Department of Planning and Budget
2026 General Assembly Session
State Fiscal Impact Statement

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Bill Number:	SB199	**Patron:**	Favola
Bill Title:	Employment; paid sick leave, civil penalties.		

Bill Summary: Expands provisions of the Code that currently require one hour of paid sick leave for every 30 hours worked for home health workers to cover all employees of certain private employers and state and local governments. The bill requires that employees who are employed and compensated on a fee-for-service basis accrue paid sick leave in accordance with regulations adopted by the Commissioner of Labor and Industry. The bill provides that employees transferred to a separate division or location remain entitled to previously accrued paid sick leave and that employees retain their accrued paid sick leave under any successor employer. The bill allows employers to provide a more generous paid sick leave policy than prescribed by its provisions and specifies that employees, in addition to using paid sick leave for their physical or mental illness or to care for a family member, may use paid sick leave to seek or obtain certain services or to relocate or secure an existing home due to domestic abuse, sexual assault, or stalking. The bill provides that certain health care workers who work no more than 30 hours per month may waive the right to accrue and use paid sick leave. The bill also provides that employers are not required to provide paid sick leave to certain health care workers who are employed on a pro re nata, or as-needed, basis, regardless of the number of hours worked. The bill requires the Commissioner to promulgate regulations regarding employee notification and employer recordkeeping requirements. The bill authorizes the Commissioner, in the case of a knowing violation, to subject an employer to a civil penalty not to exceed $150 for the first violation, $300 for the second violation, and $500 for each successive violation. The Commissioner may institute proceedings on behalf of an employee to enforce compliance with the provisions of this bill. Additionally, the bill authorizes an aggrieved employee to bring a civil action against the employer in which he may recover double the amount of any unpaid sick leave and the amount of any actual damages suffered as the result of the employer's violation. Certain provisions of the bill have a delayed effective date of July 1, 2027.

Budget Amendment Necessary:	Yes. See "Fiscal Summary"	**Items Impacted:**	291 (DMAS), 352 (DOLI), 318 (DARS)

Explanation: The proposed legislation will require expenditures for which multiple state agencies are not currently appropriated. See table and analysis below.

Fiscal Summary: The estimated fiscal impact of this bill on state expenditures is an increase of $14,184,099 in general fund expenses and $12,378,574 in nongeneral fund expenses beginning in FY 2028, with higher amounts in future years. It is also anticipated that this bill will result in an indeterminate general fund revenue impact. Additionally, it is anticipated that DOLI will require additional staff resources; the agency estimates a need for 14 additional positions.

General Fund Expenditure Impact:

Agency	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
DMAS (Item 291)	$0	$0	$11,039,874	$13,031,547	$14,100,031	$15,168,753
DOLI (Item 325)	$0	$0	$3,144,225	$2,152,738	$2,152,738	$2,152,738
DARS (Item 318)	$0	$0	$0	$42,669	$85,338	$85,338
TOTAL	**$0**	**$0**	**$14,184,099**	**$15,226,954**	**$16,338,107**	**$17,406,829**

Nongeneral Fund Expenditure Impact:

Agency	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
DMAS	$0	$0	$12,378,574	$14,571,058	$15,731,382	$16,891,925
TOTAL	**$0**	**$0**	**$12,378,574**	**$14,571,058**	**$15,731,382**	**$16,891,925**

Position Impact:

Agency	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
DOLI	0	0	14	14	14	14
TOTAL	**0**	**0**	**14**	**14**	**14**	**14**

Fiscal Analysis: This fiscal impact estimate is preliminary, with an anticipated general fund and nongeneral fund expenditure impact. The fiscal impact statement will be updated as additional information is received from state agencies.

Department of Labor and Industry (DOLI)

DOLI would be responsible for enforcing this bill by promulgating guidelines, monitoring, and compliance. The agency estimates that the provisions of this bill will result in approximately 10,000 inquiries and 3,500 annual complaints that will need to be investigated based on the number of workers currently covered by statute and current claim volume, resulting in a workload increase requiring 14 new positions: one Program Manager, seven Compliance Officers, two Hearing and Legal Service Officers, two Hearing and Legal Service Mediators, and two Program Support Technicians, totaling to $2,107,738 in annual general fund costs.

According to the agency, each Compliance Officer is expected to complete 100-150 medium-complexity investigations annually and each Program Support Technician can process approximately 5,500 work activities per year. DOLI states that approximately five percent of all complaints are expected to require legal review, resulting in an estimated 175 cases annually referred to attorneys; Hearing and Legal Services Officers handle approximately 87-88 cases per year. Paragraph D of § 40.1-33.6:1, Code of Virginia, provides that the Commissioner must attempt to resolve complaints through mediation or other means. DOLI estimates that approximately five percent of complainants and respondents will agree to participate; each Hearing and Legal Service Mediator is expected to conduct 87-88 mediations annually. The agency also anticipates needing to create a system of record at a one-time cost of $991,487, based on a similar project cost to create a system of record for payment of wage complaints, as well as ongoing maintenance costs for this system of $45,000 annually. According to DOLI, the agency will need to create a new system of record to track and maintain complaints.

DOLI anticipates an increase in the use of language translation services for clients as a result of increased client contacts due to the provisions of this bill. DOLI currently contracts these services at an hourly rate of $117. DOLI reports 25 hours of client contacts requiring the use of these services in 2025 at a cost of $2,925. DOLI estimates 25 additional hours of language services; however, this amount is indeterminate. This bill also requires employees who are employed and compensated on a fee-for-service basis to accrue paid sick leave in accordance with regulations adopted by the Commissioner of DOLI. The agency states it does not currently have metrics in place to identify and track these employees. The agency anticipates needing to complete a study identifying these employees, which the agency estimates to have a one-time cost of $29,320 based on the cost of a past study with a similar scope. DOLI also anticipates needing to contract with additional non-attorney subject matter experts in policy and planning. Currently, DOLI contracts for such services at a rate averaging $40 per hour and for 1,500 hours a calendar year. The department anticipates needing to contract with two additional consultants for policy consultation at a cost of approximately $120,000 per year. It is anticipated that the agency can absorb these costs within existing resources.

Employers who violate the provisions of the bill may be subject to a fine of up to $150 for the first violation, $300 for a second violation within two years, and $500 for subsequent violations. The legislation provides that the revenue from these fines would be deposited to the general fund; the exact amount will be dependent on the number of violations and is indeterminate. (Note: Please see “Other” concerning the placement of these fines.)

<u>Department of Medical Assistance Services (DMAS)</u>

According to DMAS, this bill would impact Medicaid expenditures through consumer directed attendant care. In the consumer directed model of care, the Medicaid members select their personal care, respite, or companion care attendants and the Medicaid program pays for the wages of the attendant plus appropriate employer taxes and benefits. Currently, home health care workers who are consumer directed attendants and who work more than 20 hours a week receive one hour of sick leave for every 30 hours worked with a maximum of 40 hours per year. This bill removes the requirement that home health care workers work on average 20 hours or more a week to qualify for accruing sick leave hours.

DMAS estimates that 6.7 percent of the current hours worked do not qualify for accruing sick leave because the attendant works fewer than 20 hours per week. One hour of sick leave is earned for every 30 hours worked. DMAS states billable rates would need to be raised by 0.07 percent, as calculated by one hour for every 30 hours worked, times 6.7 percent, times 33.3 percent (which is the estimated sick leave utilization for consumer directed attendants according to DMAS). With a start date of July 1, 2027, and one month payment lag, this rate increase is estimated to cost $0.6 million ($0.3 million general fund) in FY 2028 and $0.7 million ($0.3 million general fund) in FY 2029.

The bill also expands paid sick leave requirements to include individuals who provide personal care, respite, or companion services to an individual who receives agency directed services. In an agency directed model of service, a home care agency employs the attendants who provide personal and respite care. While DMAS does not have information on the extent home care agencies are currently providing sick leave, it is assumed that this bill's provisions would increase home care agency operating costs similar to those experienced in consumer direction. The following information is provided if it is the intent of the bill for the state to recognize the cost to impacted home care agencies. Consumer directed rates had an increase of $0.35 per hour in Northern Virginia and $0.27 per hour outside of Northern Virginia to pay for the sick leave benefit. Should assumptions similar to those used to generate consumer directed costs be applied to home care agency directed care, then DMAS reports that rates would need to be increased by 1.45 percent in Northern Virginia and 1.32 percent outside of Northern Virginia. It is assumed sick leave utilization for agency directed attendants will be closer to 100 percent. With a start date of July 1, 2028, and one month claims payment lag, costs of a rate increase for all agency directed attendants are estimated to be $22.8 million ($10.7 million general fund) in FY 2028 and $26.9 million ($12.7 million general fund) in FY 2029.

<u>Department of Aging and Rehabilitative Services (DARS)</u>

This bill is expected to create a fiscal impact for DARS beginning in FY 2029. DARS operates the Personal Assistance Services (PAS) program, which provides consumer-directed personal care services for brain-injured persons and persons with disabilities who are otherwise ineligible for comparable consumer-directed services under Medicaid. Under the existing PAS program structure, the individual receiving services acts as the employer of record, and DARS subsidizes costs for the individual to hire in-home assistance. Current costs are limited to wages and employer taxes and do not include other fringe benefits for caregivers, such as health or life insurance. Up to 100 individuals are served through the program in a given year.

This bill would require that employees compensated on an hourly or fee-for-service basis receive one hour of paid sick leave for every 30 hours worked. Additionally, beginning January 1, 2029, the bill expands the definition of employer to include an employer of at least one employee, which would include PAS clients/employers of record. Because DARS subsidizes the current costs of individual employers receiving services through the PAS program, it is expected that DARS would accordingly subsidize any new costs associated with paid sick leave.

Current rates for the PAS program are $17.97 per hour for the Northern Virginia region and $13.88 per hour for the rest of the state. In FY 2025, PAS clients/employers of record reported a total of 20,298.39 billable hours for the Northern Virginia region and 67,390.38 hours for the rest of the state. If program rates are unchanged and the same number of billable hours are met in future years, DARS would be required to pay a total of $12,158.74 for sick leave in the Northern Virginia region and $31,179.28 for the rest of the state, for a total of $43,338.02 per year. This estimate is reduced by half in FY 2029 to account for the delayed implementation date of January 1, 2029.

Additionally, DARS reports that this bill will also increase some administrative costs for PAS. Currently, DARS contracts with a third-party vendor to process PAS payroll and train PAS clients/employers of record on how to utilize the administrative system. The agency suggests that a contract expansion would be required in order for the third-party vendor to track and process sick leave, as well as train employers on how to report sick leave accrual and usage. Currently, DARS' vendor contract rates are $90 per client per month for up to 100 individuals. DARS estimates that adding sick leave training and reporting capabilities to the existing contract could increase administrative costs by around $35 per client per month, for a total of $42,000 per year. This estimate is reduced by half in FY 2029 to account for the delayed implementation date of January 1, 2029.

Commonwealth Agencies and Localities

The bill includes all agencies, institutions, and political subdivisions as employers. The Virginia Sickness and Disability Program (VSDP) provides sick leave, including coverage for short- and long-term illness and disabilities. The amount of sick leave provided to employees covered by VSDP is set by the Virginia Code. Sick leave under VSDP does not roll over from year to year; instead, an employee receives a new allotment of sick leave each year. VSDP currently provides full-time employees in VSDP with less than 60 months of state service 64 hours of sick leave annually. Full-time employees with 60 or more months of state service receive 72 or 80 hours of sick leave, depending on their tenure. Thus, full-time employees in VSDP already receive more sick leave than required by the bill, though it should be noted that VSDP participating part-time employees receive 32 or 40 hours of sick leave annually, depending on their tenure.

Other: This bill is similar to HB5. Article VIII, Section 8 of the Virginia Constitution states that "…all fines collected for offenses committed against the Commonwealth" shall be deposited to the Literary Fund. Consideration should be given whether the fines provided for in this proposal can go to the general fund.