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DCommissioner's Office
HC 2 South
280 State Drive
Waterbury VT 05671-2020
Voice (802) 241-2401
Fax (802) 241-0386

TO: Representative Mary Hooper, Chair of House Appropriations

FROM: Megan Tierney Ward, Interim Commissioner of DAIL
Sarah Clark, AHS CFO

THRU: Michael K. Smith, Secretary of Human Services
Adam Greshin, Commissioner of Finance & Management

DATE: February 19, 2021

SUBJECT: Collective Bargaining Update; Independent Direct Support Providers

As you are aware, the State and AFSCME, the union representing independent direct support providers (IDSP), reached agreement on collective bargaining, as required by Act No. 48 (2013) for the period of July 1, 2020 to June 30, 2022. However, the financial impact of this agreement was incorrectly estimated for both SFY21 Budget Adjustment and SFY22 Governor's Recommend. The annualization of the CBA and minimum wage increases was not captured fully in the cost estimate

The resulting general fund impact reflects a need for an additional \$290,533 in FY21 and \$1,462,972 in FY22. AHS and DAIL present proposals below to cover these pressures.

A summary of the issue and resulting financial impact is detailed below.

SFY21 Budget Adjustment

The financial pressure entered on the SFY21 BAA was calculated using \$11.75 to \$12.00 for 6 months, which represents the State minimum wage as of 1/21 in the amount \$11.75 to IDSP minimum hourly wage of \$12.00. However, the financial pressure should have been from \$11.55 to \$12.00 for 6 months to reflect the full annualization of the impact. \$11.55 is the SFY20 IDSP minimum hourly wage in base budget.

This reflects an all funds need of \$669,013 or \$290,533 in general funds in FY21.

Funding Proposal

- DAIL covers the costs within existing SFY21 base funds on a one-time basis. Based on actuals to date, there is anticipated underspend in both the Choices for Care and Developmental Services programs in FY21.

SFY22 Governor's Recommend

The SFY22 Governor's Recommend was calculated using a 6-month pressure for the following:

1. July thru December - \$11.75 to \$12.05 (State minimum wage to IDSP minimum hourly wage)
2. January thru June - \$12.55 to \$12.80 (State minimum wage to IDSP minimum hourly wage)

However, the SFY22 Governor's Recommend should have been calculated using the following:

1. Annualization of FY21 BAA Increase - \$11.55 to \$12.00
2. July thru December, 6 months of \$12.00 to \$12.05 (1/21 IDSP minimum hourly wage to 7/21 IDSP minimum hourly wage)
3. January thru June, 6 months of \$12.05 to \$12.80 (7/21 IDSP minimum hourly wage to 1/22 IDSP minimum hourly wage)

This reflects an all funds need of \$3,246,836 or \$1,462,972 in general funds in FY22.

Funding Proposal

- Given the recent announcement from the Biden Administration that the Public Health Emergency will likely extend until the end of CY 2021, including the associated FMAP bump of 6.2%, AHS proposes to use this new federal revenue to address the CBA GF pressure in SFY22. Due to the timing of the communication from the federal government, this likely additional two to three quarters of FMAP bump was not incorporated into the Governor's Recommend budget.