

## Department of Planning and Budget 2022 Fiscal Impact Statement

**1. Bill Number:** HB171

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

**2. Patron:** Marshall

**3. Committee:** Commerce and Energy

**4. Title:** Minimum wage; removes certain provisions relating to increasing state wage.

**5. Summary:** Repeals certain provisions of the Code of Virginia related to increasing the state minimum wage to more than \$11.00 per hour. The bill also repeals provisions related to increasing the state minimum wage based on an annual adjusted minimum wage determined by the Department of Labor and Industry.

**6. Budget Amendment Necessary:** Yes. Items 483, 72, 74, 75, 76, 77, 78, and 304.

**7. Fiscal Impact Estimates:** Preliminary, see Item 8.

**7a. Expenditure Impact, Central Appropriations:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>	<i>Dollars</i>	<i>Fund</i>
2023	(\$4,283,857)	GF	(\$3,203,627)	NGF
2024	(\$8,468,250)	GF	(\$6,407,252)	NGF
2025	(\$20,417,811)	GF	(\$11,997,879)	NGF
2026	(\$53,204,117)	GF	(\$35,309,178)	NGF
2027	(\$73,608,056)	GF	(\$50,473,916)	NGF
2028	(\$73,608,056)	GF	(\$50,473,916)	NGF

**7b. 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

**7c. Expenditure Impact, Compensation Board:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2023	(\$170,409)	GF
2024	(\$409,952)	GF

8. **Fiscal Implications:** This fiscal impact estimate is preliminary and will be updated if additional information becomes available.

***Department of Labor and Industry***

The Department of Labor and Industry (DOLI) would continue to enforce wage laws, and does not anticipate an expenditure impact as a result of this bill.

Prior to January 1, 2021, the U.S. Department of Labor enforced the federal minimum wage in Virginia. DOLI began enforcement once Virginia's minimum wage exceeded the federal rate. Adoption of this bill would not return Virginia to the federal minimum wage, therefore the Department does not anticipate a fiscal impact.

***Central Appropriations***

Funding was included under Item 483, paragraph R of HB/SB30 as Introduced, for the estimated impact to state agencies of moving from \$11.00 per hour to \$12.00 per hour, effective January 1, 2023. The appropriated amounts were \$4.2 million in FY 2023 and \$8.5 million in FY 2024 to cover the general fund share of costs associated with this increase. These estimates include any wage employees currently making less than \$12.00 per hour or any salaried employee making less than the annual equivalent salary of \$24,960. The estimate covers the impact of all Executive Branch agencies, including institutions of higher education. It does not include the impact of all state supported local employees, nor does it include providers reimbursed by the Department of Medical Assistance Services.

This bill would require an amendment to remove the funding provided to Central Appropriations. Table 7a indicates the cost savings in the FY2023 and FY2024 budget, as introduced, as well as projected cost avoidance for future years. These figures assume reenactment of the provisions in Section 40.1-28.10, Code of Virginia, moving the minimum wage to \$13.50 on January 1, 2025, and \$15.00 on January 1, 2026.

***Department of Medical Assistance Services***

Raising the minimum wage in the Commonwealth requires the Department of Medical Assistance Service (DMAS) to adjust attendant care service rates to ensure that the state's minimum hourly wage is being paid. 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, included in Item 304, paragraph, DDDD, in HB30/SB30, as Introduced. Out year costs of the \$12.00 per hour increase are estimated at \$22.2 million (\$10.5 million general fund). Should the January 1, 2023, minimum wage increase be removed, the rate increase in the budget would no longer be required. As such, the appropriation provided in the introduced budget for this cost could be removed.

This statement 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.

***Compensation Board***

The Compensation Board provides funding to support locally elected Constitutional officers and their staff. Table 7c indicates funds included in the budget bill for FY2023 and FY2024 for the Board to provide for the increase in the minimum wage effective January 1, 2023, to \$12.00 per hour in constitutional offices. If these provisions are removed, then these funds would not be needed.

***Department of Taxation***

Estimates are not available.

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

- 10. Technical Amendment Necessary:** No

- 11. Other Comments:** This bill is the companion to SB 173, as introduced, and identical to HB 296 and HB 320, as introduced.