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

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Bill Number: SB128 S1 **Patron:** VanValkenburg
Bill Title: Covenants not to compete; health care professionals, civil penalty.

Bill Summary: Adds health care professionals as a category of employee with or upon whom no employer shall enter into, enforce, or threaten to enforce a covenant not to compete. The bill defines "health care professional" as any person licensed, registered, or certified by the Board of Medicine, Nursing, Counseling, Optometry, Psychology, or Social Work. The bill provides that any employer that violates the prohibition against covenants not to compete with a health care professional is subject to the civil penalty in current law of $10,000 for each violation.

Budget Amendment Necessary: **No.** **Items Impacted:** **N/A.**

Explanation: This bill involves the Department of Labor and Industry (DOLI), the Virginia Commonwealth University Health System (VCUHS), and the University of Virginia Medical Center (UVAMC); a budget amendment is not required.

Fiscal Summary: The fiscal impact of this bill is indeterminate.

Fiscal Analysis: This impact statement is preliminary. The bill adds health care professionals, defined in the bill, as a category of employee with or upon whom no employer shall enter into, enforce, or threaten to enforce a covenant not to compete. Any expenditure or revenue impact that may result from this bill is indeterminate.

The number of complaints DOLI's Law Division may receive and investigate as a result of the provisions of this bill are unknown. Violations of the provisions of this bill are subject to civil penalties. Any revenue collected as a result of these penalties will depend on the number of violations. Any revenue collected will be deposited to the general fund.

This bill may impact VCUHS and UVAMC. According to VCUHS, turnover can increase by up to 50 percent when non-competes are statutorily eliminated. VCUHS estimates that its current turnover rate of six percent could rise to nine percent, resulting in a possible $40.0 million impact. Operations of VCUHSA are fully supported by revenues generated by the entity. VCUHSA is a separate legal entity that does not have a state appropriation. UVA Health estimates that its current turnover rate of 7.3 percent could rise to 10 percent, resulting in a possible $11.9 million impact at the UVA Medical Center. Operations of the UVA Health System are fully supported by revenues generated by the entity. As a component of UVA, the UVA Medical Center has a sum sufficient state nongeneral fund appropriation in Item 190 of HB/SB 30 to reflect the anticipated expenditure of revenues generated by the Medical Center.

Other: This bill is similar to HB627.