

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

Fiscal Analysis: This fiscal impact statement is preliminary. The fiscal impact statement will be updated as additional information is received from state agencies. Fiscal impact statements associated with this bill and other legislation with similar requirements may overlap and may not be fully additive due to shared implementation activities.

Department of Labor and Industry

This bill requires DOLI to conduct surveys of construction industries across the 21 planning districts, as defined in the bill, in Virginia every two years. These surveys would take into account the different rates for each type of construction, including building, heavy, highway, and residential. The results of these surveys would be used to determine prevailing wage rates, rather than DOLI relying on data published by the U.S. Department of Labor, which would then be published.

Therefore, DOLI anticipates that the provisions of this bill will result in a general fund expenditure requiring additional appropriation and positions. It is anticipated that the provisions of this bill will impact DOLI's expenditures through expanded responsibilities related to prevailing wage determinations on public works contracts. Currently, DOLI anticipates requiring 11 additional positions at an ongoing cost of \$1,647,605, including one Program Manager (\$194,129), three Prevailing Wage Program Staff (\$141,354 each), five Prevailing Wage Investigators (\$141,354 each), one Labor and Employment Law Attorney (\$168,022), and one IT Technician (\$154,622). DOLI also anticipates additional costs associated with developing, procuring, and maintaining two IT systems, one for surveyed rates and one for payroll certifications.

Under current law, DOLI enforces prevailing wage requirements for public works projects exceeding \$250,000, primarily for state agencies and certain localities that have affirmatively opted in by ordinance. According to the agency, there are currently nine localities, including independently organized school boards that are treated as separate entities under the provisions of this bill, that have adopted ordinances to opt-in to prevailing wage. The Division of Labor and Employment Law currently has two prevailing wage analysts processing prevailing wage determinations. According to DOLI, the agency typically processes approximately 1,000 prevailing wage determinations each year, with 1,137 issued in 2025. Historically, the agency states that prevailing wage determinations have been limited in scope, volume, and complexity, and many public entities, such as certain projects at public institutions of higher education, have been exempt due to procurement-related exemptions.

DOLI anticipates needing to procure a comprehensive system of record for prevailing wage administration for an estimated general fund cost of \$1,720,349, based on DOLI's costs for establishing a similar system. This system would allow surveyors to upload surveys from the covered planning districts, assist in the determination of prevailing wage rates, create and maintain prevailing wage rate determinations, and include a public-facing portal through which prevailing wage determinations are posted and maintained. This system would be developed over a two-year period, with approximately \$573,450 in FY 2027 and \$1,146,899 in FY 2028. DOLI also anticipates needing an additional IT Technician at an ongoing general fund cost of \$154,622 and \$45,000 in ongoing expenses to contract for annual IT maintenance for this system. The fiscal impact statement for HB238 also discussed a potential \$991,487 in one-time general fund expenses for a prevailing

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wage record keeping system, as well as an associated IT technician and \$45,000 in ongoing general fund costs associated with IT maintenance for this system. The system needed to fulfil the provisions of this bill has a higher cost due to increased public-facing functionality, but if both bills were to pass, a single system, as described in this fiscal impact statement, would be able to fulfill the provisions of both bills.

There may be additional costs associated with conducting surveys, but these costs are currently known; DOLI has not yet determined whether existing prevailing wage program staff will be sufficient to conduct required surveys or whether the agency will need to supplement agency resources with contracted services. DOLI anticipates being able to absorb any costs associated with developing regulations to support this surveying program, as required by the second enactment clause of this bill. The department also anticipates approximately \$2,925 in ongoing costs to contract language services for client contacts at the agency and to translate documents, which is anticipated to be absorbable within existing resources.

This bill also requires contractors and subcontractors to submit certified payroll records to DOLI within ten days of the payment of wages. DOLI anticipates requiring three additional Prevailing Wage Program Staff at an ongoing general fund cost of \$141,354 each to review payroll records, ensure contractors and subcontractors are submitting payroll records in accordance with this timeline, and ensure that workers are paid at least the appropriate prevailing wage rate. DOLI also anticipates needing to establish and maintain an Encrypted Payroll IT System at an estimated ongoing general fund cost of \$800,000, based on costs for a similar system at the Virginia Department of Transportation. This system would receive the payroll records from contractors, allowing analysts at the agency to review them and provide a system for early detection and correction of any issues with prevailing wage.

DOLI does not currently do enforcement activities related to prevailing wages. To accomplish the enforcement elements in the provisions of this bill for parties who do not take appropriate compliance actions, DOLI anticipates requiring five Prevailing Wage Investigator positions at an ongoing general fund cost of \$141,354 each to investigate potential violations, respond to complaints, and coordinate enforcement actions. DOLI may also require an additional Hearing and Legal Services Officer at an ongoing general fund cost of \$168,022 to support enforcement actions, conduct hearings, manage appeals, and provide legal guidance on complex wage determinations and compliance disputes. The number of inquiries, complaints, investigations, and enforcement actions that DOLI may receive or undertake as a result of this bill is currently unknown; the agency's estimates are based on a comparable program in Maryland.

DOLI also anticipates requiring a Program Manager position at an ongoing general fund cost of \$194,129 to oversee the prevailing wage program area under the Division of Labor and Employment Law.

Paragraph E of § 2.2-4321.3, Code of Virginia, under this bill provides that any contractor or subcontractor subject to the provisions of this section who employs workers for public works contracts who pays a rate less than the prevailing wage shall be liable to the Commissioner for liquidated damages of \$500 for each individual per day that the individual is paid less than the prevailing wage rate. Additionally, Paragraph I states that any contractor or subcontractor who fails to file certified payroll for any public works project as required under the section shall be subject to a civil penalty of no more than \$500 for a first violation and up to \$1,000

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for a second or subsequent violation. Any fines or penalties levied by the Commissioner under this section shall be deposited into the general fund.

Additionally, a contractor or subcontractor who willfully violates this section is guilty of a Class 1 Misdemeanor. Anyone convicted of a Class 1 misdemeanor is subject to a sentence of up to 12 months in jail and a fine of not more than \$2,500, either or both. There is not enough information available to reliably estimate the increase in jail population as a result of this proposal. However, any increase in jail population will increase costs to the state. The Commonwealth currently pays localities \$5.00 a day for each misdemeanant or otherwise local-responsible prisoner held in a jail. It also funds a large portion of the jails' operating costs, e.g., correctional officers. The state's share of these costs on a per prisoner, per day basis varies from locality to locality. However, according to the Compensation Board's most recent Jail Cost Report (November 2025), the estimated total state support for local jails averaged \$58.25 per inmate, per day in FY 2024.

Budget amendments adopted by the House include \$2.1 million from the general fund in FY 2027 and \$353,000 from the general fund in FY 2028, and three positions, to implement the provisions of this bill. An additional amendment provides \$6.2 million in general fund support in FY 2027 and \$3.6 million in FY 2028, and 25 positions, for the department to hire additional personnel for labor law enforcement.

State Agencies and Institutes of Higher Education

This bill requires that prevailing wage requirements apply to institutions of higher education (IHEs) by requiring these institutions' memoranda of understanding or management agreements to include a provision that they expressly agree to comply with the public works contract requirements set forth in this bill. Currently, public works contracts include most capital projects and therefore adhere to prevailing wage requirements. However, exceptions are provided to IHEs, and some IHEs do not pay prevailing wages. These requirements would only be applicable to IHE projects initiated after July 1, 2027, that are greater than \$5.0 million and paid for in whole or in part by general funds or by incurring state general fund debt.

Responding public IHEs anticipate potential direct and indirect costs associated with the changes to the prevailing wage criteria, and with increased administrative requirements on contractors, which may lengthen procurement and construction timelines and ultimately increase project costs. The actual fiscal impact to public IHEs of applying prevailing wage requirements to IHEs is indeterminate at this time, but according to the IHEs may potentially increase costs significantly.

Other: This bill is similar to SB518.