Transit Public-Private Labor Study

HB 547 / SB 731 Work Group

Work Group Comment

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Work Group Recap

HB 547 / SB 731
Requirements (pending re-enactment) of § 15.2-947 as amended

- **First enactment:**
- §15.2-947 B: Requires the governing body of a city or county that contracts with a private company to provide public transportation to require in its contracts that the private company:
  - Provide employees equivalent compensation to an equivalent public employee, based on years of service and wage progression models, as well as benefits that are actuarially equivalent to the benefits of an equivalent public employee
  - Provide transportation through its own employees
  - Ensure employees are offered employment with a successor company without a lapse in pay and benefits if the company providing services changes
- §15.2-947 C: If a city or county elects to switch from a private contractor of public transportation to operating its own services, that city or county must:
  - Adopt an ordinance for collective bargaining agreements if it has not done so already
  - Ensure employees of the private provider are provided employment without lapse
- §15.2-947 D: Nothing in this section shall be construed to alter or affect any collective bargaining agreements made that may provide compensation lower than the hourly rate equivalent to the hourly rate paid to an employee of the county or city holding a position requiring equivalent qualifications based on an employee's years of service and the county or city wage progression or provide benefits, including health and retirement benefits, that are not at a minimum actuarially equivalent to the benefits provided to an employee of such county or city with a position requiring equivalent qualifications and years of service.

HB 547 / SB 731
Requirements (continued)

- **First Enactment (Cont.):**
- § 15.2-947 E: Exempts the following entities from this act: the Virginia Railway Express, PRTC, paratransit providers, demand-responsive systems, and ferry services
- **Second Enactment:**
- This legislation will only affect actions and contracts made after July 1, 2027.
- **Third Enactment:**
- *(creates the work group; see next slide)*
- **4th Enactment:**
- General Assembly must vote to re-enact the legislation during the 2027 session

The work group is charged with:

- (i) how to calculate the equivalent qualifications of an employee of the county or city holding a position requiring equivalent qualifications based on such employee's years of service;
- (ii) how to calculate county or city wage progression for transit employees at a private company providing a system of public transportation;
- (iii) how to appropriately calculate what compensation at an hourly rate equivalent to the hourly rate paid to an employee of a county or city with a position requiring equivalent qualifications and years of service would be for a transportation commission made up of multiple localities;
- (iv) how to appropriately calculate benefits, including health and retirement benefits, that are, at a minimum, actuarially equivalent to the benefits provided to an employee of a county or city with a position requiring equivalent qualifications and years of service;
- (v) the feasibility of and timeline for implementing the requirements described in clauses (i) through (iv); and
- (vi) how to implement the requirements of § 15.2-947 of the Code of Virginia, as amended by this act, for a transportation commission made up of multiple localities.

Work Group (WG) Programming

Date	July 27, 2026 1:00 – 3:00pm ET Meeting 1	August 24, 2026 1:00 – 4:00pm ET Meeting 2	September 28, 2026 1:00 – 4:00pm ET Meeting 3	November 2, 2026 1:00 – 4:00pm ET Meeting 4
Theme	Introduction, Approach & Critical Considerations	Exploring Critical Considerations	Emerging Themes, Preliminary Findings, Implementation Planning	Draft Recommendations
Objectives	WG understands overall study scope, its mandate, programming, and provides inputs on statutory questions	WG provides input into factors that affect analyses and makes recommendations around how to handle	WG is oriented to emerging themes, preliminary findings, and implementation planning	WG is briefed on findings and draft recommendations
Inputs for Study	Considerations on statutory requirements	Factors that affect analyses and recommended actions	Feedback on emerging themes, findings, and implementation	Feedback on draft recommendations

Methodology to Identify Impacted Agencies

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Identifying Impacted Agencies

Each agency should consult with counsel to determine if they are impacted. The methodology would likely include screening against the following components.

1

Transit Service

Whether the agency provides transit service

2

Governance Type

Whether the agency is a county or city

3

Legislative Exclusions

Whether an explicit legislative exclusion applies to the agency or service

4

Transportation District Commission

Whether the agency is part of a transportation district commission

Resulting classifications

Excluded

Requires clarification

Outcome depends on interpretation of the legislation

Impacted

Wage Progression & Hourly Equivalency Framework

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Wage and Progression Framework (Part A)

Part A of the framework captures the agency role

Data inputs

- Roles
- Minimum qualifications for each role
- Policy for recognizing years of service, if applicable
- Rate addition elements and rates
- Progression model (number of steps, increase for each step)
- Policy regarding adjustments for part-time employees

Framework

1. Identify the roles captured within the legislation
2. For each role, define the minimum certifications / licensure required
3. Determine the base hourly rate experience progression scale for each position and rate additions
4. For each position, determine the total hourly equivalent
5. Compile all captured roles, total hourly equivalent into table/spreadsheet

Illustrative Example (Part 1/2)

Framework

1. Identify the roles captured within the legislation
2. For each role, define the minimum certifications / licensure required
3. Determine the base hourly rate experience progression scale for each position and rate additions
4. For each position, determine the total hourly equivalent
5. Compile all captured roles, total hourly equivalent into table/spreadsheet

Agency A develops the following role,

Functional Title	Bus Operator; Bus Operator Supervisor
+	
Certifications / Licensure	Commercial Driver's License Class B; Driver's License; Passenger Endorsement
=	
Role: Transit Bus Driver – CDL	The Transit Bus Driver runs fixed-route buses safely and on schedule. The driver does pre- and post-trip vehicle inspections, follows Virginia traffic laws and agency safety rules, and reports incidents and maintenance issues. Must hold a valid Virginia CDL Class B with Passenger (P).

Illustrative Example (Part 2/2)

Framework

1. Identify the roles captured within the legislation
2. For each role, define the minimum certifications / licensure required
3. Determine the base hourly rate experience progression scale for each position and rate additions
4. For each position, determine the total hourly equivalent
5. Compile all captured roles, total hourly equivalent into table/spreadsheet

Agency A determines the total hourly equivalent (hourly rate experience progression + rate additions)

Role	No exp. base	No exp. total	3 yr base	3 yr total	7yrs base	7 yrs total	Top yrs base	Top yrs total
Transit Bus Driver – CDL	$24.00	$24.36	$27.00	$27.36	$29.00	$29.42	$32.00	$32.42

Offering	Roles	Opportunity	Likelihood	Hourly addition	Assumption notes
Annual Safety & Attendance Bonus	Driver; Mechanic	$1,000 per year	75%	$0.36	75% of the population earns the bonus

Wage and Progression Framework (Part B)

Part B of the framework captures the contractor role

Data inputs

- Expected Contractor staff roles, qualifications / licensure, and years of experience
- Staff mix to fulfill the RFP
- Additional pay to recruit or retain staff (total hourly equivalent is the minimum)
- Include justification if there is not an equivalent position to map to

Framework (following Part A)

1. Review agency defined roles, total hourly equivalents
2. Map proposed roles and wages to agency table/ spreadsheet
3. Set wages for contracted staff to be at a minimum the wage in agency table / spreadsheet
4. Submit equivalency statement to agency

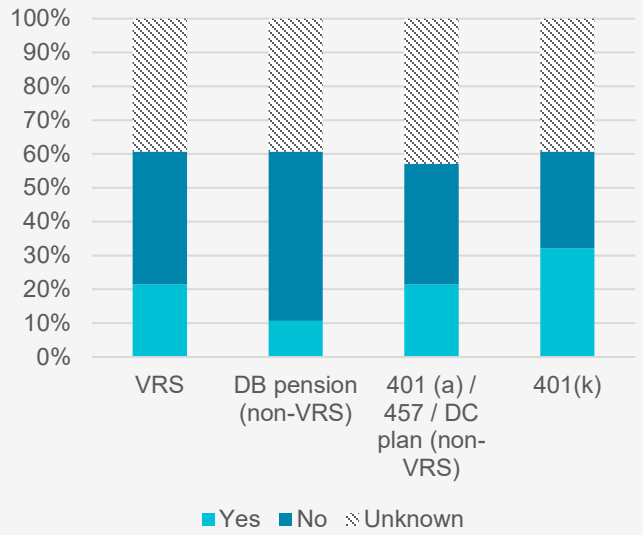
Benefits Findings

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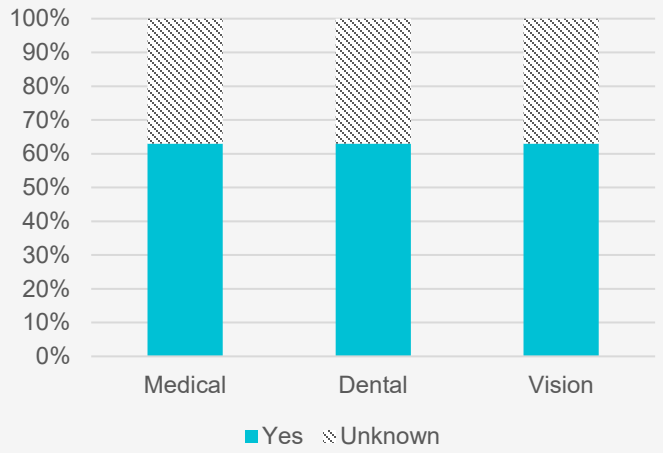
Wide Variance in Benefits

Benefit packages vary widely across agencies

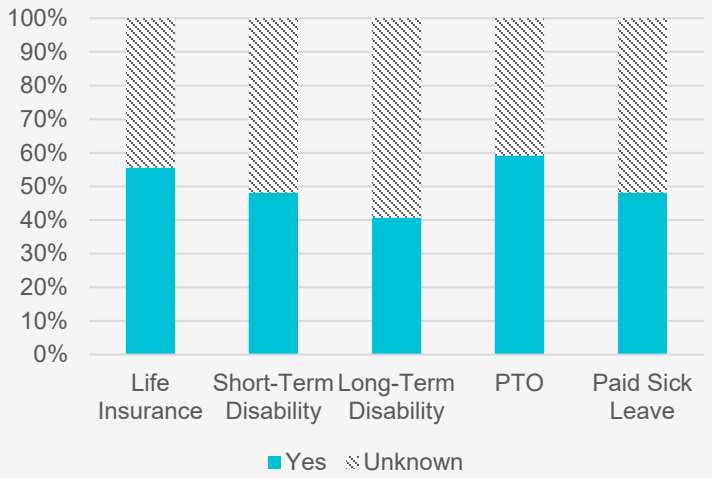
Retirement



Health



Other

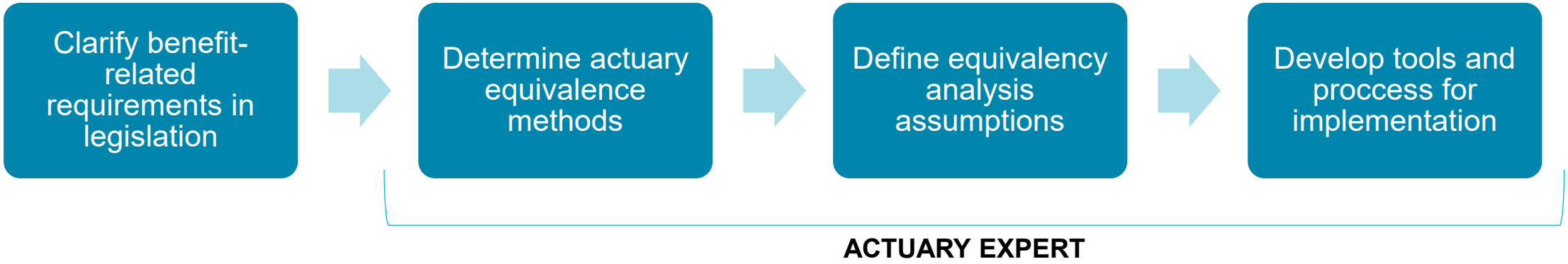


Also tracked: Paid holidays, sign-on bonus, performance bonuses, tuition assistance, etc.

Data gaps:

- Percentages reflect only agencies with available benefits data
- Benefits for agency's not captured above are often unknown
- Specifics of each benefit was not available and likely varies across agencies

Preliminary Steps for Frameworks



- Intent and components to determine equivalence need to be defined in the legislation to better inform the frameworks
- Actuary expertise is needed to design the process and analysis assumptions
- Tools such as calculators to streamline the process could lessen the implementation effort for agencies

Proposed Framework for Health Benefits

Set the rules for the comparison

Legislation clarification is needed before plan data is reviewed or equivalence can be verified.

Key clarifications: design or value test | employer cost or employee value | benchmark plan(s) | standard population

1 Collect data

Source: one claims source, applied to both plans

Claims data

Utilization and cost of health services, from the CMS AV Calculator, agency claims, or an actuary's commercial database

Source: public agency and private operator

Plan design parameters

Deductibles, copays, coinsurance, and out-of-pocket maximums, from each plan's benefit summaries and plan documents

Enrollment and contributions

Enrollment and employee premium share by plan and coverage level, plus employer HSA/HRA deposits

claims data

2 Transform claims into a standard population

- **Group** claims by service category
- **Filter and adjust** claims
- **Develop** the standard population
- **Construct** continuance tables

plan, enrollment, and contribution data

3 Calculate equivalence

- **Compare plan designs:** equivalent by design if every provision matches or beats the benchmark
- **Calculate actuarial value:** otherwise, value both plans against the standard population
- **Account for employee contributions:** net value to the employee, by coverage level
- **Determine equivalence:** operator plan value at or above the benchmark at each coverage level

Proposed Framework for Retirement Benefits

Set the rules for the comparison

Legislation clarification is needed before plan data is reviewed or equivalence can be verified.

Equivalence could mean: Equal present value of employer-provided benefits | Equal employer cost or contribution rate | Equal projected retirement income or replacement ratio

1 Collect data

Source: VRS reports, public agency and private operator provided data

Actuarial reports

VRS or agency valuations reports define some of the common assumptions, such as the discount rate, mortality, and COLA

Plan provisions

Benefit formula, eligibility, vesting, COLAs, DC employer contributions and match, and retiree health subsidy, from plan documents

Workforce and contributions

Employee census or representative profiles (age, service, pay), contribution rates and basis (percent of pay or per hour), and Social Security participation

2 Value each plan by type *Requires actuarial expertise; relies on the rules set above*

Select the benchmark plan

Determine which public plan and tier is the benchmark that the operator's plan is measured against

Establish common assumptions

Apply the common discount rate, and set salary scale, mortality, COLA, and cost method, for both plans

Model representative employees

Combinations of entry age and years of service, built from the workforce data

Defined benefit (pensions)

- Project the benefit: formula, salary growth, retirement age, and COLA
- Weight for survival, turnover, and disability; discount at the common rate
- Result: value earned each year as a percentage of pay, less the employee's share

Defined contribution (401(k), 457(b), 403(b))

- Credit employer contributions: mandatory plus match, at assumed participation
- Adjust for vesting and forfeitures (turnover)
- Result: employer contribution as a percentage of pay

3 Calculate equivalence

- **Design test** (same plan type): matches or beats the benchmark
- **Value test**: compare employer-provided value as a percentage of pay.

Determine equivalence: operator value meets the benchmark under the pass/fail standard

Fiscal Impact Analysis Findings

Fiscal Impact Methodology

Collect Data on Equivalency Positions

- Leverage National Transit Database (NTD) data (2024 dataset)
- 50-65% of Operating Expenses allocated to labor costs from equivalency positions for non-exempted, fixed-route service

Develop Fiscal Impact Scenarios

0. No Fiscal Impact for authorities remaining Directly Operated (DO)

1a. Reduction in savings for DO agencies switching to Purchased Transportation (PT)

1b. Cost increases when negotiating PT contracts

2. Additional costs associated with detailed total compensation actuarial studies at any agency

Apply Findings from Wage and Benefits Equivalency Analysis

- 0-5% net impact in wages for equivalency positions between DO and PT
- 15-30% net impact in benefits for equivalency positions between DO and PT
- Calculate hypothetical fiscal impact across impacted agencies and for representative agencies

- Detailed employee data not available across all agencies
- Total compensation actuarial studies, using detailed agency budget data, are necessary to quantify precise agency-specific fiscal impact

Key Sources

- Frick, K. T., Taylor, B. D., & Wachs, M. (2006). Contracting for public transit services: Evaluating the tradeoffs. California Policy Research Center, University of California.
- Iseki, H. (2010). Effects of contracting on cost efficiency in US fixed-route bus transit service. Transportation Research Part A: Policy and Practice, 44(7), 457–472.
- Kim, S. (2005). The effects of fixed-route transit service contracting on labor [Doctoral dissertation, University of California, Berkeley].
- Walk, M. J., Blume, K., Cardenas, J. P., Anderson, P., Elgart, Z., & Galicia, L. D. (2023). Third-party contracts for fixed-route bus operations and maintenance: Performance metrics (TCRP Synthesis 171). Transportation Research Board, National Academies Press.

Trends Across National and TPPL Study Agencies (Recap from WG#3)

Service Type	National Market	TPPL Market	Labor and Operations Breakdown

Directly Operated	***72%*** *of Fixed-Route Bus Service*	***79%, 22*** *Agencies*
		$339M *in Operating Expenses*
			• Labor (wages and benefits)
			  • 70% Nationally / **72% TPPL Agencies**
			• Operations, Vehicle Maintenance, and Facilities Maintenance (non-General Administration)
			  • 78% Nationally / **77% TPPL Agencies**

Purchased Transportation	***28%*** *of Fixed-Route Bus Service*	***21%, 6*** *Agencies* ***$173M*** *in Operating Expenses*	• Labor not reported as a subset of PT operational costs • Operations, Vehicle Maintenance, and Facilities Maintenance (non-General Administration) • 75% Nationally / **82% for TPPL Agencies**

50-65% of Operating Expenses, for fixed route service, are **potentially impacted labor expenses** (total compensation)

Fiscal Impact Scenarios

Applicable to Directly Operated Agencies

0

No fiscal impact if authority remains DO

1a

Reduction in savings switching from DO to PT

- Retaining employees, wages, and benefits limit the ways private sector can reduce cost of operations
- May result in **reduced annual savings** for switching to PT contract for operations due to higher labor costs

1b Applicable to Purchased Transportation Agencies

Cost increases when negotiating PT contracts

- May increase **annual costs** due to raising wages and benefits for equivalency positions and additional monitoring expenses
- Additional **one-time costs** from out-of-cycle renegotiations encumbered through the re-procurement process, both on public agency and by the private sector, could range $50-300K+

2 Applicable to Both Scenarios

Administrative costs associated with Scenarios 1a and 2b

- Detailed actuarial study
  - Labor market specific equivalency for private positions based on prevailing public positions
  - Depends on complexity of benefits, collective bargaining agreements, etc.
  - **One-time costs** could range $50-200K+
- On-going administrative costs could include:
  - Technical assistance, legal counsel, templates/tools, staff liaison, data (re)structuring, monitoring and reporting, auditor
  - Could range from 0.25 – 1 FTE depending on ability to add to existing personnel workload
  - **Annual costs** could range $50-200K+

Potential Fiscal Impact from Labor

TPPL Market

Scenario	TPPL Market	Wage Impact	Benefit Impact	Total Labor Impact
1a ***Reduction in savings switching from DO to PT***	~$375M* in Operating Expenses, of which **$190-250M** potentially impacted labor expenses *(total compensation)*	60-70% of labor costs from wages 0-5% less savings from benefits	30-40% of labor costs from benefits ~15% less savings from benefits	$10-30M less savings 2.5-8% of total Operating Expenses
1b ***Cost increases from renegotiating PT contracts***	~$200M* in Operating Expenses, of which **$100-130M** potentially impacted labor *(total compensation)* *Escalated to 2027$	70-80% of labor costs from wages 0-5% more wage costs	20-30% of labor costs from benefits ~30% more benefits costs	$5-15M increased costs 2.5-9% of total Operating Expenses

Note: Assumes *all* potential authorities enter Scenario 1a and 2b

Potential Fiscal Impact - Total

TPPL Market

Service Type	Total Labor Impact	2 Additional Costs	Total Costs
1a ***Reduction in savings switching from DO to PT***	$10-30M less savings 2.5-8% of total Operating Expenses	**~22** Agencies $2-3M actuarial studies $1-4M monitoring costs	**~22** Agencies **$13-38M total**
1b ***Cost increases from renegotiating PT contracts***	$5-15M increased costs 2.5-9% of total Operating Expenses	**~6** Agencies $0.5-1M actuarial studies $0.5-1.5M renegotiations $0.3-1.2M monitoring costs	**~6** Agencies **$7-19M total** **Note: Assumes *all* potential authorities enter Scenario 1a and 2b**

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Fiscal Impact Takeaways

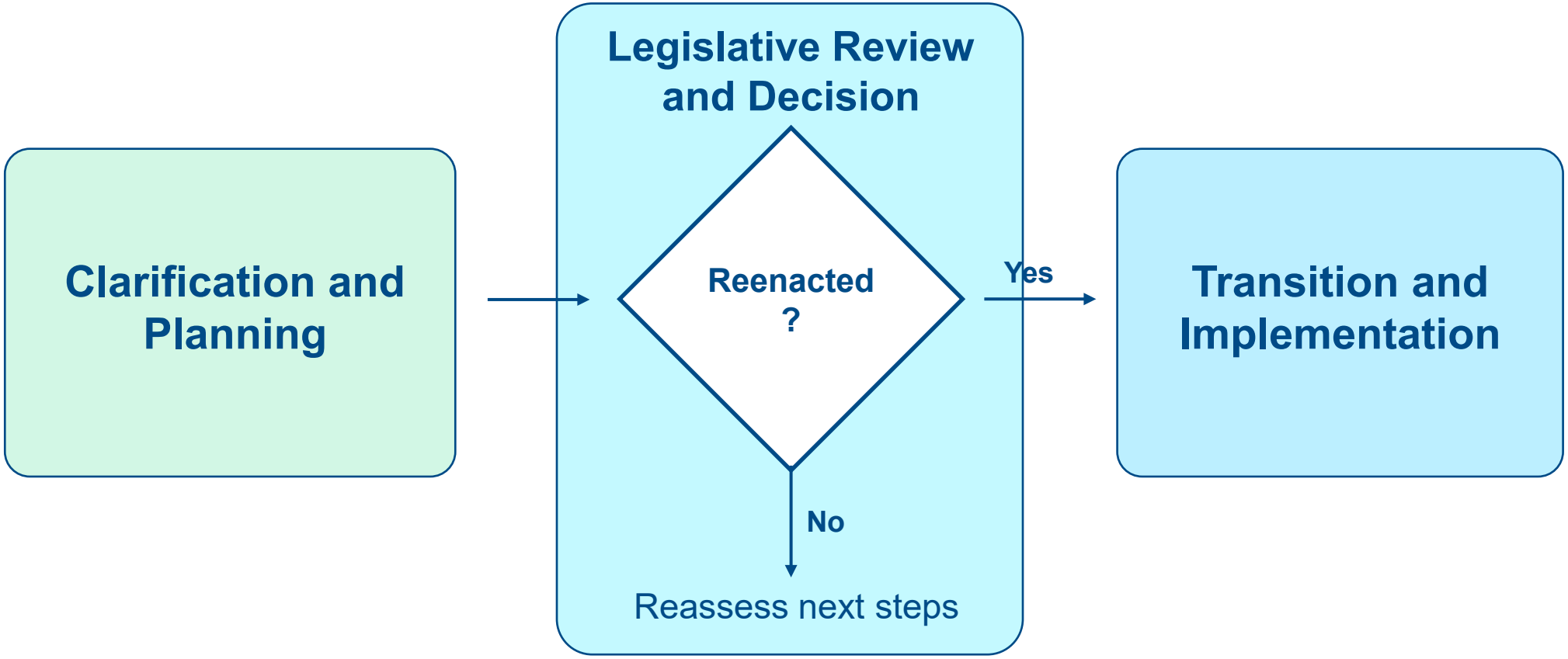
- Depending on how the legislation is clarified could impact the frequency costs are incurred
  - Occurs when authorities switch to purchased transportation – *less common*
  - Occurs when purchased transportation operators with contracts after July 1, 2027 or upon renegotiation (pending finalization of the legislation) – *more common*
- Ongoing implementation costs should be expected
  - Cost of actuarial study or renegotiation is not perfectly scaled to size of organization
  - Additional costs may include: technical assistance, legal counsel, templates/tools, staff liaison, data (re)structuring, monitoring and reporting, and auditing

Key Sources

- Frick, K. T., Taylor, B. D., & Wachs, M. (2006). Contracting for public transit services: Evaluating the tradeoffs. California Policy Research Center, University of California. https://escholarship.org/uc/item/3v9449jg
- Iseki, H. (2010). Effects of contracting on cost efficiency in US fixed-route bus transit service. Transportation Research Part A: Policy and Practice, 44(7), 457–472. https://doi.org/10.1016/j.tra.2010.03.003
- Kim, S. (2005). The effects of fixed-route transit service contracting on labor [Doctoral dissertation, University of California, Berkeley].
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Implementation Plan

Implementation Plan Overview



Clarification and Planning
Overview

Clarification and Planning	
Clarification	Build upon the recommendations from this study, to provide further clarification in the legislation to make implementation more clear, confirm legality with Counsel
Planning	With the clarification of the legislation, evaluate how clarifications are related to the local context of each agency, identify needed resources (e.g., staff, consultants)

Clarification and Planning
Recommendations

Clarification and Planning	
Clarification	Build upon the recommendations from this study, to provide further clarification in the legislation to make implementation more clear, confirm legality with Counsel
Planning	With the clarification of the legislation, evaluate how clarifications are related to the local context of each agency, identify needed resources (e.g., staff, consultants)
Recommended Additional Steps for TDCs	
Inventory	*Develop an inventory of current wages and benefits for in-house and contracted staff*
Multi-jurisdictional Coordination	*Coordination with Commission boards and voting authorities to advance policy changes necessary to implement legislation*

Legislative Review and Decision
Overview

Clarification and Planning	
Legislative Review and Decision	
Drafting	Draft clarifications to the legislation
2027 GA Session	General Assembly votes, potentially reenacting as-is or passing substitute legislation

Legislative Review and Decision
Recommendations

Clarification and Planning

Legislative Review and Decision

Drafting	Draft clarifications to the legislation
2027 GA Session	General Assembly votes, potentially reenacting as-is or passing substitute legislation

Recommended Additional Steps

Future Study	*Potential to conduct a follow up study to refine the recommendations and analysis from this work group's study to better understand the impact and implementation*
Agency Preparation	*Identify impacted agencies and begin to determine what policy changes may need to be made for each agency in advance of implementation*
Material Development	*Develop materials (tools, templates, guidance) to clearly outline implementation processes, identify staff liaison to support agencies*

Transition and Implementation
Overview

Clarification and Planning

Legislative Review and Decision

If the legislation is reenacted

Transition and Implementation

Formation	Determine which agencies and contractors are impacted by the legislation and provides clear instructions to agencies for implementation
Coordination	Convene implementation groups with stakeholders such as contractors, other jurisdictions, unions, commissions, and decision-making authorities
Evaluation	Collect and evaluate data related to wages, progression, and benefits, requires actuarial analysis
Contracting	Negotiate and sign updated contracts
Initial Compliance	Collect wage and progression data from localities, ensuring legal compliance with legislation

Transition and Implementation
Overview

Clarification and Planning

Legislative Review and Decision

If the legislation is reenacted

Transition and Implementation

Tracking	Develop administrative capacity (staff and resources) for collection and tracking of wage and compensation data in a consistent format at a specified interval.
Evaluation	Compares wage, progression, and/or benefits information at a specified interval, and confirm compliance
Reporting	Report compliance and draft plans to achieve equivalence if out of compliance

Transition and Implementation
Recommendations

Clarification and Planning

Legislative Review and Decision

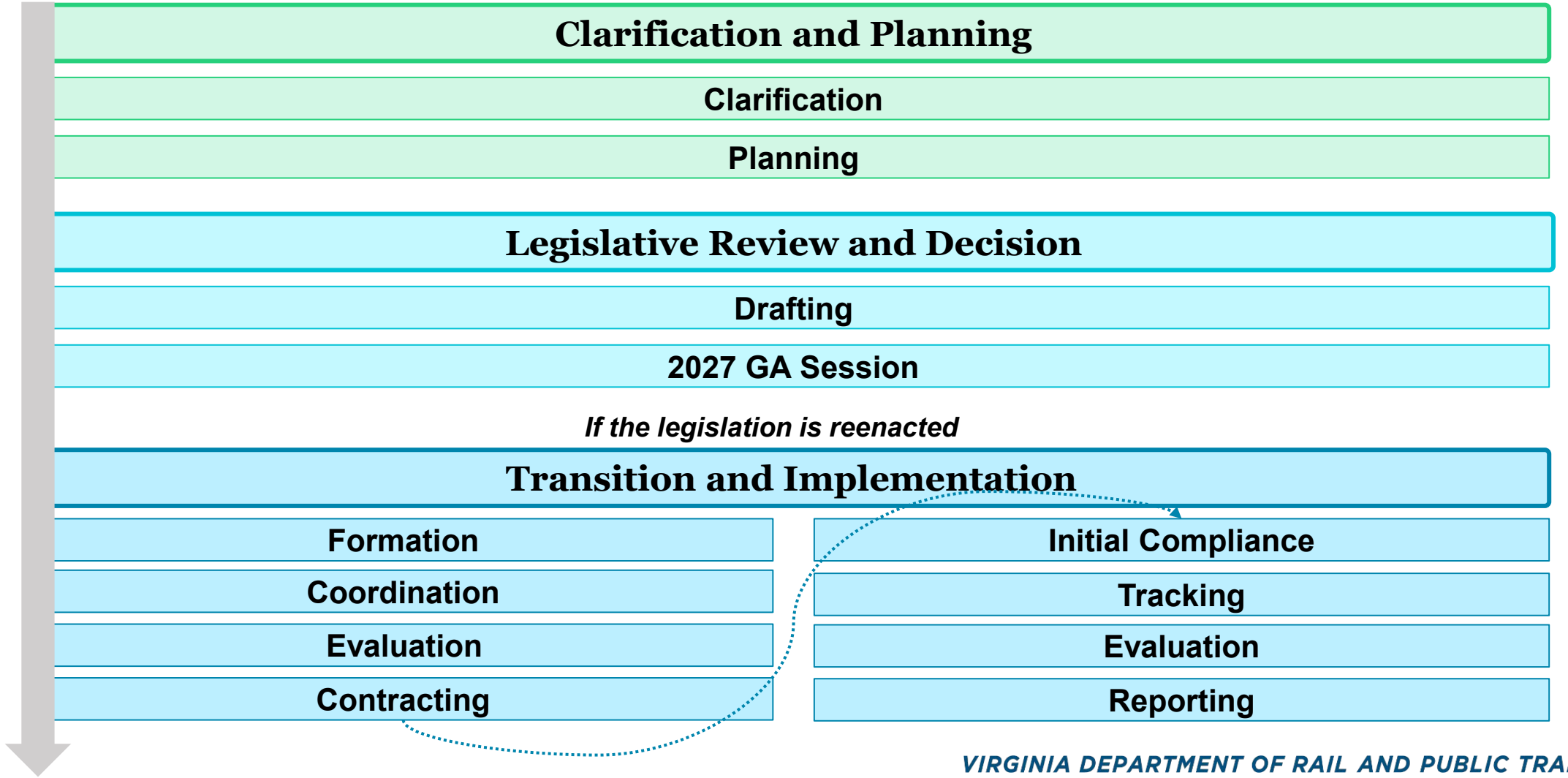
If the legislation is reenacted

Transition and Implementation

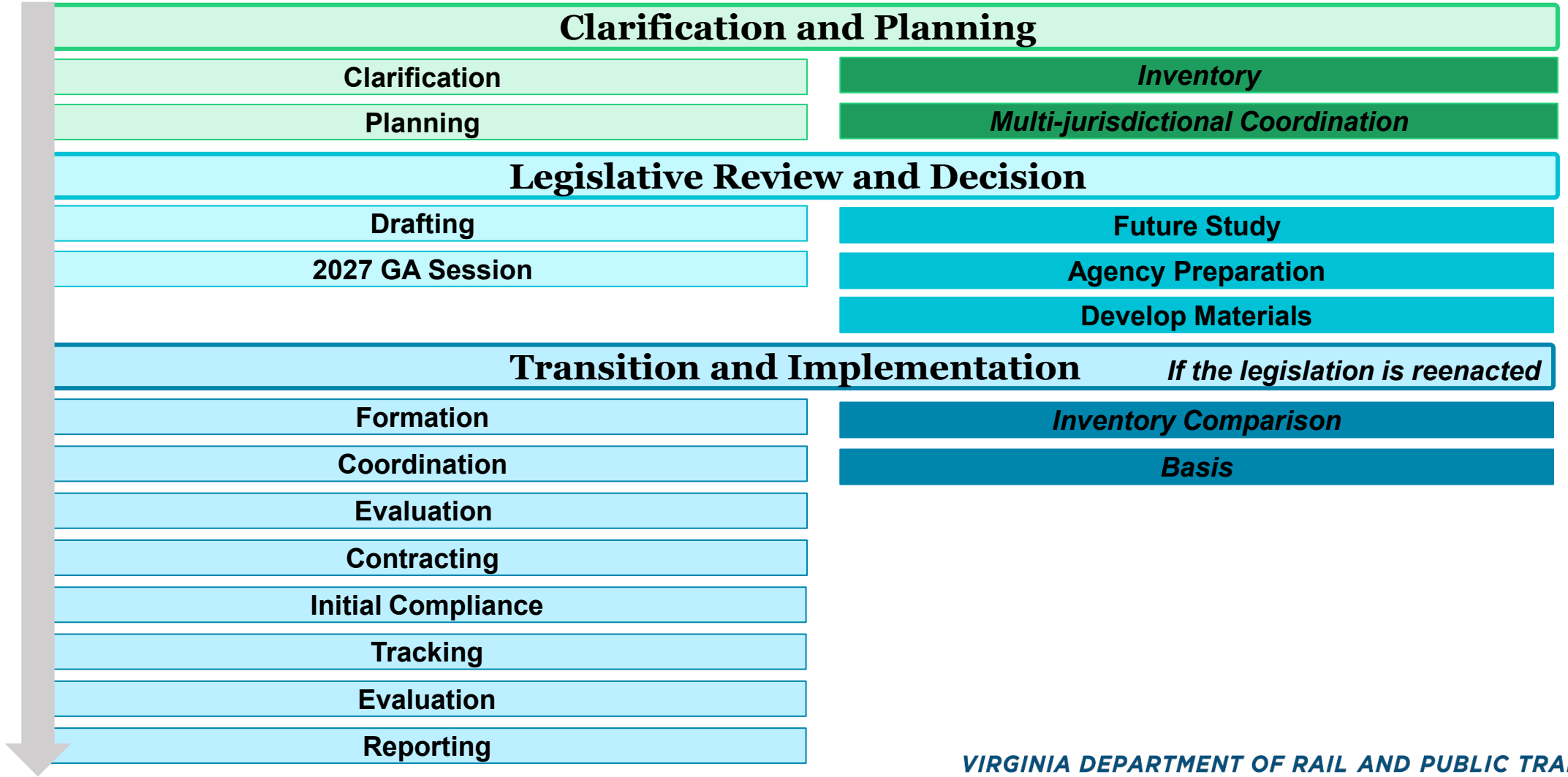
Recommended Additional Steps for TDCs

Basis	*Determine basis of equivalency comparison based on clarifications made in the legislature or policy development within the TDC*
Inventory Comparison	*Identify the delta for wages, progression, and benefits for each of the member jurisdictions, requires actuary analysis*

Implementation Plan
Overview



Implementation Plan
Recommendations



Recommendations

Recommendations
Overview

In addition to the frameworks, the study has identified recommendations in the following categories,

Defining Language	Clarifying Interpretation	Analysis Parameters	Actions	Transportation District Commissions
Recommends that a term, population, standard, or threshold be explicitly defined in the legislation.	*Recommends that the legislation clarify how a provision is intended to be understood or applied.*	*Recommends parameters or processes related to data, analysis, or equivalency be defined in the legislation.*	*Recommends a concrete implementation, preparation, coordination, support, or policy step.*	*Recommendation related to how the legislation applies to transportation district commissions.*

Recommendations
Key Themes

Key Themes	Recommendation Categories				
	Defining Language	Clarifying Interpretation	Analysis Parameters	Actions	TDCs
Agency coverage		✓			
Roles coverage	✓	✓	✓		
Parameters of wage and benefits equivalence	✓	✓	✓		✓
Total compensation definition	✓		✓		
Activation criteria	✓	✓			
Reporting and tracking				✓	
Transit agency impact				✓	

Group 1: Transportation District Commissions

Question 1: What should be considered when determining the basis of equivalency for TDCs in the case the TDC is operating transit and each member jurisdiction may have different wages?

- Minimum? Maximum? Average? Weighted average? Other?

Question 2: Thinking through the administrative and implementation process,

- Are there other tracking and reporting efforts that are managed by the TDC on behalf of the member jurisdictions?
- What are those workflows and could they be adapted to support the implementation and reporting if TDC's are impacted by the legislation?
- Are there implementation steps needed for TDCs missing from the implementation plan?

Group 2: Total Compensation

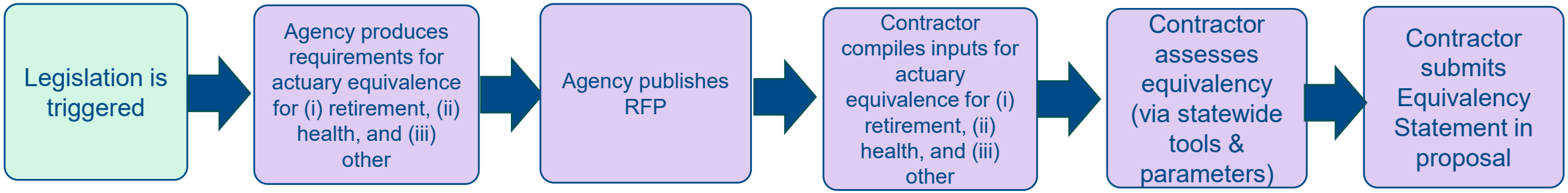
What should be considered when defining equivalent and total compensation?

- **Question 1:** Must "equivalent" mean exactly equal (for example, an identical hourly rate), or is a defined tolerance acceptable (for example, within a set percentage)? If a tolerance applies, what should it be?
- **Question 2:** Should equivalence be measured on total compensation (wages plus benefits combined), or must wages and benefits each be equivalent on their own? If it is measured in total, can a shortfall in benefit value be made up with higher wages?
- **Question 3:** Should equivalence be based only on the licenses and qualifications the position requires? How should additional qualifications be treated? For example, if the role requires Qualification X and the employee holds X and Y, should Y be ignored when determining equivalence?)

Group 3: Reporting and Tracking

Question 1: The proposed framework for initial reporting is as follows, what considerations should be incorporated?

At contracting,



Group 3: Reporting and Tracking

Question 2: Who is best suited to lead each of these phases and actions?

Ongoing,

		State	Transit Agency	Contractor
Tracking	Collect and track of wage and compensation data in a consistent format at a specified interval.			
Evaluation	Compares wage and/or benefits information at a specified interval, and confirm compliance			
Reporting	Report compliance and draft plans to achieve equivalence if out of compliance			

Work Group Comment Information:

Form:
https://forms.cloud.microsoft/g/mHjqQcV032

Please provide comment by November 23rd
Questions? Contact Evan Price at:
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