



Public Policy Update – April 2026

Session Ends, Budget Work Continues in Richmond

By Chris Davidson, Government Relations Consultant

Virginia's 2026 regular legislative session adjourned on March 14, but the work is not finished. The General Assembly ended the regular session without a final two-year budget, which means the most important business-facing decisions of the session are still being worked out. Lawmakers will return for the formal reconvened session on April 22, and Governor Abigail Spanberger has called a special session for April 23 to finish the biennial budget and handle remaining related business. For the business community, that means some of the biggest questions about taxes, spending, workforce investments, and Virginia's broader economic climate remain unsettled for a few more weeks.

The Main Budget Dispute...

The central dispute is about how Virginia should handle the state's sales-and-use-tax exemption for large data center equipment purchases. The Senate budget would let that exemption expire on January 1, 2027, generating substantial new revenue that senators want to use for other priorities. The House has taken a different approach, preserving Virginia's commitments to businesses while layering in tougher conditions and reporting requirements tied to energy use, emissions, and future compliance. Governor Spanberger has indicated that she wants data centers to pay a "fair share", but she has been clear that Virginia must remain a place that honors commitments and protects its reputation as a reliable place to invest. From a Chamber perspective, that basic tension is the heart of the debate... how to address legitimate infrastructure and energy concerns without undermining the predictability that has long helped Virginia successfully compete for major capital investment.

That data-center issue matters not only on its own, but because it affects the entire shape of the budget. The Senate plan uses the revenue from ending the exemption to support a broader package that includes tax rebates of \$100 for single filers and \$200 for joint filers, larger healthcare support, school construction funding, and other spending priorities. The Senate budget also includes an increase in the standard deduction and makes room for higher reserves tied to what's been described as "federal uncertainty", including potential pressure on SNAP and Medicaid-related costs. In short, the Senate is trying to use a major tax-policy change to fund a more expansive budget package.

Meanwhile In the House...

The House budget takes a more cautious route. Rather than relying on a large structural change to the data-center tax treatment, the House uses more traditional revenue and reserve planning, while still funding several major priorities. The House version includes a bonus for certain school positions in FY26, followed by 2% salary increases in each year of the biennium for those positions, along with sizeable K-12 support, school construction assistance, healthcare premium assistance, and a \$200 million contingency fund meant to help Virginia respond if federal funding is disrupted. The House also incorporates language that would keep the data-center exemption in place but tighten the rules around energy sourcing, backup generation, and reporting.

Other Issues for Conferees to Work Out...

Beyond the headline dispute over data centers, there are still several meaningful differences for the conference committees to resolve. Compensation is one. The Senate favors 3 percent salary increases for state employees and funded school positions in both years, while the House is somewhat more restrained. Healthcare is another. The Senate proposes \$200 million in the first year to help Virginians on the individual insurance market deal with the loss of enhanced federal premium tax credits, while the House provides \$79.1 million over two years. School construction is also being handled differently, with both chambers putting real money on the table but structuring that support in different ways. There are also differences around regional and project-specific items, contingency reserves, and smaller policy provisions embedded in budget language. Those may sound technical, but they affect the practical questions businesses care about most: labor costs, health affordability, education and infrastructure capacity, and whether the state has enough cushion to manage turbulence without scrambling later.

So Where Does That Leave Us Now?

The encouraging news is that leaders in both chambers, along with the governor, have all said publicly that meaningful progress has been made and that the remaining disagreement is narrower than it may appear from the outside. The less encouraging news is that the unresolved issue is a very large one, and it goes directly to Virginia's tax policy, energy policy, and business-climate identity. The Chamber's view is simple... Virginia needs a timely budget, but it also needs a durable one. Businesses can adapt to many things, but uncertainty is always costly.

On the Governor's Side...

It's important to note that the biggest veto and amendment decisions are still pending as of this writing. Governor Spanberger has until 11:59 p.m. on April 13 to sign, veto, or recommend amendments to the legislation sent to her desk, and the General Assembly will take those up at the April 22 reconvened session. She has already begun signing a first slate of bills focused on areas such as healthcare affordability, housing, utility and ratepayer protections, energy innovation, and tax-filing access. But the highest-profile business-relevant decisions are still ahead.

Among the biggest remaining gubernatorial decisions to watch are several with direct employer and economic-development implications. Governor Spanberger has already said she intends to sign legislation raising Virginia's minimum wage to \$13.75 in 2027 and \$15.00 in 2028, making that one of the most consequential labor-cost changes for employers coming out of this session.

Still pending as well are decisions on expanded collective-bargaining legislation for certain public-sector workers and on solar-siting legislation that has drawn strong interest from both developers and local governments. Taken together, these decisions will say a great deal about the governor's governing style and about how Virginia intends to balance growth, regulation, labor policy, and local control in the years ahead.

The Bottom Line for Peninsula Businesses

The regular session may be over, but the most important work is not. The budget is still in play, the final tax-and-spending framework is still unsettled, and several major bills are still awaiting final action from the governor. We will continue tracking the conference negotiations, the governor's actions, and the April reconvened and special sessions closely, and will keep our members well informed.