

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

Beginning in FY 2027, it is anticipated that this bill will result in a general fund expenditure impact to DOLI. DOLI anticipates requiring two to three positions and associated technology and operating costs to implement and enforce the expanded prohibition on covenants not to compete; the tables above reflect the lower end of the estimate. DOLI reports a combined FTE and operating cost of up to \$379,393 for one Compliance Officer and two Program Specialists, a one-time system of record expansion cost of \$495,743.47, and ongoing annual costs of \$22,500 for system maintenance and \$2,925 for language services. These costs are attributable to the bill's extension of noncompete protections to health care professionals, which increases the number of covered workers, authorizes additional civil enforcement actions, and requires continued administration of posting, intake, investigation, and penalty assessment provisions.

DOLI based these estimates on workforce coverage and enforcement projections associated with the bill. Using Occupational Employment and Wage Statistics data, the agency identified approximately 272,000 workers who would fall within the expanded statutory coverage. DOLI estimates that five percent, or 13,600 individuals annually, will seek constituent services, guidance, or technical assistance related to compliance with or application of the new requirements. Of those contacts, DOLI projects that one percent, or 136 cases per year, will require formal investigation and enforcement action under the bill's civil penalty and remedial provisions.

To manage enforcement activity, DOLI anticipates that one Compliance Officer will be necessary, citing an annual investigative capacity of 100–150 investigations per officer, which aligns with the projected 136 investigations generated by the bill. To manage intake and constituent contacts, DOLI anticipates up to two Program Specialists will be required, each with an estimated capacity of 5,500 constituent requests per year, to process inquiries, provide guidance, and route complaints for enforcement review. Each Program Specialist position is anticipated to cost \$120,743. DOLI indicates that existing staff are fully utilized enforcing current labor and employment laws and managing existing intake volumes, and that the additional workload created by the bill cannot be absorbed within existing capacity.

The bill also creates new operational requirements for DOLI's enforcement infrastructure. DOLI indicates that the expansion of noncompete enforcement to health care professionals requires a dedicated workstream within its existing system to track complaints, investigations, and outcomes. This would require a one-time system expansion at an estimated cost of \$495,743, along with annual maintenance costs of \$22,500, which the agency states cannot be supported with current resources. In addition, DOLI projects annual language services costs of \$2,925 to support increased claimant volume and document translation needs associated with the expanded enforcement population.

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

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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.

The bill may increase civil penalty revenues deposited into the General Fund due to the expanded applicability of the \$10,000 penalty and posting-related penalties to employers of health care professionals. The magnitude of any increase is indeterminate and dependent on enforcement activity and compliance rates.

Other: This bill is similar to HB627.