

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

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ORIGINAL

Bill Number: HB310-H1

Patron: Feggans

Bill Title: Artificial Intelligence Workforce Impact Act established; report.

Bill Summary: Establishes reporting requirements for each state agency in the Commonwealth relating to the impact of artificial intelligence on the workforce. The bill requires each agency to submit annual reports to the Department of Human Resource Management detailing workforce impacts as a result of the use of one or more artificial intelligence systems during the preceding fiscal year. If an agency reports 10 or more workforce impacts as a result of the use of one or more artificial intelligence systems within a fiscal year, the bill requires such agency to submit an Artificial Intelligence Workforce Transition Plan to the Department within 180 days. The bill provides that a state employee whose job is eliminated, materially changed, or restructured due to the use of one or more artificial intelligence systems shall be eligible for (i) retraining or upskilling programs coordinated through the Department and the Virginia Community College System; (ii) benefits provided under the Virginia Department of Human Resource Management Policy 1.30, Layoff, and the Workforce Transition Act; (iii) career transition services offered through the Virginia Employment Commission; and (iv) any additional support measures offered by the Department. The bill requires the Department to review the information received by agencies under the bill and submit annual reports to the Governor, the Secretary of Administration, the Joint Legislative Audit and Review Commission, and the Chairs of the House Committee on Appropriations, House Committee on Communications, Technology and Innovation, Senate Committee on General Laws and Technology, and the Senate Committee on Finance and Appropriations by November 1 of each year.

Budget Amendment Necessary: Yes

Items Impacted: 74

Explanation: A budget amendment would be required for system development costs and potential retraining costs.

Fiscal Summary: Additional funding would be required by the Department of Human Resource Management (DHRM) for system development or enhancements to the Cardinal Human Capital Management system. DHRM would also require additional funding if the agency is intended by the bill to provide retraining services to affected state employees. Certain state agencies may also require additional resources if they need to modify their human resource systems to accommodate the reporting requirements of the bill.

Fiscal Analysis: This legislation implements a new annual reporting requirement, where agencies will need to submit to DHRM various data points about the effect of artificial intelligence systems on state employees and state positions. DHRM will need to develop a system or procure an enhancement to the existing Cardinal Human Capital Management (HCM) system to manage this reporting. DHRM will need additional resources to implement that system or enhancement. Based on information provided by DHRM and the Department of

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Accounts (DOA), a system enhancement to Cardinal HCM would cost at minimum \$126,720. This enhancement would expand the lists of reasons for termination or separation, as well as develop reporting pages to allow agencies to update and quarterly certify their numbers. The estimate does not include additional complexities or issues that may arise during implementation.

Some agencies that would be required to report to DHRM do not directly use Cardinal HCM, such as the institutions of higher education or various state authorities. These agencies may require additional resources to modify their own human resource systems to accommodate the reporting requirements. The fiscal impact of these agency-level system changes is currently unknown.

If an agency reports 10 or more workforce impacts as a result of the use of one or more artificial intelligence systems in a fiscal year, the agency has 180 days to submit an Artificial Intelligence Workforce Transition Plan to DHRM to identify retraining and reskilling efforts, availability of workforce training programs, and other similar factors. Agencies would have to dedicate staff time to completing such reports. It is unknown how many agencies will trigger this planning requirement.

State employees whose jobs are eliminated, materially changed, or restructured due to the use of one or more artificial intelligence systems are entitled to retraining and upskilling programs coordinated by DHRM and the Virginia Community College System (VCCS), priority consideration for vacancies if qualified at any state agency, career transition services offered through the Virginia Employment Commission (VEC), and any additional support measures offered by DHRM. The bill does not direct that the state pay for the programs offered at VCCS or VEC, and this impact statement assumes that the employee would be responsible for any such costs.

DHRM notes that if the department is intended to provide retraining or upskilling programs to affected state employees, DHRM will require additional general fund support and positions as the department does not currently offer these types of services. The number of new staff members will depend on the number of state employees whose positions are affected by artificial intelligence systems.

Other: Two technical issues to be considered:

1. Lines 52-53, introduced: The bill points to § 23.1-213 for the definition of “institutions of higher education”. Under that Code section, that term excludes public institutions of higher education. It is unclear if this definition was the patron’s intent.
2. Line 63, introduced: The bill provides eligibility to affected state employees for career transition services at the Virginia Employment Commission. Many career transition services have moved from the Virginia Employment Commission to the Department of Workforce Development and Advancement.