

# Capitol Contact

## Virginia General Assembly

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# VACo Analysis of the House and Senate Budgets

The House and Senate passed their respective budget proposals late last week. Each budget proposal will now be reviewed by the other chamber in advance of the two proposals being placed into a committee of conference by March 4 to develop a compromise budget in advance of the session's scheduled adjournment on March 14. While there are important areas of alignment between the two budgets, the proposals diverge significantly in their revenue assumptions, with the Senate assuming \$500 million in FY 2026 surplus revenues, as well as \$1.1 billion in general fund and K-12 revenue generated over the biennium by the expiration of the retail sales and use tax exemption for data centers on January 1, 2027.

Following is an overview of key elements of the two budgets of importance to local governments. VACo appreciates members' advocacy for budget requests submitted by VACo and partner organizations and will continue to advocate for local government priorities as the budget process continues.

### **Real Estate Tax Exemptions**

- **House:** Directs the creation of a legislative joint subcommittee with participation by members of the money committees to review the cost of mandatory property tax exemptions for disabled veterans and their spouses and make recommendations to ensure the sustainability of the exemption programs, reduce the fiscal stress these exemptions are having on local governments, and preserve localities' ability to provide local services. A report would be due by October 15. VACo worked with advocacy partners to request this amendment. ([Item 1 #5h](#))

## **Compensation – FY 2026 Bonus Payments in Approved “Caboose” Budget**

- Provides \$116.3 million for the state share of a one-time bonus payment of \$1,500 per employee on June 1, 2026, for funded SOQ instructional and support positions. Budget language indicates that these funds represent the state share of the bonus for school divisions that certify that a bonus of a minimum average of \$1500 per employee or equivalent action will be provided in FY 2026 or FY 2027. School divisions are allowed to determine the amount of the bonus per employee to maximize the use of funds. A local match is required based on the Local Composite Index.
- Includes funding for a \$1500 bonus per state employee, effective June 16, 2026.
- Retains proposal in the introduced version of the caboose budget for a 2 percent bonus payment for state-supported local employees on June 1. Language allows funds that are provided on a reimbursement basis that are not expended in FY 2026 to be carried forward to FY 2027.

## **Compensation – SOQ Instructional and Support Positions (Biennium)**

- **House:** Retains proposal in the introduced budget to provide the state share of a 2 percent salary increase in each year of the biennium for funded SOQ instructional and support positions; the state share would be prorated for school divisions that provide less than an average 2 percent salary increase. School divisions providing an average increase in excess of 2 percent in the first year of the biennium would be allowed to credit the excess portion of the increase toward the second year. The state funds must be matched based on the Local Composite Index.
- **Senate:** Enhances salary increase to 3 percent per year. ([Item 125 #8s](#)) Directs JLARC to periodically review teacher compensation, including benefits such as health insurance and retirement. ([Item 25 #1s](#))

## **Compensation – State Employees and State-Supported Local Employees (Biennium)**

- **House:** Retains proposal in the introduced budget to fund a 2 percent salary increase for state employees and state-supported local employees in each year of the biennium. The salary increases for state employees would take effect July 10, 2026, and June 10, 2027, and the increases for state-supported local employees would take effect July 1, 2026, and July 1, 2027.
- **Senate:** Enhances salary increase to 3 percent per year for state employees. ([Item 469 #1s](#)). Retains 2 percent salary increase in each year for state-supported local employees. Directs the Department of Planning and Budget to collect salary data for state-supported local employees annually, to include total salaries for full-time employees and the full-time employee count. ([Item 469 #5s](#))

## **K-12 – Rebenchmarking and Technical Updates**

- **Introduced budget:** Provides \$579 million GF over the biennium to fund rebenchmarking of the Standards of Quality and other routine updates to school funding. This figure reflects the net cost after capturing \$214 million over the biennium in savings to the state associated with decreases in VRS and OPEB employer contribution rates, as well as \$365 million over the biennium in savings due to updated average daily membership projections, as well as the recalculation of the Local Composite Index and other technical adjustments. The House and Senate retain these actions; the House also considers capturing nonparticipation in the Virginia Preschool Initiative (discussed further below) as a technical update in this category.

## **K-12 – Sales tax distribution**

- **House:** Retains the net increase of \$16.5 million in FY 2027 and \$37.6 million in FY 2028 in the introduced budget from updated sales tax distribution figures. Proposes to consolidate distribution of sales tax into one budget action rather than the current practice of depositing revenues generated by one cent of sales and use tax into the general fund and distributing those funds to localities for school operations and also depositing the equivalent of one-eighth of a cent of sales tax revenues into a separate fund, then transferring those funds into the general fund for distribution to school divisions. ([Item 125 #7h](#), [Item 3-5.03 #1h](#), [Item 4-14 #4h](#))
- **Senate:** Retains the updated sales tax figures in the introduced budget and adds \$46.7 million in FY 2027 and \$114.7 million in FY 2028 to reflect the increase in the sales tax base associated with the Senate’s proposal to terminate the sales and use tax exemption for data center equipment as of January 1, 2027. ([Item 125 #7s](#) and [Item 3-5.03 #1s](#))

## **K-12 – Grocery tax hold-harmless**

- **House and Senate:** Both budgets retain funding in the introduced budget (\$625,438 in FY 2027 and \$1.1 million in FY 2028) to adjust the supplemental payment that holds localities harmless for lost revenue associated with the elimination of the state portion of the sales tax on groceries.

## **K-12 – Infrastructure and Operations Per-Pupil Funds**

- **House and Senate:** Both budgets retain language in the introduced budget providing that beginning in FY 2028, the Department of Education is authorized to withhold a portion of Lottery-funded Infrastructure and Operations Per Pupil Funds from school divisions that do not comply with annual reporting requirements.

- **Senate:** Dedicates \$60 million in FY 2028 from anticipated skill games revenues to increase the Infrastructure and Operations Per Pupil Amount from \$422.56 to \$514.30. ([Item 125 #6s](#))

## **K-12 – Flexible Funding Supplement**

- **House:** Provides \$400.4 million in FY 2027 as a flexible funding supplement for school divisions, which may be used to address unique local needs, protect programming from the impacts of federal actions, provide physical health and mental health supports, and supplement operating and infrastructure support. A portion of the funding would be distributed based on school age population, a portion would be distributed as an add-on to basic aid for each student, and a portion would be distributed based on the estimated number of At-Risk students, with each school division receiving at least \$100,000. No local match is required, but school divisions must provide the full 2 percent compensation supplement each year to qualify. Funds may not be used to supplant local operating expenditures. ([Item 125 #1h](#))

## **K-12 – Literary Fund and School Capital**

- **Senate:** Includes the provisions of legislation authorizing localities to impose a 1 percent local option sales tax for school capital needs, after approval via referendum. ([Item 4-14 #1s](#))
- **Introduced budget:** Uses \$185 million in FY 2027 and \$100 million in FY 2028 from the Literary Fund for the state’s share of school employee retirement contributions (and captures equivalent GF savings). Appropriates an additional \$127 million over the biennium from the School Construction Fund, as well as \$172 million in FY 2027 from the Literary Fund, for the School Construction Assistance Program, under which the Board of Education makes competitive grants to school divisions for construction, expansion, or modernization of public school buildings.
  - **House:** Retains the introduced budget’s appropriation of an additional \$127 million over the biennium from the School Construction Fund (for a total of \$347 million in school construction grants from casino gaming revenues). Instead of using \$172 million in FY 2027 from the Literary Fund for the School Construction Assistance Program, as proposed in the introduced budget, the House budget redirects the \$172 million to FY 2028 to be used for teacher retirement costs. ([Item 125 #8h](#))
  - **Senate:** Retains the dedication of an additional \$127 million over the biennium from the School Construction Fund, as well as \$172 million in FY 2027 from the Literary Fund, for the School Construction Assistance Program, as proposed in the introduced budget. Reduces the Literary Fund amount designated for teacher retirement in FY 2027 by \$50 million and instead authorizes the use of \$50 million for school construction loans. ([Item 125 #9s](#))

- **House and Senate:** Both budgets retain language in the introduced budget stipulating that local school boards may not exclude public charter schools, regional public charter schools, or joint and regional schools from consideration for School Construction Assistance Program grants.

### **K-12 – Special Education**

- **House:** Provides \$74.4 million the first year and \$74.0 million the second year from the general fund to increase the add-on rates applied to basic aid for special education students from 4.75 percent to 9.25 percent for Level I students and from 5.25 percent to 17.5 percent for Level II students. ([Item 125 #2h](#)) Directs the Department of Education to report annually on expenditures for the education of students receiving special education services in each local school division. ([Item 123 #1h](#))
- **Senate:** Provides \$12.8 million per year to increase the special education add-on from 4.75 percent to 5.75 percent for Level I students and from 5.25 percent to 6.25 percent for Level II students. ([Item 125 #3s](#))

### **K-12 - At-Risk Add-On**

- **House:** Expands allowable uses for the At-Risk Add-On to include hiring licensed practical nurses, registered nurses, and advanced practice registered nurses. ([Item 125 #5h](#))
- **Senate:** Provides \$49.4 million in FY 2027 and \$49.3 million in FY 2028 from the general fund and \$20 million in FY 2028 from anticipated skill games revenues from skill games in FY 2028 to increase the At-Risk Add-On to a maximum percentage of 39.9 in FY 2027 and 52.1 in FY 2028. ([Item 125 #5s](#))

### **K-12 – Local Composite Index**

- **House:** Removes language allowing the Department of Education to make adjustments in funding within a school division in which a substantial error is found in a constituent index of the Local Composite Index. ([Item 125 #6h](#))
- **Senate:** Adds the value of computer equipment and peripherals used in a data center to the calculation of the true value of real estate and public service corporations when calculating the Local Composite Index, beginning with the 2028-2030 biennium. ([Item 125 #1s](#))

### **K-12 – Joint Subcommittee on Elementary and Secondary Education Funding**

- **House:** Provides \$250,000 in FY 2027 for the Joint Subcommittee on Elementary and Secondary Education for public engagement, facilitation, and technical support in developing a long-range plan for the phased implementation of the 2023 JLARC report on K-12 funding. ([Item 1 #6h](#))

- **Senate:** Provides \$1 million in FY 2027 and \$250,000 in FY 2028 to support the Joint Subcommittee; directs the Superintendent of Public Instruction to issue an RFP for a contractor to support the development of a new funding formula. ([Item 123 #2s](#))

## **Early Childhood**

- **House and Senate:** Both budgets remove the proposal in the introduced budget providing \$500,000 per year to establish and maintain a platform for affordable child care subsidy accounts and \$1 million in FY 2027 as matching funds to incentivize employer contributions to these accounts to support employee child care costs. ([Item 123 #3h](#) and [Item 123 #1s](#)) The House instead provides \$25 million in FY 2027 to establish the Employee Child Care Assistance Program. ([Item 126 #1h](#)) The Senate’s version of the program would be funded with \$25 million in each year. ([Item 126 #1s](#))
- **House and Senate:** Both budgets retain the introduced budget’s inclusion of an additional \$13.2 million in FY 2027 and \$17.5 million in FY 2028 in federal funds for the Child Care Subsidy Program.
- **House and Senate:** Both budgets accept the introduced budget’s proposal to fund an additional 6,745 slots per year in the Child Care Subsidy Program by redirecting \$71 million in FY 2027 and \$66.6 million in FY 2028 from assumed nonparticipation rates for the Virginia Preschool Initiative.
- **House:** Allows Child Care Subsidy Program or Mixed Delivery Grant Program funding not expended in FY 2027 to be used in FY 2028 and allows funds to be reallocated among programs to address wait lists. ([Item 126 #2h](#))
- **Senate:** Provides \$600,000 in FY 2027 to develop a phased reduction model for the Child Care Subsidy Program so that families do not experience a sudden loss in eligibility for assistance as a result of an increase in family income and provides \$3 million in FY 2028 to support the new model. ([Item 117 #1s](#) and [Item 126 #2s](#))

## **Education – State Aid to Local Public Libraries**

- **House:** Provides \$1.5 million in FY 2027 to increase state aid to local public libraries. ([Item 230 #1h](#))
- **Senate:** Provides \$1 million per year in additional state aid to local public libraries. ([Item 230 #1s](#))

## **Administration – Constitutional Officers**

- **House:** Directs the Compensation Board to include a study of the work required for the review and approval or rejection of applications for tax exemptions for 100 percent disabled veterans in its next evaluation of workload indicators for Commissioners of Revenue and Finance Director offices. ([Item 67 #2h](#))
- **House and Senate:** Both budgets remove funding proposed in the introduced budget for 71 additional sheriffs’ deputy positions. ([Item 60 #1h](#) and [Item 60](#))

[#2s](#)). The House also removes funding proposed in the introduced budget for 18 additional administrative positions in sheriffs' offices, while the Senate retains this funding. ([Item 60 #1h](#))

- **Senate:** Provides \$329,320 in FY 2027 and \$359,258 in FY 2028 to restore state salary funding for 50 Assistant Commonwealth's Attorneys and 15 support staff positions, which had been cut due to previous budget reductions. ([Item 64 #1s](#)). Funds participation in the career development program for an additional 38 positions in Commonwealth's Attorneys' offices. ([Item 64 #3s](#)) Increases the starting salary for paralegals in Commonwealth's Attorneys' offices from \$32,801 to \$43,841. ([Item 64 #4s](#))
- **Senate:** Funds participation in the career development program for 5 circuit court clerks and 94 deputy clerks. ([Item 65 #1s](#))
- **Senate:** Funds participation in the career development program for 4 treasurers and 18 deputy treasurers. ([Item 66 #1s](#))
- **House and Senate:** Retain language in the introduced budget exempting the Department of Taxation from paying any fee for remote access to land records.

## Administration - Jails

- **House and Senate:** Both budgets retain the funding in the introduced budget for the state's share of costs for the Roanoke County Jail Renovation Project (\$5,024) and for the Piedmont Regional Jail Upgrade Project (\$279,827) in FY 2027. Both budgets also fund the state's share of improvements at Western Tidewater Regional Jail (\$954,992) and the Prince William-Manassas Regional Adult Detention Center (\$279,827). ([Item 386 #1h](#), [Item 386 #2h](#), [Item 267 #1s](#))
- **House and Senate:** The House deposits \$2 million from state opioid settlement dollars into the Jail-Based Substance Use Disorder Treatment and Transition Fund in FY 2027. The Senate deposits \$1 million in settlement dollars into the Fund in FY 2027. ([Item 394 #9h](#), [Item 394 #7s](#))
- **House and Senate:** Both budgets consolidate the model addiction recovery program into the Jail Mental Health Pilot Program. The Senate's language specifies that current grantees of the model addiction recovery program would receive priority consideration for funding under the newly-consolidated program. ([Item 394 #10h](#) and [Item 394 #9s](#))

## Administration – Elections

- **House and Senate:** Retain funding in the introduced budget (\$3.3 million in FY 2027) for implementation of the state's new campaign finance system.
- **House and Senate:** Provide funding for participation in the Electronic Registration Data Center ([Item 77 #2h](#) and [Item 77 #1s](#))
- **House:** Repeals Virginia Code § 24.2-948.5, which authorizes the Department of Elections to review campaign committee reports and records and requires audits of a certain percentage of campaign committees, to be determined by random drawing. ([Item 4-14 #1h](#))

## **Commerce and Trade - Housing**

- **House and Senate:** The House budget includes \$10 million in FY 2027 in additional funding for the Eviction Prevention and Diversion Program and directs the Department of Housing and Community Development to expand the program to underserved areas of the state, including Northern Virginia. ([Item 102 #1h](#)) The Senate budget provides an additional \$13 million for the program. ([Item 102 #2s](#))
- **House:** Provides \$25 million in FY 2027 to capitalize the Virginia Housing Revolving Loan Fund established under legislation under consideration this session. ([Item 102 #2h](#))
- **House and Senate:** The House budget provides an additional \$12.5 million to the Virginia Housing Trust Fund in FY 2027 and directs the convening of a stakeholder workgroup to make recommendations regarding the administration of the Trust Fund and potential dedicated funding sources. ([Item 102 #3h](#)). The Senate budget dedicates an additional \$50 million to the Housing Trust Fund in FY 2027, of which up to \$20.6 million would be used for a two-year pilot program for financing mixed-income housing developments or housing-related infrastructure costs. ([Item 102 #1s](#))
- **House:** Provides \$5 million in FY 2027 to establish the Virginia Residential Development Infrastructure Pilot Program, which would provide grants to local governments to support residential development. ([Item 102 #5h](#))
- **House:** Provides an additional \$6 million per year for rapid rehousing efforts and an additional \$1 million per year for Continuum of Care lead agencies. ([Item 102 #8h](#))
- **House:** Provides \$50,000 in FY 2027 to the Department of Energy to conduct a workgroup on the costs and implementation of a centralized Smart Solar Permitting Platform ([Item 109#4h](#))
- **Senate:** Includes funding for the Senate’s version of the Smart Solar Permitting Platform as part of a larger amendment funding several energy bills. ([Item 109 #1s](#))

## **Commerce and Trade/Economic Development – Business Sites**

- **House and Senate:** Both budgets retain the introduced budget’s deposit of an additional \$10 million in FY 2027 to the Virginia Business Ready Sites Program (for a total of \$30 million in FY 2027 and \$20 million in FY 2028).
- **House:** Transfers an estimated \$80 million in balances in the Virginia Business Ready Sites Acquisition Fund to the general fund. ([Item 3-1.01 #3h](#))
- **Senate:** Transfers the balance of the Virginia Business Ready Sites Acquisition Fund to the Virginia Business Ready Sites Program Fund ([Item 101 #2s](#) and [Item 3-1.01 #5s](#))

## **Commerce and Trade/Economic Development - Broadband**

- **House and Senate:** Both budgets retain language in the introduced budget regarding use of federal Broadband Equity, Access, and Deployment (BEAD) funding that directs funding to purposes including broadband resiliency, mobile wireless coverage expansion, expansion of broadband infrastructure to and within multi-dwelling units, and critical disaster relief telecommunications resiliency.
- **House and Senate:** Neither budget provides additional funding for the Virginia Telecommunication Initiative; both budgets retain language authorizing balances from funds authorized in the 2025 Appropriation Act to be carried forward and reappropriated.
- **House:** Authorizes the Department of Housing and Community Development to use up to \$20 million in VATI funds for unexpected “make ready” costs incurred by service providers expanding service to unserved areas. The House also authorizes up to \$20 million to be used to restore telecommunications infrastructure damaged by a natural disaster and requires DHCD to work with the Virginia Department of Transportation to coordinate broadband and transportation projects to avoid potential right of way conflicts. ([Item 103 #4h](#) and [Item 103 #5h](#)).
- **Senate:** Authorizes up to \$5 million in VATI funds for unexpected “make ready” costs. Also authorizes up to \$5 million to reimburse broadband providers for costs associated with mandated relocation of facilities in rights-of-way. ([Item 103 #3s](#) and [Item 103 #4s](#))

## **Commerce and Trade/Economic Development - Tourism**

- **House:** Adds \$1 million in FY 2027 to the \$5 million in the introduced budget for the Virginia Sports Tourism Incentive Grants Program; directs \$3 million of the funding for promotion of a golf tournament in Gainesville and \$500,000 for another tournament held in certain specified regions in 2026. ([Item 114 #1h](#))
- **Senate:** Reduces funding for the Virginia Sports Tourism Incentive Grants Program by \$2.5 million. ([Item 114 #1s](#))
- **House:** Provides \$2.8 million per year for the Virginia Tourism Authority to develop a marketing campaign to attract out of state visitors from Black, Indigenous, and Hispanic communities. ([Item 114 #3h](#))

## **Other Economic Development Items**

- **House and Senate:** The Senate retains the \$35 million provided in the introduced budget in FY 2027 to expedite design development and necessary site improvements for an inland port in Washington County, contingent on the Virginia Port Authority providing a scope of work and schedule of estimated expenses. The House budget reduces this funding by \$33 million. ([Item 450 #1h](#))

- **House and Senate:** Both budgets adopt the introduced budget’s proposal to reduce funding for GO Virginia by \$4.7 million per year. The House reduces the amount of funding redirected to the Institute for Advanced Learning and Research to expand the Great Opportunities in Technology and Engineering Careers program by half and requires a 1:1 match from partner organizations. ([Item 238 #1h](#)) The Senate budget removes the funding in both years. ([Item 238 #1s](#))
- **House and Senate:** Both budgets provide \$2 million in FY 2027 for the Solar Interconnection Grant Program. ([Item 109 #1h](#), [Item 109 #3s](#))
- **House and Senate:** The House provides \$1 million from the general fund to the Virginia Clean Energy Innovation Bank, as proposed to be established in 2026 legislation, and directs balances from the current Virginia Clean Energy Innovation Bank Fund and 80 percent of revenues from renewable energy certificates sold in the first quarter of 2026 to the Bank. ([Item 471 #3h](#)) The Senate provides \$10 million from the general fund each year for the Bank. ([Item 109 #2s](#))

## **Workforce Development**

- **House:** Retains the proposal in the introduced budget to redirect \$13.6 million from balances in the Virginia Community College System in FY 2027 and provide \$13.6 million GF in FY 2028 to the New Economy Workforce Credential Grant Program. Provides an additional \$16.25 million from the general fund in FY 2027 and \$2.7 million in FY 2028. ([Item 131 #1h](#))
- **Senate:** Reduces the transfer of cash balances from the Virginia Community College System to the New Economy Workforce Credential Grant Fund proposed in the introduced budget from \$13.6 million to \$6.8 million; provides an additional \$9.5 million from the general fund in FY 2027 and \$2.7 million in FY 2028. ([Item 203 #1s](#), [Item 131 #2s](#))
- **House:** Revises language in the introduced budget regarding the internship program at the Virginia Economic Development Partnership providing matching grants to employers who hire undergraduate student interns; allows local governments to be eligible for the program and increases funding by \$1 million per year. ([Item 113 #1h](#))
- **House:** Provides \$30 million in FY 2027 to expand career technical education programs and workforce development across the Virginia Community College System. ([Item 203 #5h](#))

## **Children’s Services Act (CSA)**

- **House and Senate:** Both budgets retain funding for the state share of forecasted growth in the program (\$20.7 million GF in FY 2026, \$49.6 million GF in FY 2027, and \$86.5 million GF in FY 2028).
- **House and Senate:** Both budgets retain proposals in the introduced budget to capture \$1.3 million in FY 2027 and \$2.4 million in FY 2028 in GF savings

associated with removing automatic inflation adjustment for Medicaid rates for psychiatric residential treatment facilities.

- **House and Senate:** Both budgets retain the introduced budget's cap on growth in state reimbursement to localities for private day special education services, which VACo had sought to remove. The Senate includes language making clear that the cap applies to growth in per student or per diem tuition rates. ([Item 271 #2s](#))
- **House and Senate:** Both budgets remove \$100,000 per year that had been provided to the Office of Children's Services to contract with the Virginia Department of Education to review placement decisions in localities with higher-than-average numbers of private day placements. ([Item 272 #2h](#) and [Item 272 #1s](#)) The House includes language directing the Office of Children's Services to produce an annual report on private day placement costs. ([Item 272 #1h](#))
- **House:** Includes \$10 million in FY 2027 for the Support for Students with Intense Needs Application (SISNA) program and directs the Department of Education to expand the disability categories eligible for funding through this program, with consideration given to students with complex behavioral needs who may otherwise be served in private day school placements. ([Item 125 #4h](#))
- **Senate:** Directs the Department of Education to issue guidance regarding use of CSA funds to transition students back to public schools from private day placements and to make recommendations to money committee leadership on removing barriers to use of SISNA funds. ([Item 118 #1s](#))
- **House and Senate:** Both budgets retain the introduced budget's reduction in the state match for community-based services funded through CSA to reflect an average state match of 71 percent. VACo had sought to reverse this action.
- **Senate:** Includes language clarifying eligibility for special education wrap-around funds under CSA. ([Item 271 #1s](#))

## **Medicaid**

- **Introduced budget:** Includes \$410.3 million in FY 2026, \$1.1 billion in FY 2027, and \$1.7 billion in FY 2028 for the state GF share of forecasted growth in Medicaid. These amounts are proposed to be offset by a set of cost-containment measures totaling approximately \$611.5 million over the biennium and \$6.2 million in the caboose; these strategies include imposing a four-hour coverage limit for mobile crisis services and eliminating community stabilization as a covered service; eliminating inflation adjustments for certain provider rates; requiring a review of managed care organizations' administrative expenses and making adjustments in capitated rates; and capping annual spending per recipient on adult dental services.
  - **House:** Restores funding for coverage of prenatal and postpartum services for individuals who would otherwise be ineligible due to immigration status. ([Item 290 #1h](#)). Partially restores funding and modifies language regarding coverage of Applied Behavioral Analysis services. ([Item 291 #8h](#)) Partially restores funding for community stabilization and applies certain limits to the service. ([Item 291 #10h](#))

- **Senate:** Restores funding for coverage of prenatal and postpartum services for individuals who would otherwise be ineligible due to immigration status. ([Item 290 #1s](#))
- **House:** Retains \$28 million GF in FY 2027 and \$31.2 million GF in FY 2028 from the introduced budget for the state share of increased rates for certain services provided through Developmental Disability waivers.
- **Senate:** Retains proposed rate increase from the introduced budget and provides an additional \$10.6 million GF in FY 2027 and \$11.8 million GF in FY 2028 to increase rates for additional Developmental Disability waiver services. ([Item 291 #4s](#))
- **House and Senate:** Retain the introduced budget’s proposed \$2.5 million in FY 2026, \$69.2 million in FY 2027 and \$65.2 million in FY 2028 from federal funds and the coverage assessment imposed on hospitals to implement the community engagement and eligibility verification requirements from the federal reconciliation legislation enacted in 2025; funding will support IT system changes, outreach, and Department of Medical Assistance (DMAS) staffing. Both budgets also retain \$2.3 million GF per year for DMAS’s contracted call center for eligibility determinations.
- **House and Senate:** Both budgets retain the introduced budget’s appropriation of \$200 million per year in anticipated federal funding for the new Rural Health Transformation Program established in the 2025 reconciliation legislation and authorization for up to 13 positions at DMAS to be supported with program funds. The Senate adds reporting requirements for the program. ([Item 296 #1s](#))
- **House:** Directs the Secretary of Health and Human Resources and the Secretary of Labor to coordinate efforts to connect Medicaid participants who are subject to work requirements to employment and related activities. ([Item 270 #1h](#))
- **Senate:** Sets aside \$90 million in FY 2027 as a Medicaid contingency in the event of higher than expected costs in the program. ([Item 471 #1s](#)). Directs the Department of Medical Assistance Services to convene a Medicaid Financial Sustainability Workgroup. ([Item 295 #9s](#))
- **House and Senate:** Both budgets retain language directing DMAS and the Virginia Department of Health to create an assessment tool for long-term services and supports screenings for children under the age of 18 and directs the Departments to implement measures necessary to ensure the consistent statewide application of screening criteria. These screenings determine the eligibility and the level of care needed for Medicaid-funded long-term services and supports.

## **Behavioral Health**

- **House and Senate:** Both budgets modify the language in the introduced budget delaying the implementation of redesigned Medicaid-funded community mental health services from June 30, 2026, to January 1, 2027. The House authorizes the new Medicaid behavioral health services and rates to be implemented when all required elements are in place after January 1, 2027, and

allows a transition period for legacy services to remain as an option until July 1, 2027, or until all individuals receiving those services are evaluated for new services and are referred to an appropriate, available service. ([Item 291 #14h](#)). The Senate delays the implementation date from January 1 to July 1, 2027. ([Item 291 #21s](#))

- **House and Senate:** Retain the introduced budget's inclusion of \$33 million in FY 2027 for safety and security renovations at Catawba Hospital.
- **House and Senate:** Retain the introduced budget's actions to replace \$2.7 million per year in GF support for the state 988 system with funds from the Crisis Call Center Fund and provide an additional \$3 million per year in Crisis Call Center Funds to support 988 crisis call center dispatch staff
- **House and Senate:** Both budgets accept the introduced budget's action to remove language stipulating that each local or regional implementation area for the Marcus Alert system is to receive \$600,000 per year; allowing flexibility in the allocation of this funding was a recommendation of the Behavioral Health Commission. While the introduced budget did not provide additional funding for Marcus Alert implementation, the House provides \$7.8 million per year for the initiative, while the Senate provides \$3.6 million in the first year and \$7.8 million in the second year. ([Item 301 #1h](#) and [Item 301 #3s](#))
- **House and Senate:** Neither budget increases funding for Part C Early Intervention services, which were also level-funded in the introduced budget. Both budgets retain language in the introduced budget allowing funds appropriated for early intervention services to the Department of Behavioral Health and Developmental Services (DBHDS) to be transferred to the Virginia Department of Health to provide early intervention services through local health departments in accordance with signed agreements.
- **House and Senate:** Both budgets retain language in the introduced budget allowing DBHDS to make payments to Community Services Boards pursuant to performance contract terms rather than in 24 semi-monthly installments, as well as language allowing DBHDS to distribute funding for jail diversion and reentry services, jail discharge planning, and certain diversion services based on a reimbursement model.
- **House:** Removes the \$2 million provided in the introduced budget in FY 2027 for the Department of Criminal Justice Services to reimburse local law enforcement agencies for time spent transporting an individual under an emergency custody order or a temporary detention order. ([Item 394 #6h](#)). The Senate retains this funding.
- **Senate:** Directs the Department of Behavioral Health and Developmental Services to examine alternatives to the current 10 percent local match requirement for Community Services Board funding and to report to the Behavioral Health Commission by November 1, 2026. ([Item 299 #1s](#))
- **House:** Directs the Commissioner of Behavioral Health and Developmental Services to proceed with the closure of Hiram Davis Medical Center by December 2027. ([Item 297 #1h](#))

## **Aging/Long-Term Care – Area Agencies on Aging**

- **House and Senate:** Retain the additional \$375,000 per year for Long-Term Care Ombudsman programs at local Area Agencies on Aging included in the introduced budget.
- **House:** Provides an additional \$3 million per year in support for Area Agencies on Aging. ([Item 319 #1h](#))
- **Senate:** Provides an additional \$1.9 million per year in support for Area Agencies on Aging. ([Item 319 #1s](#))

## **Aging/Long-Term Care – Auxiliary Grant**

- **House and Senate:** Both budgets accept the introduced budget's increase in the Auxiliary Grant rate from \$2,103 to \$2,130 per month, effective January 1, 2026.
- **House:** Captures \$2 million in balances from the Auxiliary Grant program. ([Item 332 #1h](#))

## **Aging/Long-Term Care – Nursing Facilities**

- **House:** Retains the introduced budget's funding for two additional medical facility inspectors at the Virginia Department of Health to reduce the backlog of complaints regarding nursing facilities (\$291,627 per year).
- **Senate:** Retains the funding for two additional facility inspectors and provides funding for two more inspectors. ([Item 279 #2s](#))
- **House and Senate:** Both budgets retain provisions in the introduced budget enhancing standards for the Medicaid-funded value-based purchasing program for nursing facilities by allowing facilities with major quality or safety issues to be found ineligible for enhanced funding for a period to be determined by DMAS and barring Special Focus Facilities (the poorest-performing facilities under federal quality standards) from receiving enhanced funding.
- **House and Senate:** Both budgets retain provisions in the introduced budget allowing \$4.1 million in civil money penalty funds to be used for the federal Nursing Home Staffing Campaign, which uses civil money penalties imposed on nursing facilities for certain types of noncompliance with health and safety standards to provide incentives to nurses to work in nursing facilities and in state inspection roles.
- **House and Senate:** Both budgets include \$250,000 in the first year to fund the implementation of legislation that requires a nursing facility to apply to the Commissioner of Health for a change of operator license when a change of ownership or control of daily operations and management occurs. ([Item 279 #1h](#) and [Item 279 #3s](#))
- **House:** Provides \$470,000 in FY 2027 to fund implementation costs for legislation that would establish the Nursing Facility Quality and Operations Commission to conduct a comprehensive study of the quality of care, resident

safety, and operational practices of nursing facilities in the Commonwealth.  
([Item 324 #1h](#))

## **Health – Virginia Department of Health/Local Health Districts**

- **House and Senate:** Both budgets include the \$8.2 million in FY 2027 and \$6.8 million in FY 2028 included in the introduced budget to deploy an electronic health record system across all local health districts.
- **House and Senate:** Both budgets retain the \$655,913 GF per year in the introduced budget for the state share of rent increases in local health districts.
- **House:** Includes language mirroring legislation that would increase the fee for vital records from \$12.00 to \$17.00, revise the portion of the fee revenue provided to all health districts from 65 percent to 85 percent and the portion provided to the Office of Vital Records from 35 percent to 15 percent, and allow for the fee revenue to be provided to all health districts. ([Item 277 #2h](#))
- **House:** Provides \$14.9 million in FY 2027 and \$16.9 million in FY 2028 (and \$578,702 per year in non-general funds) for core public health services, including disease surveillance, community health services support, and environmental health services. ([Item 286 #1h](#))
- **Senate:** Provides \$4.6 million per year to support state epidemiology positions. ([Item 278 #2s](#))

## **Health – Drinking Water**

- **House:** Allows the \$25 million that was appropriated in FY 2026 for drinking water infrastructure projects in Greene County, Fauquier County, and the Town of Bowling Green to be carried forward to fiscal year 2029. ([Item 283 #1h](#))
- **Senate:** Allows the \$25 million previously appropriated to be carried forward. Provides an additional \$50 million for drinking water grants, of which \$20 million would be provided to the City of Richmond, with priority to be given with remaining funds to the Town of Orange, Town of Jarratt, and Town of Blackstone, and to Fairfax County for the purposes of providing assistance for local governments and well owners to connect to public surface water systems. Also establishes the Richmond Regional Water Workgroup to oversee drinking water grants in the City of Richmond. ([Item 283 #1s](#))

## **Health – Health Insurance Premium Assistance**

- **House:** Provides \$79.1 million in FY 2027 for health insurance premium assistance for individuals and families with household incomes between 138 and 200 percent of the federal poverty level. ([Item 478 #2h](#))
- **Senate:** Provides \$200 million in FY 2027 for health insurance premium assistance for individuals and families with household incomes below 400 percent of the federal poverty level. ([Item 478 #1s](#))

## **Health – Other Health Items**

- **House and Senate:** Both budgets remove the proposal in the introduced budget to use funding generated by the Board of Nursing to establish the Virginia Center for the Nursing Workforce under the Department of Health Professions. ([Item 288 #1h](#) and [Item 288 #2s](#))
- **House and Senate:** Both budgets include funding for the proposed Prescription Drug Affordability Board; the House provides \$350,000 the first year and \$644,000 the second year and the Senate funds the initiative at \$895,460 per year. ([Item 280 #1h](#) and [Item 286 #1s](#))
- **House and Senate:** Both budgets provide \$300,000 GF in FY 2027 and \$900,000 in FY 2028 for the Maternal Infant Early Childhood Home Visiting program. ([Item 280 #2h](#) and [Item 280 #6s](#))

## **Social Services - Child Welfare**

- **House and Senate:** Retain funding in the introduced budget for overtime costs associated with extending the existing 24-hour response timeline for valid reports of abuse or neglect for children younger than two to include children up to age three (\$212,046 per year).
- **House and Senate:** Retain \$3.5 million per year in state GF and \$1.5 million per year in federal funding included in the introduced budget to increase the minimum salary for family services employees in local departments of social services to \$55,000. These staff provide a continuum of services designed to assist families in safely caring for children and vulnerable adults.
- **House:** Reduces funding in the introduced budget by \$7 million in the first year as a result of delaying the proposed centralized child protective services intake system to collect and triage child abuse and neglect reports and transmit valid reports and complaints to the appropriate local department of social services. ([Item 333 #1h](#))
- **Senate:** Removes the funding in the introduced budget for the centralized child protective services intake system; provides \$1 million GF and matching non-general funds for a contract with a third party for a comprehensive study and review of the screening process used for child protective services complaints across Virginia, as required by the Senate version of legislation creating the centralized system. ([Item 333 #2s](#))
- **House and Senate:** Retain the \$656,842 in FY 2027 and \$2.7 million in FY 2028 in state GF (as well as \$218,946 in FY 2027 and \$898,744 in FY 2028 in federal funds) in the introduced budget to enhance state oversight of local departments by enabling the Commissioner of Social Services to issue corrective action plans and proceed with state takeover of local departments of social services.
- **Senate:** Requires the Board of Social Services to amend its regulations by July 1, 2027, to require local departments of social services to apply for federal disability and death benefits on behalf of eligible foster youth; prohibit use of those benefits to cover state foster care costs; require benefits to be conserved in a trust and

available to the youth upon exiting the system; and provide guidance to the youth on continued access to entitled federal benefits. ([Item 333 #3s](#))

## **Social Services - Supplemental Nutrition Assistance Program (SNAP)**

- **House:** Fully funds the increase in state and local administrative costs as a result of changes included in HR 1. ([Item 330 #1h](#)). Senate retains funding levels in the introduced budget, which proposes to assume both the state and local portion of the additional administrative costs that are shared between the state and localities; localities would be responsible for additional costs associated with federal funds that flow directly to localities without a state contribution (an arrangement known as “pass-through” funding).
- **House and Senate:** Retain the \$1.1 million in FY 2027 and \$1.3 million in FY 2028 (as well as \$520,865 in FY 2027 and \$416,692 in FY 2028 in federal funding) in the introduced budget for a SNAP quality assurance team (which would be charged with finding and correcting SNAP payment errors before they can affect the state’s error rate), as well as the \$555,096 in FY 2027 and \$605,559 in FY 2028 (and \$252,316 in FY 2027 and \$201,853 in FY 2028 from federal funds) to increase salaries for SNAP quality control reviewers.
- **House and Senate:** Both budgets address the potential state obligation for a portion of the costs of SNAP benefits in FY 2028 if the program error rate is not able to be reduced below the 6 percent threshold required by HR 1. The introduced budget did not set aside any funding for this purpose. The House allocates \$211 million and the Senate provides \$135 million. ([Item 328 #1h](#) and [Item 329 #2s](#))
- **House:** Includes \$318,145 GF and \$181,855 NGF in FY 2027 to fund legislation that would require VDSS to contract with a vendor for a plan to modernize the state’s eligibility determination IT systems. ([Item 338 #2h](#))
- **Senate:** Directs the Secretary of Health and Human Resources to establish a Task Force on SNAP error rate reduction and implementation of the new community engagement requirements in the Medicaid program. ([Item 270 #1s](#))
- **Senate:** Directs the Department of Social Services to develop a methodology for determining each local department’s SNAP payment error rate and to publish these local error rates on its website. ([Item 330 #2s](#))

## **Labor**

- **House and Senate:** Both budgets authorize a treasury loan for the Virginia Employment Commission for its start-up costs in implementing the Paid Family and Medical Leave Program contained in House and Senate legislation. ([Item 359 #1h](#) and [Item 359 #1s](#))
- **House:** Provides \$20 million in FY 2027 for state agency start-up costs to implement mandatory collective bargaining. ([Item 471 #4h](#))

- **Senate:** Authorizes a working capital advance of up to \$8.5 million for the state’s Cardinal Human Capital Management (HCM) System to include labor management and collective bargaining functionality associated with collective bargaining legislation. Provides \$2.5 million in FY 2027 and \$4 million in FY 2028 to establish the Public Employee Relations Board. ([Item 249 #1s](#) and [Item 470 #4s](#))

## **Natural and Historic Resources - Water Quality**

- **Introduced budget:** Provides a total of \$286 million in GF and nongeneral funds in FY 2027 to support the Virginia Agricultural Cost-Share program. This amount includes the mandatory allocation from surplus revenues of \$107.9 million GF, an additional \$36.2 million GF, and the remaining appropriation from nongeneral fund sources of interest in the Virginia Natural Resources Commitment Fund and partial balances in the WQIF reserve.
  - **Senate:** The Senate budget retains these amounts.
  - **House:** The House budget removes the \$36.2 million optional deposit and also removes language limiting the transfer of interest earnings from the Natural Resources Commitment Fund to the Water Quality Improvement Fund reserve. ([Item 362 #3h](#) and [Item 362 #4h](#))
- **House and Senate:** Both budgets retain \$140.5 million GF in the first year to support the Hampton Roads Sanitation District Boat Harbor Treatment Plant project through the Enhanced Nutrient Removal Certainty program, as provided in the introduced budget. The House provides an additional \$188.9 million in FY 2027 for matching grants for wastewater treatment plant projects. ([Item 368 #4h](#)) The Senate provides an additional \$200 million in FY 2027 to support the state share of the Hampton Roads Sanitation District project. ([Item 368 #3s](#))
- **House and Senate:** Both budgets provide \$50 million in FY 2027 for the City of Richmond’s Combined Sewer Overflow project. ([Item 368 #1h](#) and [Item 368 #2s](#)) The Senate also provides \$5 million in the first year for the Dahlgren Wastewater Treatment Plant Facility in King George County. ([Item 368 #1s](#))
- **House and Senate:** Retain language in the introduced budget requiring the Department of Environmental Quality to establish a solicitation period for the Water Quality Improvement Fund to determine project demand and criteria to prioritize eligible projects based on quantifiable nutrition reduction impact, cost-effectiveness of the project, impact on cost-shared projects with multiple funding sources, funding need of the requesting entity, and project readiness. Requires that grant agreements for awarded projects must be fully executed before project construction costs are incurred, and bars awards for a grantee to backfill project costs met with any type of taxable debt (the House and Senate budgets make a technical correction to apply this language to tax-exempt debt). VACo has [opposed similar attempts](#) at reforming the WQIF grant process for local wastewater treatment plants.
- **House and Senate:** Retain \$43.5 million in FY 2027 in the introduced budget to support stormwater assistance projects in localities with municipal separate storm sewer systems through the Stormwater Local Assistance Fund.

- **House and Senate:** Both budgets remove \$402,400 in FY 2027 and \$314,209 in FY 2028 included in the introduced budget for the Virginia Institute of Marine Science to monitor and forecast harmful algal blooms. ([Item 145 #4h](#) and [Item 145 #1s](#)). Both budgets retain \$750,000 in FY 2027 included in the introduced budget for harmful algal bloom remediation efforts at Lake Anna; the Senate includes \$500,000 in FY 2028 as well. ([Item 362 #2s](#))
- **Senate:** Includes \$750,000 per year for regional water supply planning. ([Item 366 #2s](#))

## **Other Natural and Historic Resources Items**

- **House and Senate:** Both budgets retain the introduced budget's deposit of an additional \$1 million in FY 2027 to the Dam Safety, Flood Prevention and Protection Assistance Fund.
- **Senate:** Provides \$25 million in FY 2027 to the Soil and Water Conservation District Dam Maintenance, Repair, and Rehabilitation Fund for major modification, upgrade, or rehabilitation of dams owned or maintained by Soil and Water Conservation Districts. ([Item 362 #4s](#))
- **House:** Retains authorization in the introduced budget for the Department of Conservation and Recreation to acquire or accept the donation of land to establish Oak Hill State Park, contingent on submission of a comprehensive funding plan; adjusts funding amounts required from various sources. ([Item C-15 #1h](#))
- **Senate:** Removes language authorizing establishment of Oak Hill State Park. ([Item C-15 #1s](#))
- **House and Senate:** Both budgets retain \$1.5 million in FY 2027 and \$1.6 million in FY 2028 provided in the introduced budget to the Department of Conservation and Recreation and \$425,244 in FY 2027 and \$290,244 in FY 2028 to the Department of Forestry; these are non-general funds provided to support participation in a ten-year cooperative agreement with the United States Forest Service for trail maintenance and other projects in state parks and adjacent federal lands. The House provides general fund support for two existing community forestry positions that have historically been supported by federal funding. ([Item 96 #1h](#))
- **House and Senate:** The House provides \$2 million in FY 2027 for the Virginia Conservation Assistance Program. ([Item 362 #5h](#)) The Senate provides \$8 million in FY 2027. ([Item 362 #1s](#))
- **House:** Directs state agencies to take actions necessary to rejoin the Regional Greenhouse Gas Initiative. ([Item 369 #1h](#)).
- **Senate:** Directs the State Treasurer to release December 2023 auction funds from the Regional Greenhouse Gas Initiative. ([Item 265 #1s](#))

## **Public Safety and Homeland Security – Fire and Rescue**

- **Senate:** Funds a \$20 million appropriation for grants to localities to fund purchase of vehicles and other equipment. ([Item 406 #1s](#))

- **Senate:** Provides \$10 million in FY 2027 for the Rescue Squad Assistance Fund. ([Item 275 #1s](#))
- **House and Senate:** Both budgets retain the provisions of the introduced budget extending the Northern Virginia Firefighter Occupational Screening Pilot Program by one year by providing an additional \$70,000 in FY 2027, but no further funding in FY 2028. The House includes \$2 million in FY 2027 for the First Responders Cancer Screening Fund, which would be created in legislation under consideration this session. ([Item 406 #1h](#))
- **House and Senate:** Retain appropriation of non-General Funds for two additional state fire marshal inspector positions (\$207,621 in FY 2027 and \$232,692 in FY 2028). Senate strikes authorization in the introduced budget for the Department of Fire Programs to use funding from the Fire Programs Fund for personnel in the State Fire Marshal's Office. ([Item 405 #2s](#))
- **House and Senate:** Retain language in the introduced budget extending the deadline for a report assessing fees charged by the State Fire Marshal's Office to conduct fire safety inspections and determining whether fees should be adjusted based on the cost of these inspections from October 2025 to October 2026.

## **Public Safety and Homeland Security – Emergency Management**

- **House and Senate:** The House includes \$150,000 in FY 2027 to fund a workgroup on emergency management needs that would be established by legislation under consideration this session. The Senate provides \$130,000 in FY 2027 for a contractor to support a workgroup on funding sustainability for emergency preparedness and response, and a study directive to the Virginia Department of Emergency Management regarding preparation for imminent emergencies. ([Item 380 #1h](#) and [Item 398 #2s](#))
- **Introduced budget:** Provides \$424,000 in FY 2027 and \$288,000 in FY 2028 for communications technology in rural localities. Requires the Virginia Department of Emergency Management to issue a request for proposals from providers of wireless services that utilize satellites to provide communications capabilities for local first responders and emergency managers in rural areas to enhance resiliency during situations where other communication sources fail.
  - **House:** Removes funding for the initiative but retains the direction to issue the request for proposals. ([Item 398 #1h](#))
  - **Senate:** Reduces funding by \$386,000 GF the first year and \$262,800 GF the second year and eliminates the language regarding the request for proposals. ([Item 398 #1s](#))
- **Introduced budget:** Redirects \$35 million in interest from the Low-Income Energy Efficiency Fund to support the Cardinal Disaster Relief Fund in FY 2027; stipulates that the Fund is to be used for efforts to address life, safety, and disaster-related response costs not covered by federal support. Also provides \$5 million GF in FY 2027 and \$7 million GF in FY 2028 to support emergency management capability.
  - **House:** Eliminates the transfer of funding from the Low-Income Energy Efficiency Fund ([Item 102 #10h](#), [Item 399 #2h](#)) Reduces the

additional funding for emergency management capability by \$1.8 million in FY 2027 and \$3.8 million in FY 2028; directs use of \$2.3 million per year to offset reductions to the Urban Areas Security Initiative Grant and \$880,162 per year to offset reductions in the federal Emergency Management Performance Grant. ([Item 399 #1h](#))

- **Senate:** Eliminates the transfer of funding from the Low-Income Energy Efficiency Fund and eliminates the proposed additional funding for emergency management capability. ([Item 102 #6s](#) and [Item 399 #1s](#))

### **Public Safety and Homeland Security – Department of Juvenile Justice**

- **House and Senate:** Retain \$1.8 million per year in the introduced budget for the increased cost of central admissions and placements at the Department of Juvenile Justice and \$942,065 per year for the increased cost of community placement programs.
- **Senate:** Provides \$376,000 GF in FY 2027 for a bonus of \$1,000 for each employee assigned to Bon Air Juvenile Correctional Center. ([Item 414 #2s](#))

### **Public Safety and Homeland Security – Aid to Localities with Police Departments**

- **House and Senate:** Neither budget includes an increase in aid to localities with police departments (“HB 599” funding), nor did the introduced budget.

### **Public Safety and Homeland Security – Virginia State Police**

- **Introduced budget:** Provides \$50.3 million in FY 2026, \$43.6 million in FY 2027, and \$52.2 million in FY 2028 for increased personnel and equipment costs for the Virginia State Police, as well as \$9.3 million in each year of the biennium for IT costs.
  - **House:** Reduces funding by \$11.8 million in FY 2027 and \$2.9 million in FY 2028 and imposes reporting and auditing requirements. ([Item 416 #1h](#))
  - **Senate:** Reduces funding by \$20.6 million in FY 2027 and imposes certain reporting and auditing requirements. ([Item 416 #1s](#))

### **Public Safety and Homeland Security – Other Items**

- **House:** Reduces the School Resource Officer Incentive Grant Fund by \$4.5 million in FY 2028. Allows \$6.2 million in FY 2027 from unobligated balances to support a digital mapping program for Virginia public universities and community colleges. ([Item 394 #5h](#) and [Item 394 #8h](#))
- **Senate:** Reduces the School Resource Officer Incentive Grant Fund by \$4.7 million in FY 2027 and \$4.3 million in FY 2028. Allows use of \$6.2 million in FY 2027 from unobligated balances to support a digital mapping program for

Virginia public universities and community colleges; also authorizes use of additional available balances for one-time fifth- and sixth-year continuation grants to localities with a low local composite index. ([Item 394 #1s](#) and [Item 394 #6s](#))

- **House:** Changes eligibility for the Combating Hate Crimes Grant Program to allow localities applying on behalf of or in partnership with institutions at risk of hate crimes to qualify, as well as regional or nonprofit entities that provide security, training, technical assistance, or coordinated services to such institutions. ([Item 394 #7h](#))
- **Senate:** Changes eligibility for the Combating Hate Crimes Grant Program to remove existing language allowing localities engaged in partnership programs with institutions at risk of hate crimes to qualify. Adds eligibility for regional or nonprofit entities that provide security, training, technical assistance, or coordinated services to such institutions. ([Item 394 #8s](#))

## **Transportation - Transit**

- **House:** Provides \$153 million in FY 2027 from state general funds for additional operating assistance for the Washington Metropolitan Area Transit Authority (WMATA) throughout the biennium. ([Item 433 #2h](#))
- **Senate:** Dedicates funding from the expansion of the regional retail sales and use tax base to include data center equipment to the WMATA capital fund. Increases the regional transient occupancy tax in Northern Virginia, which is dedicated to the WMATA capital fund, by 1 percentage point. Assumes \$15.3 million over the biennium in additional operating revenue for WMATA from increases to the Commonwealth Mass Transit Fund resulting from the expansion of the retail sales and use tax base to include data center equipment. Requires WMATA to produce a 20-year, conceptual capital plan every five years, to include certain specified elements and also directs the Department of Rail and Public Transportation to study WMATA cost savings and cost efficiency efforts and submit a report to the General Assembly by October 15, 2026. ([Item 4-14 #4s](#), [Item 4-14 #5s](#), and [Item 433 #1s](#))
- **Senate:** Requires the Department of Rail and Public Transportation to evaluate the feasibility of consolidating DASH Alexandria Transit, Fairfax Connector, ART Arlington Transit, and CUE Fairfax City into a single, unified regional bus system. ([Item 433 #2s](#))
- **Senate:** Provides \$19 million in FY 2028 for one-time transit capital investments. ([Item 433 #3s](#))
- **House and Senate:** Both budgets direct the Department of Rail and Public Transportation, with the assistance of the Department of Housing and Community Development, to conduct a statewide review to plan, promote, and identify funding opportunities for transit-oriented development around existing and proposed transit and rail stations. The review is required to include an analysis of potential barriers to housing production and economic development. ([Item 435 #1h](#) and [Item 435 #1s](#))

- **House and Senate:** Retain provisions in the introduced budget increasing the set-aside from the Commonwealth Mass Transit Fund from \$1.5 million to \$2 million per year for human services mobility programs and reducing the set-aside for state safety oversight of fixed rail guideway transit agencies by an equivalent amount.

## **Transportation – Other Items**

- **House:** Directs the Secretary of Transportation to evaluate options for accelerating large-scale improvements to the Interstate 81 corridor, to include assessing the feasibility of public-private options with toll financing, provided that any analysis would assume two toll-free lanes in each direction. ([Item 420 #2h](#))
- **Senate:** Directs the Virginia Department of Transportation, in collaboration with the Secretaries of Transportation and Commerce and Trade, to engage with stakeholders and recommend to the Commonwealth Transportation Board a priority project or projects to advance using the \$90 million allocated for U.S. Route 220 from the Priority Transportation Fund. ([Item 438 #1s](#))
- **House:** Directs the Secretary of Transportation, in coordination with the Secretary of Commerce and Trade and the Department of Energy, to identify federal funds to assist in the development of rural electric vehicle charging infrastructure and apply for funding as available, with priority given to installing public electric vehicle infrastructure in rural areas and localities without such infrastructure. ([Item 420 #1h](#))
- **House and Senate:** Both budgets direct a study of ticket reciprocity and out-of-state vehicle registrations with Maryland and the District of Columbia. The House directs the Secretary of Transportation to work with his counterparts in the District of Columbia and Maryland to review issues related to ticket reciprocity and registering vehicles for out-of-state residents, to include examining how ticketing reciprocity is handled for tickets issued to Virginia drivers by the District of Columbia through automated ticket enforcement and how Virginia could enter reciprocity agreements for automated tickets. The Senate provides \$150,000 for the study, which would be coordinated by the Metropolitan Washington Council of Governments and include ([Item 420 #3h](#) and [Item 420 #2s](#))
- **Senate:** Reduces the threshold for use of Transportation Partnership Opportunity Fund dollars by the Governor that must be submitted to the MEI Project Approval Commission for approval. ([Item 438 #2s](#))

## **Veterans and Defense Affairs**

- **House:** Removes the introduced budget’s proposed \$2 million in FY 2027 for the Virginia Military Community Infrastructure Grant Program, which awards grants to aid the planning and design, construction, or completion of infrastructure projects that enhance military readiness, installation resiliency, or

quality of life for military communities. The Senate retains the funding. ([Item 454 #1h](#))

- **House:** Removes the proposed addition of \$100,000 in FY 2027 in the introduced budget for the Virginia Values Veterans program, which assists Virginia employers in hiring and retaining veterans. The Senate retains the funding. ([Item 456 #2h](#))

### **Tax Policy – Tax Conformity and Related Provisions in the Enacted Caboose Budget**

- Conforms Virginia’s tax code to several tax policy changes included in federal reconciliation legislation, including placing a minimum threshold for charitable giving before deductions are allowed for taxpayers who itemize; restructuring the opportunity zones program; and changing how certain business interest deductions may be calculated.
- Decouples Virginia’s tax code from several other federal tax policy changes, including certain business provisions dealing with research and development expenses.
- Makes provisions creating the elective pass-through entity income tax permanent; these provisions were slated to expire on January 1, 2027.
- Reinstates the deduction of up to \$500 for eligible educator qualifying expenses (this deduction expired January 1, 2025).

### **Tax Policy – Taxes on Tips, Overtime, and Motor Vehicle Loan Interest**

- **House and Senate:** Remove proposals in the introduced budget for Virginia-specific income subtractions for income attributable to tips and overtime and for interest on a motor vehicle loan. ([Item 4-14 #2h](#) and [Item 4-14 #1s](#))

### **Tax Policy – Standard Deduction, Earned Income Tax Credit, Pass-Through Entity Tax Credit**

- **House:** Accepts proposal in the introduced budget to make the increased standard deduction levels of \$8,750 for individuals/\$17,500 for joint filers permanent; these higher amounts were slated to expire on January 1, 2027. ([Item 4-14 #2h](#))
- **Senate:** Increases the standard deduction to \$9,200 for individuals/\$18,400 for joint filers beginning January 1, 2027, and expiring by January 1, 2030. ([Item 4-14 #3s](#))
- **House and Senate:** Both budgets cap the deduction for business interest at 20 percent of the amount disallowed as a federal deduction (current law caps the deduction at 50 percent). These provisions are also included in the enacted caboose budget. ([Item 4-14 #2h](#) and [Item 4-14 #3s](#))

- **House:** Retains provisions in the introduced budget making taxpayers' ability to claim a refundable Virginia income tax credit of 20 percent of the federal Earned Income Tax Credit permanent; these provisions would otherwise expire on January 1, 2027.
- **Senate:** Extends provisions allowing taxpayers to claim a refundable Virginia income tax credit of 20 percent of the federal Earned Income Tax Credit to January 1, 2030. ([Item 4-14 #3s](#))

### **Tax Policy – Sales and Use Tax Exemption for Data Centers**

- **House:** Requires data centers to meet certain environmental requirements to qualify for the exemption, beginning July 1, 2027. ([Item 4-14 #2h](#))
- **Senate:** Terminates the sales and use tax exemption, effective January 1, 2027. ([Item 4-14 #4s](#))

### **Tax Policy – Market-Based Sourcing**

- **House and Senate:** Both budgets eliminate the introduced budget's proposal to implement market-based sourcing for the attribution of sales for purposes of calculating corporate income tax. ([Item 4-14 #2h](#) and [Item 4-14 #4s](#))

### **Tax Policy – Income Tax Rebates**

- **Senate:** Includes \$499 million in FY 2027 for income tax rebates of \$100 for individuals and \$200 for joint filers. ([Item 261 #3s](#))

### **Tax Policy - Regional Transient Occupancy Tax**

- **Senate:** Increases the regional transient occupancy tax in Northern Virginia from 3 to 4 percent, beginning January 1, 2027, and dedicates the revenue to the WMATA Capital Fund. ([Item 4-14 #5s](#))

### **Reserves**

- **House and Senate:** Retain actions in the introduced budget to deposit \$312.3 million from excess FY 2025 revenues into the Revenue Reserve Fund by June 30, 2026 and transfer \$323.4 million from the Revenue Reserve Fund to the General Fund (this action keeps the combined balances in the Revenue Stabilization Fund and the Revenue Reserve Fund in compliance with the overall cap of 15 percent of the Commonwealth's average annual income and sales tax revenues for the last three years).

### **Other Items**

- **House and Senate:** Both budgets retain provisions in the introduced budget removing prior emergency-specific language authorizing electronic meetings during a gubernatorial state of emergency and instead requiring any public body

meeting electronically under existing FOIA authority (§ 2.2-3708.2) to post a recording or transcript within FOIA timeframes and distribute meeting minutes using the same method as meeting notice, reinforcing uniform transparency requirements.

- **House and Senate:** Both budgets retain funding in the introduced budget (\$374,223 in FY 2027 and \$152,223 in FY 2028) for the Department of Taxation to support a website providing for communication between the Department and localities.
- **House and Senate:** Retain language requiring agencies with previously-authorized ARPA State and Local Fiscal Recovery Fund projects with dollars unexpended as of June 30, 2026, to provide reports detailing plans to ensure that funds are expended prior to the December 31 deadline.
- **House:** Retains language in the introduced budget requiring the first \$1.1 billion in FY 2026 revenues in excess of the forecast, after any required Revenue Stabilization Fund deposits, to be used to fund certain state agency and higher education capital projects with cash rather than bond proceeds.
- **Senate:** Revises FY 2026 surplus contingency language to set aside the first \$500 million and include it in the unreserved beginning balance for FY 2027. The next \$535 million, after required deposits to the Revenue Stabilization Fund and the Water Quality Improvement Fund, would be used to support the Pell Initiative at the State Council of Higher Education for Virginia and to replace bond authorization for certain capital projects. ([Item 471 #2s](#))
- **House:** Sets aside \$75 million in FY 2027 and \$125 million in FY 2028 for the Federal Uncertainty Contingency Fund, from which agencies could submit requests to address reductions in federal funding. ([Item 471 #5h](#))
- **Senate:** Requires JLARC to include an analysis of state spending for aid-to localities as part of its State Spending report at least every five years. ([Item 25 #3s](#))
- **House:** Removes language regarding the process for state assistance to localities in fiscal distress as legislation codified a revised process in 2024. ([Item 4-8.03 #1h](#))
- **Senate:** Embeds the substance of the 2024 legislation setting out a process for addressing local fiscal distress into the budget, replacing the earlier language. ([Item 4-8.03 #1s](#))

VACo Contacts: [VACo Legislative Team](#)

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# **ACTION ITEM: Call Now to Oppose Bills to Make Multi-Family Residential a “By-right” Use in Commercial Districts**

In their current versions, [HB 816 \(Helmer\)](#) and [SB 454 \(VanValkenburg\)](#) require local zoning ordinances to allow for the by-right development and construction of multifamily residential and mixed-use residential development on at least 50 percent of all land contained in commercial or business zoning district classifications and that ... *are served by public water and sewer or are located within an area designated for public water and sewer service in the locality's comprehensive plan.*

## **ACTION REQUESTED**

- **VACo Members** – Contact ALL legislators in the General Assembly ([House of Delegates](#) | [Senate of Virginia](#)) to oppose this legislation now.
- After passing the Senate ([21-19](#)), SB 454 passed in House Counties, Cities and Towns Committee ([11-10](#)) and **will be on the House Floor this week.**
- After passing the House ([64-35](#)), HB 816 passed in Senate Local Government Committee ([9-6](#)) and **will be on the Senate Floor this week.**

Both bills were amended in committee to limit its application to cities and towns having a population of more than 20,000, or any locality within a federally designated metropolitan planning organization (MPO). There are 34 Virginia counties currently located within designated MPOs.

## **KEY POINTS**

- Through the implementation of comprehensive plans, capital improvement programs, and land use ordinances, counties have made strategic investments to provide for managed growth in business, jobs, and housing.
- Counties, in partnership with developers, have successfully implemented mixed use developments that include both commercial and residential components.
- A mandate to allow for multi-family residential use on land planned and zoned for commercial and business growth, invalidates publicly invested time and money, and ignores the role of counties in making wise land use decisions for their communities.

## **KEY CONTACTS**

- [Senate of Virginia](#)
- [House of Delegates Emails 1](#) | [House of Delegates Emails 2](#)

**VACo Contact:** [Joe Lerch, AICP](#)

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## **ACTION ITEM: VACo Continues to Oppose Mandatory Collective Bargaining**

VACo urges continued opposition to [HB 1263 \(Tran\)](#) / [SB 378 \(Surovell\)](#), which would curtail local authority and create substantial local fiscal impact by imposing mandatory collective bargaining for local governments if a group employees petition and vote to form a bargaining unit. The bills would also create a state Public Employee Relations Board (PERB) with no specified local government representation and impose binding arbitration, among other provisions. Furthermore, the bills do not preserve local discretion beyond the expiration of existing collective bargaining agreements, effectively forcing localities into the new state-administered system when current agreements expire.

### **ACTION REQUESTED**

- **VACo Members** – Contact ALL legislators in the General Assembly ([House of Delegates Emails 1](#) | [House of Delegates Emails 2](#) | [Senate of Virginia](#)) to oppose this legislation now.
- Please include VACo in your correspondence and share fiscal and other impacts of the legislation on your locality.

SB 378 passed the Senate on February 17 on a vote of 21-19. HB 1263 passed the House on February 17 on a vote of 61-35. Each bill has slight differences detailed further below, but the most problematic aspects involving local decision making and fiscal impact remain. The bills will likely be heard in each opposing chamber. If the differences in each bill are unable to be reconciled, they will likely be sent to a committee of conference.

### **KEY POINTS**

- Virginia is home to a diverse array of localities with significant variations in population, resources, and administrative capacity. Mandating a uniform collective bargaining framework ignores these differences and places an undue burden on many localities that lack the resources to manage the complexities of collective bargaining agreements.
- Disregard for locally tailored solutions made by democratically elected local representatives disrupts established practices and agreements and creates unnecessary confusion and administrative burden.
- This legislation preempts local governance, introduces fiscal uncertainty, and disregards the progress made by a number of localities and local school divisions under the current framework.

- The estimated **local fiscal impact** for this legislation is massive. One responding locality has reported a potential fiscal impact exceeding \$400 million for that jurisdiction alone.

**VACo opposes both bills. Below is a side-by-side comparison.**

| <b>Topic</b>  | <b>SB 378</b>  | <b>HB 1263</b>  |
|---|--|---|
| <b>PERB Placement</b>                                   | Establishes PERB as an agency in the executive branch.   | Establishes PERB as a division of a department.   |
| <b>Binding Arbitration</b>                              | Requires final & binding arbitration for grievances and impasse procedures. More explicit and prescriptive about the use of binding arbitration. A local governing body shall approve or reject the submission as a whole. However, if the governing body rejects the submission of the public employer, either party may reopen negotiations. | Requires final & binding arbitration for grievances and impasse procedures. Leaves more details to regulation.          |
| <b>Procedural Impacts</b>                               | State-run certification/elections and bargaining unit determinations; contact info requirements; enforcement and hearings in localities.   | Similar statewide structure; additional home-care provisions expand scope and administrative footprint.                 |
| <b>Home care / Medicaid Consumer-Directed Providers</b> | Directs the Secretary of Health and Human Resources (along with the Secretary of Labor) to evaluate options for collective bargaining rights for consumer-directed providers in the Medicaid waiver programs.  | Creates a Virginia Home Care Authority (VHCA) with extensive responsibilities and “public employer” role for providers. |
| <b>Higher Education</b>                                 | Includes employees of public institutions of higher education from the bill’s collective bargaining framework.   | Excludes employees of public institutions of higher education from the bill’s collective bargaining framework.          |
| <b>Effective date / transition</b>                      | Major provisions become effective July 1, 2028, with continuity language for existing representatives and collective bargaining agreements until then.   | Requires regulations by July 1, 2028 and pauses certain petition and election activity until regulations are adopted.   |

## **Some other considerations of both bills:**

- Eliminates the current “local option” framework and replaces it with a mandatory, state-administered collective bargaining system, regardless of local governing body preferences or capacity.
- Local governments lose existing decision-making authority over labor relations policy and must navigate a new state bureaucracy.
- Creates new procedural timelines and legal standards that local human resources staff, county attorneys, and administrators must meet, regardless of staffing capacity or workload constraints.
- Creates new reporting, documentation, and compliance tracking requirements, increasing administrative overhead for counties without providing state funding to support these mandates.
- PERB’s membership structure does not guarantee any dedicated representation for local governments.
- PERB has enforcement authority to seek court involvement to compel compliance with the statute and PERB orders, exposing counties to new litigation risk and legal costs.
- Binding arbitration creates outcomes with unpredictable fiscal consequences.
- Limits counties’ ability to respond quickly to fiscal downturns, emergencies, or changing service demands, due to contractual and arbitration-driven constraints on staffing, scheduling, and compensation adjustments.
- Most major provisions take effect July 1, 2028, limiting immediate impacts on the next biennial budget, while setting up potentially significant fiscal impacts in future budget cycles.
- Employees of the legislative branch are excluded from coverage under the collective bargaining framework created by the bills.
- For local governments, the two bills still have the same functional impact. Both curtail the authority of democratically elected local officials, centralize authority at the state level, expand binding arbitration, and expose counties to significant new fiscal and operational risk. VACo urges members to contact legislators to respect the autonomy of local governments and reject this measure.

## **KEY CONTACTS**

- [House of Delegates Emails 1](#) | [House of Delegates Emails 2](#)
- [Senate of Virginia](#)

Additional local government and local school board perspectives on this legislation can be found in these publications.

- [WJLA.com](#): Va. leaders sound alarm on collective bargaining bill: 'It will bankrupt local government'

- [Richmond Times-Dispatch](#): Collective bargaining bills extreme measure to problem that doesn't exist | Guest column
- [Richmond Times-Dispatch](#): County leaders say bills would undermine fiscal responsibility and local authority | Guest column
- [“Letter from Mayors of Seven Cities of Hampton Roads”](#)

VACo Contact: [Jeremy R. Bennett](#)

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## Key Dates for 2026 General Assembly Session

The General Assembly convenes today for a scheduled 60-day session.

Key dates for the 2026 session, as approved by the Joint Rules Committee in the procedural resolution setting out the schedule for the session, are as follows:

- **Wednesday, January 14:** General Assembly convenes; pre-filed bills must be submitted by 10:00 a.m. (after the pre-filing deadline, legislators are limited to five additional bills or resolutions). Last day to submit bills creating or continuing a study or to submit bills dealing with the Virginia Retirement System. Governor Youngkin will address a joint session of the General Assembly at 7 p.m.
- **Friday, January 16:** Deadline to submit budget amendments.
- **Saturday, January 17:** Inauguration of Governor-Elect Spanberger, Lieutenant Governor-Elect Hashmi, and Attorney General-Elect Jones.
- **Monday, January 19:** Joint session of the General Assembly for remarks by Governor Spanberger.
- **Friday, January 23:** Last day to submit legislation, other than bills submitted by unanimous consent or bills requested by the Governor.
- **Tuesday, February 17:** Last day for bills to be acted upon in their chambers of origin, other than the budget bills. Bills must “cross over” to the opposite chamber by Wednesday, February 18.
- **Sunday, February 22:** “Budget Sunday” deadline for House Appropriations and Senate Finance and Appropriations committees to report their respective budget proposals.

- **Thursday, February 26:** Deadline for each chamber to act on its respective budget proposal.
- **Wednesday, March 4:** Deadline for each chamber to act on budget and revenue bills from the other chamber and appoint conferees as necessary.
- **Monday, March 9:** Deadline for committee action on all legislation by midnight.
- **Saturday, March 14:** Scheduled adjournment *sine die*.
- **Wednesday, April 22:** Reconvened session to consider Governor's actions on bills and budget items.

VACo Contact: [Katie Boyle](#)