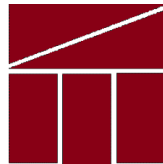




**Governor Youngkin's Proposed Amendments to FY 2026 of the 2024-2026 Biennial
Budget and the Proposed Budget for the 2026-2028 Biennium
HB/SB 29 and HB/SB 30
2026 General Assembly Session**

*A briefing for the Joint Meeting of the Senate Finance and Appropriations Committee,
the House Appropriations Committee, and the House Finance Committee*

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Michael D. Maul

Director

Virginia Department of Planning and Budget

Highlights of the Governor's Introduced Caboose Amendments

- Includes a total of 30 general fund operating budget amendments of which 15 involve technical changes that result in **\$247.8 million** in general fund appropriation reductions and 15 that involve increases in general fund appropriation by \$1.1 billion for a net total general fund appropriation increase of **\$857.9 million**.
- General Fund appropriation reductions in the introduced Caboose bill are primarily technical results of Debt Service savings and K-12 updates to formula driven funding models.
- General Fund appropriation increases in the introduced Caboose bill include Medicaid and Children's Services Act forecast items, a deposit to the Revenue Reserve Fund, the provision of a 2% bonus for state employees, state supported public school instructional and support positions, and other state supported local employees, support for inmate medical costs and State Police operations, and higher education funding for VMSDEP waivers and interest earnings.

The Top 10 Caboose GF Spending Reduction Amendments Make Up 97.8% of the Total

Secretarial Area	Agency	Title	FY 2026	% Of Total
Education	197: Direct Aid to Public Education	Update Average Daily Membership projections	(\$110,640,906)	44.6%
Education	197: Direct Aid to Public Education	Update Lottery proceeds for public education	(\$48,291,508)	19.5%
Education	197: Direct Aid to Public Education	Update English Language Learner data	(\$30,164,930)	12.2%
Finance	155: Treasury Board	Capture debt service savings	(\$18,648,168)	7.5%
Health and Human Resources	602: Department of Medical Assistance Services	Fund medical assistance services for low-income children utilization and inflation	(\$8,922,388)	3.6%
Education	197: Direct Aid to Public Education	Update Incentive Programs	(\$7,233,835)	2.9%
Health and Human Resources	602: Department of Medical Assistance Services	Remove duplicative members enrolled in other states	(\$6,247,833)	2.5%
Health and Human Resources	765: Department of Social Services	Fund the child welfare forecast	(\$4,413,615)	1.8%
Education	197: Direct Aid to Public Education	Update Remedial Summer School program participation	(\$3,996,186)	1.6%
Education	197: Direct Aid to Public Education	Update Lottery supported programs	(\$3,934,920)	1.6%
Subtotal of Top 10 Caboose GF Reductions			(\$242,494,289)	97.8%
Subtotal of Remaining Caboose GF Reduction			(\$5,360,278)	2.2%
Total of All Caboose GF Reduction Amendments			(\$247,854,567)	100.0%

The Top 10 Caboose GF Spending Increase Amendments Make Up 99.3% of the Total

Secretarial Area	Agency	Title	FY 2026	% Of Total
Health and Human Resources	602: Department of Medical Assistance Services	Fund Medicaid utilization and inflation (forecast)	\$410,305,498	37.1%
Finance	162: Department of Accounts Transfer Payments	Appropriate required Revenue Reserve Fund deposit	\$312,330,340	28.2%
Central Appropriations	995: Central Appropriations	Provide bonus payment for state and state-supported local employees	\$124,659,280	11.3%
Education	197: Direct Aid to Public Education	Support bonus payment for instructional and support staff	\$106,464,312	9.6%
Public Safety and Homeland Security	156: Department of State Police	Provide additional support for operations	\$50,264,436	4.5%
Public Safety and Homeland Security	799: Department of Corrections	Increase funding for inmate medical costs	\$24,905,558	2.3%
Health and Human Resources	200: Children's Services Act	Fund the Children's Services Act forecast	\$20,731,180	1.9%
Education	245: State Council of Higher Education for Virginia	Appropriate general fund surplus dedicated to waiver programs	\$20,000,000	1.8%
Health and Human Resources	602: Department of Medical Assistance Services	Fund Family Access to Medical Insurance Security utilization and inflation (forecast)	\$16,193,616	1.5%
Central Appropriations	995: Central Appropriations	Adjust appropriation for higher education credit card rebates and interest earnings	\$12,409,514	1.1%
Subtotal of Top 10 Caboose GF Increase Amendments			\$1,098,263,734	99.3%
Subtotal of Remaining Caboose GF Increase Amendments			\$7,517,337	0.7%
Total of All Caboose GF Increase Amendments			\$1,105,781,071	100.0%

Highlights of the Governor's Proposed Additional Funding for 2026-2028

The starting point for proposed 2026-2028 biennium general fund appropriation is the FY 2026 level of funding authorized in Chapter 725 of the 2025 Session.



This is adjusted via technical Base Budget Adjustments to reflect the removal of one-time items funded in FY 2026 and to move centrally funded amounts for 2024-2026 biennium salary increases and other costs to agency budgets.



The 2026-2028 introduced budget includes \$4.7 billion in additional General Fund operating funding over the biennium.

	FY 2027 GF	FY 2028 GF	Biennial Total
Base Budgets (Equal to Chapter 725 FY 2026)	\$32,718,285,329	\$32,718,285,329	\$65,436,570,658
Technical Base Budget Adjustments	(\$44,775,182)	(\$44,775,182)	(\$89,550,364)
<i>Additional Operating Funding</i>	\$2,086,715,475	\$2,661,234,895	\$4,747,950,370
	<u>\$34,760,225,622</u>	<u>\$35,334,745,042</u>	<u>\$70,094,970,664</u>

Highlights of the Governor's Proposed Additional 2026-2028 Funding (continued)

Over 97% of the total proposed General Fund appropriation change occurs in 15 agencies:

Agency	GF FY 2027	GF FY 2028	Biennial Total	% of Total
Department of Medical Assistance Services	\$932,294,255	\$1,466,729,594	\$2,399,023,849	50.5%
Direct Aid to Public Education	\$240,406,904	\$438,226,429	\$678,633,333	14.3%
Central Appropriations	\$195,397,383	\$389,445,198	\$584,842,581	12.3%
Department of Conservation and Recreation	\$145,871,142	\$0	\$145,871,142	3.1%
Department of Environmental Quality	\$157,093,855	(\$34,969,929)	\$122,123,926	2.6%
Department of Social Services	\$50,918,466	\$70,796,462	\$121,714,928	2.6%
Department of State Police	\$52,903,575	\$61,514,400	\$114,417,975	2.4%
Children's Services Act	\$34,093,117	\$68,612,455	\$102,705,572	2.2%
Treasury Board	\$20,044,706	\$47,884,631	\$67,929,337	1.4%
Department of Corrections	\$28,933,884	\$30,557,859	\$59,491,743	1.3%
State Council of Higher Education for Virginia	\$20,664,065	\$37,048,130	\$57,712,195	1.2%
Economic Development Incentive Payments	\$14,307,753	\$38,861,037	\$53,168,790	1.1%
General District Courts	\$23,526,968	\$23,526,968	\$47,053,936	1.0%
Virginia Port Authority	\$35,000,000	\$0	\$35,000,000	0.7%
Virginia Innovation Partnership Authority	\$34,300,000	(\$700,000)	\$33,600,000	0.7%
Subtotal of Top 15 Total Agency GF Changes:	\$1,985,756,073	\$2,637,533,234	\$4,623,289,307	97.4%
Subtotal of remaining GF Changes:	\$100,959,402	\$23,701,661	\$124,661,063	2.6%
TOTAL, ALL GF CHANGES:	\$2,086,715,475	\$2,661,234,895	\$4,747,950,370	100.0%

Health and Human Resources Proposals

- \$2.9 billion (GF) to cover the ongoing cost of Medicaid, Children's Services Act services, and children's health care.
 - This amount is offset by \$644.8 million (GF) of savings generated by strategies to contain costs and enhance program integrity.
- \$103.9 million (GF) to address federal changes to the SNAP program.
- \$59.3 million (GF) to support the cost of increasing development disability waiver services rates pursuant to the permanent injunction resulting from the settlement agreement with the Department of Justice.
- \$43.4 million (GF) to fund child welfare system initiatives that increase accountability, strengthen the child welfare workforce, centralize child protective services intake, and further child safety.

Amounts are biennial totals.

Direct Aid to Public Education Proposals

- \$543.8 million GF to fully fund the state share of rebenchmarking and other routine, non-policy updates for the 2026-2028 biennium.
 - Net cost after savings realized from data updates to local composite index, VRS and OPEB rates, student enrollment, and other Direct Aid programs.
- \$382.9 million GF for a two percent salary increase in FY 2027 and an additional two percent salary increase in FY 2028 for instructional and support positions.
- \$137.6 million GF to support additional Child Care Subsidy Program slots for children ages birth to five, redirected from Virginia Preschool Initiative nonparticipation savings.
- \$299.0 million NGF to support additional school construction grants.

Amounts are biennial totals.

Higher Education Proposals

- \$40.0 million GF and \$150.0 million NGF for increased support of VMSDEP waivers.
 - Brings total support to \$160.0 million each year (\$85M GF, \$75M NGF).
- \$27.5 million GF for increased operating support at public two- and four-year institutions.
- \$24.8 million GF and \$11.9 million NGF to adjust appropriation for higher education credit card rebates and interest earnings.
- \$15.0 million GF for increased need-based financial aid for in-state undergraduates.
- \$13.6 million GF and \$13.6 million NGF for increased support of workforce credentialing (Workforce Credential Grant / FastForward).
- \$11.4 million GF to expand nursing, medical, and other health sciences education.
- \$2.5 million GF for increased support of VMSDEP stipends.

Amounts are biennial totals.

Centrally Funded Cost Adjustment Proposals

- \$402.9 million GF for a two percent salary increase for state employees and state supported local employees in FY 2027 and an additional two percent salary increase in FY 2028.
- \$243.5 million GF for the employer cost of increased state employee health insurance plan premiums.
- \$29.1 million GF for adjustments to state agency information technology costs.
- \$17.7 million GF for adjustments for state employee workers compensation and Line of Duty Act premium changes.
- \$10.3 million GF for other agency charges such as insurance programs, rent, and Cardinal Financials/Human Capital Management system charges.
- \$145.2 million in **GF savings** resulting from the Virginia Retirement System certified rates for state employee retirement and other benefit programs.

Amounts are biennial totals.

Water Quality Funding Proposals

- \$144.1 million GF to support the Virginia Agricultural Cost-Share Program and the Water Quality Improvement Fund at the Department of Conservation and Recreation (DCR). (Includes \$107.9 from year-end surplus deposit calculations).
 - The GF amount, added to \$83.3 million from the Water Quality Improvement Fund reserve and \$58.0 million from interest earnings in the Natural Resources Commitment Fund, **provides a total of \$286 million in support** for the Virginia Agricultural Cost Share Program (\$279.1 million) and other programs (\$6.9 million).
- \$140.6 million GF for deposit to the Water Quality Improvement Fund for the Enhanced Nutrient Removal Certainty Program at the Department of Environmental Quality (DEQ) to meet the state's commitment under a grant to support the Hampton Roads Sanitation District Boat Harbor Treatment Plant project.
- \$43.5 million GF for deposit to the Stormwater Local Assistance Fund at DEQ to support Municipal Separate Storm Sewer System permitted localities in FY 2027.

Amounts are biennial totals.

Economic Development Proposals

- \$45.4 million GF and \$3.5 million NGF for custom and discretionary economic incentive grant programs administered by the Virginia Economic Development Partnership (VEDP).
- \$35.0 million GF to complete design and perform necessary site improvements for an inland port in Washington County.
- \$35.0 million GF for phase two development at the University of Virginia's Institute for Biotechnology.
- \$10.0 million GF for the Virginia Business Ready Sites Program, bringing the total to \$30.0 million in the first year and \$50 million over the biennium.
- \$5.0 million GF for the Virginia Sports Tourism Incentive Grants Program managed by the Virginia Tourism Authority (VTA).

Amounts are biennial totals.

Public Safety and Veterans Services Proposals

- \$95.8 million GF to support three basic trooper schools of 100 trooper candidates per class at the Department of State Police.
- \$59.7 million GF to cover inmate medical costs at the Department of Corrections.
- \$18.6 million GF for State Police phase two information technology transformation.
- \$12 million GF to provide support for disaster management at the Department of Emergency Management.
- \$9.2 million GF to provide 71 sheriff deputies and 18 local administrative support positions to sheriff offices across the state.
- \$9.1 million to provide for the cost of start-up operations at Puller Veterans Care Center.

Amounts are biennial totals.

Summary of Proposed Capital Funding

2026-2028 Proposed Capital Outlay

Dollars in millions

Capital Grand Totals	FY 2027	FY 2028	Biennial Total
General Fund (GF)	\$690.0	\$200.0	\$890.0
State-Supported Bonds	\$890.0	\$220.0	\$1,110.0
Total State Support	\$1,580.0	\$420.0	\$2,000.0
9(d) Revenue Bonds	\$123.6	-	\$123.6
Nongeneral funds (NGF)	\$367.2	\$171.6	\$538.7
Total NGF Support	\$490.8	\$171.6	\$662.3

2026-2028 Proposed Capital Outlay

Dollars in millions

<u>Fund Maintenance Reserve</u>	\$400.0 GF
Funding to address maintenance needed for continued use of buildings, systems, or equipment	\$25.5 NGF
<u>Fund 11 projects addressing maintenance & infrastructure needs</u>	\$49.7 GF
Funding to address deferred maintenance and other maintenance and infrastructure needs at DMA, VSU, LU, UMW, JMU, CNU, GMU, VCCS, DWR, DJJ, and DVS	\$152.3 VCBA/VPBA
<u>Fund 3 projects addressing life & safety issues</u>	\$33.0 GF
Funding to improve campus safety, accessibility, and efficiency (LU); upgrade mass communication system (VSDB); and repair, renovate and upgrade DBHDS facilities	\$14.9 VCBA/VPBA
<u>Fund 8 new buildings or expansions</u>	\$353.9 GF
Funding to construct courts building (DGS), expand Virginia Tech-Carilion School of Medicine and Fralin Biomedical Research Institute (VPISU), construct Leadership and Ethics facility (VMI), acquire Altria building (VCU), construct School of Dentistry building (VCU), expand Center for Manufacturing Advancement (IALR), construct engineering and arts building (ODU), and construct marine operations administration complex (VIMS)	\$942.7 VCBA/VPBA \$48.8 NGF \$37.3 9(d)
<u>Fund equipment obligations</u>	\$51.9 GF
Funding to equip 6 previously authorized projects nearing completion and the Tech Talent Investment Program (TTIP)	
<u>Fund planning for 5 projects</u>	\$1.6 GF
Funding to plan a new pharmacy office (DGS), geothermal field (CWM), Sunken Garden district renovation (CWM), engineering building (UVA), and utility system modernization (DJJ)	\$12.4 NGF
<u>Authorize 15 projects from revenue bonds and other nongeneral fund sources</u>	\$452.0 NGF
12 projects funded from nongeneral funds and 3 projects at institutions of higher education using 9(d) revenue bonds	\$86.3 9(d)

State-Supported Debt Authorizations (VPBA/VCBA)

Dollars in millions

Purpose	FY 2027	FY 2028	Biennial Total
Maintain state infrastructure and facilities	\$152.3	-	\$152.3
Address life and safety issues	\$14.9	-	\$14.9
New buildings and expansions	\$722.7	\$220.0	\$942.7
Higher education equipment trust fund	\$97.7	\$97.7	\$195.3
Grand Total Impacting Debt Capacity	\$987.6	\$317.7	\$1,305.3

Summary of Proposed General Fund Appropriation Changes

Summary of Introduced General Fund Appropriation Changes By Budget Driver

	FY 2026	FY 2027	FY 2028	Biennium
Chapter 725, 2025 Session, Operating Legislative Appropriation (Base Budget)	\$32,718,285,329	\$32,718,285,329	\$32,718,285,329	\$65,436,570,658
<i>Introduced Base Adjustments and Operating Changes By Budget Driver</i>				
Medical Assistance Services	\$415,898,431	\$915,567,353	\$1,448,893,909	\$2,364,461,262
K-12 Education	(\$101,298,318)	\$250,277,958	\$444,697,483	\$694,975,441
Higher Education	\$20,000,000	\$232,332,170	\$202,186,953	\$434,519,123
Reserve Deposits	\$312,330,340	\$0	\$0	\$0
Agriculture and Forestry / Natural Resources	\$0	\$314,443,965	(\$23,650,961)	\$290,793,004
Other Public Safety	\$50,264,436	\$97,935,054	\$106,135,156	\$204,070,210
Corrections	\$24,905,558	\$87,853,765	\$89,477,740	\$177,331,505
Other Health and Human Resources	(\$3,808,385)	\$68,416,962	\$81,824,896	\$150,241,858
Children's Services Act	\$20,731,180	\$35,496,048	\$71,124,169	\$106,620,217
Non-Executive Branch	\$0	\$57,558,628	\$58,906,437	\$116,465,065
Compensation Board	\$0	\$56,361,237	\$56,361,237	\$112,722,474
Commerce and Trade / Labor	(\$1,804,243)	\$53,752,546	\$38,305,830	\$92,058,376
Behavioral Health/Dev Services	\$0	\$40,746,712	\$40,496,712	\$81,243,424
Debt Service	(\$18,648,168)	\$20,044,706	\$47,884,631	\$67,929,337
Transportation	\$0	\$35,000,000	\$0	\$35,000,000
General Government	\$0	\$14,443,359	\$9,096,190	\$23,539,549
Veterans and Defense Affairs	\$1,788,263	\$14,342,335	\$6,089,440	\$20,431,775
Other Education	\$0	\$9,929,689	\$7,144,270	\$17,073,959
Central Appropriations	\$137,567,410	(\$262,562,194)	(\$68,514,379)	(\$331,076,573)
<i>Subtotal, Introduced Base Adjustments and Operating Funding Changes</i>	\$857,926,504	\$2,041,940,293	\$2,616,459,713	\$4,658,400,006
Total GF Operating Appropriation HB/SB 29 and HB/SB 30 Introduced	\$33,576,211,833	\$34,760,225,622	\$35,334,745,042	\$70,094,970,664
Chapter 725, 2025 Session, Capital Legislative Appropriation	\$200,000,000	\$0	\$0	\$0
<i>Introduced Capital Changes</i>	\$0	\$690,031,538	\$200,000,000	\$890,031,538
Total GF Capital Appropriation HB/SB 29 and HB/SB 30 Introduced	\$200,000,000	\$690,031,538	\$200,000,000	\$890,031,538
Total GF Appropriation (Operating plus Capital) HB/SB 29 and HB/SB 30 Introduced	\$33,776,211,833	\$35,450,257,160	\$35,534,745,042	\$70,985,002,202

Summary of Introduced General Fund Operating Totals By Budget Driver

<i>Total GF Operating Appropriation by Budget Driver (Introduced Budget)</i>	FY 2026	FY 2027	FY 2028	Biennium
K-12 Education	\$10,148,755,832	\$10,500,332,108	\$10,694,751,633	\$21,195,083,741
Medical Assistance Services	\$8,038,519,706	\$8,538,188,628	\$9,071,515,184	\$17,609,703,812
Higher Education	\$3,680,491,761	\$3,892,823,931	\$3,862,678,714	\$7,755,502,645
Behavioral Health/Dev Services	\$1,583,985,343	\$1,624,732,055	\$1,624,482,055	\$3,249,214,110
Corrections	\$1,512,438,954	\$1,575,387,161	\$1,577,011,136	\$3,152,398,297
Other Public Safety	\$1,213,127,548	\$1,260,798,166	\$1,268,998,268	\$2,529,796,434
Other Health and Human Resources	\$1,009,154,890	\$1,081,380,237	\$1,094,788,171	\$2,176,168,408
Debt Service	\$992,960,761	\$1,031,653,635	\$1,059,493,560	\$2,091,147,195
Compensation Board	\$925,578,427	\$981,939,664	\$981,939,664	\$1,963,879,328
Personal Property and Other Tax Relief	\$950,000,000	\$950,000,000	\$950,000,000	\$1,900,000,000
Non-Executive Branch	\$826,607,487	\$884,166,115	\$885,513,924	\$1,769,680,039
Children's Services Act	\$464,747,087	\$479,511,955	\$515,140,076	\$994,652,031
Commerce and Trade / Labor	\$419,578,981	\$475,135,770	\$459,689,054	\$934,824,824
Central Appropriations	\$625,757,441	\$225,627,837	\$419,675,652	\$645,303,489
Agriculture and Forestry / Natural Resources	\$323,532,886	\$637,976,851	\$299,881,925	\$937,858,776
General Government	\$344,633,724	\$359,077,083	\$353,729,914	\$712,806,997
Other Education	\$119,294,663	\$129,224,352	\$126,438,933	\$255,663,285
Reserve Deposits	\$312,330,340	\$0	\$0	\$0
Veterans and Defense Affairs	\$59,185,756	\$71,739,828	\$63,486,933	\$135,226,761
Transportation	\$25,530,246	\$60,530,246	\$25,530,246	\$86,060,492
Total GF Operating Appropriation HB/SB 29 and HB/SB 30 Introduced	\$33,576,211,833	\$34,760,225,622	\$35,334,745,042	\$70,094,970,664

For More Details About Governor Youngkin's Introduced Budget

Please refer to the Department of Planning and Budget's website:

<http://dpb.virginia.gov/>