

Capitol Contact

Virginia General Assembly

Virginia Association of Counties • 1207 E. Main Street, Suite 300 • Richmond, VA 23219
www.vaco.org • 804.788.6652

Tuesday, February 24, 2026

A First Look at the Money Committees' Budgets

The House Appropriations and Senate Finance and Appropriations Committees met on “Budget Sunday,” February 22, to report their respective spending and revenue proposals for the upcoming biennium. Both committees provided preliminary information outlining key elements of their proposals. Further details on both budgets will be available later today, and VACo will be providing more analysis later this week. The full House and Senate will vote on their respective budgets on Thursday, and the budgets will be placed into conference by Wednesday, March 4. The “caboose” budget, containing amendments to FY 2026 appropriations, has already been signed by the Governor.

Key features of the committee budgets, based on information provided on February 22:

Major Tax Proposals

- **House Appropriations:**
 - Requires data centers to meet certain environmental standards to qualify for the sales and use tax exemption for equipment, beginning July 1, 2027.
- **Senate Finance and Appropriations:**
 - Increases the state standard deduction from \$8,750 to \$9,200 for single filers and from \$17,500 to \$18,400 for joint filers.
 - Ends the sales and use tax exemption for data center computer equipment and software January 1, 2027.
 - Provides a tax rebate of \$100 for single filers and \$200 for joint filers, which is planned to be implemented in October.

Compensation – SOQ Instructional and Support Positions

- **House Appropriations:** Retains the 2 percent salary increase in each year of the biennium included in the introduced budget (in addition to the \$1500 bonus included in the caboose budget).
- **Senate Finance and Appropriations:** Boosts proposed salary increase to 3 percent per year.

Compensation – State Employees and State-Supported Local Employees

- **House Appropriations:** Retains proposed 2 percent salary increase in each year of the biennium for state employees and state-supported local employees. Caboose budget includes \$1500 bonus payment for state employees and 2 percent bonus payment for state-supported local employees.
- **Senate Finance and Appropriations:** Enhances proposed salary increase to 3 percent each year for state employees. Retains 2 percent per year salary increase for state-supported local employees.

K-12

- **House Appropriations:** Provides \$400.4 million in FY 2027 in flexible funding for school divisions to be used over the biennium to address unique local needs, to protect programming from the impacts of federal actions, to provide academic, physical health and mental health supports, and to supplement operating and infrastructure support. These funds would not require a local match but would only be available to school divisions that provide the full 2 percent compensation supplement in each year of the biennium. Also provides \$148.4 million over the biennium to increase the special education add-on.
- **Senate Finance and Appropriations:**
 - Provides \$98.6 million in General Funds over the biennium and \$20 million in assumed revenues from skill games in FY 2028 to increase the At-Risk Add-On. Provides \$25.6 million over the biennium to increase the special education add-on by 1 percent for each level of services. Provides \$60 million in assumed revenues from taxes on skill games in FY 2028 to increase the Infrastructure and Operations Per-Pupil amount.
 - “Includes language likely similar to **SB 607 (Lucas)** to grant additional revenue raising authority to counties and cities if approved by local referendum for school capital needs. Additional analysis to follow once language is made available.

Children’s Services Act

- **House Appropriations:** Retains provisions included in the introduced budget that cap state reimbursement to localities for private special education day placements and reduce the state match for community-based services. Includes

\$10 million in FY 2027 for the Support for Students with Intense Needs Application (SISNA) program and directs the Department of Education to expand the disability categories eligible for funding through this program, with consideration given to students with complex behavioral needs who may otherwise be served in private day school placements.

- **Senate Finance and Appropriations:** Retains provisions included in the introduced budget that cap state reimbursement to localities for private special education day placements and reduce the state match for community-based services.

Natural Resources

- **House Appropriations:** Removes \$36.2 million in FY 2027 from the supplemental deposit to the Water Quality Improvement Fund included in the introduced budget (retains the mandatory \$107.9 million deposit, plus \$58 million from interest earnings and \$83.9 million from Water Quality Improvement Reserve Fund balances, as proposed in the introduced budget). Adds \$188.9 million in FY 2027 for wastewater treatment facility projects.
- **Senate Finance and Appropriations:** Retains the deposit to the Water Quality Improvement Fund included in the introduced budget and provides an additional \$200 million for water quality improvements at wastewater treatment facilities.

Transportation

- **House Appropriations:** Provides \$153 million in FY 2027 for the state share of additional operating assistance for the Washington Metropolitan Area Transit Authority.
- **Senate Finance and Appropriations:** Increases state funding by \$205.7 million over the biennium to the Washington Metropolitan Area Transit Authority, including funding derived from the expansion of the sales tax base to include data center equipment and an increase in the regional transient occupancy tax by one percentage point. Reflects an additional \$291.7 million over the biennium in sales tax revenue dedicated to the Commonwealth Transportation Fund as a result of the expiration of the sales tax exemption for data centers. Provides \$19 million in FY 2028 for one-time transit capital investments.

VACo Contact: [VACo Legislative Team](#)

Bill to Allow “By-Right” Six-Story, Multi-Family Housing Within One-Quarter Mile of Rail and Transit Stops Fails

After passing the Senate by a [vote of 21-19, SB 717 \(Salim\)](#) was continued until the 2027 session by a voice vote in the House Counties, Cities and Towns Committee on February 20. The legislation would have mandated localities to adopt “transit-oriented housing overlay districts” within one mile of major transit stops and transit corridors and that within such districts allow for by-right development of dwelling units at specified minimum densities.

Specifically, the legislation requires localities to allow for (1) development of 30 units per acre - at a minimum six stories in height – within one-quarter of a mile of major transit stops; and (2) two units per lot and four units per corner lot between one-quarter of a mile and one mile of such a stop. As specified in the legislation “major transit stop” is defined as ... *a station or stop served by heavy rail, light rail, commuter rail, bus rapid transit, or other high-capacity transit service designated by the Department of Rail and Public Transportation.*

VACo opposed the legislation noting that counties carefully plan for integrating housing, business, and jobs within major transit stops and corridors, often through significant investments in public infrastructure. A mandate of “by-right” construction of housing at densities of up to 30 units per acre in such transit areas would invalidate the time and investment of localities in crafting land use plans to accommodate the needs of all stakeholders in developing vibrant mixed-use communities within these transit corridors.

VACo Contact: [Joe Lerch, AICP](#)

VACo Supports Legislation to Enhance Use of Special Education Funds

[HB 1373 \(Carroll\)](#), as passed by the House, directs the Department of Education, in collaboration with the Office of Children’s Services, money committee staff, and other stakeholders, to assess ways to maximize use of funds to support students with disabilities in public schools and to decrease the number of referrals to private day school placements. The existing funding stream that supports regional special education initiatives, the Students with Intensive Support Needs Application (SISNA) program, was restructured several years ago; these dollars reimburse school divisions for costs associated with supporting students with certain specified disabilities. The bill directs the Department to review barriers to school divisions’ use of these funds and the

potential use of supplemental funds for school divisions operating center-based programs. A report is due in December.

VACo has historically supported reviewing this funding stream to determine how best to support students with intensive needs within the public school setting, and the bill is similar in concept to budget amendment language introduced at the request of VACo and advocacy partners earlier this session. The House Appropriations Committee budget reported on Sunday provides an additional \$10 million for the SISNA program and directs the Department of Education to expand the disability categories eligible for tuition reimbursement, with consideration of students' complex behavioral needs that may otherwise need to be served in private day placements.

HB 1373 has been referred to the Senate Education and Health Committee. VACo testified in favor and will continue to support the bill and funding proposal as legislative and budget discussions move forward.

VACo Contacts: [Katie Boyle](#) and [Jeremy R. Bennett](#)

Post Crossover Update: PFAS Bills Pass Original Chamber

[HB 1443 \(Lopez\)](#) as introduced, would have required any owner of a sewage treatment works that is land applying, marketing or distributing sewage sludge in the Commonwealth to collect a sample of finished sewage sludge product quarterly and have such sample analyzed by a laboratory for perfluoroalkyl and polyfluoroalkyl substances (PFAS). The bill would have restricted or prohibited applying biosolids to land through a very stringent tiered system.

VACo opposes the introduced version of HB 1443 as the disposal requirements in the introduced bill have the potential to place a large fiscal impact on wastewater facilities and local governments across the Commonwealth.

HB 1443 was substituted during its hearing in the House Chesapeake Subcommittee and includes favorable language.

- Monthly PFAS testing of biosolids monthly beginning in 2027; quarterly beginning in 2028
- Starting July 1, 2027, biosolids land application will be regulated as follows based on 12-month average PFOS or PFOA concentrations
 - $\geq 50 \mu\text{g}$ (microgram)/kg: Land application prohibited. Owner must arrange alternative treatment/disposal until subsequent testing confirms levels drop below $50 \mu\text{g}/\text{kg}$.

- ≥ 25 but < 50 $\mu\text{g}/\text{kg}$: Land application limited to 3 dry tons/acre. Permit holder must notify landowners of PFOS/PFOA concentrations via email or mail.
- < 25 $\mu\text{g}/\text{kg}$ (both PFOS and PFOA): Land application permitted per existing permit with no additional requirements. Permit holder must notify landowners of PFOS/PFOA concentrations via email or mail.

The bill also requires the Department to convene a work group to study the occurrence of PFAS in sewage sludge intended for land application in Virginia and report any recommendations by November 1, 2027. HB 1443 would go on to pass the House of Delegates by a vote of 67-29 and is waiting to be heard in the Senate.

VACo thanks Delegate Lopez for working with us and other stakeholders, hearing our concerns and amending the bill to be more favorable to localities and wastewater utilities. VACo currently has no position on the bill.

[SB 386 \(Stuart\)](#), as **[previously reported](#)**, is a similar PFAS bill that VACo has been following. SB 386 passed the Senate by a vote of 27-23 and will be heard Wednesday in the House Agriculture, Chesapeake and Natural Resources Committee.

VACo Contact: **[James Hutzler](#)**

Helpful Legislation on Human Services IT Modernization Advances

[HB 66 \(Feggans\)](#) directs the Department of Social Services and the Department of Medical Assistance Services to contract with a vendor to develop a plan to modernize the Virginia Case Management System (VACMS), the state's IT benefit management system. VACo has historically supported replacement of VACMS, which is an aging system that has serious functional limitations that delay case processing, and is costly to maintain, particularly when it must be updated to reflect changes to state or federal legislative or regulatory requirements. The federal reconciliation legislation that passed last year will require more frequent redeterminations of Medicaid eligibility for individuals covered by Medicaid expansion, another expected stressor on VACMS. VACo supports the legislation and spoke in support when the bill was heard late last week in the Senate Rehabilitation and Social Services Committee. The bill was reported by the Committee and referred to the Senate Finance and Appropriations Committee. The House Appropriations Committee budget released on Sunday includes \$318,145 from the General Fund and \$181,855 in non-general funds to support implementation of the bill.

VACo Contact: **[Katie Boyle](#)**

Legislation to Enhance Regulation of Recovery Residences Moving Forward

Two similar bills to enhance regulation of recovery residences are moving forward this session. VACo supports these bills, which build on the efforts of a workgroup in which VACo participated last summer.

[HB 931 \(Simon\)](#) requires the Board of Behavioral Health and Developmental Services to promulgate regulations for minimum certification standards for recovery residences and sets out elements of these standards, including a process for corrective action plans, a process for submission of complaints, a prohibition on the use of certain non-disclosure agreements, and the alignment of any regulations with national best practice standards. The Board is also required to promulgate regulations to establish a process for operators of recovery residences to apply for certification independently or in conjunction with a credentialing entity. The bill bars recovery residences from requiring residents to participate in certain medical or psychological services under which the residence receives a financial benefit as a condition of entering or maintaining residency at the recovery residence, and limits referrals made by the Department of Behavioral Health and Developmental Services or any state agency to recovery residences that are certified by the Department.

The bill directs the Department and the Virginia Housing Commission to make recommendations for establishing regulations for licensed providers of clinical substance use treatment services that offer housing as a benefit for individuals participating in treatment services, but are not licensed or certified as recovery residences. The bill also directs the State Board to promulgate regulations to expand data reporting requirements for recovery residences, as well as regulations regarding public reporting of certain information regarding recovery residences. The bill also continues the workgroup and requires it to meet at least twice each calendar year. HB 931 has passed the House and awaits action in the Senate Rehabilitation and Social Services Committee.

[SB 270 \(VanValkenburg\)](#) contains similar provisions but delays their effective date until July 1, 2027. This bill has passed the Senate, was heard in the House Health and Human Services Committee this morning, and is headed to the House floor. VACo spoke in favor of both bills during their committee hearings and looks forward to continuing to participate in the ongoing workgroup.

VACo Contact: [Katie Boyle](#)

ACTION ITEM: VACo Continues to Oppose Mandatory Collective Bargaining

VACo urges continued opposition to [HB 1263 \(Tran\)](#) / [SB 378 \(Surovell\)](#), which would curtail local authority and create substantial local fiscal impact by imposing mandatory collective bargaining for local governments if a group employees petition and vote to form a bargaining unit. The bills would also create a state Public Employee Relations Board (PERB) with no specified local government representation and impose binding arbitration, among other provisions. Furthermore, the bills do not preserve local discretion beyond the expiration of existing collective bargaining agreements, effectively forcing localities into the new state-administered system when current agreements expire.

ACTION REQUESTED

- **VACo Members** – Contact ALL legislators in the General Assembly ([House of Delegates Emails 1](#) | [House of Delegates Emails 2](#) | [Senate of Virginia](#)) to oppose this legislation now.
- Please include VACo in your correspondence and share fiscal and other impacts of the legislation on your locality.

SB 378 passed the Senate on February 17 on a vote of 21-19. HB 1263 passed the House on February 17 on a vote of 61-35. Each bill has slight differences detailed further below, but the most problematic aspects involving local decision making and fiscal impact remain. The bills will likely be heard in each opposing chamber. If the differences in each bill are unable to be reconciled, they will likely be sent to a committee of conference.

KEY POINTS

- Virginia is home to a diverse array of localities with significant variations in population, resources, and administrative capacity. Mandating a uniform collective bargaining framework ignores these differences and places an undue burden on many localities that lack the resources to manage the complexities of collective bargaining agreements.
- Disregard for locally tailored solutions made by democratically elected local representatives disrupts established practices and agreements and creates unnecessary confusion and administrative burden.
- This legislation preempts local governance, introduces fiscal uncertainty, and disregards the progress made by a number of localities and local school divisions under the current framework.

- The estimated **local fiscal impact** for this legislation is massive. One responding locality has reported a potential fiscal impact exceeding \$400 million for that jurisdiction alone.

VACo opposes both bills. Below is a side-by-side comparison.

Topic	SB 378	HB 1263
PERB Placement	Establishes PERB as an agency in the executive branch.	Establishes PERB as a division of a department.
Binding Arbitration	Requires final & binding arbitration for grievances and impasse procedures. More explicit and prescriptive about the use of binding arbitration. A local governing body shall approve or reject the submission as a whole. However, if the governing body rejects the submission of the public employer, either party may reopen negotiations.	Requires final & binding arbitration for grievances and impasse procedures. Leaves more details to regulation.
Procedural Impacts	State-run certification/elections and bargaining unit determinations; contact info requirements; enforcement and hearings in localities.	Similar statewide structure; additional home-care provisions expand scope and administrative footprint.
Home care / Medicaid Consumer-Directed Providers	Directs the Secretary of Health and Human Resources (along with the Secretary of Labor) to evaluate options for collective bargaining rights for consumer-directed providers in the Medicaid waiver programs.	Creates a Virginia Home Care Authority (VHCA) with extensive responsibilities and “public employer” role for providers.
Higher Education	Includes employees of public institutions of higher education from the bill’s collective bargaining framework.	Excludes employees of public institutions of higher education from the bill’s collective bargaining framework.
Effective date / transition	Major provisions become effective July 1, 2028, with continuity language for existing representatives and collective bargaining agreements until then.	Requires regulations by July 1, 2028 and pauses certain petition and election activity until regulations are adopted.

Some other considerations of both bills:

- Eliminates the current “local option” framework and replaces it with a mandatory, state-administered collective bargaining system, regardless of local governing body preferences or capacity.
- Local governments lose existing decision-making authority over labor relations policy and must navigate a new state bureaucracy.
- Creates new procedural timelines and legal standards that local human resources staff, county attorneys, and administrators must meet, regardless of staffing capacity or workload constraints.
- Creates new reporting, documentation, and compliance tracking requirements, increasing administrative overhead for counties without providing state funding to support these mandates.
- PERB’s membership structure does not guarantee any dedicated representation for local governments.
- PERB has enforcement authority to seek court involvement to compel compliance with the statute and PERB orders, exposing counties to new litigation risk and legal costs.
- Binding arbitration creates outcomes with unpredictable fiscal consequences.
- Limits counties’ ability to respond quickly to fiscal downturns, emergencies, or changing service demands, due to contractual and arbitration-driven constraints on staffing, scheduling, and compensation adjustments.
- Most major provisions take effect July 1, 2028, limiting immediate impacts on the next biennial budget, while setting up potentially significant fiscal impacts in future budget cycles.
- Employees of the legislative branch are excluded from coverage under the collective bargaining framework created by the bills.
- For local governments, the two bills still have the same functional impact. Both curtail the authority of democratically elected local officials, centralize authority at the state level, expand binding arbitration, and expose counties to significant new fiscal and operational risk. VACo urges members to contact the General Assembly to respect the autonomy of local governments and reject this measure.

KEY CONTACTS

- [House of Delegates Emails 1](#) | [House of Delegates Emails 2](#)
- [Senate of Virginia](#)

Additional local government and local school board perspectives on this legislation can be found in these publications.

- [WJLA.com](#): Va. leaders sound alarm on collective bargaining bill: 'It will bankrupt local government'

- [Richmond Times-Dispatch](#): Collective bargaining bills extreme measure to problem that doesn't exist | Guest column
- [Richmond Times-Dispatch](#): County leaders say bills would undermine fiscal responsibility and local authority | Guest column

VACo Contact: [Jeremy R. Bennett](#)

Key Dates for 2026 General Assembly Session

The General Assembly convenes today for a scheduled 60-day session.

Key dates for the 2026 session, as approved by the Joint Rules Committee in the procedural resolution setting out the schedule for the session, are as follows:

- **Wednesday, January 14:** General Assembly convenes; pre-filed bills must be submitted by 10:00 a.m. (after the pre-filing deadline, legislators are limited to five additional bills or resolutions). Last day to submit bills creating or continuing a study or to submit bills dealing with the Virginia Retirement System. Governor Youngkin will address a joint session of the General Assembly at 7 p.m.
- **Friday, January 16:** Deadline to submit budget amendments.
- **Saturday, January 17:** Inauguration of Governor-Elect Spanberger, Lieutenant Governor-Elect Hashmi, and Attorney General-Elect Jones.
- **Monday, January 19:** Joint session of the General Assembly for remarks by Governor Spanberger.
- **Friday, January 23:** Last day to submit legislation, other than bills submitted by unanimous consent or bills requested by the Governor.
- **Tuesday, February 17:** Last day for bills to be acted upon in their chambers of origin, other than the budget bills. Bills must “cross over” to the opposite chamber by Wednesday, February 18.
- **Sunday, February 22:** “Budget Sunday” deadline for House Appropriations and Senate Finance and Appropriations committees to report their respective budget proposals.
- **Thursday, February 26:** Deadline for each chamber to act on its respective budget proposal.

- **Wednesday, March 4:** Deadline for each chamber to act on budget and revenue bills from the other chamber and appoint conferees as necessary.
- **Monday, March 9:** Deadline for committee action on all legislation by midnight.
- **Saturday, March 14:** Scheduled adjournment *sine die*.
- **Wednesday, April 22:** Reconvened session to consider Governor's actions on bills and budget items.

VACo Contact: [Katie Boyle](#)