

# COUNTY OF YORK

## MEMORANDUM

**DATE:** November 6, 2025

**TO:** York County Board of Supervisors

**FROM:** Mark L. Bellamy, Jr., County Administrator 

**SUBJECT:** York County Earns GFOA's Prestigious Award for Financial Transparency

James J. Regimbal, Jr., VACo Economist and Principal at Fiscal Analytics, provided an overview of Virginia's fiscal outlook for the state at the Virginia Association of Counties conference on November 10, 2025. He noted that the Commonwealth enters FY 2026 in strong financial condition, with approximately \$2 billion in cash reserves, \$900 million in unappropriated balances, and a \$572 million revenue surplus. State reserves total \$4.5 billion, and VRS finances continue to improve, reducing future employer contribution rates.

Regimbal cautioned that several risks could affect future budgets, including potential federal employment reductions, economic slowing, and new federal requirements affecting Medicaid and SNAP. These pressures will significantly influence costs in the 2026–28 biennium, particularly in Medicaid, K-12 education, CSA, and state employee and teacher salaries.

He also noted that federal tax conformity decisions and ongoing discussions about expanding the sales tax base or adjusting income tax brackets may shape the state's revenue strategy. A copy of the presentation is attached for your review.

Schott/3326

Attachment:

- Presentation from the Virginia Association of Counties Conference – November 10, 2025

# **Virginia's Budget Outlook**

Virginia Association  
of Counties

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Fiscal Analytics, Ltd.

November 10, 2025

# The Budget Framework

The current state of Virginia's  
finances

The economic outlook

The revenue outlook

Mandatory/high priority  
spending needs

Policy decisions concerning  
discretionary spending and  
taxes

# State Finances Are Sound

- Approximately **\$2 bil. cash cushion** carried into FY 2026.
  - \$900 million in unappropriated balances.
  - \$572 mil. GF revenue surplus in FY 2025 which also increases the revenue base going forward.
  - \$480 mil. in unexpended appropriations for FY 2025
- **\$4.5 billion in mandatory and voluntary GF reserves** in FY 2026 (14% of the GF)
- **Improving Virginia Retirement System finances** – teacher funded status currently 87%, with the *VRS proposed* rate going down from 14.21% to 12.20%.
  - If adopted, this would save hundreds of \$millions in contributions needed by state and local government.
- **Significant unused debt capacity** (at least \$1.31 bil. per year new debt capacity available - with interest payments still less than 5% of GF).
- **Existing structural budget balance** between expected revenues and current ongoing appropriations.
- **Still positive wage and salary growth**, despite turbulent national policies particularly affecting Virginia.
  - Better idea of the effect of federal employment cutbacks later this fall.

# What are the Risks to Virginia's Finances?



**Economic slowdown. Federal employment reductions could increase unemployment and reduce tax revenues. While there are an estimated 300,000 federal civilian employees living in VA (7% of 4.3 mil. total VA employment), a large share are in defense-related agencies and not likely to be cut.**



**Artificial intelligence advances could result in productivity increases that reduce employment needs. The advent of AI is particularly impacting the market for high-skilled labor. The use of robots is also rapidly increasing.**

**- AI could also increase wealth and thus nonwithholding income.**

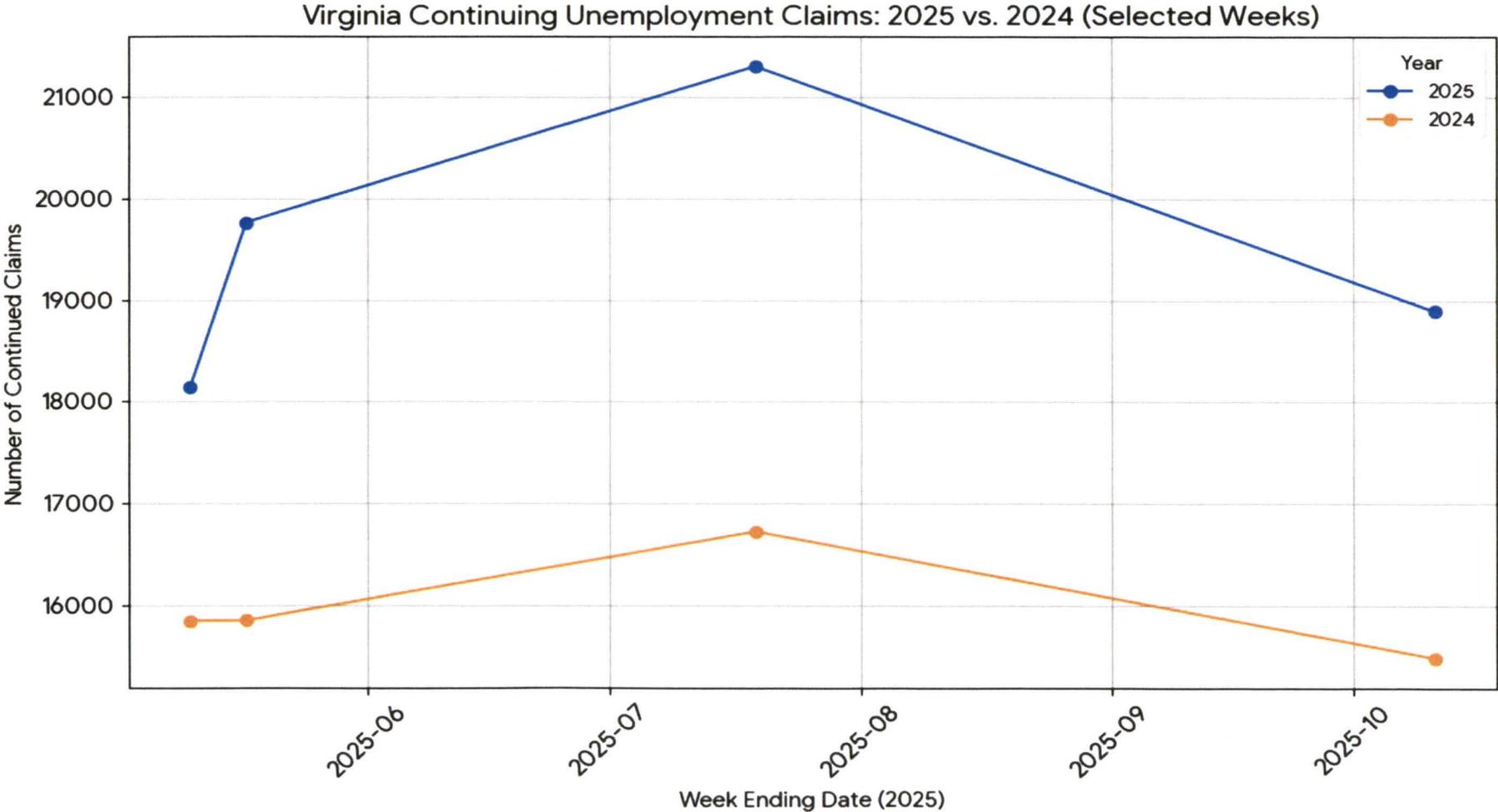


**Federal budget changes will pressure 1) Medicaid and SNAP programs; and 2) lost higher education and other grants; and potentially other areas of the state budget. Many changes are outside the 2026-28 biennium. Expect conservative budgeting.**



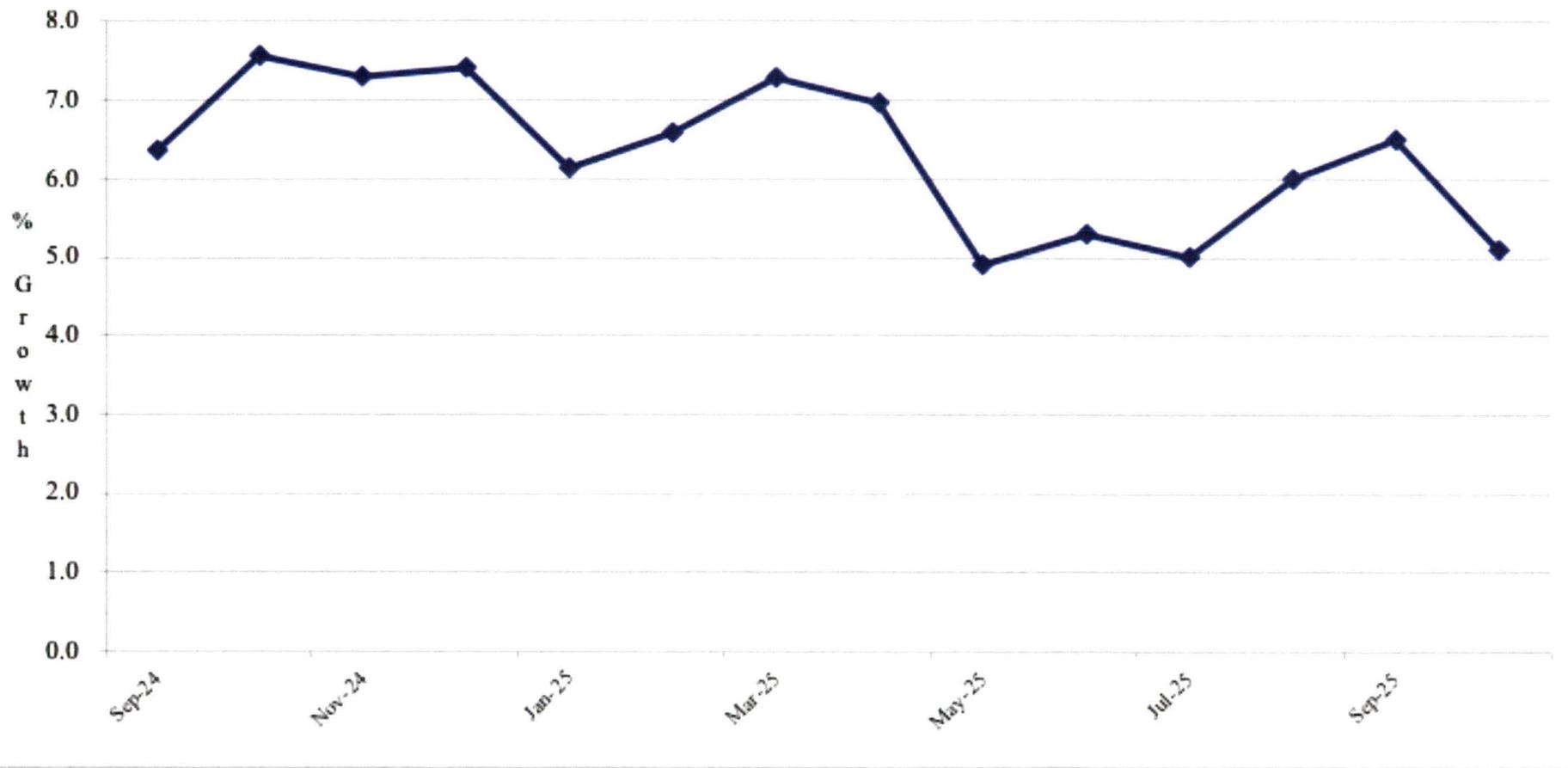
**Tax conformity issues from OBBBA could reduce state tax revenues.**

# Virginia Unemployment Claims Have Risen, But Do Not Yet Indicate a Recession



*Note: 10-year average of continuing claims (excluding Covid) is 20,239.*

## 12 Mo. Moving Avg VA Income Tax Withholding Growth Isn't Yet Showing Alarming Weakness



## The Adopted Budget Forecast Modest Economic and GF Revenue Growth for Fiscal Year 2026 – Likely to be Higher

	<b>Long-Run Average</b>	<b>FY 25 Actual</b>	<b>Adopted Budget FY 26 Forecast</b>	<b>FA Estimate FY 26</b>
<b>GSP</b>	2.2%	2.6%	1.8%	2.0%
<b>VA Average Wage</b>	3.8%	3.7%	2.5%	3.0%
<b>VA Employment Growth</b>	1.2%	1.4%	0.1%	0.5%
<b>GF Revenue Growth FY 2010-25</b>	5.1%	6.1%	2.5%	4.0%

*Source: Secretary Cummings presentation to Joint Committee, August 14, 2025.*

# Only 0.4% GF Revenue Growth Now Needed to Meet Current Budget, Due to FY 2025 Revenue Surplus

	<b><i>FY 2025 Forecast Growth</i></b>	<b><i>FY 2025 Actual Growth</i></b>	<b><i>FY 2026 YTD Growth Thru September</i></b>	<b><i>FY 2026 Ch. 725 Forecast Growth</i></b>	<b><i>FY 2026 Growth Need to Meet Forecast</i></b>
<i>Withholding</i>	5.2%	5.0%	10.6%	1.8%	2.2%
<i>Estimated Pay/Tax Dues</i>	3.3%	14.5%	-7.7%	-5.8%	-15.2%
<i>Refunds</i>	<u>-5.4%</u>	<u>7.3%</u>	<u>-1.0%</u>	<u>-11.3%</u>	<u>-18.4%</u>
Net Individual Income	6.1%	7.8%	6.5%	1.1%	-0.8%
Sales Taxes	1.9%	2.2%	5.4%	3.9%	3.6%
Corporate Income	-6.1%	-1.5%	-9.9%	11.4%	7.8%
Recordation	12.6%	15.9%	12.2%	21.7%	18.2%
Interest	-11.8%	-15.1%	9.3%	2.6%	6.7%
All Other	<u>0.5%</u>	<u>10.2%</u>	<u>-14.6%</u>	<u>-15.4%</u>	<u>-9.9%</u>
<b>Total GF Revenue</b>	<b>4.1%</b>	<b>6.1%</b>	<b>5.1%</b>	<b>2.5%</b>	<b>0.4%</b>

# **Forecast of Additional GF Resources Available for the 2026-28 Budget**

Current Economic Summary: Slowing employment growth in Virginia, but still a healthy consumer environment with little sign of credit issues; unclear level of negative impacts from federal employment decisions; lower interest rates with more accommodative Fed; strong stock market most likely indicates positive wealth effect continues for high end income taxpayers; stimulative business expensing/investment tax policies in effect, although still unclear impacts from tariff policies.

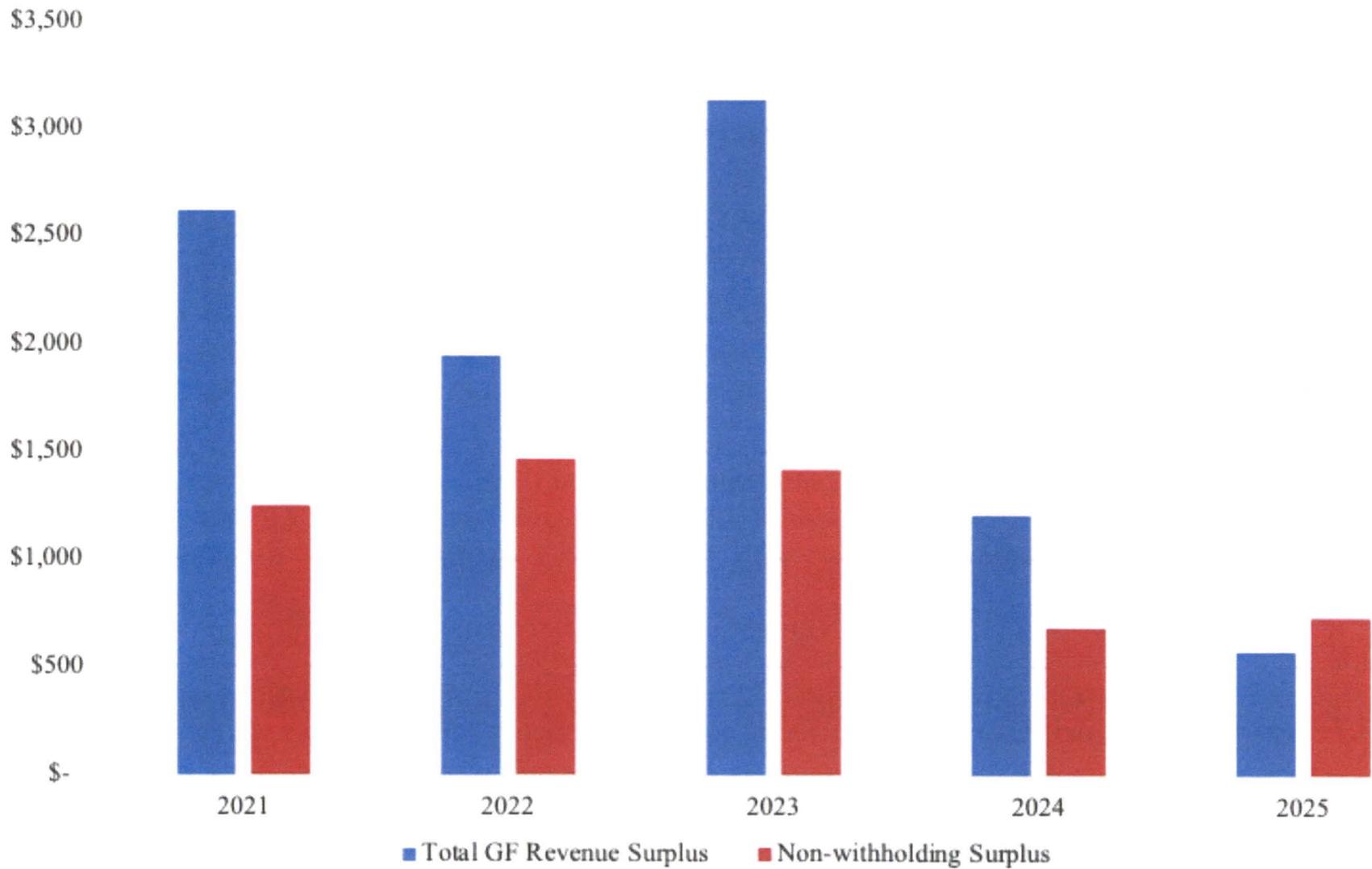
- 3 percent revenue growth in FY 2026, FY 2027 and FY 2028: \$6-\$7 bil. available, depending on unspent balances from FY 2026.
- 4 percent revenue growth in FY 2026, FY 2027 and FY 2028: \$7-\$8 bil. available, depending on unspent balances from FY 2026.

# GF Revenue Growth Even Higher Without Tax Reductions

## General Fund Revenues



## Non-Withholding Income Taxes Have Been a Large Share of Revenue Surpluses



# Summary of CH. 725 Adopted Budget

- Latest 2024-26 biennium budget had \$4.73 bil. more GF resources than previous 2024-26 biennium budget, \$3.9 bil. of which was appropriated.
  - \$69.5 billion in budgeted GF resources, including \$3.0 bil. in transfers, and \$4.5 bil. in balances.
  - \$62.0 bil. in estimated GF revenues (\$43.7 bil. of which is individual income taxes)
  - *Actual FY 25 GF revenues were \$572 mil. higher than forecast in the budget, mainly the result of higher nonwithholding income tax payments.*
- Budget assumed GF revenue growth of 4.1% in FY 2025 and 2.5% in FY 2026. ***Actual GF revenue growth in FY 25 was 6.1%. Now only need 0.4% GF revenue growth in FY 26 to make current budget forecast.***
- The *enrolled* budget had an unappropriated GF balance of \$51.0 mil. **However, the Governor vetoed approximately \$849.5 mil. in spending that was included in the budget adopted by the General Assembly - leaving \$900 mil. unappropriated.**
  - \$691.3 million in capital projects spending vetoed (mostly for higher education institutions).
  - \$168.2 million in operating spending vetoed, with \$16.9 mil. not recognized by the GA.

# Major New One-Time Ch. 725 2024-26 Expenditures

- \$977.8 mil. to fund a tax rebate
- \$294.5 mil. for the Revenue Reserve Fund
- \$175.0 mil. for the I-81 improvement project
- \$134.4 mil. to fund a \$1,000 bonus for teachers without a local match requirement
- \$131.9 mil. to replace the state's revenue collection system at the Department of Taxation
- \$83.1 mil. for a 1.5% bonus for state employees and state-supported local employees
- \$50 mil. to support the City of Richmond's ongoing Combined Sewer Overflow project
- \$25 mil. for grants to localities to upgrade or replace existing drinking water infrastructure

## **Capital Outlay**

- \$133.8 mil. for projects at institutions of higher education.
- \$226.1 mil. for state agency projects, including planning for a new state agency building at the site of the VDOT Annex and a replacement state laboratory, funding for State Police to continue planning a new Training Academy and to purchase a new Area 6 headquarters, allocations to make critical repairs to DBHDS facilities and to renovate offices in the Patrick Henry Building

# Major New Continuing Ch. 725 2024-26 Expenditures

## **Health and Human Services**

- \$601.8 mil. for increased utilization and inflation of Medicaid
- \$100.3 mil. for estimated caseload and cost increases in CSA.
- \$88.3 mil. for the children's health insurance programs (FAMIS and M-CHIP)

## **K-12 Public Education**

- \$223 mil. to eliminate the K-12 support cap in FY 2026
- \$110.7 mil. to support additional English Learner students
- \$53 mil. for K-12 special education basic aid add-ons

## **Higher Education**

- \$75 mil. to maintain affordability and access goals at public colleges and universities
- \$26.8 mil. in additional financial aid support

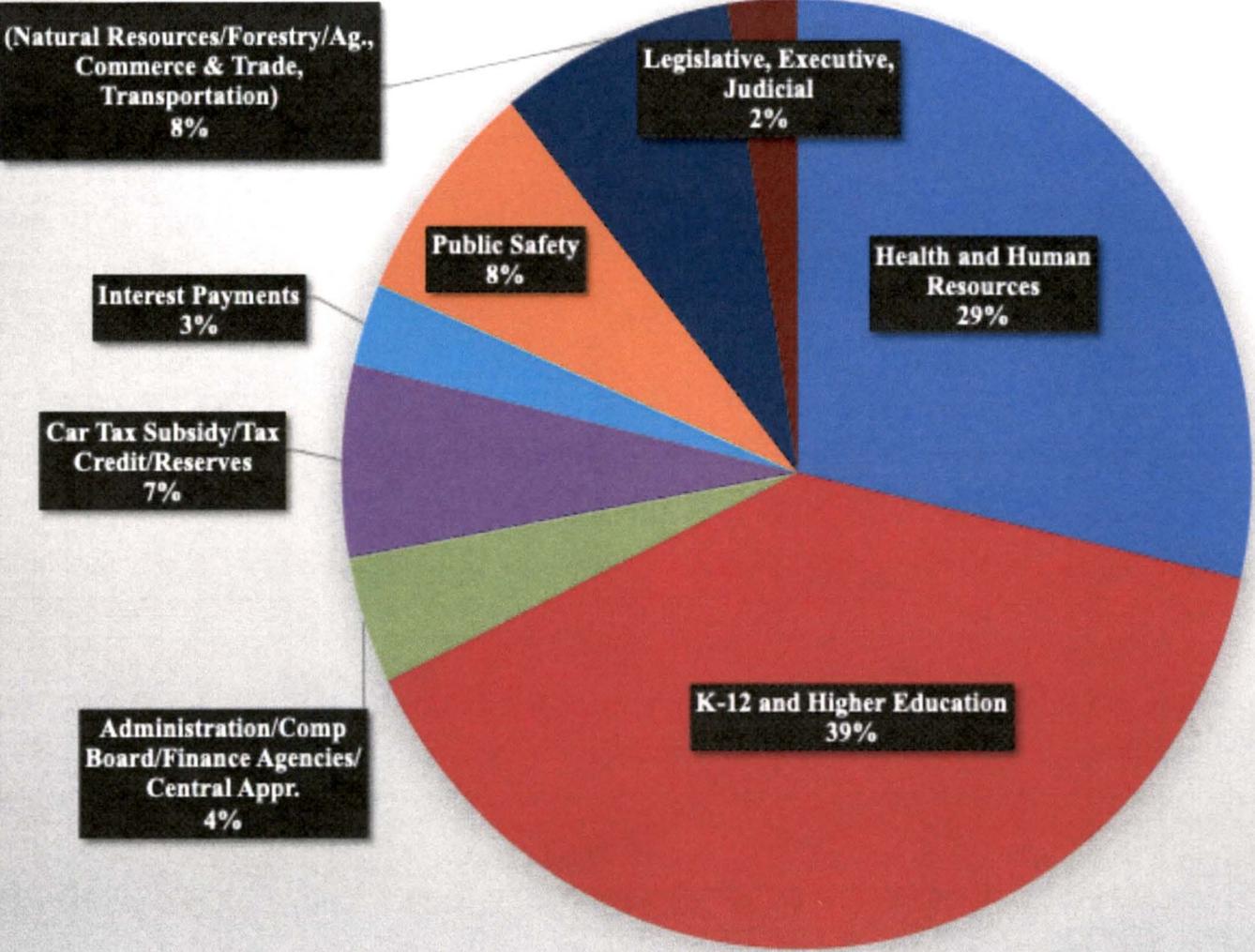
## **Natural and Historic Resources**

- \$26.3 mil. for WQIF agriculture best management practices
- \$17.4 mil. to support reimbursements for projects identified as part of the Enhanced Nutrient Removal Certainty program

## **Other**

- \$40.5 mil. to support a 6.0% increase in premiums for the state employee health insurance program

# FY 2025 General Fund Operating Spending - \$34.6 B



## GF State Aid to Localities (\$ Mil.)

				Ch.1	Ch.1	Ch. 725	Ch. 725
	<u>FY 2009</u>	<u>FY 2014</u>	<u>FY 2018</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>
<b>Direct Aid to K-12</b>	\$5,607.6	\$5,240.3	\$5,963.0	\$9,144.0	\$8,928.1	\$9,867.7	\$10,123.5
<b>K-12 % of Total GF Appropriations</b>	35.2%	29.6%	29.2%	28.8%	28.8%	27.6%	30.8%
<b>Health and Human Services</b>	888.4	791.7	951.0	1,217.5	1,363.2	1,545.3	1,591.2
<i>CSA</i>	299.7	217.2	279.9	330.7	367.0	\$417.7	444.0
<i>Community MH/SA Services</i>	249.4	269.3	350.4	497.2	604.6	682.9	690.4
<i>Local Social Services Staff</i>	117.4	115.3	122.1	148.5	151.3	172.4	186.3
<i>Community Health Programs</i>	117.6	107.2	117.9	149.4	152.6	182.6	182.6
<i>Welfare Services and Programs</i>	104.3	82.7	80.7	91.7	87.7	89.7	87.9
<b>Public Safety</b>	734.3	687.9	738.8	877.8	895.4	970.5	958.5
<i>Local Sheriffs Offices</i>	406.1	411.3	452.4	565.7	583.3	641.6	634.5
<i>Local Police Depts HB 599</i>	197.3	172.4	178.0	210.8	221.7	229.7	229.7
<i>Local Jail Per diem</i>	80.1	59.4	61.3	50.8	39.9	43.7	43.8
<i>Assistance for Juvenile Justice</i>	50.8	44.8	47.1	50.5	50.5	55.5	50.5
<b>Econ. Dev/Housing/Libraries/Envir.</b>	54.7	56.0	89.2	274.8	250.0	225.9	225.9
<b>Constitutional Officers</b>	155.3	145.8	158.0	188.5	196.5	231.2	241.6
<b>Dept. of Accounts Transfers</b>	49.3	49.3	49.6	30.4	30.4	30.4	30.4
<b>Car Tax</b>	950.0	950.0	950.0	950.0	950.0	950.0	950.0
<b>Aid-to-Locality Reduction</b>	(50.0)	-	-	-	-	-	-
<b>Total Local GF Aid</b>	\$8,389.6	\$7,921.0	\$8,899.6	\$12,683.0	\$12,613.6	\$13,821.0	\$14,121.1
<b>Total GF Appropriations</b>	\$15,943.0	\$17,705.2	\$20,449.9	\$31,742.3	\$31,041.5	\$35,709.3	\$32,918.4
<b>Local Aid % of Total GF</b>	52.6%	44.7%	43.5%	40.0%	40.6%	38.7%	42.9%

# Mandatory/High Priority Budget Drivers for the 2026-28 Biennium Budget

- \$974 mil. K-12 education rebenchmarking for 2026-28, not including a new ADM and sales tax forecast.
- Medicaid utilization and inflation with much higher managed care rates (new forecast is \$410 mil. in FY 26 and \$2.8 bil. in 2026-28 biennium).
  - Most OBBBA Medicaid savings will accrue to lower federal funding of the expansion population, not state GF.
- Children's Services Act (CSA) cost increases (\$180 mil.)
- SNAP administration costs are currently shared 50% state/50% federal (with a local match of 15.5% on the state match). The OBBA changed the state admin match rate to 75% on Oct. 2026. This will cost the state an additional \$65 mil. in FY 2027 and \$90 mil. thereafter, with a possible additional local match.
- Unless the state reduces its current SNAP error rate of 11.5% to under 6% then the state will be on the hook for \$211 mil. in FY 28 and *up to* \$270 mil. in future years.
- Higher H&HS provider rates – such as mental health and DD waiver services rates
- Salary increases for teachers and state employees (@ 3% each year = \$600 mil.)
- Conforming to federal AGI tax changes (\$1.1 bil., incl. FY 2026)

# Discretionary Budget Possibilities for the 2026-28 Biennium

- Remaining JLARC K-12 recommendations
  - Already funded the support cap removal and at-risk student recommendations.
  - Remaining unfunded recommendations include: unfunded staffing such as teacher assistants and assistant principals, inaccurate prevailing salary methodology, small schools economies of scale adjustment, more accurate cost-of-living adjustments, and rebenchmarking that covers real-time costs.
- VDSS costs related to SNAP quality control, such as the IT system that manages benefits, which would also help with Medicaid redeterminations as well.
- Constitutional officer staffing needs per workload-based staffing standards.
- Economic development projects, such as business-ready development sites
- Higher Education funding requests
- Capital outlay including vetoed projects
- Wastewater treatment and BMP upgrade costs beyond WQIF funding levels
- Correctional officer salary increases
- Federal tax change costs that **do not normally** flow thru to Virginia
- Backfilling reduced federal policy changes and grants – such as K-12 cuts

# Major Medicaid Provisions in OBBBA

Major Provisions	Local Impact	State GF Impact
Community Engagement Requirement (80 hours a month) for Able-Bodied Adults (verified at initial enrollment and each renewal) – effective December 31, 2026	Yes	Yes
Cost Sharing for Expansion Members >100.0% of the Federal Poverty Level – effective October 1, 2028	No	Yes
Modifies Retroactive Coverage from Three Months to One Month Prior to Application for Medicaid under Expansion and two months for all other – effective January 1, 2027	Yes	Yes
Eligibility Determination for Expansion Members Must be Redetermined Every Six Months, verification of duplicate enrollment and deceased individuals – effective January 1, 2027, and January 1, 2028	Yes	Yes
Narrows the definition of qualified alien; Payments for services under Emergency Medicaid limited to 50 federal match rate if non-citizen under Expansion – effective October 1, 2026	Maybe	Yes
Payment reduction related to certain erroneous excess payments under Medicaid – effective October 1, 2029	Yes	Yes

Source: Mike Tweedy, Senate Finance and Appropriations Committee. For additional info see:

[https://sfac.virginia.gov/pdf/Jt%20Sub%20HHR%20Oversight/2025/No3\\_Cheryl%20Roberts,%20DMAS%20Presentation.pdf](https://sfac.virginia.gov/pdf/Jt%20Sub%20HHR%20Oversight/2025/No3_Cheryl%20Roberts,%20DMAS%20Presentation.pdf)

# Supplemental Nutrition Assistance Program (SNAP) Changes in OBBBA

Provisions	Local Impact	State GF Impact
State match requirement for SNAP benefits (minimum of 0.0 percent up to 15.0 percent based on the state's payment error rate – effective October 1, 2027)	Yes, pressure to reduce error rates	\$90 - \$270 million GF a year
Administrative cost sharing increased from 50.0 to 75.0 percent for states - effective October 1, 2026	Yes, local share	\$80 - \$90 million GF a year
Limits adjustments to the Thirty Food Plan to annual inflation adjustments – effective July 4, 2025	No	No
Increases the age from 54 to 64 that Able Bodied Adults without Dependents must work to receive SNAP (dependent child is changed to be under the age of 14 and not 18)	Yes	Yes
Restricts use of LIHEAP payments of \$20 or more to automatically qualify for the standard utility allowance in determining SNAP benefit amounts to households with elderly or disabled members and prohibits the use of household internet costs from being used in computing the excess shelter expense deduction for SNAP benefits – effective July 4, 2025	Yes, adds complexity	No
Limits SNAP benefits to individuals who reside in the United States and are 1) citizens or lawful permanent residents; 2) immigrants who have been lawfully admitted for permanent residence; 3) immigrants who have been granted the status of Cuban or Haitian entrant; or 4) individuals who are lawfully residing in the country in accordance with the Compacts of Free Association between the United States and Micronesia, the Marshall Islands, and Palau.	Maybe, for verification purposes	No

Source: Mike Tweedy, Senate Finance and Appropriations Committee

# The Fiscal Health of Hospitals Will Be in Question over the Next Few Years

- The new federal law requires Virginia to lower its 6% hospital provider tax by half a percentage point each year starting in October 2027 until it hits 3.5% in 2032.
  - Reduced hospital Medicaid payments will also reduce provider tax amounts.
  - The hospital provider tax currently generates \$1 billion a year that the state combines with federal dollars to make supplemental Medicaid payments to hospitals.
  - New \$50 billion federal Rural Health Transformation Fund could provide some assistance to rural hospitals in VA (up to \$1 bil. to VA over 5 years).
- The OBBBA didn't extend the enhanced Affordable Care Act insurance premium tax credits for health insurance, which will drive up insurance costs for the low and middle income.

# Timeline of Key Health Policy Provisions

## **FY 2026**

- Rural Health Transformation Disbursements Begin
- Initiative begins to improve SNAP error rates

## **FY 2027**

- Begin increased SNAP administrative costs (3/4 of year)
- Enhance Medicaid eligibility determination workforce
- Begin complying with Medicaid Community Engagement Requirements (80 hours a month) for Able-Bodied Adults

## **FY 2028**

- SNAP error rate state costs begin
- Begin reduction of 6% provider taxes for state directed payments to hospitals in October 2027

# Virginia Tax Conformity to OBBBA Could Reduce Revenues, if Adopted

- Virginia has **static (fixed date) conformity to federal tax changes** (IRC), where the incorporation of changes has to await the legislature's decision to manually update any IRC conformity. Conforming to **individual provisions would cost \$56.6 mil. from FY 26 thru FY 28. Business provision changes would cost \$1.1 bil. and include 4 significant changes to business expensing:**
  - The full expensing provision for machinery, equipment, and certain other tangible property is restored and made permanent;
  - restoring immediate cost recovery for research and development costs;
  - new first-year expensing for qualified production property (e.g., factories);
  - The cap on the § 179 expensing deduction for small businesses is raised from \$1 million to \$2.5 million.
- Examples of OBBBA **personal tax issues that would not flow to Virginia by updating conformity**, but could be considered include:
  - **\$668 mil. - Deduct a portion of overtime for both itemizers and non-itemizers** for tax years 2025-2028, with some exclusions, such as for highly compensated employees.
  - **\$210 mil. - Exempt certain qualified tips** from income taxation for tax years 2025-2028, structured as a deduction available to itemizers and non-itemizers alike.
  - **\$185 mil. - Deduct personal passenger vehicle loan interest** up to \$10,000 per year, with a phaseout for high earners beginning at \$100,000/\$200,000 for joint filers in income.
  - **\$136 mil. - Charitable deduction for nonitemizers**

# New Revenues From Potential Tax Policy Changes

- **\$800 mil. - \$1 billion per year by applying sales tax to “new economy” purchases**
  - The 2024 General Assembly’s original enrolled budget bill (not ultimately agreed to by the Governor) applied sales tax to purchases such as digital services or electronic products in five distinct categories: 1) software application services including business-to-business; 2) computer-related services; 3) website hosting and design; 4) data storage; and 5) streaming services
- **\$500 million per year by adding 2 new top income tax brackets**
  - Add a new 6% tax bracket from \$100,000 to \$1 million and a second new 6.75% bracket for income above \$1 million.

*In the latest JLARC report (1/22/25) comparing Virginia to other states, Virginia was ninth lowest among the 50 states for the percentage of state and local revenue as a percentage of personal income at 18.5%.*

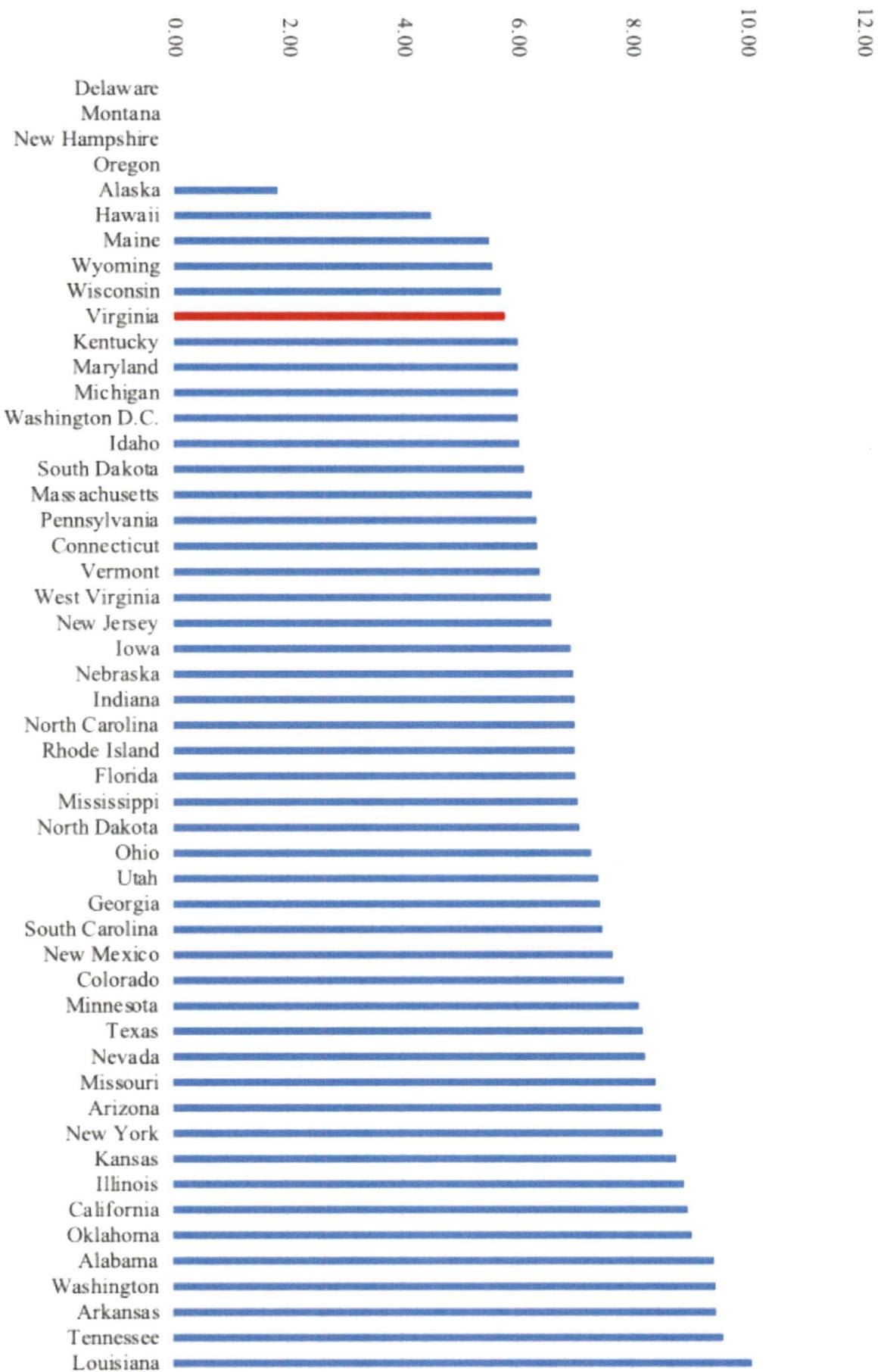
# Virginia Tax Competitiveness Versus Surrounding States

## Tax Foundation's 2026 State Tax Competitiveness Index

Surrounding States	Overall Competitiveness Rank	Individual Income	Sales Tax	Corporate Income	Property Tax	Unemployment Insurance
Tennessee	8	1	47	48	32	16
North Carolina	13	22	15	3	21	7
<b>Virginia</b>	<b>30</b>	<b>36</b>	<b>13</b>	<b>18</b>	<b>24</b>	<b>37</b>
West Virginia	32	27	33	29	19	24
Kentucky	25	25	20	19	30	30
Maryland	46	47	40	36	36	18
Washington D.C.	48	46	43	32	47	24

Source: <https://taxfoundation.org/research/all/state/2026-state-tax-competitiveness-index/>

# 2025 Combined State-Local Sales Tax



# Virginia Has a Lower Sales Tax Rate and Service Base than Surrounding States

	<b>State Rate</b>	<b>Avg Local Rate</b>	<b>Combine S&amp;L Rate</b>	<b>% Services in Sales Tax Base</b>
<b>Virginia</b>	<b>4.30%</b>	<b>1.47%</b>	<b>5.77%</b>	<b>13%</b>
Maryland	6.00%	0.00%	6.00%	19%
West Virginia	6.00%	0.60%	6.60%	29%
North Carolina	4.75%	2.25%	7.00%	24%
Florida	6.00%	1.02%	7.02%	23%
Georgia	4.00%	3.39%	7.39%	22%
South Carolina	6.00%	1.50%	7.50%	21%
Texas	6.25%	1.95%	8.20%	19%
Tennessee	7.00%	2.55%	9.55%	23%

Source: [https://www.finance.virginia.gov/media/governorvirginiagov/secretary-of-finance/pdf/12\\_23Presentation-\(with-Appendix\).pdf](https://www.finance.virginia.gov/media/governorvirginiagov/secretary-of-finance/pdf/12_23Presentation-(with-Appendix).pdf).

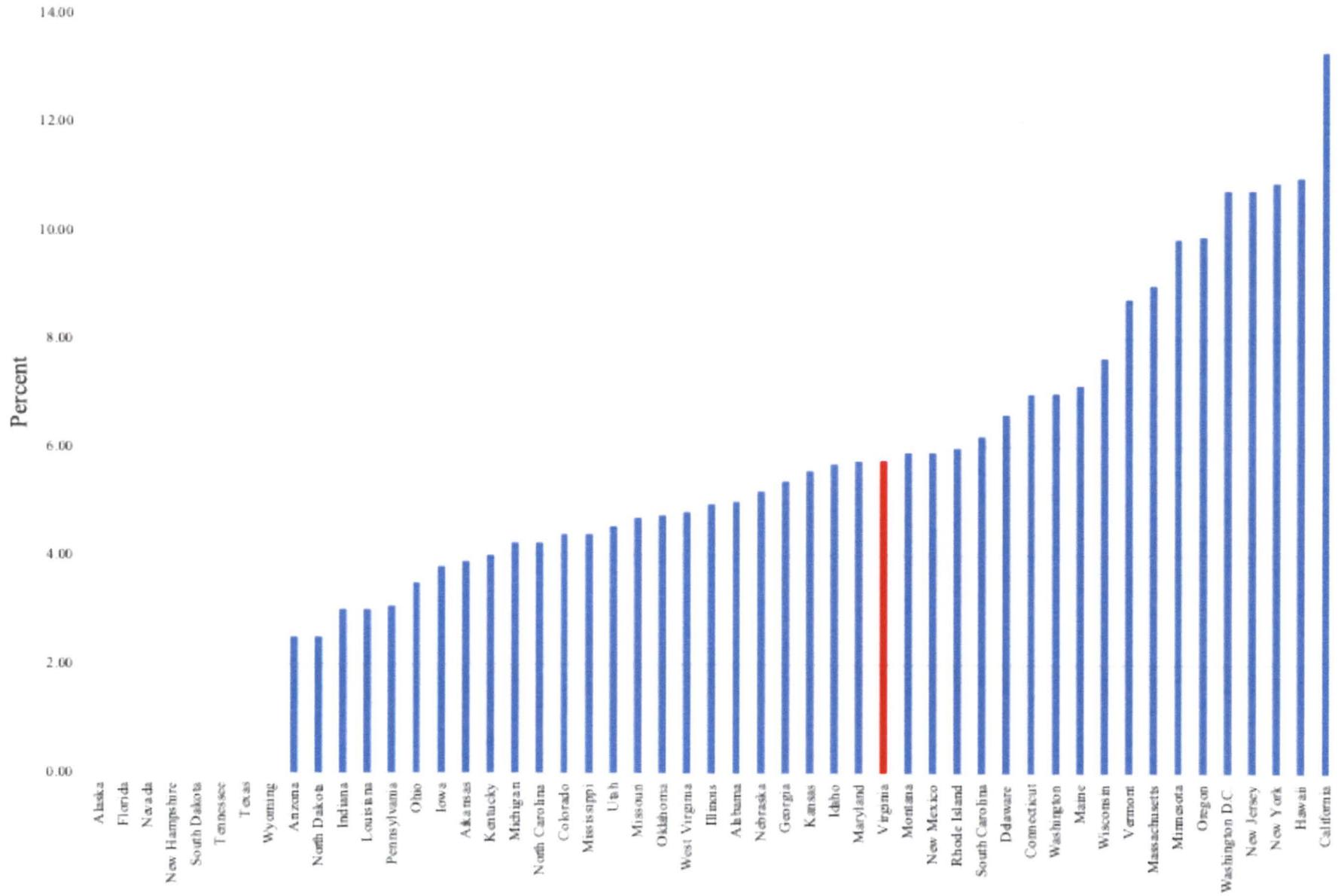
# Sales Tax on “New Economy” Products in Surrounding States

Service	# States Taxing	VA	FL	GA	NC	SC	TN	TX
Digital downloads	32	Exempt	Taxable	Taxable	Taxable	Exempt	Taxable	Taxable
Software application services	19	Exempt	Exempt	Exempt	Taxable	Taxable	Taxable	Exempt
Computer-related services	27	Exempt	Exempt	Exempt	Taxable	Taxable	Taxable	Taxable
Website-hosting and design	8	Exempt	Exempt	Exempt	Exempt	Exempt	Taxable	Taxable
Date storage	9	Exempt	Exempt	Exempt	Exempt	Guidance	Taxable	Taxable
Streaming music & video	33	Exempt	Taxable	Exempt	Taxable	Taxable	Taxable	Taxable

Source: Ernst & Young; : CCH Multistate Sales Tax Guide, Thomson Reuters Sales/Use Tax State Charts as of 30 October 2023.

Reprinted from [https://www.finance.virginia.gov/media/governorvirginiagov/secretary-of-finance/pdf/12\\_23Presentation-\(with-Appendix\).pdf](https://www.finance.virginia.gov/media/governorvirginiagov/secretary-of-finance/pdf/12_23Presentation-(with-Appendix).pdf)

## 2025 Highest State Income Tax Rate



# Recent GF Tax Reductions in Virginia

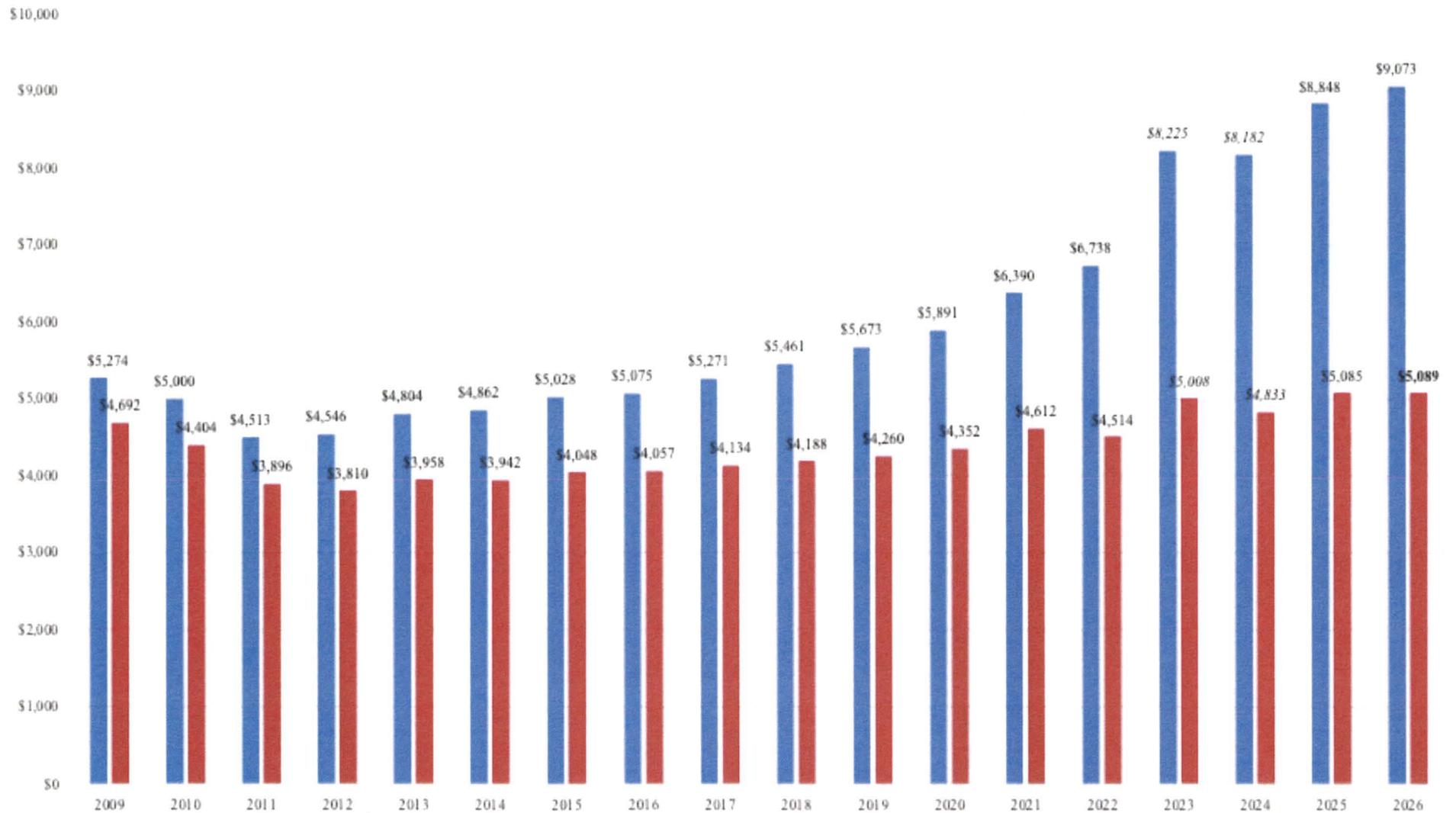
## Recent Adopted Major Tax Policy Reductions Impacting Revenue Estimates\*\*

	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>
Standard Deduction Increases	\$1,015.8	\$755.5	\$821.1	\$903.9
Refundable Earned Income Tax Credit	\$159.0	\$156.0	\$159.6	\$190.0
Income Tax Subtraction on Military Benefits	\$145.0	\$193.8	\$215.4	\$229.1
Eliminate Sales Tax on Groceries and Personal Hygiene	\$115.0	\$267.2	\$272.5	\$273.6
All Other Changes	\$15.3	\$21.2	\$33.9	\$45.7
Tax Rebate	\$1,048.6	\$906.8	\$977.0	
<b>Total</b>	<b>\$2,498.7</b>	<b>\$2,300.5</b>	<b>\$2,479.5</b>	<b>\$1,642.3</b>

\*\* August 14, 2025 Joint Money Committee Presentation

# Appendices

## Chapter 2 Budget State Per Pupil K-12 Direct Aid Funding Nominal and Inflation-Adjusted (CPI \$2005)



# Virginia General Fund Revenue Sources

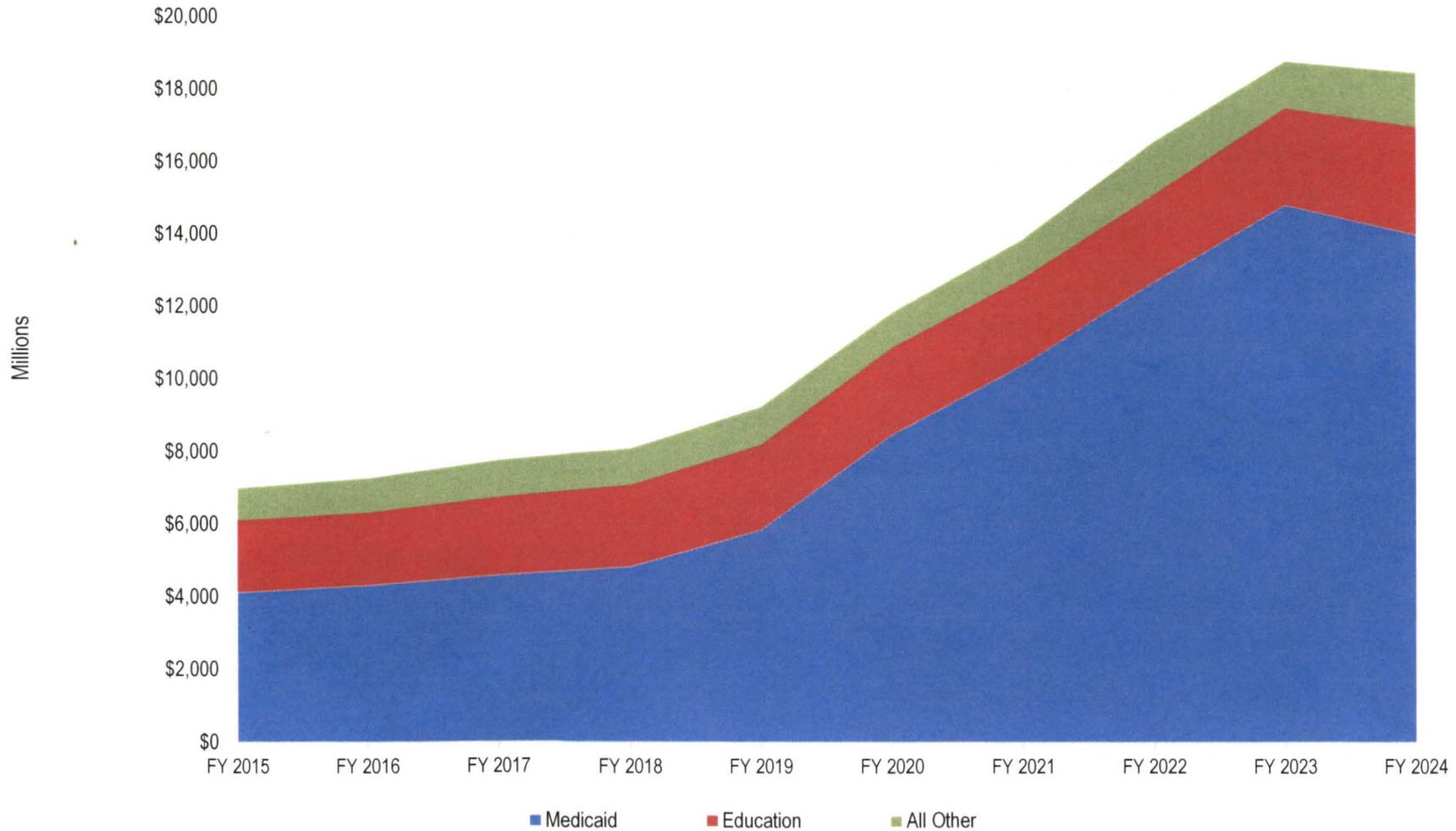
	<b>FY22 Actual</b>	<b>FY23 Actual</b>	<b>FY24 Actual</b>	<b>FY25 Actual</b>	<b>FY26 Budget</b>
<i>Withholding</i>	\$15,340.3	\$15,957.2	\$16,718.2	\$17,561.1	\$17,905.3
<i>Estimated Pay/Tax Dues</i>	\$6,810.5	\$6,629.2	\$6,563.7	\$7,518.7	\$6,382.7
<i>Refunds</i>	<u>-\$1,740.5</u>	<u>-\$3,602.8</u>	<u>-\$2,971.5</u>	<u>-\$3,187.4</u>	<u>-\$2,494.1</u>
<b>Net Individual Income</b>	\$20,410.3	\$18,983.6	\$20,310.4	\$21,892.4	\$21,793.9
<b>Sales Taxes</b>	\$4,558.1	\$4,734.5	\$4,709.7	\$4,812.7	\$4,987.4
<b>Corporate Income</b>	\$1,978.7	\$2,031.1	\$1,907.1	\$1,878.6	\$1,995.4
<b>Insurance</b>	\$426.8	\$450.9	\$468.2	\$541.5	\$503.7
<b>Recordation</b>	\$654.1	\$430.6	\$406.5	\$471.5	\$557.0
<b>Interest</b>	\$76.8	\$365.3	\$699.9	\$593.8	\$633.6
<b>All Other</b>	<u>\$830.2</u>	<u>\$913.9</u>	<u>\$946.4</u>	<u>\$1,042.9</u>	<u>\$1,569.1</u>
<b>Total GF Revenue</b>	<b>\$28,935.0</b>	<b>\$27,909.9</b>	<b>\$29,448.2</b>	<b>\$31,233.0</b>	<b>\$31,406.5</b>
<b>Sales Tax Transfers</b>	\$522.5	\$557.0	\$573.8	\$588.0	\$608.9
<b>Other Transfers</b>	\$291.9	\$258.6	-\$561.1	\$913.3	\$932.2
<b>Total General Fund</b>	<b>\$29,749.4</b>	<b>\$28,725.5</b>	<b>\$29,461.0</b>	<b>\$32,734.3</b>	<b>\$32,947.6</b>
<b>Lottery</b>	\$779.6	\$870.8	\$1,020.3	\$977.1	\$875.3

# Non-General Funds are Dedicated for Specific Uses

<b>Non-General Fund Category</b>	<b>Major Examples</b>	<b><u>FY 2007</u></b>	<b><u>FY 2025</u></b>	<b><u>% Growth</u></b>
Higher Ed Operating	Tuition and fees, university hospital revenue, federal funds for Hi ED	\$4,852.8	\$11,681.0	141%
Federal Trust	All federal funds received (e.g. medicaid), except those received by VDOT, VEC, and Hi Ed	\$4,871.6	\$21,575.9	343%
Commonwealth Transportation	Transportation taxes incl. federal \$, excluding tolls	\$3,928.5	\$9,234.1	135%
Trust and Agency	Unemployment insurance, tobacco settlement, lottery and literary funds earmarked to K-12	\$1,083.3	\$2,784.8	157%
Internal Service	DGS leasing office space, VITA providing IT services to other agencies, and DHRM administering state and local government employees' health plans	n/a	\$2,548.4	n/a
Dedicated Special Revenue	VA Health Care Fund, Safe Drinking Water Fund, Game Protection Fund, highway tolls, DMV fees, state park fees, solid waste fees, etc	\$638.2	\$5,187.9	713%
Special revenue	Revenues derived from restricted taxes and other special revenue sources, e.g. state ID health services	\$1,602.6	\$2,076.2	30%
Enterprise	ABC and lottery sales, prepaid tuition 529 plans	\$850.1	\$2,626.4	209%
Other Debt Service	Primarily Hi Ed student fees for dining, housing, athletics	\$234.4	\$308.8	32%
<b>Total Non-General Funds</b>		<b>\$18,061.5</b>	<b>\$58,023.5</b>	<b>221%</b>
<b>General Fund</b>		<b>\$17,033.1</b>	<b>\$36,551.9</b>	<b>115%</b>
<b>Total</b>		<b>\$35,094.6</b>	<b>\$94,575.4</b>	<b>169%</b>

# Virginia's Federal Expenditures Have Grown Substantially

Virginia's Federal Expenditures - 10 Year History



Source: Mike Tweedy, Senate Finance and Appropriations Committee