

The Governor's Key Budget Policy Choices

Comparing 2026-2028 introduced budget to current budget



The House Appropriations and Senate Finance and Appropriations committees are currently considering the governor's 2026-2028 budget (FYs 2027 and 2028) and amendments to the budget for FY 2026. The charts below provide a summary level assessment of key General Fund changes proposed by the governor compared to the FY 2026 budget as approved in Chapter 725, Acts of Assembly 2025. FY 2026 funding that was successfully vetoed in May 2025 is not included in the baseline.

Proposed amendments to current (FY26) budget

Health care	Adjusts Medicaid/CHIP for health care fund, removal of duplicative enrollees, utilization, and inflation	\$414.2 million
	Adjusts Children's Services Act for utilization and inflation	\$20.7 million
	Removes language that allows state-funded abortions for certain cases	
Early Childhood Care & Education	Shifts \$5.5m from VPI to Child Care Subsidy Program	
K-12	Adjusts for enrollment and other data updates	-\$159.5 million
	Supplants GF with increased Lottery Funds	-\$48.3 million
	Provides state share of 2% bonus for SOQ-recognized teachers & support staff	\$106.1 million
	Reduces Literary Fund \$\$ for school construction loans by -\$172m (provides \$\$ for School Construction Fund in next biennium)	
Criminal legal system	Provides increased funding for inmate medical costs based on projections	\$24.9 million
	Provides additional support for state police operations, IT, personnel, and equipments costs	\$50.3 million
Federal tax conformity to changes in H.R.1	Conforms to federal changes. See FY27-28 tax section for more details	-\$101.6 million
	Removes fixed date conformity starting 2026	
Dept. of Taxation (TAX), Integrated Revenue Mgmt System	Removes language directing TAX to include income tax filing system in IRMS replacement; creates nonreverting fund for IRMS replacement appropriation	
Revenue Reserve Fund	Deposits part of FY25 surplus, transfers excess over combined limit to GF	\$11.0 million

All dollar figures represent proposed combined FY27 and FY28 changes in General Fund spending. NGF = non-General Funds

Governor's proposal for FYs 27 & 28 compared to current budget

Unappropriated balance	\$305.4 million
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Resources

Official revenue estimates	\$67,381.0 million
Other transfers and balance changes	\$1,784.6 million
Carryforward from previous budget	\$2,124.7 million

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Tax Policy Choices

Federal tax conformity <i>(implementing language is in HB/SB29, impact shown is FY27/28)</i>	Conforms to charitable deduction floors (1% for corporations; 0.5% for individuals)	\$99.8 million
	Conforms to other miscellaneous provisions	\$33.4 million
	Conforms to 50% of special depreciation allowance for qualified property	-\$177.6 million
	Conforms to immediate write-off of research expenses (eff. TY26), deconforms from retroactive and catch-up provisions	-\$163.1 million
	Repeals Pease limit; conforms to new federal itemized deductions limit	-\$54.0 million
	Conforms to section 179 limit increase up to \$2.5 million	-\$35.4 million
	Conforms to increase of business interest deduction	-\$30.8 million
	Conforms to changes in opportunity zones program	-\$4.1 million
Deduction for overtime income	Provides 25% of federal deduction in TY26, 50% starting TY27	-\$165.0 million
Deduction for tipped income	Provides 25% of federal deduction in TY26, 50% starting TY27	-\$53.5 million
Deduction of car loan interest	Provides 25% of federal deduction in TY26, 50% starting TY27	-\$53.3 million
Market based sourcing	Changes calculation of sales factor for corporate income tax (eff. TY27)	-\$29.1 million
Earned Income Tax Credit (EITC)	Makes refundable EITC 20% of federal credit permanent	
Standard deduction	Makes standard deduction of \$8,750 for single filers/\$17,500 for married, joint permanent	
Pass through entity elective tax (PTET)	Makes elective federal state and local tax (SALT) workaround permanent	
Data Center Sales and Use Tax (SUT) exemption	Extends sunset date from 2035 to 2050, or up to 2065 depending on MOU with VEDP	

Social Services

Supplemental Nutrition Assistance Prog	Funds reduction of federal support for SNAP in H.R. 1	\$100.4 million
	Funds salary increases and 14 new positions to address error rate	\$3.6 million
	Removes overissuance funding; adds mandatory reappropriation lang.	-\$2.7 million
Local Dept. of Social Services (DSS)	Funds increased salary floor for local DSS staff	\$6.9 million
	Funds state oversight and takeover of certain local DSS offices	\$3.4 million
Temporary Assistance for Needy Families (TANF)	Reduces GF support and partially supplants w/ \$2m TANF NGF for Early Impact and Child Advocacy Centers; removes TANF \$\$ for pilot	-\$4.4 million
	Adjusts funding for TANF benefits and VIEW childcare forecast; increases NGF by \$2.6m	-\$2.0 million
Child Protective Services (CPS)	Funds and creates a centralized CPS intake system	\$32.7 million
Foster Care	Reduces funding for relative maintenance program to reflect utilization	-\$12.0 million
	Adjusts funding for subsidy payments based on child welfare forecast	-\$5.8 million

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Health Care

Medicaid/FAMIS/CHIP	Increases spending forecast	\$2,856.1 million
Children's Services Act	Increases spending forecast	\$102.7 million
Health Care Fund	Increases GF to offset decrease in Virginia Health Care Fund	\$93.6 million
Medicaid call center	Adds funding for centralized call center and eligibility operations	\$11.2 million
Medicaid reimbursement rates	Eliminates automatic inflation adjustments for Medicaid providers	-\$238.2 million
MCO review	Requires review and adjustments of payments to Medicaid insurers	-\$45.8 million
FAMIS Prenatal	Eliminates program, which provides prenatal and postpartum coverage to certain people due to the child's assumed US citizenship	-\$29.5 million
Weight-loss medication	Allows Medicaid to enter direct agreements with GLP-1 manufacturers; limits meds to people with certain conditions	-\$25.9 million
Adult dental benefit	Creates new \$2,000 annual spending limit for adults in Medicaid	-\$23.6 million
Duplicative members	Applies savings from removing people in Medicaid in multiple states	-\$11.5 million
Implement H.R.1 changes	Appropriates federal funding to implement new Medicaid work reporting requirements (\$134m NGF)	
Medicaid pharmacy benefits manager	Delays contracting with a statewide PBM until 2027	
Nursing facility value-based purchasing program (VBP)	Changes VBP program so payments are only provided to facilities that DMAS determines demonstrate a sufficiently high quality of care	
State funding for abortion services	Removes language that allows state-funded abortions for certain cases	

Behavioral health

Developmental disability (DD) waivers	Increase rates for DD waiver due to DOJ settlement agreement	\$59.3 million
Crisis services	Makes changes, incl. 4-hour limit per incident and provider reimbursement eligibility limits; removes community stabilization srvc	-\$108.0 million
Applied behavioral analysis (ABA) services	Requires an autism spectrum disorder diagnosis to receive ABA services; implements a new 20-hour-a-week limit for ABA services	-\$67.6 million
Hourly limits on home and community-based services (HCBS) waivers	Implements a 56-hour limit on personal care/assistance services via Community Living and Family and Individual Support DD waivers	-\$44.8 million
Redesigned behavioral health services	Delays the implementation of redesign until January 1, 2027	

Compensation

State & state-supported local employees	Provides 2% salary increases each FY for state employ.; provides funds for 2% increases for faculty (incl. adjuncts), GTAs, certain local employ.	\$402.9 million
	Adjusts state employee salaries for inflation-related min wage increase	\$1.8 million
State employee health insurance	Adjusts prescription benefits to reduce cost increases and funds state share of remaining premium increases	\$243.5 million
VRS and OPEB	Adjusts employer contributions to state employee retirement and other post-retirement benefits based on new certified rates	-\$145.2 million
K-12	Funds state share of 2% salary increase in FY27 and in FY28	\$381.7 million
DSS	Funds increased salary floor for local DSS staff	\$6.9 million
	Funds salary increases for SNAP staff	\$1.2 million
Guardian ad litem	Increases hourly rates	\$3.0 million

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Early Childhood Care & Education

Shift from VPI to CCSP	Moves \$138m from VPI allocation to child care subsidy program to increase number of CCSP slots; VPI funding is increased due to rebenchmarking (included in K-12 technical updates)	
Digital wallet	Funds costs to build and maintain electronic subsidy accounts	\$1.0 million
Employer match	Pilots match of employer contributions to digital wallets	\$1.0 million
Educator licensure	Increases grants to school divs for licensure incentives for provisionally licensed early childhood educators	\$0.2 million

K-12 Education

Updated data	Updates funding per rebenchmarking and other data updates; includes \$214m savings from reduced VRS contributions per lower certified rates	\$543.8 million
Compensation	Funds state share of 2% raise each year for SOQ-recognized instructional and support staff; see above for VRS	\$381.7 million
School construction	Increases casino tax transfer to School Construct. Fund by \$127m ; total casino \$\$ transfer estimated at \$347m over biennium; see also Literary Fund below	
Lottery and Literary	Transfers \$172m from Literary Fund to School Construction Fund; ends Literary Fund allocation for construction loans	
	Supplants GF with \$285m in Literary Fund \$\$	-\$285.0 million
	Backfills GF due to lower Lottery forecast	\$35.2 million
	Includes language withholding certain Lottery-funded payments in some circumstances, starting in 2028	
Assessments	Funds contract extension through Dec 31, 2027	\$2.4 million
Language changes	Includes language on public charter school eligibility for literacy funding and school construction assistance program grants	

Policing and Criminal Legal System

State Police	Increases funding for personnel, equipment, and technology	\$114.4 million
Medical costs for incarcerated people	Provides funding for increased medical, equipment, and personnel	\$59.7 million
Criminal Fund	Provides increased funding to pay court-appointed attorneys and other required legal representation for indigent defendants	\$40.8 million
Sheriff offices	Increases funding for 71 deputy positions, 18 admin support positions	\$9.2 million
Juvenile Community Placement Programs	Addresses increased costs of youth admissions and case management	\$5.5 million
Video conferencing	Provides additional funding for judicial video conferencing	\$3.4 million
Temporary (TDO) and Emergency Custody Order (ECO) transportation	Provides one-time funding to reimburse local law enforcement agencies for time spent transporting individuals under TDOs and ECOs	\$2.0 million
Correctional Officer Career Pipeline	Removes funding for Correctional Officer Career Pipeline Pilot	-\$0.5 million

Other

Capital	Provides \$2.66 billion in cash and debt authority; includes \$890m in GF cash, \$539m in NGF cash, \$1.1 billion in state-supported debt, and \$124 million in other debt	\$890.0 million
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