Capitol Contact
Virginia General Assembly
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Thursday, March 5, 2026

ACTION ITEM: Oppose SB 388 and HB 1279 that Allow "By-Right" Development of Faith-Based Owned Property

SB 388 (McPike) and **HB 1279 (Cole)** override local decision-making authority by allowing development of housing on land owned by property tax-exempt religious organizations or certain property tax-exempt nonprofit organizations and providing that zoning ordinances shall allow the by-right development of up to 20 units per acre on property owned by such organizations. The measures specify that the review of such developments be completed pursuant to general law and states that localities shall not require a special exception, special use permit, conditional use permit, rezoning, or any discretionary review or approval process.

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.

- Both bills are now headed to a committee conference where select members of each chamber meet to determine if they can agree on the specific language and, more importantly, whether the bill becomes law this year, or whether it must be reintroduced next year for further consideration. Should no agreement be reached, the bills will fail.

- HB 1279 passed the House with a reenactment clause to state that … *the provisions of this act shall not become effective unless reenacted by the 2027 Session of the General Assembly*.

- SB 388 was amended in committee to permit ground-floor nonresidential uses not to exceed 30 percent of gross floor area of the building. The amended bill specifies that … *Permitted nonresidential uses shall include religious worship space, child day centers as defined in § **22.1-289.02**, health clinics, coffee shops, or other uses that are ancillary to the operation or mission of the property tax-exempt religious organization or 501(c)(3) property tax-exempt nonprofit organization.* SB 388 passed the Senate without a reenactment clause.

KEY POINTS

- VACo supports maintaining local decisions regarding the location and density of residential and mixed-use development and how such projects may fit within and benefit their community.

- By right development of residential and mixed-use development on any property, regardless of its location and access to adequate publicly funded facilities such as water, sewer, and roads, is inconsistent with the goals and objectives of sound land use policy and practice.

KEY CONTACTS

- **House of Delegates Emails 1** | **House of Delegates Emails 2**
- **Senate of Virginia**

VACo Contact: Joe Lerch, AICP

House and Senate Budgets Placed in Conference

The General Assembly passed another milestone in the 2026 session yesterday, as the House and Senate met the March 4 deadline adopted in the procedural resolution governing the session schedule to place the biennium budget bill in conference to resolve differences between the House and Senate versions. In keeping with tradition, HB 30 is the legislative vehicle for budget negotiations.

VACo's breakdown of key elements in the two budget proposals may be found at **this link**.

The House conferees are **House Appropriations Chair Torian**, **House Appropriations Vice Chair Carr**, **Delegate McQuinn**, **Delegate Krizek**, **Delegate Austin**, and **Delegate Bloxom**.

The Senate conferees are **Senate Finance and Appropriations Chair Lucas**, **Senator Deeds**, **Senator Locke**, **Senator Pillion**, and **Senator Stuart**.

Conferees have a short window of time to complete negotiations. Under the procedural resolution, the conference committee's compromise budget proposal must be available for at least 48 hours prior to legislators voting on it, which means that the conference committee's report would need to be available sometime next Thursday in order for the General Assembly to adjourn as scheduled on Saturday, March 14.

VACo Contact: Katie Boyle

Annual School Budget Process Bill Amended and Then Left in Committee

On February 9, the House Appropriations Elementary and Secondary Education Subcommittee voted unanimously to recommend laying on the table **HB 412 (Cole)**, which was subsequently left in committee. The bill, as introduced, would have required the annual budget for educational purposes prepared and approved by each local governing body to meet or exceed the funding levels set out in the needs-based budget prepared and approved by the school board and submitted by the division superintendent in accordance with relevant law.

In its original form, HB 412 would problematically alter the current appropriations relationship between local governing bodies and local school divisions. The patron subsequently submitted substitute language that would have required the Joint Subcommittee to Study Elementary & Secondary Education Funding (the Joint Subcommittee) to study and recommend best practices, to include the use of memoranda of understanding, for developing, submitting, and emphasizing the importance of funding by localities of annual needs-based school board budgets and submit its findings and recommendations no later than November 1, 2026, to the Chairs of the House Committee on Appropriations, the House Committee on Education, the Senate Committee on Education and Health, and the Senate Committee on Finance and Appropriations.

VACo testified in committee thanking the patron for the substitute language that addressed VACo's concerns and welcomed the opportunity to highlight how local governments **invest** more than $6.6 billion in K-12 education funding than they are required to do so under the state funding formula and the Standards of Quality.

VACo Contact: Jeremy R. Bennett

Update on Finance Bills

As the 2026 General Assembly moves toward its scheduled adjournment next Saturday, several finance-related bills of interest to local governments are making their way to the Governor's desk, while others have been continued to 2027 for further work, as outlined below.

Admissions tax: **HB 550 (Anderson)** and its companion bill, **SB 400 (Diggs)**, would allow James City County and York County the option to impose a tax on admissions for attendance at any event. When legislation was enacted in 2020 providing counties with revenue options more closely aligned with those long available to cities and towns, it included a provision barring counties where an additional state sales and use tax (of which a portion is dedicated to tourism promotion) is levied from imposing admissions taxes. All other counties were permitted to impose a tax on admissions of up to 10 percent. This legislation removes this restriction and allows these counties the same option available to all other counties. VACo supports this bill and spoke in favor during the House subcommittee hearing.

> **Status update:** Both bills await action by the Governor.

Personal property taxes: **HB 960 (Watts)** would change how tangible personal property employed in a trade or business is valued for purposes of personal property taxation. Under current law, this property is to be valued by means of a percentage or percentages of original cost; a 2014 Attorney General opinion held that "original cost" means the original cost paid by the original purchaser of the property from the manufacturer or dealer, and not the price paid by the current owner. HB 960 would define "original cost" to mean "original cost to the taxpayer." VACo expressed concerns about the potential revenue impact to localities that have relied on the Attorney General's opinion in valuing such property. To allow for further discussion of the issue, the patron added a reenactment clause on the bill in the House, meaning that the legislation would need to be considered again by the 2027 General Assembly.

> **Status update:** The Senate Finance and Appropriations Committee continued the bill to 2027 due to concerns about fiscal impact.

HB 557 (Reaser) sets out electric-powered landscaping equipment employed in a trade or business as a separate class of personal property and allows localities to impose a tax rate on this equipment that is lower than the rate applied to general personal property.

> **Status update:** The bill has passed both chambers.

Property tax exemptions: **HB 175 (Feggans)** would authorize a local governing body to provide up to a total exemption from real property taxes for property owned by the surviving spouse of a servicemember who died in the line of duty. Current law provides that such property qualifies for a full exemption if it does not exceed the

average assessed value of a dwelling that is situated on property that is zoned as single family residential. If the value of the dwelling exceeds the average assessed value, the portion of the assessed value that exceeds the average assessed value is taxable.

> **Status update:** Senate Finance and Appropriations continued the bill to 2027, mirroring the Committee's action on a similar bill (**SB 8 (DeSteph)**) earlier this session.

HB 854 (Cousins) allows real or personal property owned by certain nonprofit organizations that provide affordable housing to be eligible for local-option property tax exemptions under localities' authority to provide exemptions for property used for certain charitable or benevolent purposes. The bill allows this property to be considered under this category if it is owned by an ownership entity with a controlling interest held directly or indirectly by nonprofit organizations, even though there may be some for-profit ownership interest in the property.

> **Status update:** This bill has now passed the Senate after being heard in the Senate Finance and Appropriations Committee, which added a technical amendment requested by the Commissioners of the Revenue to clarify how a suspension or termination of these exemptions would be stipulated in a local ordinance.

SB 181 (Williams Graves) allows a local governing body to provide for a partial tax exemption for real estate which is converted to affordable housing under certain circumstances. The partial exemption may be an amount equal to the increase in assessed value, or a percentage of the increase, but would be capped at the amount of expenses incurred in connection with the residential conversion, and would be limited to 15 years. The bill also allows localities to grant tax incentives or provide regulatory flexibility, such as a reduction in permit fees, a streamlined process for permit approval, or a reduction in gross receipts tax, to encourage qualifying residential conversions.

> **Status update:** This bill was amended in the House to add provisions allowing the locality to recapture all or a portion of the exemption if the property no longer meets eligibility requirements, and to impose a rollback penalty on the new owner of the property if the property is sold and no longer qualifies for the exemption after the sale. The Senate agreed to the House's revisions, so the bill now heads to the Governor.

Tax administration: **HB 954 (Watts)** addresses problems experienced by local Treasurers' offices in making exact change for taxpayers who pay bills in cash after the United States Mint ceased production of penny coins last year. As passed by the House, among other provisions, the bill authorizes a local governing body to set out procedures for the adjustment of bills and account balances for taxes and other charges due to the locality, which could include rounding to the nearest five-cent increment or the write-down or write-off of sums due that are less than five cents. VACo supports this legislation, which was introduced at the request of the Treasurers' Association of Virginia.

Status update: Senate Finance and Appropriations amended the bill to provide temporary authority for local governing bodies to set procedures for addressing cash transactions. This authority would expire July 1, 2027, and in the meantime, the Department of Taxation would evaluate options and recommend a uniform procedure for localities to adjust bills and account balances for taxes and other charges paid in cash. This bill has passed the Senate and must return to the House for consideration of the Senate's amendments.

HB 915 (Lopez) authorizes a local governing body to allow an extension on personal property taxes owed by federal employees who are furloughed and essential federal employees who must work without pay during a federal government shutdown.

Status update: This bill has passed both chambers.

HB 1358 (Runion) and its companion, **SB 649 (Obenshain)**, seek to improve awareness among buyers of real estate that property may be subject to use value assessment and taxation. The bills add language to the "buyer beware" statute setting out what must be included in a residential property disclosure statement that the owner provides to the buyer; under the bill, this statement must include notice that the owner makes no representations or warranties with respect to whether the property is located in a locality that has adopted a land-use plan that may provide for use value assessment and taxation for real estate. If a real estate settlement agent knows that the real estate is subject to use value assessment and taxation, the agent must provide a written notice, which would be developed by the Department of Taxation, to the purchaser.

Status update: These bills have passed the legislature and are on the way to the Governor's desk.

HB 341 (Martinez) requires any county that has imposed a disposable plastic bag tax to distribute a portion of tax revenues to any town located within the county.

Status update: This bill is on the way to the Governor's desk.

VACo Contact: Katie Boyle

School Indoor Air Quality Requirements Bill Continued to 2027

On March 5, the Senate Education and Health Committee voted 14-1 to continue to 2027, **HB 1345 (Nivar)**. The bill, as introduced, would have added several items that are required to be included in the industry-recognized uniform inspection and evaluation of the heating, ventilation, and air conditioning system that is required at

least every four years for each public elementary and secondary school building, including measurement of radon levels in the air and testing for moisture incursion. This would have included adjusting the list of individuals who may perform the industry-recognized uniform inspection and evaluation of the heating, ventilation, and air conditioning system that is required at least every four years for each public elementary and secondary school building by removing technicians with a Master HVAC License from the Department of Professional and Occupational Regulation and requiring any mechanical engineer who performs such inspection and evaluation to be certified to perform testing, adjusting, and balancing of heating, ventilation, and air conditioning systems by the Associated Air Balance Council, the National Environmental Balancing Bureau, or the Testing, Adjusting and Balancing Bureau. The bill had a delayed effective date of July 1, 2027.

VACo Contact: Jeremy R. Bennett

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

Topic	SB 378	HB 1263
		"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 legislators 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

- "**Letter from Mayors of Seven Cities of Hampton Roads**"

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 prefiling 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