

Department of Human Services (DHS) Response to Request for Information Regarding SB1532-5– The Minimum Wage Bills

These bills increase the minimum wage in phases:

- Current minimum wage: \$9.25/hour
- 1/1/16: \$ 9.75/hour (5% increase from current)
- 1/1/17: \$10.25/hour (5% increase from 2016)
- 1/1/18: \$10.75/hour (5% increase from 2017)
- 1/1/19: \$11.25/hour (5% increase from 2018)
- 1/1/20: \$11.75/hour (4% increase from 2019)
- 1/1/21: \$12.50/hour (6% increase from 2020)
- 1/1/22: \$13.25/hour (6% increase from 2021)
- January 1 of subsequent years: inflation adjustment

The 2015-17 DHS Legislative Adopted Budget is \$10 billion Total Funds (TF), \$2.7 billion General Funds (GF). The areas within DHS are: Self-Sufficiency (34%), Aging and People with Disabilities (29%), Intellectual and Developmental Disabilities (20.7%), Child Welfare (9.2%), Central and Shared Services (6.1%), and Vocational Rehabilitation (1.0%). There are two areas of impact of wage increases to the agency: Direct Reimbursements and Contract Payments.

Compression was not priced in this analysis; however, it is critical to point out that currently all funding for Direct Care Staff and other Staff employed by providers is above minimum wage. If an increase in minimum wage were to go in effect it is highly possible that providers of these services would demand an even higher wage than the new minimum wage; as well as adjust all other funded classifications within the funding models.

Direct Reimbursements

There are four direct reimbursement types in DHS: State Employees, Home Care Workers, Personal Support Workers, and JOBS Plus employees.

State Employees

Methodology/Assumptions:

From the Desk of
Senator Ted Ferrioli

- Salaries based on current permanent and limited duration staff using their base salary from the 1/8/16 PPDB-level data (DHS C-report)
- Hourly rates provided in the House/Senate bills were calculated at hourly rate times 40 hours (in a week), times 4.3 weeks in a month to come to a monthly base salary
- All permanent and limited duration employees in DHS are currently making a minimum of \$11.73 per hour or \$2,043 monthly salary
- No temporary staff or board/commission members were included
- OPE is calculated using the 2015-17 OPE rates
- Assumes no on-boarding/new hires or separations from January 2016 through June 2019

Figures below do not include overtime, holiday pay, all other differentials, shift differentials, or anything in addition to Salaries/OPE that run off of a percentage of an employee's pay.

Impact to State staff out of 15-17 Legislatively Adopted position authority:

SB 1532-5:

- 2015-17 no fiscal impact
- 2017-19 no fiscal impact
- 2019-21 – no fiscal impact
- 2021-23 – minimal fiscal impact (approximately 62 staff at or near the incremental minimum wage increases (including those within a Metropolitan Service District under ORS chapter 268))

Home Care Workers

Home Care Workers (HCWs) provide assistance with activities of daily living (ADLs) and instrumental activities of daily living (IADLs) to seniors and people with physical disabilities in the clients' homes. The number of hours of assistance a client receives is based on that client's needs.

The current rates for ADL and Attendant Care Services for HCWs are:

- Attendant Care \$14.00/hour
- Enhanced \$15.00/hour
- Exceptional \$17.00/hour

- Live-in \$9.25/hour

In regard to the Live-in home care program specifically, the rate paid to these home care workers is at the current State minimum wage, so the effect of an increase would be immediate. And since live-in workers are paid 18 hours per day, the financial impact would be significant.

We will also see an increase in expenditures related to the following: Overtime, Employer taxes (FUTA/SUTA/FICA/WBF), Unemployment, Workers' Compensation premiums, and training stipends.

Personal Support Workers

Personal Support Workers (PSWs) provide assistance to people with intellectual/developmental disabilities in the same way HCWs provide assistance for seniors and people with physical disabilities. PSWs are providers of service in the following service elements:

- SE49-Adult In-Home Supports
- SE149-Adult In-Home Supports (Brokerages)
- SE150-Family Support
- SE151-Kids In-Home Supports
- SE145-CIIS (Children's In-Home Intensive Services)

The current rates for Care Services for PSWs are:

- PSW Attendant Care \$14.00/hour
- Enhanced \$15.00/hour
- Exceptional \$17.00/hour
- PSW CIIS Attendant Care \$16.67/hour
- PSW Job Coaching \$14.75/hour
- Enhanced \$15.75/hour
- Exceptional \$17.75/hour

If this bill passes, there will be a significant fiscal impact to DHS in 2018 when Oregon's minimum wage is increased to \$15.00 for Attendant Care provided there are no further bargained increases in 2017 forward when considering HB 2009.

JOBS Plus

- a) JOBS Plus is a wage subsidy program where employers hire clients receiving TANF and SNAP (Supplemental Nutrition Assistance Program) benefits and the client earns wages in lieu of receiving benefits. The goal is for the client to build self-esteem by earning wages, gain a current employment reference, and hopefully permanent employment at the end of the JOBS Plus period. Roughly 60 percent of JOBS Plus positions result in permanent placement. The Department of Human Services reimburses the employer for minimum wage (currently \$9.25 per hour), payroll taxes, and workers compensation expenses. An increase in minimum wage would affect the ability of the Department to fund these positions. JOBS Plus would still be a viable program, but there would be a reduction in the number of opportunities that could be created for clients.
- b) The JOBS Program hires contractors to provide employment services to clients around the state. Some contractors may feel the need to pay higher wages to their staff to compensate for the higher minimum wage in the state. Staff wages are included as part of the JOBS contracts, which could result in higher contract costs, or a reduction in contracted services.
- c) Support service money in the JOBS Program is used to supplement day care costs for clients participating in JOBS activities. A higher minimum wage would require more support service funds to be allocated to help pay for day care. See the Employment Related Day Care section below for more information.
- d) Companies could be forced to reduce the number of positions or reduce hours at their worksites, resulting in more people applying for TANF.
- e) The Office of Self-Sufficiency considers a quality placement to be \$11.55 per hour at 30 hours per week. A higher minimum wage would require a revision of this wage bar to determine what a quality placement would be.

The following charts describes what would occur should the minimum wage per hour price change from \$9.25 to \$15.52.

Contract Payments

Employment Related Day Care

- a) Families working for minimum wage will see an increase in their ERDC copay amount in varying degrees. The copay structure causes the copay to increase gradually with their income, and at no point will the copay increase more than the gross increase in wages.
- b) The bill could potentially cause some families to go over income. This will likely impact 2 parent households and a single parent with one child. The single parent with one child working full time at a higher wage per hour may be over the current Federal Poverty Levels for both ERDC and SNAP. It is possible that the annual adjustments to the Federal Poverty Level could still allow these families to be eligible by the time the higher minimum wage is implemented.
- c) There is a potential impact on child care providers. Certified Family and Certified Centers both utilize teaching aides or teaching assistants in order to maintain their child to adult ratios. Providers may reduce the number of slots that they are willing to fill in order to maintain proper ratios without hiring additional staff or the price of child care slots may be increased in order to maintain a sufficient profit margin. The cost of child care in Oregon is already among the highest in the nation. Any increase in minimum wage could have an impact on the supply and cost of childcare. The larger the increase in minimum wage the larger the potential impact to the child care supply and cost.
- d) The federal recommendation is for Oregon to pay at the 75th percentile of the Oregon Child Care Market Price Study. If the cost of care in Oregon's child care market increases there will be more

pressure for DHS to increase subsidy rates. This is a longer term potential impact on the program.

- e) Any parent who has a child care provider come into their home or hires a child care provider who lives with them is subject to Oregon's employment laws. This means that the parent is obligated to meet minimum wage requirements when paying their in-home child care provider. Since DHS is not the employer for the child care provider, but paying on behalf of the parent, DHS is not obligated to pay minimum wage to providers in this situation.
- f) Companies could be forced to reduce the number of positions or reduce hours at their worksites, resulting in more people qualifying for ERDC.

Foster Homes

Foster homes provide a safe, home-like setting and services for children and adults with intellectual/developmental disabilities and people who are seniors or people with physical disabilities. Foster homes also provide a safe, home-like setting for children who are unable to remain safe at home and enter Child Welfare. Payments to foster homes are not cost-based, but rather based on the level of need of the person.

Facilities

There are Hundreds of Residential Care Facilities, Assisted Living Facilities and Nursing Facilities (serving seniors, people with physical disabilities, and people with intellectual/developmental disabilities), in Oregon providing 24-hour services for DHS and private-paying clients. DHS reimbursement rates are not generally cost based, but rather based on a client's needs. Our assumptions are that labor in these facilities is one of the greatest costs and many employees may earn less than \$15 per hour. DHS does not have any ability to dictate what the market wage is for employees in these facilities, however if the cost of doing business due to a legislative action was to increase it would be indeterminable from the Agencies perspective to know what that would be. We can logically expect that organizations

representing facilities will want us to increase the rates at the same proportional percentage increase to cover those costs.

DHS leases facilities throughout the state in order to provide services to clients. Although the lease rate is negotiated at different intervals, most leases have provisions that allow the building owners and managers the opportunity to reconcile previously agreed costs with actual costs. It is through this mechanism DHS would expect to see the increases again at the proportional percentage to cover the increased costs associated with a rise in the minimum wage.

Other Issues

DHS Programs makes many additional purchases for the direct benefit of its clients and for the normal operations of the Agency that are not specifically addressed in this document. DHS will expect to experience a rise in these costs again at the proportional percentage to cover the increased costs associated with the rise in minimum wage. Several years ago State Budgets were affected with by a similar phenomenon when the cost of fuel skyrocketed; like those fuel surcharges that were passed on to consumers a few years ago, business that are for profit and those that are not for profit will likely pass those cost increases forward.

There could be unintended consequence to Private-paying clients in facilities as the real possibility of spend down their own resources will force them into becoming eligible for APD Medicaid-funded services sooner as the facilities raise rates due to increases in the minimum wage.

The increases in minimum wage could affect the individuals that are currently eligible for and receiving ODDS funded services due to a change in the individual's Medicaid eligibility, such as:

- **Adults:** There may be some individuals that are earning wages who are receiving ODDS funded services that will no longer qualify for Medicaid if their wages are raised. OSIPM (Oregon Supplemental Income Program-Medical) eligibility is limited to individuals with income not exceeding 300% of the current SSI standard. Many of

these individuals may be utilizing Supported Employment services for the supports needed in order to maintain their employment. Loss of Medicaid eligibility will also result in losing the supports funded by the HCBS Waiver or Community First Choice plan that are assisting the individual to maintain their employment.

- There may be some individuals who are utilizing the Employed Persons with Disabilities (EPD) program for Medicaid eligibility. The increase in minimum wage may result in more individuals needing to utilize this program to maintain Medicaid eligibility and the supports funded by the HCBS Waiver or Community First Choice plan that may be assisting the individual to maintain their employment. This program has premiums that are paid by the recipient.
- Due to the income limits on the EPD program some individuals that are currently utilizing this program may have too much income to qualify if the minimum wage increases. This will result in a loss of Medicaid eligibility and cause these individuals to lose the supports funded by the HCBS Waiver or Community First Choice plan that may be assisting the individual to maintain their employment.

Finally, one of the most costly issues associated with a rise in minimum wage is compression. Compression will become an issue when people earning the current minimum wage receive an artificial pay increase putting them on par with others who have been earning more due to job requirements, additional skills or tenure. The result all will be making as much or nearly as much as someone whose job requires more experience, training and education. It can be expected that an increase in minimum wage will force a discussion pointing towards possible across-the-board salary increases as people who now make more than minimum wage will still want monetary recognition for their experience, training and education. This amount of increase is completely indeterminable.