

**Department of Planning and Budget
2025 General Assembly Session
State Fiscal Impact Statement**

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ORIGINAL

Bill Number: HB 1928

Patron: Ward

Bill Title: Minimum Wage

Bill Summary: Increases the minimum wage incrementally to \$15.00 per hour by January 1, 2027. The bill codifies the adjusted state hourly minimum wage of \$12.41 per hour that is effective January 1, 2025, and increases the minimum wage to \$13.50 per hour effective January 1, 2026, and to \$15.00 per hour effective January 1, 2027. The bill requires the Commissioner of Labor and Industry to establish an adjusted state hourly minimum wage by October 1, 2027.

Budget Amendment Necessary: Yes

Items Impacted: 60, 62, 63, 64, 66 (Compensation Board), 288 (DMAS), 469 (Central Appropriations)

Explanation: The proposed legislation will require expenditures for which multiple agencies are not currently appropriated. See table and analysis below.

Fiscal Summary: The estimated fiscal impact of this bill is an increase of \$2.0 million general fund expenses and \$2.3 million nongeneral fund expenses in FY 2026 and significantly higher amounts in future fiscal years.

General Fund Expenditure Impact:

| <u>Agency</u> | <u>FY2025</u> | <u>FY2026</u> | <u>FY2027</u> | <u>FY2028</u> | <u>FY2029</u> | <u>FY2030</u> |
|------------------------|---------------|--------------------|---------------------|----------------------|----------------------|----------------------|
| Central Appropriations | \$0 | \$2,019,387 | \$8,756,287 | \$14,274,831 | \$15,566,762 | \$16,461,902 |
| Compensation Board | \$0 | \$633 | \$540,120 | \$1,296,287 | \$1,296,287 | \$1,296,287 |
| DMAS | \$0 | \$0 | \$44,014,344 | \$114,689,566 | \$133,269,846 | \$146,537,841 |
| TOTAL | | \$2,020,020 | \$53,310,751 | \$130,260,684 | \$150,132,895 | \$164,296,030 |

Nongeneral Fund Expenditure Impact:

| <u>Agency</u> | <u>FY2025</u> | <u>FY2026</u> | <u>FY2027</u> | <u>FY2028</u> | <u>FY2029</u> | <u>FY2030</u> |
|------------------------|---------------|--------------------|---------------------|----------------------|----------------------|----------------------|
| Central Appropriations | \$0 | \$1,983,471 | \$8,635,596 | \$13,730,349 | \$15,053,250 | \$15,789,470 |
| DMAS | \$0 | \$0 | \$49,171,745 | \$129,058,635 | \$152,440,098 | \$170,598,954 |
| TOTAL | | \$1,983,471 | \$57,807,341 | \$142,788,984 | \$167,493,348 | \$186,388,424 |

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Fiscal Analysis: This impact statement is preliminary and may be updated as additional information becomes available.

Central Appropriations:

HB1600 as introduced reflected the minimum wage increase certified by DOLI to \$12.41 per hour effective January 1, 2025, and assumed a 3.84 percent increase in the Virginia minimum wage effective January 1, 2026, to \$12.89 per hour. For planning purposes, DPB has assumed an increase of 3.84 percent in each subsequent year in existing projections. General fund amounts of \$902,706 the first year and \$3.1 million the second year are included in Central Appropriations to support such minimum wage levels. Figures in the table below represent the additional resources needed to meet this bill’s wage requirement for state employees based on estimates supported by data from the Commonwealth’s Cardinal Human Capital Management (HCM) system and supplemented by data from certain public institutions of higher education who do not report wage data in HCM.

Typically, the general fund impact of these changes is budgeted in Central Appropriations to be distributed to agencies. 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.

| Date/Wage | Equivalent salary | Fiscal Year | GF Central Impact | NGF Central Impact |
|-----------------------------|-------------------|-------------|-------------------|--------------------|
| January 1, 2025: \$12.41 | \$25,812 | 2025 | \$0 | \$0 |
| January 1, 2026: \$13.50 | \$28,080 | 2026 | \$2,019,387 | \$1,983,471 |
| January 1, 2027: \$15.00 | \$31,200 | 2027 | \$8,756,287 | \$8,635,596 |
| January 1, 2028: \$15.58 | \$32,406 | 2028 | \$14,274,831 | \$13,730,349 |
| January 1, 2029: \$16.18 | \$33,654 | 2029 | \$15,566,762 | \$15,053,250 |
| January 1, 2030: \$16.80 | \$34,944 | 2030 | \$16,461,902 | \$15,789,470 |

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Department of Labor and Industry:

The Department of Labor and Industry is responsible for enforcing Virginia’s minimum wage laws. It is anticipated that any increase in inquiries and/or claims as a result of this bill can be absorbed within existing resources. The bill also delays from 2025 to 2028 the requirement for the Commissioner to establish annual minimum wage updates aligned with the United States Average Consumer Price Index for all items, all urban consumers (CPI-U), which is not anticipated to create a fiscal impact for the agency.

State Compensation Board:

The State Compensation Board (SCB) has identified that it will incur additional general fund costs associated with establishing the budget for each constitutional office as indicated in the table below:

| Service Area | FY2026 | FY2027 | FY2028 |
|--------------------|--------------|---------------------|-----------------------|
| 307 | \$117 | \$167,401.26 | \$401,763.02 |
| 717 | \$47 | \$33,623.33 | \$80,695.99 |
| 771 | \$232 | \$165,970.48 | \$398,329.15 |
| 772 | \$5 | \$5,723.12 | \$13,735.49 |
| 774 | \$232 | \$167,401.26 | \$401,763.02 |
| Grand Total | \$633 | \$540,119.45 | \$1,296,286.68 |

Department of Medical Assistance Service:

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.

Attendants outside of northern Virginia currently receive \$13.61 an hour; attendants in northern Virginia earn \$17.62 an hour. Based on the projections of increase in the minimum wage detailed elsewhere in

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this fiscal impact statement, hourly wages for personal care attendants are projected to remain above the minimum wage until January 1, 2027.

Under this approach, DMAS estimates statewide costs to be \$93.2 million (\$44.0 million general fund) in FY 2027. Similarly, for FY 2028, 2029, and 2030, the total statewide impacts are expected to be \$243.7 million, \$285.7 million, and \$317.1 million, respectively. Of these amounts the general fund share is projected to be \$114.7 million in FY 2028, \$133.3 million in FY 2029, and \$146.5 million in FY 2030.

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 \$13.50 or \$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 and exceeds \$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.

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.

Other: None.