



March 23, 2026

The Honorable Abigail Spanberger
Governor, Commonwealth of Virginia
P.O. Box 1475
Richmond, VA 23218

Dear Gov. Spanberger:

On behalf of the undersigned business associations, and the thousands of businesses we represent across Northern Virginia, we write to express our concerns regarding the Paid Family and Medical Leave program approved by the General Assembly. Our associations strongly support policies that help working families thrive and enable companies to grow here in Virginia. However, the programs established by SB2 and HB1207 are neither sustainable nor practical, and would inhibit Virginia's economic growth at a time when we are facing unprecedented economic challenges. We ask that you please veto this legislation.

The Paid Family and Medical Leave program (PFML) was approved by the General Assembly without substantive involvement or input from Virginia businesses, despite the high cost to businesses and workers who will fund the benefits and the administration of the program. The Planning and Budget Department's analysis of the bills found that the program's start-up costs exceed \$117 million, and that the state will need to procure and maintain new systems and hire an additional 315 employees at a cost of approximately \$45 million per year – all paid for by new payroll taxes. Furthermore, the analysis shows benefits would exceed revenues, raising the specter of ever-increasing costs being placed on businesses. In effect, the PFML program creates a new layer of mandated overhead that will limit wage growth, hiring capacity, and investments in other employee benefits. These unnecessary burdens create an unsustainable business environment that will severely hamstring Virginia's economy.

Our members are already facing strong economic pressures, primarily attributable to new and shifting federal policies. The Trump Administration's aggressive federal workforce reduction strategy removed tens of thousands of federal civilian positions nationally, with Virginia and bearing a disproportionate share of the losses. Over 23,000 government jobs were cut statewide last year alone. A December 2025 report from Old Dominion University found that for every lost federal civilian job in Virginia, the private sector would need to generate 1.6 jobs to make up for the lost wages associated with the federal job. That ratio rises to 2.0 when accounting for higher

benefits in federal jobs. This means our economy lost the equivalent of 46,000 jobs just last year. A recent forecast from the Weldon Cooper Center for Public Service expects Virginia to lose an additional 10,300 public and private sector jobs by the end of 2026.

Federal contractors are a major component of the Virginia economy, particularly in Northern Virginia. Furthermore, federal budget cuts, restructuring efforts, and targeted reductions at key agencies have slowed procurement cycles and increased uncertainty surrounding recompetes and renewals. Federal workforce reductions have directly translated into fewer contract opportunities, smaller scopes of work, and in many cases outright contract terminations which means loss of revenue and jobs. The federal shutdown last year immediately halted or slowed many contract-funded activities, interrupted payments and created cashflow crises for firms that lack the reserves to float payroll.

Across all industries, business leaders are pessimistic about their ability to grow their businesses here. In surveys we conducted last year, a substantial share of business leaders say that shutdowns, federal layoffs, and related inflationary pressures directly caused declines in their businesses. These related inflationary pressures, especially new tariffs on a range of imported goods and materials, have increased input costs for businesses in sectors such as construction, IT hardware, and advanced manufacturing. There is no sign that destabilizing events like these will end any time soon.

Beyond contracting, the hospitality industry in particular has been reeling from the federal shifts described above. Now, it is poised to be hit hard by the PFML program costs. Total payroll for hotel wages in the Commonwealth is approximately \$1.7 billion. The estimated 1 percent contribution to fund the paid family and medical leave program, split evenly between employer and employee, equal \$170 million in new taxes. Using a simple capitalization rate of 8%, the real estate value of hotels across the state will be lowered by \$1 billion.

In summary, now is the time for Virginia to stand up for the private businesses on which the Commonwealth's economy relies. It is not the time for new, costly measures that will slow growth and lead to fewer jobs for Virginians.

We understand you have previously stated your support for this legislation. Given the circumstances we respectfully ask you to listen to the voices in the business community and consider vetoing it. At a minimum we ask that you amend the legislation to reduce the negative impact it will have on Virginia's economy.

Cap Payroll Deductions

We request that the legislation includes a clear cap on payroll deductions for both employers and employees.

Northern Virginia is home to a highly competitive labor market and a diverse business community that includes startups, small businesses, nonprofits, and large employers. Without a statutory cap, payroll tax rates could increase unpredictably over time, creating financial uncertainty for employers and reducing take-home pay for workers.

A defined cap would:

- Provide cost certainty and predictability for long-term budgeting and hiring decisions.
- Protect employees from escalating deductions during economic downturns.
- Encourage continued job growth and business investment in the Commonwealth.

A responsible funding structure with guardrails also helps ensure the program's sustainability without discouraging employment or wage growth.

Raise the Employer Coverage Threshold from 10 to 100 Employees

We strongly recommend increasing the employer participation threshold from 10 employees to 100 employees.

Small businesses are the backbone of Northern Virginia's economy. Employers with fewer than 100 employees often operate with narrow margins and limited staffing flexibility. Requiring very small businesses to absorb the administrative and operational impacts of extended leave mandates can create significant disruption, particularly when replacing specialized or skilled workers is difficult.

Aligning the threshold at 100 employees would:

- Reduce disproportionate burdens on small and emerging businesses.
- Maintain consistency with existing federal workforce benchmarks.
- Help protect entrepreneurship and small business formation in the Commonwealth.

This adjustment would allow the program to support employees while recognizing the operational realities faced by small employers.

Prohibit "Stacking" Leave with Federal FMLA

We urge you to clarify that leave under the state program may not be stacked on top of leave available under the federal Family and Medical Leave Act (FMLA), but instead run concurrently where applicable.

Allowing employees to stack state and federal leave would dramatically extend total leave durations beyond what many employers can reasonably accommodate. For smaller and mid-sized employers especially, extended absences can create workflow disruptions, increased overtime costs, reduced productivity, and challenges in maintaining client service and project continuity.

Requiring concurrent use would:

- Preserve job protections while maintaining operational continuity.
- Prevent unintended expansions of leave duration beyond the program's intended scope.
- Reduce compliance complexity and administrative confusion for employers and employees alike.

Our chambers believe it is critical for the Commonwealth to be a place where businesses can grow, which would provide more opportunities for working families to thrive. We appreciate your consideration and stand ready to serve as a resource as your administration considers this and other legislation.

Respectfully,

A handwritten signature in black ink that reads "Julie Coons". The signature is fluid and cursive, with the first name and last name clearly distinguishable.

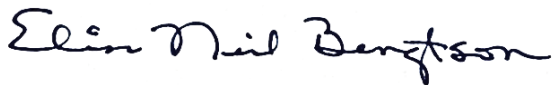
Julie Coons
President & CEO, NVC

A handwritten signature in black ink that reads "Tony Howard". The signature is written in a cursive style with a prominent, sweeping initial "T".

Tony Howard
President & CEO, Loudoun Chamber of Commerce

A handwritten signature in black ink that reads "Holly Dougherty". The signature is cursive and somewhat stylized, with the first name being the most prominent.

Holly Dougherty
President, Mount Vernon Springfield Chamber of Commerce

A handwritten signature in black ink that reads "Elise Neil Bengtson". The signature is cursive and spans across the width of the line.

Elise Neil Bengtson
Executive Director, Greater Falls Church Chamber of Commerce