



GOVERNOR OF VIRGINIA

Glenn Youngkin

STRENGTHEN THE SPIRIT OF VIRGINIA

TOGETHER



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Contacts: Office of the Governor: Peter Finocchio,
Peter.finocchio@governor.virginia.gov



Governor Glenn Youngkin Delivers Remarks on Proposed Budget to Joint Money Committee

As Delivered

Well, good morning everyone. It's nice to know everyone is up and rolling this morning.

Chair Lucas, Chair Torian, Chair Watts, Members and staff of the Joint Money Committees: thank you for this invitation to join you all here again.

Mr. Speaker, thank you for being here, and I'd like to welcome governor-elect Spanberger.

It seems only yesterday that I was sitting in that chair, and I do wish you and your family a blessed holiday season and a fabulous administration. Thank you.

Once again, we come together to discuss Virginia's financial strength, and how best to be good stewards of the enormous resources... a biennium budget with \$72 billion of General Fund resources and \$211 billion of total resources... how best to keep Virginia growing... how best to invest in key priorities and capital investments across the Commonwealth.

As I look around the room, I am filled with an overwhelming sense of gratitude.

First, gratitude for Virginia's financial strength that has enabled, and will continue to enable, record funding into critical areas while providing substantial tax relief.

Second, because I see so many women and men who have played such a pivotal role in the incredible strides Virginia has made over these past four years. First, our General Assembly partners, thank you. And especially the dedicated members of my Administration thanks to all of you.

And finally, for my amazing wife, First Lady Suzanne Youngkin.

Every single day, Suzanne makes our Commonwealth a better and brighter place. Thank you for your tremendous service.

When we first came together in January 2022, I talked about the need for us to: Lower the cost of living for hardworking Virginians, especially through tax relief; Open Virginia for business to create jobs and grow opportunity; Liberate Virginia from overregulation and reduce the cost of bureaucracy; Deliver excellence in education with student-centered schools that prepare students for life, with parents at the head of the

table and tremendous support for our teachers; Keep our communities safe by supporting law enforcement and holding criminals accountable; Transforming our behavioral health system that was overwhelmed by Virginians in need; Preserving the vast natural resources that our Lord has blessed Virginia with, and; Transform government to serve the people of the Commonwealth.

My friends, we have done all that, and so much more.

Together, we have worked for, and seen Virginia achieve such remarkable strides we all should be incredibly humbled when it was recently called the Great Virginia Renaissance.

A Renaissance that we led together and witnessed together.

It's a story of transformation. A story of promises made and promises kept. A story of competing and winning. A story of Virginia leading.

A Virginia that is stronger today than she has ever been.

Over the past four years, we've seen record business investment – today, \$156 billion. Record job growth. And in 2023, for the first time in a decade, more people moved to Virginia from the other 49 states than moved away. And all of this has added up to record revenue growth.

Record revenues that have allowed us to provide record amounts of tax relief for Virginians – \$9 billion.

Record revenues that underpin our ability to make record investments in our most important shared priorities. In education, childcare, and child services. In law enforcement. In behavioral health and healthcare. In business-ready sites and workforce. And in preserving the Chesapeake Bay.

Record revenues, record tax relief, record investments...all driven by a Virginia economy that is strong, dynamic and, importantly, diversifying.

Virginia now is leading in sectors like advanced manufacturing. We are seeing that Made in America truly means Made in Virginia.

The pace has been fast, and the progress has been significant.

And therefore, I am proud to stand before you today to present a budget that incorporates all the aspects of what we have collectively done to make Virginia the very best place to live, work, and raise a family.

A Budget that benefits from this Renaissance, and one that I firmly believe will keep it going.

My introduced Budget has seven key elements:

First, it is underpinned by a prudent revenue forecast that reflects a 3.5 percent compounded annual growth or roughly 3.0 percent after tax policy adjustments, that's less than half the 8 percent compounded growth rate realized during my Administration... this leaves meaningful upside for the next Administration.

Second, just like every budget I have introduced, this introduced Budget incorporates tax relief for both individuals and businesses, totaling \$730 million. It's their money, not governments.

And to be clear: there is no need for any new taxes and there is no need for tax increases.

Third, my introduced Budget meets the significant funding needs across our shared priorities; areas such as Medicaid, SNAP, K-12 education, childcare, child welfare services, higher ed, public safety, behavioral health and agricultural best management practices.

Fourth, this Budget continues to fund key ingredients to keep our job growth and waves of economic development wins going, with two critical elements being business-ready site investments and workforce development.

Fifth, this Budget includes \$1.0 billion in compensation actions for teachers, support positions, sheriffs and their deputies, and state police and other state employees. This amount includes a 2 percent one-time bonus in 2026, and 2 percent raises in '27 and '28 for teachers and state employees.

Sixth, this Budget, with a prudent use of bonding and cash, supports nearly \$2.0 billion of critical capital projects and maintenance reserves.

And finally seventh, this Budget is structurally balanced coming out of the Biennium and for the total of the six year forecast period.

Our Budget begins with our forecast. And our forecast is a prudent one.

As I just described, Virginia's revenues have grown at an average rate of 8 percent a year during my term. That's 60 percent higher than the Commonwealth had seen for the last decade.

Revenue continues to grow at a 5.2 percent rate during the first five months of fiscal year 2026.

This increased growth has been a direct result of the plan we all put in place back in January 2022: to win business investment, to grow good jobs, and to bring more people to Virginia.

And we did all of it at record levels: As I said, \$156 billion in investment commitments to build and expand, that's more than the 24 previous years combined.

With more than 270,000 more people working today, more than 200,000 open and available jobs, 85,000 more jobs coming with 40,000 construction jobs on top of that, Virginia has jobs...more than ever.

This success was built on: Streamlining 35 percent of our regulations, saving Virginians \$1.4 billion per year; Transforming workforce development, leading the nation in apprenticeship sponsors, building the nation's top ranked customized workforce development program; Investing in business-ready sites; Adopting an All-of-the-Above energy

plan; Driving forward great infrastructure at our Port, our highways, rail and bridges, and broadband. And most importantly, tremendous work by our economic development professionals and leadership at the local and state level;

This high rate of revenue growth should continue as long as Virginia stays with the demonstrated winning formula.

Indeed, despite the predictions for financial calamity. Financial calamity that was predicted by many this year and I have to say by many in this room... financial calamity hasn't happened, and Virginia is again running a significant surplus.

We worked with the Trump Administration to turn back on \$2.3 billion of paused grants.

While, yes, there have been federal workers who have lost their jobs, federal job losses have been far less than the catastrophic predictions.

72 percent of Virginia's federal jobs are in national security, DOW and intelligence – areas that are growing, further buttressed by the NDAA advanced this week.

We worked with the Administration and brought HUD's headquarters to Virginia and kept the National Science Foundation headquarters.

Amidst all those dire prognostications, our AAA bond rating was reaffirmed.

All of this is in direct contrast to Maryland and the District of Columbia, both of which have seen significantly higher job losses, and both have been downgraded by the rating agencies.

These facts, when combined with massive growth in non-federal government investment, give me great confidence. Great confidence that Virginia should do much better than the roughly 3.5 percent growth underpinning this budget.

If our revenues grow 0.5 percent faster, at 4 percent a year it adds an extra \$1 billion over the biennium. If we grow at 5 percent, the rate we grew through November, and for the 10 years before our Administration, it's an extra \$3 billion for the biennium.

Whatever the number ends up being, I firmly believe you should have ample resources.

Now, I say "should" because my cautionary message is to stay with the program and don't pass anti-business legislation.

Many of the bills that have been filed are bad for business. My friends Virginia is leading. Don't allow her to become California or Illinois.

With this strong, yet prudent, revenue forecast, Virginia can continue to build on the \$9 billion of tax relief provided during these four years.

This has been, and will continue to be the most direct way to address cost-of-living concerns.

You should cut taxes, not raise them or create new ones. It is completely unnecessary, and bad for Virginians.

The tax relief in my introduced Budget provides certainty for tax filers by substantially conforming with federal tax law, providing \$730 million in tax relief.

That includes relief to working families in the form of No Tax on Tips and No Tax on Overtime and car loan interest deductibility.

This Budget is supported by revenue growth and carryover balances from large surplus revenue.

We also took a hard look at excess balances and unused and unobligated funding.

For example, we found around \$100 million in balances from programs, and turned them back in to the general fund: \$32 million from Commerce

& Trade programs, \$30.1 million from Health & Human Resources programs, and \$25 million from Natural Resources programs.

I encourage all of you to take a hard look at your similar balances and to do the same. Legislative balances have \$100 million in unused carry over balances.

I hope we all agree that allowing excess balances to just sit is not responsible fiscal management.

Our Budget makes our largest incremental investment in Medicaid funding – an increase of \$2.6 billion over the caboose and the biennium. For the biennium, General Fund Medicaid funding grows to \$17 billion, and total funding grows to \$59 billion. This is a \$10.7 billion increase to what we funded together in the Common ground budget for '25 and '26 just two years ago.

To address the rising cost of healthcare and secure the future sustainability of this critical program, we also introduce responsible cost controls that bring an appropriate discipline to our generous Medicaid offering.

Controls that root out areas where we know there has been waste, some fraud, and some abuse.

And we bring real economies to pharmaceutical spending through a nation-leading agreement on GLP-1's, with a price no higher than \$245 per month. Saving \$151 million.

The need to bend down the spending curve through savings strategies has never been more important.

On SNAP. First, let me reiterate how proud I am of the work that our team did in the Fall setting up the Virginia Emergency Nutrition Assistance initiative in record time so that no Virginian in need would go without support.

We know there is a shifting of cost to the state and the localities with regards to SNAP.

Our administrative costs are a shared Federal, State and Local responsibility.

At the state level, for federal funds that flow through Virginia, I propose to take on and absorb all the responsibility for the increase in both the state and local portion – and put \$100.3 million behind it in my introduced budget.

For those funds that flow directly to the localities with no state involvement, the localities should be responsible for their share of the increase.

We are getting our SNAP error rate down.

Virginia's SNAP error rate was a little over 11 percent, which puts us at the national average.

And while we were at the average, I don't believe Virginia is average in anything.

Based on tremendous progress made in our transformation efforts to improve the local administration of SNAP benefits, there is a real path to getting our error rate below 6 percent.

To buttress those efforts, we have included an additional \$3.6 million for SNAP support to further those efforts for rate reductions to be among the best in the nation, not middle of the pack.

We have 12 more months to get this right. 15 of 50 states already have an error rate below 6 percent. There is no reason why Virginia can't get there as well.

On Education Rebenchmarking – this budget provides an additional \$544 million in general fund for the next biennium, bringing our total investment to a record \$22.8 billion.

This includes maintaining our increased funding for support positions, a key compromise in last year's Chapter 725 budget.

And, when accounting for early childhood education investments now total \$23.8 billion all in.

We've worked together. We've worked together to increase direct aid to public education by nearly 50 percent since the pandemic.

And we've shown that investing in students produces results.

Virginia leads the nation in recovering math learning loss.

All in Virginia intensive tutoring works. Senators Lucas and Locke, thank you for your partnership in that initiative.

We've shown that delivering transparency, introducing accountability, and raising expectations results in better student outcomes. We made the test harder, and the students did better.

Students are also doing better because they're in school in the first place. Virginia now leads the nation in reducing chronic absenteeism.

We also continue to support teachers. Support teachers with raises.

That includes the 2 percent bonus this year, because I think they have done an amazing job and they deserve it, and 2 percent pay raises in each year in the biennium.

I'm proud to say that teacher vacancies continue to decline and are now down over 35 percent.

With 19 percent pay increases in state support for teacher compensation, cell phone-free education across the Commonwealth, nationally leading academic standards, and a teacher licensing process that now works, it is no surprise that vacancies are down and Virginia was recently ranked the best state to be a teacher.

To fund our shared goals when it comes to early education and school construction, my proposed Budget: Redirects \$137.6 million in VPI non-participation savings to the Child Care Subsidy Program. This creates approximately 6,745 new slots for children ages birth-to-five in each fiscal year 2027 and 2028. The budget also provides nearly \$300 million more of state support for school construction grants. The total authorized for these grants in the biennium is now \$519 million.

We also know that while our Commonwealth is blessed with many resources, there is no resource more important than our children.

And therefore, this Budget provides \$50 million to transform a child welfare system that must keep kids safe and families strong.

A system that now should: Fund Priority Responses for Kids Age 0-3 and not stop at 0-2. Centralizes Intake; Raises Pay for Local Workforce; Provides for Increased State Oversight for Under-performers.

When it comes to our institutions of higher learning, our focus must be on keeping tuition increases low, and meeting high-demand, high-skilled workforce needs.

And that is why this Budget continues to make Affordable access and Financial Aid a priority.

Higher Ed funding increases \$434 million from the General Fund during the biennium, totaling \$7.8 billion. This includes: Providing an incremental \$42.5 million to fund affordable access and financial aid; Providing \$11.4 million more to expand nursing, medical, and other health sciences programming; Increases state support for VMSDEP waivers by \$190.0 million. \$20 million in general fund, \$75 million in non-general fund, bringing total state support to \$160 million each year.

Because we know something that every parent who is trying to figure out how to send their son or daughter to college knows too well: the cost of attending these institutions has still grown too high.

And once again, I am including a Budget amendment to cap tuition increases at our institutions of higher education.

There is plenty of money in the higher ed. system, and they can afford to do this.

My pressure over the past four years has resulted in in-state tuition increases of zero in year one, and a modest average 2 percent increases thereafter.

In Virginia, we also Back the Blue. Our commitments to safer communities are absolutely permanent. Today, murders in Virginia are down 30 percent.

Our ironclad commitment to public safety and the men and women of law enforcement has been there from Day One. And it is a commitment we continue with this Budget.

My introduced Budget includes an increase of \$136.8 million general funds over the 3 years, with \$50.3 million in fiscal year 2026 for increased personnel and operating costs at the Virginia State Police to keep our citizens safe.

I tasked the Colonel with growing a strong Virginia State Police. And that's what happened.

After four years of support, we are seeing increases in the number of people who want to be in law enforcement. This year, our trooper school has one of its highest enrollments ever.

Another area where we must not sacrifice our commitment is to another set of heroes -- the men and women who have sacrificed so much for us -- our military veterans and their families.

I am pleased that Virginia was most recently ranked as the top state in America for veterans. This is a duty and a responsibility that we must uphold because freedom is not free.

In addition to the increased funding for VMSDEP, the proposed Budget increases \$9.0 million to address start-up operations costs for the opening of the Puller Veterans Care Center whose grand opening many of us celebrated yesterday.

This Budget also provides \$50 million over the biennium for investments in business ready sites to enable companies to continue to make quick decisions to locate in Virginia.

Business-ready sites are a critical building block of our wave of economic development wins.

The introduced Budget includes approximately \$2 billion in new capital authorizations and maintenance funding over the biennium.

The projects use \$890 million in general fund cash over the biennium and a portion of Virginia's current debt capacity in each year given Virginia's AAA rating and incredibly strong financial position – \$1.1 billion in new debt authorization over the biennium.

This budget Restores prior authorized projects that were paused in May, with one omission that should be rectified in the final budget – the UVA Center for the Arts should be included and comfortably bonded in 2028.

In addition, the Budget funds innovative and necessary new investments, including: The Virginia State Supreme Court Facility; A Dental School at VCU; Engineering & Arts Building at ODU; The Center for Leadership & Ethics at VMI; Many Strategic Maintenance and life safety projects;

The budget also includes an ongoing \$200 million for maintenance reserve funding.

Our revenues are strong. And at the heart of Virginia's strong revenue position is a huge pipeline of economic development projects that continues to be incredibly robust.

The current pipeline of mature projects stands north of \$30 billion.

I know we've had trouble scheduling an MEI meeting, but as I have commented we have a slate of projects ready to go with two waiting on your action, totaling \$1.5 billion in capital commitments and 1,400 jobs.

I am proud to say that when we've made commitments, we've honored them.

But there's also been places where we have continued to disagree. When we have, we've done so candidly.

And so let me be candid: don't put Virginia back in RGGI.

RGGI only drives up utility bills and drives up the cost of living for Virginians.

Rejoining RGGI would mean imposing \$500 million on Virginians' electricity bills.

It doesn't work. You don't need it. Even Democratic governors are realizing that RGGI is a bad deal and are getting out. Don't put Virginia back in.

It's also imperative Virginia remains a state where you have the Right to Work.

Continuing Virginia's Economic Renaissance starts with protecting Right to Work. It's as simple as that.

Pro-business policies attract jobs. Anti-business policies chase jobs and opportunities away. Right now, Virginia is roaring. And she needs to stay that way.

I want to thank all of you for your partnership of these past four years.

The record funding and record tax relief provided during these four years has supported tremendous change in the Commonwealth of Virginia.

It's all been supported by a Virginia that is winning. A Virginia that is growing. A Virginia that is stronger than she has ever been.

And with great stewardship, Virginia will continue to soar.

May God bless you all. May He bless you during this Christmas and holiday season. And may He continue to bless the great Commonwealth of Virginia. Thank you all very much.

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