



## Public Policy Update – June 2026

### Spanberger’s Vetoes Put “Implementation” at the Center of Virginia’s Policy Debate

By Chris Davidson, Government Relations Consultant

Virginia’s post-session policy landscape remains unsettled. Governor Abigail Spanberger has now vetoed several major bills passed by a General Assembly controlled by her own party, including certain bills that have drawn particular attention: public-sector collective bargaining, a legal retail cannabis market, and legislation that would have created a new class action process in Virginia courts (a notable decision for our business community).

Together, these vetoes offer an early look at the Governor’s governing style: supportive of many policy goals in principle, but willing to reject legislation she believes is not ready for implementation.

#### **Predictability Matters for Business**

For the business community, the thread running through these decisions is predictability. Businesses have to adapt to new laws, new costs, and new compliance obligations, and they need clarity, time, and confidence in order to do so. In that sense, perhaps the Governor’s vetoes are less about opposition to the underlying ideas and more about whether Virginia is prepared to administer them responsibly.

#### **Collective Bargaining and Local Fiscal Pressure**

The collective bargaining veto is the most politically sensitive. The bill would have created a broader statewide framework for public-sector collective bargaining. Supporters argued that public employees should have a stronger voice in pay, benefits, and working conditions. The Governor’s amendments would have phased in implementation, beginning with state employees and certain other groups before expanding more broadly to localities. The General Assembly rejected those changes, and the Governor vetoed the bill.

From a business and local-government perspective, this veto avoided a major near-term shift in labor relations that could have affected local budgets, public services, and ultimately taxpayers. That does not mean the issue is going away. Public employers continue to face serious workforce pressures, and many employees feel strongly that collective bargaining is part of the answer. But the concern is that any new statewide framework must be financially sustainable, operationally clear, and respectful of local budget timelines. A system that creates new obligations without realistic, workable solutions could increase pressure on local taxes and public-sector payrolls, with indirect impacts on the broader business climate.

#### **Cannabis, Drug Costs, and Regulatory Readiness**

We don’t talk much about cannabis policy in our legislative messaging because it has historically been more of a criminal issue than a business issue. However, upon the creation of a regulated legal marketplace, cannabis suddenly becomes a business issue. As you probably know, Virginia legalized adult possession in 2021 but still has not created a legal retail market.

The cannabis bills that passed this year would have launched retail sales, but the initiative was ultimately vetoed by the Governor. The General Assembly's version had sales beginning January 1, 2027, and up to 350 retail shops. Supporters argued that legal retail sales would replace the illicit market, create small-business opportunities, generate tax revenue, and establish product testing and accountability. The Governor said she shares the goal of a legal, regulated market but objected that the structure, timeline, enforcement authority, and resources were not sufficient to launch safely.

### **Litigation Risk**

One additional veto deserves mention: the Governor rejected HB449/SB229, which would have created a new class action process in Virginia courts. Business groups, including Chambers across the Commonwealth, had warned that the bill could expose employers, nonprofits, and small businesses to broader litigation risk. The Governor said she supported the goal of creating a class action mechanism but wanted a more tailored approach. For many employers, this veto was one of the clearest pro-business actions of the post-session period.

Politically speaking, this appears to give business leaders an opening to engage constructively with the administration around feasibility, costs, local impact, and competitiveness.

### **Budget Talks and the Bottom Line**

Meanwhile, budget negotiations remain unresolved. The central dispute continues to be the future of Virginia's data center tax incentives. Senate leaders want to scale back or end the tax break to free up revenue for priorities such as education and public services, while the Governor and House leaders have emphasized the importance of honoring Virginia's business commitments and avoiding a signal that the Commonwealth may change the terms after major investments have been made. Reports this week indicate that if a budget is not approved before the new fiscal year begins July 1, Virginia could face its first modern government shutdown.

From a business perspective.. Data centers bring major investments, higher tax base, and new construction activity, but they also raise legitimate concerns about energy demand, infrastructure, land use, and ratepayer impact. A durable compromise should help to protect Virginia's reputation as a reliable place to invest while ensuring that high-growth industries share in the public costs associated with that growth. The key word is balance.

The Chamber will continue to monitor these vetoes, budget negotiations, and any related legislative developments closely. During periods of political uncertainty, our goal is to help members understand not only what is happening in Richmond, but what it may mean for employers, local governments, and the broader regional economy. As these issues continue to unfold, we will keep working to provide clear, balanced, and business-focused updates so our members can stay informed, engaged, and prepared.