

Why is Virginia So Different?

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Virginia – A Political Museum Piece



What Makes Virginia Unique?

- One term governor
- Only 3 statewide elected officials
- Judges are not elected
- State Corporation Commission is not elected
- Annexation moratorium
- Extremely conservative tax, fiscal, and debt policies
- Dillon Rule
- Cities and counties have different powers

Virginia's Underlying Strengths

- Bi-partisan commitment to business growth
- Right to Work
- Reasonable regulatory climate
- Low taxes
- Location
- Infrastructure assets (ports, airports, highways)
- Strong executive powers
- Federal and DoD spending
- Decentralized university system

Virginia's Historical Challenges

- Pay as you go mentality
- Decentralized university system
- Overreliance on federal and DoD spending, traditional industries
- Underinvestment in R&D
- Underinvestment in sites for development
- Virtually no economic development marketing budget
- Underinvestment in infrastructure
- Educational disparities among and within localities
- Local government reliance on property taxes

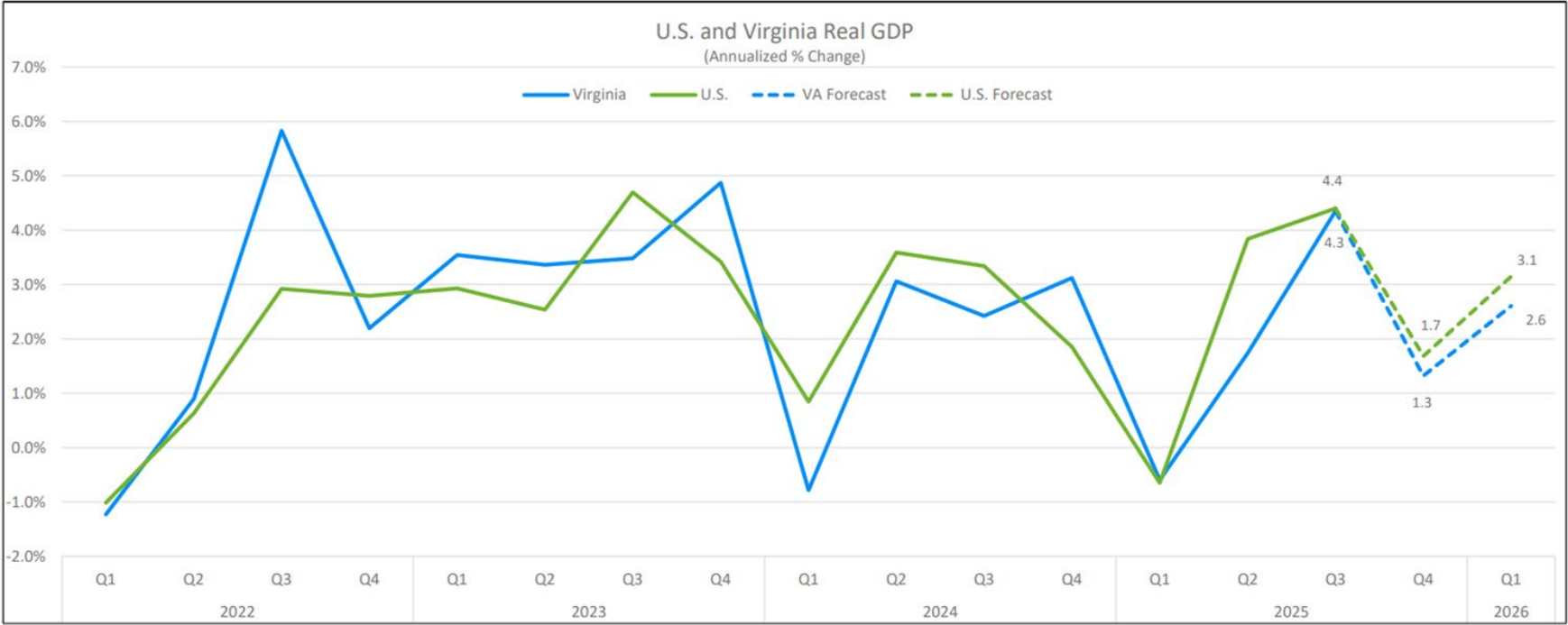
State vs. Local Government Tension

- Virginia local governments are a “creature” of the state government and are thus heavily controlled by them
- There’s a constant push-pull between the state and localities over funding, taxing authority, powers
- Distrust is prevalent
- State pre-emption of local powers and prerogatives is growing

How the Calendar Drives Policy

- Governor introduces proposed budget 3rd week of December
- General Assembly convenes 2nd Wednesday of January (meets for 45 or 60 days)
- Typically, there is a mid-session revenue reforecast which changes the budget
- Local governments build their budgets based on General Assembly actions
- Governor can propose amendments to what the legislature passes at a reconvened session in April
- Laws take effect July 1
- Governor presents updated economic picture to legislature in August
- Money committee retreats in October/September

U.S. and Virginia GDP Growth Expected to Moderate

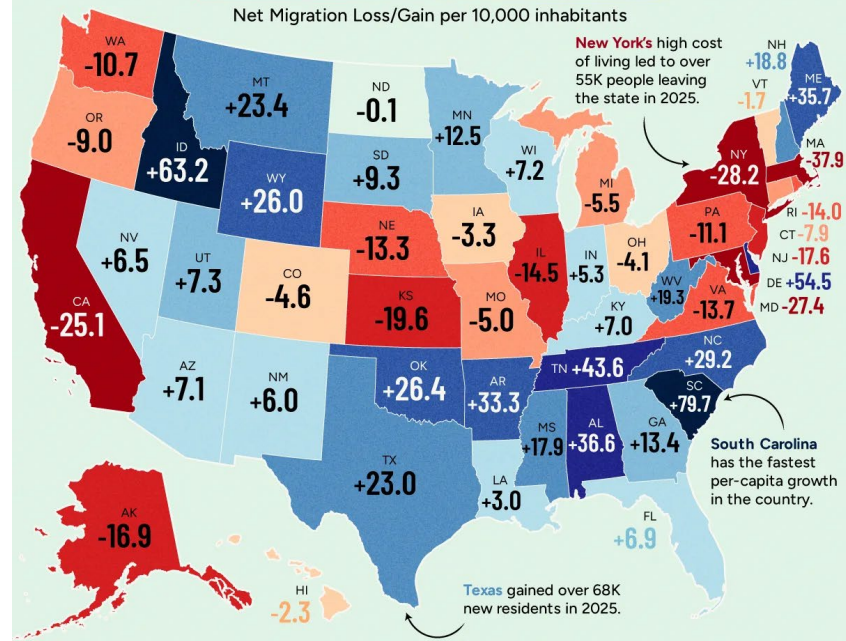


Source: U.S. Bureau of Economic Analysis; Moody's Analytics January Baseline Forecast

Where Americans Moved in 2025

◀ Loss Gain ▶

Net Migration Loss/Gain per 10,000 inhabitants



New York's high cost of living led to over 55K people leaving the state in 2025.

South Carolina has the fastest per-capita growth in the country.

Texas gained over 68K new residents in 2025.

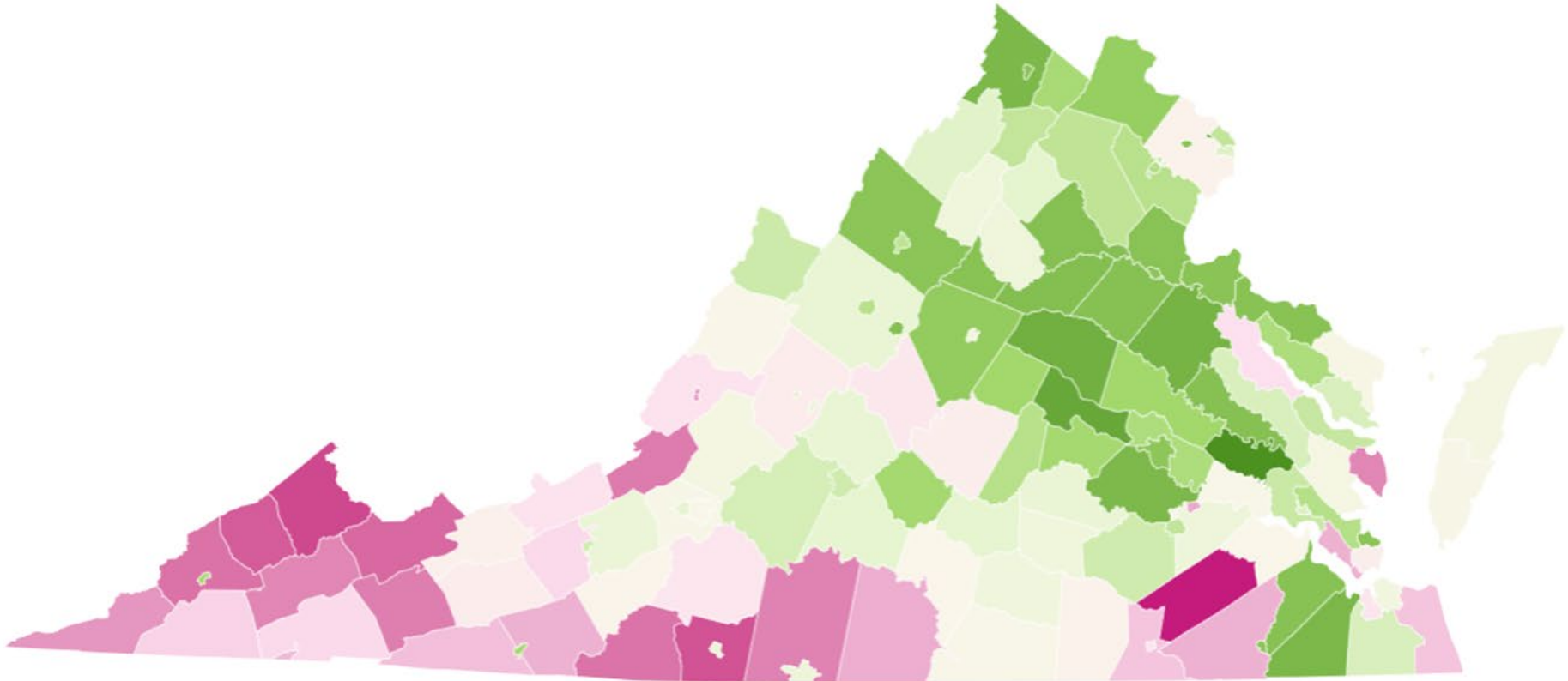
VISUAL CAPITALIST

Source: HireAHelper

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Population changes 2020-2025



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Why is Virginia Falling Behind?

- Lack of investment in sites
- Lack of innovation culture
- Disorganized workforce training system
- Archaic tax structure
- Increasing cost of living
- Erosion of the pro-business climate
- Transportation assets not focused on fostering economic opportunity
- Lack of regional collaboration





Areas of Concern - 2026

- Higher energy costs attributable to RGGI, Virginia Clean Economy Act
- Ever changing tariff and trade policies
- Geopolitical risk
- Collective bargaining
- Implementation of new social safety net mandates fueling higher costs for business
- Adoption of pro-plaintiff policies
- OBBBA deconformity
- Future of the data center sales and use tax exemption

Areas of Opportunity - 2026

- Implementation of Spanberger affordability agenda (particularly on health care, child care, housing)
- Development of new economic development strategic plan for Virginia
- Growth in defense spending
- Designation of Opportunity Zones 2.0
- Designation of Military Prosperity Zones
- Enhanced regional collaboration
- Funding for site development

Questions or Comments?