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

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Bill Number: SB199 ER **Patron:** Favola
Bill Title: Employment; paid sick leave, civil penalties.

Bill Summary: Requires one hour of paid sick leave for every 30 hours worked for all employees of private employers and state and local governments, with certain exceptions. The bill requires that employees who are employed and compensated on a fee-for-service basis accrue paid sick leave in accordance with regulations adopted by the Commissioner of Labor and Industry. The bill provides that employees transferred to a separate division or location remain entitled to previously accrued paid sick leave and that employees retain their accrued paid sick leave under any successor employer. The bill allows employers to provide a more generous paid sick leave policy than prescribed by its provisions and specifies that employees, in addition to using paid sick leave for their physical or mental illness or to care for a family member, may use paid sick leave to seek or obtain certain services or to relocate or secure an existing home due to domestic abuse, sexual assault, or stalking. The bill requires the Commissioner to promulgate regulations for the implementation and enforcement of the bill's provisions by July 1, 2027.

The bill authorizes the Commissioner, in the case of a knowing violation, to subject an employer to a civil penalty not to exceed $150 for the first violation, $300 for the second violation, and $500 for each successive violation. The Commissioner or Attorney General may commence administrative proceedings or bring a civil action to enforce the bill's provisions. Additionally, the bill authorizes an aggrieved employee to bring a civil action against the employer in which he may recover double the amount of any unpaid sick leave and the amount of any actual damages suffered as the result of the employer's violation. Certain provisions of the bill have a delayed effective date of July 1, 2027.

Budget Amendment Necessary: Yes. See “Fiscal Summary” **Items Impacted:** 352 (DOLI), 318 (DARS) SB30

Explanation: The proposed legislation impacts the Department of Labor and Industry (DOLI), the Office of the Attorney General (OAG), the Department of Medical Assistance Services (DMAS), and the Department of Aging and Rehabilitative Services (DARS). See table and analysis below.

Fiscal Summary: This bill may result in an indeterminate fiscal impact on DMAS and the OAG. The estimated fiscal impact of this bill on state expenditures is an increase of $3,144,225 in general fund expenses beginning in FY 2028, with lower amounts in future years. It is anticipated that DOLI will require additional staff resources; the agency estimates a need for 14 additional positions. It is also anticipated that this bill will result in an indeterminate general fund revenue impact.

General Fund Expenditure Impact:

Agency	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
DOLI (Item 325)	$0	$0	$3,144,225	$2,152,738	$2,152,738	$2,152,738

DARS (Item 318)	$0	$0	$0	$42,669	$85,338	$85,338
TOTAL	**$0**	**$0**	**$3,144,225**	**$2,195,407**	**$2,238,076**	**$2,238,076**

Position Impact:

Agency	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
DOLI	0	0	14	14	14	14
TOTAL	**0**	**0**	**14**	**14**	**14**	**14**

Fiscal Analysis: This fiscal impact estimate is final.

Department of Labor and Industry (DOLI)

DOLI would be responsible for enforcing this bill by promulgating guidelines, monitoring, and compliance. The agency estimates that the provisions of this bill will result in approximately 10,000 inquiries and 3,500 annual complaints that will need to be investigated based on the number of workers currently covered by statute and current claim volume, resulting in a workload increase requiring up to 14 new positions: one Program Manager ($194,129), seven Compliance Officers ($137,907 each), two Hearing and Legal Service Officers ($168,022 each), two Hearing and Legal Service Mediators ($185,365 each), and two Program Support Technicians ($120,743 each), totaling to $2,107,738 in annual general fund costs.

According to the agency, each Compliance Officer is expected to complete 100-150 medium-complexity investigations annually. Paragraph E of § 40.1-33.6:7, Code of Virginia, states that the Commissioner or the Attorney General may commence administrative proceedings or bring a civil action to enforce the provisions of this article. If DOLI has primary responsibility as a result of this bill, the agency anticipates that up to five percent of all complaints are expected to require legal review, resulting in an estimated 175 cases annually referred to attorneys; Hearing and Legal Services Officers handle approximately 87-88 cases per year.

According to DOLI, each Program Support Technician can process approximately 5,500 work activities per year. Paragraph D of § 40.1-33.6:7, Code of Virginia, provides that the Commissioner may attempt to resolve complaints through mediation or other means. DOLI estimates that up to five percent of complainants and respondents will agree to participate; each Hearing and Legal Service Mediator is expected to conduct 87-88 mediations annually.

The agency also anticipates needing to create a system of record at a one-time cost of $991,487, based on a similar project cost to create a system of record for payment of wage complaints, as well as ongoing maintenance costs for this system of $45,000 annually. According to DOLI, the agency will need to create a new system of record to track and maintain complaints.

DOLI anticipates an increase in the use of language translation services for clients as a result of increased client contacts due to the provisions of this bill. DOLI currently contracts these services at an hourly rate of $117. DOLI reports 25 hours of client contacts requiring the use of these services in 2025 at a cost of $2,925. DOLI estimates 25 additional hours of language services; however, this amount is indeterminate. This bill also requires employees who are employed and compensated on a fee-for-service basis to accrue paid sick leave in accordance with regulations adopted by the Commissioner of DOLI. The agency states it does not currently have metrics in place to identify and track these employees. The agency anticipates needing to complete a study identifying these employees, which the agency estimates to have a one-time cost of $29,320 based on the cost of a past study with a similar scope. DOLI also anticipates needing to contract with additional non-attorney subject matter experts in policy and planning. Currently, DOLI contracts for such services at a rate averaging $40 per hour and for 1,500 hours a calendar year. The department anticipates needing to contract with two additional consultants for policy consultation at a cost of approximately $120,000 per year. It is anticipated that the agency can absorb these costs within existing resources.

Employers who violate the provisions of the bill may be subject to a fine of up to $150 for the first violation, $300 for a second violation within two years, and $500 for subsequent violations. The legislation provides that the revenue from these fines would be deposited to the general fund; the exact amount will be dependent on the number of violations and is indeterminate.

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.

The Office of the Attorney General (OAG)

It is anticipated that this bill may result in an indeterminate fiscal impact for the OAG. Paragraph G of § 40.1-33.6:7, Code of Virginia, states that the Commissioner of DOLI or the OAG may commence administrative proceedings or bring a civil action to enforce the provisions of this article. There may be an increase in workload for the OAG associated with providing legal review of claims. However, the number of claims received by DOLI that will require review by the OAG or the amount of staff time this will require is currently unknown. Any general fund support may be allocated to Item 50 of HB/SB30.

Budget amendments to SB30 adopted by the Senate provided $313,000 in general fund support and three positions in FY 2027, and $768,000 in general fund support and six positions in FY 2028, to fund the associated fiscal impact from legislation passed by the General Assembly that impacts the workload of the OAG.

Department of Medical Assistance Services (DMAS)

This bill would have a potential impact on Medicaid expenditures. The bill expands paid sick leave requirements to include individuals who provide health care, behavioral health services, personal care, respite, or companion services to an individual. DMAS notes that upward pressure on Medicaid rates will likely occur as a result of this bill; however, the potential impact of that upward pressure is indeterminate. Providers, including nursing facilities, hospitals, and non-emergency transportation providers, may face increased costs for workers, to account for the costs of accrued sick leave. Both institutional and transportation providers may seek rate increases outside of the regulatory rate adjustment periods to compensate for these higher costs.

For example, using one service provided by Medicaid, if the state is required to recognize the cost of this legislation on home care agencies, as substituted, DMAS estimates that rates for these agencies would need to be increased by 1.45 percent in Northern Virginia and 1.32 percent outside of Northern Virginia. It is assumed sick leave utilization for agency directed attendants will be close to 100 percent. Assuming a start date of July 1, 2027, and one month claims payment lag, costs of a rate increase for all agency directed attendants are estimated to be $22.8 million ($10.7 million general fund) in FY 2028 and $26.9 million ($12.7 million general fund) in FY 2029.

Department of Aging and Rehabilitative Services (DARS)

This bill is expected to create a fiscal impact for DARS beginning in FY 2029. DARS operates the Personal Assistance Services (PAS) program, which provides consumer-directed personal care services for brain-injured persons and persons with disabilities who are otherwise ineligible for comparable consumer-directed services under Medicaid. Under the existing PAS program structure, the individual receiving services acts as the employer of record, and DARS subsidizes costs for the individual to hire in-home assistance. Current costs are limited to wages and employer taxes and do not include other fringe benefits for caregivers, such as health or life insurance. Up to 100 individuals are served through the program in a given year.

This bill would require that employees compensated on an hourly or fee-for-service basis receive one hour of paid sick leave for every 30 hours worked. Additionally, beginning January 1, 2029, the bill expands the definition of employer to include an employer of at least one employee, which would include PAS clients/employers of record. PAS employees are not included in the definition of “employee” or home health worker under § 40.1-33.3, Code of Virginia, and therefore not exempted from the provisions of this bill. Because DARS subsidizes the current costs of individual employers receiving services through the PAS program, it is expected that DARS would accordingly subsidize any new costs associated with paid sick leave.

Current rates for the PAS program are $17.97 per hour for the Northern Virginia region and $13.88 per hour for the rest of the state. In FY 2025, PAS clients/employers of record reported a total of 20,298.39 billable hours for the Northern Virginia region and 67,390.38 hours for the rest of the state. If program rates are unchanged and the same number of billable hours are met in future years, DARS would be required to pay a total of $12,158.74 for sick leave in the Northern Virginia region and $31,179.28 for the rest of the state, for a total of $43,338.02 per year. This estimate is reduced by half in FY 2029 to account for the delayed implementation date of January 1, 2029.

Additionally, DARS reports that this bill will also increase some administrative costs for PAS. Currently, DARS contracts with a third-party vendor to process PAS payroll and train PAS clients/employers of record on how to utilize the administrative system. The agency suggests that a contract expansion would be required in order for the third-party vendor to track and process sick leave, as well as train employers on how to report sick leave accrual and usage. Currently, DARS' vendor contract rates are $90 per client per month for up to 100 individuals. DARS estimates that adding sick leave training and reporting capabilities to the existing contract could increase administrative costs by around $35 per client per month, for a total of $42,000 per year. This estimate is reduced by half in FY 2029 to account for the delayed implementation date of January 1, 2029.

<u>Commonwealth Agencies and Localities</u>

The bill includes all agencies, institutions, and political subdivisions as employers. The Virginia Sickness and Disability Program (VSDP) provides sick leave, including coverage for short- and long-term illness and disabilities. The amount of sick leave provided to employees covered by VSDP is set by the Virginia Code. Sick leave under VSDP does not roll over from year to year; instead, an employee receives a new allotment of sick leave each year. VSDP currently provides full-time employees in VSDP with less than 60 months of state service 64 hours of sick leave annually. Full-time employees with 60 or more months of state service receive 72 or 80 hours of sick leave, depending on their tenure. Thus, full-time employees in VSDP already receive more sick leave than required by the bill, though it should be noted that VSDP participating part-time employees receive 32 or 40 hours of sick leave annually, depending on their tenure.

This bill includes employees of the Commonwealth. Without any specific reference to “classified” employees or those covered under the Virginia Personnel Act (VPA), this may include wage (hourly) staff or seasonal employees. According to the Department of Human Resource Management (DHRM), as of June 30, 2025, there were 27,276 FTEs in wage positions. These employees currently do not receive any paid benefits and are not covered by the VPA. If the intent of the legislation is to include them, there will be an indeterminate fiscal impact on state agencies.

The fourth enactment of the bill requires DHRM and the Department of Accounts (DOA) to assess the impact of the provisions of this act on state human resources policies and determine how such changes should be implemented. The assessment shall include any required changes to the system and the resulting fiscal impact of necessary changes on either the state's human resources or accounting systems and shall report on findings by September 1, 2026.

Other: If the intent of the legislation is to include wage employees, as discussed above, § 2.2-2905 (11), Code of Virginia, will need to be amended in order to provide this paid benefit to wage employees.

The companion to this bill is HB5. Budget amendments to HB30 adopted by the House included $2.1 million from the general fund in FY 2028 and 14 positions for DOLI to implement the provisions of HB5, and $11.1 million from the general fund in FY 2028 for DMAS and DARS to implement the provisions of HB5.