



State Minimum Wage Adjustment Update

HSC continues to work in collaboration with our partners at FPWA and FPI on implementation issues surrounding the State minimum wage. We have raised a variety of questions and concerns with the Governor's office and are engaging in discussions around the details of implementation.

First, there is currently no commitment to address issues of spillover or compression. Discussions center on funding the cost of the minimum wage alone. HSC and our partners are continuing our #15andFunding Campaign efforts and are focusing on these compression issues. If you have not done so already, we encourage you to sign on to this letter to the Governor, found [HERE](#).

It is also clear that there will be no across the board corrections / adjustments made to contracts to address the higher costs. As the Governor stated, exceptions for hardship will be made, but it is unlikely we will get clear guidance on how this is defined. We strongly recommend that each nonprofit impacted perform an analysis of the impact and make a compelling case to your State agencies regarding the impact of this adjustment. Even if the adjustment itself is not that significant, we suggest you provide information demonstrating rising costs overall to make a case for a higher reimbursement rate, not just for this year but for the coming years as we move closer to the full implementation of the new \$15 minimum. Please keep HSC abreast of your conversations on this front so that we can learn from them as we continue to advocate for a more wholesale approach.

While there is no commitment to adjust contracts impacted, the State is seeking to understand the potential impact of the minimum wage on nonprofits. The Division of Budget is currently in the process of collecting information from State agencies (primarily OTDA, OCFS, SOFA) to better understand the types of contracts they have with nonprofits and associated wage costs. Unlike Medicaid funded programs, which are much easier for the Division of Budget to see and adjust, direct contracts with State agencies are significantly less transparent. There are line-item budgets, lump sum contracts, and contracts that file CFRs (which are more transparent than line-item and lump sum contracts). Some are based on set market-rates, others involve a cost-plus approach, and some rates are set through a negotiation process. According to our State partners, all of these variations complicate the analysis.

While there is an appreciation for the financial challenges faced by the sector as a whole and an understanding that these additional wage costs come in the context of underlying cost structure issues, no commitment to make contractual adjustments has been made. We and our partners are actively working with the State to ensure nonprofits impacted are well represented and will continue to provide additional information to assist in your individual rate adjustment negotiations.

We realize that the funding for the wage as well as spillover is imperative to the financial health of your organization. HSC will continue to highlight the impact of inadequate funding on our ability to serve communities and advocate at the City and State levels for a larger investment in the entire human services workforce.