

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

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ORIGINAL

Bill Number: SB569

Patron: Sturtevant

Bill Title: Protection of employees; covenants not to compete; involuntarily separated employees.

Bill Summary: Prohibits the enforcement of a covenant not to compete, as such term is defined in existing law, between an employer and an employee if such employee is involuntarily separated from employment, as defined in the bill. The bill provides that for its purposes, an employee that is separated from employment shall be presumed to be involuntarily separated from employment unless the employer provides documentation establishing that such separation is voluntary or due to the employee's inadequate job performance or misconduct.

Budget Amendment Necessary: No

Items Impacted: N/A

Explanation: The impact of this bill on the Department of Labor and Industry (DOLI) is indeterminate.

Fiscal Summary: This bill may result in additional workload for DOLI; however, the impact is indeterminate. The bill may also have a revenue impact. See analysis below for details.

Fiscal Analysis: This fiscal impact statement is preliminary and will be updated as additional information is received.

This bill prohibits the enforcement of a covenant not to compete between an employer and an employee if such employee is involuntarily separated from employment. The number of complaints DOLI's Labor Law Division may receive and investigate as a result of the provisions of this bill is unknown.

Under this bill, paragraph F of § 40.1-28.7:8, Code of Virginia, states that an employer who violates this prohibition as determined by the Commissioner shall be subject to a civil penalty of \$10,000 for each violation. Paragraph H of § 40.1-28.7:8, Code of Virginia, under this bill requires every employer to post a copy of this section or a summary approved by DOLI, and states that an employer who fails to do so shall be issued a written warning by DOLI for the first violation, be subject to a civil penalty not to exceed \$250 for a second violation, and be subject to a civil penalty not to exceed \$1,000 for a third and each subsequent violation. Civil penalties owed under these subsections are paid to the Commissioner for deposit in the general fund.

Other: None.