

Department of Planning and Budget 2021 Fiscal Impact Statement

1. **Bill Number:** HB1755

House of Origin Introduced Substitute Engrossed
Second House In Committee Substitute Enrolled

2. **Patron:** Carter

3. **Committee:** Committee Referral Pending

4. **Title:** Right to work; repeals provisions of Code that refers to denial or abridgement.

5. **Summary:** Repeals the provisions of the Code of Virginia that, among other things, prohibit any agreement or combination between an employer and a labor union or labor organization whereby (i) nonmembers of the union or organization are denied the right to work for the employer, (ii) membership in the union or organization is made a condition of employment or continuation of employment by such employer, or (iii) the union or organization acquires an employment monopoly in any such enterprise.

6. **Budget Amendment Necessary:** Indeterminate, See item 8.

7. **Fiscal Impact Estimates:** Indeterminate, See item 8.

8. **Fiscal Implications:** The proposed legislation repeals the "right to work" law in Virginia. The Virginia Economic Development Partnership (VEDP) has raised concerns related to the impact this may have on its capacity to attract future business deals to the Commonwealth.

According to VEDP, the "right to work" status of states represents an important site-selection factor for corporate executives and site-selection consultants who advise companies on selecting sites for new economic development projects. *Area Development* annually surveys corporate executives and site consultants on factors that impact location decisions. In their most recent survey, published in 2020, 72 percent of corporate executives and 69 percent of site-selection consultants indicated it is "important" or "very important" in making location decisions for a state to have "right to work" provisions.

Site-selection consultants and businesses have communicated to VEDP that this policy change would impact Virginia's competitiveness for economic development projects, primarily in the manufacturing and supply chain sectors. Prospects and site consultants typically want to know Virginia's position on "right to work" early in the selection process. Many manufacturing prospects only will consider new locations in "right to work" states.

Over the previous 18 months, Virginia saw nearly 153 projects in the manufacturing and supply chain sectors representing 11,791 jobs and \$2.7 billion in capital investment. VEDP

believes many of these announcements would not have occurred if Virginia were not a "right to work" state when companies made their location decisions.

VEDP is currently working on 260 potential projects in the manufacturing and supply chain sectors with more than 32,700 total jobs and more than \$16.7 billion in capital investment. Many manufacturing and supply chain companies and the site-selection consultants who serve them will only consider "right to work" states for new investments. That reality plus the long-held "right to work" status of Virginia means that, even in cases where VEDP may not be explicitly asked about "right to work," companies and site consultants often have "right to work" status as a location requirement. In some cases, it also is explicitly stated during the selection process. Based on the feedback of site-selection consultants, VEDP's position is that Virginia's competitiveness for these potential projects will be materially compromised if an outright repeal of "right to work" were to advance.

Virginia is the northern most "right to work" state on the East Coast. States to our southern border represent the state's primary competition for economic development projects. This is especially true for manufacturers the state has attracted to smaller metro and rural areas. "Right to work" states include North Carolina, South Carolina, Georgia, Tennessee, and Alabama.

VEDP conservatively estimates that the repeal of Virginia's "right to work" status would result in the loss of new project announcements representing thousands of manufacturing and supply chain jobs, particularly in rural and small metro areas, and that the Commonwealth would lose approximately \$8-26 million in state general fund revenue per year from our current prospect pipeline, a loss of revenue that would grow over time as Virginia is not considered for future projects or is not selected due to changes in its "right to work" status.

Finally, it is not certain what impact elimination of the "right to work" law may have on the cost of services procured by the Commonwealth. Changes in employee/employer relationships may result in changes to labor costs that would be passed to customers like the Commonwealth in contracts for services, especially as it relates to capital construction projects and road building projects. Any cost impacts to the Commonwealth are indeterminate at this time.

9. Specific Agency or Political Subdivisions Affected: Virginia Economic Development Partnership.

10. Technical Amendment Necessary: No

11. Other Comments: No