

Legislative Update

December 2025



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Legislative Update

- 2026 General Assembly convenes January 14
- 60-day “long” session; adjournment set for March 14
- Democrats will control Executive branch and both chambers of the legislature
 - House of Delegates is 64-36
 - Senate is 21-19
 - Several special elections forthcoming
- Prefiling of bills for 2026 session began November 17



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Legislative Update

- State Budget
 - Governor introduces FY26 amendments and proposed FY27/28 biennial budget on December 17.
 - State revenues are exceeding expectations in the current fiscal year.
 - \$4 - \$5 billion expected to be available for appropriation over the next two-year state budget period as a result of expected revenue growth and carry forward balances.
 - FY27 Revenue Growth (estimated) 2.6% – 3.1%
 - FY28 Revenue Growth (estimated) 3.4% – 3.6%



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Legislative Update

- Mandatory expenditures over FY27/28 will quickly eat into those amounts.
- Most of the mandatory expenditures are in the following areas:
 - Medicaid (\$2.8 billion across the two years)
 - K-12 rebenchmarking (nearly \$1 billion)
 - Children's Services Act (about \$180 million)
- Costs associated with conforming to various federal individual and business tax policy changes (H.R. 1) could cost the state \$1.1 billion.
- Legislators propose amendments by January 16; House and Senate money committee amendments to be released mid-session.
- Expect to see proposals/discussion on generating additional state revenues.



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Legislative Update

□ Economy/Budget Risks

- Impacts of tariffs ■ Further federal disinvestment ■ Labor force challenges ■ Federal employment and contracts ■ A 2026 government shutdown ■ A.I. bubble

□ Of Note

- “For the upcoming biennium, identified budget needs beyond mandatory spending will only be met because of the availability of carry-forward balances. While mandatory program increases can be met, high priority expenditures will have to be weighed and balanced against one another.”



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Legislative Update

□ Legislation

- Expect roughly 2,000+ bills to be introduced
- Local governments will again play DEFENSE on land use/local authority legislation (housing, energy, etc.)
- New Administration and a non-election year.
- What will legislators tackle? Budget; energy; tax reform; housing affordability; retail cannibalism; transit/transportation; etc.



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Legislative Update

Questions?

