

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

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**PUBLISHED: 3/23/2026 9:45 AM**

**ORIGINAL**

**Bill Number:** SB518 S3

**Patron:** Rouse

**Bill Title:** Public works contracts; prevailing wage rate for work performed, penalty.

**Bill Summary:** Requires each state agency, when procuring services or letting contracts for public works paid for in whole or in part by state or local funds, or when overseeing or administering such contracts for public works, to ensure that its bid specifications or other public contracts applicable to the public works require bidders, offerors, contractors, and subcontractors to pay wages, salaries, benefits, and other remuneration to any mechanic, laborer, or worker employed, retained, or otherwise hired to perform services in connection with the public contract for public works at a rate no less than the prevailing wage rate. The bill also extends these requirements to covered institutions, as defined by the bill, when procuring services or construction contracts initiated after July 1, 2027, with a value greater than or equal to \$5 million for public works paid for in whole or in part by the state general fund or by incurring state general fund debt, or when overseeing or administering such contracts for public works. The bill provides that a contractor or subcontractor may be liable to the Commissioner of Labor and Industry for liquidated damages for violating the prevailing wage requirements in the bill. Under the bill, any interested party shall have standing to challenge bid specifications, project agreements, or other public contracts for public works that violate the provisions of the bill. The bill requires certain covered institutions to expressly agree to comply with these public works contract requirements. Under the bill, the Commissioner shall determine the prevailing wage based on a survey of wages and benefits paid in each area, as defined in the bill, conducted every two years. The bill includes factors for the Commissioner to consider in determining a prevailing wage rate. The bill directs the Commissioner to adopt emergency regulations to implement the provisions of the bill.

**Budget Amendment Necessary:** Yes, see "Fiscal Analysis"      **Items Impacted:** 352 SB30

**Explanation:** This bill involves the Department of Labor and Industry (DOLI) and Institutions of Higher Education (IHEs). See Fiscal Analysis section, below.

**Fiscal Summary:** To fulfill the provisions of this bill, DOLI estimates requiring up to \$3.1 million, from the general fund, in FY 2027 and \$3.6 million, from the general fund, in FY 2028, and 11 positions. These positions will perform wage determination, enforcement, legal, supervisory, and systems support functions at an ongoing general fund cost of \$1.6 million beginning in FY 2027. DOLI anticipates needing to establish a Surveyed Rates IT System at a total general fund cost of \$1.7 million, with a third of costs in FY 2027 and the remainder in FY 2028, and procure an Encrypted Payroll System at an ongoing general fund cost of \$800,000 beginning in FY 2027. DOLI also anticipates incurring \$45,000 in ongoing general fund expenses related to system maintenance. This bill may have an indeterminate general fund revenue impact. This bill may also result in an indeterminate, but potentially significant, increase in costs for certain IHEs.

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**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 up to 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). Per paragraph D of § 2.2-4321.3, Code of Virginia, the enforcement provisions of this bill begin on July 1, 2027. DOLI states that these positions would be needed beginning in FY 2027 to assist with promulgating regulations within 280 days of the bill's enactment, as required by the second enactment clause, as well as to ensure they receive appropriate training, participate in the development of enforcement protocols, and support the planning and coordination of contracts and other operational needs. 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

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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 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 10 days of the payment of wages. DOLI anticipates requiring up to 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 execute 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 up to 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.

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Paragraph F 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 J 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 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 to SB30 adopted by the Senate provided \$4.8 million in general fund support in FY 2027 and \$2.8 million in FY 2028, and 10 positions, for the department to hire additional personnel for labor law enforcement.

State Agencies and Institutes of Higher Education

This bill expands application of prevailing wage requirements to projects of covered institutions, as defined in relevant law. Currently, public works contracts include most capital projects and therefore adhere to prevailing wage requirements. However, covered institutions currently do not pay prevailing wages. These requirements would only be applicable to projects of covered institutions initiated after July 1, 2027, that are greater than \$5.0 million and paid for in whole or in part by the general fund or by incurring state general fund debt.

Responding public institutions of higher education (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 covered institutions is indeterminate at this time, but according to the IHEs may potentially increase costs significantly.

**Other:** The companion to this bill is HB569.