

POLICY BRIEF · COMMONWEALTH OF VIRGINIA

# Wage Policy Reform in Virginia: Minimum Wage, Subminimum Wage & EPIC

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*A guide for policymakers, VR practitioners, and service providers on Virginia's wage policy transformation and the state's path to competitive integrated employment for workers with disabilities*

The Commonwealth of Virginia's wage policy has changed substantially over the past three decades, shifting from full dependence on the federal minimum wage floor to an actively managed, inflation-indexed state standard, while also enacting legislation to eliminate subminimum wages for workers with disabilities. Virginia (Department for Aging and Rehabilitative Services) DARS is leading a major federally funded demonstration project to make that elimination real for the workers it affects. This brief covers the wage policy history, the national legislative context, and the Real Pay for Real Jobs (RPRJ) Education and Outreach, Partnership Development, provisions of Individualized Services and Capacity Building (EPIC) project underway.

**58**

active 14(c) workers as of March 2026, fewest of any state still in transition

**3**

active certificates remaining statewide

**2030**

July 1; all Virginia 14(c) certificates expire under HB1924

**\$12.77**

Virginia min. wage, Jan 2026; \$5.52 above frozen federal floor

SECTION 1

## Virginia's Minimum Wage: From Federal Floor to State Leadership

Virginia's minimum wage history falls into two distinct periods. For decades prior to 2021, Virginia maintained no independent wage floor. Under Virginia Code § 40.1-28.10, the state simply required employers to comply with whatever the federal minimum wage was: \$7.25 per hour from 2009 until May 2021, even as inflation steadily eroded its real value (Commonwealth of Virginia 2023).

The Virginia Minimum Wage Act of 2020 changed course, establishing a phased schedule that broke from the federal floor for the first time and committed to ongoing inflation adjustment:

### Virginia Minimum Wage History

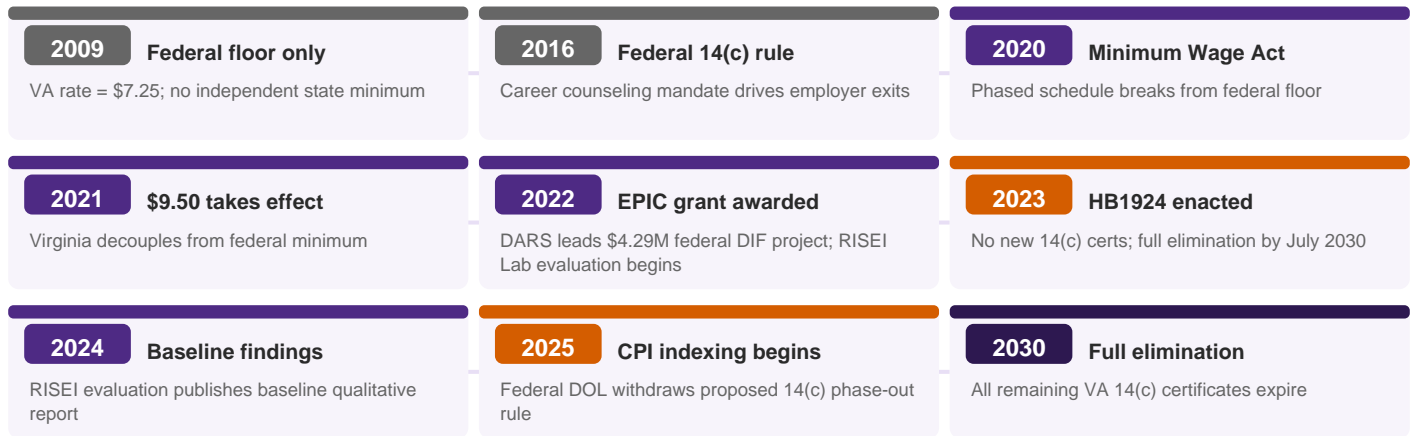
2009–Apr 2021	\$7.25 (federal floor)   Federal: \$7.25
May 2021	\$9.50   Federal: \$7.25
Jan 2022	\$11.00   Federal: \$7.25
Jan 2023	\$12.00   Federal: \$7.25
Jan 2025	CPI-U indexed annually   Federal: \$7.25
Jan 2026	\$12.77   Federal: \$7.25 (unchanged since 2009)

## WHAT THIS MEANS FOR EMPLOYERS AND PROVIDERS:

All Virginia employers, including community rehabilitation providers, employment service organizations holding 14(c) certificates, and supported employment agencies, must comply with Virginia’s higher state floor, not the federal minimum. As of January 2026, that floor is \$12.77 (Virginia Department of Labor and Industry, 2020, 2025). It will increase again in January 2027. Organizations whose contracts, budgets, or funding formulas reference wage floors must update these annually.

By January 2026, the gap between Virginia’s floor and the frozen federal minimum had grown to \$5.52. This gap reflects a deliberate policy choice to tie wages to economic reality rather than await congressional action. Virginia’s Consumer Price Index for All Urban Consumers (CPI-U) indexing mechanism, which took effect in 2025, means the gap will grow automatically: the state floor rises each January with inflation, while the federal \$7.25 has remained unchanged since 2009.

## Policy Timeline



## SECTION 2

# National Landscape: Where States Stand on 14(c)

Section 14(c) of the Fair Labor Standards Act has allowed employers holding federal certificates from DOL’s Wage and Hour Division to pay workers with disabilities below the minimum wage since 1938, in some cases as little as \$0.25 per hour (Department of Labor 2008). Certificate holders must measure each worker’s productivity against a nondisabled peer and pay a proportionate wage. Nearly half of all 14(c) workers earned less than \$3.50 per hour; approximately 10 percent earned \$1.00 or less (U.S. Department of Labor). State-level efforts to eliminate subminimum wages have grown steadily since 2015, though with considerable variation:

## State Responses to Section 14(c): National Status, March 2026

### Completed phase-out

More than ten states, including NH (2015), MD (2016), WA, CO, HI, DE, TN (2022), RI (2022). DOL reports zero active certificates in each.

### Partial measures

KS (tax credits; voluntary transition grants) and TX (min. wage compliance for state-use contracts only; broader 14(c) system intact).

### Phase-out in progress

IL (by Dec 2029), GA (by July 2027), SC (2022), NV (by 2028). Virginia’s 2030 deadline places it in this group.

### Failed legislation

KY, MN, NY, OH, OK, and WV have seen phase-out bills introduced and not enacted.

## FEDERAL PAUSE, JULY 2025:

*The U.S. Department of Labor formally withdrew its proposed rule to cease issuing new 14(c) certificates and phase out the federal program. This leaves the national 14(c) system intact indefinitely. State action remains the only active pathway to elimination, and Virginia's 2030 deadline stands regardless of federal posture.*

**Virginia in the national context:** Virginia is one of only two Southern states (alongside Tennessee) to have enacted a comprehensive phase-out mandate prior to 2025, when Georgia joined the group. Virginia's 2030 deadline is at the longer end of national timelines, comparable to Illinois (2029) and Nevada (2028). The longer timeline reflects the scale of Virginia's transition challenge and the time needed to build local capacity through the EPIC project.

## SECTION 3

### Virginia's 14(c) Phase-Out: From 4,000 Workers to 58

Virginia's decline in 14(c) employment began well before legislation required it. Following a 2016 federal regulatory change requiring all 14(c) certificate holders to provide career counseling and transition referrals to their workers, many Virginia providers chose to exit the program rather than take on the additional burden. Both employer and worker counts peaked around 2016–2017 and fell steadily thereafter.

By 2023, when Virginia enacted HB1924, the state's active worker count had already dropped from over 4,000 to roughly 350. The legislation completed this arc: no employer not already authorized to pay subminimum wages prior to July 1, 2023 may obtain a new 14(c) certificate, and all existing certificates expire July 1, 2030.



**The drop from over 4,000 workers to 58 as of March 2026 was not incidental. Federal and state policy raised the cost and burden of maintaining subminimum wage employment, and Virginia ultimately legislated its elimination.**

#### ✓ THE REMAINING 58

The workers who remain under active Virginia 14(c) certificates as of March 2026 represent the most complex transition cases: people who have been in sheltered employment for years, often with significant support needs and family systems built around the workshop setting. Only three active certificates remain statewide. The RPRJ EPIC project was specifically funded to serve this group.

#### ★ A REAL TRANSITION CASE

One Virginia family, referred in 2023 after nearly 30 years in a subminimum wage program, faced multiple barriers: no CSB involvement, lack of DD Waiver knowledge, no Medicaid application, and caregiver health issues. After almost two years of EPIC family-to-family support through VCU's Center for Family Involvement, their family member received a DD Waiver slot and is now pursuing competitive employment for the first time in nearly three decades.

## SECTION 4

### The RPRJ EPIC Project: Virginia's Federal Grant

The central federal grant driving Virginia's transition is the Real Pay for Real Jobs (RPRJ) EPIC project. DARS received this five-year, \$13,829,686.58 Disability Innovation Fund (DIF) award from the U.S. Department of Education's Rehabilitation Services Administration for the period 2022 to 2028.

#### RPRJ EPIC PROJECT: NORTHWESTERN RISEI LAB EVALUATION

*Northwestern University's RISEI Lab serves as the independent evaluation team, conducting evaluation of project implementation covering baseline qualitative data collection with DARS staff, VR counselors, employment service organizations, and adults with disabilities; longitudinal participant tracking; and analysis of administrative VR data spanning 2003–2023. RISEI Lab has also built interactive data dashboards on disability employment outcomes in Virginia for DARS staff.*

## EPIC's Four Strategic Pillars

- **1. Transition adults from SWE to CIE.** EPIC's target: transition 300–350 adults from subminimum wage employment to competitive integrated employment by 2028.
- **2. Divert youth at risk of entering SWE.** EPIC aims to redirect 350–400 young people with disabilities away from sheltered pathways and toward CIE from the outset.
- **3. Support employer transition.** Technical assistance and business model support to 14(c) certificate holders, including a value-based purchasing system aligning incentives with CIE outcomes.
- **4. Build local capacity via IRT model.** Integrated Resource Teams ensure individuals with highest support needs receive wraparound services including VR counseling, mental health supports, and family navigation.

**Key EPIC Components:** Peer mentoring, family navigation, customized and supported employment, Individual Placement and Support (IPS), informed consent and baseline data collection, employer partnership development.

**EPIC Partners:** Virginia DARS (lead), Northwestern/RISEI Lab (evaluator) with Thirdsight LLC, GWU CRCRE, VCU RRTC, VCU Center for Family Involvement, ARC of Virginia, PEATC, Griffin-Hammis Associates, SOAR365.

### SECTION 5

## Virginia's Full Below-Minimum-Wage Landscape

The 14(c) certificate system is only one of three frameworks under which Virginia law permits workers to be paid below minimum wage. Understanding all three is essential for VR counselors, employment specialists, and advocates.

**Tipped Workers (Va. Code § 40.1-28.9):** Employers may count tips toward minimum wage for employees receiving >\$30/month in tips. As of 2026, the maximum tip credit represents the difference between the tipped wage and Virginia's \$12.77 floor.

### Young Worker and Student Wage Exemptions

Under 16 (all employers)	Fully exempt from Virginia minimum wage
Under 18, employed	Fully exempt from Virginia minimum wage
Under 18, student ≤20 hrs/wk	Fully exempt from Virginia minimum wage
Training programs ≤90 days	Greater of federal min (\$7.25) or 75% of VA min (~\$9.58)
Work-study participants	Fully exempt from Virginia minimum wage

Together, these three frameworks constitute Virginia's complete landscape of legally sanctioned below-minimum-wage employment. Only the 14(c) system is on a legislated path toward elimination. The tipped worker credit and young worker exemptions remain in full force under current Virginia law.

### RECOMMENDATIONS

## Five Recommendations for Practitioners & Policymakers

1

### Begin transition planning for remaining 14(c) workers now

With a known, small population of remaining 14(c) workers, Virginia has the information and partners needed to begin individualized transition planning well before 2030. DARS, ESOs, community services boards, and EPIC partners should be working with each remaining certificate holder to map out supports, waiver eligibility, and employer partnerships.

2

### Use EPIC tools to address employer and family reluctance

When families and service providers have been part of sheltered workshop systems for many years, transition requires sustained relationship-building, not just service referrals. The IRT model, peer mentoring, and family navigation components of EPIC address exactly this challenge.

3

### Use research evidence on employment outcomes

A forthcoming national study by RISEI Lab (Yin, Seo & Vu, *Labour Economics*), the first quasi-experimental analysis of 14(c) elimination across all 15 states, finds no aggregate job loss for people with disabilities following elimination. This evidence can help address employer concerns and stakeholder skepticism.

4

### Know Virginia's full wage framework, not just 14(c)

VR counselors advising clients in tipped employment or youth training programs must understand that separate below-minimum-wage frameworks apply. Practitioners should be fluent in all three frameworks.

5

### Update contracts for the indexed wage floor each January

Virginia's CPI-U indexing means the minimum wage floor changes automatically each year. Employment service organizations and any entity whose contracts reference wage rates must build annual review processes into their operations.

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## CITATIONS

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