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

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Bill Number: HB1207H1 **Patron:** Sewell
Bill Title: Paid family and medical leave insurance program; definitions, notice requirements, civil action.

Bill Summary: Requires the Virginia Employment Commission to establish and administer a paid family and medical leave insurance program with benefits beginning January 1, 2029. Under the program, benefits are paid to covered individuals, as defined in the bill, for family and medical leave. Funding for the program is provided through premiums assessed to employers and employees beginning July 1, 2028. The bill provides that the amount of a benefit is 80 percent of the employee's average weekly wage, not to exceed 100 percent of the statewide average weekly wage, which amount is required to be adjusted annually to reflect changes in the statewide average weekly wage. The bill caps the duration of paid leave at 12 weeks in any application year and provides self-employed individuals the option of participating in the program.

Budget Amendment Necessary: **Yes** **Items Impacted:** **359, VEC; 49, OAG**
Explanation: This bill involves the Virginia Employment Commission (VEC), the Office of the Attorney General (OAG), the Department of Human Resource Management (DHRM); and the State Corporation Commission (SCC); budget amendments for VEC and OAG are necessary to implement the provisions of the bill.

Fiscal Summary: It is anticipated that VEC would require a line of credit, treasury loan, or general fund appropriation to address start-up costs of implementation of the provisions. The bill requires the repayment of any general fund support initially provided for the implementation of this program by January 1, 2034. OAG anticipates the need for a general fund amendment.

General Fund Expenditure Impact:

Agency	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
VEC (admin)	-	$77.55M	$39M	-	-	-
OAG			$145,767	$145,767	$145,767	$145,767
TOTAL	**$0**	**$77.55M**	**$39.5M**	**$145,767**	**$145,767**	**$145,767**

Nongeneral Fund Expenditure Impact:

Agency	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
VEC Benefits	-	-	-	$963 M	$1.998 Billion	$2.104 Billion
VEC (admin)	-	-	-	$43.67M	$44.5M	$45.44M
TOTAL	**-**	**-**	**-**	**$1.006 Billion**	**$2.04 Billion**	**$2.149 Billion**

Revenue Impact: Virginia Employment Commission

Agency	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
Payroll Taxes Collected	-	-	-	$1.471 Billion	$1.512 Billion	$1.548 Billion
TOTAL	**-**	**-**	**-**	**$1.471 Billion**	**$1.512 Billion**	**$1.548 Billion**

Position Impact:

Agency	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
VEC	-	29	180	314	314	314
OAG			1	1	1	1
TOTAL	**-**	**29**	**181**	**315**	**315**	**315**

Fiscal Analysis: This impact statement is preliminary. This bill establishes the Paid Family and Medical Leave (PFML) Program and the Paid Family and Medical Leave Insurance Trust Fund. To the extent that sufficient moneys in the Fund are available, the Fund is to be used to provide eligible individuals with a family and medical leave benefit and for the Fund's administration. The payroll taxes established in the bill are the revenue sources for the Fund.

Virginia Employment Commission (VEC)

VEC is to administer the new program. VEC anticipates that start-up costs will be $77.5 million in FY 2027 and $39.0 million in FY 2028. Until such time as revenue could be generated to offset the upfront expenses, VEC would require a line of credit, treasury loan, or general fund appropriation. The bill requires the repayment of any general fund support initially provided for the implementation of this program by January 1, 2034.

The start-up costs address the development and implementation of the required IT systems and initial staffing to stand up the program. A detailed procurement would have to be completed, but VEC based this estimate on the cost to develop similar systems in peer states. The tax system must include: employer registration; employer account maintenance; wage reports; paid family leave tax payments; general ledger; tax refunds; tax compliance (penalties and interest); paid family leave field audit; and, management reports. The benefit system must include: claims filing management; adjudication of medical, family, and parental leave claims; verification of medical licensures; payment and administration of benefits; repayment recovery; fraud prevention tools; and, analytics. Based on costs incurred by peer states which have implemented a PFML program, the system development costs are estimated at $64.0 million, with an ongoing maintenance costs at $6.7 million.

In addition to the procurement of tax and benefits systems, VEC estimates that the agency will need to hire program staff for the establishment and administration of the paid family and medical leave program pre-implementation. This includes staff for the new Information Technology Division, Division of Tax, Division of

Benefits, Appeals, Customer Relations, and Support Services. VEC anticipates that to fully function, the paid family and medical leave program will need 314 FTEs; hiring will be staggered as the program is implemented. Since this is a state directed program, no federal funds can be used to support any component of this new program.

The bill directs VEC to establish and administer a paid family and medical leave insurance program by January 1, 2028, and to promulgate regulations to implement the new program by July 1, 2028, to begin collecting the premium or payroll contributions from employers to pay benefits under the program beginning on July 1, 2028, and to begin making payments to eligible individuals beginning on January 1, 2029.

Collections will be deposited to the Fund and payments will be made from the Fund. According to the bill, for calendar years 2028 and 2029, VEC is to set the premium based on sound actuarial principles, and beginning with calendar year 2030, VEC is to use a methodology described in the bill to set the premium, considering the balance in the Fund at the close of the previous fiscal year and ensuring the projected balance of the Fund as a percentage of total program expenditures does not fall below 40 percent. According to VEC, to support the benefit level established in the bill, premiums would have to be assessed in the amount of 0.72 percent of wages. These amounts would be split between the employer and employee. Total annual benefits are estimated to be approximately $963.0 million in FY 2029 (6 months), increasing to $2.1 billion by FY 2031. While the premiums and payments are indeterminate, and will be based on demand, actuarial principles and usage, VEC estimates that revenues from the premium will be between $1.47 billion in FY 2029 and $1.5 billion in FY 2031. The projected utilization rate and average duration in VEC's estimates are based on the 2024 Virginia Family and Medical Leave Study completed by the Weldon Cooper Center for Public Service at the University of Virginia. The study was written assuming eight weeks of benefits. The benefits paid estimates in this statement are increased by 50 percent to account for the four additional benefit weeks proposed in the bill.

Office of the Attorney General (OAG)

The bill requires the VEC Commissioner to establish a system for appeals in the case of a denial of a claim for family and medical leave benefits. According to the OAG, an additional attorney would be needed for anticipated new workload for appeals filed with the VEC at a cost of $145,767.

State Corporation Commission (SCC)

The bill provides that Employers may apply to the VEC for approval to meet their obligations under the Paid Family and Medical Leave Program through a private plan. VEC and the State Corporation Commission shall establish rules, processes for data sharing, and a memorandum of understanding related to their respective roles in implementing the approval of coverage, authorizing products, and requiring filings related to private family leave insurance, paid family and medical leave, group disability, and individual or group accident and sickness policies. Comments from the State Corporation Commission are pending.

Department of Human Resource Management (DHRM)

The bill requires that the Department of Human Resource Management (DHRM) adopt rules to ensure that its policies relating to family and medical leave for employees of the Commonwealth, including parental leave under § 2.2-1210, Code of Virginia, provide employees of the Commonwealth with leave benefits equal to or greater than the leave benefits provided to a covered individual under the paid family and medical leave insurance program. Additionally, the third enactment of the bill requires DHRM to modify the Commonwealth's policies relating to family and medical leave by January 1, 2029. Comments from DHRM are pending.

Statewide Impact

The bill excludes the Commonwealth from the definition of an employer but also requires the Commonwealth to provide leave benefits equal or greater to the benefits under the bill. The Commonwealth would not be required to pay the employer tax; however, costs are likely to be incurred to meet the equivalency of the program established in this bill. Such costs could include the need for additional or supplementary staff when qualifying employees are on leave. At this time, such costs are indeterminate.

Other: SB2S1 also establishes a Paid Family and Medical Leave Program.