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S&P U.S. Local Governments Credit Brief: Virginia Counties And Municipalities Means And Medians

Overview

S&P Global Ratings expects Commonwealth of Virginia counties and municipalities' (collectively, local governments or LGs) credit quality will remain stable and strong. Local economies that continue to experience good economic growth support this credit quality, buoyed by below-average unemployment, strong economic activity and income metrics, and typically robust reserves maintained by seasoned management teams that adhere to formalized financial policies.

We expect many LGs will offset rising expenditures through growing real and personal property tax revenues, as well as other economically sensitive revenues including sales taxes and business license tax revenues, which historically have showed good growth over various economic cycles throughout the commonwealth. Much of the personal property tax revenue growth in the past decade has been spurred by the proliferation of data centers particularly in northern Virginia, which has the highest concentration of data centers in the world and is home to more than 500. Although we believe energy demands and capital costs associated with data centers will remain a mitigant to possible upgrades, we believe Virginia LGs are generally well positioned to benefit from this trend and manage associated cost pressures as well as other near-term credit risks, most notably the commonwealth's heightened exposure to federal employment cuts given the state's direct ties to the federal government. For more information on the benefits and risks of the growth in data center and AI-related investments, see "Everywhere, All At Once: How The Growth Of Data Centers Could Carry Risks For U.S. Local Governments," March 24, 2026.

S&P Global Ratings maintains GO ratings on 41 municipalities and 35 counties in Virginia. We maintain a high investment-grade rating ('AA-' or above) on 95% of the LGs in the commonwealth, including 38% that we rate 'AAA'. In the past year, LG credit quality has remained stable, with only four rating actions in the past year.

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