

OFFICE OF FISCAL ANALYSIS

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HB-5460

AN ACT CONCERNING MINIMUM EMPLOYEE WAGES FOR
PROVIDERS OF STATE-CONTRACTED HUMAN SERVICES.

AMENDMENT

LCO No.: 4798

File Copy No.: 200

House Calendar No.: 159

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 19 \$	FY 20 \$
Department of Developmental Services; Social Services, Dept.	GF - Potential Cost	21,537,000	43,072,000
Resources of the General Fund	GF - Potential Revenue Gain	10,768,500	21,536,000

Note: GF=General Fund

Municipal Impact: None

Explanation

The amendment strikes the underlying bill and its associated fiscal impact.

The amendment allows the Office of Policy and Management (OPM) to allocate funds to increase wages of certain employees who provide services to authorized consumers of the Department of Developmental Services (DDS) in FY 19. The estimated General Fund net impact associated with this legislation is \$10.8 million in FY 19 (based on 1/1/19 implementation date) and \$21.5 million when fully annualized in FY 20. The private providers of employment, day, and behavioral services (funded in DDS) and group home services (funded in the Department of Social Services - DSS) must provide

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documentation to OPM that such funds will only be used for:

(1) Increasing the minimum wage paid to employees to not less than \$14.75 per hour, not later than January 1, 2019;

(2) Providing a wage increase of up to 5% to employees earning not less than \$14.76 and not more than \$30.00 per hour, not later January 1, 2019; and

Additionally, OPM shall reimburse providers, within available appropriations, for the cost of employer taxes, and other costs associated with the wage increase provisions and for the expansion of benefits.

The net impact is comprised of: (1) expenditures in the Behavioral Services Program and Employment and Day Services accounts in DDS and the Community Residential Services account in DSS, and (2) off-setting federal grants revenue associated with Medicaid waiver reimbursement (50%) for such services. A summary of the estimated General Fund cost and revenue impact of the amendment is provided below:

Cost Estimate

Impact by Account	FY 19	FY 20
Behavioral Services Program	609,000	1,217,000
Employment Opportunities and Day Services	5,909,000	11,818,000
Community Residential Services	15,019,000	30,037,000
Appropriated Account Total	21,537,000	43,072,000
Federal Grants Revenue	10,768,500	21,536,000
Net State Cost	10,768,500	21,536,000

The costs described in the following sections reflect gross state costs. The net state impact, which factors in off-setting federal revenue, is outlined in the table above.

Wage Increases – The amendment provides for wage increases for workers of DDS private providers of group home and day services, which total approximately \$19.3 million in FY 19 and \$38.5 million

when fully annualized in FY 20. The impact of the minimum wage of \$14.75 per hour for employees under \$14.75 and the 5% increase for employees earning not less than \$14.76 and not more than \$30.00 per hour is detailed below:

Wage Cost (1/1/19 implementation)

Component	FY 19	FY 20
Increase to \$14.75/hour minimum	12,811,000	25,622,000
Increase 5% between \$14.76 and \$30.00/hour	6,180,000	12,360,000
Total	18,991,000	37,982,000

Benefit Costs Due to Wage Increase – The amendment provides, within available appropriations, for increased benefit costs (including social security and workers ‘compensation) resulting from the wage increase which totals up to \$2.5 million in FY 19 and \$5.1 million when fully annualized in FY 20.

Component	FY 19	FY 20
Additional Cost due to Wage Increase	2,544,702	5,089,403

The amendment also requires OPM, within available appropriations, to reimburse providers for the expansion of benefits, which are not specified in the amendment and cannot be estimated at this time.

The preceding Fiscal Impact statement is prepared for the benefit of the members of the General Assembly, solely for the purposes of information, summarization and explanation and does not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

Sources: DDS Provider Cost Reporting and Survey data