

Fiscal Impact Review

2026 General Assembly Session

****Revised****

Bill number: HB 1263 (Substitute); Collective bargaining by public employees; individual home care providers; Virginia Home Care Authority established; Public Employee Relations Board established; exclusive bargaining representatives.

Review requested by: Chair Ward; House Labor and Commerce Committee

Date: February 13, 2026

JLARC Staff Fiscal Estimates

JLARC staff estimates of the fiscal impact for HB 1263 vary compared to those included in the Department of Planning and Budget fiscal impact statement (FIS). JLARC staff estimate lower administrative costs for the Virginia Health Care Authority (VHCA) and the Public Employee Relations Board (PERB) because of different assumptions for how these entities would be implemented. JLARC staff estimates for the VHCA are significantly lower than those included in the FIS. JLARC staff estimate that the human resource costs at state agencies could be higher than the FIS estimate depending on the extent to which agencies would be directly involved in labor contract negotiations.

HB 1263 would repeal the existing prohibition on collective bargaining by public employees, designate independent home care providers as employees for the purposes of collective bargaining, and establish the VHCA and the PERB to assist with the collective bargaining process.

An explanation of the JLARC staff review is included on the pages that follow.

Bill summary

HB 1263 would repeal the existing prohibition on collective bargaining by public employees. The bill would establish the Virginia Home Care Authority (VHCA) within the Department of Medical Assistance Services (DMAS) to serve as the public employer for individual home care providers for purposes of collective bargaining. The bill assigns other responsibilities to the VHCA for overseeing individual providers. HB 1263 would also create the Public Employee Relations Board (PERB) to determine appropriate bargaining units and provide for the certification and decertification elections for exclusive bargaining representatives of state and local government employees.

HB 1263 contains provisions affecting two distinct groups—individual home care providers and government employees.

Individual home care providers

For the purposes of HB 1263, home care providers deliver personal care services (e.g., activities of daily living) in a home-based setting to the elderly and individuals with disabilities. The bill applies to providers in a “consumer-directed” arrangement, meaning they are directly employed by the beneficiary but paid by Virginia’s Medicaid program.

HB 1263 would create the Virginia Home Care Authority (VHCA) as a division of the Department of Medical Assistance Services (DMAS) which would be responsible for:

- Maintaining a central registry of in-home providers and a system to match members with providers;
- Implementing a training program and mandatory orientation for in-home providers;
- Acting as a “joint employer” of in-home providers for the purposes of collective bargaining, provider payment, and personnel records maintenance;
- Managing communications with the workforce;
- Managing oversight of direct support services quality; and
- Collecting and analyzing workforce data, including provider pay, retention, job satisfaction, and service gaps.

Functionally, HB 1263 would enable in-home providers to unionize and collectively bargain with the VHCA (which would serve as their public employer for this purpose). Currently, the hourly rate for consumer-directed providers is set by the General Assembly, including for MCO members. Therefore, any increase in rates negotiated

through collective bargaining could not be implemented until funding is approved by the General Assembly, which would be at the General Assembly's discretion.

State and local government employees

HB 1263 would allow state and local government employees to unionize and collectively bargain with their employers regarding their wages, hours, and other terms of employment (workers compensation and retirement benefits are excluded). The bill enumerates the roles and responsibilities of public employers, employees, and union representatives with respect to organization and contract negotiation. Under current state law, state government employees are prohibited from collectively bargaining while localities may pass ordinances enabling employees to unionize. HB 1263 does not propose any changes to current law regarding strikes or walk-offs—employees engaging in these activities are assumed to have forfeited their positions.

The bill would establish the Public Employee Relations Board (PERB) as an executive branch agency, which would be comprised of five compensated board members and additional staff, to oversee unionization efforts (e.g., certify state and local union elections), contract negotiation processes, and adjudications.

Not all state and local employees would be subject to the bill. Some elected officials and those employed by the judicial and legislative branches are exempted. However, other personnel not covered by the Virginia Personnel Act would be covered. Staff at public institutions of higher education (including the community college system) and their associated healthcare systems are also included.

Fiscal implications

JLARC staff fiscal impact estimates for HB 1263 vary compared to those included in the Department of Planning and Budget (DPB) Fiscal Impact State (FIS) in several areas. JLARC staff estimate lower administrative costs for the VHCA and the PERB because of different assumptions for how these entities would be implemented. JLARC staff estimate that human resource costs at state agencies could be higher than estimated in the FIS depending on the extent to which agencies would be directly involved in labor contract negotiations. JLARC staff concur with the FIS estimates related to the Office of the Attorney General (OAG), and the Department of Human Resource Management (DHRM).

TABLE 1
JLARC staff estimates vary relative to DPB and agency estimates

	FY27 – FY32
DMAS - Virginia Home Care Authority	Significantly lower
Public Employee Relations Board	Lower
Office of the Attorney General	Concur
Department of Human Resources Management	Concur
Central Appropriations	Concur
Other state agencies	Concur to higher

Virginia Home Care Authority Administrative Costs (VHCA)

JLARC staff do not concur with DMAS’s estimate for the cost of creating the VHCA. DMAS’s estimate assumes the VHCA would need 132 staff – 110 compliance staff and 22 support staff – at a cost of \$27M in general funds (GF) annually, but this level of staffing is not needed to meet the bill’s requirements. JLARC staff estimate that the VHCA could fulfill the bill’s requirements with between seven and 11 staff.

DMAS staff indicated that they interpreted HB 1263 to require the VHCA to “oversee” direct support service quality and “ensure” compliance in a similar manner to how DMAS requires home care agencies to monitor their employed individual providers (§ 32.1-331.21(10)). However, the bill does not appear to require the VHCA to oversee service quality on behalf of consumer-directed care participants in the same manner as home care agencies. Further, the bill’s provisions restrict DMAS’s status as a joint employer for individual providers to collective bargaining, payment validation, and record keeping purposes. The bill’s provisions related to collective bargaining for individual providers emphasize that the consumer-directed care participant retains control of employment and affirms a participant’s rights to “select, hire, direct, supervise, and terminate” an individual provider’s services. If the bill’s intent is to preserve

consumer-directed care participants' ultimate control over an individual provider's employment, HB 1263's language could be clarified to better align the VHCA's duties as they relate to direct support service quality.

Based on the more limited interpretation of the VHCA's requirements and the experience of other states that have similar entities, JLARC estimates that the VHCA would need significantly fewer staff than what DMAS estimates. Estimating the exact number of staff the VHCA would need is difficult. Other states, such as Minnesota and Massachusetts, appear to have between three and seven staff for their equivalent agencies or programs. However, these agencies and programs appear to have fewer statutory responsibilities than the VHCA would have. Based on the other states' information and the responsibilities that VHCA would be expected assume, JLARC staff estimate that the VHCA would need between seven and 11 staff. JLARC staff were able to identify the need for the following staff based on the specific duties the bill assigns the VHCA or using DMAS estimates:

- Two training specialists to develop and offer the paid training and orientation services for providers;
- One information technology specialist to support and analyze authority data systems, such as the central provider registry;
- One administrative staff to provide human resources, finance, and other support to staff that existing DMAS administrative staff cannot absorb; and
- One program director to oversee staff activities.

In addition to these five staff, VHCA would need between two and six programmatic positions to assist the authority in carrying out its other statutory duties, such as serving as a communications hub for the individual provider workforce.

Using DMAS's salary data and assuming a midpoint of nine staff, JLARC estimates that total compensation for these nine staff would be \$1.9M annually, with an additional \$33,000 in one-time staffing-related costs in FY27 and an additional \$69,000 in annual staffing-related operating costs. JLARC staff concur with DMAS's cost estimates for the three information technology projects (\$3M in FY27 and \$950,000 in subsequent years) and for the cost of providing paid mandatory orientations and optional paid training for individual providers (\$1.5M annually). In total, JLARC estimates an FY27 cost of \$6.5M and annual ongoing costs of \$4.4M for the VHCA thereafter. This analysis assumes that VHCA staff would be hired in FY27 to support agency activities as soon as possible.

JLARC staff concur with DMAS and DPB's assertion that the VHCA would need to be entirely supported by general funds.

TABLE 2

JLARC staff estimate that VHCA's annual operating cost would be \$4.4M (GF) annually

	FY27	FY28	FY29	FY30	FY31	FY32
Staff	9	9	9	9	9	9
Compensation costs	\$1.9M	\$1.9M	\$1.9M	\$1.9M	\$1.9M	\$1.9M
Operating costs	\$0.1M	\$0.1M	\$0.1M	\$0.1M	\$0.1M	\$0.1M
Non-labor costs	\$4.5M	\$2.5M	\$2.5M	\$2.5M	\$2.5M	\$2.5M
Total	\$6.5M	\$4.4M	\$4.4M	\$4.4M	\$4.4M	\$4.4M

SOURCE: DMAS.

NOTE: Numbers may not add to total due to rounding.

HB 1263 also requires VHCA to provide direct support services in the event a participant's individual provider is unable to perform their responsibilities. DMAS already provides sick leave to individual providers under state law, but this provision would further require DMAS to pay for the replacement of a sick or otherwise absent individual provider. DMAS staff anticipate increasing the premium included in the rate for consumer-directed home care services to account for these costs, which will increase state general fund spending. However, DMAS could not determine the extent to which the agency would need to increase that rate and the extent to which that increase would affect Medicaid fee-for-service and managed care spending.

Some of the duties HB 1263 assigns to VHCA may raise questions about the nature of the employment relationship between VHCA and individual providers, and whether VHCA would have employer obligations, such as paying workers compensation premiums, for individual providers. After consulting with Department of Legislative Services staff and staff from other state agencies, it appears unlikely that the passage of HB 1263 would lead to individual providers being classified as "employed" by VHCA except for purposes defined in the bill.

VHCA and Collective Bargaining

JLARC does not concur with DPB's assessment of the potential impact and cost of administering collective bargaining at VHCA and DMAS. Based on HB 1263's definitions of "individual provider", "direct support services", and "covered program", the bill's collective bargaining provisions would only appear to apply to individual personal care attendants in a consumer-directed arrangement paid through Medicaid. While the state does have other medical providers who participate in the Medicaid program, one or more of the above definitions would exclude them.

DPB's cost estimate for HB 1263 includes four labor relations staff at the VHCA and three labor relations staff at DMAS. The JLARC staff analysis assumes DMAS labor relations staff could negotiate with DMAS staff and individual providers, and removes the four VHCA labor relations staff.

JLARC concurs with DPB that the impact of any wage increases for individual providers as a result of bargaining is indeterminate at this time. While not specifically covered in the literature review below, it is reasonable to assume collective bargaining would result in some increase in wages for these individual providers. However, JLARC agrees there is no reasonable method for assessing how these increases will affect Medicaid fee-for-service payments and managed care capitation rates at this time.

Department of Aging and Rehabilitative Services (DARS)

JLARC concurs with DPB's assertion that HB 1263 would increase DARS's operational costs by an indeterminate amount but notes that any increase would be small relative to Medicaid spending. DARS staff confirmed that the state does pay for individual providers to provide consumer-directed direct support services through the agency's three personal assistance programs using the state Medicaid rate. Any collective bargaining-driven increase in the Medicaid rate would impact DARS's costs for these programs. However, DARS only provides services to 85 participants, meaning any general fund impact would be small in absolute terms and would not occur until the state negotiated a contract with individual providers.

Public Employee Relations Board (PERB)

JLARC staff do not concur with DPB's estimates for the PERB. JLARC estimates annual costs of approximately \$2.7M to \$3.8M (GF) compared to the estimates in the FIS of \$4.5M to \$6M (GF).

JLARC concurs with DPB's board member compensation estimate for the PERB. HB 1263 specifies the General Assembly would determine board member compensation, and DPB's analysis reflects a realistic range of compensation options for board members.

However, JLARC estimates a lower cost for staffing the PERB than is included in the FIS. The JLARC estimate for PERB staffing costs relies on staffing figures gathered from similarly structured employee relations boards in other states, specifically Ohio, as well as input from state agencies. Ohio's State Employee Relations Board (SERB) has similar oversight responsibilities for both state and local public employees and employers, making it an appropriate point of comparison. JLARC reviewed SERB staffing levels, staffing levels in other states, and other agency analyses and assumed the following staffing levels for PERB after accounting for differences in job function and agency duties compared to other states:

- Four administrative, finance, and IT staff to generally support the board and programmatic staff members in carrying out their duties;
- Two mediators to provide mediation services during contract negotiations;
- Four hearing officers to oversee investigations into conduct violations, conduct hearings, issue decisions, and provide other services, such as arbitration, as needed;
- Five labor specialists to provide general support to the board, assist in conducting violation investigations, certify employee representatives, help the board in determining bargaining units, and oversee employee representation elections;
- One director to oversee staff activities and serve as an intermediary between the board and staff.

JLARC matched these positions with wage data from the BLS Quarterly Census on Employment and Wage data for the Richmond metropolitan area. This analysis estimates total compensation for these positions at \$2.5M annually. Prior JLARC research has found that the board regulatory process typically takes 24 months. This analysis assumes that the board would need to hire half of these staff to develop regulations, processes, and documentation in FY27, with the remaining staff hired in FY28.

Based on input from the Department of Labor and Industry (DOLI), JLARC staff estimate a cost of \$400,000 FY27 and \$800,000 in FY28 to develop a case management system, with \$50,000 in annual system costs after. JLARC staff also estimate the agency would need to spend at least \$161,000 in its first year and at least \$102,000 in following years on staff-related operational costs, based on estimates from other state agencies.

In total, JLARC staff estimate an annual cost of approximately \$2.9M in FY27, \$4.5M in FY28, and \$3.8M thereafter for the PERB, assuming a maximum board compensation cost of \$1.1 million.

TABLE 3
JLARC staff estimate of PERB annual operating costs (GF)

	FY27	FY28	FY29	FY30	FY31	FY32
Staff	8	16	16	16	16	16
Staff compensation costs	\$1.3M	\$2.5M	\$2.5M	\$2.5M	\$2.5M	\$2.5M
Board compensation costs	\$1.1M	\$1.1M	\$1.1M	\$1.1M	\$1.1M	\$1.1M
Operating costs	\$0.2M	\$0.1M	\$0.1M	\$0.1M	\$0.1M	\$0.1M
Non-labor costs	\$0.4M	\$0.8M	\$0.1M	\$0.1M	\$0.1M	\$0.1M
Total	\$2.9M	\$4.5M	\$3.8M	\$3.8M	\$3.8M	\$3.8M

SOURCE: BLS Quarterly Census on Employment and Wages, DOLI and DHRM estimates. Staffing numbers are derived from other states.

NOTE: Numbers may not add to total due to rounding.

Similar bills from prior sessions, such as SB 917 from the 2025 Regular Session, have situated the PERB within DOLI. HB 1263, instead, explicitly establishes the PERB as a separate agency. Prior JLARC reports have noted that situating a new board within an agency structure is less costly than establishing a new agency and may lead to faster regulatory implementation. DOLI staff estimated that, if the PERB was situated within DOLI, the agency could absorb the equivalent of two administrative positions but would need to hire new staff for programmatic duties. This would reduce the annual cost of compensation for PERB staff to \$2.3M (from \$2.5M), so total costs for the PERB would decrease to \$3.6M (from \$3.8M). Situating PERB within DOLI would likely reduce staffing-related operating costs as well. If it is the intent for the PERB to be situated within DOLI, the bill should be clarified to reflect that.

Binding Arbitration (PERB)

An ambiguity in the language of the bill and uncertainties regarding the extent to which arbitration would be needed make it difficult to estimate state costs for arbitration services with much certainty. HB 1263 does not clearly define who would be responsible for conducting final grievance arbitration for disputes concerning disciplinary and adverse personnel actions and contract arbitrations when agreement cannot be reached through mediation (§ 40.1-57.9(A) and § 40.1-57.16). The bill's definition of arbitration only requires that a "third-party" conduct the arbitration process. In addition, there is no reasonable way to estimate future demand for arbitration services. There is no way to reliably predict how many bargaining units would be established, what proportion of negotiations would be handled through mediation and not require arbitration, or the number of personnel disputes sent to arbitration.

It is possible to generate a rough estimate for the cost of providing arbitration for personnel disputes, assuming that PERB hearing officers and mediators would provide all necessary arbitration services. Based on staffing levels in DHRM's Office of Employment Dispute Resolution (EDR), and assuming that employees file grievances at a similar rate and that contracts use similar eligibility criteria as the existing state grievance process to determine whether a grievance is eligible for arbitration, JLARC staff estimate that the PERB would need an additional three hearing officers and one administrative staff per 50,000 state or local employees in bargaining units with bargaining agreements at a total annual compensation cost of \$602,000 (GF) to arbitrate all grievances.

If the PERB did arbitrate all personnel grievances for employees in a bargaining unit, the agency could duplicate some of the responsibilities assigned to EDR, which oversees the state's current grievance process for most classified employees. The EDR operates with a staff of three FTEs and 11 part-time hearing officers (equivalent to two FTEs), with a budget of \$1.2 million. HB 1263 creates an additional grievance process, and it is unclear if i) both processes and entities are needed, and if so, ii) under what circumstances each process and entity would be used. If the state determines both are not needed, there may be some cost savings.

Department of Human Resource Management (DHRM)

JLARC staff agree with DPB that DHRM would require ten additional staff to implement the provisions of HB 1263, conditional on the assumption that DHRM will be responsible for contract negotiation. JLARC staff interviewed labor relations units and reviewed

administrative documents for other states to evaluate the scope of personnel needed. The number of collective bargaining units, complexity and scope of negotiated contracts, and level of centralization are key factors that would influence DHRM personnel needs.

The proposed legislation does not explicitly say which entity (or entities) will be responsible for contract negotiation on behalf of the employer. According to staff in other states, contract negotiation requires significant ongoing personnel capacity. Based on the experience of other states with centralized contract negotiation structures, DHRM could need ten additional staff dedicated to labor relations if DHRM is primarily responsible for negotiating with labor unions. Staff in such centralized offices may manage three to eight collective bargaining agreements (CBAs) each, depending on size and complexity. If DHRM is not the primary negotiator, closer to five staff would be needed.

Collective bargaining will also make demands of other staff at DHRM, including personnel responsible for benefits. According to labor relations personnel in other states, health insurance and other benefits are often part of contract negotiations. DHRM administers health insurance benefits for not just state executive branch agencies, but also more than 300 participating local governments through the Local Choice Program. As localities implement the collective bargaining provisions of HB 1263, there may be additional personnel costs associated with local negotiations involving these benefits.

Other State Agencies

The cost of HB 1263 at other state agencies depends on the approach taken for negotiating contracts. JLARC staff concur with DPB's personnel estimates for other state agency staff if negotiations are handled centrally, but the cost would be significantly higher if individual agencies conducted their own negotiations. To determine the fiscal impacts of the collective bargaining components of the bill on state agencies, JLARC staff spoke with staff in labor relations units and reviewed documents from other states with collective bargaining statutes. JLARC staff also spoke with leadership from some of the affected Virginia agencies.

HB 1263 does not assign primary responsibility for contract negotiation. If bargaining is centralized within DHRM, the staffing cost estimates included in the FIS are reasonable. If contract negotiation is decentralized across state agencies, additional staff would be needed. All of the states reviewed by JLARC staff utilized a centralized negotiation

process for executive agencies, while the agencies were responsible for training, grievance processing, and additional administrative tasks related to contract execution.¹ In one such state, the executive agencies employed 175 to 200 staff with labor relations responsibilities and the central labor relations unit included ten full-time staff to handle contract negotiation with additional consultants.² States with centralized negotiation responsibilities assigned roughly three to eight contracts per labor relations specialist, depending on complexity.

However, if contract negotiation is decentralized (i.e., executive agencies are responsible for negotiating with union representation for their staff in each bargaining unit), staffing assumptions should be increased. Many executive branch agencies would need to negotiate with multiple bargaining units—at a minimum, agencies are likely to have employees assigned to administrative services (e.g., office managers), engineering/technology (e.g., IT), and trades/operations (e.g., janitorial or maintenance staff) bargaining units. Negotiating these contracts could require an additional one to two FTEs per executive branch agency, assuming these staff are managing between three to eight contracts each. JLARC staff assume one additional staff needed for small and medium agencies, two additional staff for large agencies, and two additional staff to serve all shared services agencies.

Given these staffing assumptions, a fully decentralized negotiation structure could require roughly a hundred more staff than the centralized system, which would cost roughly a third more (\$51.4 million annually compared to \$38.8 million annually in the FIS).

¹ In some cases, agencies could also independently negotiate contract addendums or “riders” to the overall CBA on a limited number of components with the oversight of the central labor relations unit.

² DPB’s estimated workforce projections produce roughly similar ratios of agency labor relations staff to total positions as this state, taking differences in workforce size in to account.

TABLE 4
Cost Comparison of Collective Bargaining Structures

	Centralized Negotiations (FIS)		Decentralized Negotiations*		
	New Staff	Total Salary & Benefits Cost	New Staff	Total Salary & Benefits Cost	General Fund Cost Only
Executive Agencies	194	\$25.1M	259	\$33.5M	\$17.5M
Postsecondary Institutions	80	\$10.3M	105	\$13.6M	\$5.7M
Independent Agencies	26	\$3.4M	34	\$4.4M	\$0.2M
Total	300	\$38.8M	398	\$51.4M	\$23.3M

SOURCE: DPB Fiscal Impact Statement and JLARC staff analysis. For ease of comparability, we used the same compensation assumptions as DPB—average salary of \$80k and \$49k in insurance and other contributions. *We assume one additional staff needed for small and medium agencies, two additional staff for large agencies, and two additional staff to for all shared services agencies. The GF estimates for centralized negotiations are available in DPB's FIS.

Impact on State Costs of Collective Bargaining Outcomes

JLARC staff concur with DPB that the impact of HB 1263 on personnel costs from collective bargaining is indeterminate, but peer-reviewed literature and the experiences of labor relations units in other states suggest at least some increase is likely. Labor organizations have the explicit goal of increasing compensation and enhancing working conditions for their members. JLARC staff conducted a brief literature review to determine how HB 1263 may impact state personnel costs.³ Some researchers report effects ranging from near-zero to eight percent increases for the impact of collective bargaining on public sector wages.⁴ However, there may be differences by occupation

³ Due to methodological challenges, there are few studies that provide reliable estimates for this impact for two reasons: i) there has been very little policy change in the last twenty years or so, and ii) collective bargaining is not legalized at random—it would be misleading to attribute compensation differences between states with and without collective bargaining to this policy alone. Both public sector unionization and larger government expenditures are associated more politically progressive ideologies. A significant portion of wage differentials could be due to political environment instead of public sector unionization statutes.

⁴ For examples, see:

Brunner, Eric J., and Andrew Ju. "State collective bargaining laws and public-sector pay." *ILR Review* 72, no. 2 (2019): 480-508.

Paglayan, Agustina S. "Public-sector unions and the size of government." *American Journal of Political Science* 63, no. 1 (2019): 21-36.

Frandsen, Brigham R. "The effects of collective bargaining rights on public employee compensation: Evidence from teachers, firefighters, and police." *ILR Review* 69, no. 1 (2016): 84-112.

or time period, and general state workers were not the focus of many of the studies reviewed. The continued prohibition in Virginia on public sector strikes and walk-outs would also likely moderate the potential impact on personnel costs. For example, one study found that collective bargaining was associated with gains in teacher pay only for states that did not penalize strikes.

The DPB FIS includes an estimated value of a one percent increase for salaried employees (\$45.8M GF, \$59.7M NGF) and acknowledged the potential for additional compensation-related costs. This estimate appears reasonable.

Both the research literature and labor relations staff in other states suggest collective bargaining often affects personnel costs beyond salaries, including health insurance and other benefits. For example, unions may advocate for the state to cover a larger share of the health insurance premium or expand benefits for their members. Based on the \$1.65B estimate for employer health insurance premiums in the governor's proposed budget for FY27, a one percent increase in employer insurance costs would increase state costs by \$16.5M (\$6.2M in GF).

Budget amendment necessary? Yes

Agencies affected: All executive agencies, postsecondary institutions, state-run enterprises

Patron: Delegate Tran

Prepared by: Sarah Smith and Sam Lesemann

Date: February 13, 2026

Frandsen, Brigham R., and Michael Webb. "Public employee pensions and collective bargaining rights: Evidence from state and local government finances." *JL Econ. & Pol'y* 15 (2019): 163.