

(HB2531)

GOVERNOR'S VETO

Pursuant to Article V, Section 6, of the Constitution of Virginia, I veto House Bill 2531, which imposes a new payroll tax on employees and employers and requires the Virginia Employment Commission (VEC) to establish and administer a mandatory paid family and medical leave insurance program.

According to VEC, to support the benefit level established in the bill, a premium, in effect a new payroll tax, would be assessed on all employees and employers in the amount of 0.72 percent of wages. VEC estimates that burden of that tax to be \$1.35 billion in FY 2027, increasing \$1.5 billion in FY 2030, while total annual benefits paid are estimated to be approximately \$1.75 billion in FY 2028, increasing to \$2.0 billion by FY 2030.

Including the District of Columbia, only 14 states impose mandatory paid family leave on employers and only 12 of those mandate participation in a government run program. The states that mandate government-run paid family leave programs, such as California, New Jersey, Rhode Island, Maryland, and Delaware, have struggled to maintain competitive job growth, attract corporate relocation, secure capital investment, and retain population.

In contrast, the Commonwealth of Virginia aligns with high-growth states such as Florida, Texas, South Carolina, Tennessee, and Arkansas, which have seen strong population and job growth while fostering business-friendly environments. These states promote voluntary, private sector paid family leave solutions rather than imposing broad-based mandates that may deter investment and job creation.

In 2022, I signed bipartisan legislation which gave the Virginia Bureau of Insurance authority to regulate and approve family leave plans offered by life insurance companies, providing benefits such as covering the birth of a child, adoption of a child, or foster care placement by the employee, care for a family member of the employee who has a serious health condition, and when the employee's family member who is a military member is on active duty or has been called to active-duty status.

Accordingly, I veto this bill.