



# COMMONWEALTH of VIRGINIA

Office of the Governor

Glenn Youngkin  
Governor

May 2, 2025

TO: HOUSE OF DELEGATES

HOUSE BILL NO. 1600

Dear Members of the General Assembly:

I have signed House Bill 1600, amending the appropriations made last year for the 2024-2026 biennium, with 37 item vetoes. The budget that was delivered to me returns approximately \$1.0 billion to Virginia taxpayers and makes necessary investments that address our shared priorities, including fully funding the Medicaid and Children's Services Act forecasts as well as critical incremental investments in public education, public safety and economic development.

Unfortunately, of the 205 recommended changes to the House Bill 1600 Conference Report that I submitted to you on March 24th, only 33 were adopted. The 172 that were procedurally rejected were thoughtful efforts to retain a portion of the surplus revenues as a cushion to make a one-time additional deposit to the Revenue Reserve Fund, bringing our total "rainy-day" savings to \$5 billion.

As I made clear in March, Virginia's strong economic growth affords us an opportunity to both provide tax relief to Virginians and fund key shared priorities, while retaining a portion of our surplus as a cushion to keep Virginia in a dynamic position to respond to any potential risks. I am optimistic about Virginia's longer-term prospects for Fiscal Year 2027 and Fiscal Year 2028, and beyond, but there are some short-term risks as President Trump resets both fiscal spending in Washington and trade policies that require us to be prudent and not spend all of the projected surplus before we bank it.

At this point in the legislative process, my constitutional ability to make necessary changes is limited to the use of my "item veto" authority. Therefore, of the 172 items that were returned to me unchanged, I am approving 135 as is and vetoing 37, retaining \$900.4 million of the projected \$3.2 billion surplus as a cushion.

## **How We Got Here: Recent History of Financial Forecasts & House Bill 1600**

In May 2024, we signed the biennial *Common Ground* budget (Chapter 2, 2024 Special Session I, Acts of Assembly) for Fiscal Year 2025 and Fiscal Year 2026, which made significant and record investments in education, public safety, health care, the environment, workforce and economic development and capital expenditures. This record budget was possible because of a revenue forecast underpinned by strong job growth and wage growth which resulted in increased receipts from individual income tax, sales and use tax, and corporate tax.

In December 2024, my administration completed an official forecast in conjunction with the Governor's Advisory Council on Revenue Estimates (GACRE) which, based on five months of FY25 actuals and prudent forecast assumptions, projected a \$3.2 billion surplus over the Chapter 2 forecast: \$2.1 billion in FY25 and \$1.1 billion in FY26.

My proposed budget amendment package presented on December 18th included \$1.1 billion in tax relief and \$2.1 billion in new appropriations from general fund forecast revenues on top of the record investments already in the Chapter 2 budget. In March 2025, at the end of the regular General Assembly session, you adopted a Conference Report providing approximately \$1 billion in tax relief and \$2.2 billion in new appropriations, albeit with significant differences in spending which contributed to structural balance concerns.

We were ahead of forecast for the first eight months of 2025 and I still felt that our financial forecast projected in December 2024 for FY25 and FY26 could be achieved. It became clear there are potential short-term risks to the amount of forecasted surplus as President Trump enacted necessary and long-overdue reforms reestablishing fiscal responsibility in the federal government.

As recently confirmed by our Moody's Aaa rating, the Commonwealth fares better than our neighbors Maryland and the District of Columbia due to the strong presence of defense and national security assets and industries and our prudent financial management and conservative budgeting. Indeed, both Maryland and D.C. have been added to a credit watch list, risking a down grade. However, job dislocations for federal workers and contractors may have an impact on our financial forecast.

The leadership of the General Assembly also believes this is a potential risk as well, and established both a House select committee and a special subcommittee of the Senate Finance and Appropriations Committee.

Conducting a line-by-line review of the budget with an eye towards potential short-term risks, I offered 205 amendments on March 24th to retain a portion of the projected surplus as a cushion.

On April 2nd, you procedurally voted down the vast majority of my amendments which reversed most of my reasonable recommendations to achieve savings and left only a \$50 million cushion across both fiscal years, despite the concerns you have publicly expressed during your multiple legislative hearings on the matter.

## **Current Revenue Scenarios**

As we begin May 2025, we remain \$85 million ahead of the forecast for FY25. However, prudent, responsible budgeting calls on us to recognize the President's efforts to reset trade relationships and continue to pursue real and necessary federal reforms create short-term risk to realizing the full amount of the potential surplus even as it creates long-term growth opportunities. Accordingly, those risks may impact FY26 revenues.

Let me be clear, I continue to believe that our December 2024 forecast can be achieved, but my fiduciary responsibility to the taxpayers of Virginia demands I take prudent, responsible action to provide additional cushion for the Commonwealth's general fund resources. To do otherwise would put me in the position, should these risks impact FY26 revenue, of having to use my statutory authority to impound spending by up to 15 percent or require the General Assembly to return later this year to make spending reductions.

I requested the Virginia Department of Taxation prepare a series of revenue scenarios for a range of fiscal impacts from federal policy. While this is not an official reforecast of revenues, the scenarios indicate that projected revenues in House Bill 1600 for FY25 should finish in line with our current projections but the revenue assumptions for FY26 could be impacted should these risks materialize.

While scenarios vary, these risks may impact forecasted \$3.2 billion surplus by as little as \$100-\$300 million to as much as \$1 billion or more. Accordingly, House Bill 1600 as signed today will retain \$900 million of the projected surplus as a cushion in general fund revenues in order to mitigate any short-term risk to the financial forecast.

## **Maintaining a Strong, Dynamic Virginia**

As I have made abundantly clear, I do not take my fiduciary responsibility to the taxpayers of Virginia lightly.

The budget I have signed, with 37 item vetoes incorporated, will continue to reflect the additional \$3.2 billion from the December 2024 forecast to provide approximately \$1.0 billion in tax relief and \$1.3 billion in additional incremental investment above Chapter 2, bringing us to a total biennial general fund budget of \$67 billion, fully funding Medicaid and Children's Services Act forecasts, increasing direct aid to public education spending by \$834 million to a record \$22.4 billion this biennium.

My actions do not result in any reductions to the current functions of government but rather reduce proposed incremental spending in some spending items. The item vetoes that I have executed make sober and responsible reductions to one-time spending as well as curtail the permanent expansion of some ongoing services that the General Assembly approved.

These item vetoes result in a retention of a portion of our project surplus equal to \$900.4 million. Of these amounts, \$691.3 million (77 percent) is from one-time capital outlay appropriations in FY25, approximately \$650 million of that from higher education. The remaining \$209.1 million (23 percent) is from operating appropriations across both years of the biennium.

These ten projects are good projects, and the appropriation should not materially change their timelines as only one was through the planning process. Deferring capital expenditures in order to preserve resources is a prudent decision. Should resources materialize over the next six months, I expect to include these projects in the budget that I introduce in December, allowing the General Assembly to fund them with cash or bonds, as appropriate.

My item vetoes are described in detail below.

Sincerely,



GLENN YOUNGKIN

**Item 24 – Commission on Electric Utility Regulation.** I am vetoing this Item as unnecessary supplemental funding for a legislative commission that performs duplicative and nonessential governmental functions. At the end of Fiscal Year 2024, the General Assembly had approximately \$50 million of its own mandatory carry-forward balances that can easily be utilized to absorb any identified cost increases for operations of the Commission if they choose.

**Item 75.J – Prohibition on Contingency Fee-based Contracts.** Under the provisions of Article 1, Section 11 of the Constitution of Virginia, I am vetoing this Item as an unconstitutional impairment of an existing contract that was entered into through legally valid and established procurement mechanisms.

**Item 102.V – First-Time Homebuyer Program.** While homeownership is an essential component of individual wealth building, I am vetoing this Item as it is unnecessarily duplicative of a variety of programs currently offered by other state entities. This effort is well intended, however the underlying legislation that was proposed during the 2025 General Assembly Session failed to pass. The proposed new program is best considered in a biennial budget and as separate legislation. Accordingly, I am vetoing this Item.

**Item 102.S – Rental Assistance Pilot Program.** I am vetoing this Item as the underlying legislation that was proposed during the 2025 General Assembly Session failed to pass. Instead, the General Assembly opted to include the totality of the legislation as an Item within HB 1600. The proposed new program is best considered through legislation in a future session of the General Assembly rather than in an amended budget bill.

**Item 102.T – Low-Barrier Emergency Shelter.** Included in my proposed amendments to HB 1600, I recommended reducing funding for this new initiative, however the General Assembly procedurally passed by this reasonable proposal. While the underlying intent of this appropriation is laudable, because the General Assembly provided me with no other option, I am compelled to exercise my constitutional authority to veto this Item.

**Item 102.W – Local Housing Trust Funds.** Included in my proposed amendments to HB 1600, I recommended reducing funding for this new initiative, however the General Assembly procedurally passed by this reasonable proposal. While the underlying intent of this appropriation is commendable, because the General Assembly provided me with no other option, I am compelled to exercise my constitutional authority to veto this Item.

**Item 103.BB – Urban Public-Private Partnership Redevelopment Fund.** The underlying authority establishing this program was enacted a quarter-century ago during the 2000 General Assembly Session, however no funding was ever appropriated to capitalize the program. Given the potential risk to the Commonwealth’s general fund revenues, the large size of this appropriation, and my fiduciary responsibility to the taxpayers of Virginia, I am vetoing this Item.

**Item 103.CC – Occoquan Riverwalk.** In my proposed amendments to HB 1600, I had recommended reducing funding for this new initiative, however the General Assembly procedurally passed by this reasonable proposal. While the underlying intent of this appropriation is laudable, because the General Assembly provided me with no other option, I am exercising my constitutional authority to veto this Item.

**Item 103.EE – City of Portsmouth Water Main.** The Commonwealth of Virginia has specific loan and grant programs to assist localities in addressing drinking water issues in their communities. Currently, the State Drinking Water Revolving Loan program has an annual appropriation of approximately \$123 million, and HB 1600 establishes a \$25 million supplemental grant program for these types of projects, to which the City of Portsmouth can apply. Included in my proposed amendments to HB 1600, I had recommended including this project within the supplemental grant program, however the General Assembly procedurally passed by this reasonable proposal. Because the General Assembly provided me with no other option, I am exercising my constitutional authority to veto this Item.

**Item 109.F – Clean Energy Innovation Bank.** Authorization and funding for the creation of the Virginia Clean Energy Innovation Bank by the General Assembly was included in the underlying Chapter 2 (2024 Special Session I). The Bank has been lawfully established, and the funding is being contractually committed to projects that will accelerate the deployment of clean power generation and energy infrastructure—including the world’s first grid-scale commercial fusion plant as well as strategic investment in Virginia’s nuclear energy workforce development with George Mason University for the installation of a NuScale Small Modular Reactor control room simulator—and address the growing energy needs of the Commonwealth. Included in my proposed amendments to HB 1600, I had recommended returning \$2 million of the initial capitalization to the General Fund, however the General Assembly procedurally passed-by this reasonable proposal. Because the General Assembly provided me with no other option, I am exercising my constitutional authority to veto this Item.

**Item 113.U – Economic Development Marketing Campaign.** The Virginia Economic Development Partnership currently has an annual marketing budget of approximately \$2.7 million from the Commonwealth’s General Fund. While additional investments in marketing efforts and capitalizing on Virginia’s premier rankings for business are admirable, this is not the time to

expand discretionary spending and can be revisited in the 2026 Session. Included in my proposed amendments to HB 1600, I recommended reducing funding for this initiative, however the General Assembly procedurally passed by this reasonable proposal. Because the General Assembly provided me with no other option, I am compelled to exercise my constitutional authority to veto this Item.

**Item 114.U – Tourism Marketing Campaign.** The Virginia Tourism Authority has an operating budget of over \$32.0 million from the Commonwealth’s General Fund, of which \$10.5 million directly supports efforts aimed at promoting Virginia as a premier travel destination. Included in my proposed amendments to HB 1600, I recommended reducing funding for this initiative, however the General Assembly procedurally passed by this reasonable proposal. While marketing to increase visitors traveling to Virginia is always meritorious, this is not the time to expand this discretionary program spending. Because the General Assembly provided me with no other option, I am compelled to exercise my constitutional authority to veto this Item.

**Item 120 – Office of School Quality Staffing Requirement.** This language establishes an unfunded staffing requirement in the Department of Education’s Office of School Quality. The Department’s 2024 Office of School Quality Report to the General Assembly acknowledged that one-time federal pandemic relief funds supported the initial expansion of this office and outlined the Department’s plan to restructure and expand the office with available General Fund support. Despite my proposed amendment to provide more funding for this office, the General Assembly does not provide any additional funding above Chapter 2 that would enable the Department to staff the office at this level, either today or on an ongoing basis. Accordingly, I veto this Item.

**Item 125.10.J – Employee Child Care Assistance Pilot Program.** Virginia has made historical investments in early learning and child care this biennium, increasing state funding from \$257 million to \$828 million, empowering parents with child care choice, expanding available child care options, providing needed support for parents to continue in the workforce, and reducing the Child Care Subsidy Program (CCSP) waitlist. My proposed amendments to HB 1600 included reasonable changes that would have allowed Virginia to serve over 2,800 additional birth-to-five children in the CCSP this biennium with a more modest additional state investment; however, the General Assembly procedurally passed-by this reasonable proposal. The Employee Child Care Assistance Pilot Program is not expected to have an impact on the CCSP waitlist this biennium because of the timing required to implement the program and the requirements attached to these funds, including higher copayments on families and the reliance on significant voluntary investment from employers. This effort is best considered in a bill and at a smaller scale to determine program effectiveness and scalability. Accordingly, I veto this Item.

**Item 234 – New College Institute Supplemental Funding.** Financial and operational challenges facing the New College Institute are well documented and I have, twice, recommended that NCI develop a meaningful business plan that best supports the educational and training needs of Southern Virginia, including exploring merging the Institute with existing regional education entities. The General Assembly has failed to acknowledge that NCI is on a challenging trajectory, and the enrolled amendment simply provides \$500,000 in additional funding on top of the existing

state funding of \$3.1 million, with neither a specific purpose nor any accountability for how the funding is spent. Accordingly, I veto this Item.

**Item 288.OO.9.d – Outside Legal Counsel.** The Office of the Attorney General is statutorily responsible for the provision and oversight of legal representation of state entities, including outside counsel. This budget Item is inconsistent with that statutory command and introduces needless ambiguity on an issue where none currently exists. Furthermore, this Item contravenes the Attorney General’s statutory role as the chief legal officer of the Commonwealth. Because this language allows for the expenditure of funds for a specific purpose, and because I view this Item to be legislation that is subject to my constitutional veto power, I hereby veto it.

**Item 288.VVVVV – Nursing Facility Rate Increases.** Chapter 2 included over \$40 million each year of this biennium for nursing homes through the Nursing Facility Value Based Program, whereby nursing homes can obtain enhanced funding for meeting or exceeding performance or improvement thresholds. The amendment added this year by the General Assembly would add nearly \$22 million in additional annual costs. Given my fiduciary responsibility to Virginia’s taxpayers, it would not be fiscally prudent for me to expand ongoing programmatic expenditures at this time. This should be considered in the future as part of a biennial budget. Accordingly, I veto this item.

**Item 288.TTTT.2 – Expand Medicaid Coverage for Weight Loss Drugs.** Last year, the General Assembly and I agreed to authorize the use of GLP-1 drugs for certain conditions. The General Assembly’s action to expand the use of these drugs for a variety of new patients created a significant financial burden that continues to increase over this biennium and into future biennia. Accordingly, I veto this Item.

**Item 296.N – Increased Funding for Geriatric and Dementia Services.** The amendment adopted by the General Assembly provides additional ongoing funding to Area Agencies on Aging in Richmond and Roanoke to expand their interdisciplinary plans of care and case management for those with dementia. While this effort is well intended, given the size of the appropriation, it is best considered in a biennial budget rather than in an amended budget bill. Therefore, I veto this Item.

**Item 314.N – Expanded Brain Injury Community and Workforce Retention Services.** The amendments adopted by the General Assembly would seek to increase ongoing funding for existing brain injury and community integration and workforce retention services. Consideration of these programs’ needs, given the size of the appropriation, is more appropriate during the development of the biennial budget. Accordingly, I veto this Item.

**Item 359.J.1-2 – Supplemental Funding for Environmental Literacy.** The amendment adopted by the General Assembly triples the ongoing funding for the environmental literacy program at the Department of Conservation and Recreation. While this is a laudable goal, it is not a core government function. Accordingly, I veto this Item.

**Item 359.Y – Quantico Creek Flood Mitigation.** In the amendments I proposed in March, I recommended a reduction to the spending level included in this Item, however the General

Assembly rejected this reasonable recommendation. I have no objection to the project itself, and there are existing programs, including the Community Flood Preparedness Fund and Stormwater Local Assistance Fund, that are designed to provide funding for this type of project. Given my limited constitutional options, I veto this Item.

**Item 359.R – Supplemental Funding for the Community Flood Preparedness Fund.** The intent of the General Assembly to provide an additional General Fund deposit to the Community Flood Preparedness Fund is commendable, and a separate action compels me to release a like amount of nongeneral funding for this purpose. Because this appropriation is duplicative and unnecessary, I am vetoing this Item.

**Item 360.Q – Biscuit Run Park in Albemarle County.** While the Commonwealth of Virginia has a long history related to this specific property, in 2018 it was determined by Governor McAuliffe to be in the best interest of all Virginia taxpayers that Albemarle County assume responsibility for this park, and Albemarle County entered into a long-term lease to do so. The County is responsible for any operational improvements to the parcel. In the amendments that I proposed in March, I recommended that the amount of state support be reduced in half, however the General Assembly rejected this proposal. Because the General Assembly provided me with no other option, I am compelled to exercise my constitutional authority to veto this Item.

**Item 363.P – Supplemental Groundwater Research Funding.** In the amendments I proposed in March, I recommended a reduction to the spending level included in this Item, however the General Assembly rejected this reasonable recommendation. I have no objection to the work the Department of Environmental Quality has undertaken to gather important data; however, expansion of existing programmatic activities is more appropriate for consideration during the development of the biennial budget. Because the General Assembly provided me no other option, I am compelled to exercise my constitutional authority to veto this Item.

**Item 394.F – School Resource Officer (SRO) Incentive Grants.** To enhance the safety of all students, teachers, and school staff across the Commonwealth, it is critical we secure a School Resource Officer or School Security Officer in every school in Virginia. Although funding provided for this program has not been fully utilized in recent years, we have made programmatic changes and adopted legislative reforms to streamline processes at the Department of Criminal Justice Services and expand the utility of the funds to local school divisions. In addition, it is anticipated that there will be growing demand for SRO Incentive Grants from local school divisions seeking to restore SRO positions that they removed from their schools several years ago. For this reason, I veto this Item that redirects the use of this funding.

**Item 394.N – Safer Communities and Community Violence Reduction Grants.** The funding associated with Safer Communities and Community Violence Reduction Grants grew by over 400 percent between FY23 and FY26 from \$6.5 million to \$33 million with no measures being provided demonstrating the effectiveness of these programs. Additional funding for these programs should be considered in the next biennial budget, and not in FY26, when the effectiveness of these programs can be better evaluated. For this reason, I veto this Item.



**Item 433.H – Hampton Roads Transit.** The Virginia Department of Rail and Public Transportation has a system of programs dedicated to providing financial assistance for public transportation. This includes funding the acquisition of transit equipment by local transportation agencies. The General Assembly proposes to provide supplemental general funds to Hampton Roads Transit for a one-time investment with no specificity on the purpose or the benefit to the Commonwealth. In addition to being an unequitable use of Virginia taxpayer dollars for the benefit of one local transit provider, it would be unfair to other local transportation agencies to disproportionately benefit one local provider. Accordingly, I veto this Item.

**Item 437.E – Interstate Location Study.** The intent of the General Assembly to provide general funds for the study of the federal government’s decisions during the creation of the interstate highway system is better suited for an academic pursuit than as a core function of the Department of Transportation. Moreover, the funding amount identified for this study is insufficient to cover the anticipated cost of a consultant to perform this unnecessary study. Therefore, I veto this Item.

**Item 471.L – Clean Energy Innovation Bank.** This Bank has been lawfully established in accordance with the authorization the General Assembly provided in Chapter 2, and the funding is being contractually committed to projects that will accelerate the deployment of clean power generation and energy infrastructure to address the growing energy needs of the Commonwealth. Accordingly, I veto this Item.

**Item 473 – Tech Talent Investment Program.** Investments in Virginia universities to encourage STEM graduates is critical to meeting 21<sup>st</sup> Century workforce demands. The Tech Talent Investment Program is a performance-based funding program, and awards must reflect an institution’s progress toward meeting the goals set forth in its memorandum of understanding with the Commonwealth. The program’s participating institutions and designated reviewers are working toward a revised methodology to determine any award reduction amounts based on performance, which will be implemented for FY26. This amendment is unnecessary and, accordingly, I veto this Item.

**Item C-5 – George Mason University Priority Facility Improvements.** In my proposed amendments to HB 1600, I recommended reduced funding for this initiative; however, the General Assembly procedurally passed by this reasonable proposal. While additional funding to address facility improvements at George Mason University is laudable, the University has spent less than one percent of the \$8 million authorized for this purpose in Chapter 2. Additionally, the University has a state-supported maintenance reserve allocation of \$9.6 million this biennium. The General Assembly can take this back up in January after the University has demonstrated that it is utilizing the funding it has already received. Given the potential risk to the Commonwealth’s General Fund revenues, the large size of this appropriation, the ability of the General Assembly to revisit this issue in January, and my fiduciary responsibility to the taxpayers of Virginia, I am vetoing this Item.

**Item C-29.30 – State Park Deferred Maintenance.** While additional funding to address deferred maintenance across the Virginia State Park system is commendable, the Department of Conservation and Recreation currently has an allocation of \$45 million to support 19 projects.

Additionally, DCR currently has six capital projects to date that have not yet been able to move forward since initial authorization. Given the potential risks to the Commonwealth's current General Fund forecast, the large size of this appropriation, the ability of the General Assembly to revisit this issue in January, and my fiduciary responsibility to the taxpayers of Virginia, I am vetoing this Item.

**Item C-32.10 – Nottoway Correctional Center HVAC.** Included in my proposed amendments to the HB 1600 Conference Report, I recommended reducing funding to provide adequate amounts for the planning of this project. No planning has been conducted yet, and this money could not be spent until planning is completed. However, the General Assembly procedurally passed by this reasonable proposal. While the proposed purpose of the action is commendable, given the potential risks to the Commonwealth's current General Fund forecast and my fiduciary responsibility to the taxpayers of Virginia, I am vetoing this Item.

**Item C-52.10 – 2025 Higher Education Capital Outlay Pool.** The Commonwealth of Virginia currently has \$3.2 billion in authorized capital outlay projects at our public institutions of higher education. Of this amount, only \$551 million (17 percent) has been expended. While the 10 new projects included in the 2025 Higher Education Capital Outlay Pool are each worthy investments, it would not be financially prudent for me to advance these projects to the construction phase with the current risks to our General Fund forecast. As Chief Executive Officer of the Commonwealth, the conservative course of action is to delay appropriation for these projects. Almost all of these projects are not yet ready to move to the bid stage prior to the end of the fiscal year. Deferring this appropriation does not terminate the projects themselves but continues them in the planning stage. Funding for the construction of the identified projects should be included in the FY26 "Caboose" budget that I will introduce in December, should the revenues required to support their construction continue to be available. Therefore, I veto this Item.

**Item C-53.60 – Nottoway Water Infrastructure Project.** Three state facilities rely on drinking water provided from the Town of Crewe in Nottoway County. Uncertainty over the continued viability of Crewe to provide safe and reliable water to these facilities resulted in a study by the Department of General Services, authorized in the Appropriations Act, that identified several options for ensuring ongoing and sufficient water for these facilities. The Appropriations Act also authorized the Director of the Department of General Services to determine the most appropriate option to pursue from the study. Given this, I veto this Item that directs the expenditure of funding for a particular option that might not best ensure the availability of safe drinking water to the three state facilities.

**Item 4-1.02 – Withholding of Spending Authority.** The Constitution of Virginia (Article 4, Section 6) establishes a process by which the General Assembly can call itself into a Special Session. Language which would further compel me to convene an additional Session under certain circumstances is wholly unnecessary. In addition, this Item is not a condition that is tied to any specific appropriation, but rather it is stand-alone legislation that should be considered independent of the Appropriations Act. Accordingly, I veto this Item.