



VIRGINIA HOUSE
APPROPRIATIONS
COMMITTEE

CHAIRMAN LUKE E. TORIAN

JANUARY 14, 2026

AN OVERVIEW OF COMMERCE AND LABOR

PREPARED BY

House Appropriations Committee Staff

COMMERCE AND TRADE ISSUES



**ECONOMIC DEVELOPMENT
(BUSINESS INVESTMENT)**



**START-UPS AND
RESEARCH**



**WORKFORCE
TRAINING**



**REGIONAL
COLLABORATION**



**INDUSTRY SPECIFIC
STRATEGIES**



**COMMUNITY
DEVELOPMENT**



**INFRASTRUCTURE
INVESTMENTS**



ECONOMIC DEVELOPMENT INCENTIVES

ECONOMIC DEVELOPMENT GRANTS AVAILABLE FOR BUSINESS EXPANSION OR RECRUITMENT EFFORTS

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP

- Commonwealth Development Opportunity Fund (CDOF)
- Virginia Investment Partnership Grant (VIP)
- Virginia Economic Development Incentive Grant (VEDIG)
- Major Eligible Employer Grant (MEE)
- Virginia Jobs Investment Program (VJIP)
- Virginia Talent Accelerator Program
- New Company Incentive Program
- Virginia Leaders in Export Trade Program (VALET)
- Virginia Trade Show Assistance Program
- Virginia Business Ready Sites Program
- Virginia Business Ready Sites Acquisition Program

VIRGINIA INNOVATION PARTNERSHIP AUTHORITY

- Commonwealth Commercialization Fund
- Commonwealth Growth Accelerator Fund

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

- Job Creation Enterprise Zone Grant *
- Real Property Improvement Enterprise Zone Grant *

(*) Classified as a “by-right” incentive, meaning the employer receives it if it meets certain criteria in the Code
Includes grant programs that directly support business expansion or recruitment, and are often included in the state’s economic development incentive packages

ECONOMIC DEVELOPMENT GRANTS AVAILABLE FOR BUSINESS EXPANSION OR RECRUITMENT

VIRGINIA TOURISM AUTHORITY

- Governor's New Airline Service Fund
- Governor's Motion Picture Opportunity Fund

SMALL BUSINESS AND SUPPLIER DIVERSITY

- Small Business Investment Grant

NON-COMMERCE AGENCIES

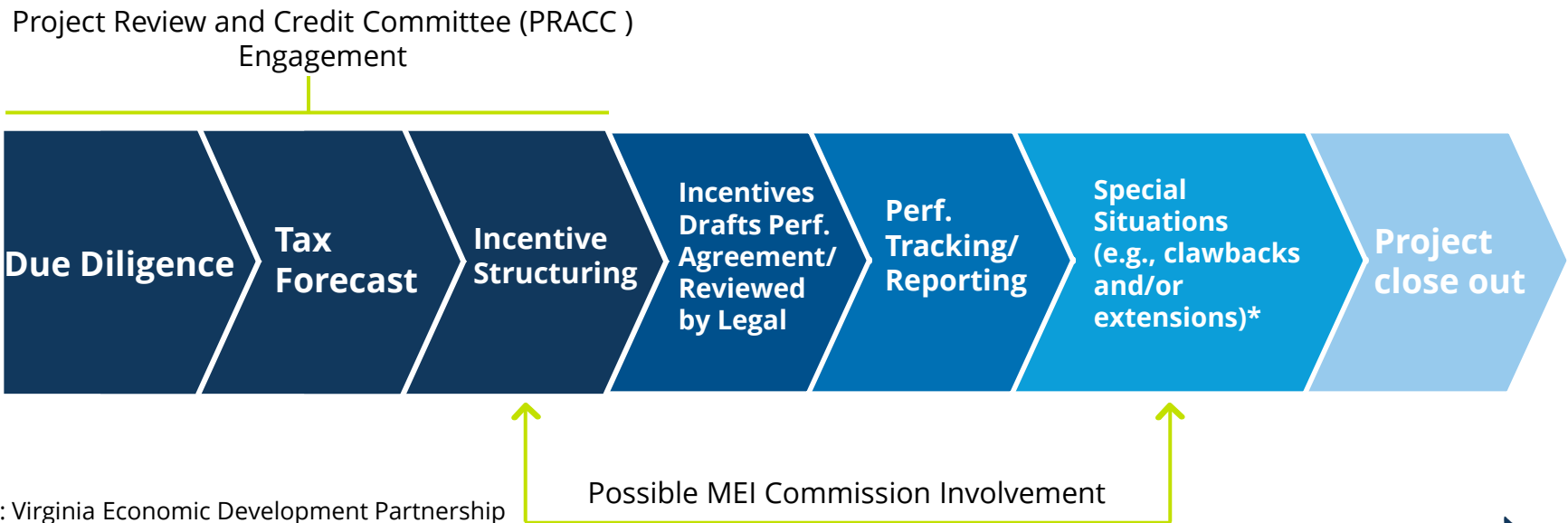
- Agriculture and Forestry Industries Development Fund (VDACS)
- Economic Development Access Fund (VDOT)
- Transportation Partnership Opportunity Fund (VDOT)
- Rail Industrial Access Fund (DRPT)
- Economic Development and Infrastructure Grant (VPA)
- International Trade Facility Grant Program (VPA) *
- Virginia Port Volume Increase Grant (VPA) *
- Virginia Barge and Rail Usage Grant Program (VPA) *
- Tobacco Region Opportunity Fund (Tobacco Commission)
- Megasite Grants (Tobacco Commission)
- Agribusiness Grants (Tobacco Commission)

(*) Classified as a "by-right" incentive, meaning the employer receives it if it meets certain criteria in the Code
Includes grant programs that directly support business expansion or recruitment, and are often included in the state's economic development incentive packages

ECONOMIC DEVELOPMENT INCENTIVE PACKAGES

- Economic development incentive packages are vetted prior to offer
- Packages containing discretionary incentives managed by VEDP are reviewed by PRACC, and projects that meet certain conditions are subject to legislative review by the MEI Commission
- PRACC and MEI reviews include analysis on return on investment, project risk, company health, package structure, performance metrics, etc.

LIFE CYCLE OF VEDP MANAGED PROJECTS



WHAT IS THE MEI COMMISSION?

- MEI is a standing legislative commission created in the Code to review and approve economic development projects under certain conditions
- 7 members of the House of Delegates and 5 members of the Senate of Virginia serve on this Commission, and must be members of either the House Appropriations, House Finance, or Senate Finance and Appropriations Committees
- The Secretaries of Finance and Commerce and Trade serve as ex officio members of this Commission

WHEN IS MEI APPROVAL NECESSARY?

Incentive package exceeds \$10 million in combined cash grants and tax incentives, excludes most “by right” grants and tax incentives

Incentive package includes a payment to a company that does not exist in the Code (Custom Performance Grants)

Economic development projects with \$3.5 million + in upfront cash to companies from any one fund source

Incentive package entails an in-state relocation of a Virginia employer and total package is over \$2.5 million

Performance agreement requires a second extension

WHEN IS MEI APPROVAL NECESSARY?

State purchase of land under the Virginia Business Ready Sites Acquisition Program

Major economic development projects with gap financing under the Tourism Development Financing Program

Investment from the Transportation Partnership Opportunity Fund exceeds \$20 million

TYPICAL MEI MEETING PROCESS

1 Meeting Request

Secretary of Commerce and Trade requests a meeting of the MEI Commission, when Virginia has been short listed for a project

2 Proposal Review

HAC/SFAC staff will meet with VEDP to review the proposal draft and provide feedback, and will brief MEI Commission members, as needed

3 Proposal Presented and Reviewed

VEDP presents projects for consideration, allowing up to seven days for the MEI Commission to review the proposal prior to the formal presentation by VEDP

4 Announcement and Legislation

Secretary of Commerce and Trade will alert the MEI Commission when an offer has been accepted. VEDP staff will submit legislation/budget amendment requests in August

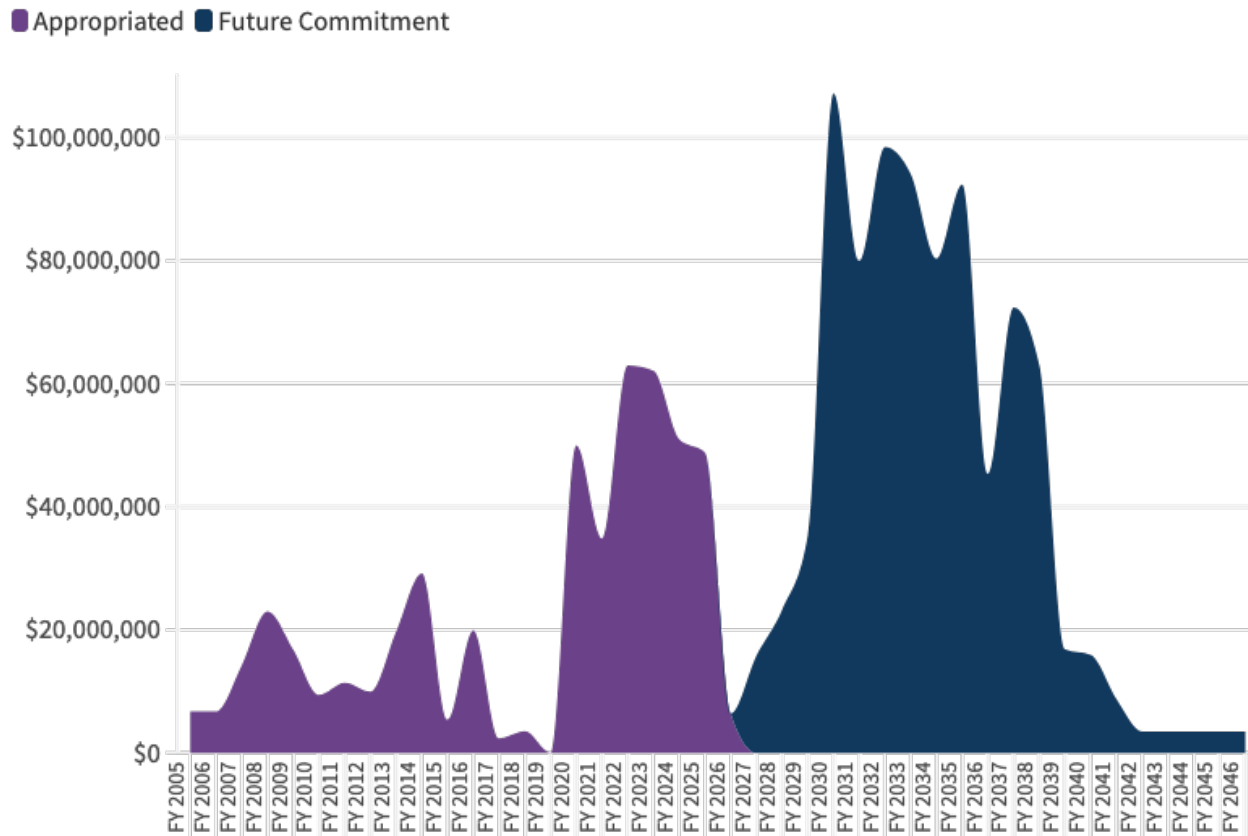
\$1.4 BILLION IN CUSTOM PERFORMANCE GRANTS

Legislatively approved economic development incentives are often called custom performance grants and consist of one-time payments of cash to a company paid over several years to create jobs and invest in the state

VEDP in collaboration with MEI staff track future year commitments for these economic development projects

60% of jobs promised by companies are created when evaluating completed custom performance grants projects

Virginia Custom Performance Grants, Past and Future Commitments



Note: Data excludes commitments to Eli Lilly, AstraZenca, and Hatichi totaling \$152.9 million. These projects require approval during the 2026 General Assembly session.

CURRENT CUSTOM PERFORMANCE GRANT COMMITMENTS

Project with Anticipated Last Payment Year	Custom Awards (in millions)	Contract Term	Jobs	Cap. Ex (in billions)
Amazon HQ2 – 2039	\$750.0	20 years	37,500	\$2.5
AWS - 2040	\$140.0	20 years	1,350 – 3,240	\$50.0 - \$143.3
Merck – 2025	\$2.5	5 years	152	\$1.0
Microsoft – 2025	\$11.3	7 years	1,500	less than \$0.1
CMA CGM – 2031	\$9.0	10 years	415	less than \$0.1
Microporous – 2046	\$60.6	20 years	2,1015	\$1.4
CoStar – 2025	\$15.0	16 years	246	\$0.1
Micron - 2041	\$60.0	15 years	240	\$2.2
LEGO – 2035	\$56.0	15 years	1,761	\$1.0
Wells Fargo – 2034	\$15.0	12 years	1,100	\$0.9
Eli Lilly - 2046 *	\$130.0	20 years	468	\$2.1
AstraZenca- 2046 *	\$192.0	20 years	500	\$4.0
Hitachi – 2036 *	\$32.3	10 years	825	\$0.5

(*) Pending legislative approval.

\$2.6 BILLION FOR ECONOMIC DEVELOPMENT PROGRAMS, SINCE FY 2013

- Beyond custom economic development projects, the state makes several investments in economic development programs and activities
- There are 2 primary drivers of spending on economic development programs
 - Between FY 2023 – FY 2025, the Virginia Business Ready Sites Program received \$234 million in one-time resources for investment in preparing land for businesses to expand or relocate to Virginia
 - Between FY 2023 – FY 2025, life science research and commercialization efforts in Charlottesville, Roanoke and Petersburg received \$127.7 million in state general Funds

\$2.6 BILLION FOR ECONOMIC DEVELOPMENT PROGRAMS, SINCE FY 2013

GF Commerce and Trade Economic Development Incentives and Programs, FY 2013 – FY 2026 (\$ millions)



* Excludes custom performance grants and workforce development programs

ECONOMIC DEVELOPMENT INCENTIVES AND PROGRAMS

BUSINESS EXPANSION AND RECRUITMENT GRANTS

RESEARCH AND START-UP PROGRAMS

COMMUNITY AND SITE DEVELOPMENT PROGRAMS

INDUSTRY SPECIFIC

VISITATION

- Business Attraction and Expansion Efforts
- Agriculture and Forestry Industries Development Fund
- Commonwealth Development Opportunity Fund (CDOF)
- Virginia Investment Partnership Grant (VIP)
- Virginia Economic Development Incentive Grant (VEDIG)
- Major Eligible Employer Grant (MEE)
- Governor's Motion Picture Opportunity Fund
- Governor's New Airline Service Fund
- Targeted Incentives
- Enterprise Zone Grants
- Industrial Revitalization Fund
- International Trade
- Virginia Barge and Rail Usage Grant Fund
- Virginia Port Volume Increase Grant Fund

- Entrepreneurship Ecosystems
- Commonwealth Commercialization Fund
- Commonwealth Growth Accelerator Fund
- Small Business Investment Grant Fund
- Small Business Jobs Grant Fund
- Virginia Center for Unmanned Systems
- Virginia Research Innovation Fund

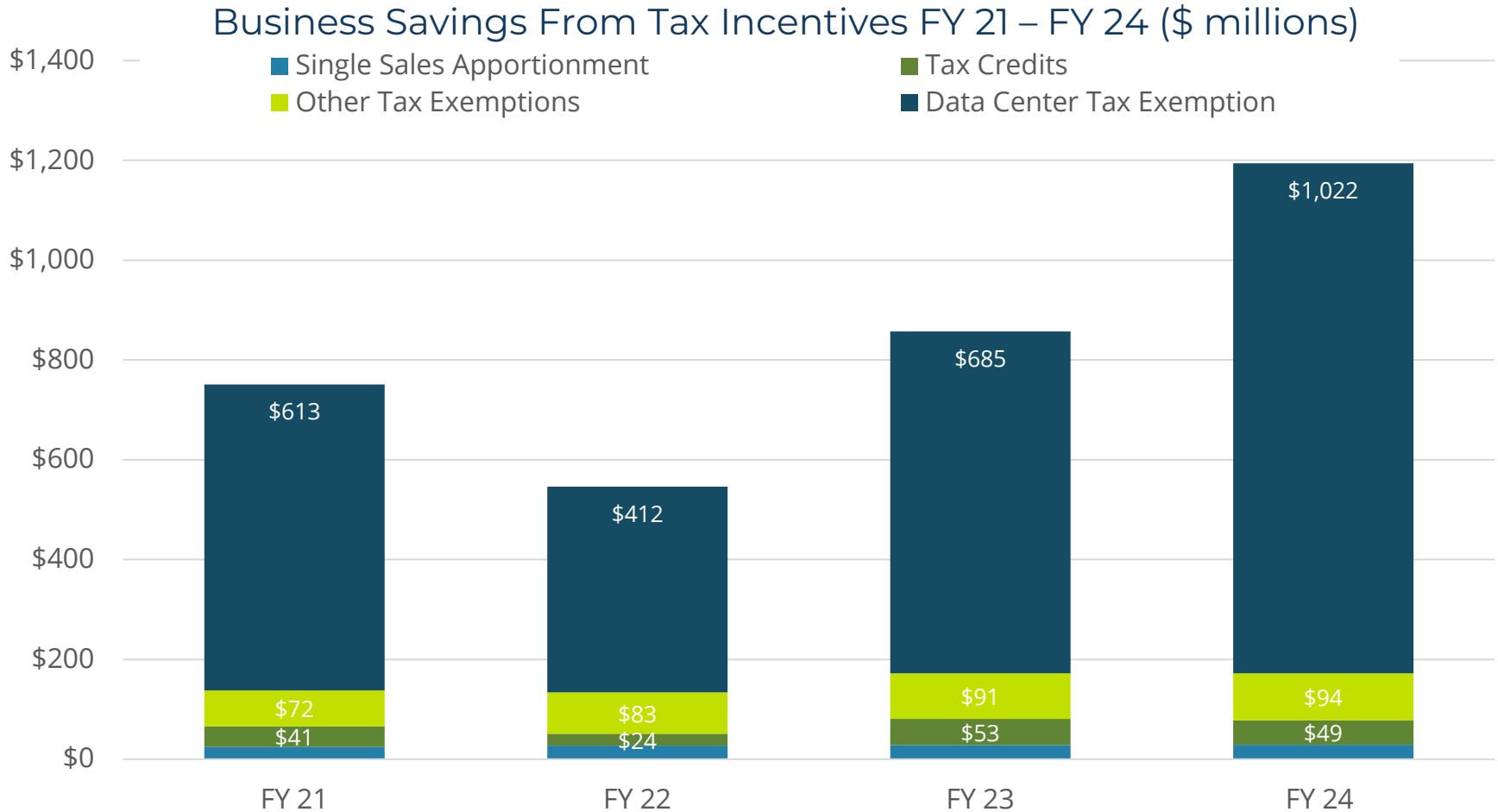
- GO Virginia
- Virginia Brownfield Program
- Virginia Business Ready Sites Program
- Virginia Business Ready Sites Acquisition Program
- Virginia Main Street Program
- Community Development Financial Institutions Fund
- SWVA Port

- Infrastructure for Biomedical Cluster Development in Petersburg, Charlottesville, Roanoke
- CCALS - Advanced Logistics
- CCI - Commonwealth Cyber Initiative
- Commonwealth Center for Advanced Manufacturing
- Virginia Biosciences Research Corp

- Visitation Services
- Museums, Visitor Centers, Community Events
- Film
- Spearhead Trails
- Marketing and Partnership Marketing
- Association of Broadcasters

BUSINESS TAX CREDITS AND INCENTIVES

\$1.2 BILLION PROVIDED FOR BUSINESS TAX CREDITS AND EXEMPTIONS IN FY 2024



Source: Joint Legislative Audit and Review Commission, Economic Development Incentives 2025 Report

RECENT CHANGES TO BUSINESS TAX CREDITS

- Last year, the budget reflected the expiration of 4 tax credits totaling \$20 million of annual savings for the Commonwealth
 - Major R&D Tax Credit, Recyclable Materials Equipment Tax Credit, R&D Expenses Tax Credit, Major Business Facilities Tax Credit
- 2 years ago, the General Assembly converted the Virginia Port Volume Increase, Barge and Rail Usage, International Trade Facility Tax Credits to grant programs
- Many of the business-related tax credits have been phased out
- 2 primary business tax credits remain:
 - Motion Picture Production Tax Credit (\$6.5 million/year – January 1, 2027)
 - Qualified Equity and Subordinated Debt Investments Tax Credit (\$3.3 million/year – expires January 1, 2026)

\$3.5 BILLION SAVED BY VIRGINIA BUSINESSES THROUGH TAX EXEMPTIONS (FY 2015–2024)

Tax Exemption (\$ in millions)	Explanation	Savings	Avg / year
Data Centers Exemption (2010) (Underreported due to data collection change)	Sales & use tax exemption for Virginia data centers meeting certain minimal investment, employment, and wage-levels	\$2,732.1	\$683.0
Railroad Common Carriers Exemption (1978)	Tax exemption for tangible personal property sold or leased to a public service corporation that is a common carrier of property or passengers by railway	192.8	19.3
Airline Common Carriers Exemption (1966)	Tax exemption for tangible personal property sold or leased to an airline operating as a common carrier (must provide service to VA airport 1 day per week)	127.8	12.8
Certain Printed Materials for Out-of-State Distribution (1976)	Sales and use tax exemption on printed materials and paper manufactured in Virginia and distributed outside the state (stored in VA for 12 months or less)	97.5	9.7
Ships and Vessels Exemption (1966)	Sales and use tax exemption for ships or vessels used in interstate or foreign commerce (includes fuel and supplies)	71.8	7.2
Research & Development Exemption (1966)	Tax exemption for tangible personal property purchased for use of basic research and development	59.8	6.0
Media Provider Equipment Exemption (1966)	Sales and use tax exemption for broadcasting equipment, parts and accessories used by radio, television, cable, and broadband media companies	49.7	5.0

\$3.5 BILLION SAVED BY VIRGINIA BUSINESSES THROUGH TAX EXEMPTIONS (FY 2015–2024)

Tax Exemption (\$ in millions)	Explanation	Savings	Avg / year
Pollution Control Equipment & Facilities Exemption (1972)	Sales and use tax exemption for pollution control equipment and facilities used for air and water pollution abatement	36.4	3.6
Aircraft Parts, Engines, and Supplies Exemption (2018)	Sales and use tax exemption for parts, engines, and supplies used for maintaining, repairing, or reconditioning aircraft	34.6	5.8
Film, Television, & Audio Production Inputs Exemption (1995)	Sales and use tax exemption for audiovisual works acquired for licensing, distributing, broadcasting, commercially exhibiting or reproducing or production services or fabrication connected with such production (purchases & leases)	30.0	3.0
Railroad Rolling Stock Exemption (2007)	Sales and use tax exemption for railroad rolling stock when sold or leased by the manufacturer	25.7	2.6
9 business tax incentives with average annual spending less than \$1 m.*	Sales and use tax exemption for tangible personal property purchased for use in the performance of maintenance and repair services at out of state nuclear plants	28.6	2.8
TOTAL		\$3,486.5	\$760.9

* 9 tax exemptions include Out-of-state Nuclear Facility Repair Exemption (2000), Semiconductor Wafers Exemption (2006), Uniform Rental & Laundry Businesses Exemption (1980), Virginia Spaceport Users Exemption (1997), Semiconductor Manufacturers Exemption (2006), Contractor Temporary Storage Exemption (1989), Taxi Parts & Radios Exemption (1984), Controlled Environment Agriculture Exemption (2023), Electrostatic Duplicators Exemption (1986)

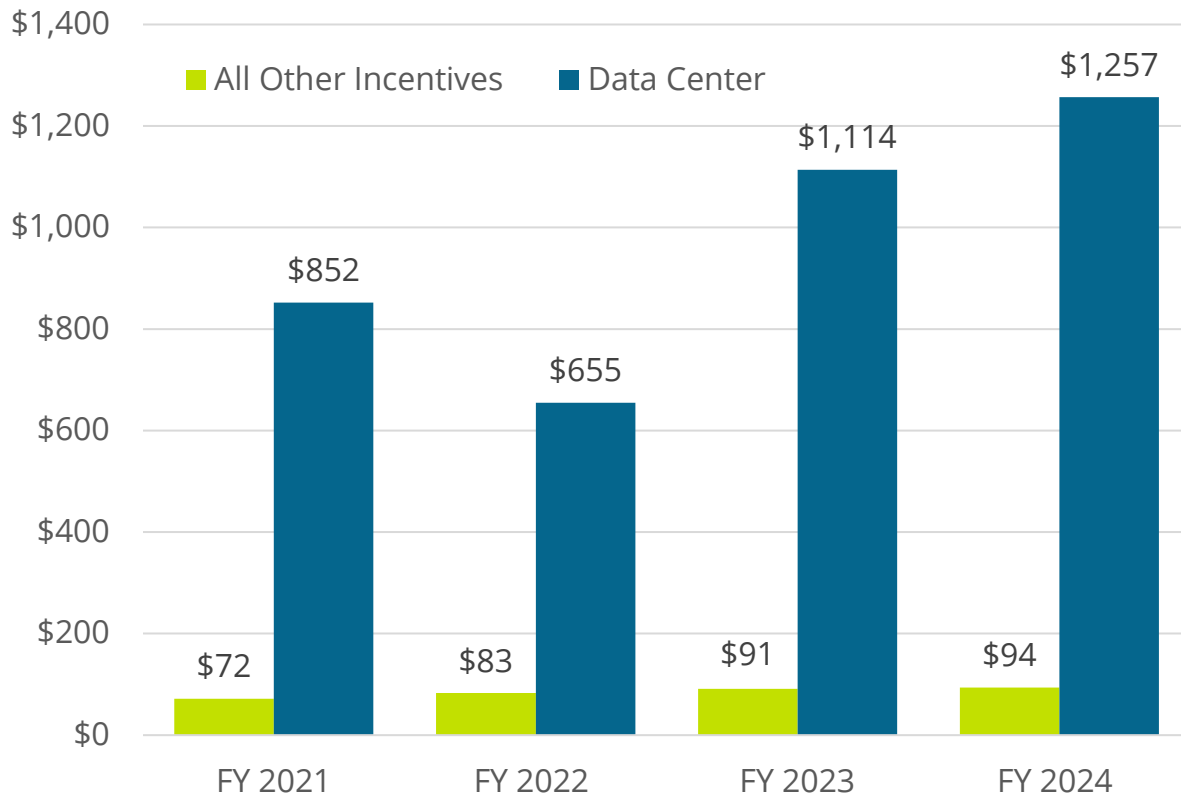
93% OF BUSINESS TAX INCENTIVE SPENDING IN FY 2024 ATTRIBUTED TO DATA CENTERS

Data Center Sales and Use Tax Exemption has been in effect since 2010, which allows data centers a sales and tax use exemption on qualifying computer equipment or enabling software purchased or leased for use in certain data centers

When data center sales tax exemption was first adopted in 2010, cost was estimated at \$10.6 million a year jumping up to \$80 million in 2018, when requirements were relaxed

Requires data centers to meet job and capital investment targets (50 jobs | \$150 million cap ex and 10 jobs | \$70 million cap ex for distressed localities)

Business Tax Exemption Spending FY 2021 – FY 2024



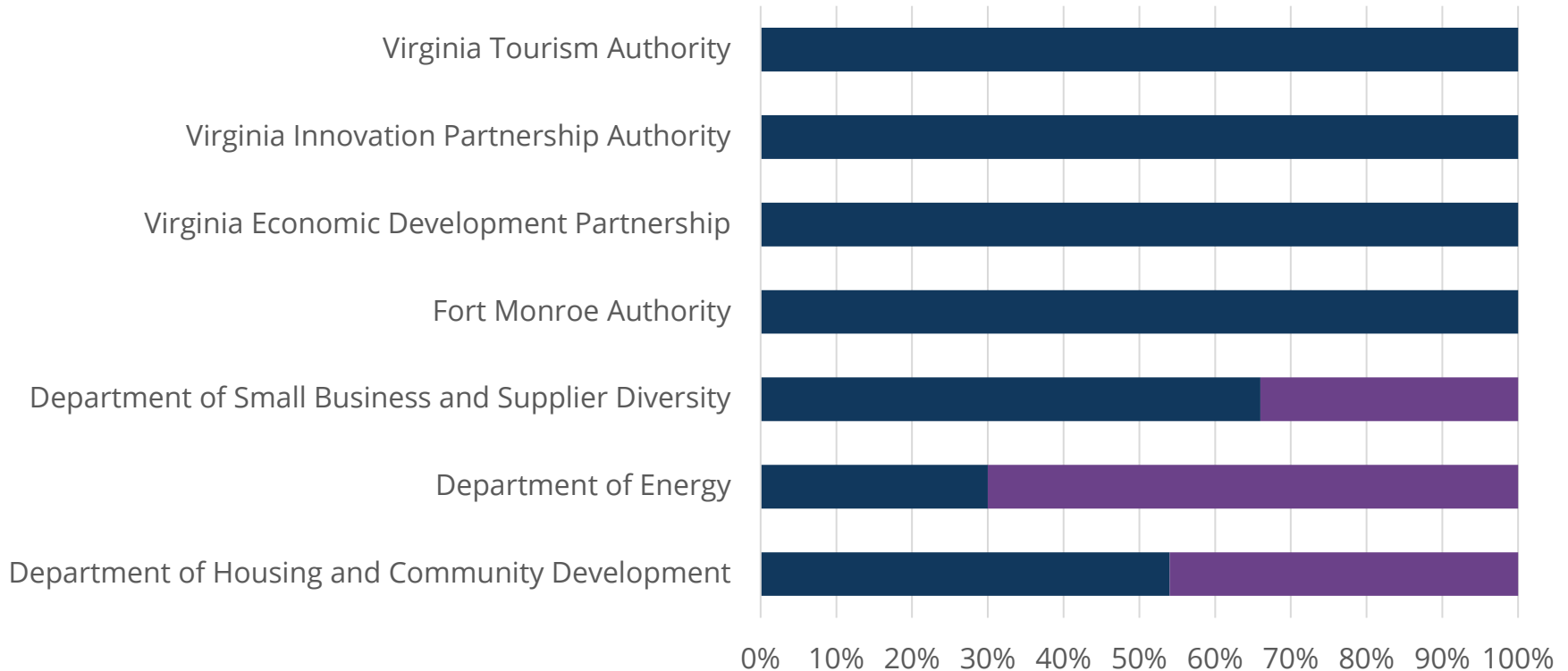
Source: Joint Legislative Audit and Review Commission, Economic Development Incentives 2025 Report

COMMERCE AGENCY BUDGETS

68% OF FUNDING IN COMMERCE AGENCY BUDGETS COMES FROM THE GENERAL FUND

FY2025 and FY 2026 Commerce Agency Budgets By Revenue Source

■ General Fund ■ Nongeneral Fund



* Figures from Ch. 725, 2025 Acts of Assembly

COMMERCE AGENCY BUDGETS

TOP 3 AGENCY BUDGETS WITH GENERAL FUNDS AS A MAIN SOURCE OF REVENUE

1

Department of Housing and
Community Development
\$181.3 M GF in FY 2026

2

Virginia Economic Development
Partnership
\$59.5 M GF in FY 2026

3

Virginia Innovation Partnership
Authority
\$42.5 M GF in FY 2026

* Figures from Ch. 725, 2025 Acts of Assembly

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

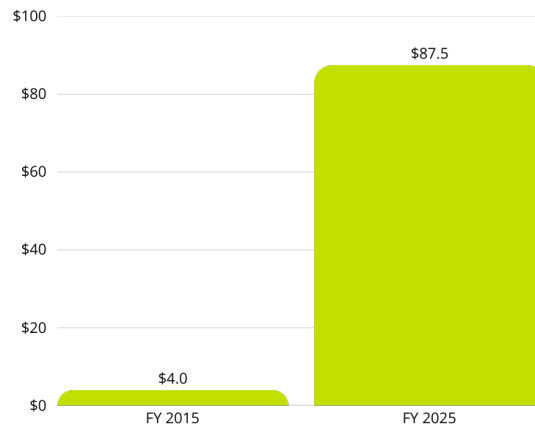
- Largest agency in the commerce and trade secretariat with responsibilities ranging from the deployment of broadband to homeless prevention
- The agency's GF budget has increased **by 10%** (CAGR) since FY 2013, primarily due to an expanding role for the agency with the creation of new programs targeted to economic development
 - **GO Virginia:** Created in 2016 with \$284 million GF invested to date
 - **Virginia Telecommunications Initiative:** Created in 2016 with \$195 million GF invested to date
 - Additionally, the General Assembly invested \$731 million of federal ARPA funds in this program to expand broadband access in the state and will receive \$545 million from federal BEAD funds to support broadband projects
 - **Virginia Housing Trust Fund:** Reconstituted in 2013 with \$514 million GF invested to date, and an annual appropriation of \$87.5 million

\$1.1 BILLION IN HOUSING INVESTMENTS

The Virginia Department of Housing and Community Development is responsible for the Virginia Housing Trust Fund, which supports the construction of low-income housing units and homeless prevention efforts.

In 2021, the General Assembly passed legislation creation the Virginia Housing Opportunity Tax Credit to help raise capital for low-income housing projects, which is accounted on the front page of the budget as a revenue loss.

General Fund Appropriations to the Virginia Housing Trust Fund (\$ in millions)



Virginia Housing Trust Fund
\$514 Million
 Invested since FY 2015

The Virginia Housing Trust fund provides capital to low-income housing development projects in the form of loans or grants.

Virginia Housing Tax Credit Capacity Authorized (\$ in millions)



Virginia Housing Opportunity Tax Credit
\$575 Million
 Committed since FY 2023

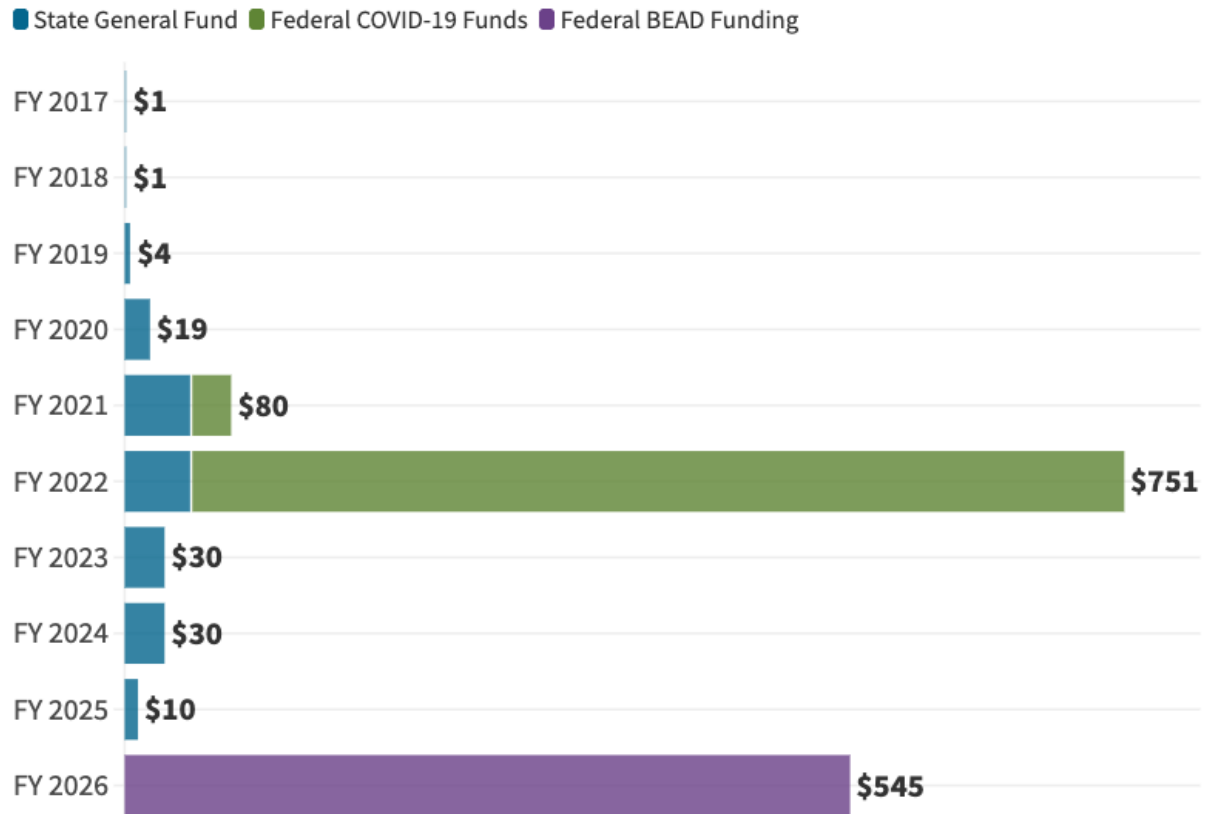
The Virginia Housing Opportunity Tax Credit allows developers to raise capital for low-income housing developments by selling tax credits to investors that can claim them over a 10 year period.

\$1.5 BILLION IN BROADBAND INVESTMENTS

\$1.5 billion invested to connect homes to the internet through the Virginia Telecommunications Initiative and the federal BEAD program.

The VATI program provides grants to local governments to extend service in collaboration with the private sector. These public VATI funds offset the costs of service extension for private companies.

Investments in Broadband Construction (\$ in millions)



VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP

- Primarily responsible for the state's business recruitment and expansion activities, and serves the legislature's primary partner for the MEI Commission
 - Economic development incentive grants and funding for custom performance grants are not housed in VEDP's budget
 - The budget contains a special item for these resources in the commerce and trade secretariat, Economic Development Incentive Payments
- VEDP's budget has grown by **9%** (CAGR) since FY 2013, mainly due to the creation of new programs in the agency, such as the Talent Accelerator program and additional investments core agency programs, like international trade

VIRGINIA INNOVATION PARTNERSHIP AUTHORITY (VIPA)

- Created by the 2020 General Assembly (HB 1017/ SB 576) to consolidate the Commonwealth's research, start-up, and centers of excellence initiatives into one authority
 - Formerly, these activities were contained in the commerce and education secretariats through the Virginia Research Investment Committee and the Center for Innovative Technology (CIT)
- VIPA's budget has been relatively flat from FY 2021 to FY 2026 with major appropriations attributed to one-time investments for VIPA to enter into MOUs with UVA, Virginia Tech, VCU, and ODU to support various life science efforts, totaling \$90 million in FY 2025

LABOR AGENCY BUDGETS

LABOR ISSUES



**REGULATION AND
LICENSING**



UNEMPLOYMENT



**WORKFORCE
SERVICES AND
TRAINING**

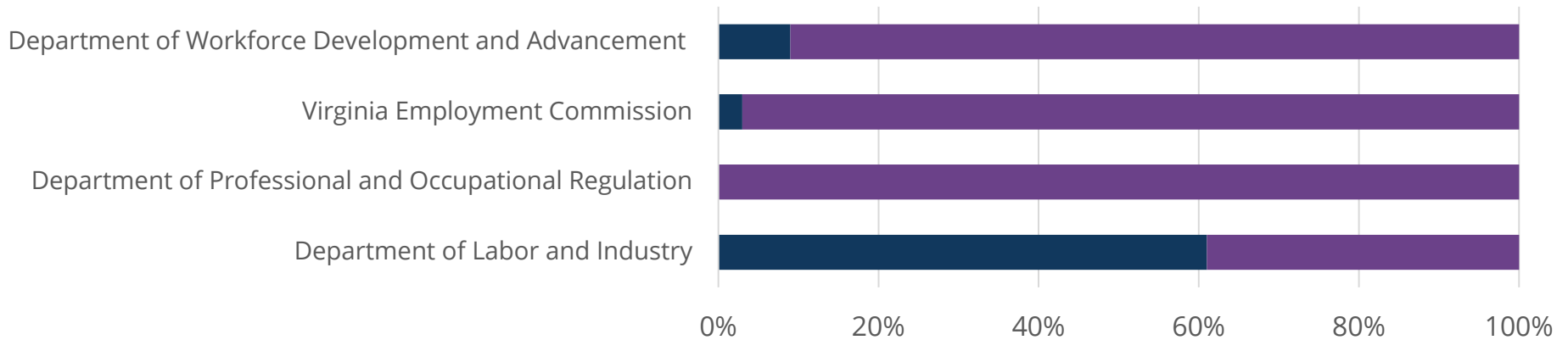


LABOR PROTECTIONS

15% OF TOTAL APPROPRIATIONS IN LABOR AGENCY BUDGETS COME FROM THE GENERAL FUND

FY2025 and FY 2026 Labor Agency Budgets By Revenue Source

■ General Fund ■ Nongeneral Fund



* Chapter 725, 2025 Acts of Assembly

VIRGINIA EMPLOYMENT COMMISSION

- Largest agency in the labor secretariat
- Primary responsible for administering the federal-state Unemployment Insurance (UI) program, determining UI employer tax rates, and monitoring UI trust fund solvency
- Traditionally, 100% funded with nongeneral fund revenues
 - Historically, VEC receives about \$35 million in funding from the federal government to administer the UI program, a number that increases when unemployment is high
 - Last year, budget language allowed VEC to start collecting an administrative fee from UI tax collections to help support agency operations
 - Estimated to bring in \$8.0 million in revenue per year

NEW WORKFORCE AGENCY

- Created by the 2023 General Assembly (HB 2195 | SB 1470), the Virginia Department of Workforce Development and Advancement consolidates several of the state's workforce development programs into a central agency
- Most of these programs are federally funded programs focused on getting workers connected to jobs
- Additionally, the enabling bill empowered the Secretary of Labor with oversight of every workforce development program in the state, including those traditionally the purview of other cabinet members

DEPARTMENT OF LABOR AND INDUSTRY

- Primarily responsible for enforcing Virginia's labor laws, and ensuring occupational health and safety standards for Virginia workers
- DOLI's budget has been relatively flat since FY 2011 except for increases in the FY 2020 – FY 2022 biennium
- The increase in the agency's budget has been driven by two factors:
 - Additional administrative funds for the state's minimum wage, prevailing wage, worker misclassification, and antidiscrimination in payment of wages statutes
 - Funding occupational health and safety positions to bring the agency to recommended 1985 staffing standards