ECONOMIC AND REVENUE REVIEW AND UPDATE

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TOPICS FOR DISCUSSION

ECONOMIC UPDATE

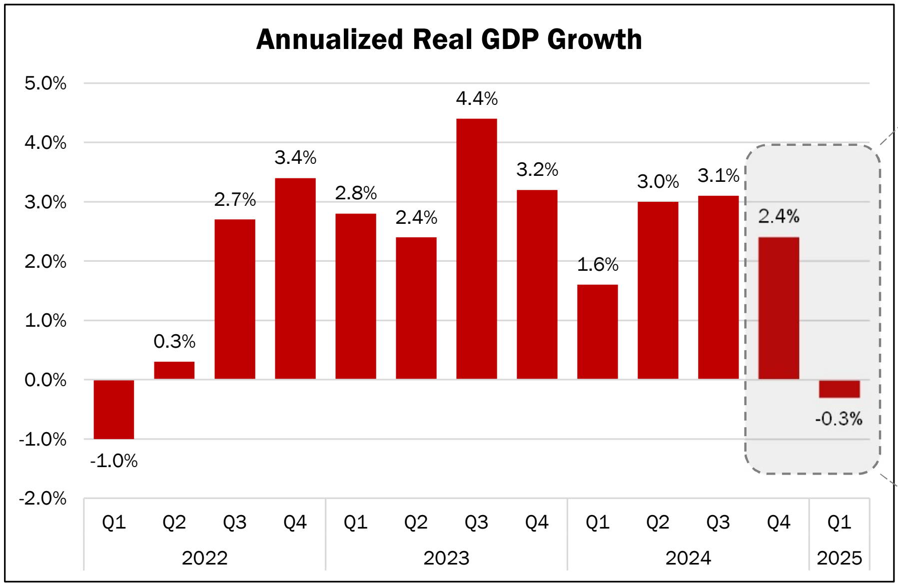
APRIL YEAR-TO-DATE GENERAL FUND REVENUES

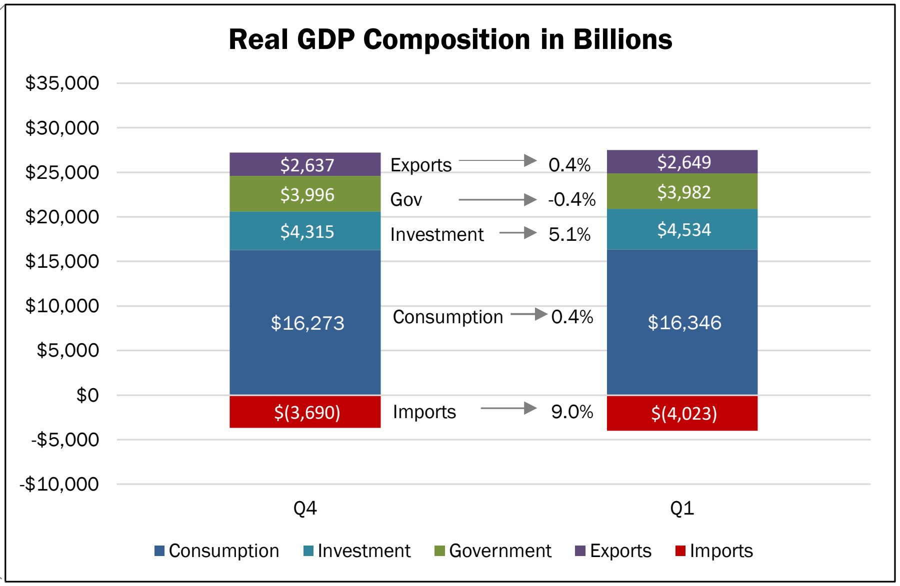
LOOKING AHEAD

SUMMARY

- Revenue collections are on track to meet the FY 2025 forecast which anticipates a revenue surplus of $2.1 billion over the Common Ground Budget revenue projections (Chapter 2, 2024 Special Session I).
  - Year-to-date revenues are $1,485.9 million (6.3%) ahead of last year and $211.1 million (0.8%) ahead of forecast.
  - April revenues were $322.4 million (8.8%) above last year and $126.4 million (3.3%) above forecast.
  - Year-to-date, net individual income and sales are both within 1.0 percent of forecast. Individual income has been experiencing high receipts in non-withholding balanced against high refunds.
  - Year-to-date payroll withholding, the single largest source in the general fund, is 6.3 percent ahead of last year.
  - For the month of April, withholding grew 4.5 percent but fell short of forecast by $170.2 million (-10.6%). Further analysis indicates this variance is attributable to a day-of-week timing issue and May revenues are likely to offset this shortfall.
  - Sales and corporate income tax collections both exceeded forecast in April.
  - Year-over-year revenue collections for the remaining two months can decline by up to 4.7 percent and still meet forecast.
- Most recent statistics continue to indicate an economy that is performing consistent with recent trends.
  - Job growth has remained steady at the national level and after two months of modest declines, Virginia added 5,900 jobs in March.
  - Retail sales remain positive.
  - Inflation continues a downward trend.
- Virginia's financial strength gives us confidence in our forecast, However, as we approach FY 2026, there may be short term disruptions as federal actions seek to reset trade balances and fiscal policy. These developments justify a cautious approach to revenues.

GDP GROWTH TURNED NEGATIVE DUE TO INCREASED IMPORTS

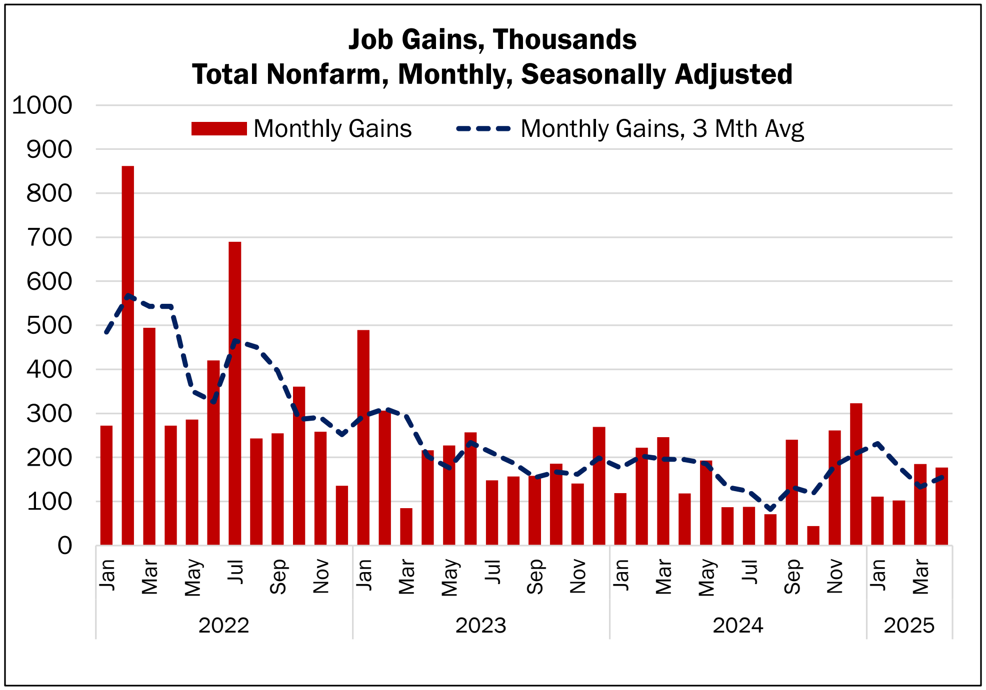




Source: US Bureau of Economic Analysis.

- Headline GDP dropped sharply from 2.4 percent annualized growth in Q4 to an estimated -0.3 percent growth in Q1.
- Decomposing by source shows that most sources remained relatively steady.
- Imports, however, increased significantly as consumers rushed to preempt tariffs – growing 9 percent on an annualized basis.
- The growth in imports with minimal movement in exports led to an annualized growth in net exports of over 30 percent.

U.S. NONFARM PAYROLLS INCREASED IN APRIL

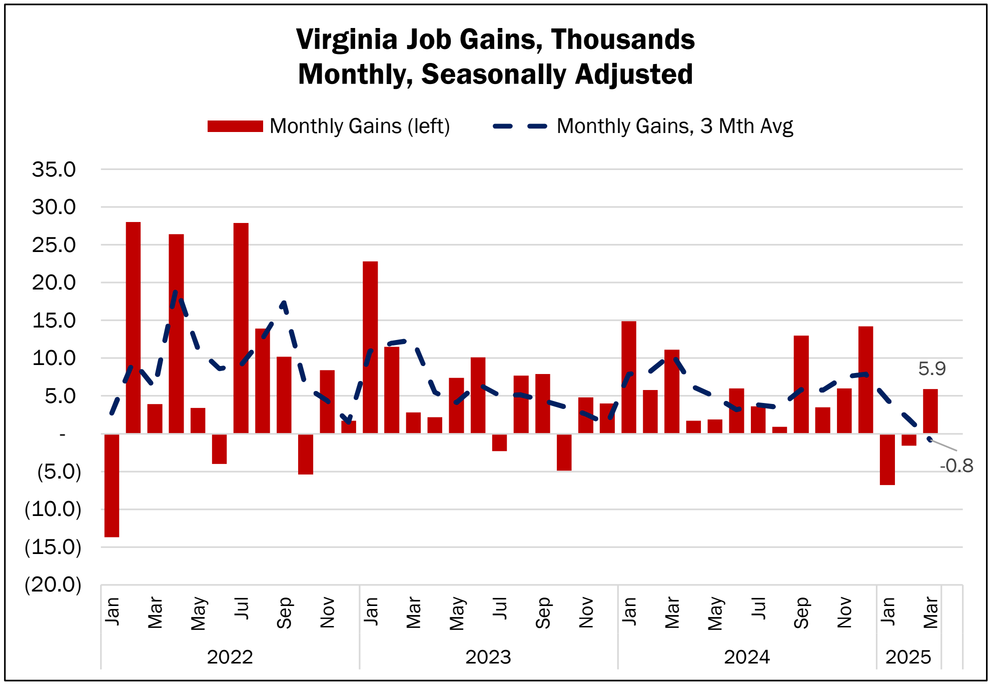


Source: US Bureau of Labor Statistics.

- U.S. total nonfarm payroll employment increased by 177,000 in April, higher than the average monthly gain of 152,000 over the prior 12 months.
- Monthly gain calculated on three-month moving averages increased to 155,000 in April from 133,000 in March.
- The largest contributors to job growth in April were Education & Health Services (+70,000), Trade, Transport, & Utility (+32,000), and Leisure & Hospitality (+24,000). Growth was constrained by losses in Manufacturing (-1,000) and Other Services (-1,000). Total government employment grew by 10,000, but Federal employment declined by 9,000.
- In April, the unemployment rate remained unchanged from March at 4.2.

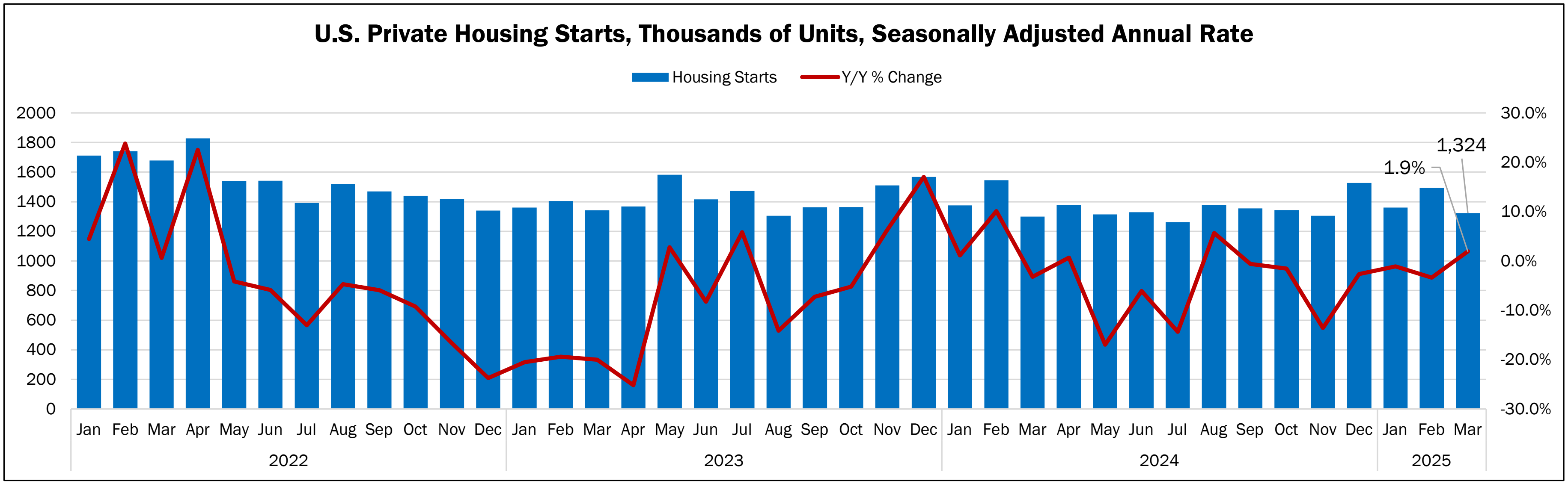
VIRGINIA ADDED 5,900 JOBS IN MARCH

- In March, Virginia's nonagricultural employment, from the monthly establishment survey increased by 5,900, a 1.1 percent year-over-year gain. The 3-month moving average for monthly job gains turned slightly negative to -833.
- Compared to February, March total nonagricultural employment grew 0.1 percent.
- The overall gains in March are mostly attributable to strong hiring in the Construction (+7,200) and Education & Health Services (+2,200) sectors, constrained by job losses in the Professional & Business Services (-4,400), Government (-2,400), Information (-300), and Other Services (-300) sectors.
- Federal employment in Virginia fell by 4,100 according to the March preliminary measure.



Source: Current Population Survey, US Bureau of Labor Statistics

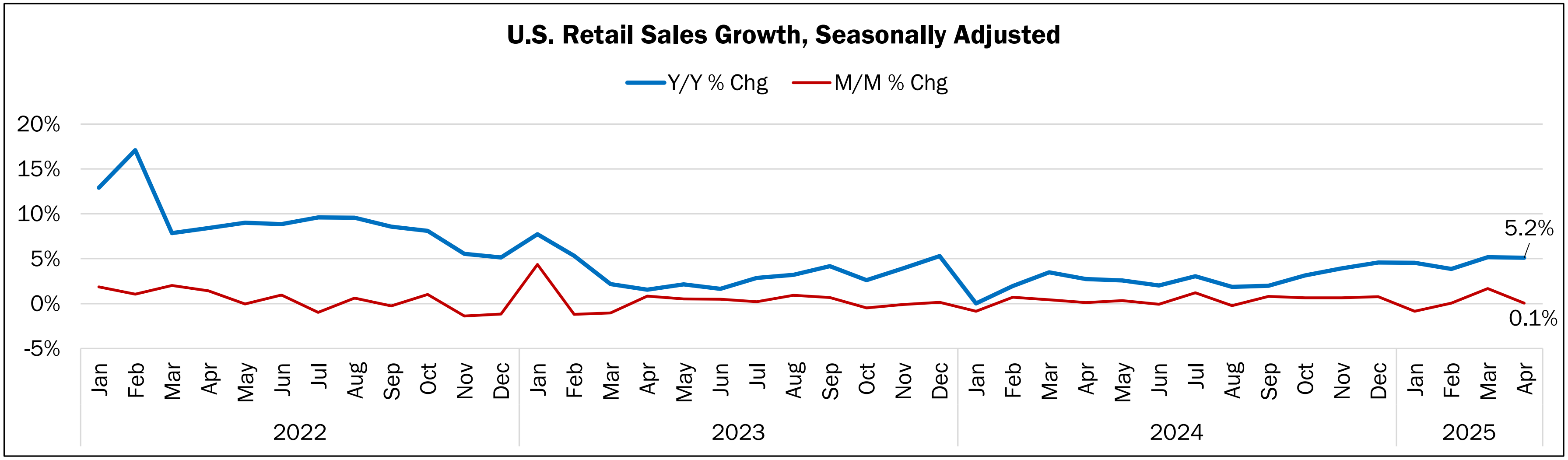
U.S. NEW HOUSING STARTS RETURNS TO POSITIVE YEAR-OVER-YEAR GROWTH IN MARCH



Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development via FRED

- New private housing starts increased by 1.9 percent (+25,000) year-over-year in March for a seasonally adjusted annual rate of 1.3 million new starts for the month.
- March’s housing starts measure is the first positive year-over-year growth measured since August 2024.

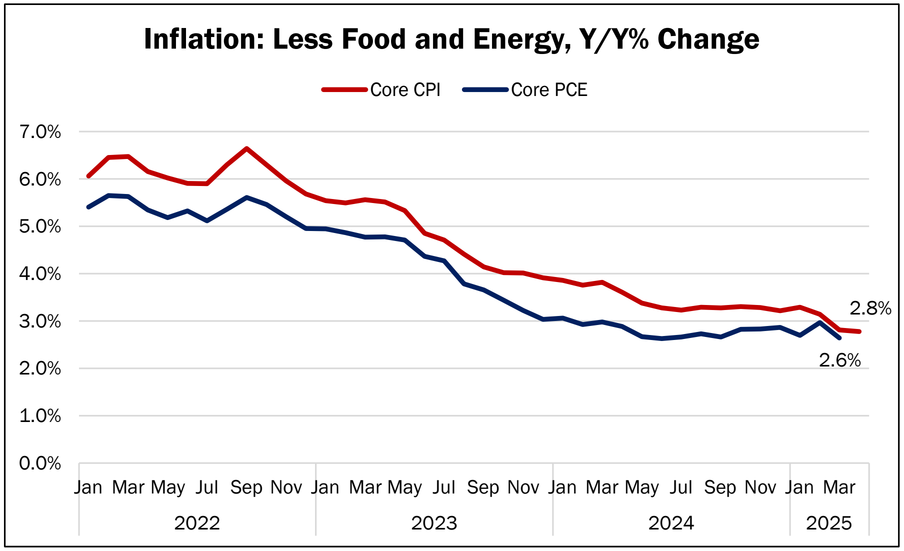
NATIONAL RETAIL TRADE GROWTH REMAINED POSITIVE

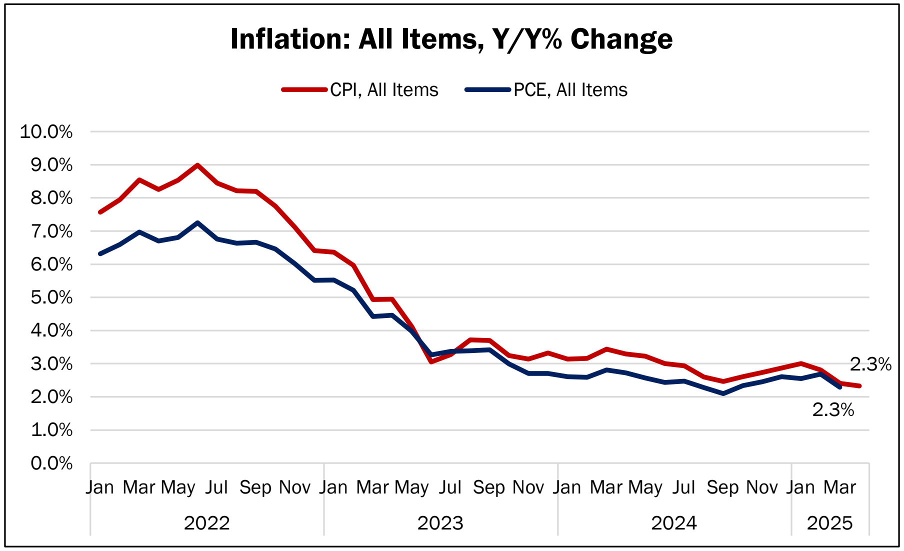


Source: U.S. Census Bureau

- Retail sales, including food and drink services, increased by 0.1 percent in April compared to March and continues the recent year-over-year increase staying over 5 percent.
- The recent increase is likely driven by consumers making purchases before tariffs increase prices.

INFLATION CONTINUES TO EASE IN APRIL AFTER A SMALL HIKE TO END 2024





- Core CPI, which excludes volatile food and energy, remained stable in April at 2.8 percent year-over-year increase, while core PCE decreased to 2.6 percent in March from 3.0 in February. PCE data for April will be released on May 30th.
- All items CPI decreased in April to 2.3 percent yearly growth from 2.4 percent in March. All items PCE decreased to 2.3 percent yearly growth in March from 2.7 percent growth in February.

REVENUES GREW SUBSTANTIALLY, DRIVEN BY NONWITHHOLDING

	April				FYTD			
SOURCE, $ Mil	**FY 24**	**FY 25**	**Change $**	**Change %**	**FY 24**	**FY 25**	**Change $**	**Change %**
Withholding	$1,379.8	$1,441.8	$62.0	4.5%	$13,863.5	$14,743.4	$880.0	6.3%
Non-withholding	1,781.3	2,170.7	389.4	21.9%	5,049.2	5,807.1	758.0	15.0%
IIT Refunds	(610.5)	(661.2)	(50.7)	8.3%	(2,716.4)	(2,898.9)	(182.5)	6.7%
Net Individual Income	$2,550.6	$2,951.3	$400.7	15.7%	$16,196.2	$17,651.7	$1,455.4	9.0%
Sales & Use Tax	400.8	417.8	17.0	4.2%	3,906.3	3,973.0	66.7	1.7%
Corporate Gross	509.3	464.4	(44.9)	-8.8%	1,917.9	1,807.1	(110.8)	-5.8%
Corporate Refunds	(19.4)	(21.1)	(1.7)	8.5%	(320.3)	(328.2)	(7.9)	2.5%
Net Corporate Income Tax	489.9	443.3	(46.6)	-9.5%	1,597.6	1,478.9	(118.7)	-7.4%
Insurance	162.4	178.1	15.8	9.7%	309.8	370.0	60.2	19.4%
Wills, Suits, Deeds	38.6	40.4	1.8	4.6%	324.9	380.0	55.1	17.0%
Interest Income	(23.1)	(88.1)	(65.0)	280.7%	645.1	555.9	(89.3)	-13.8%
All Other	47.0	45.8	(1.2)	-2.6%	613.9	670.4	56.4	9.2%
Total GF Revenues	**$3,666.1**	**$3,988.5**	**$322.4**	**8.8%**	**$23,593.9**	**$25,079.8**	**$1,485.9**	**6.3%**

- Revenues grew $322.4 million (8.8%) in April year-over-year. Year-to-date revenues have grown 6.3 percent ($1.49B).
- Withholding increased $62.0 million (4.5%).
- Nonwithholding was up $389.4 million (21.9%) driven by both final payments for Tax Year 24 and current estimated payments.
- Refunds continue to exceed last year, driven by higher-than-average refund size.
- Sales and Use Tax revenues grew $17.0 million (4.2%) in April.

APRIL COLLECTIONS EXCEEDED FORECAST; YEAR-TO-DATE SURPLUS TICKS UP

	April				FYTD			
SOURCE, $ Mil	**Actuals**	**Projected**	**Variance $**	**Variance %**	**Actuals**	**Projected**	**Variance $**	**Variance %**
Withholding	$1,441.8	$1,612.0	($170.2)	-10.6%	$14,743.4	$14,790.0	($46.6)	-0.3%
Non-withholding	2,170.7	1,760.0	410.6	23.3%	5,807.1	5,282.1	525.1	9.9%
IIT Refunds	(661.2)	(524.5)	(136.6)	26.1%	(2,898.9)	(2,511.6)	(387.3)	15.4%
Net Individual Income	$2,951.3	$2,847.5	$103.7	3.6%	$17,651.7	$17,560.5	$91.2	0.5%
Sales & Use Tax	417.8	408.8	9.0	2.2%	3,973.0	3,978.7	(5.7)	-0.1%
Corporate Income Tax	443.3	393.3	50.0	12.7%	1,478.9	1,458.9	20.0	1.4%
Insurance	178.1	176.3	1.8	1.0%	370.0	309.5	60.5	19.6%
Wills, Suits, Deeds	40.4	41.7	(1.4)	-3.2%	380.0	363.5	16.5	4.5%
Interest Income	(88.1)	(51.4)	(36.7)	71.3%	555.9	565.7	(9.8)	-1.7%
All Other	45.8	46.0	(0.2)	-0.4%	670.4	631.9	38.4	6.1%
Total GF Revenues	**$3,988.5**	**$3,862.1**	**$126.4**	**3.3%**	**$25,079.8**	**$24,868.7**	**$211.1**	**0.8%**

- Revenues exceeded projections in the introduced budget for the month by $126.4 million (3.3%).
- Year-to-date, revenues are ahead of projections by $211.1 million (0.8%).
- The largest variances occurred within individual income tax. Final nonwithholding payments were made for the prior tax year. The forecast took a conservative approach in this source, but market strength in Tax Year 2024 led to exceptional growth.
- Offsetting this gain was the continued elevation in individual refunds which are driven by the increased standard deduction.
- A day-of-week timing issue led to a negative variance in withholding.
- Indications are the day of week timing issue may reverse in May, though it is not guaranteed. This is discussed in greater detail later.

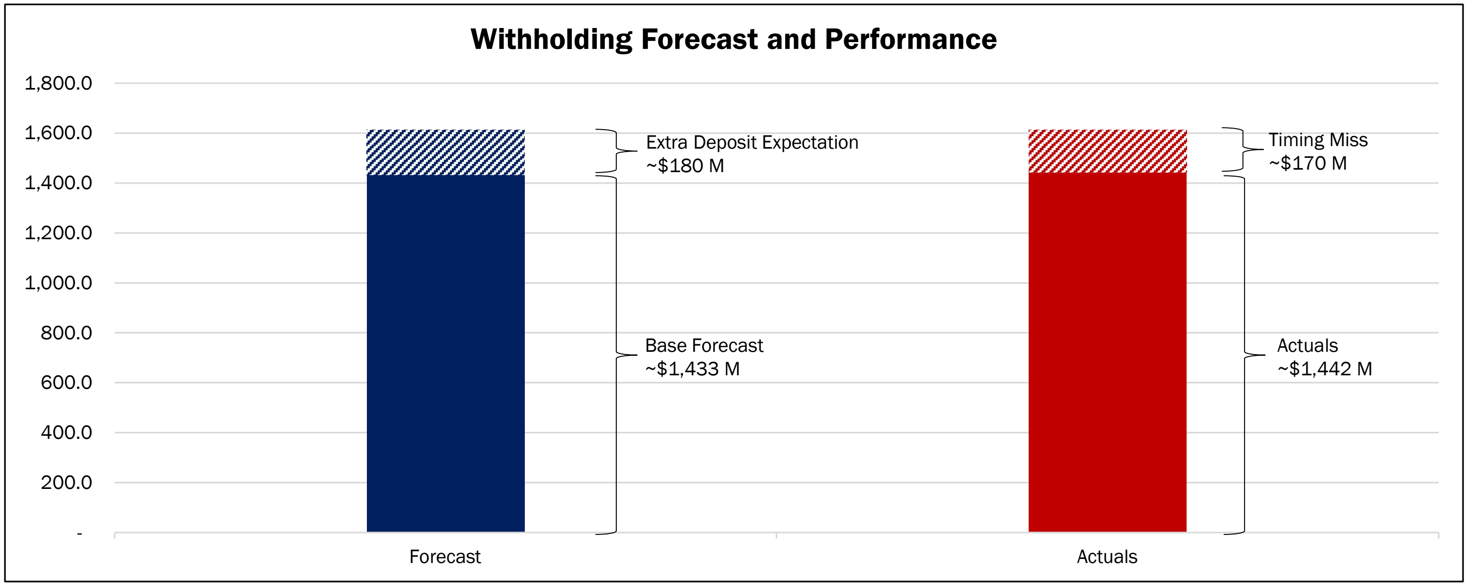
REVENUES CAN DECLINE 4.7 PERCENT AND STILL MAKE FORECAST

SOURCE, $ Mil	FY24 Thru April	FY25 Thru April	FY24 Remaining	FY25 Remaining	YTD Growth	May-Jun Growth Needed to Meet Budget [1]	May-Jun Growth Included in Forecast [2]	Forecasted Annual Growth [3]
Withholding	$13,863.5	$14,743.4	$2,854.8	$2,837.4	6.3%	-0.6%	-2.2%	5.2%
Non-withholding	5,049.2	5,807.1	1,514.5	981.8	15.0%	-35.2%	-0.5%	3.4%
IIT Refunds	(2,716.4)	(2,898.9)	(255.1)	87.3	6.7%	-134.2%	17.6%	-5.4%
Net Individual Income	$16,196.2	$17,651.7	$4,114.2	$3,906.5	9.0%	-5.0%	-2.8%	6.1%
Sales & Use Tax	3,906.3	3,973.0	803.3	825.0	1.7%	2.7%	2.0%	1.9%
Corporate Income Tax	1,597.6	1,478.9	309.5	312.6	-7.4%	1.0%	7.5%	-6.1%
Insurance	309.8	370.0	158.4	115.7	19.4%	-26.9%	11.3%	3.7%
Wills, Suits, Deeds	324.9	380.0	81.6	77.6	17.0%	-4.9%	15.3%	12.6%
Interest Income	645.1	555.9	54.6	61.3	-13.8%	12.2%	-5.9%	-11.8%
All Other	613.9	670.4	332.7	282.5	9.2%	-15.1%	-3.5%	0.7%
Total GF Revenues	**$23,593.9**	**$25,079.8**	**$5,854.3**	**$5,581.2**	**6.3%**	**-4.7%**	**-1.1%**	**4.1%**

Notes: (1.) May to June Y/Y growth needed to meet full FY 2025 forecast. (2.) May to June Y/Y growth assumed in forecast (3.) Full FY 2025 forecasted growth.

- The introduced forecast predicted a 4.1% growth rate for the full fiscal year.
- To date, revenues have grown 6.3 percent.
- To meet forecast over the remaining two months, revenues can decline 4.7 percent.
- The 4.7 percent cushion is expected to benefit from the aforementioned correction in withholding revenues.

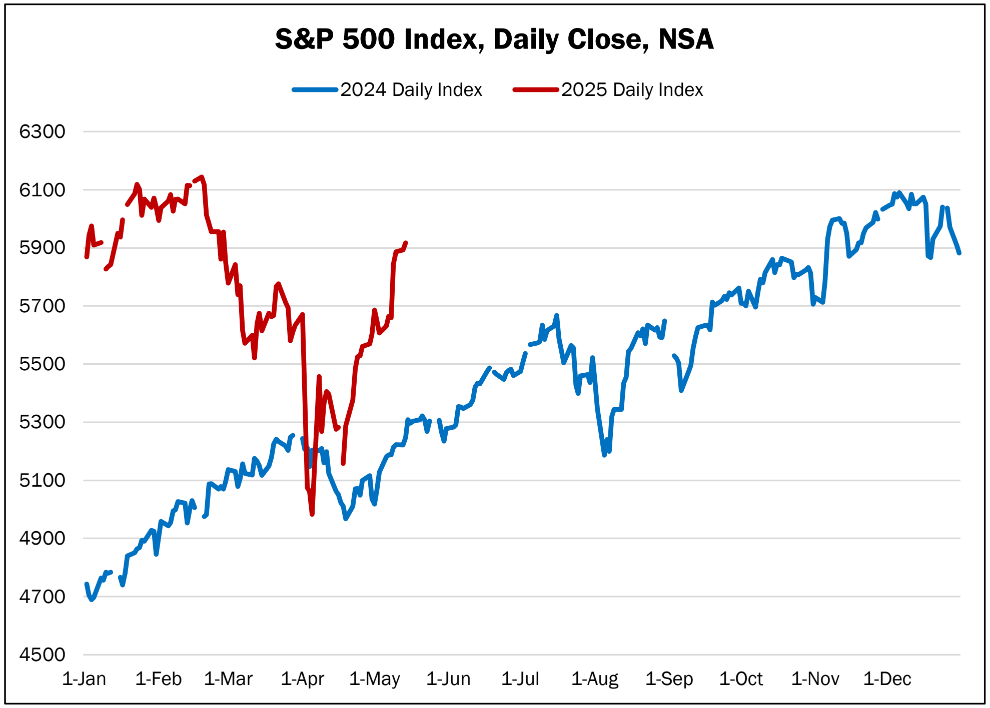
WITHHOLDING VARIANCE – TIMING ISSUE



- The bulk of payroll withholding tends to be remitted on Wednesdays and deposited the following day. Thus, the day of week a month starts or ends on can significantly impact that month's collections.
- When a month like April occurs, and the month ends on a major deposit day, there is increased potential for forecast error.
- Based on the number of each Mon-Fri in April, Tax predicted an additional $180 million dollars would fall in April instead of May.
- However, daily fluctuations can and often do result in revenue showing up a day early or late.
- Early reporting indicates the payments expected on the final day of April were instead received one day later and will instead show up in May.

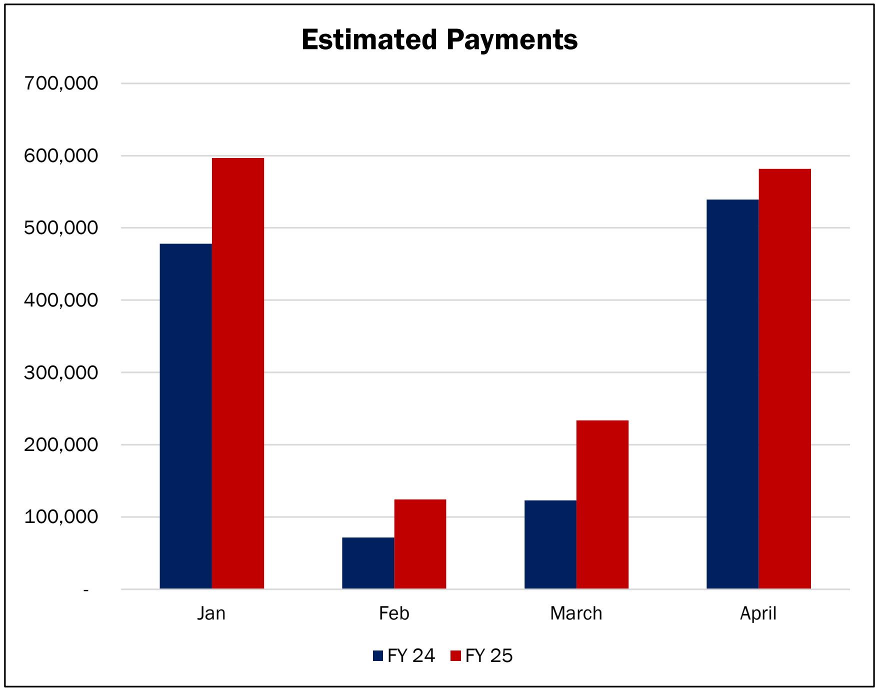
NONWITHHOLDING VARIANCE – MARKET STRENGTH

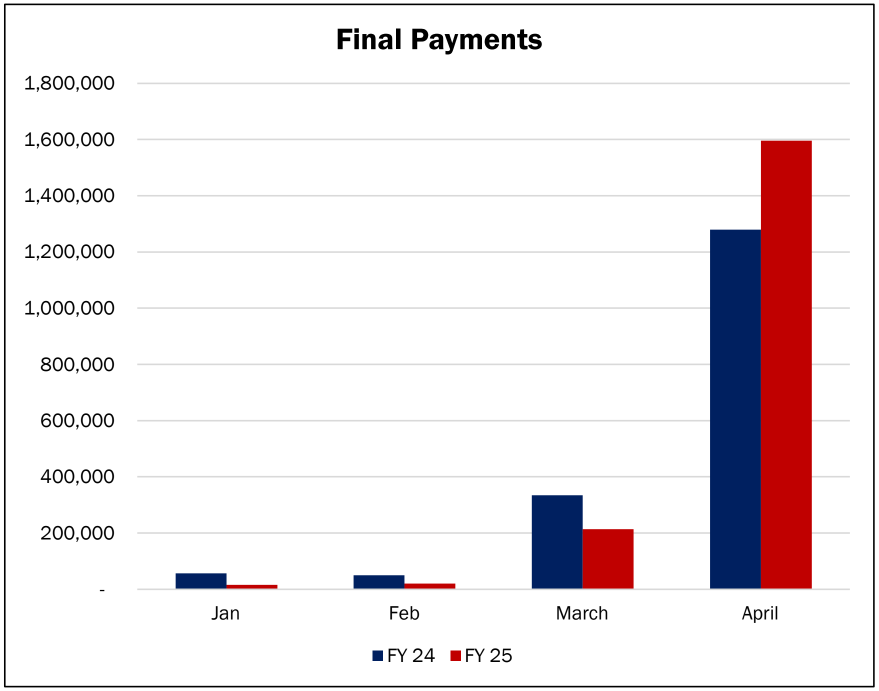
- The nonwithholding forecast was based on very conservative assumptions for the stock market. Since the market ended calendar year 2024 up approximately 24 percent, we have seen higher-than-projected final payments this season.
- The majority of final payments are usually received in April coinciding with the federal deadline, however there are still significant receipts in May after the state deadline. Early reporting indicates May is on track.
- While there has been market turmoil in recent months, the S&P 500 and NASDAQ are within 3.1 4.9 percent of their all-time highs.
- Safe-harbor rules will likely counteract this short-term volatility, however.



Source: S&P Dow Jones Indices LLC via FRED

NONWITHHOLDING COMPOSITION



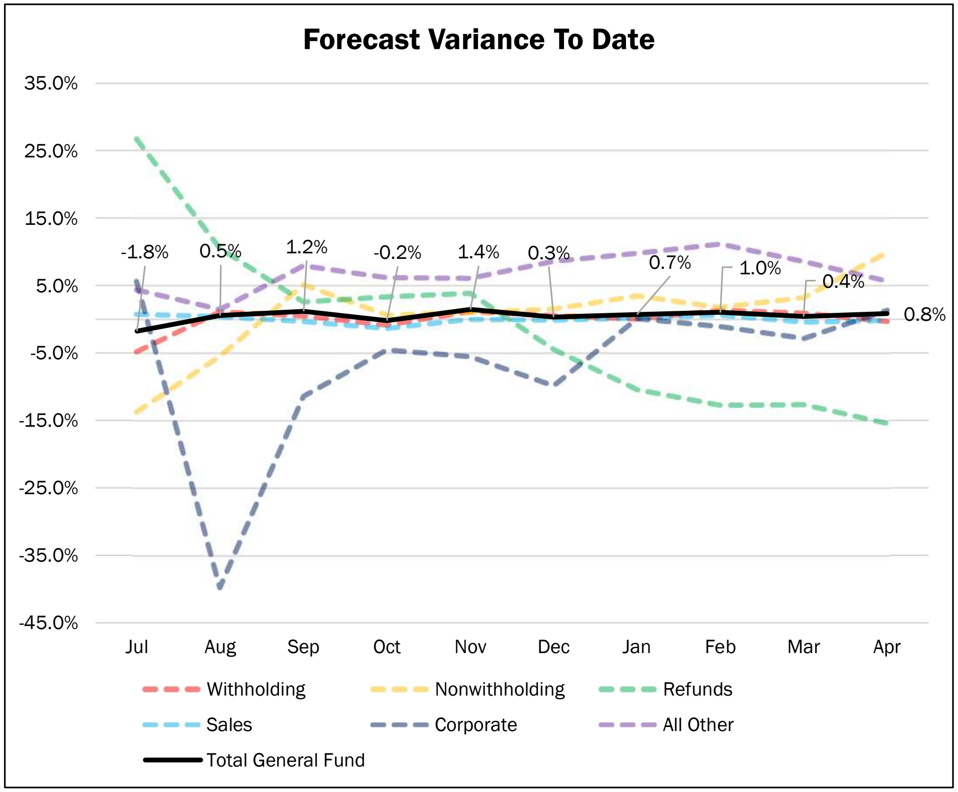


- When nonwithholding is decomposed into estimated and final payments, it is evident that both sources are showing strong growth.

REVENUES ARE EXPECTED TO CLOSE THE YEAR CLOSE TO FORECAST

- Forecast variance increased to 0.8 percent year-to-date in April.
- The final two months include:
  - The last of final payments for nonwithholding in May.
  - Estimated payments in June for nonwithholding, corporate, and insurance premiums taxes.
  - Year end remittals for miscellaneous sources in June.
  - One final non-general fund distribution of interest.

- Predictions for the year end have moderately improved this month:
  - Strong non-withholding came through as predicted providing more cushion than expected.
  - Refunds will continue to exceed forecast.
  - The mentioned day-of-week timing issue from April is expected to correct in May.
  - The variety of smaller sources are expected to remain slightly positive.
  - The end result will be a tight finish, but expectations are for a modest surplus.



CONCLUSION

- Revenue collections are on track to meet the FY 2025 forecast which anticipates a revenue surplus of $2.1 billion over the April 2024 Common Ground Budget revenue projections.
- Through April, collections are up $1,485.9M (6.3%) compared to last year and are running $211.1M (0.8%) ahead of projections assumed in the current appropriation act.
- The U.S. labor market remains steady while Virginia's most recent reading showed a growth of 5,900 jobs.
- Consumers remain strong as housing starts and retail sales ticked up.
- April revenues performed well growing $322.4 million (8.8%) over last year.
- Despite the previously discussed timing issue in withholding, nonwithholding revenues were strong enough to drive a net $126.4M (3.3%) overperformance in the month.
- Year-to-date revenues have grown 6.3 percent and can actually decline 4.7 percent over the remainder of the year to meet forecast.
- Given the Commonwealth's financial strength, we have confidence in the FY 2025 forecast and see a pathway to achieving the current FY 2026 forecast. However, short term disruptions are possible, and we continue to monitor all available data that could indicate current or future impacts to key revenue streams.

LOOKING AHEAD

- **May:** The Virginia deadline for individual returns was May 1, except for certain victims of the February 2025 flooding in Virginia, whose tax filing and payment deadline has been extended to November 3. Early reporting indicates nonwithholding income will continue to perform well.
- **June:** The close of the fiscal year includes many significant payments.
  - Individual, corporate and insurance estimated payments are due.
  - Interest income is distributed to nongeneral fund accounts.
  - Miscellaneous sources submit many of their end of year payments in June.
- **August:** The Joint Meeting of House Appropriations, House Finance, and Senate Finance and Appropriations is scheduled for August 14.
- **October:** The Joint Advisory Board of Economists (JABE) will meet to make recommendations with respect to the economic outlook.
- **November:** The Governor’s Advisory Council on Revenue Estimates (GACRE) will meet to make recommendations with respect to economic assumptions and the general economic climate of the Commonwealth.
- **December:** Governor Youngkin will present proposed amendments to the FY 2026 budget and the 2026-28 biennial budget at the Joint Meeting of House Appropriations, House Finance, and Senate Finance and Appropriations on December 17.

RECENT ACTIONS RELATED TO POTENTIAL FORECAST RISKS

CROSS-SECRETARIAT TASK FORCE ENGAGED TO MONITOR POTENTIAL BUDGET RISKS

- Payroll withholding revenues may potentially be impacted in the near-term as the federal government right sizes employment levels. Roughly 320,000 Virginia civilian residents are employed by the federal government.
- Virginia Tax is monitoring weekly withholding collections from federal agencies and the top 100 largest federal contract recipients in Virginia. Year-to-date data indicates minimal impact so far from federal workforce reductions.
- We continue to monitor employment conditions through a collaborative effort from the Virginia Employment Commission, Virginia Works, and the Department of Taxation.
- There are approximately 190,000 civilian federal employees with duty stations in the Commonwealth who may be eligible for unemployment through the Virginia Employment Commission.
- Virginia unemployment claims have risen in FY 2025 but remain below historic averages.
- Governor’s budget vetoes result in a projected biennial unappropriated General Fund balance of $900.5 million.
- When combined with existing Revenue Stabilization and Revenue Reserve Fund balances, the Commonwealth has approximately $5 billion in funding available to address any risk to the revenue forecast.
- As a result of prudent fiscal management and robust reserves, the Commonwealth’s AAA credit rating was reaffirmed in April.

FEDERAL CIVILIAN EMPLOYMENT IN VIRGINIA

By Place of Work

193,900
2024 Annual Total

BLS, Current Employment Statistics (not seasonally adjusted)[1]

192,000
Mar 2025 (p)

BLS, Current Employment Statistics (seasonally adjusted)[1]

197,417
4Q 2024

BLS, Quarterly Census of Employment and Wages[2]

By Place of Residence

321,516
2023

U.S. Census, American Community Survey[3]

~320,000
2023/2024

Virginia Tax Staff Estimate[4]

1. *Military personnel are excluded. Employees of the Central Intelligence Agency, the National Security Agency, the National Imagery and Mapping Agency, and the Defense Intelligence Agency also are excluded.*
2. *Excludes elected officials in the executive or legislative branch, members of the armed forces or the Commissioned Corps of the National Oceanic and Atmospheric Administration, and certain national security agencies.*
3. *Includes full-time employees only. Total including part-time and seasonal employees is 347,959.*
4. *Count of W2s/distinct SSNs 2024) less active-duty military (2023) from the largest 25 federal payroll withholding taxpayer accounts (2024). Source: VA Tax, US Department of Defense; includes part-time employees.*

FEDERAL AGENCIES WITH THE HIGHEST CIVILIAN EMPLOYMENT IN VIRGINIA

1. Department of the Navy
2. Department of Defense
3. Department of the Army
4. Department of Veterans Affairs
5. Department of Homeland Security
6. Department of the Air Force
7. Department of Commerce
8. Department of the Interior
9. Department of Agriculture
10. Department of Transportation
11. NASA
12. Department of Justice
13. Department of Health and Human Resources
14. Department of the Treasury
15. National Science Foundation
16. General Services Administration
17. Social Security Administration
18. Department of Labor
19. Department of State
20. Department of Education

1. *Source: Office of Personnel Management FedScope database.*
2. *Note: Agencies sorted based on total civilian employment in Virginia locations as of June 2024. This count does not include workers in the US Postal Service, Board of Governors of the Federal Reserve, CIA, NSA, foreign service personnel at the Department of State and a few other select agencies.*
3. *These counts are job stationed in Virginia, not Virginia residents employed by the federal government.*

TOP FEDERAL CONTRACT RECIPIENTS WITH PLACE OF PERFORMANCE IN VIRGINIA

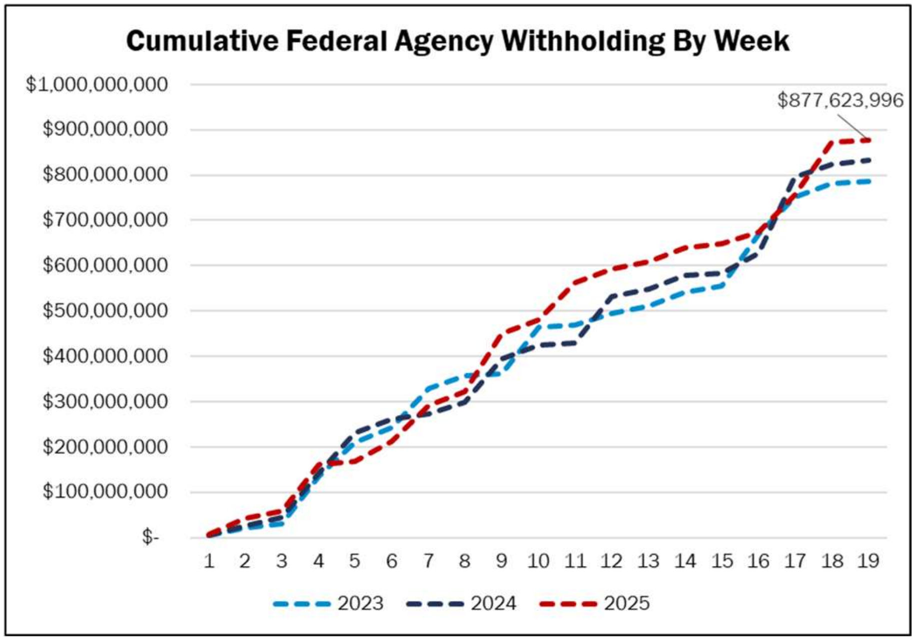
- The MITRE Corporation
- Amentum
- CACI International
- Leidos
- Booz Allen Hamilton
- Huntington Ingalls Industries
- Lockheed Martin
- SAIC
- Mantech
- CGI Inc.

- UnitedHealth Group
- Accenture
- TriWest Healthcare Alliance
- Parsons Corporation
- Deloitte
- General Dynamics
- Carahsoft
- Atlantic Diving Supply
- Northrop Grumman
- Peraton

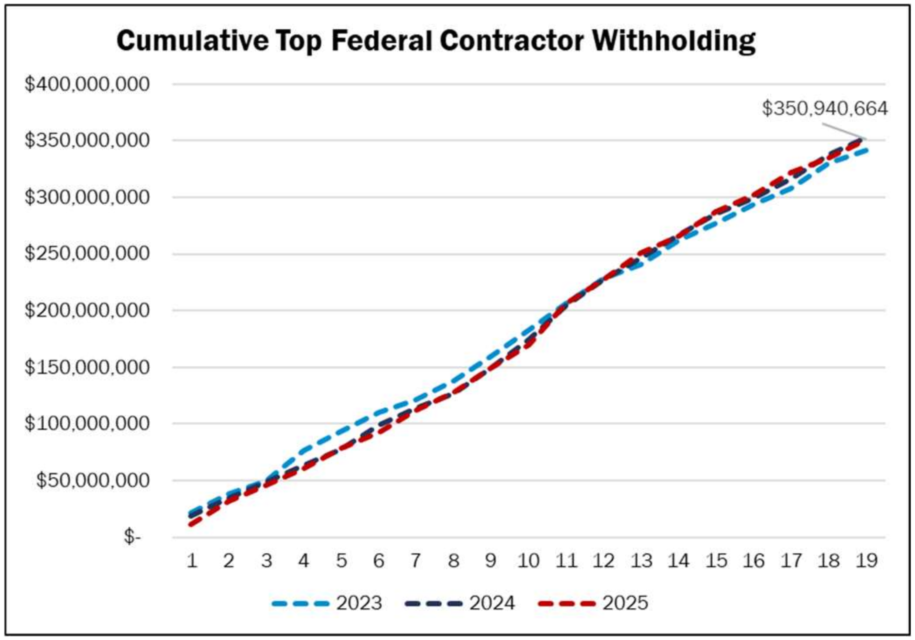
- With a few exceptions, the top federal contractors are predominantly categorized in NAICS 541: Professional, Scientific, and Technical Services.

Source: Staff analysis of usaspending.gov data based on FFY24 federal contract obligation values and performance location.

MONITORING OF PAYROLL WITHHOLDING INDICATES MINIMAL IMPACT SO FAR FROM FEDERAL WORKFORCE REDUCTIONS



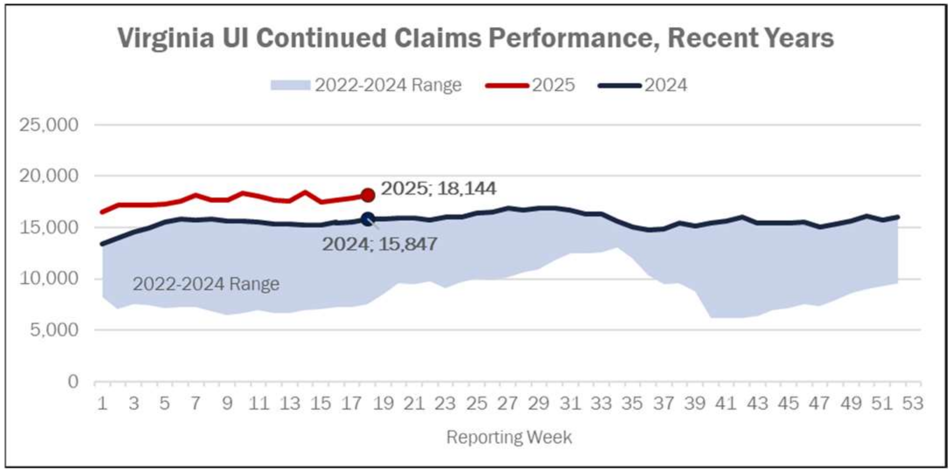
Source: Virginia Tax. Top 25 federal agency withholding accounts.

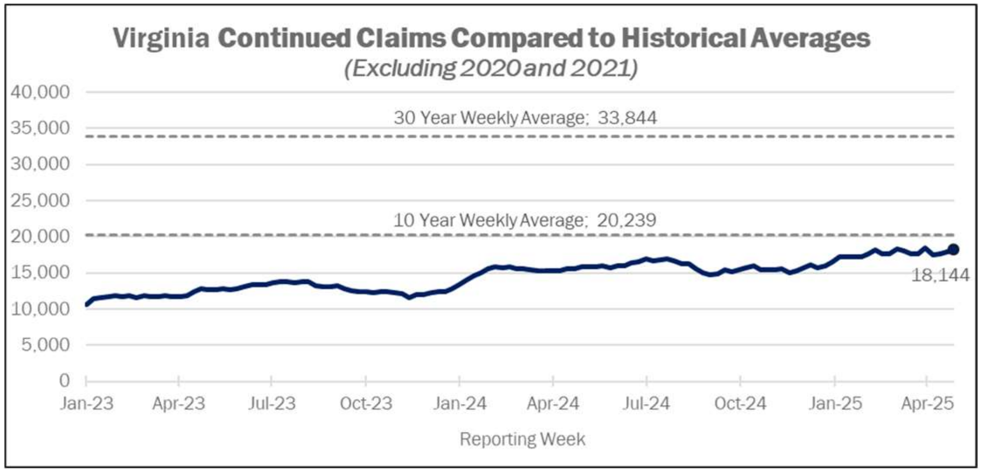


Source: Virginia Tax. Top 100 federal contractor payroll withholding accounts.

- Virginia Tax has begun monitoring the top Federal agencies and contractor's payroll withholding to watch for significant movements.
- As of the end of the 19th week of the calendar year, agency payrolls are up 5.3 percent; contractors are down 0.5 percent.

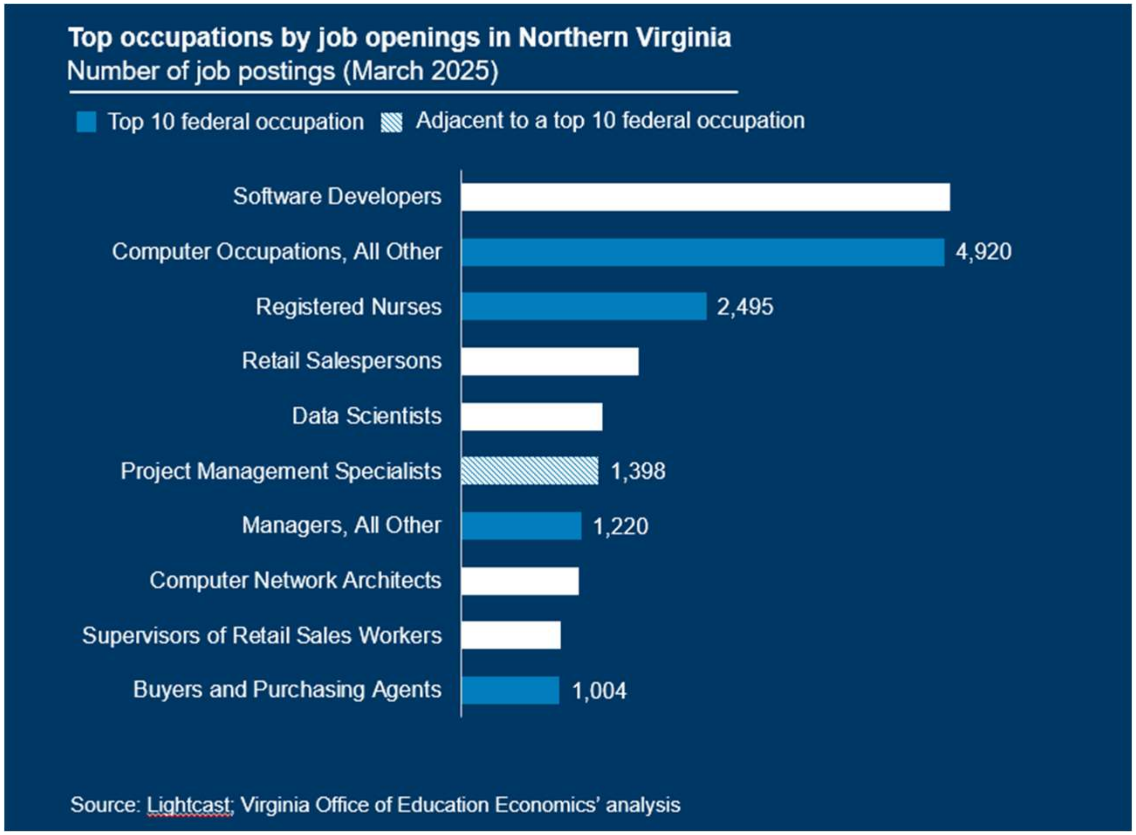
VIRGINIA'S UNEMPLOYMENT CLAIMS HAVE RISEN BUT REMAIN BELOW HISTORIC AVERAGES





- As of May 10th, continued unemployment insurance claims are at 18,144 – up 14 percent year-over-year.
- This volume of claims is still below the 10-year historic average (Omitting COVID) for unemployment claims in the Commonwealth of 20,239.

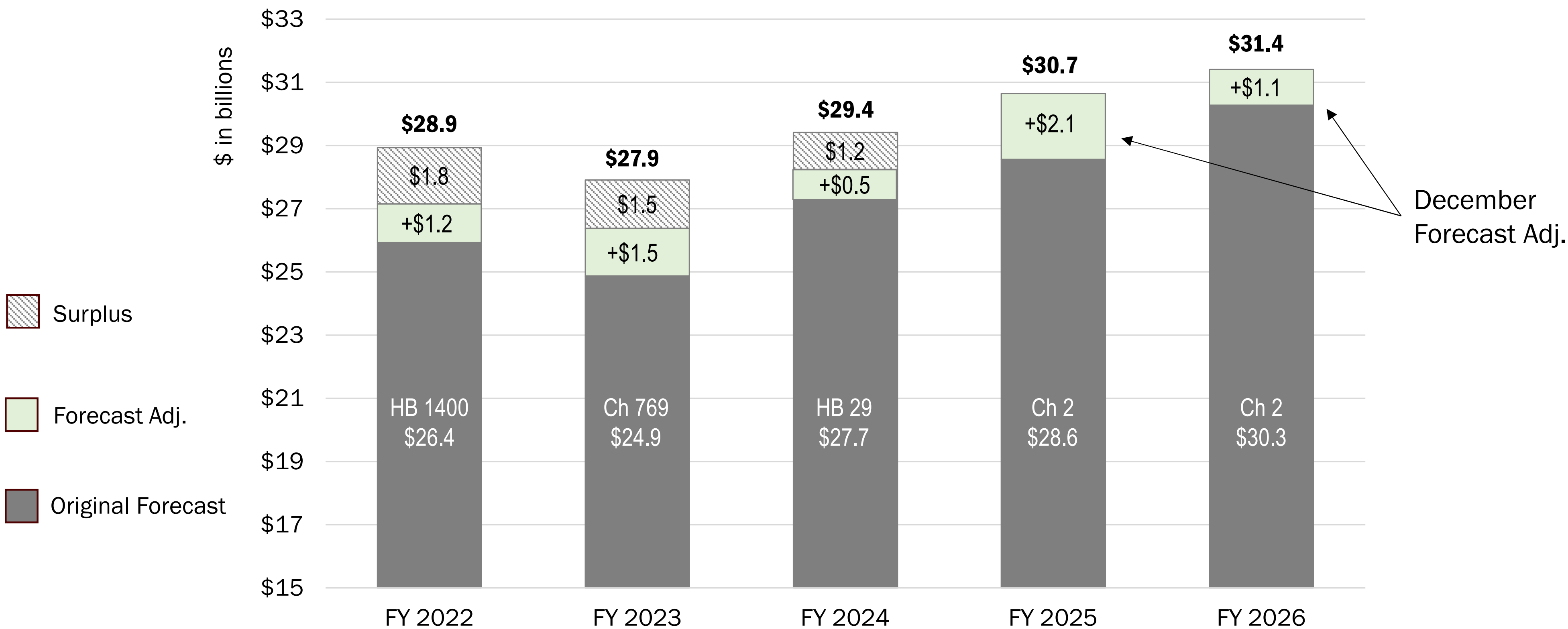
THERE ARE DIRECT AND ADJACENT PRIVATE SECTOR OPPORTUNITIES FOR TOP FEDERAL OCCUPATIONS, BUT ALSO OPPORTUNITIES FOR RE-SKILLING



- Most recent BLS/JOLTS numbers for February 2025 show 228,000 open jobs in Virginia.
  - 100,000+ require at least a bachelor's degree.
  - 33,000+ in professional, scientific, and technical services,
  - 27,000+ in computer and mathematical occupations,
  - 23,000+ in management occupations,
  - 16,000+ in business and financial operations occupations.
- Over 83,000 open jobs in Go Virginia Region 7.
  - Five of the Top 10 job occupations by job openings in Northern Virginia are either directly related, or adjacent, to current federal occupations.
  - 11,000+ open positions available for federal workers with that occupation should they be displaced.
- Virginia Has Jobs has had over 167,000 site visits and has hosted 4 virtual state, regional and/or federal employee hiring events.
  - 12,000 participants, 450 employers, 16,000 applications submitted.

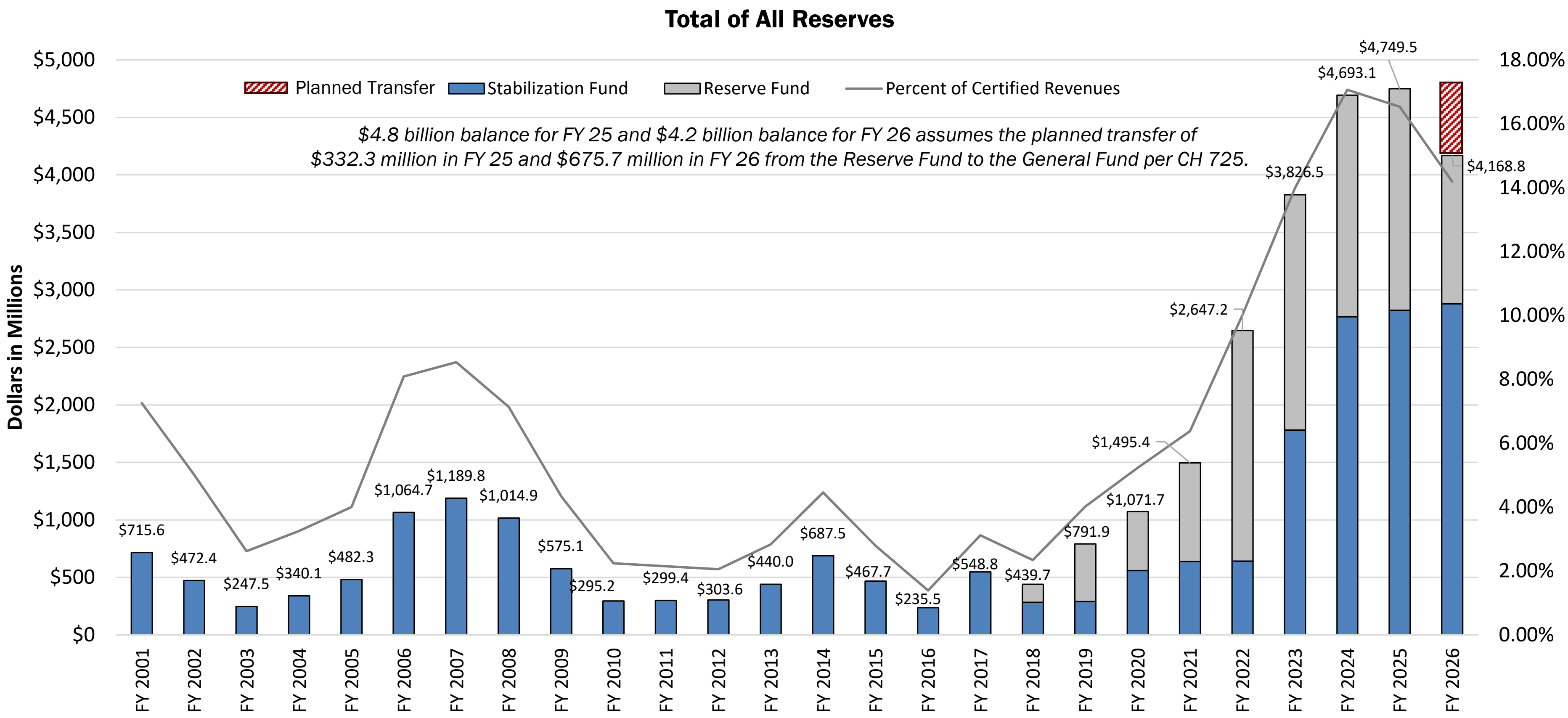
GF REVENUES HAVE GROWN SIGNIFICANTLY SINCE FY 2023

CHAPTER 725 ADDS $3.2 BILLION OVER THE COMMON GROUND BUDGET FORECAST



Revenue totals reflect approximately $5 billion in tax relief from tax cuts and rebates FY 2022-24.

COMBINED RESERVE FUND BALANCES CONTINUE TO REMAIN ABOVE $4 BILLION



VIRGINIA'S AAA CREDIT RATING RECENTLY REAFFIRMED

- In April, Moody's reaffirmed Virginia's AAA rating citing:
  - Conservative fiscal practices and robust reserves;
  - Diversification of employment types;
  - Federal workforce concentration in defense sector;
  - Prudent fiscal management, and stated
  - "…the Commonwealth could easily absorb a 3% decline in general revenue through expenditure cuts and the use of reserves."
- In contrast, both Washington DC and Maryland have had their credit rating downgraded in the past month.
  - "The state (Maryland) recently addressed a trend of overspending in various programs through a combination of tax increases and restraints on expenditures. These actions closed a budget gap although the need for further corrective steps may arise directly from federal funding cuts or the economic consequences of federal layoffs and other policy shifts, to which Maryland has a very high degree of exposure."

GOVERNOR'S VETO ACTIONS PROVIDE ADEQUATE RESOURCES TO ADDRESS POTENTIAL 3% REVENUE RISK

Ch 725 GF Revenue Forecast

	FY 2025	FY 2026
	$ 30,661,036,462	$ 31,360,409,381
3%	($ 919,831,094)	($ 940,812,281)

- On May 3rd, the Governor took prudent steps to execute 37 item vetoes that result in an estimated $900.5 million unappropriated General Fund balance over the biennium.
  - Estimated year-end balance of $841.5 million in FY25 and $59.0 million in FY 26
- Governor's actions reflect an additional $849.5 million in spending reductions in addition to the unappropriated balance of $51.0 million that was included in the Re-enrolled HB 1600.
  - Approximately $690 million in capital outlay and $159 million in operating reductions.
- Chapter 725 directs these funds be reserved for action at any Special Session of the General Assembly convened in 2025 or at the 2026 General Assembly Session to address the impacts of any reductions to federal appropriations.

FEDERAL FUNDS COMPRISE APPROXIMATELY ONE-QUARTER OF ANNUAL OPERATING APPROPRIATIONS

- Total annual operating appropriation for Virginia agencies in FY25 is $92.8 billion (CH 725).
  - Federal Funds total $21.6 billion (23.3%).
  - General Funds, including carry forward, total $34.8 billion (37.5%).
  - All Other Nongeneral funds total $36.4 billion (39.2%).
- Over 95 percent of federal appropriations are in three Secretariats,
  - Health & Human Resources
  - Education (including Higher Education)
  - Transportation
- On average, federal revenues comprise 8.4 percent of state payroll (salaries, wages, and benefits).
  - HHR, Education, and Transportation Secretariats make up 83 percent of these payroll expenditures.
    - Education expenditures are largely in concentrated in four major research universities.
  - Direct federal funds make up approximately half of the personnel expenditures in the Labor and Veterans & Defense Affairs Secretariats.

COORDINATED FEDERAL GRANT TRACKING ACROSS THE ADMINISTRATION

- With the exception of Higher Education, the Finance Secretariat and Office of Federal Affairs, have been monitoring the impact of federal grant reviews across all Executive branch agencies.
  - Because the R1 institutions are independent of Executive Branch financial management controls, higher education agencies have been excluded from weekly monitoring activities.
- Initially grants have been paused to review compliance with the various federal Executive Orders as well as to ensure alignment with Administration priorities.
  - Paused grants have largely been tied to discretionary programs funded under the Infrastructure Investment and Jobs Act or the Inflation Reduction Act.
- Amounts under review vary week to week and totals have ranged from under $200 million to more than $1.2 billion.

PAUSED GRANTS HAVE DROPPED SIGNIFICANTLY

Federal Grants Update (5/16/2025)

($ in millions)

Secretariat	Grants Paused	Amount Paused ($)
Agriculture & Forestry	2	21
Commerce & Trade	2	23
Education	8	40
Health & Human Resources	13	271
Natural & Historic Resources	12	54
Transportation	1	106
Total	38	515

Paused grants to Virginia agencies have been reduced by $1.9B since March