



FACT SHEET: Governor Youngkin Announces Expansive Tax Relief for Hardworking Virginians and Critical Investments in the “Keep Virginia Winning” Budget

Overview

The Governor’s amendments to the biennial budget prioritize tax relief for hardworking Virginians, increase educational opportunities for more Virginians, keep our communities safe, and make critical investments in healthcare, economic development, and the Commonwealth’s technology infrastructure.

When combined with FY24 surplus revenues, year-end agency balances and other revenue sources, the Governor’s amendments contain approximately \$4.7 billion in additional resources above Chapter 2.

- \$1.4 billion from FY24 revenues and discretionary year-end balances
- \$3.3 billion in economic forecast revisions and revenue transfers

The December revenue forecast increase of \$3.2 billion (\$2.1 billion in FY25 and \$1.1 billion in FY26) is driven by the strength of withholding revenues from the continued growth in jobs and wages, and our current revenue collections continue to track ahead of our assumptions.

Key Highlights

Lowering the Cost of Living for Virginians

- **Working Class Car Tax Relief:** The cost of the most hated tax in America will be offset for working class families under this budget: \$1.1 billion is allocated for a refundable income tax credit for individuals (\$150) and joint filers (\$300) below income thresholds impacting approximately 2.4 million Virginians. Individuals will be eligible if they live in localities that do not increase their car tax rate above 2.5 percent.
- **No Tax on Tips:** Exempts tipped income from individual income taxes for more than 250,000 Virginians in the food service, personal service, and hospitality industry. The estimated full-year annualized revenue loss of approximately \$70 million is assumed in the official revenue forecast beginning in FY27.
- **Virginia Standard Deduction:** Makes the existing \$8,500/\$17,000 standard deduction permanent, avoiding potential tax increases of \$557.2 million (FY26) and \$1.2 billion (FY27).
- **Toll Reforms:** Eliminates Coleman Bridge tolls (2027) and modifies toll regulations for specific areas.

- **Tax Modernization:** Adopts market-based sourcing for multi-state corporations, increases the threshold for estimated income tax payments, and aligns interest on overpayments and underpayments with federal law, saving self-employed individuals money.

Keeping Communities Safe and Supporting Law Enforcement

- **No Sanctuary Cities Language:** Requires law enforcement and jail officials to fully comply with Immigration Customs and Enforcement (ICE) detainers and provide notification to ICE 48 hours prior to the release of an illegal immigrant who has committed a serious or violent crime. Failure to cooperate with ICE or adoption of “sanctuary city” practices will result in the loss of state funding to the locality.
- **Funding for Law Enforcement and First Responders:** Provides approximately \$150 million for facilities, including a new Virginia State Police (VSP) training academy. Fully funds the 1.4% pay step increase for VSP troopers and supports first responders with \$5 million to purchase breathing apparatus devices and creates a dedicated staff member for first responder wellness at the Department of Criminal Justice Services Office of First Responder Wellness. An additional \$2.5 million is also included for an emergency communications infrastructure fund.
- **Restoring School Resource Officer (SRO) and School Security Officer (SSO) Funding:** Restores \$6.8 million to the SRO / SSO fund at DCJS to help schools that do not currently have an SRO or SSO or need additional law enforcement personnel, equipment, training and programming to address their needs.

Investments in K-12 and Higher Education

- **Direct Aid Spending Increase of \$517.6 million:** Adds an additional \$164.3 million in general fund monies and \$353.3 million in non-general fund, non-federal monies to our record budget levels, bringing us to over \$22 billion in direct aid spending in this biennium, a 54 percent increase over the FY19-20 biennium.
- **Record Increase in Support for English Learners:** Increases funding by \$110.7 million to help deliver a high-quality education for every student, bringing the total to \$441.7 million in the current biennium.
- **Targeted Funding to Enhance School Performance:** Over \$50 million in one-time and \$1 million in ongoing funding for School Performance and Support Framework implementation and the Office of School Quality to deliver targeted support and infrastructure for schools identified by the School Performance and Support Framework as in need of support to improve student performance.
- **Lab School Partnership with HBCUs of \$25 million:** Invests an additional \$25 million to fund new innovative Lab Schools established in partnership with Virginia’s Historically Black Colleges and Universities (HBCUs).
- **Fully-Funded New Assessment System:** Provides \$66 million for a new assessment system that will include new definitions of proficiency that will be benchmarked to the highest in the nation for all SOL tests and deliver on our shared commitment to restoring excellence in education.

- **Bring Funding for School Construction and Modernization up to \$700 million:** Adds an additional \$290 million new dollars in school construction to ensure every Virginia student has access to high-quality school facilities that support academic success.
- **Virginia Opportunity Scholarships:** Provides \$50 million to establish the Virginia Opportunity Scholarship program to allow eligible K-12 students whose household income does not exceed twice the federal income eligibility guidelines for free school meals to receive \$5,000 per academic year to be used for accredited private school tuition, fees, uniforms, textbooks, transportation, and other costs.
- **Addressing Child Care Deserts:** Provides \$15 million for an early learning capital supply-building fund to provide competitive grants to help local partners retrofit and renovate existing unused spaces to increase the supply of quality early learning spaces in child care and early learning deserts.

Strengthening the Economy and Workforce Development

- **Virginia Business Ready Sites Program (VBRSP):** The \$50 million investment builds on the record \$282 million invested in VBRSP since 2022, further enhancing the Commonwealth's dedication to strategic site readiness and infrastructure expansion. Combined with other sources of site-readiness and infrastructure investments, Virginia has invested over half a billion dollars since FY2022.
- **Workforce Development:** Provides \$35 million to the College and Career Ready Virginia Fund for Passport, Uniform Certificate of General Studies, and FastForward CTE courses, \$3.5 million for the Workforce Credential Grant, and \$13.9 million for nursing recruitment and training.
- **Tourism:** A one-time capitalization of \$5 million to establish the Sports Tourism Incentive Grant Program to support youth, amateur, and other sporting events. This program builds on the success of the Virginia Tourism Corporation's pilot initiative and will expand its impact statewide.
- **Research and Innovation:** Provides \$35 million for advanced life sciences, lab expansion, and insulin manufacturing projects.
- **Interstate-81:** Includes \$175 million of FY24 balances designated for projects in the I-81 Corridor Improvement Program.
- **Roanoke Airport:** Authorizes \$20 million interest-free Treasury loan to support a runway modification project at the Roanoke-Blacksburg Regional Airport.

Investing in Healthcare and Mental Health

- **Fully Funds Ongoing Medicaid and Other Mandatory Program Costs:** Fully funds the official Medicaid, Children's Services Act, and associated rate forecasts totaling nearly \$800 million.
- **Getting Virginians Right Help, Right Now:** Since its creation in 2022, the Commonwealth has invested \$1.4 billion of new funding to support the initiatives outlined in the six pillars of *Right Help, Right Now*. The budget adds an additional \$70 million to support the following critical areas:
 - **\$35 million** to expand Special Conservators of the Peace (SCOPs) across the Commonwealth to reduce the burden on law enforcement responding to an Emergency Custody Order (ECO) or a Temporary Detention Order (TDO).
 - **\$15 million** reallocated for school-based mental health services.
 - **\$4.3 million** to support the readiness and implementation of an 1115 Serious Mental Illness (SMI) Waiver.
 - **\$3.5 million** to reimburse law enforcement for distance based TDO transportation.
 - **\$1.5 million** to expand the Adult Psychiatric Access Line (APAL), a program designed to provide psychiatric consultation and care navigation for primary care physicians treating adults with substance use disorders (SUDs) and co-occurring mental health issues.
 - **\$1 million** to enhance mental health literacy among youth aged 12–18 and address the impacts of substance use, social media, and excessive screen time.
- **Maternal Health:**
 - **Funding for perinatal health hub pilot programs:** \$2.5 million will support the expansion of the perinatal health hubs model by piloting three sites across the Commonwealth, including at least one in a rural region.
 - **Additional support for doulas and community health workers:** Provides an additional \$1 million in funding to support critical positions, including doulas, that prioritize serving localities with the highest maternal mortality rates.
 - **Awareness of maternal health warning signs campaign:** Includes \$500,000 to fund an education campaign for the public recognizing potentially life-threatening warning signs during and after pregnancy.
 - **Increase payments for psychiatric and obstetric-gynecological graduate medical residencies:** Funds supplemental payments for graduate medical education in psychiatric and obstetric-gynecological specialties to expand residency slots, focusing on underserved areas and high-need specialties. Effective July 1, 2026, the supplemental payment for all qualifying obstetric-gynecological and psychiatric residencies will increase to \$150,000 annually.

Natural Resources and Resilience

- **Water Quality Improvements:** \$400 million for wastewater treatment plants and \$97 million for water quality improvement projects, including \$50 million for Richmond City Combined Sewer Overflow.
- **Disaster Assistance Fund:** Creates a new Disaster Assistance Fund at the Department of Housing and Community Development with \$127 million to assist with relief efforts. Provides \$25 million in General Funds as a direct allocation for immediate recovery efforts and \$102 million is provided from RGGI final payments and interest.

Good Governance and Modernizing Outdated Systems

- **Addressing Virginia's Technology Debt:** Provides \$227.7 million across various state agencies to modernize Virginia's legacy IT systems, including \$131 million for the Integrated Revenue Management System at the Department of Taxation.
- **Financial Reserves:** \$295 million deposit, maintaining reserves over \$4 billion.

Supporting Veterans and Families

- **VMSDEP:** Total funding of \$250 million, which includes \$60 million non-general fund monies annually from the actuarial surplus of the Virginia 529 defined benefit program, which fully funds the Program.