



VIRGINIA HOUSE  
APPROPRIATIONS  
COMMITTEE

CHAIRMAN LUKE E. TORIAN

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# 2026 SESSION BUDGET OVERVIEW HB 29 & HB 30

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# OVERVIEW: RESOURCES AND MAJOR SPENDING

# HB 29 RESOURCES

- HB 29, or the “Caboose Bill,” increases General Fund Resources for FY 2026 by \$2.9 billion, driven by an increase in available balances of \$1.75 billion. The increase in the available net balances is the result of:
  - \$572.0 million general fund revenue surplus in FY 2025
  - \$896.2 million in balances based on Governor’s vetoes to items in Chapter 725
  - \$257.5 million of reversions from unspent GF agency appropriations
- The increase also includes a \$822.4 million increase in the FY 2026 GF revenue forecast (driven by the higher FY 2025 base) and an increase in transfers of \$363.7 million
  - The transfer increase is driven by a mandatory deposit of \$312.3 million into the revenue reserve which is then transferred to the general fund based on the 15% cap (the higher transfer amount is based on the calculation of interest that will be accrued by the 2 reserve funds)
- Net result of additional resources, spending and savings changes leaves almost \$2.1 billion to flow into the FY 2026-28 biennium

# YEAR-TO-DATE REVENUE GROWTH EXCEEDS NEW FORECAST

## FY 2026 GF Forecast

Source	HB 29 Forecast	YTD Through December	Jan-June Required to Meet Forecast
Withholding	5.1%	6.9%	3.4%
Nonwithholding	2.0%	14.0%	-3.4%
Refunds	2.0%	-29.3%	18.5%
<b>Net Individual</b>	<b>4.5%</b>	<b>12.6%</b>	<b>-2.1%</b>
Sales	3.2%	5.6%	0.8%
Corporate	-3.6%	-14.0%	4.5%
Recordation	0.6%	13.1%	-12.1%
Insurance	-0.8%	-6.3%	0.8%
All Other Revenue	-7.0%	-6.3%	-7.8%
<b>Total Revenue</b>	<b>3.0%</b>	<b>8.6%</b>	<b>-1.6%</b>

# OVERVIEW OF RESOURCES

- The proposed 2026-28 budget includes \$71.3 billion in total general fund resources available for appropriation
  - This amount includes \$67.8 billion from revenue collections during the biennium and \$1.8 billion from transfers into the general fund during the two years, for a total of \$69.6 billion
  - The remaining \$2.1 billion represents the carryforward balances from FY 2026
- The base forecast closely mirrors the GACRE forecast presented in November which assumed modest economic growth through the next biennium
- Tax policy proposals, the impacts of which are embedded in the budget estimates, reduce revenues by \$101.6 million in FY 2026, \$242.5 million in FY 2027 and \$390.2 million in FY 2028
  - The proposal to conform Virginia's Tax Code to the majority of the federal provisions adopted in H.R. 1. makes up \$433.4 million over the 3 fiscal years, with the remaining revenue loss associated with the proposals to deduct portions of income associated with tips, overtime and car loan interest and assumed shift to market-based sourcing comprising the remainder

# FY 2026-2028 FORECAST

(\$ in millions)	Actual	HB 29 & 30 Forecast		
	FY 2025	FY 2026	FY 2027	FY 2028
<b>Growth by Revenue Source</b>				
Net Individual	7.8%	4.5%	3.6%	3.2%
Sales	2.2%	3.2%	2.2%	2.6%
Corporate	-1.5%	-3.6%	0.7%	3.5%
All Other Revenue Sources	5.1%	-4.4%	1.2%	4.5%
<b>Total GF Revenue Growth</b>	<b>6.1%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>3.2%</b>
General Fund Revenues	\$31,233.0	\$32,182.8	\$33,155.9	\$34,225.0
Transfers	1,501.3	1,935.7	891.2	894.5
<b>Total GF Resources</b>	<b>\$32,734.3</b>	<b>\$34,118.5</b>	<b>\$34,047.1</b>	<b>\$35,119.5</b>
<b>Chapter 725 2026 Revenues &amp; Transfers</b>		<b>\$32,932.4</b>	<b>\$32,932.4</b>	<b>\$32,932.4</b>
<b>GF Resources Above Ch 725 Base</b>		<b>\$1,186.1</b>	<b>\$1,114.7</b>	<b>\$2,187.1</b>

# TAX CONFORMITY WOULD REDUCE REVENUE BY \$433.4 M

(\$ in millions)	FY 2026	FY 2027	FY 2028
Domestic Research Deduction (Prospective Only)		(\$84.1)	(\$79.0)
50% of special depreciation allowance for qualified property	(\$63.6)	(86.8)	(90.8)
Increases the business interest deduction	(33.6)	(16.0)	(14.8)
Increases section 179 expensing limit to \$2.5 million	(28.2)	(19.3)	(16.1)
New limit on the value of itemized deductions (repeal of Pease limit)	(10.2)	(26.1)	(27.9)
Restructure of opportunity zones program	10.9	22.9	(27.0)
0.5% floor on charitable contributions	15.8	40.4	42.5
1% floor on charitable contributions	4.3	7.7	9.2
Miscellaneous provisions	<u>3.0</u>	<u>12.7</u>	<u>20.7</u>
<b>Total Impact From Conformity</b>	<b>(\$101.6)</b>	<b>(\$148.6)</b>	<b>(\$183.2)</b>

# OTHER TAX POLICY CHANGES REDUCE REVENUE BY \$301 M

(\$ in millions)	FY 2027	FY 2028
Partial deduction for overtime pay	(\$60.6)	(\$104.4)
Partial deduction for tips	(18.3)	(35.2)
Partial deduction for car loan interest	(15.0)	(38.3)
Require multi-state companies to use market based sourcing	(0.0)	(29.1)
Make permanent Virginia standard deduction of \$8,750 indiv filers, \$17,500 joint filers		
Make permanent setting refundable level of EITC at 20% of federally allowed		
Make permanent the elective PTET		
Extends Data Center sales and use tax exemption to 2050/2055 (based on investment level)		
<b>Total Impact Tax Policy Adjustments</b>	<b>(\$93.9)</b>	<b>(\$207.0)</b>

# STRUCTURAL BALANCE/ENDING BALANCE

- Unlike most new budgets, HB 30 leaves \$305.3 million unappropriated at the close of the biennium
  - Governor Youngkin proposed setting aside these funds to pay for anticipated increases in ongoing program costs in the FY 2028-2030 biennium
  - The current six-year revenue forecast and spending projections show a gap between anticipated revenues and mandatory expenditures in the next biennium, thus he proposed these amounts be left unspent to provide sufficient carryforward funding to ensure ongoing structural integrity
  - Six Year Financial Plan projects that base ongoing expenditure requirements will exceed the estimated revenues beginning in FY 2029



# HEALTH AND HUMAN RESOURCES

# HB29/30 DMAS FORECASTS & HIGH PRIORITY ITEMS

<b>DMAS Forecasts (GF \$ in millions)</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>
Official forecast of utilization & inflation	\$410.3	\$1,073.6	\$1,697.8
Adjust for Virginia Health Care Fund revenue	4.6	41.5	52.2
<b>Adjusted Medicaid Forecast (subtotal)</b>	<b>\$414.9</b>	<b>\$1,115.1</b>	<b>\$1,750.0</b>
FAMIS children's health insurance forecast	16.2	31.6	48.6
M-CHIP children's health insurance forecast	(8.9)	2.0	6.7
Involuntary Mental Commitment Fund	0	(1.1)	(2.1)
<b>Total DMAS Health Care Forecasts</b>	<b>\$422.2</b>	<b>\$1,147.6</b>	<b>\$1,803.2</b>
<b>DMAS High Priority Items</b>		<b>FY 2027</b>	<b>FY 2028</b>
Increase Selected Developmental Disability Waiver Rates		\$28.0	\$31.2
Fund CoverVA Call Center & Eligibility Operations		2.3	2.3

# \$611.9 M. IN MEDICAID COST CONTAINMENT PROPOSALS

Policy Changes (GF \$ in millions)	FY 2027	FY 2028
Eliminate Biennial Inflation for Medicaid Providers	(\$74.0)	(\$164.1)
Limit Mobile Crisis & Eliminate Community Stab. Services	(49.7)	(58.9)
Limits on Applied Behavioral Analysis Services	(30.8)	(36.8)
Adjust Managed Care Org. Administrative Costs	(22.0)	(23.8)
Standardize Personal Care Hours Across Waivers	(21.0)	(23.8)
Limit Maternity Services for Non-Eligible Individuals based on Citizenship Status to Emergency Services only	(13.2)	(16.3)
Cap Adult Dental Benefits at \$2,000/year	(9.9)	(13.7)
Seven other smaller actions	(21.4)	(32.5)
<b>Total</b>	<b>(\$242.0)</b>	<b>(\$369.9)</b>

# MEDICAID LANGUAGE

- Requires hospitals receiving enhanced Medicaid payments to:
  - Contract with each Medicaid managed care network to ensure sufficient access
  - Retain Labor and Delivery Units beginning January 1, 2026
- Authorizes supplemental hospital payments for Ballad Health for indirect medical education using match from affiliated public entities
- Delays implementation of a single Pharmacy Benefit Manager (PBM) system until January 1, 2027
- Delays implementation of a redesign of legacy Medicaid behavioral health services until January 1, 2027
- Limits the nursing facility value-based payments to facilities that meet
  - Minimum eligibility requirements
  - Metrics demonstrating sufficient levels of care

# VIRGINIA DEPT. OF HEALTH SPENDING/SAVINGS

- Proposes \$8.2 million GF in FY 2027 and \$6.8 million GF in FY 2028 to complete and maintain an electronic health record system for local health departments
- Adds \$655,913 GF and \$423,335 NGF each year for rent increases at local health departments
- Provides \$291,624 GF each year for two additional medical facility inspectors to address a backlog of complaints against nursing homes
- Proposes to supplant \$7.4 million GF each year with federal Temporary Assistance to Needy Families (TANF) block grant funds for 3 programs: Resource Mothers, Families Forward, and long-acting reversible contraceptives
- Reduces excess GF match by \$4.5 million in FY 2028 for the Drinking Water State Revolving Fund

# CHILDREN'S SERVICES ACT

- Adds \$20.7 million GF in FY 2026, bringing the FY 2026 total to \$427.5 million GF
- Increase of \$49.6 million GF and \$14.0 million NGF in FY 2027 and \$86.5 million GF and \$16.0 million NGF in FY 2028 to fund the CSA forecast due to an increase in service cost and caseload

## **Cost Containment Proposals**

- Savings of \$10.8 million GF in FY 2027 and \$11.8 million GF in FY 2028 by reducing the average state match rate for community-based services from 81% to 71%
- Savings of \$3.4 million GF in FY 2027 and \$3.7 million GF in FY 2028 by limiting the private day services growth rate to 2.5%
- Savings of \$1.3 million GF and \$2.3 million NGF in FY 2027 and \$2.4 million GF and \$4.3 million NGF in FY 2028 by eliminating the automatic inflationary adjustments for residential treatment providers

# DEPARTMENT OF SOCIAL SERVICES

## **Child Welfare**

- \$14.6 million GF in FY 2027 and \$18.1 million GF in FY 2028 and 132 FTEs to create a centralized system to collect child abuse and neglect reports at a state level
- \$3.5 million GF and \$1.5 million NGF each year to increase salaries for local departments of social services' family services employees
- \$656,842 GF in and 6 FTEs in FY 2027 and \$2.7 million GF and 26 FTEs in FY 2028 support state oversight of local departments of social services
- \$212,046 GF each year to provide overtime funding for CPS workers to respond to abuse and neglect complaints for children under the age of 3 as a priority one response
- Captures \$6.0 million GF each year in savings due to underutilization of the relative maintenance payment program
  - \$6.2 million GF each year is still available for the program

# DEPARTMENT OF SOCIAL SERVICES

## SNAP

- \$43.0 million GF in FY 2027 and \$57.4 million GF in FY 2028 to fund the increase in the state share of SNAP administrative costs per H.R. 1
  - DSS estimated a need of \$65.5 million GF in FY 2027 and \$87.3 million GF in FY 2028 to cover the new administrative match rate
- \$1.1 million GF in FY 2027 and \$1.3 million GF in FY 2028 and 14 FTEs each year to fund a SNAP quality assurance team to find and correct SNAP payment errors before it can negatively impact the state's error rate
- \$555,096 GF in FY 2027 and \$605,559 GF in FY 2028 to increase salaries for SNAP quality control staff to be in line with other comparable positions within DSS



# PUBLIC EDUCATION

# HB 29 K-12 PROPOSALS

## Captures savings of \$207.8 million from technical updates

Including \$111.8 million from lower enrollment and participation updates

Proposes \$106.5 million for a 2% bonus for state-recognized SOQ positions, effective June 1

Reduces amount of authorized Literary Fund Loans from \$250.0 million to \$78.0 million

Proposed Public Education Actions (GF \$ in millions)	FY 2026
<b>Enrollment:</b> ADM projection adjusted down 1.4%, or 17,186 students	(\$111.8)
<b>Lottery Proceeds Projection:</b> Increases \$48.3 million, offsets GF needs	(48.3)
<b>English Learner Enrollment</b>	(30.2)
<b>Non-SOQ Programs</b>	(15.3)
<b>Sales Tax Projection</b>	(2.2)
<b>Subtotal Technical Updates</b>	<b>(207.8)</b>
<b>2% Bonus:</b> SOQ Instructional & Support Staff	106.5
<b>TOTAL PROPOSED ACTIONS</b>	<b>(\$101.3)</b>

# HB 30 K-12 SUMMARY

## \$1,266.7 million in new spending proposed:

\$437.8 million to address technical updates, including rebenchmarking

\$831.9 million in policy actions, about 70% supported by nongeneral fund sources

<b>PROPOSED SPENDING</b> (Biennial \$ in millions)	<b>GF</b>	<b>NGF</b>	<b>Total</b>
<b>Technical</b>	<b>\$455.2</b>	<b>(\$17.4)</b>	<b>437.8</b>
<b>Policy</b>			
Two 2% Compensation Increases	382.9	0	382.9
Add'l Child Care Subsidy Slots	137.6	0	137.6
School Construction	0.0	299.0	299.0
Literary Fund to offset Teacher Retirement	(285.0)	285.0	0.0
Other Actions	4.4	8.0	12.4
<b>Subtotal Policy</b>	<b>239.9</b>	<b>592.0</b>	<b>831.9</b>
<b>Total Proposed Changes</b>	<b>\$695.1</b>	<b>\$574.6</b>	<b>\$1,266.7</b>

# 2026-2028

# REBENCHMARKING SUMMARY

## SUMMARY

**2026-28 Impact**  
**\$449.7 million**

Rebenchmarking estimate at November retreat estimate was \$844.0 million

Updated enrollment estimates decreased final rebenchmarking cost updates

<b>K-12 Direct Aid Cost Updates for 2026-28 (GF \$ in millions)</b>	<b>2026-28 Impact</b>
<b>Students and Specialized Program Enrollment</b> Enrollment declines 2.7% from Ch. 725 base to FY 2028	(\$111.7)
<b>Prevailing Cost Data</b> Updates costs for salaries, fringe benefits, ancillary costs	\$530.8
<b>Update Lottery Proceeds Forecast</b> offsets GF	43.2
<b>Update sales tax distribution</b> distributed based on school age population	56.4
<b>Update Local Composite Index</b>	(68.9)
<b>TOTAL K-12 COST UPDATE</b>	<b>\$449.7</b>

# POLICY PROPOSALS: COMPENSATION

## **2.0% Bonus in FY 2026 (House Bill 29)**

- Proposes \$106.5 million for the state's share of a 2.0% bonus for state-recognized SOQ instructional and support positions
- Effective June 1, 2026
- Participating school divisions must provide an average 2.0% bonus or equivalent action

## **2.0% Salary Increases in FY 2027 and FY 2028 (House Bill 30)**

- Proposes \$127.2 million in FY 2027 and \$255.6 million in FY 2028 for the state's share of a 2.0% salary increase for state-recognized SOQ instructional and support positions
- Effective July 1, 2026 and 2027
- Participating school divisions may provide an average increase smaller than 2.0% and receive a prorated portion of funds

# POLICY PROPOSALS: SCHOOL CONSTRUCTION

School Construction Assistance Grant program provides a 10% to 30% grant toward cost of school construction projects

HB 30 proposes a \$299.0 million increase to program

Of this amount, \$249.0 million is from nonrecurring sources

School Construction Grants Proposal (\$ in millions)	Amount
<b>2026-2028 Base Appropriation:</b> \$110.0 million each year	<b>\$220.0</b>
<b>Proposed Actions:</b>	
Updated FY 2027 and FY 2028 Gaming Revenue forecast by \$25.0 million each year (on-going)	50.0
Redirect unutilized 2024-2026 Literary Fund Loan Authorization (one-time)	172.0
Excess FY 2026 Gaming Revenues and Interest (one-time)	77.0
<b>TOTAL 2026-28 GRANTS PROPOSED</b>	<b>\$519.0</b>

# POLICY PROPOSALS: LITERARY FUND

Proposes \$807.0 million in withdrawals from the Literary Fund; an increase of \$457.0 over the biennium

The Fund is projected to generate \$684.0 million in revenue over the biennium

Proposed Literary Fund Actions (\$ in millions)	General Fund	Literary Fund
<b>2026-2028 Base Appropriation:</b> \$175.0 million from Literary Fund each year currently offsets GF teacher retirement costs	<b>(\$350.0)</b>	<b>\$350.0</b>
<b>Proposed Actions:</b>		
Redirect Unutilized Literary Fund Loans to School Construction Grants (HB 29)	0.0	\$172.0
Direct Literary Fund Balances to Offset GF needed for Teacher Retirement Contributions	(285.0)	285.0
<b>TOTAL PROPOSED LITERARY FUND ACTIONS:</b>	<b>(\$635.0)</b>	<b>\$807.0</b>

# POLICY PROPOSALS: EARLY CHILDHOOD & CENTRAL OFFICE

## **Child Care Subsidy Program (CCSP)**

- Proposes \$71.0 million GF in FY 2027 and \$66.6 million GF in FY 2028 to provide an additional ~6,745 slots for children from birth to age 5
- Represents repurpose of technical savings from assumed nonparticipation rates for the Virginia Preschool Initiative

## **Child Care Employer Contributions and Account Platform**

- Proposes \$1.0 million GF in FY 2027 to incentivize employers to support employee child care costs
  - State match proposed is dollar-for-dollar, with a cap of \$1,000 per child or \$2,500 per family
- Proposes \$500,000 each year to support the IT platform to manage each family's account

## **Assessment System**

- Proposes \$2.4 million GF increase in FY 2027 to support additional costs associated with funding current contract through December 31, 2027
- Does not include funding to address needs associated with new contract that would begin July 1, 2027

# COMMERCE AND LABOR

# HB 29 COMMERCE SAVINGS

Caboose budget proposes several spending reversions and balance transfers totaling \$33.9 million in resources from Commerce and Trade programs

Separate amendments to HB 30 reduce ongoing funding for the GO Virginia and Enterprise Zone Program at DHCD

\$35.0 million in FY 2027 is proposed for the development of an inland port in Washington County, well above the reversion included in the Caboose bill

Transfers \$16.0 million NGF to the Virginia Innovation Partnership Authority for a grant program designed to produce low-cost opioid reversal medication in Virginia

Program (\$ in millions)	
GO Virginia Balances (Part 3)	\$10.0
Inland port in Washington County (\$35 million proposed for project in HB 30)	9.8
Enterprise Zone Grant Program	9.0
Economic Development Incentives	2.8
Virginia Clean Energy Innovation Bank (Part 3)	2.3
<b>Total</b>	<b>\$33.9</b>

# \$57.8 MILLION FOR 10 CUSTOM ECONOMIC DEVELOPMENT PROJECTS

Economic Development Project (\$ in Millions)	FY 2027	FY 2028
<b>AWS:</b> Cloud Computing Cluster Infrastructure Grant Fund	\$0.0	\$7.7
<b>Wells Fargo:</b> Financial Services Expansion Grant Fund	1.4	1.5
<b>Micron:</b> Current and Mature Semiconductor Technology Grant Fund	1.4	4.5
<b>Microporous:</b> Lithium-Ion Battery Separator Manufacturing Fund	0.7	0.9
<b>Lego:</b> Precision Plastics Manufacturing Grant Fund	5.9	7.5
<b>Eli Lilly:</b> Legislation Approving Project to be considered in 2026 Session, MEI approved	0.5	2.6
<b>Hitachi:</b> Legislation Approving Project to be considered in 2026 Session, MEI approved	0.3	3.7
<b>AstraZenca:</b> Legislation Approving Project to be considered in 2026 Session, MEI approved	2.8	10.0
<b>Project Jolt:</b> Pending MEI Approval		4.1
<b>Project Volare:</b> Pending MEI Approval		2.3
<b>Total</b>	<b>\$13.0</b>	<b>\$44.8</b>
<i>Virginia Investment Partnership Grant</i>	\$0.3	\$4.3
<i>Virginia Economic Development Incentive Grant</i>	\$2.9	\$1.8

# \$51.8 MILLION IN NEW SPENDING IN COMMERCE AND LABOR

## Language Amendments included in HB 30

**DHCD:** Transfers \$35.0 million of interest from the Low-Income Energy Efficiency Fund to VDEM to support a new disaster assistance fund

**VIPA:** Authorizes use of \$500K to plan an AI Institute for higher education

**DWDA:** Authorizes \$5.0 million line of credit for staffing when federal funds are delayed

**DPOR:** Authorizes collection of \$7.25 technology fee for 4-years to fund an IT systems replacement project

Program (\$ in millions)	FY 2027	FY 2028
<b>VIPA:</b> Institute for Biotechnology at UVA	\$35.0	-
<b>EDIP:</b> Virginia Business Ready Sites	\$10.0	-
<b>VTA:</b> Virginia Sports Tourism Program	5.0	-
<b>DHCD:</b> Virginia Main Street Program	0.5	0.5
<b>DOLI:</b> Staffing for hearings and legal services	0.4	0.4
<b>Total</b>	<b>\$50.9</b>	<b>\$0.9</b>

# COMMERCE AND TRADE SAVINGS

Program (\$ in millions)	FY 2027	FY 2028
<b>DHCD:</b> Reduce GO Virginia funding for competitive projects (\$25.3 million/year retained)	\$4.7	\$4.7
<b>FMA, VIPA, VTA, VEDP:</b> Capture yearly interest earnings from Commerce Authorities	2.0	2.0
<b>EDPI:</b> Governor's New Airline Services Fund (\$200k/year retained)	0.6	0.6
<b>EDPI:</b> Supplement Trade Mission Assistance	0.5	0.5
<b>DHCD:</b> Reduce funding for Enterprise Zone Program (\$14.3 million/year retained)	0.5	0.5
<b>Total</b>	<b>\$8.3</b>	<b>\$8.3</b>



# HIGHER EDUCATION

# HB 30: HIGHER EDUCATION INSTITUTIONS

- About 85% of increased funding for higher education institutions is the result of technical adjustments - primarily previous year salary and central account distributions
- In terms of new funding, the introduced budget proposes about \$56.5 million in new general fund support for colleges & universities over the biennium, as follows:
  - \$27.5 million in one-time funding to address affordability in FY 2027
    - Proposed language caps tuition increases at 2.5% in both years of the biennium
  - \$15.0 million in one-time funding for in-state undergraduate financial aid
  - \$3.8 million in one-time funding to address nursing shortage
  - \$7.6 million over the biennium for VCU & VT medical schools
  - \$2.6 million over the biennium for VIMS & VT-Extension

# HB 30: SCHEV & HIGHER EDUCATION CENTERS

- The introduced budget proposes a \$17.7 million increase in general fund support for SCHEV
  - \$13.6 million GF for the workforce credential grant program
  - \$2.5 million for the military survivors program (VMSDEP) stipends due to program growth
  - \$1.1 million for the virtual library
  - \$0.5 million to expand the mental health pilot initiative
- The introduced budget proposes \$9.3 million at the Institute for Advanced Learning and Research for administrative costs associated with the Great Opportunities in Technology and Engineering Careers (GOTEC) initiative
- The introduced budget again proposes eliminating the funding for New College Institute in FY 2028, saves \$3.2 million while simultaneously requiring the New College to develop a business plan and customer recruitment and expansion strategy by August 2026

# AG & NATURAL RESOURCES

# WATER QUALITY

- At DCR, deposits \$286 million from all funds into the Water Quality Improvement Fund in FY 2027. Deposit comprised of:
  - \$107.9 million GF for mandatory Part A and Part B deposit based on FY 2025 year-end
  - \$36.2 million GF for a supplemental deposit
  - \$58 million NGF from accrued NRCF interest earnings
  - \$83.9 million NGF from balances of WQIF Reserve
- Of this amount, \$279.4 million for the Natural Resources Commitment Fund
  - \$169.9 million for Ag BMPs within the Chesapeake Bay watershed
  - \$72.8 million for Ag BMPs outside the Chesapeake Bay watershed
  - \$36.3 million for technical assistance provided by SWCD offices
- Proposed language directs transfer of interest accrued on NRCF balances to the WQIF Reserve Fund unless balance of fund is greater than \$70 million

# WATER QUALITY

- At DEQ, \$140.6 million GF in FY 2027 is deposited for the state share of Hampton Roads Sanitation District (HRSD) wastewater project
  - Project was required by Enhanced Nutrient Certainty Removal program
  - Proposed language directs DEQ to establish a solicitation period for eligible WQIF grants, and to report eligible projects and related costs to the General Assembly and Governor no later than October 1<sup>st</sup> each year. Language would require grant agreements to be fully executed before project costs are incurred
- At DEQ, \$43.5 million GF in FY 2027 for the Stormwater Local Assistance Fund to support grants to localities for municipal separate storm sewer system (MS4) improvements

# DEPARTMENT OF CONSERVATION AND RECREATION

- \$1 million in FY 2027 for Dam Safety, Flood Prevention, and Protection Assistance Fund
- \$750,000 GF in FY 2027 for harmful algal bloom remediation at Lake Anna
- \$3.1 million NGF over biennium and 13 positions to support ten-year cooperative agreement with U.S. Forest Service
  - Trail maintenance, arborist work, and infrastructure work across state parks and adjacent federal lands
- Proposed capital amendment authorizes acquisition of property in Loudoun County to establish Oak Hill State Park
  - Requires satisfaction of numerous contingencies, and the written approval for acquisition from money committee chairs and Secretary of Finance
- Amendment to HB 29 proposes to revert \$25 million in balances in SWCD dam repair fund to general fund
  - Would leave balance of more than \$25 million in fund

# OTHER NATURAL RESOURCE AGENCY SPENDING ACTIONS

## Department of Environmental Quality

- \$2 million GF reduction each year in base funding for air and water monitoring equipment to reflect utilization and anticipated testing rate increases

## Department of Wildlife Resources

- \$6.8 million GF in FY 2027 to rebuild Lake Shenandoah Dam to level of functionality before 2018 storm-related failure

## Department of Historic Resources

- \$230,000 GF each year and 2 positions to address easement backlog
- \$160,000 GF each year to support construction of walkway by the Chereonhaka (Nottoway) tribe in Southampton County



# PUBLIC SAFETY AND VETERANS

# DEPARTMENT OF CORRECTIONS

- \$28.9 million GF in FY 2027 and \$30.8 million GF for increased costs of inmate medical services
  - HB 29 includes \$24.9 million in additional funding for this purpose
- Several factors have driven increases in DOC inmate medical expenditures
  - Off-site medical care, paid for at commercial rates
  - Increased staffing cost for both contracted and directly-employed medical staff
  - Increased pharmaceutical spending, particularly for monthly injectable medication for opioid use disorders
  - Aging inmate population continues to drive utilization growth

# VIRGINIA STATE POLICE

- \$43.6 million GF in FY 2027 and \$52.2 million GF in FY 2028 to address operational and personnel costs
  - HB 29 includes related \$41.0 million GF in FY 2026 for same needs
  - Salary, benefit, and equipment costs of 144<sup>th</sup>, 145<sup>th</sup>, 146<sup>th</sup> Basic Trooper Schools
  - Spending has been exceeding base funding availability in part because of reliance on dwindled vacancy savings
- \$9.3 million GF each year for Phase 2 of the Department's ongoing VITA transformation process
  - \$9.3 million included in HB 29 for this purpose
  - VSP transformation process began in 2021, and has required expansive IT system upgrades to replace end-of-life hardware and software

# DEPARTMENT OF EMERGENCY MANAGEMENT

- Proposes establishment of the Cardinal Disaster Relief Fund to be administered by VDEM
  - Language contains little detail on use of the fund, stating only that it is to be used for “efforts to address life, safety, and disaster-related response costs not covered by federal support”
  - Proposes the transfer of \$35 million of interest earnings from the Low-Income Energy Efficiency Program at DHCD to capitalize the Cardinal Disaster Relief Fund
- \$5 million GF in FY 2027 and \$7 million GF in FY 2028 in additional support for emergency response and recovery services provided by the Department
- \$712,000 GF over the biennium for the purchase and operation of wireless emergency communications equipment to serve rural areas

# VETERANS DEFENSE AFFAIRS ACTIONS

## **Secretary of Veterans and Defense Affairs**

- \$2 million GF in FY 2027 for the Virginia Military Infrastructure Grant Program
- Language expands eligibility for the encroachment grant program to Marine Corps Base Quantico

## **Department of Veterans Services**

- \$7.5 million GF in FY 2027 and \$1.6 million GF in FY 2028 for startup costs at Puller Veterans Care Center
  - \$1.8 million GF provided for same purpose in HB 29
  - Language directs Veterans Care Centers to be operated as a system, allowing for nongeneral fund revenues to be shared between them

# TRANSPORTATION

# HB 30 GF SPENDING IN TRANSPORTATION

- HB 30 as introduced includes \$60.5 million in FY 2027 and \$25.5 million in FY 2028 in proposed general fund support within the Transportation Secretariat
- Includes \$24.0 million each year under VDOT for Toll Relief in the Hampton Roads region.
  - The \$24.0 million is equal to the funding included in FY 2026 for toll relief
- Includes \$35.0 million GF in FY 2027 to support the design, development and necessary site improvements for an inland port in Washington County, Virginia
  - A front page adjustment in HB 29 reverts \$9.75 million in balances from funds previously appropriated within Commerce and Trade for the development of the Inland Port

- Introduced budget does not include any general fund dollars for additional operating support for the Washington Metropolitan Area Transit Authority
  - Chapter 725 included \$137.1 million GF in additional operating support over the 2024-26 biennium
  - General Assembly viewed this as an ongoing commitment
  - Regional requests were submitted assuming continuation of, and increases for, these purposes

# ADJUSTMENTS FOR REVENUE FC AND SIX YEAR PLAN

(NGF \$ in millions)	FY 2025	FY 2026
VCSFA – Revenue Projections	\$1.3	\$1.6
DRPT – Anticipated Revenues From I-495 Toll Funding	\$2.3	\$2.3
Virginia Passenger Rail Authority –Anticipated Revenues	\$478.9	(\$139.37)
VDOT – Revenue Projections	\$317.1	\$187.9
VDOT – Reflect June 2023 6 Year Plan	\$692.5	\$70.1
VDOT Transfer Payments - Revenue Projections	(\$12.3)	(\$12.5)
VDOT Transfer Payments – Reflect June 2023 6 Year Plan	\$20.8	\$60.3



# COMPENSATION AND RETIREMENT

# HB 29 – FUNDING ACTIONS

(\$ in millions)	FY 2026
State Employees	\$91.9
State Supported Local Employees	32.7
SOQ Funded Positions	<u>106.5</u>
<b>Total</b>	<b>\$231.1</b>

- **2% Bonus at End of Fiscal Year 2026** – HB 29 includes \$231.1 million to provide a 2% bonus at the end of FY 2026 for state employees (on June 16<sup>th</sup>), state supported local employees (on June 1<sup>st</sup>) and SOQ Funded positions (on June 1<sup>st</sup>)
  - Funding for SOQ bonus includes \$317,848 from the Lottery Proceeds Fund, with the remaining funding being general fund
- **Line of Duty Act** - Includes \$0.5 million GF in FY 2026 to reflect higher than projected premium payments for the Line of Duty

# ACROSS THE BOARD SALARY INCREASES – 2% EACH YEAR

- **2% Salary Increase in Both Years** – HB 30 includes \$253.9 million GF in FY 2027 and \$531.8 million in FY 2028 to fund a 2% salary increase at the beginning of each fiscal year for:
  - State employees (effective July 10, 2026 and June 10, 2027)
  - State supported local employees (July 1 of each year)
  - SOQ Fund positions (on July 1 of each year)

(\$ in millions)	FY 2027	FY 2028
State Employees	\$92.3	\$203.4
Adjunct Faculty and Teaching Assistants	3.9	8.6
State Supported Local Employees	\$30.4	64.2
SOQ Funded Positions	<u>127.2</u>	<u>255.6</u>
<b>Total</b>	<b>\$253.9</b>	<b>\$531.8</b>

# VIRGINIA RETIREMENT SYSTEM

## VRS Retirement Plans

- Captures savings of \$46.7 million GF in FY 2027 and \$48.8 million GF in FY 2028 from a reduction in contribution payments to the state employee retirement plans based on the 2025 actuarial valuation
- Captures savings of \$59.8 million each year, under Direct Aid for Education, to reflect the updated retirement rate for the teachers' system

## Other Post Employment Benefit Plans

- Captures savings of \$24.3 million GF in FY 2027 and \$25.4 million GF in FY 2028 from a reduction in contribution rates for the state employee sickness and disability, group life insurance, and retiree health insurance credit programs and the state supported employee retiree health insurance credit

# VRS RETIREMENT RATES

	<b>FY 2026</b>	<b>Biennium 2026 – 28</b>	<b>Funded Status</b>
VRS (State Employees)	12.52%	11.07%	82.8%
State Police Officers Retirement System (SPORS)	31.32%	31.67%	73.7%
VA Law Officers Retirement System (VALORS)	24.60%	22.60%	75.2%
Judicial Retirement System (JRS)	30.67%	30.49%	87.8%
VRS (Teachers)	14.21%	12.20%	82.8%

# STATE EMPLOYEE HEALTH INSURANCE

- Provides \$99.4 million GF in FY 2027 and \$144.1 million GF in FY 2028 to support a 12.96% increase in premiums for the state employee health insurance program effective July 1, 2026 and an additional increase of 5% effective July 1, 2027
  - Actuarial analysis assumes 19.2% increase in premiums in FY 2027 but several plan design changes are proposed to reduce the level of increase
    - Implement a \$150 pharmacy deductible (savings of -0.54%)
    - A requirement for certain prescriptions to use available biosimilars (-0.10%)
    - A reduction in the cost paid for certain diabetic and weight loss medications (-5.60%)

# CAPITAL OUTLAY & GENERAL GOVERNMENT

# HB 30: CAPITAL OUTLAY

## Capital Outlay Funding in HB 30 (\$ in millions)

General Fund Cash	\$890.0
General Fund Bonds	1,110.0
Nongeneral Fund Cash	538.7
9(d) Nongeneral Fund Bonds	123.6
<b>Total</b>	<b>\$2,662.3</b>

- \$2.0 billion GF-supported (cash and/or tax-supported debt); also \$123.6 million in 9(d) NGF bonds
  - HB 30 does not propose any 9(c) revenue bonds
- The full \$1.1 billion in GF debt and \$360.1 million of the GF cash is proposed for a single construction pool of 15 projects; another \$400.0 million in GF cash is for MR

# PROPOSED GENERAL FUND CAPITAL SPENDING

## General Fund Capital Project Categories

(\$2.0 billion total)

**Improvements/MR**

\$497.6 million

**New Construction**

\$440.6 million

**Acquisition**

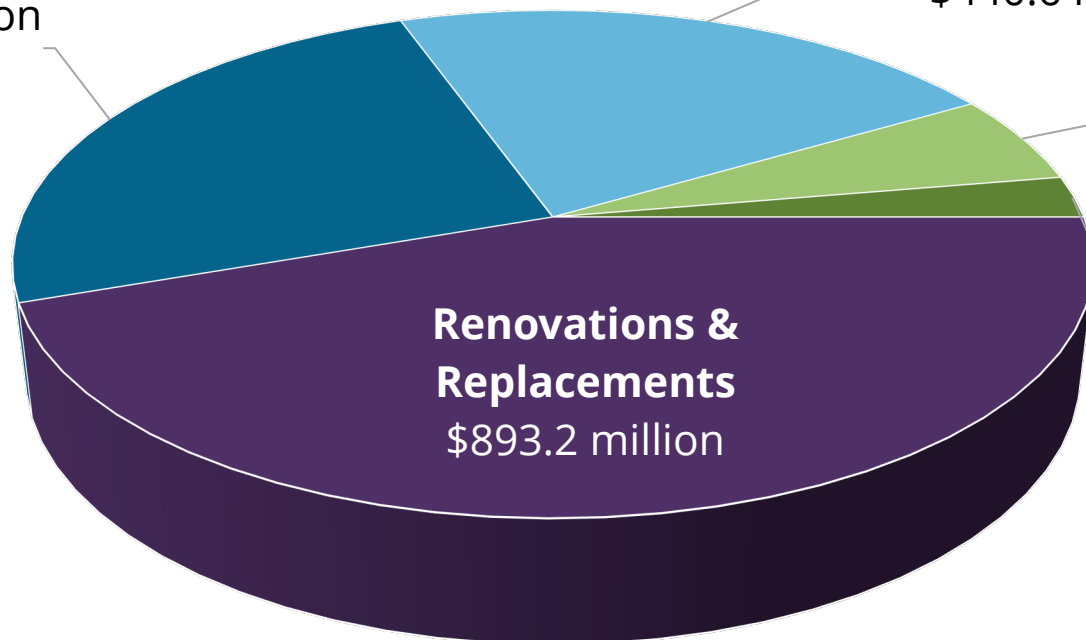
\$115.2 million

**FF&E & Planning**

\$53.5 million

**Renovations & Replacements**

\$893.2 million



# MAJORITY OF GF FOR REPLACEMENTS/RENOVATION

- \$893.1 million of GF cash/debt in the construction pool is for the renovation or wholesale replacement of existing facilities
- Includes five higher education projects and the Commonwealth Courts replacement facility

Owner	Project
DGS	Replacement Commonwealth Courts Building
JMU	Renovate Johnston Hall
VIMS	Construct Marine Operations Administration Complex
VCU	Construct New School for Dentistry
VSU	Renovate Virginia Hall
VCCS	Renovate Amherst/Campbell Hall, Central Virginia

# NEW CONSTRUCTION ALL FOR HIGHER ED

- \$555.8 million GF support in the construction pool for new construction and/or acquisition projects, all for higher ed
- All construction projects progressed as required through the pipeline and are ready to execute

Owner	Project
VT	Expand VT-Carilion School of Medicine & Fralin Biomedical Research Institute
VMI	Construct Center for Leadership & Ethics Facility Phase II, & Parking
VCU	Acquire Altria Building
ODU	Construct Engineering & Arts Building
IALR	Expand Center for Manufacturing Advancement

# HB 30 INCLUDES MOST PROJECTS VETOED BY GOVERNOR YOUNGKIN

- HB 30 proposes funding for many of the capital projects vetoed in May 2025
- All restored projects are funded at levels necessary to proceed

Capital Projects Vetoed by Governor Youngkin		
Agy	Project	In HB 30?
DCR	Parks Deferred Maintenance	X
DOC	HVAC Improvements	X
W&M	Replace Law School Central Utility Plant	X
GMU	Address Priority Facility Improvements	✓
IALR	Expand Center for Manufacturing Adv.	✓
JMU	Renovate Johnston Hall	✓
LU	Replace Roof, Windows, & External Doors-Lankford Hall	✓
UVA	Construct Center for the Arts	X
VCCS	Renovate Amherst/Campbell Hall, Central VA	✓
VCU	Acquire Altria Building	✓
VIMS	Construct Marine Operations Admin. Complex	✓
VSU	Renovate Virginia Hall	✓
VT	Expand VT-Carilion School of Med. & Fralin Biomedical Research Institute	✓

# OTHER NOTABLE CAPITAL PROPOSALS

- **MR:** \$400.0 million for maintenance reserve (MR) distributions
- **Planning pool:** \$1.6 million to plan five new projects; three for institutions of higher ed (W&M, UVA) and two for state agencies
- **FF&E:** \$39.9 million in a pool for 8 projects nearing completion and \$12.0 million for workforce development equipment
- **NGF-only capital:** \$538.7 million NGF cash for projects including Virginia Port Authority improvements, a new business building at VT, various auxiliary projects at JMU, and VCCS facility upgrades
- **Other:**
  - **Project Scope Changes:** VSP, DMV, and SCC projects
  - **Policy Changes:** Increases MR threshold, authorizes DOC wider use of MR, requires Tier III higher ed to notify 6PAC of NGF E&G projects

# GENERAL FUND HIGHLIGHTS

- **Debt Service.** A net \$49.3 million for debt service payments owed on bond issuances (includes savings of \$18.6 million in FY 2026 and total spending of \$67.9 million in 2027 and 2028)
- **Criminal Fund.** \$40.8 million for deposit to the Criminal Fund to meet anticipated expenditures
- **Central Accounts.** \$39.5 million for the GF share of rate increases for use of statewide systems, VITA, rent, and risk management premiums
- **Staffing for Sheriffs' Offices.** \$9.2 million over the biennium to fund an additional 89 sheriff positions (18 administrative positions and 71 deputy sheriffs) for statewide distribution

# OTHER GENERAL GOVERNMENT PROPOSALS

## Biennial \$ in millions

	GF	NGF
<b>JUDICIAL BRANCH</b>		
<b>Supreme Court:</b> Fund critical IT needs (\$7.1 million) and increase Guardian Ad Litem (GAL) rates by 7% (\$3.0 million)	\$10.1	\$ -
<b>EXECUTIVE OFFICES</b>		
<b>Governor's Office:</b> Fund two positions (data analyst & deputy director) for the Office of the Children's Ombudsman	0.6	-
<b>Office of the Attorney General:</b> Increase the maximum employment level by 50 to reflect actual staffing; no funding associated	-	-
<b>ADMINISTRATION SECRETARIAT</b>		
<b>Department of General Services:</b> Adjust internal service funds for anticipated costs; no change to rent plan	-	37.5
<b>Department of Human Resource Management:</b> Enhance agency IT resources (\$0.7 million) and a new Leadership Academy (\$0.2 million)	0.9	-
<b>Elect:</b> Fund VERIS upgrade costs	3.3	-

# OTHER GENERAL GOVERNMENT PROPOSALS

## Biennial \$ in millions

	GF	NGF
<b>FINANCE SECRETARIAT</b>		
<b>Dept of Accounts:</b> Replace IT programs, expand ACFR automation, and increase NGF for statewide accounting & budgeting programs; funding in Central Accounts for GF impacts	\$1.5	\$19.1
<b>Depts of Treasury and TAX:</b> Fund various IT initiatives to enhance cybersecurity & collaboration with localities	3.1	-
<b>INDEPENDENT AGENCIES</b>		
<b>Virginia Lottery:</b> Reflect payout distributions & operational costs	-	257.8
<b>Commonwealth Savers Plan:</b> Authorize transfer of \$75.0M from 529 Trust Fund to support higher ed waiver program	-	-
<b>Virginia Retirement System:</b> Improve customer services, enhance security, and augment staffing & IT capabilities	0.2	62.1
<b>State Corporation Commission:</b> Reflect IT modernization, implement legislative directives, & convert contract positions	-	17.6