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Virginia Bill Could Cripple AI Innovation, Putting U.S. Behind China, Warns VIPP

LEXINGTON, VA — Today, the Virginia Institute for Public Policy is warning that Virginia's once-thriving tech industry could be reduced to a shadow of its former self if House Bill HB2094, a well-intentioned but deeply flawed piece of legislation, becomes law. The bill aims to prevent "algorithmic discrimination[1]" but if adopted, Virginia's ability to compete in the rapidly evolving AI sector would be crippled by excessive compliance burdens, legal ambiguities, and astronomical costs.

Caleb Taylor, Director of Policy at the Virginia Institute for Public Policy, said "If HB2094 is passed, small businesses could see compliance costs between $10,000 and $500,000 annually. Large corporations may face costs exceeding $10 million. Whilst states like Indiana, Tennessee, and Minnesota are actively courting AI investments with business-friendly policies, Virginia must not throttle our own businesses in a vital, growing sector."

The bill covers so-called "high-risk artificial intelligence systems" impacting critical areas like employment, housing, healthcare, and education. The United States faces fierce competition, particularly from China, which has already unveiled AI models like DeepSeek R1. We cannot afford to become less productive.

Caleb Taylor added "Discrimination in these areas is already illegal under state and federal laws. As written, HB2094 will add completely unnecessary compliance expenses."

The impact goes beyond AI development. The data center industry — a cornerstone of Virginia's economy — could also face devastating consequences. Data centers contribute 74,000 jobs, $5.5 billion in labor income, and $9.1 billion in GDP annually to Virginia, according to a 2024 JLARC study[2]. If Virginia continues down this regulatory path, we risk losing AI innovators and the critical infrastructure that supports them.

Let's not stifle innovation or push businesses out of the Commonwealth. Instead, we should position Virginia as a leader in ethical, competitive AI development—one that balances progress with responsibility.

If we impose these burdens now, we may lose our standing in the AI revolution before it even begins. Virginia must reject HB2094 and pursue a path that fosters growth, protects fairness, and secures a bright future in the global AI race.

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1 - For further information, contact Caleb Taylor at **info@virginiaaction.org**.

2 - HB2094 can be found at https://lis.virginia.gov/bill-details/20251/HB2094/text/HB2094H1.

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[1] Algorithmic discrimination occurs when AI systems produce discriminatory outcomes based on protected characteristics including race, gender, age, or disability.
[2] https://virginia.app.box.com/s/3urcj9bn8k26vz47if9wkcu7luipfykt