

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

Fiscal Analysis:

Department of Labor and Industry (DOLI)

DOLI indicates the following fiscal impact statement is preliminary and may be updated as additional information is received:

This bill adds requirements for certain public works construction contracts, as defined in the bill, exceeding \$5.0 million. Additionally, this bill requires DGS and DOLI to develop guidelines to assist state public bodies in making the determinations to issue an authorization pursuant to subsection C of § 2.2-4302.3, Code of Virginia. Under this bill, paragraph F of § 2.2-4302.3, Code of Virginia, states that if a contractor, subcontractor, or any party on a construction contract provides remuneration to an independent contractor, such remunerating party shall provide a written notice to each independent contractor with certain information, including instructions for filing a complaint with DOLI if the individual is being misclassified.

According to DOLI, the workforce and labor-standards provisions of this bill would require agency oversight and monitoring. The agency may also receive an increase of inquiries and complaints related to misclassification, although the amount is currently unknown at this time. DOLI states that the agency would support implementation through guidance coordination, including developing compliance frameworks and advising contracting entities and contractors on workforce classification and labor-hours reporting requirements. DOLI may also provide technical assistance and coordinate with procurement and workforce development stakeholders once these requirements become effective for qualifying contracts initiated after July 1, 2027.

DOLI anticipates requiring an additional Administrative Specialist position beginning in FY 2028 at an ongoing cost of \$137,907 to fully implement the provisions of this bill. According to the agency, the workload associated with this bill cannot be absorbed by existing staff, and this additional position would require specific subject-matter familiarity to answer questions and provide guidance regarding compliance with applicable labor standards. Based on the expected number of affected contracts statewide and the average number of subcontractors and independent contractors per project, DOLI estimates approximately 5,000 additional work activities annually related to implementation of this bill, including requests for guidance and follow-up communications. According to the agency, an Administrative Specialist position can process approximately 5,500 work activities per year based on existing workloads.

Public Institutions of Higher Education

While one responding Institution of Higher Education (IHE) indicated no fiscal impact, other responding IHEs indicated indeterminate costs associated with an anticipated rise in contractor costs. Additional costs are anticipated to be expended on training and the administrative duties including records management and apprenticeship programs. Lastly, it is anticipated that procurement timelines and subsequently project timelines may be delayed, which has the potential to create an indeterminate rise in overall project costs.

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Office of Attorney General

The Office of Attorney General expects a fiscal impact from this legislation, however, the fiscal impact is indeterminate.

Department of General Services

The Department of General Services indicates the fiscal impact of this bill is indeterminate. The legislation may increase bid price across construction contracts by limiting the pool of contractors via additional requirements. All costs from guideline development in the enactment clause are minimal and absorbable.

Department of Taxation

The Department of Taxation does not anticipate a fiscal impact from this legislation.

Other: SB324 and HB1046 are companion bills.

The House included funding for various labor law bills in 352 #2h (\$6.5m in FY27 and \$3.6m in FY28 for positions and a comprehensive IT system). Considering potential overlaps in needed resources and uncertainties surrounding the actual increase in caseload for DOLI, this grouped amount should be sufficient for implementation.

The Senate included funding for various labor law bills in 352 #1s (\$4.8m in FY27 and \$2.8m in FY28 for positions and a comprehensive IT system). Considering potential overlaps in needed resources and uncertainties surrounding the actual increase in caseload for DOLI, a grouped amount more similar to that included by the House (\$6.5m in FY27 and \$3.6m in FY28) should be sufficient for implementation.