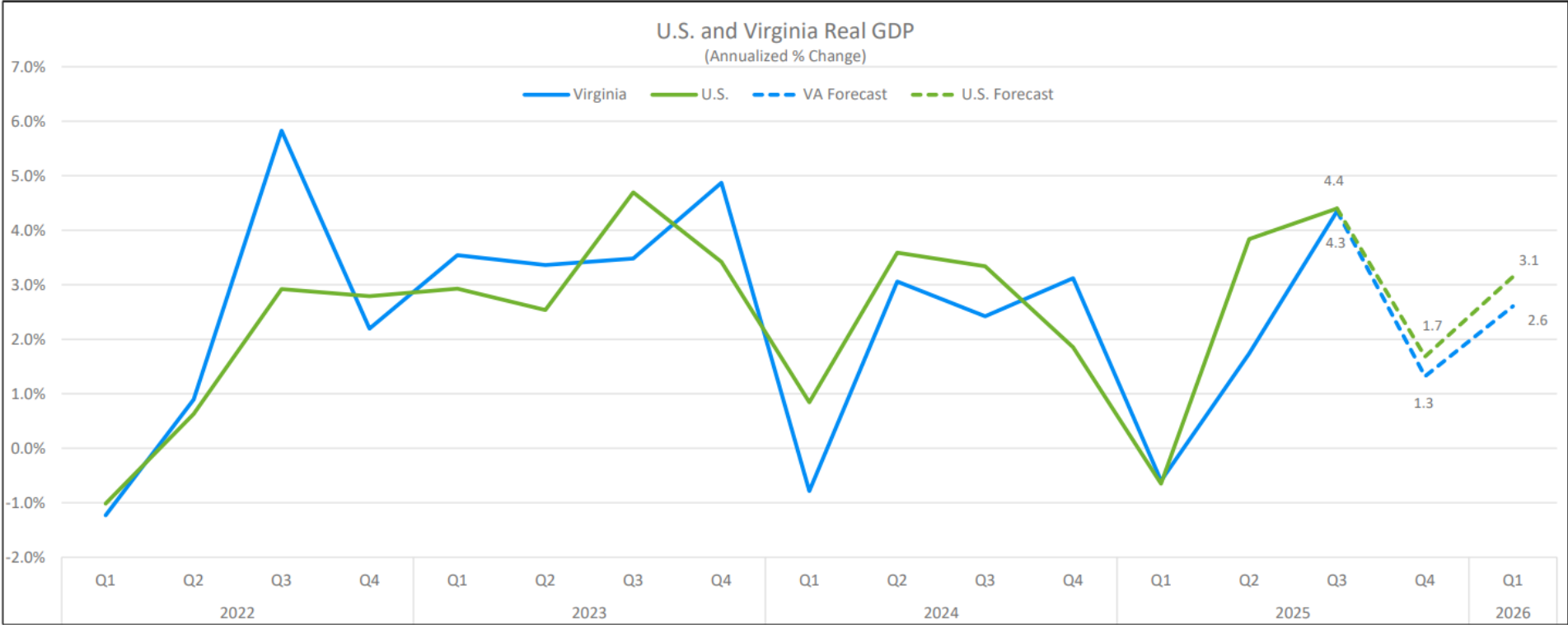


Virginia Political Update - 2026

Christopher D. Lloyd, SVP and Director, Infrastructure and Economic
Development

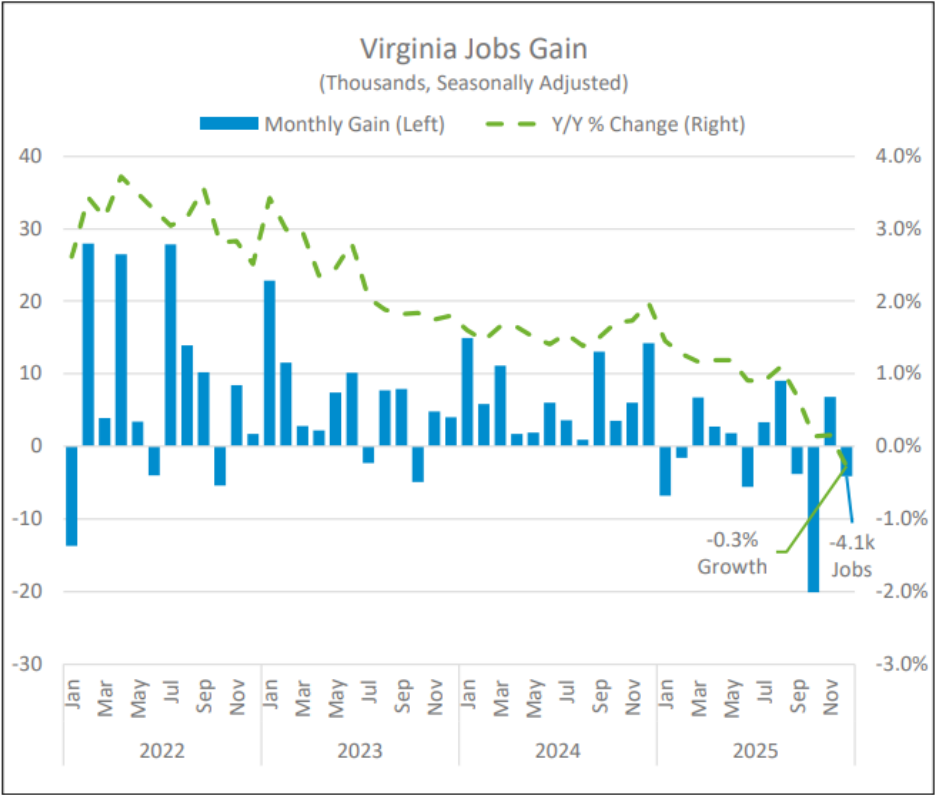
March 18, 2026

U.S. and Virginia GDP Growth Expected to Moderate

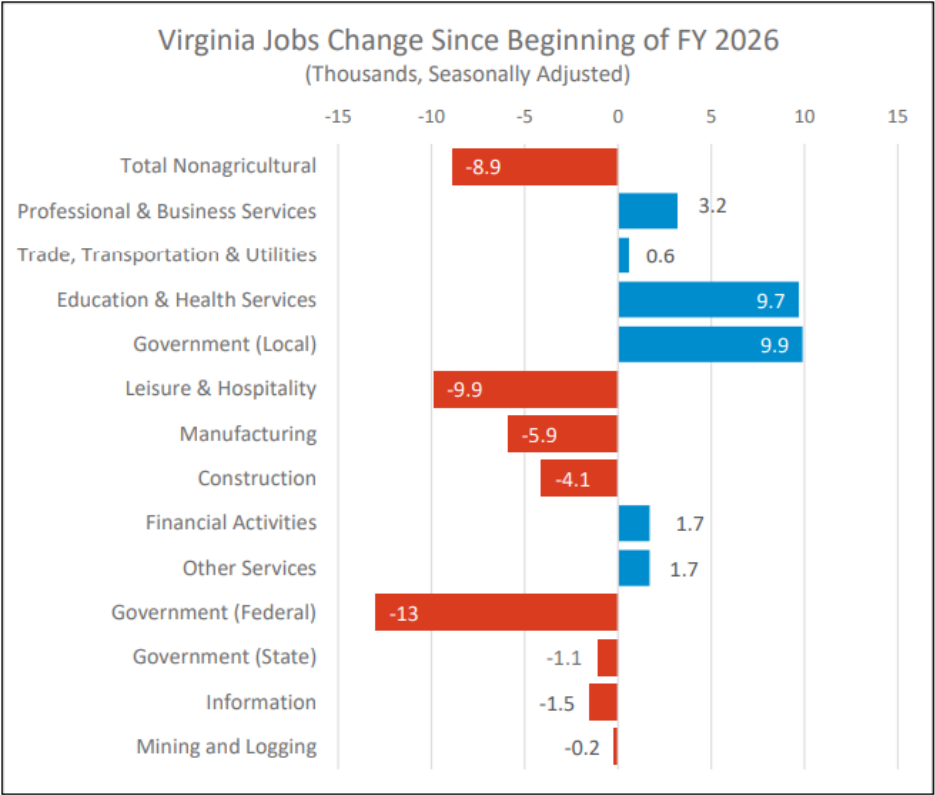


Source: U.S. Bureau of Economic Analysis; Moody's Analytics January Baseline Forecast

Virginia Job Growth -0.3% Year-Over-Year; Jobs Down 8,900 FYTD



Source: U.S. Bureau of Labor Statistics



Source: U.S. Bureau of Labor Statistics

Performance in each component of individual income tax is as follows:

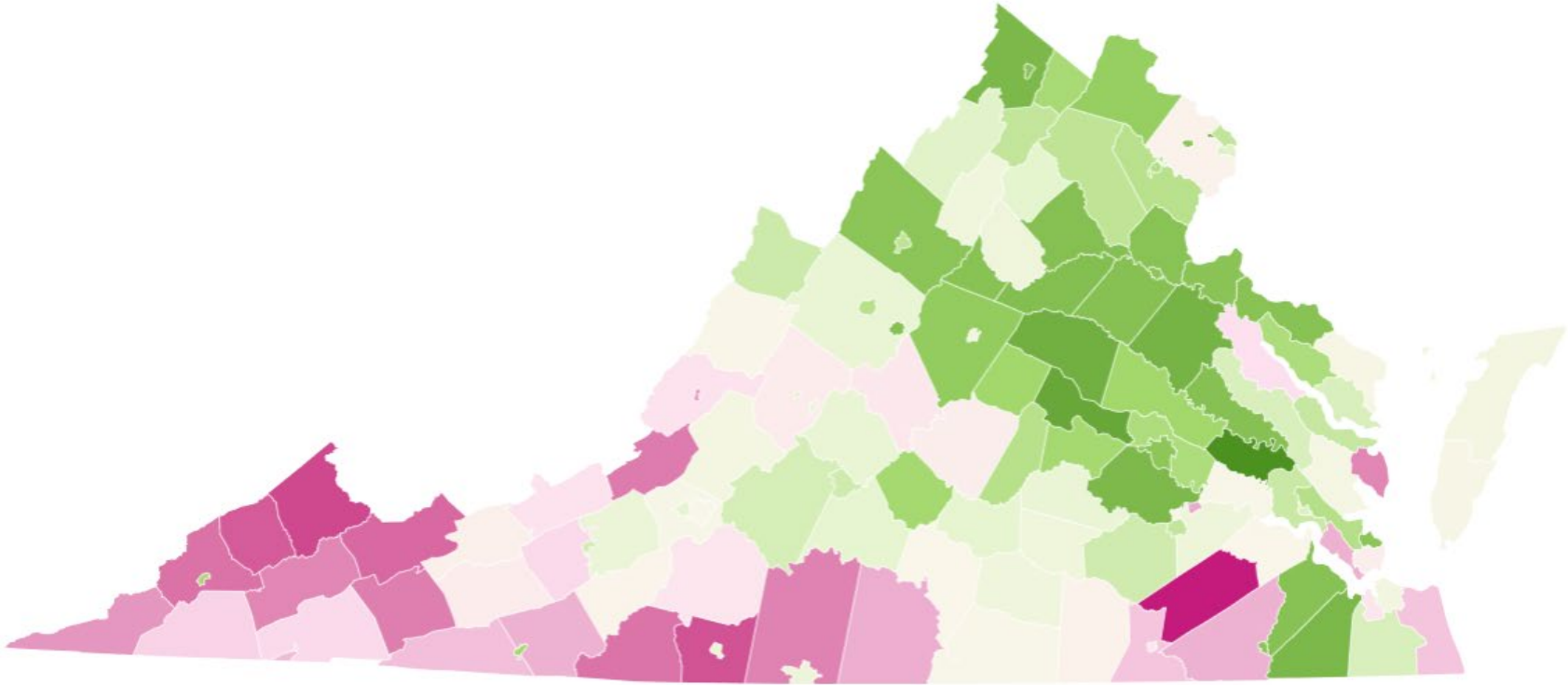
Individual Income Tax Withholding (57% of general fund revenues): Collections of payroll withholding taxes were 1.9 percent (\$29.5 million) higher for the month compared to last February. Performance was below projections for the month by 1.5 percent (\$24.3 million). Withholding collections are up 5.7 percent (\$662.6 million) year-to-date and ahead of projections by \$2.3 million year-to-date.

Individual Income Tax Nonwithholding (24% of general fund revenues): Collections increased 0.8 percent (\$1.1 million) year-over-year and are up 8.3 percent (\$266.2 million) year-to-date. February revenues fell short of the forecast by 37.3 percent (\$88.1 million). Nonwithholding collections are ahead of forecast 6.9 percent (\$224.7 million) year-to-date.

Individual Income Tax Refunds (-10% of general fund revenues): During the month of February, refunds totaled \$540.7 million versus \$505.6 million last February, an increase of 6.9 percent. Year-to-date, the Department of Taxation has issued \$1,429.7 million in refunds compared with \$1,736.2 million over the same period last year, a decrease of 17.7 percent.

Sales Tax (15% of general fund revenues): Collections of sales and use taxes, reflecting January sales, increased 2.0 percent (\$7.1 million) in February and are up 5.4 percent (\$174.5 million) year-to-date. Fiscal-year-to-date, sales and use tax revenues are 1.6 percent (\$52.6 million) above projections.

Population changes 2020-2025

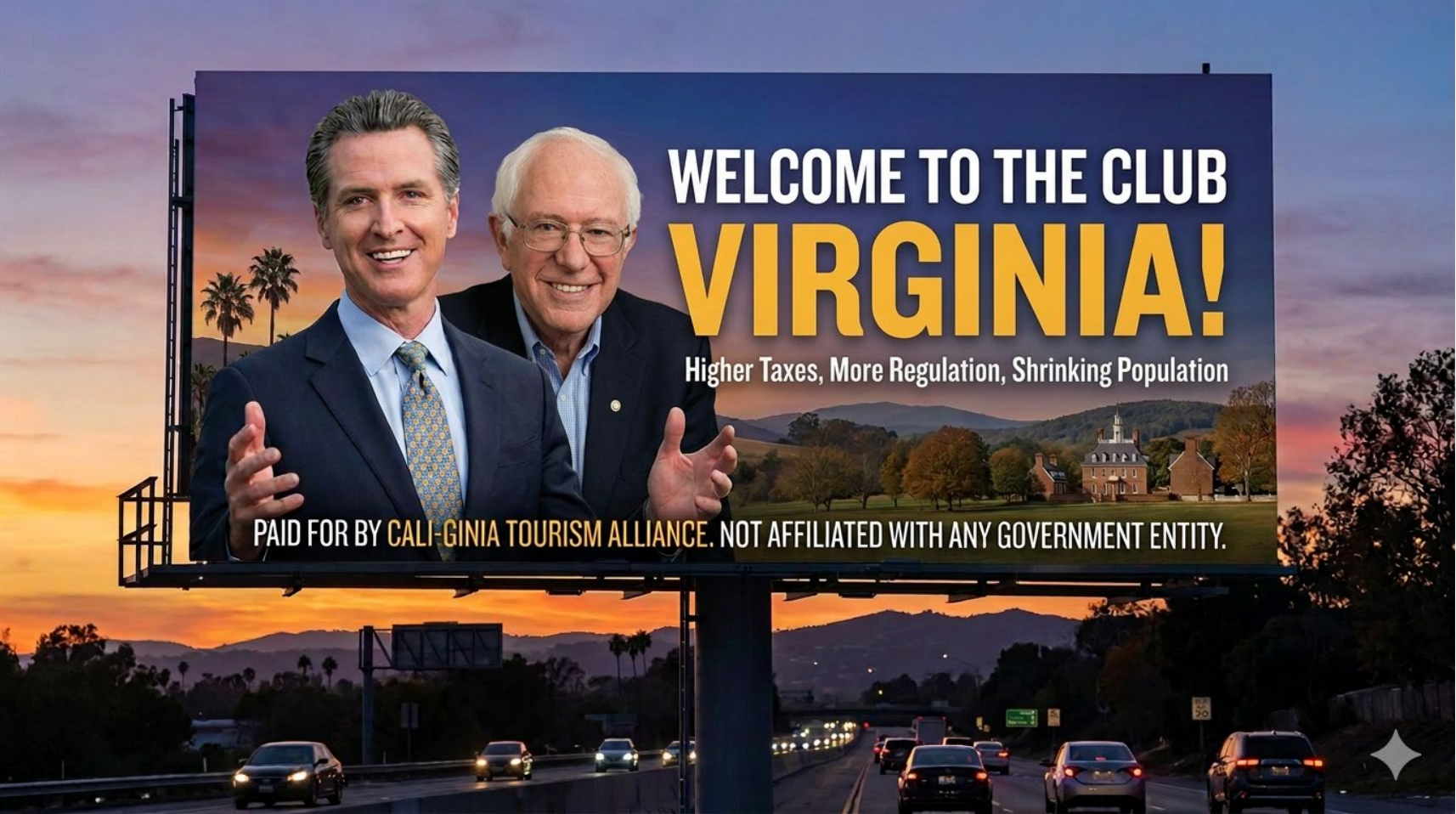


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General Assembly 2026



- House of Delegates – 64 Democrats and 36 Republicans
- Senate of Virginia – 21 Democrats and 19 Republicans



Spanberger Affordability Agenda

- Lower health care costs
- Lower cost of housing
- Increase access to child care
- Lower energy costs

SPANBERGER FOR GOVERNOR

GROWING VIRGINIA PLAN



**“I want to protect
the financial security
and opportunities
of everyone who calls
our Commonwealth
home.”**

ABIGAIL SPANBERGER

AbigailSpanberger.com

- Investment in new sites through the Virginia Business Ready Sites Program
- Investment in economic development and tourism marketing
- Investment in apprenticeships and internships
- Restore Virginia to #1 state for business
- Support small business
- Streamline regulations and permitting

Failed Progressive Bills of the 2026 Session

- HB 188 – 10% income tax on incomes over \$1 million
- HB 243 – Corporate welfare tax of 100% of cost of employee benefits to support social safety net programs
- HB 978 – Expansion of sales taxes to digital services (though better than earlier proposals)
- SB 120 – Warehouse worker protection act

Taxes



“We Did Not Raise Taxes!” – REALLY??

- 1% increase of local sales tax for school construction (by referendum)
- Increased unemployment insurance benefits (\$48 per week)
- Deconformity with OBBBA tax provisions
 - \$177 million corporate tax hike because of the special 100% deduction (which allows companies to immediately expense new capital investments in manufacturing equipment)
 - \$163.1 million corporate tax hike by not allowing full deductibility of R&D expenses. This is on the heels of last year eliminating the R&D income tax credit
 - \$35 million corporate tax hike by not conforming with Section 179 limits
 - \$173 million corporate tax hike by not allowing at least 50% business interest deduction
 - \$54 million individual income tax hike by not conforming on itemized deductions and putting the Pease limitation back into place
 - \$165 million individual income tax hike by not conforming (even partially) with no tax on overtime
 - \$53.5 million individual income tax hike by not conforming with no tax on tips
 - \$53.3 million individual income tax hike by not conforming with no tax on car loan interest

Cost of Doing Business



New Costs on Businesses

- Statewide paid family and medical leave program (new employer tax effective April 1, 2028)
 - Up to 12 weeks per year
 - All employers (regardless of size), except state employees, covered
 - Businesses with 10 or more employees collect 50% of tax from the employee (estimated at 0.72% of payroll), smaller businesses only pay the 50% employer share
 - Benefit equals 80% of weekly wage
 - Job protected during leave and benefits must continue
 - Companies can opt-out if they have a private plan approved by VED
- Statewide paid sick leave program (1 hour off for every 30 hours worked)
- Unemployment benefits will be paid during an employee lockout
- More class action lawsuits under the Virginia Consumer Protection Act
- Numerous changes to Virginia Landlord-Tenant Act that are pro-renter

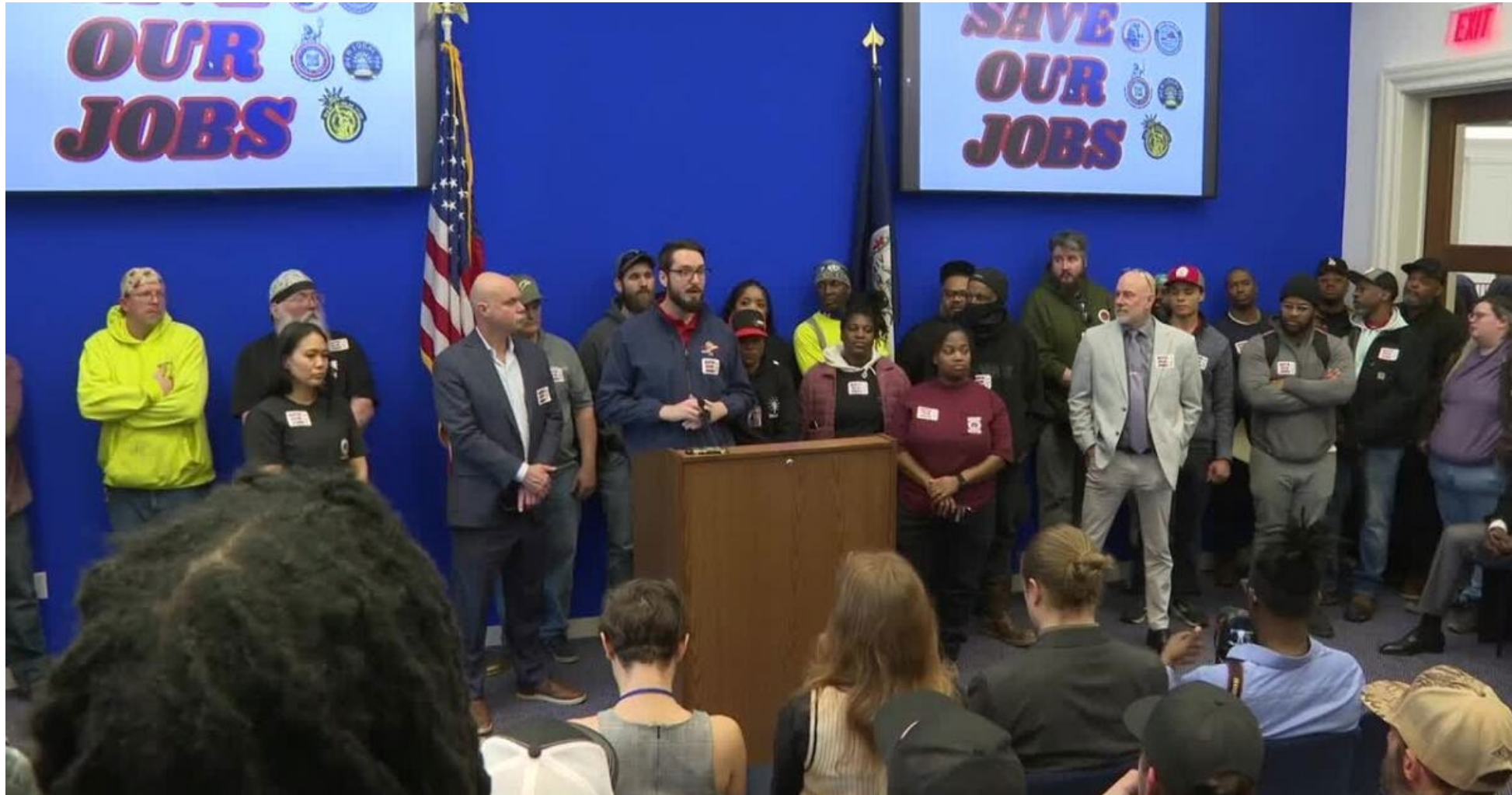
New Costs on Individuals

- Rejoined Regional Greenhouse Gas Initiative
- No changes to Virginia Clean Economy Act provisions
- Domestic workers to be covered by overtime laws
- Deconformity on federal income tax provisions from OBBBA

When Virginia left RGGI, Dominion stopped charging that rider, saving "typical" residential customers (those using 1,000 kilowatt hours per month) an estimated \$4.43 each month. While it was being charged, that covered ongoing costs to participate in the program, as well as some earlier deferred costs – Dominion temporarily stopped charging the rider while Virginia was still a member.

Labor







>> ON POWERFUL INTERESTS GET SPECIAL CARVE-OUTS. THAT COST DOESN'T DISAPPEAR.

CAPITOL CONNECTION

DATA CENTER DOLLARS

TEACHERS UNION URGES GENERAL ASSEMBLY TO SCRAP SALES TAX EXEMPTION

5:31
42°



Prevailing Wage Requirements

D. Notwithstanding any other provision of this chapter, each covered institution, when procuring services or construction contracts initiated after July 1, 2027, with a value greater than or equal to \$5 million for public works paid for in whole or in part by state general funds or by incurring state general fund debt, or when overseeing or administering such contracts for public works, shall ensure that its bid specifications or other public contracts applicable to the public works require bidders, offerors, contractors, and subcontractors to pay wages, salaries, benefits, and other remuneration to any mechanic, laborer, or worker employed, retained, or otherwise hired to perform services in connection with the public contract for public works at the prevailing wage rate. Each public contract for public works by a covered institution shall contain a provision requiring that the remuneration to any individual performing the work of any mechanic, laborer, or worker on the work contracted to be done under the public contract shall be at a rate no less than the prevailing wage rate.

E. Notwithstanding any other provision of this chapter, public contracts entered into by the Department of Housing and Community Development (DHCD) or the Virginia Housing Development Authority (HDA) for the funding or financing of housing developments for low-income or moderate-income individuals under qualification criteria established by DHCD or HDA and public contracts entered into by HDA paid for in whole or in part by funds other than state appropriated funds shall not be subject to the requirements of this Chapter.

§ 40.1-57.7. Exemptions from article.

A. The following individuals shall be excluded from the provisions of this article:

- 1. Elected officials, persons appointed to fill vacancies in elected offices, and members of any board or commission;*
- 2. Representatives of a public employer, including the administrative officer, director, or chief executive officer of a public employer or major division thereof, as well as his deputy, first assistant, and any nonbargaining unit supervisory employees, provided, however, that nothing herein shall be construed to prohibit a public employer from bargaining with, and entering into a contract with, a labor organization certified to represent a separate unit composed solely of supervisors;*
- 3. Confidential employees;*
- 4. Temporary public employees;*
- 5. Judicial branch employees, including any judge as defined in § 51.1-301, referees, receivers, arbiters, masters and commissioners in chancery, commissioners of accounts, and any other persons appointed by any court to exercise judicial functions, and jurors and notaries public;*
- 6. Patients and inmates employed, sentenced, or committed to any state or local institution;*
- 7. Employees working for the General Assembly;*
- 8. Quasi-judicial employees of the Commonwealth, including commissioners and deputy commissioners of the Workers' Compensation Commission and hearing officers assigned to conduct grievance hearings pursuant to § 2.2-3005;*
- 9. Employees of a public institution of higher education except for service employees. For the purposes of*

C. Bargaining units of state employees shall include employees in broad classification categories across the various agencies and departments of the executive branch. There shall be bargaining units for each of the following, subject to modification by the Board in the event that such occupational categories are revised by the Department of Human Resource Management:

- 1. Administrative services;*
- 2. Education and media services;*
- 3. Engineering and technology;*
- 4. Health and human services counseling services and health care compliance;*
- 5. Health and human services direct services;*
- 6. Health and human services health care technology, rehabilitation therapies, pharmaceutical services, and nurse and physician assistant services;*
- 7. Health and human services physician services, psychological services, and dental services;*
- 8. Natural resources and applied science;*
- 9. Security guards and protective services;*
- 10. Corrections;*
- 11. Juvenile justice;*
- 12. Probation and parole;*
- 13. Law enforcement, except for state police;*
- 14. State police;*
- 15. Firefighters;*
- 16. Other public safety services not described in another subdivision of this subsection;*
- 17. Trades and operations; and*
- 18. Individual providers.*

Estimated costs for state agency staff required to address collective bargaining requirements

Agency	New Staff	Salary and Benefits	GF Cost	NGF Cost
Department of Corrections	20	\$2,581,040	\$2,534,257	\$46,783
Department of Transportation	13	\$1,677,676	\$0	\$1,677,676
Mental Health Treatment Centers	9	\$1,161,468	\$1,120,050	\$41,418
Department of Health	15	\$1,935,780	\$807,220	\$1,128,560
Department of State Police	9	\$1,161,468	\$977,010	\$184,458
Department of Motor Vehicles	7	\$903,364	\$0	\$903,364
Department of Social Services	9	\$1,161,468	\$421,024	\$740,444
Virginia Alcoholic Beverage Control Authority	13	\$1,677,676	\$0	\$1,677,676
Department of Veterans Services	8	\$1,032,416	\$474,325	\$558,091
Intellectual Disabilities Training Centers	4	\$516,208	\$321,032	\$195,176
Department of Conservation and Recreation	4	\$516,208	\$465,277	\$50,931
Department of Education, Central Office Operations	5	\$645,260	\$237,708	\$407,552
Virginia Employment Commission	5	\$645,260	\$2,879	\$642,381
<i>All other "large" agencies (>3,000 employees)</i>	0	\$0	\$0	\$0
<i>All other "medium" agencies (>300, <3,000 employees)</i>	60	\$7,743,120	\$3,128,201	\$4,614,919
<i>All other "small" agencies (<300 employees)</i>	30	\$3,871,560	\$1,810,562	\$2,060,998
<i>Shared Service Center client agencies</i>	2	\$296,820	\$183,660	\$113,155
Total	213	\$27,526,792	\$12,483,205	\$15,043,582

Data Centers



Big Tech's AI Push Is Costing a Lot More Than the Moon Landing

As a percentage of GDP, the projected 2026 spending of four tech giants rivals the most momentous capital efforts in U.S. history

By [Meghan Bobrowsky](#) [Follow](#), [Drew An-Pham](#) [Follow](#) and [Alana Pipe](#) [Follow](#)

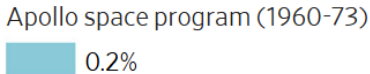
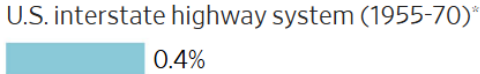
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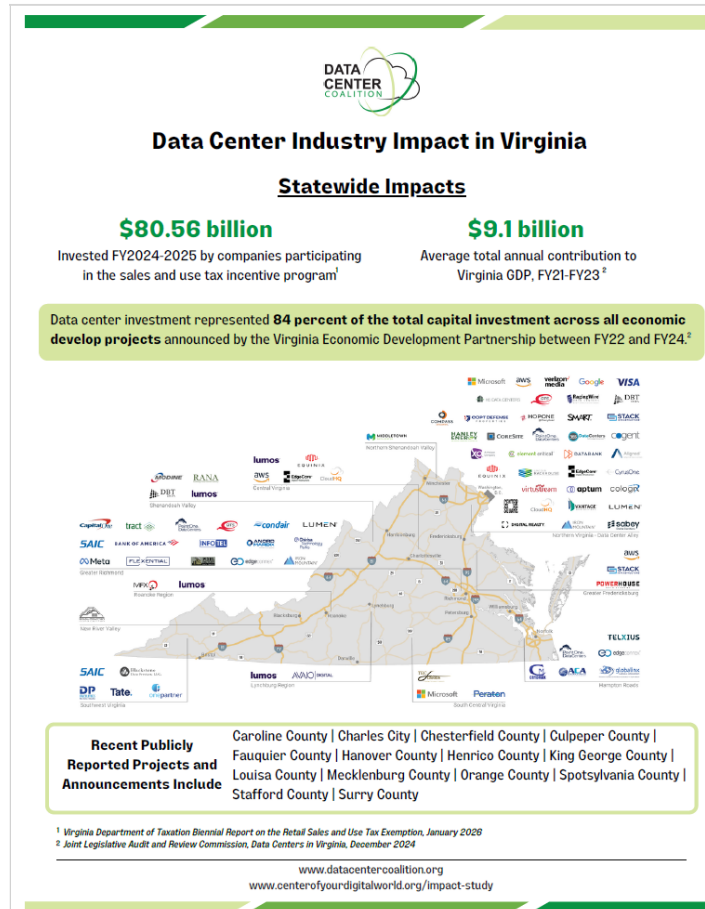
Spending as percentage of GDP, annual average



Projected capital spending for Meta, Amazon, Microsoft and Alphabet in 2026



Challenges to Data Center growth



- Additional reporting on water, power usage, noise studies
- Restrictions on where data centers may be cited
- Potential citing oversight by the State Corporation Commission
- Adjustment/repeal of the sales and use tax exemption

What's on the horizon – post session

- Executive Orders on housing affordability, economic resiliency
- Statewide economic development strategic plan
- 2026 Business Ready Sites Program funding round
- Designation of eligible census tracts for Opportunity Zones 2.0
- Designation of Military Prosperity Zones
- Implementation of the “Affordability Agenda”

Questions or Comments?