

# Commission on Local Government

## Estimate of Local Fiscal Impact

2026 General Assembly Session | 01/22/26

In accordance with the provisions of 30-19.03 of the Code of Virginia, the staff of the Commission on Local Government offers the following analysis of legislation impacting local governments.

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### **SB 518: Prevailing wage rate for public works contracts; localities. (Patron: Rouse)**

**Bill Summary:** Requires each locality, when procuring services or letting contracts for public works paid for in whole or in part by state or local funds, or when overseeing or administering such contracts for public works, to ensure that its bid specifications or other public contracts applicable to the public works require bidders, offerors, contractors, and subcontractors to pay wages, salaries, benefits, and other remuneration to any mechanic, laborer, or worker employed, retained, or otherwise hired to perform services in connection with the public contract for public works at the prevailing wage rate. The bill also requires the Commissioner of Labor and Industry's determination of the prevailing wage rate required to be paid under certain contracts for public works to include, if applicable, consideration of any wages or employer contributions to employee benefits paid pursuant to existing collective bargaining agreements with employers employing a majority of workers of the craft or trade subject to such agreements in the locality in which the public facility or immovable property that is the subject of public works is located.

**Local Fiscal Impact:** Net Additional Expenditure: x \_\_\_\_\_ Net Reduction of Revenues: \_\_\_\_\_

### **Summary Analysis:**

#### **Number of Localities Responding: 5 Cities, 6 Counties, 2 Towns, 1 Other**

Localities estimated a negative fiscal impact of \$40,000 to \$40,000,000 over the biennium.

Localities identified the bill's fiscal impact as significant, affecting both recurring and non-recurring expenditures. The bill's fiscal impacts are across personnel, operating, and capital expenditures. For localities estimating larger one-time increases, these are related to increases in costs for CIP projects, and although many localities could not provide an estimate, they project increases in their public works projects of 7-30%. Many localities project an increase in the number of staff needed to obtain, review, and monitor documentation for public works contracts. Counties estimate a significantly higher increase in expenditure. The average increase in expenditure across the responding localities is \$6,189,349.

**Net Increase in Expenditures: Itemized Estimates by Responding Localities**

Locality	Juris	Recurring Expense- Personnel		Recurring Expense - Operating		Recurring Expense - Capital		Recurring Expense - Other	
		FY27	FY28	FY27	FY28	FY27	FY28	FY27	FY28
Albemarle County	County			50000	50000				
Chesterfield County	County					13000000	13000000		
City of Alexandria	City								
City of Chesapeake	City							20000000	20000000
City of Manassas	City	250000	250000			500000	500000		
City of Norfolk	City	105000	105000						
City of Virginia Beach	City								
Gloucester County	County	250233	262744	78209	80555	367873	386267		
Hanover County	County			375000	390000				
Northern Neck PDC	Other								
Prince George County	County								
Rappahannock County	County								
Town of Chincoteague	Town					20000	20000		
Town of Rocky Mount	Town	25000	25000						

## Net Increase in Expenditures: Itemized Estimates by Responding Localities

Locality	Expenditure Narrative by Responding Localities
Albemarle County	Relatively small cost increases are the result of increased administrative burden to comply with the wage requirements.
Chesterfield County	The bill's requirement to pay the prevailing wage rate for all public works contracts would significantly increase project costs. Based on national data, the County estimates project expenses could rise by 15-30%. Using current outstanding construction contracts, the fiscal impact could exceed \$13M annually. This bill will also add to administrative duties, which could result in the need for additional staffing.
City of Alexandria	The fiscal impact of this legislation is unquantifiable. The Alexandria already has a prevailing wage ordinance under what is currently local option. This bill removes the local option and makes it mandatory to have a prevailing wage ordinance. It would restrict local City Council from making adjustments to these local ordinances.
City of Chesapeake	The impact would be felt throughout our CIP projects, as well as our IDIQ vendors that provide services annually in our operating budget.
City of Manassas	Davis Bacon compliance will require additional staffing to obtain and review necessary documentation. In addition, the pool of qualified contractors for simple projects is reduced as smaller contractors are unable to dedicate staff to develop compliance documentation.
City of Norfolk	Ongoing personnel expense to add at least one staff member to manage contracts. Additionally, the city would anticipate increases to construction contracts; however, staff could not properly quantify for future pricing with the information and timing available. One example the city was given estimated up to a 20 percent increase in contract pricing for construction labor if the legislation was implemented as currently written.
City of Virginia Beach	Currently, the only Public Works projects that require prevailing wages are ones that are subject to the Davis Bacon Act, which are a very small subset Public Works projects. More time would be needed to identify if prevailing wage rates are used for remaining projects. This bill would result in increased costs for construction projects substantially for the City, due to the increase in wages and the necessary compliance activities that come along with the implementation of the bill.

Locality	Expenditure Narrative by Responding Localities
Gloucester County	<p>Assuming contractors will increase pay based on the prevailing wage, Utilities staff pay will have to increase to be more competitive. For personnel recurring, assuming 10% increase in FY27 over FY26 budgets (which incorporates annual COLA) and an additional 5% in FY28 for COLA.</p> <p>Operating is hard to tell, but we do have some operating costs that are performed by contractors, anticipate 3% increase year-over-year.</p> <p>Capital is nearly all performed by contractors - anticipate 10% increase in FY27 over FY26 capital based on contractors having to charge more. Anticipate 5% additional in FY28 based on general inflation.</p>
Hanover County	<p>We looked at total CIP for all funds for FY27 and FY28 facility improvement and construction projects that were funded by state or local dollars. We used an estimate of 7% increase in costs for those projects due to the requirements of this bill to determine the impact to capital costs for each year.</p> <p>For operating costs, we looked at FY26 budgets for repairs and maintenance, alterations to facilities and alterations to grounds and applied the estimate of 7% cost increase for FY27 and a 4% escalation in FY28.</p>
Northern Neck PDC	The NNPDC has no ordinance in place which is stricken as part of this legislation.
Prince George County	We issue varying numbers and dollar value IFBs annually. If a prevailing wage rate is imposed on such capital projects, it will have an impact and higher bids will be submitted. We have no way to accurately quantify the amount, but have provided \$1M annually as an estimate.
Rappahannock County	Assumes a 10% to 15% construction project cost increase for complicated projects like a county courthouse, which Rappahannock County is currently planning. Current project estimates for the courthouse construction project total \$20 million with additional needed for design and furniture, fixtures, and equipment. 15% on the \$20 million construction cost is \$3 million. \$30,000 for FY2027 is an estimated impact for typical \$200,000 of annual construction maintenance work. This is a very large cost for a locality of 7,400 residents that generates only \$200,000 per penny of real estate tax.
Town of Chincoteague	
Town of Rocky Mount	This bill will require additional staff time to prepare RFP's and RFQ's to ensure the proper amount of wages paid by the proposing contractor are included in the proposal. Will also require on-going monitoring of any public works contracts.