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

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ORIGINAL

Bill Number:SB 1218 S1Patron:StuartBill Title:Labor and employment; covenants not to compete prohibited, low-wage employees,
exceptions, civil penalty

Bill Summary: Provides that, for the purposes of the prohibition in existing law against an employer entering into, enforcing, or threatening to enforce a covenant not to compete with any low-wage employee, "low-wage employee" includes an employee who, regardless of average weekly earnings, is entitled to overtime compensation under federal law for any hours worked in excess of 40 hours in any one workweek. Any employer that violates the bill's provisions would be subject to a civil penalty in existing law of \$10,000 for each violation.

Budget Amendment Necessary: Yes Items Impacted: 349

Explanation: The bill would create expenses that the Department of Labor and Industry (DOLI) is unable to absorb within existing appropriations.

Fiscal Summary: It is anticipated that this bill will require an ongoing general fund expenditure of \$432,915.

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>
DOLI	-	\$432,915	\$432,915	\$432,915	\$432,915	\$432,915

Fiscal Analysis: The Department of Labor and Industry (DOLI) currently enforces the prohibition on covenants not to compete as it applies to "low wage workers" as defined in the Code. This bill would extend the prohibition to all private sector employees entitled to overtime compensation under federal law. DOLI estimates that this would expand the number of covered employees in the Commonwealth by 2.3 million. DOLI currently receives approximately 13,000 calls annually and anticipates that this bill will result in an additional 5,000 calls. DOLI expects this will lead to approximately 100 investigations, of which between 5-10 will require further administrative adjudication. According to DOLI, three positions would be required to meet the increased workload: one labor law compliance officer, one labor law specialist, and one hearing and legal services officer, for a combined cost of \$410,115. Additionally, \$22,800 will be required for language translation services for documents and inquires.

This fiscal impact statement is preliminary and may be updated if additional information becomes available.

Other: None.