

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

Other State Agencies	Other state agencies will require additional resources and personnel to meet the requirements of the bill, estimated at between 1 and 5 employees, depending on the agency's size and complexity.					
TOTAL	\$0	\$3,330,565	\$6,145,565	\$2,830,565	\$2,830,565	\$2,830,565

Nongeneral Fund Expenditure Impact:

<u>Agency</u>	<u>FY2025</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>
DOA	\$0	\$8,500,000	\$0	\$0	\$0	\$0
DMAS	\$0	\$937,500	\$937,500	\$937,500	\$937,500	\$937,500
Other State Agencies	Other state agencies will require additional resources and personnel to meet the requirements of the bill, estimated at between 1 and 5 employees, depending on the agency's size and complexity.					
TOTAL	\$0	\$9,437,500	\$937,500	\$937,500	\$937,500	\$937,500

Position Impact:

<u>Agency</u>	<u>FY2025</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>
OAG	0	3	3	3	3	3
DHRM	0	5	5	5	5	5
DMAS	0	4	4	4	4	4
DOLI	0	4	4	4	4	4
Other State Agencies	Other state agencies will require additional resources and personnel to meet the requirements of the bill, estimated at between 1 and 5 employees, depending on the agency's size and complexity.					
TOTAL	0	16	16	16	16	16

Fiscal Analysis: : This fiscal impact estimate is preliminary and based on estimates provided by agencies for previous, similar legislation. The impacts will be updated as information becomes available.

Public Employee Relations Board

This bill establishes the Public Employee Relations Board (the Board) as an “agency”, as defined in the Administrative Process Act, within the executive branch. The bill provides for the payment of compensation and expenses of the members by the “Department”. The bill defines “Department” for the purposes of the new Article 2.2 to be the Department of Medical Assistance Services (DMAS), however, Title 40.1 generally defines “Department” as the Department of Labor and Industry (DOLI). This impact statement assumes the intent is that DOLI will provide support to the Board. The five Board members are entitled to compensation in accordance with § 2.2-2813, Code of Virginia, which stipulates those members be compensated at \$50 per day, unless a different rate of compensation is specified by statute for such members, plus expenses for each day or portion thereof in which the member is engaged in the business of that body. Assuming a total of \$150 per member, per meeting, to include compensation and expenses, each meeting of the Board would cost \$750. The total meeting cost would depend on how frequently the Board meets. If the Board meets monthly, the annual general fund fiscal impact would be \$9,000.

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The Board will require support staff. DOLI estimates that the agency would require at a minimum four positions: a regulatory coordinator, a hearing officer, a policy analyst, and an administrative assistant. The agency estimates the cost of these four positions to be approximately \$460,000 general fund annually.

Office of the Attorney General (OAG)

Additionally, the bill requires the Office of the Attorney General (OAG) to provide legal services to the Board and establishes a procedure for the Board to investigate alleged violations of conduct prohibited by the bill. Also, the bill provides that any party aggrieved by any decision or order of the Board may appeal to the circuit court. The OAG anticipates that additional attorney and paralegal staff would be required to implement the provisions of this bill, but the number and cost of such staff are unknown at this time. DHRM indicates that based on a similar state with collective bargaining agreements, approximately three attorneys may be an appropriate starting point. Based on current OAG salary assumptions for attorneys, three attorneys would cost \$439,952 general fund annually.

Department of Human Resource Management (DHRM)

DHRM anticipates the need for five additional positions to create a labor relations management team, at an estimated annual ongoing cost of \$984,113 general fund, in addition to initial one-time costs to support DHRM's efforts to include consultant support and developing new training and communications, each of which is preliminarily estimated to cost approximately \$250,000, for a total annual general fund cost in fiscal year (FY) 2026 of \$1,484,113. These costs are further discussed below.

DHRM anticipates this team will need to be senior professionals with labor law expertise. This team will be tasked to work with agencies as each transitions to a new labor relations model within the Commonwealth. The team will be needed for activities related to compliance, investigations, and negotiations and bargaining, as well as, working with agencies to ensure compliance with bargaining agreements. The director of the team will also serve as liaison to the Board and to designated staff within the Office of the Attorney General.

As this is a new labor relations model, DHRM anticipates a large number of inquiries related to employee job classification, bargaining unit assignment, and exemptions. The team will provide oversight for the development, implementation, and continuous updating of all training that will be required for current and new managers, employees and HR staff across the Commonwealth. In addition, the team will have oversight for system support in which position, employee, and bargaining related data will be managed, communicated and reported upon as needed, including managing web-based content. Assuming approximately \$135,000 salary per position, the salary and benefit costs of this team are \$978,113 plus an additional \$6,000 for non-personnel costs equates to a total cost of approximately \$984,113 general fund annually.

Consulting Services also are expected to be needed initially due to the anticipated complexity of the transition to a new labor model which has never been done before in the Commonwealth of Virginia. DHRM anticipates

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the need for a consultant to assist with creating the labor relations team and identifying impacts to current and planned infrastructure, policies and processes, training needs, etc. Estimated consulting costs are preliminarily estimated to be approximately \$250,000 general fund in FY 2026.

Communications and training of managers will be needed, as managers will need to understand the collective bargaining processes and agreements. Additionally, communications with employees will be needed, to ensure they understand their rights and related processes. It is further anticipated that human resources professionals also would require training to ensure a baseline of knowledge and understanding of collective bargaining rights and processes. DHRM estimates that additional one-time costs in FY 2026 of \$250,000 general fund are estimated for external support to create new custom training modules for supervisors, employees, and human resources professionals.

Other State Agencies

The bill requires that there be a minimum of 16 distinct bargaining units for state employees and one for individual providers, including four for different types of health and human services employees and seven for different types of public safety employees. The legislation grants authority to the exclusive representatives of these units to request bargaining for issues such as wages, fringe benefits, and matters that have applicability across more than one bargaining unit. The exclusive representatives also have the authority to request supplementary bargaining for issues uniquely affecting public employees in all or part of a bargaining unit.

Additionally, each of the 16 public institutions of higher education, the Virginia Community College System, the University of Virginia Medical Center, and the Virginia Commonwealth University Health Care System shall have bargaining units as determined by the Board but employees of these units are not allowed to be included with the units established for other state employees. Each state-controlled enterprise, independent political subdivision, authority, or agency employing public employees not covered by the Virginia Personnel Act shall also have separate bargaining units determined by the Board. Authorities include but are not limited to the Virginia Resources Authority, the Alcoholic Beverage Control Authority, Virginia Tourism Authority, and Fort Monroe Authority. Agencies with employees not covered by the Virginia Personnel Act include the five independent agencies: Virginia Retirement System, Commonwealth Savers Plan, Virginia Lottery, State Corporation Commission, and the Virginia Workers' Compensation Commission.

Judicial branch employees and employees working for the legislature of the Commonwealth are exempt from the provisions of this bill.

Based on the provisions outlined above, there is the potential for a minimum of 37 distinct collective bargaining agreements within the Executive Branch, but there could be more depending on the requests of the exclusive representatives or how many bargaining units the Board determines should be created for the higher education institutions. Certain state agencies and institutions of higher education will require additional human resource personnel to participate in negotiations as well as to implement provisions in the collective bargaining agreements, especially on bargaining unit specific measures. Depending on the size of

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the agency, it is estimated that an additional one to five personnel may be required, at similar costs to what is outlined above for DHRM. Agencies with a large number of employees and those with employees spread out across the state, such as the Department of Corrections, Department of State Police, Department of Transportation, Department of Behavioral Health and Developmental Services, and Virginia Community College System, may require four to five additional human resource staff each at a cost of \$782,490 to \$978,113 per agency for salary and benefits. Other medium to large sized agencies, including the institutions of higher education, Department of Health, Department of Motor Vehicles, and the Department of Social Services may require three to four additional human resource staff each at a cost of \$586,868 to \$782,490 per agency for salary and benefits. Actual costs may vary based on other factors such as the complexity of the collective bargaining agreements.

Infrastructure

Impacts to the Commonwealth's technology infrastructure are expected to occur for the Cardinal Human Capital Management (HCM) system that manages employee time, labor, payroll, and benefits offered by the Commonwealth. Technology staff are currently dedicated to day-to-day operational systems maintenance.

Preliminary estimates for statewide technology support for labor management and collective bargaining is preliminarily estimated to cost \$8.5 million in FY2026. This estimate includes \$1.5 million to develop business requirements in addition to \$5.0 million to implement a new module and \$2.0 million for technical adjustments to current Cardinal HCM functionality in order to meet the business requirements. Final estimated costs would depend on the business and system requirements identified during the planning phase. The Department of Accounts (DOA) notes that the addition of bargaining units for Cardinal involves implementing a new module, Manage Labor Administration, and efforts for new configuration and enhancements to support any bargaining unit mandated rules. This module includes the creation of unions and bargaining units, assigning bargaining units to employees, salary plan administration setup for the bargaining units and the introduction of disciplinary action and grievance processing.

In addition to this new module there is the administration of union dues which can include complex calculations for the amounts. Employee dues need to be administered for new employees and terminating employees. The accounting setup for dues is also required as well as the setup for payment to the union. Changes will also need to be made to existing HCM processing rules and configurations, such as new time and labor workgroups, leave plans, or potential benefit differences.

Cardinal HCM operates as an internal service fund and is supported by revenue from charges assessed to user-based state agencies. Any additional costs to Cardinal HCM would be expected to be recovered through the charges assessed to those state agencies. The state impact is estimated to come approximately 39 percent from the general fund and 61 percent from nongeneral fund sources, based on the portion of agencies' salary expenditures paid from the general fund in FY 2023, which was used to determine the fund split for agency Cardinal HCM funded charges in SB800. Based on the costs and assumptions discussed, general fund support

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of approximately \$3.3 million would need to be provided to agencies for the Cardinal HCM module development costs in FY 2027.

In addition to Cardinal HCM, there are also multiple state agencies that use their own systems for time, labor, payroll and benefits, some that have been purchased with general fund appropriations and others that have been purchased with state nongeneral fund or federal fund revenues. A cost estimate for the impact to these agencies is currently indeterminate.

Department of Medical Assistance Services (DMAS)

Under the provisions of this bill, individual medical assistance providers would be considered public employees, and the Department of Medical Assistance Services (DMAS) would be considered their employer. DMAS would be expected to bargain with these providers with regard to wages, benefits, and all terms and conditions of employment that are within the Department's control. Further, any exclusive bargaining representative of individual providers must be selected by and represent all individual providers in the Commonwealth, including individual providers who are related to a participant or participant's representative.

The number of Medicaid providers that meet the definition of "individual provider" under the provisions of this is unclear. However, there are over 120 hospitals, 260 nursing facilities, and a multitude of health care facilities operating in the Commonwealth most of which accept Medicaid. Moreover, Virginia has an estimated 500,000 licensed health care practitioners, of which an estimated 70 percent accept Medicaid. In addition, it is assumed that all members (approximately 26,000) receiving consumer directed personal care services under Medicaid. Without a specific estimate of individual providers, there is no way to determine the number of exclusive bargaining representatives with which DMAS would have to bargain.

At a minimum, it is assumed DMAS would need four positions to serve as the agency's labor relations team. This team would need to be comprised of a chief negotiator, research analyst, policy analyst, and legal advisor. In addition, it is assumed that the bargaining process would necessitate DMAS contracting for additional actuarial and legal support. The agency also expects to have added costs with regard to communications, compliance, and training. The estimated cost for DMAS to meet the bill's provisions is \$1.9 million (\$0.9 million general fund). Again, these represent a minimum effort to meet the expected workload; should the number of exclusive bargaining representatives be greater than expected, additional administrative funding would be necessary.

This bill's ultimate impact on medical assistance services in the Commonwealth is indeterminate. There is no reasonable method of determining how the collective bargaining efforts of individual providers would ultimately impact the cost of services. DMAS expended approximately \$22.2 billion (\$7.8 billion state funds) in FY 2024 for medical assistance services. Every one percent increase in this spending equates to approximately \$222.3 million (\$78.4 million general fund.) The bill's provisions indicate that DMAS can only alter terms that are within the agency's control. It is assumed that funding for any agreement implementation would be subject to appropriation by the General Assembly. Moreover, DMAS has no authority to alter any services,

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rates, or factors that may increase costs without explicit state or federal mandates. As such, the bill’s provisions are not expected to have any immediate impact on medical assistance service costs.

Salary Information

The proposed legislation requires public employers and applicable employee organizations to meet at reasonable times to negotiate in good faith with respect to wages, hours, and other terms and conditions of employment. Since it is unknown what agreements may result from such negotiations, the following information is provided for context of what a one percent salary increase would be for various employee groups in the executive branch and the independent agencies. Judicial branch employees and employees working for the legislature of the Commonwealth are exempt from the provisions of this proposed legislation.

**Estimated Value of a One Percent (1%) Increase in Salary,
Salaried Employees Only**

Executive Branch (salaried, non-higher education)	General Fund	Nongeneral Fund
State Troopers	\$2,299,609	\$316,978
Other Law Enforcement	\$4,467,487	\$270,009
All Other Executive Branch State Employees	\$15,824,419	\$19,441,716
<i>Subtotal</i>	<i>\$22,591,515</i>	<i>\$20,028,703</i>
Institutions of Higher Education (salaried)	General Fund	Nongeneral Fund
Higher Education Faculty	\$13,050,891	\$20,360,372
University Staff (non-faculty)	\$2,239,669	\$5,132,862
All Other Higher Education State Employees	\$3,879,879	\$4,906,713
<i>Subtotal</i>	<i>\$19,170,439</i>	<i>\$30,399,947</i>
Independent Agencies (salaried)	General Fund	Nongeneral Fund
All Other Independent Agency State Employees	\$843	\$2,138,765
GRAND TOTAL	\$41,762,797	\$52,567,415

Additionally, decisions by local school division employees to collectively bargain for salary increases would have an impact on state funding for K-12 education. The value of the state’s share of a statewide one percent salary increase for funded SOQ instructional and support positions is estimated at \$62,221,296. Under existing law, some school division employees may already be permitted to collectively bargain if their locality has adopted an ordinance or resolution allowing them to do so.

Decisions by other state-supported local employees, such as Constitutional Officers, General Registrars and Electoral Boards, Community Service Boards, and local Department of Social Services offices, to collectively

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bargain for salary increases may have an impact on state funding. Decisions to increase state funding for these positions would be at the discretion of the General Assembly and the Governor in the Appropriation Act. The value of the state's share of a statewide one percent salary increase for the various state-supported local employees is estimated at \$13,832,980.

Other

The legislation indicates that the scope of collective bargaining between a state agency and an exclusive representative shall include wages, hours, and other terms and conditions of employment, and specifically include matters within the administrative discretion of the Director of DHRM or appointing authorities. The bill forbids benefits provided under Title 51.1 – Pensions, Benefits, and Retirement and Title 65.2 – Workers' Compensation from being considered during negotiations. Other potential costs that could be impacted by collective bargaining would include changes in employee health benefits and costs associated with dispute resolution. These cost estimates are indeterminate at this time.

Other: This bill is identical to HB2764-H1.

DHRM indicated that several states with current collective bargaining structure in place provided information to help determine initial and long-term expectations, including Ohio, Minnesota, Nebraska, and Connecticut. DHRM indicates that Minnesota's structure is more closely aligned with the proposed legislation, with a state workforce of 40,000 (compared to 58,000 Commonwealth classified employees, excluding faculty), with 13 bargaining units (proposed legislation dictates 16). Minnesota's central HR agency has 10 Labor Relations Specialists, three attorneys, and there are 150 agency Labor Relations Specialists.

Suggested Technical Amendments

- This bill establishes the Public Employee Relations Board (the Board) as an "agency", as defined in the Administrative Process Act (§ 2.2-4001), within the executive branch. Such definition relies on an entity first being established as an authority, instrumentality, officer, board or other unit of state government. Consideration may be given to using different establishing language for the Board and subsequently granting the Board authority as an "agency" under the Administrative Process Act.
- Additionally, while the bill establishes the Board as an agency, "the Department" (assumed in this impact statement to be DOLI) is directed to provide support to the Board. If the intent of the legislation is to establish the Board as a standalone state agency, this fiscal impact statement will need to be revised.
- A technical amendment may be necessary to provide clarification on the definition of "Department". Section 40.1-57.4 of the bill states: "As used in this article, unless the context requires a different meaning:... "Department" means the Department of Medical Assistance Services."

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- Under existing law for Title 40.1, § 40.1-2 states: “As used in this title, unless the context clearly requires otherwise, the following terms have the following meanings:... "Department" means the Department of Labor and Industry.”
- Clarification is needed for the intent of some uses of the word Department as used in the bill, specifically in § 40.1-57.7 of the bill.