

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

significant fiscal impact to DOLI, requiring additional positions, the development of additional modules within the agency's IT system, and ongoing contractual services for annual IT maintenance. The workload for the OAG resulting from this legislation is currently unknown, creating an indeterminate fiscal impact, as there is no precedent for the office handling worker protection issues as would be required under this legislation. However, the agency anticipates the workload increase would be significant and intends to establish a dedicated Workers Protection Unit to fulfill the provisions of this bill, which the agency states would require up to eight additional positions.

This legislation requires minimum "Woodrum" impact funding per § 30-19.1:4, Code of Virginia, to account for a possible increase in the need for state prison beds. By expanding the definition of wages, this bill may increase the number of violations involving amounts of \$10,000 or more that are subject to existing Class 6 felony penalties for wage violations under § 40.1-29. As a result, the proposal could increase state-responsible (prison) bed space needs for the Commonwealth. However, because the number of additional felony convictions that may result cannot be estimated with available data, the magnitude of the potential impact on prison bed space cannot be determined. In such cases, Chapter 7, 2026 Acts of Assembly, requires that a minimum impact of \$50,000 be assigned to the bill.

Fiscal Analysis: This statement is final. 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.

Under this legislation, employers that violate provisions relating to payment of prevailing wage for public works projects, minimum wage, the misclassification of workers, or overtime wage provisions would be liable for the applicable remedies, damages, or other relief available in an action brought pursuant to subsection K of § 40.1-29, Code of Virginia. Paragraph G of § 40.1-29, Code of Virginia, states that the Commissioner of DOLI may investigate and commence administrative or court proceedings to remedy these violations and seek to collect any wages unlawfully withheld and available damages and penalties. Additionally, under paragraph N of § 40.1-29, Code of Virginia, the Attorney General or Commissioner may investigate and bring civil action against an employer, as defined in the bill, for these violations. Under this bill, paragraph E of § 40.1-27.3, Code of Virginia, also allows the Commissioner of DOLI or the OAG to investigate, institute administrative proceedings, and bring a civil action against an employer in accordance with these procedures for a violation related to certain retaliatory action prohibitions, as specified in statute. Individuals may also bring a civil action under paragraph F of § 40.1-27.3, Code of Virginia. Any action under this section shall be brought within two years.

The Department of Labor and Industry (DOLI)

Currently, DOLI investigates payment of wages, minimum wage, and prevailing wage claims. Under the provisions of this bill, DOLI would have authority to investigate and enforce misclassification of workers and processing and payment of overtime wages claims, enforce prevailing wage compliance, and incorporate payment of minimum wage investigations into a standard administrative process to resolve wage protection issues at the agency. DOLI would also be able to enforce prohibitions of certain retaliatory actions against employees.

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The language of this bill includes both the OAG and the Commissioner as retaining investigative and compliance responsibilities related to misclassification of workers, processing and payment of overtime wages, payment of wages, payment of minimum wage, and prevailing wage for public works projects. DOLI anticipates that the agency would remain responsible for the administrative process outlined in Code and act as the primary point of contact for information, inquiries, and initial complaints for the wage areas covered by the bill. Additionally, paragraph O in § 40.1-29, Code of Virginia, permits employers to contest liquidated damages, which are statutorily mandated in current law, resulting from any action to recover unpaid wages commenced on or after July 1, 2026, if the employer shows that the act or omission giving rise to such action was in good faith and that the employer had reasonable grounds for believing it was not in violation of this article. DOLI states that this provision may increase the number of contested administrative actions and the complexity of the administrative process for the agency.

Therefore, DOLI anticipates requiring additional staffing for investigation and administrative adjudication. DOLI states that if the agency has primary investigative and enforcement responsibility for these five wage protection areas, the agency will require up to 12 Investigators (\$137,907 each), four Labor Law Specialists (\$120,743 each), one Legal Services Program Manager (\$229,944 each), six Legal Services Officers (\$168,022 each), and one IT Technician (\$154,622). The number of positions the agency could recruit, onboard, and train at one time is unknown.

Additionally, the agency anticipates needing to develop three additional workstreams for the agency's Labor and Employment Law IT system related to misclassification of workers, processing and payment of overtime wages, and prevailing wage enforcement for public works projects. Each system would cost approximately \$991,487 and DOLI anticipates being able to complete one workstream within the system of record each fiscal year. The fiscal impact statement for HB569 also discussed a potential \$1,720,349 in one-time general fund expenses for a prevailing wage system, with a third of the costs in FY 2027 and the remainder in FY 2028. The higher cost reflects increased public-facing functionality required to fulfil the provisions of HB569; however, a single system, as described in that fiscal impact statement, would be able to fulfil the provisions of both bills. DOLI also anticipates \$135,000 in ongoing expenses to contract for annual IT maintenance for these three workstreams. The department anticipates approximately \$5,850 in ongoing costs to contract for language services for client contacts at the agency and to translate documents, which is anticipated to be absorbable within existing resources.

Irrespective of whether the agency utilizes the authority this bill provides regarding additional investigative and enforcement capabilities, the agency may experience an increase in calls and inquiries, resulting in increased workload. Any additional resources that may be provided to the agency should be allocated to Item 352 in HB/SB30.

Paragraph I of § 40.1-29, Code of Virginia, states that an employer who knowingly fails to make payment of wages shall be subject to a civil penalty not to exceed \$1,000 for each violation. Civil penalties owed under this section shall be paid to the Commissioner for deposit into the general fund. The general fund revenue impact of this legislation is indeterminate.

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Budget amendments to HB30 adopted by the House provided \$6.5 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 activities and develop a comprehensive case management system.

The Office of the Attorney General (OAG)

This bill provides the OAG authority to investigate and enforce provisions related to prevailing wage, minimum wage, misclassification of workers, overtime wage, and employer retaliation. The OAG anticipates an increase in workload for the agency associated with investigating cases, as well as acting as the primary enforcement agency specifically for litigation, as a result of this bill. As such, the agency intends to establish a Workers Protection Unit to address the workload created by this legislation.

According to the OAG, there is no precedent for the office handling worker protection issues as would be required under this legislation; therefore, the number of investigations or cases that the agency may undertake as a result of this bill is currently unknown. However, based on agency knowledge of the size of similar sections at the OAG that do affirmative work, the agency anticipates it will require up to four Assistant Attorney Generals (\$135,776 each), one Investigator (\$114,319), one Paralegal (\$107,715), one Administrative Assistant (\$111,879), and one Section Chief (\$136,481). The OAG anticipates that any workload increase resulting from this bill can be handled by these positions, which would make up the Workers Protection Unit at the agency. However, the fiscal impact of this bill is indeterminate, as the actual increase in investigations, administrative proceedings, and civil action pursued by the agency is unknown at this time. Any general fund support can be allocated to Item 50 of HB/SB30.

Budget amendments to HB30 adopted by the House provided the OAG with \$1,013,460 in general fund support in FY 2027 and FY 2028, and eight positions, to establish a dedicated Workers Protection Unit with the Office of the Attorney General.

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.

For someone convicted of a Class 6 felony, a judge has the option of sentencing the offender to a term of imprisonment of not less than one year nor more than five years, or in the discretion of the jury or the court trying the case without a jury, confinement in jail for not more than 12 months and a fine of not more than \$2,500, either or both. Therefore, this proposal could result in an increase in the number of persons sentenced to jail or prison.

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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 the localities \$5.00 a day for each misdemeanor or otherwise local-responsible prisoner held in a jail and \$15.00 a day for each state-responsible prisoner. It also funds a considerable 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.

Due to the lack of data, the Virginia Criminal Sentencing Commission has concluded, pursuant to §30-19.1:4 of the Code of Virginia, that the impact of the proposed legislation on state-responsible (prison) bed space cannot be determined. In such cases, Chapter 7, 2026 Acts of Assembly, requires that a minimum impact of \$50,000 be assigned to the bill.

Other: None.