalent of \$31,200.

Date/Wage	Equivalent salary	Fiscal Year	GF Central Impact	NGF Central Impact
January 1, 2025: \$13.50	\$28,080	2025	\$4,186,394	\$4,420,393
January 1, 2026: \$15.00	\$31,200	2026	\$14,719,557	\$14,585,629
January 1, 2027: \$15.58	\$32,406	2027	\$23,767,067	\$23,821,327
January 1, 2028: \$16.18	\$33,654	2028	\$29,263,326	\$28,843,163
January 1, 2029: \$16.80	\$34,944	2029	\$34,946,342	\$34,545,587
January 1, 2030: \$17.45	\$36,296	2030	\$40,863,105	\$39,944,590
January 1, 2031: \$18.18	\$37,814	2031	\$47,292,844	\$46,382,522

Please note that there may be employees that currently make between \$15.00 per hour and \$18.18 per hour that are not currently captured in these estimates. Actual costs may vary depending on the number of such employees and their wages/salaries. Nongeneral fund estimates are provided for reference, and agencies using nongeneral fund revenues to pay for such increases would need to ensure that they have sufficient revenue and cash available to implement the pay actions.

The amounts in the table reflect the total cost to move from the current minimum wage of \$12.00 per hour to the corresponding new minimum wage. As the introduced bill includes \$1.1 million the first year and \$3.3 million the second year from the general fund, the table in item 7.a.1. reflects the additional general fund appropriation required in a budget amendment to implement the provisions of this bill.

Department of Medical Assistance Services (DMAS)

It is anticipated that the provisions of this bill will impact the Department of Medical Assistance Service's (DMAS) expenditures through the cost of personal care services. Based on the nature of the services, DMAS must ensure wages paid to consumer directed attendants meet the minimum wage. However, Virginia has historically provided consistent rate increases to personal care regardless as to whether a member is provided service through an agency or consumer direction. In addition, while this legislation does not specifically contain such a provision, it is a policy of the Commonwealth to provide a differential for those members receiving services in northern Virginia. The initial estimate below provides the minimal cost if only providing a rate increase for consumer directed attendant care and no adjustment for a northern Virginia differential. This estimate is followed by the assumption that rates are applied to all personal care with a northern Virginia differential.

Attendants outside of northern Virginia currently receive \$13.34 an hour; attendants in northern Virginia earn \$17.27 an hour. DMAS estimates expenditures of \$741 million in FY

2025 for consumer directed care provided outside of northern Virginia and \$246 million for consumer directed care in northern Virginia. These amounts are expected to grow 2.3 percent per year. The bill would require increases for rates outside of northern Virginia of 1.2 percent January 1, 2025, and another 11.1 percent January 1, 2026. After the minimum wage reaches \$15.00 an hour, DMAS assumes 3.84 percent increases each year thereafter. With those increases, the minimum wage will reach \$17.45 on January 1, 2030, requiring rate increases for attendants providing consumer directed care to members in northern Virginia along with the rest of the state. To comply with the minimum wage, northern Virginia rates would need to be raised by 1.04 percent on January 1, 2030, and another 3.84 percent on January 1, 2031. Approximately 95 percent of attendant care is provided to Medicaid members in the base Medicaid program with the remainder through Medicaid Expansion and the Medicaid-Childrens Health Insurance Program hybrid program (M-CHIP). Base Medicaid is expected to receive federal funding of 50.99 percent of total expenditures after October 1, 2024. Under this approach, DMAS estimates the total cost associated with wages paid to consumer directed attendants to be \$3.7 million (\$1.7 million general fund) in FY 2025 and \$44.8 million (\$20.6 million general fund) in FY 2026.

Consumer directed attendant care provided outside of the northern Virginia region accounts for 35 percent of attendant care expenditures. The rest is provided through personal care agencies (53 percent) and through consumer direction in northern Virginia (12 percent). As noted above, attendant care rates have historically been adjusted without regard to whether the service was provided through agency or consumer direction. In addition, a northern Virginia differential has been maintained. As such, it is assumed that the minimum wage related rate increases would be applied to all attendant care with a northern Virginia differential. Under this approach, DMAS estimates statewide costs, including a northern Virginia differential, of \$10.5 million (\$4.8 million general fund) in FY 2025 and \$128.3 million (\$59.0 million general fund) in FY 2026. These are the amounts showing in item 7.a.2.

DMAS further notes that upward pressure on other rates will occur in addition to attendant care. While provider rates have been increased recently for other home and community based long term care and behavioral health services, some of these may have wage employees with rates below \$15.00 per hour and in time will need to be increased to keep pace with minimum wage increases and inflation. Other providers, including nursing facilities, hospitals, and non-emergency transportation providers, may face increased costs for low-wage workers, especially as the minimum wage reaches \$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.

State Compensation Board

The State Compensation Board (SCB) has identified that it will incur additional general fund cost associated with establishing the budget for each constitutional office. The minimum salary in Pay Band 1 under the SCB is \$26,732 or \$12.85 an hour. The maximum salary increase on January 1, 2025, to \$13.50 an hour for any position funded at the minimum would be \$0.65/hour or \$1,352. The annualized cost would be a maximum of \$1,488 for Sheriffs,

Regional Jails, and Commonwealth Attorneys (note: all deputy clerk salaries are above the minimum wage) and \$744 for Finance Directors, Commissioners of Revenue, and Treasurers. The maximum additional salary increase on January 1, 2026, to \$15.00/hour for any position funded at the prior minimum wage of \$13.50 would be \$1.50/hour or \$3,120. The annualized cost would be a maximum of \$3,434 for Sheriffs, Regional Jails, and Commonwealth Attorneys, and \$1,717 for Finance Directors, Commissioners of Revenue, and Treasurers.

The table below reflects the anticipated cost of each of the minimum wage adjustments per constitutional office based on the number of positions that will be impacted by the changes proposed in this bill.

Type	FY25 \$13.50 Prorated	FY26 \$13.50 Annualized	FY26 \$15 Prorated	FY26 Combined Cost	FY27 Fully Annualized
Sheriffs/RJ	50,715	121,716	200,966	322,682	604,035
Finance Directors	10,594	25,425	35,259	60,684	110,047
Commissioners	55,369	132,886	163,237	296,123	518,561
Commonwealth's Attorneys	2,932	7,037	25,715	32,752	61,716
Treasurers	65,624	157,496	171,342	328,838	552,915
TOTAL	\$185,234	\$444,560	\$596,519	\$1,041,079	\$1,847,274

Other Potential Impacts

This bill may have fiscal impacts on state agencies that fund state-supported local employees. Any such costs are indeterminate at this time. 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.

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. 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 rebenchmarked. Those costs are indeterminate at this time.

Department of Labor and Industry

The Department of Labor and Industry (DOLI) is responsible for enforcing minimum wage compliance, as the Commonwealth's rate is higher than the federal mandate. It is anticipated that DOLI can enforce the provisions of this bill within current resources.

9. Specific Agency or Political Subdivisions Affected: All state agencies; local school divisions and local governments.

10. Technical Amendment Necessary: No.

11. Other Comments: SB1 is the companion to this bill.