

The background of the entire page is a solid brown color. Overlaid on this is a large, faint, circular seal of the Commonwealth of Pennsylvania. The seal features two horses flanking a central shield with a ship, topped by an eagle. The words "SEAL OF THE COMMONWEALTH OF PENNSYLVANIA" are visible around the perimeter of the seal.

GOVERNOR JOSH SHAPIRO

BUDGET IN BRIEF

2025-2026

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Commonwealth of Pennsylvania
Office of the Governor
Harrisburg

February 4, 2025

To the People of the Commonwealth of Pennsylvania:

When you elected me two years ago, you came together behind a common vision for Pennsylvania's future. Since then, I've traveled all across our Commonwealth and I've stayed focused on a few commonsense Pennsylvania principles: creating good schools for our kids, building safer communities, opening up the doors of economic opportunity, and protecting Pennsylvanians' fundamental rights and freedoms. Every day, my Administration pursues those goals with three letters in mind – G-S-D – we get stuff done and deliver results for the people of Pennsylvania.

In my first two budgets, we've brought Democrats and Republicans together to secure critical investments in commonsense initiatives that benefit all Pennsylvanians – from historic investments in K-12 education to ensure students, teachers, and staff have the resources and the safe, healthy learning spaces they need to succeed; to expanding and increasing property tax relief for seniors; to implementing targeted strategies that make Pennsylvania more competitive and help businesses thrive; to investing in law enforcement and making our communities safer.

As a result of those investments – which were approved by Democratic and Republican leaders in the General Assembly – older adults in Pennsylvania received the largest targeted tax cut in two decades, more entrepreneurs are starting new businesses and more major companies are moving their operations here, more kids are eating breakfast before school, more bridges are being repaired and more roads are being paved, and Pennsylvania is now one of the best states in the nation to raise a family. Thanks to our hard work, Pennsylvania is on the rise.

But I know our collective work is far from over. That's why my proposed budget for fiscal year 2025-26 directly builds on the work we've done over the last two years. It continues the bipartisan, agreed-to schedule of investments in our public schools. It helps create safer, healthier schools through continued investments in physical upgrades and mental health supports. It also provides for increased rates in pre-k and early intervention programs to ensure our children have the supports they need at the most critical stages of development.

This budget builds on the progress made during last year's budget in support of the Blueprint for Higher Education, making competitive funding available to our State-Related Universities to incentivize them to return results that benefit all Pennsylvanians. It provides funding to our public universities and community colleges and directs new investments into workforce development to create more paths to opportunity.

My proposal doubles down on the Commonwealth's first economic development strategy in nearly 20 years, with a key focus on innovation in a variety of sectors, including agriculture, life sciences, and our prospective entrepreneurs. This budget continues to cut taxes streamlining, simplifying, and modernizing our corporate tax structure to reduce the burden and level the playing field. It injects nearly \$300 million per year to our public transportation agencies, to ensure people can get to and from where they need to go safely and efficiently. And it ensures that our childcare facilities have the staff they need to operate, allowing more individuals to enter – and stay in - the workforce with assurances their children are in good hands throughout the day.

My budget invests in public safety and our first responders, providing critical resources to the paid and volunteer firefighters that risk their lives to keep our communities safe. This budget provides funds to recruit more troopers to protect our communities, expands resources to data-driven gun violence and crime reduction programs that have proven effective, and ensures efficient operations and safety of our corrections staff and inmates at correctional institutions.

The 2025-26 budget focuses on supporting our hospitals, protecting access to Medical Assistance even as costs of care are increasing, providing for initiatives to assist in recruiting and retaining critical health care staff, investing in medical support services for those re-entering society, and increasing supports to our elderly population so that they can remain in their homes. And this proposal provides investments into behavioral and mental health services to always be there when someone most desperately needs a resource.

Finally, this budget tackles one of the biggest challenges I hear about from hardworking Pennsylvanians: the high costs of childcare, housing, and energy. In my first two years, we've passed historic tax cuts to help families afford childcare and seniors stay in their homes. This budget prepares for the recommendations anticipated from the forthcoming Housing Action Plan, making Pennsylvania more affordable and more attractive for homeowners and renters alike. It would provide funds to help folks restore and stay in their homes, while also providing critical resources to assist first time homebuyers to make that life changing purchase, implement reforms related to eviction record sealing, and provide assistance to municipalities in enforcing codes and local zoning best practices. This budget includes meaningful investments in our childcare workforce to expand opportunities for children and families – and it is paired with a significant energy plan focused on expanding affordable, reliable, and clean power all across Pennsylvania.

As part of this commonsense vision, this budget proposes two new revenue sources, from the legalization of adult use cannabis and the regulation of games of skill, both of which will help Pennsylvania remain competitive with our neighbors while providing regulated markets that increase certainty and accountability across the Commonwealth.

We've made real progress over my first two years as your Governor – and that work is showing real results. We need to continue that progress by working together in support of commonsense Pennsylvania principles. We can do all of this and maintain fiscal stability, planning for the future and retaining \$6.4 billion in the Rainy Day Fund by the end of June 2026. Recognizing that the only way we move forward and progress as a Commonwealth is together, I am calling on the General Assembly to work with me in enacting these commonsense initiatives laid out in this Executive Budget proposal.

Sincerely,

A handwritten signature in black ink, appearing to read 'Josh Shapiro', written in a cursive style.

Governor Josh Shapiro

Fiscal and Program Policy Direction and Budget Themes

Introduction

A Commonsense Budget That Delivers for Pennsylvanians

Since he took office two years ago, Governor Josh Shapiro has brought a G-S-D attitude to government, moving quickly and aggressively to get stuff done and deliver results for the people of Pennsylvania. In his first two years and throughout his travels across the Commonwealth, Governor Shapiro has focused on commonsense Pennsylvania principles: investing in good schools for our kids, building safer communities, creating economic opportunity for all, and protecting Pennsylvanians' fundamental rights and freedoms.

In his first two budgets, Governor Shapiro secured critical investments in commonsense initiatives that benefit all Pennsylvanians. These include historic investments in K-12 education to ensure students, teachers, and staff have the resources and safe, healthy learning spaces needed to succeed; creating a new State Board of Higher Education to coordinate efforts across all higher education sectors, with a focus on access and affordability and an eye towards workforce development and economic growth; expanding and increasing property tax relief for seniors; implementing targeted strategies to make Pennsylvania more competitive and help businesses thrive; and investing in law enforcement with the resources they need to make our communities safer. Each of these commonsense initiatives – and so many more – has helped move our Commonwealth forward as the Shapiro Administration works to ensure all Pennsylvanians have the freedom to chart their own course and the opportunity to succeed.

As a result of those investments – which were approved by Democratic and Republican leaders in the General Assembly – Pennsylvania seniors received the largest targeted tax cut in two decades, more entrepreneurs are starting new businesses and more major companies are moving their operations here, more kids are eating breakfast before school, more bridges are being repaired and more roads are being paved, and Pennsylvania is now one of the best states in the nation to raise a family. Pennsylvania is on the rise.

But Governor Shapiro knows that our collective work is far from over. Together, we must continue to invest in Pennsylvanians – to build on our progress, make the Commonwealth more competitive, and create more opportunity. The 2025-26 budget builds on the foundation established over the last two years, focusing on a continued strategy of making key investments to solve problems and move Pennsylvania forward.

At the same time, Governor Shapiro and his Administration are committed to a careful stewardship of public monies. To that end, this fiscal year, the Office of the Budget (OB) and the Governor's Policy Office (GPO) launched the Resource Evaluation and Mission Alignment Project (REMAP). REMAP is a data-driven initiative designed to evaluate programs for effectiveness and alignment with statutory mandates, strategic goals, and the department's mission. The project seeks to ensure state resources are directed to programs that deliver measurable results and advance the Commonwealth's objectives. OB and GPO partnered with three agencies to pilot the initiative in its first year – the Department of Community and Economic Development (DCED), the Department of Corrections (DOC), and the Pennsylvania Commission on Crime and Delinquency (PCCD). Through REMAP, agencies identified inefficiencies, program misalignments, and areas where cost savings could be realized. REMAP helps ensure taxpayer dollars are being used as effectively as possible and the resulting recommendations are incorporated in budgets for DCED, DOC, and PCCD in order to realign resources, improve efficiency, and enhance the Commonwealth's ability to achieve impactful long-term outcomes.

Thanks in part to the resulting cost savings and efficiencies, this budget proposes more commonsense investments in the people of Pennsylvania.

This budget continues the commonsense, bipartisan agreement in the 2024-25 budget to adequately fund all of Pennsylvania's public schools, putting resources directly into the classroom and ensuring safety and security for students and teachers. The 2025-26 budget proposes to grow investments for the school facilities program that was created under this Administration and has already provided funding for critical repairs in hundreds of schools. In addition, the budget continues to fund the mental health and physical safety programs that schools can use to provide safe learning environments while proposing real reforms to the way public schools pay for cyber charter schools.

In line with Governor Shapiro's vision, the 2025-26 budget also ensures more Pennsylvanians will have the freedom to chart their own course and the opportunity to succeed. Graduating high school students deserve the opportunity for future success in whatever path they choose. The budget reflects this priority by building a pipeline of workers and entrepreneurs, through internships, upskilling, reskilling; providing second chances to previously incarcerated individuals; and reforming the professional licensure system to remove barriers to entry. This focus allows Pennsylvanians to take control of their future, with options for a variety of careers. The budget makes the Commonwealth more competitive for workers and expands labor market participation by increasing the minimum wage in Pennsylvania, providing critical funding to public transportation agencies, and investing in teachers, health care professionals, and those who provide care for children.

This budget also continues the work of making Pennsylvania more competitive and attractive to businesses, which in turn will create jobs and attract more people to our Commonwealth. The 2024-25 budget provided significant permitting reform and doubled down on the government's commitment to moving at the speed of business. This budget continues to focus on Pennsylvania's first Economic Development Strategy in two decades, providing the opportunity for businesses and entrepreneurs to innovate and get ahead. This budget directly invests in Pennsylvania's innovation economy and develops several key industries outlined in the Economic Development Strategy, including agriculture, life sciences, and entrepreneurship. The budget also supports veteran-owned businesses and makes key investments in the celebration of the birth of the United States 250 years ago, right here in the Keystone State.

To further make Pennsylvania's economy competitive, this budget proposes to accelerate the current Corporate Net Income Tax rate cuts by two years and level the playing field for all Pennsylvania corporations by closing tax loopholes. The 2025-26 budget streamlines, simplifies, and modernizes our tax structure, including eliminating three separate business taxes for financial institutions. For the first time in Pennsylvania's history, this budget pushes the amount of general property tax relief to homeowners to over **\$1 billion**.

While investing in education, workforce development, and economic growth, this budget also cuts costs for Pennsylvanians. The budget proposes offering support to help Pennsylvanians buy their first home, restore a current home, and for developers and communities to build new homes. Those proposals are in addition to Governor Shapiro's work to lower energy costs and ensure Pennsylvania remains a leader in reliable, affordable, and clean energy for years to come. To help with healthcare costs, the budget provides for a transparency portal for medical expenses so that individuals can finally see what it costs for services and have better visibility into choosing the most cost-effective care in Pennsylvania.

This budget prioritizes increased access to care, whether it is for assistive services for older Pennsylvanians so they can continue living in their own home, or quality improvement programs at our skilled nursing facilities. The budget provides necessary funding to Pennsylvania's hospital systems to ensure continued access to care, as well as investments in several key areas of behavioral and mental health care. Finally, the budget provides resources to ensure those re-entering the community from incarceration have continuous access to medical care and support services.

Additionally, the 2025-26 budget will improve public safety by continuing our investments in law enforcement and first responders, adding four more cadet classes for the Pennsylvania State Police and creating new resources to support firefighters. This budget further improves public safety by proposing the closure of two State Correctional Institutions and two community corrections facilities in order to better support Corrections Officers and expunging the records of thousands of individuals who have non-violent, marijuana-related documents. The 2025-26 budget proposes to more effectively and efficiently use current resources sent to counties for probation and reentry services by pooling them together to increase flexibility for counties while also increasing support for violence intervention and after-school programs that are proven to reduce crime.

The 2025-26 budget reflects Governor Shapiro's commitment to commonsense Pennsylvania priorities and getting stuff done for the people of this Commonwealth. The Shapiro Administration is more effective and efficient than ever before, and through strategic investments in education, workforce development, public safety, and economic growth, this plan lays the foundation for a stronger, more competitive, more successful Pennsylvania – one that commits to a shared vision of prosperity and prioritizes initiatives that benefit all Pennsylvanians. This is a budget that recognizes the opportunity our Commonwealth has in this moment to empower innovation, modernize our systems, and ensure Pennsylvania remains a beacon of freedom for generations to come.

Creating Opportunity for Our Children and Our Students to Succeed

Investing in Basic Education and Special Education

This budget builds on the bipartisan adequacy formula and tax equity supplements created by Act 55 of 2024 by directing an additional **\$526 million** to ensure students' success, in line with the Basic Education Funding Commission report. This funding provides greater academic and student support, and increased accountability, in schools that have been found to lack the necessary resources by driving more dollars to the schools that need them most.

Adequacy supplement funds can be specifically used to establish, maintain, or expand after-school tutoring assistance, full-day pre-kindergarten or kindergarten programs, social and health services, continuing professional development, evidence-based reading instruction, science and applied-knowledge skills, school libraries, and other programs that support students' academic performance targets. The tax equity supplement can be used by schools to supplement homestead exemptions, property tax and rent rebates, mitigate tax increases, and relieve debt.

This budget increases basic education funding by **\$75 million**, proposing more than \$8.2 billion in total to support public schools across Pennsylvania. The increase will be distributed through a student-weighted funding formula that directs money to school districts based on factors such as the number of students enrolled and the poverty level of those students. The formula also considers factors that reflect student and community differences such as population density, household income of families in the district, number of students attending charter schools, and the district's ability to raise money through local taxes. This flexible funding enables school districts to invest the resources they need to provide a high-quality education for Pennsylvania students.

School districts are legally required to provide special education programs, supports, and services for all eligible students, all while the cost to meet these needs continues to increase. This budget increases special education funding by **\$40 million**, proposing over \$1.5 billion in total funding to districts to ensure that school districts have the basic resources necessary to provide high-quality special education services to students with disabilities and special needs.

Cyber Charter Reform That Makes Sense

For the first time, the 2024-25 enacted budget made changes to the antiquated system of funding cyber charter schools in the Commonwealth. These changes moved away from an arbitrary ratio established in law decades ago to utilizing actual counts of special education students to calculate tuition rates. While those improvements will result in a more aligned tuition rate for special education students, cyber charter schools in Pennsylvania will continue to charge school districts an inconsistent amount – between \$7,659 and \$28,960 per student per year, and between \$18,628 and \$63,019 per special education student per year. School districts and Intermediate Units have tremendous experience delivering curriculum to students virtually, and the current cyber charter funding model, whereby tuition rates vary widely depending on what school district students come from, no longer makes sense. The 2025-26 budget recommends establishing a statewide base cyber tuition rate of \$8,000 per student per year and will better align tuition with the actual costs of providing an online education. This reform will save school districts an estimated **\$378 million** annually.

Ensuring Safe and Healthy School Facilities

To allow for continued, dedicated funding for the newly created Solar for Schools program, this budget would invest an additional **\$25 million** a year, for a total of \$125 million annually, in school facilities through the Public School Facilities Improvement Grant program administered by the Commonwealth Financing Authority in collaboration with the Department of Education (PDE). This budget builds on the \$275 million across more than 208 projects already invested under this Administration in school districts for school repairs and upgrades. A broad range of projects have already been approved including the repair, replacement, and improvement of roofing, HVAC, plumbing, building infrastructure, flood recovery, accessibility, energy efficiency, and safety. These projects have provided improvements at more than 60 elementary schools, 40 middle schools, and 65 high schools across the Commonwealth. This budget continues to recognize that students must have safe school facilities.

Furthermore, this budget continues to fully fund the universal free breakfast program, making sure all Pennsylvania students have access to healthy meals to start their day on the right foot. Since the start of this program, participation in free breakfast has continued to grow, and more meals than ever are being served in schools. Last school year, 91.4 million breakfast meals were served in schools – nearly 10 million more meals than were served the previous school year - more than 7 million of which were served to students most at-risk for hunger or from low-income families.

This budget also continues last year's landmark funding to provide menstrual hygiene products at no cost to students in schools. Through the first year of this program, schools are purchasing product dispensation devices and procuring hygiene products on an ongoing basis to ensure no student has to miss school because they're unable to afford necessary menstrual hygiene products.

Since the 2022-23 school year, the Commonwealth has invested almost \$300 million in supporting student mental health and well-being and improving the safety of our schools through grants from PDE and PCCD. This budget continues **\$111 million** in critical investments in student mental health and school safety.

Supporting Pennsylvania's Youngest Learners

Research overwhelmingly demonstrates the meaningful and substantial return on investment in early childhood education: children who start their educational careers in high-quality pre-K programs do better in school, have higher graduation rates, and earn more income throughout their lives. The difficulty for providers to recruit, retain, and support early childhood educators is a key obstacle to ensuring that every child in Pennsylvania has access to high-quality, affordable, and available pre-K programs. Wages for pre-K educators are too low to sustain employment levels in a field so critical to the current and future workforce. This budget proposes an additional **\$15 million** for the Pre-K Counts program to help providers raise wages and stabilize the early educator workforce.

Every child in Pennsylvania deserves the support and resources needed to succeed, from infancy through early adulthood. The Early Intervention (EI) program provides supports and services to eligible children from birth to age three with developmental delays or other needs in order to be ready for kindergarten. EI provides children with developmental and social-emotional services, including speech, language, and physical therapies as well as social work services. Families also receive the coaching and assistance they need to continue to care for and support their children. The 2025-26 budget calls for an additional investment of **\$10 million** to increase EI provider rates to ensure that children in Pennsylvania, regardless of family income, receive the high-quality support and resources they need to be healthy, succeed in school, and improve their overall well-being.

Recruiting and Retaining Top Talent in Education

Building on the Administration's work across agencies to speed up government and cut through red tape, PDE recently announced that aspiring educators can now receive an Intern Certificate for free, enabling them to enter the classroom and teach for up to three years while taking education classes on the path to earning their full teaching certification. The Intern Certificate opens up an alternative path into teaching careers for Pennsylvanians who have already earned a bachelor's degree in another field and want to use their knowledge and skills to educate future generations.

To further strengthen the educator pipeline, the 2025-26 budget increases funding for student teacher stipends by **\$20 million**, doubling the program and bringing the total to \$40 million annually. Administered through the Pennsylvania Higher Education Assistance Agency (PHEAA), this program helps to address the teacher shortage in Pennsylvania and fill staffing gaps for critical education positions. The program provides financial support to students enrolled in a PDE-approved teacher preparation program and who have completed student teaching requirements. By offering financial support, the program makes it more feasible for aspiring educators to complete their training and pursue careers in public service.

In addition to supporting recruitment, this budget proposal also supports retention in the educator workforce. An additional **\$2.5 million** in teacher professional development illustrates a commitment to ensuring that educators have the tools and training they need to tackle difficult topics impacting students and communities.

Empowering Student Success in Higher Education

Last year, the Administration and the General Assembly came together to make the first significant progress on higher education in more than 30 years. That included the creation of the newly established State Board of Higher Education, which has been charged with developing a strategic path forward to meet the needs of our students, workforce, and businesses. This budget supports that collaborative work with increased higher education investments to improve access, affordability, opportunity, and accountability across the Commonwealth.

This budget proposes **\$60 million** in funding for the Pennsylvania State University, Temple University, and University of Pittsburgh to be distributed based on the recommendations of the Performance-Based Funding Council, as established in the 2024-25 budget, which are anticipated by April 30, 2025. Additionally, under this proposal, the State System of Higher Education (PASSHE) and the encompassing universities would receive a **\$40.4 million** increase to keep tuition flat for the

eighth consecutive year, and funding for the Commonwealth's community colleges would increase by **\$13 million**. Additional investments in higher education include **\$1 million** for Lincoln University, **\$1.7 million** for the Pennsylvania College of Technology, **\$1.1 million** for Thaddeus Stevens College of Technology, and **\$2.9 million** for agriculture research and the county agricultural extension offices through Pennsylvania State University.

PHEAA operates the Pennsylvania State Grants program to reduce financial barriers and provide greater access to higher education for all Commonwealth residents and, within the limits of the resources available, help to provide freedom of choice between public and private institutions. Grants to students for financial aid is proposed to increase by **\$655,000** to maintain the maximum grant award amount. The proposed budget also recommends continued funding for the newly created Grow PA scholarships to assist students in pursuing affordable post-secondary education programs and filling critical in-demand occupations after graduation.

Ensuring All Pennsylvanians Have the Freedom to Chart their own Course

Investing in Pennsylvania's Families and Supporting the Childcare Workforce

The Commonwealth is committed to assisting parents, grandparents, caregivers, and families in accessing the supports they need to live and work in Pennsylvania, chart their own course, and succeed – including providing safe and supportive childcare. According to the Office of Child Development and Early Learning (OCDEL), nearly 2,200 childcare programs have closed since 2019, resulting in childcare employment levels falling by 40 percent. The majority of those providers cited teacher shortages and ongoing staff vacancies as main factors in their closing. Access to quality childcare remains an issue for many Pennsylvania families but staffing shortages and low wages continue to plague an already vulnerable system. The lack of access to affordable, quality childcare is also one of the primary reasons working-age parents are forced to leave the labor force – by addressing this issue, the Commonwealth can expand our workforce and grow our economy while making life better for young families. The budget proposal includes an investment of **\$55 million** to support childcare workforce recruitment and retention grants, which would provide roughly \$1,000 more annually per employee to licensed childcare centers with collaborative agreements in the Child Care Works program.

Supporting Workforce Investments and Innovations

While the strains on Pennsylvania's health care workforce predate the pandemic, these challenges have come to a point of crisis in recent years. In response to increased needs for behavioral health services and an infrastructure ill-prepared to support the demand, Governor Shapiro issued an Executive Order in October 2023 establishing the Pennsylvania Behavioral Health Council. The council has spent over a year working through dozens of recommendations to improve, broaden, and strengthen the behavioral health system. A key focus of the recommendations is boosting workforce in the health care sector. Therefore, this budget includes **\$10 million** to expand the Primary Care Loan Repayment program at the Department of Health (DOH). The current program is limited geographically, providing loan repayment opportunities as an incentive to recruit and retain primary care practitioners willing to serve underserved Pennsylvania residents in federally designated Health Professional Shortage Areas (HPSAs). As part of the budget, these proposed funds will be used to broaden program eligibility and remove restrictions to expand the behavioral health care workforce everywhere in Pennsylvania. The current program already includes key behavioral health professionals – psychologists, psychiatrists, nurses, certified registered nurse practitioners, and physician assistants – all specifically trained to work in the behavioral health field, but this expansion will help Pennsylvania tackle the critical shortage of these professionals.

In rural Pennsylvania, maintaining access to quality health care is made worse by population shifts that favor more densely populated areas. Young people are choosing to live in more populated areas where hospitals, pharmacies, and doctor's offices are much more accessible. While rural Pennsylvanians age, it's critical they do so independently and in their homes, with health care services readily available. That's why the 2025-26 budget includes an additional **\$5 million** to incentivize health care providers to serve rural communities. Building on previous budget proposals to support the demand for reliable health care services in rural counties and throughout the state, this budget includes **\$5 million** to support workforce initiatives to educate, train, and recruit nursing professionals. By leveraging innovative approaches like public-private partnerships or education-based incentives, the Shapiro Administration is committed to exploring and supporting initiatives focused on educating and retaining more nurses for the Commonwealth's health care system.

Additionally, last year marked the twenty-fifth anniversary of the Workforce and Economic Development Network of Pennsylvania (WEDnetPA). Since 1999, more than 23,000 companies have received WEDnetPA workforce training funds, and 1.3 million workers were trained to better contribute to their companies and the overall economy of Pennsylvania. The goal of WEDnetPA is to strengthen the business environment of the Commonwealth by helping companies improve the

skills and productivity of Pennsylvania workers. Eligible in-state businesses and out-of-state companies relocating to Pennsylvania apply to WEDnetPA to access training funds through a network of community colleges, state system universities, and other partners. The 2025-26 budget creates a dedicated **\$12.5 million** Workforce and Economic Development Network appropriation, leveraging \$10 million from the existing program in Pennsylvania First and \$2.5 million in new state funds to train additional workers.

This budget also includes **\$2 million** for the creation of Career Connect, a statewide program to build internships at Pennsylvania companies. This will increase the availability of Pennsylvania internships and assist employers with talent recruitment and development efforts.

Tapping the potential of all workers is critical to empowering and strengthening a diverse workforce, including under-skilled adult learners. This budget proposes an additional **\$6 million** for Adult and Family Literacy programs across the Commonwealth that allow providers to receive additional federal Title II funding through the Workforce Innovation and Opportunities Act (WIOA). This program increases the number of skilled Pennsylvania workers by providing education to adults so they can successfully find and keep good jobs. Services include college and career readiness, adult basic education, and family, health, and digital literacy.

Additionally, this budget proposes **\$5 million** to the Office of Vocational Rehabilitation (OVR) to assist individuals with disabilities in finding employment, through personalized services, vocational guidance, goal setting, job placement, and counseling. This funding will allow OVR counselors to provide hands-on, individualized services to those seeking gainful employment throughout the Commonwealth. Finally, this budget provides an additional **\$1 million** to the Centers for Independent Living (CIL) to recruit and hire staff, provide services to individuals with more diverse or significant disabilities, and ensure that individuals can reside in their chosen homes and participate in their communities.

Raising the Minimum Wage

At \$7.25 per hour, Pennsylvania's minimum wage is lower than all neighboring states, most economic competitor states, and has remained stagnant for more than 15 years. At a time when Pennsylvania's workforce is aging, young Pennsylvanians are increasingly considering other places to build their economic futures. Pennsylvania must be a place that families, workers, and students see as a place to work, grow, and thrive. The budget calls to raise the minimum wage to **\$15 per hour**, which will generate economic activity, increase the purchasing power of Pennsylvania residents, and add roughly **\$100 million** annually in increased revenue to the Commonwealth once fully implemented.

Making Pennsylvania a Leader in Economic Development, Job Creation, and Innovation

Implementing an Aggressive Economic Development Strategy

Over the last two years, the Shapiro Administration has successfully competed for business, made strategic investments in key sectors of the Commonwealth's economy, and implemented transformative changes to the permitting, licensing, and certification processes to ensure Pennsylvania moves at the speed of business. As a result, the Shapiro Administration has attracted over \$3 billion in private sector investments to Pennsylvania and created nearly 5,000 new jobs.

In 2024, Pennsylvania launched the first comprehensive economic development strategic plan of its kind in 20 years to guide the Commonwealth's economic growth. The 10 year strategy is designed to capitalize on the Commonwealth's strengths and reignite the economy. It sets forth five ambitious goals:

- Invest in economic growth to compete and prioritize economic development investments that capitalize on Pennsylvania's strengths and result in real opportunities for businesses, communities, and residents.
- Continue to make government work at the speed of business and ensure all companies find an attractive business environment where they can innovate, thrive, and get responses from government on a reasonable timeline.
- Open doors of opportunity for all Pennsylvanians and increase pathways to the workforce that enable every Pennsylvanian to secure a family-sustaining job and have a meaningful career.
- Prioritize innovation to incentivize innovators to become successful entrepreneurs.
- Build vibrant and resilient regions, where every community flourishes, focusing on each region's diverse strengths.

The 2024-25 enacted budget made significant investments aligned with the overall 10 year economic strategy. Key investments included a \$500 million investment to significantly expand the PA SITES program to develop shovel-ready sites and bring more commercial and industrial sites to Pennsylvania, the creation of a new program tailored to make critical

upgrades and investments in Main Street communities, and a rebranding of Pennsylvania's tourism and marketing campaign. To continue to capitalize on our strengths and reignite our economy the Commonwealth must continue to be on the offensive. This budget goes further to implement the Economic Development Strategy, positioning Pennsylvania as a national leader in innovation, job creation, and economic development.

Creating a Commonwealth That Is Open for Business: Business Attraction and Expansion through BusinessPA

DCED was one of three agencies to participate in a new pilot project coordinated by the Office of the Budget and the Governor's Policy Office, known as the Resource Evaluation and Mission Alignment Project, or REMAP.

Specifically, for DCED, the REMAP process revealed that some programs are not flexible enough to meet the needs of all businesses that want to grow and thrive in Pennsylvania, with many being too targeted to one specific niche industry or too small to make a real impact in the development of those industries. As such, this budget proposes to streamline DCED's programs by eliminating redundant or ineffective initiatives while investing in programs that have broader impact and reach a wide variety of industries. Specifically, this budget proposes to eliminate three tax credit programs that are duplicative of other programs and replaces them with one tax credit program aimed specifically at creating jobs within the Commonwealth. The 2025-26 budget repeals the Waterfront Development Tax Credit, the Video Game Development Tax Credit, and the Manufacturing Tax Credit and creates the **AdvancePA** tax credit, a new **\$10 million** tax credit to provide more flexibility for securing important deals and incentivizing high-paying job creation within the Commonwealth.

Additionally, the REMAP process identified several duplicative programs that could be combined in the future and found that some existing programs may be more appropriate within other Commonwealth agencies.

To that end, the 2025-26 budget includes a major reorganization within DCED, consolidating agency resources to form the BusinessPA Team. **BusinessPA** focuses and strategically promotes business success, expansion, and attraction in Pennsylvania. Reallocating 45 current positions and nearly \$9 million in current funding from several existing appropriations into a single BusinessPA appropriation will provide a more effective use of existing resources and sharpen the department's focus on those programs and services that best serve the Commonwealth's business community.

By promoting Pennsylvania as an ideal place to do business, the BusinessPA team will boost the overall perception of Pennsylvania, capitalizing on recent successes to maximize state investments by ensuring businesses are aware of the advantages of doing business in Pennsylvania. In 2024, Site Selection Magazine ranked Pennsylvania's business climate ahead of New York, making the Commonwealth the top state in the Northeast region for economic competitiveness. An effective marketing program is also critical for promoting the Commonwealth and attracting businesses, employers, and economic growth. This budget includes an increase of **\$3 million** to the Marketing to Attract Business program to enhance site selection, business attraction marketing, and business retention. More specifically, this program provides funding for projects that demonstrate the importance of marketing the Commonwealth as the best choice for investment and promoting the attributes and assets of individual regions.

Successful business attraction requires not only the availability of funds to incentivize worthwhile projects but also the ability to close deals. To help match and surpass the project completion rates of our neighbors, this budget includes an increased allocation of **\$5 million** in programmatic funding for the proven Pennsylvania First program. This investment will enhance Pennsylvania's competitiveness and fund additional projects by inviting more companies to expand or relocate to the Commonwealth and stimulating economic growth.

Strengthening Pennsylvania's Energy Leadership and Ensuring Reliable, Affordable Power for the Long-Term

Pennsylvania has a long legacy as a national energy leader – for hundreds of years, the Commonwealth has been one of the nation's top energy producers, embracing innovation to create jobs, lower costs, and drive progress. However, Pennsylvania is falling behind other states in the race to diversify our energy sources and create clean, reliable, and affordable energy. As Pennsylvania fails to take action, other states are putting in place plans that protect and create energy jobs, spur innovation and attract investment, and protect public health.

That's why Governor Shapiro has brought together labor leaders, environmental advocates, consumer advocates, and industry to develop an energy policy that will spur the development of generation, incentivize innovation, and help Pennsylvania maintain its position as an energy leader. A key tool in that effort is the Pennsylvania Economic Development for a Growing Economy (PA EDGE) initiative – a collection of tax credit programs designed to attract new investments from businesses in critical manufacturing sectors, including semiconductors, biomedical, milk processing, and petrochemicals and fertilizers produced from natural gas. Since it was first passed into law in 2022, the EDGE credit has not been used by

a single business – leaving billions of dollars on the table. The 2025-26 budget proposes several tax credit modifications to ensure businesses can actually take advantage of the credit to create jobs, innovate, and grow our economy, including:

- **Converting the Local Resource Manufacturing Tax Credit Program to a Reliable Energy Investment Tax Credit** – Utilize up to \$100 million per year tax credit per facility for 3 years, focusing especially on bringing new, reliable energy sources onto the grid.
- **Semiconductor Manufacturing, Biomedical Manufacturing and Research Tax Credit Program** – Reduce investment requirement from \$200 million to \$150 million and lower the permanent jobs requirement from 800 to 100.
- **Pennsylvania Milk Processing Tax Credit Program** – Provide credits to projects that invest \$50 million or create 100 jobs in the production of Class I, II, III, or IV dairy products using Pennsylvania milk, with an extra incentive to those projects using organic milk.
- **Regional Clean Hydrogen Tax Credit Program** - Allow up to 7 regionally dispersed qualified taxpayers to claim up to \$7 million per year and lower thresholds to qualify.
- **Sustainable Aviation Fuel** – Utilize up to \$15 million per year for a taxpayer who makes a \$250 million capital investment and create 400 jobs at a facility to produce sustainable aviation fuel (SAF).

These updates to PA EDGE supplement the rest of the Governor’s energy plan, including efforts to create thousands of energy jobs, lower utility bills for Pennsylvania households, and take real action to address climate change pollution.

Fostering the PA Innovation Economy

Some of the fiercest competition between states to attract new businesses and jobs takes place within the life sciences sectors. Two regions have dominated the nation’s life sciences industry – Boston and San Francisco. However, Pennsylvania, specifically in the Southeastern region, has the capacity to become the next big life sciences hub. To further incentivize development in this vital industry, the 2025-26 budget includes a total of **\$50 million** for the new PA Innovation program. This includes a one-time \$30 million initiative to spur life sciences job growth and innovation, through coordination among research universities to assist businesses in bringing cutting edge technology to market and fulfilling critical testing needs. The remaining \$20 million will provide annual funding to support large-scale innovation, match federal awards to mitigate risks for start-ups, and leverage Pennsylvania’s best-in-class research and development assets. This proposed funding will be used to match additional private venture capital investments, positioning Pennsylvania as a national center for innovation while proactively making investments in entrepreneurs who have historically lacked access to venture capital funding.

While this budget makes significant investments to attract businesses from outside Pennsylvania, it also doubles down on the state’s commitment to build home-grown talent and entrepreneurs. The 2025-26 budget allocates **\$3.5 million** to create and launch the Pennsylvania Regional Economic Competitiveness Challenge to provide different geographic regions with the resources they need to plan and implement localized economic development strategies. By backing well-planned regional strategies, this budget ensures that state funding is used wisely by combining local vision and regional expertise with state resources to provide a bottom-up approach to statewide economic development. Taking this approach meets the individual needs of each of the state’s diverse regions.

But innovation is not just for life sciences or start-up companies – there’s real innovation happening all across our Commonwealth, especially on our farms. The Commonwealth has over 53,000 farms, including the second largest number of dairy farms nationally, producing more than 10 billion pounds of milk each year. Pennsylvania is also a leader in growing hardwoods, fruits, tree nuts, berries, floriculture, and more. The Commonwealth is committed to building and supporting the future success of our farmers who fuel the agriculture industry – that’s why the 2024-25 budget created a new grant program, specifically designed to help Pennsylvania farmers advance their productions and efficiencies by embracing the latest technologies and farming techniques.

The 2025-26 budget builds on the work this new program began by investing an additional **\$13 million** in agriculture innovation, important funding that will help support and attract new agricultural businesses – including energy and conservation endeavors – and build the future of American agriculture right here in Pennsylvania. This funding will provide grants, loans, and technical and logistical assistance for innovative farming practices in Pennsylvania to empower our farmers to adopt cutting-edge agricultural practices that will help position our ag industry as a model for the nation.

Growing Pennsylvania's Ag Industry by Addressing the Challenges Our Farmers Face

The innovations developing on our farms aren't just helping our farmers increase their output and succeed – they are addressing the unique challenges farmers face day-to-day, especially when it comes to finding sustainable ways to farm in localities where there is no dedicated place to dispose of organic food waste. Some farmers in Pennsylvania are taking steps to power their farming operations through adaptive reuse and byproducts of the very food products that agriculture provides to the food industry. Pennsylvania could be a leader in creating energy from food waste, and this budget proposes **\$2 million** to explore a pilot program for a county-based digester facility and set the groundwork for county-operated digesters throughout the Commonwealth, assisting farmers and generating electricity.

Animal testing remains important, especially with the recent outbreaks of the Highly Pathogenic Avian Influenza (HPAI). The 2024-25 budget provided resources to start a fourth animal testing laboratory in the western part of the state. This budget proposes **\$2 million** in funding to keep this new laboratory operational, providing critical testing services for farmers to ensure their livestock remain healthy and viable for continued farming operations. The last three budgets have reserved \$75 million for farmers who experience losses due to HPAI. Due to proactive management and quick response, \$61.5 of that funding remains for use in 2025-26. With these dollars, we are prepared to respond to future outbreaks. While HPAI cases continue to be monitored, we can invest funds into our agricultural industry to diversify and spur growth. This budget makes those investments and calls on the General Assembly to provide flexibility in the event future resources are needed to assist farmers with losses due to HPAI.

This budget also supports farmers in the vital and noble role they play in feeding others and invests in efforts to connect that work to community initiatives working to combat hunger in Pennsylvania. The Pennsylvania Agricultural Surplus System program provides an efficient mechanism for Pennsylvania's agricultural industry to donate safe, wholesome food products while being reimbursed for the costs involved in harvesting, processing, packaging, and transporting these foods. An additional **\$4 million** investment in this program will help to utilize these food products that would likely otherwise go to waste.

Pennsylvania also provides food assistance for families under the State Food Purchase Program, which is the largest state program of its kind. The program provides cash grants to counties for the purchase and distribution of food to low-income individuals. It is intended to supplement the efforts of food pantries, soup kitchens, food banks, feeding programs, shelters for the homeless, and other similar organizations to reduce hunger. The program reflects the Commonwealth's determination to address problems related to nutrition and hunger. The 2025-26 budget increases funding for the State Food Purchase Program by **\$4 million**.

Legalizing Adult Use Cannabis

This budget recognizes that the time has come for Pennsylvania to legalize adult use cannabis. This policy provides a real opportunity for Pennsylvania farmers to cultivate a new, legal industry and establish a thriving market for the state. Every one of Pennsylvania's neighbors, except West Virginia, has legalized adult use cannabis. Pennsylvania is currently at a competitive disadvantage, losing out on critical tax revenue and new businesses to neighboring states. Executives from cannabis companies have reported that up to 60 percent of their customers at stores along our Commonwealth's border are Pennsylvanians. We must stop losing out on that revenue and business. Additionally, police and courts are unnecessarily overburdened with cannabis-related arrests and adjudications. The prohibition of cannabis has also fostered an illicit market that fuels violence perpetrated by drug traffickers and gangs seeking to control the illicit and harmful forms of synthetic marijuana in our communities.

The 2025-26 budget proposes the legalization of adult use cannabis effective July 1, 2025, with regulated sales within Pennsylvania beginning January 1, 2026. With the funds generated by the legalization of adult use cannabis, Pennsylvania can right some of the wrongs done to individuals impacted by archaic laws. In addition to the immediate expungement of the records of those incarcerated for only a possession-related offense attributed to cannabis, the budget proposes to invest **\$10 million** in restorative justice initiatives from adult use cannabis proceeds. The proposal also includes **\$25 million** to assist new small and small diverse businesses attempting to enter the new marketplace.

Supporting Small and Small Diverse Businesses

In September 2023, Governor Shapiro signed an Executive Order to make the Commonwealth procurement process more accessible, and take actionable steps to help small businesses and small diverse businesses grow, succeed, and create good-paying jobs. Since then, the Commonwealth has increased prime contracting opportunities for small businesses, reduced the time it takes to certify a small business with DGS, and implemented a prompt pay policy to ensure non-construction prime contractors pay subcontractors within 10 days of receiving payment from the Commonwealth. Building

on that work, this budget invests **\$369,000** in the Bureau of Diversity, Inclusion, and Small Business Opportunities (BDISBO) at DGS to continue to increase the overall small business vendor pool for participation in the Commonwealth contracting opportunities, with a specific emphasis on diverse and veteran businesses.

Our veterans defended our country and upheld our freedoms, and they deserve real opportunity to thrive here in Pennsylvania. Since 2017, veterans and reservists starting a small business in the Commonwealth have been exempt from the payment of business fees, including any fees required to be paid to the Commonwealth or a political subdivision for starting or opening a business. In addition to the investment in BDISBO, this budget includes a new **\$1 million** appropriation for Veterans Small Business Assistance, to continue to support Pennsylvania's nearly 800,000 veterans – the fifth largest veteran population in the nation.

Celebrating America's 250th Birthday

On July 4, 2026, America will celebrate the 250th anniversary of the signing of the Declaration of Independence in Philadelphia, the birthplace of the nation. Just as Pennsylvania played a critical role in 1776, the Commonwealth is primed to once again be in the spotlight in 2026 with major events throughout the Commonwealth. The Semiquincentennial Commemoration will include elaborate, exciting celebrations the week of Independence Day, world-class sporting events throughout the year, and major milestone anniversaries in Pennsylvania's cities, towns, museums, and monuments.

The City of Philadelphia will host the NCAA's March Madness men's basketball tournament, the FIFA World Cup, the MLB All-Star Game, and other high-profile events in 2026. The City of Pittsburgh, home to the six-time Super Bowl champion Steelers, will be the host city for the 2026 NFL Draft. These events will be huge tourism and economic development opportunities for the Commonwealth, as millions of people will visit Pennsylvania.

With the eyes of the world focused on the Commonwealth in 2026 and in order to take advantage of this unique opportunity, this budget continues **\$2.5 million** for America250PA and provides **\$15 million** in new funding for Regional Event Security. In addition, a **\$10 million** increase to promote the celebration and **\$36.5 million** to plan and execute these internationally recognized events in the Tourism Promotion Fund are proposed as a part of this budget.

Supporting All Modes of Transportation

Transportation is a vital component of economic development. In addition to shovel-ready sites, businesses make decisions based on the availability of workers, including the reliability of those workers to get from their residence to their place of employment. It is vital that the Commonwealth invests adequate resources into the operations of mass transit to ensure that Pennsylvania's workers have reliable methods of transportation to continue to contribute to the economy. Currently, 7.68 percent of all Sales and Use Tax receipts are deposited into the Public Transportation Trust Fund. This budget builds on that investment by proposing to increase that transfer by an additional 1.75 percent. This increase in available funding will inject an additional **\$292.5 million** into mass transit across the Commonwealth in 2025-26, growing to more than **\$330 million** in 2029-30.

The last two enacted budgets reduced reliance on the Motor License Fund to supplement the Pennsylvania State Police. This shift provides the Pennsylvania Department of Transportation (PennDOT) additional resources to match federal Infrastructure Investment and Job Act funds, allowing for more road and bridge construction and maintenance projects. As a result, Pennsylvania has repaired more poor-conditioned bridges than any other state in the nation and continues to set the pace for infrastructure improvements, keeping communities connected and the economy growing. This budget continues to step down the State Police's reliance on the Motor License Fund by **\$50 million a year**, until reliance is completely removed in 2029-30. As a result, over the next five years, PennDOT will have an additional **\$750 million** for road and bridge projects.

Speeding Up Tax Cuts for Pennsylvania Businesses and Delivering Commonsense Tax Reform

Pennsylvania used to have the second highest business tax in the nation – making it too difficult for companies to grow and succeed, and more challenging for us to sell the Commonwealth. Now, we are sending the message that Pennsylvania is open for business and working to make the Commonwealth a leader in innovation, job creation, and economic development.

This budget will modernize and simplify the Pennsylvania tax system while continuing to create opportunities for businesses to grow and thrive in Pennsylvania. Under current law, Pennsylvania's Corporate Net Income Tax (CNIT) rate is scheduled

to decrease by 0.5 percent every year until it reaches 4.99 percent in tax year 2031. Under this budget proposal, the CNIT cuts will be expedited by two years, **reducing the current tax rate each year by 0.75 percent**, resulting in a 4.99 percent tax rate in tax year 2029.

While reducing taxes for Pennsylvania businesses, this budget proposes eliminating an antiquated loophole in our tax system that allows some large corporations to skirt paying their taxes in Pennsylvania – often known as the “Delaware Loophole.” Pennsylvania is one of 45 states with a corporate net income tax and uses the federal income of a corporation as the tax base. However, Pennsylvania is one of only 17 states that still allow the calculation of income for each separate entity, even if the entity is part of a corporate group, before applying the current tax rate. As a result, large businesses that have subsidiaries and related companies in other states can have an advantage by shifting their Pennsylvania-based income or intangible assets to out-of-state subsidiaries, often to the neighboring state of Delaware, greatly reducing the Pennsylvania income and tax owed by their companies operating in Pennsylvania. Closing the Delaware Loophole will put all Pennsylvania corporations, large and small, on the same playing field by eliminating intercompany transactions and other tax planning techniques.

In Pennsylvania, 82 percent of businesses are registered as pass-through businesses – meaning they pay personal income tax rather than corporate tax – and are not subject to CNIT. Additionally, 40 percent of all corporations are unaffected by closing the Delaware loophole and, therefore, would see only the benefit of accelerating the CNIT cuts. In fact, when considering every single company registered in Pennsylvania, inclusive of the pass-through entities, only 11 percent of Pennsylvania businesses would be affected by closing the loophole – 89 percent would experience no change.

Taken together, this modernization and simplification of Pennsylvania’s tax structure will yield huge cost savings for businesses. Under the Governor’s plan, by 2029-30, Pennsylvania businesses would realize **\$10.5 billion** in savings as a result of these tax cuts.

In order to further modernize and simplify Pennsylvania’s tax structure, this budget also proposes eliminating three antiquated taxes on financial institutions – the Bank and Trust Company Shares Tax, the Mutual Thrift Institutions Tax, or the Private Bank Tax. Currently, the Mutual Thrift Institutions Tax rate is 11.5 percent. The Bank and Trust Company Shares Tax is imposed at a rate of .95 percent on the value of shares (property) as of January 1 of each year. The Private Bank Tax is a 1 percent gross receipts tax. It is time to make commonsense updates to our tax system – that’s why this budget proposes to **repeal all three of these taxes** and move the approximately 400 impacted taxpayers under the existing CNIT umbrella.

Repealing these antiquated taxes would streamline the Commonwealth’s tax code and eliminate a tax that has been in place since the Civil War (the Private Bank Tax was enacted in 1861). This proposal would also provide tax parity by lowering the rate paid by Mutual Thrift institutions, ensuring fairness across the financial services spectrum while allowing these institutions to remain competitive. Many of these institutions are locally owned and operated, serving communities with access to affordable mortgages, small business loans, and relations-savings banking. By moving these companies under the CNIT, these institutions would see a more competitive tax rate, continuing to decrease over time and tax parity with non-banking entities. Moving banks to a similar schedule as other companies will effectively give this industry a tax rate cut that could result in larger capital pools available for lending, further driving Pennsylvania’s economy.

This budget seeks to provide an influx of revenue to both the Lottery Fund and the General Fund, through the legalization and regulation of games of skill. Skill games are prevalent across Pennsylvania, with estimates upward of 70,000 skill game terminals located throughout the Commonwealth, including 12,000 terminals in lottery retailers. The Pennsylvania Lottery estimated it lost \$200 million in profit over a five year period for the Lottery Fund that supports older Pennsylvanians. In this proposed budget, skill games would be treated like other video gaming terminals. The Pennsylvania Gaming Control Board would regulate both Video Gaming Terminals (already legal and operating in the state) as well as skill games, allowing 30,000 total combined Video Gaming Terminals and skill game machines in establishments in 2025-26, increasing incrementally to 40,000 machines by 2029-30. With a maximum number of 5 machines per establishment, this proposal would see gross terminal revenues taxed at an effective rate of 52 percent - 47 percent to the General Fund, net of funding for compulsive gambling support and local share transfers, and 5 percent to the Lottery Fund.

The Pennsylvania Gaming Control Board stands ready to implement this project, as they already have existing infrastructure in place and the experience in overseeing other legal gaming methods. Pennsylvania has one of the most robust gambling industries in the nation, and board oversight will ensure fairness in the operation and help to protect Pennsylvania consumers, while injecting much needed funding into the Lottery Fund for older adult services, and revenues into the General Fund to fund critical initiatives for the people of Pennsylvania.

Finally, this budget proposes to free up additional funding for older adult services in the Lottery Fund by fully funding the recently expanded Property Tax/Rent Rebate program with State Gaming Fund proceeds.

Lowering Electricity Costs and Building a More Reliable, Affordable Energy Sector

In March 2024, Governor Shapiro unveiled the Administration's Energy Plan, kicking off a new era of energy leadership in Pennsylvania to protect and create nearly 15,000 energy jobs, lower utility bills for households, and take real action to address carbon pollution. As introduced by the General Assembly, these initiatives could save Pennsylvania ratepayers more than \$250 million over the first five years, while generating \$5.1 billion in investment in clean, reliable energy sources. As a part of this plan, the Pennsylvania Climate Emissions Reduction Act (PACER) would establish a Pennsylvania-specific cap-and-invest program that allows Pennsylvania to determine its own cap on carbon and invest directly in lowering consumers' electricity bills. Under PACER, 70 percent of the revenue generated would be directed back to Pennsylvania residents as a rebate on their electric bill.

In addition to PACER, Governor Shapiro also proposed the Pennsylvania Reliable Energy Sustainability Standard (PRESS), which would build a more diverse, reliable, and affordable energy sector. Over the last two decades, Pennsylvania's energy standards have become outdated, impacting Pennsylvania's ability to remain competitive with other states that have more modern standards to attract new energy investment.

This year, Governor Shapiro expanded on the bold progress offered by PACER and PRESS by proposing the Pennsylvania Reliable Energy Siting and Electric Transition Board (RESET Board). RESET is a much-needed tool to streamline siting and permitting decisions and ensure that the next generation of all-of-the-above energy projects are built here in Pennsylvania.

In addition to these initiatives and reimagining the PA EDGE tax credit programs, Pennsylvania must reform Act 129 by updating the investment cap for energy efficiency to fall more in line with 2025 standards rather than those present in 2006. With all of these steps, Pennsylvania can once again become a leader in the energy space, creating reliable energy, low-cost electricity, and thousands of good-paying jobs for Pennsylvanians.

Creating a Safe and Healthy Environment for All Pennsylvanians

Pennsylvania is home to more than 350,000 orphaned and abandoned wells, contributing nearly 8 percent of the state's total methane emissions. The Department of Environmental Protection (DEP) has identified over 27,000 high-risk wells. With an increased federal funding under the Infrastructure Investment and Jobs Act (IIJA), Pennsylvania has plugged more orphaned and abandoned wells in the first two years of the Administration than in the previous nine years and is expected to cap its 300th well in coming weeks. The Commonwealth has secured over \$101 million in federal funding for well plugging, with a potential of an additional \$200 million over the next few years. This budget provides an additional state investment of **\$13 million** to continue these critical well plugging activities.

The budget proposal also provides **\$615,000** to DEP to prioritize clean water by providing guidance, direction, and advisement on agricultural-related runoff to meet the standards in the Chesapeake Bay Watershed Agreement. This funding will allow DEP to serve the public more effectively and bolster capacity to help farmers and conservation districts navigate federal and state funding programs.

Additionally, Pennsylvania's outdoor recreation industry saw significant growth over the last year. Building on previous strategic investments to elevate outdoor recreation, the 2025-26 budget includes **\$5 million** for infrastructure and trail improvements and connectors. With this funding, the Department of Conservation and Natural Resources (DCNR) can expand Pennsylvania's state park system, by expanding Lehigh Gorge State Park by 300 acres to reopen the popular and historic Glen Onoko Falls trail, which has been closed since 2019, as well as adding Pennsylvania's first subterranean State Park with the inclusion of Laurel Caverns in Fayette County to the park system. The newly created Office of Outdoor Recreation at DCNR recognizes that outdoor recreation is an important part of Pennsylvania's economy and communities and prioritizes growing the industry and increasing access for all Pennsylvanians.

Cutting Costs for Pennsylvanians

Since day one, Governor Shapiro has worked to cut taxes and reduce costs for Pennsylvanians. In his first two years, the Governor signed into law the largest targeted tax cut for seniors in nearly two decades to help seniors stay in their homes and a historic expansion of the Child and Dependent Care Enhancement Tax Credit in order to make childcare more affordable. This budget builds on those important steps by working to make housing and health care more affordable for Pennsylvanians.

Addressing Critical Housing Needs

In September 2024, Governor Shapiro signed an Executive Order creating Pennsylvania's first comprehensive Housing Action Plan to address the state's housing shortage, address homelessness, and increase the availability of affordable housing options. This action plan aims to ensure residents have access to safe, affordable housing and attract more people to live and work in the Commonwealth. The Housing Action Plan will guide efforts to expand affordable housing and provide support to the unhoused by implementing a coordinated, multi-agency approach involving state, local, and federal partners, as well as private organizations. As part of the effort, the Administration led dozens of meetings and roundtable discussions to understand the full breadth of issues that need to be addressed in the plan, expected to be released in the fall of 2025.

These conversations have highlighted that Pennsylvania's housing stock is old, zoning ordinances vary drastically between municipalities, and local governments lack the technical assistance needed to work through code enforcement challenges. While there is much more work to be done and a comprehensive report is still being developed, some preliminary investments are necessary to begin acting on the action plan. To that end, the 2025-26 budget calls for critical investments in areas that will begin to address these challenges.

This budget provides **\$50 million** for DCED to restore the Commonwealth's aging housing stock. Without these investments and local zoning and code enforcement reforms, Pennsylvania faces an epidemic of blighted buildings and declining property values, which impacts the safety and stability of our communities. This investment will also help older Pennsylvanians update and stay in their homes – which is key to aging with dignity.

Because of the age of Pennsylvania's infrastructure, housing stock and the rising cost of single-family homes across the country, too many Pennsylvanians have to wait to experience the pride of homeownership. Therefore, this budget proposes a new **\$10 million** program to help first-time homebuyers with closing costs on their first home to attract and retain young workers and families to the Commonwealth.

The 2024-25 enacted budget nearly doubled the Pennsylvania Housing Affordability and Rehabilitation Enhancement (PHARE) program over the next few years, gradually increasing funding for the effective program from \$60 million to \$100 million. This budget builds on these successes by proposing to further increase total funding to **\$110 million** by 2028-29.

Zoning ordinances, permitting processes, local building construction and property maintenance codes vary across Pennsylvania's 2,560 municipalities. Past efforts focused on model zoning ordinances or best practices for municipalities. However, affordable and safe housing requires municipalities to have a dedicated resource for technical assistance.

The current State Planning Board is an advisory board comprised of 25 members, including citizens, legislators, and state department heads. The Board's duties include studying demographic, economic, and development trends, and preparing strategic plans to promote the welfare of the Commonwealth. It was instrumental in creating the Pennsylvania Turnpike, planning the State Capitol grounds, establishing planning agencies in Pennsylvania's counties, and enacting the Municipalities Planning Code in 1968. However, the State Planning Board lacks the resources, including a full-time executive director, to be able to provide specific housing and zoning guidance. The 2025-26 budget proposes **\$1 million** in dedicated funding to the State Planning Board to help municipalities through housing-specific planning. The State Planning Board should encourage municipalities to institute growth-oriented housing policies through an opt-in Housing Ready Community designation, developed in concert with DCED. This designation would be awarded to municipalities that have taken action to make their communities accommodating to new housing development.

Finally, eviction records are a major barrier to housing security for vulnerable and at-risk Pennsylvanians. Records stemming from filings, even if the tenant is not evicted, can follow a person for years. No one should carry a permanent stain on their record just because of a filing – in this country you are innocent until proven guilty. Pennsylvania was the first state to

automatically seal criminal records as part of the Clean Slate Law. The same automatic sealing can and should be done for eviction records of individuals who have not faced a conviction, to allow better access to safe and affordable housing or better job opportunities.

Increasing Access and Improving Transparency in Health Care

Health insurance costs increased 3.9 percent, on average, in 2024 for Pennsylvanians. Coupled with the recent end of the Medicaid continuous coverage requirements during the pandemic, these increased costs create a challenging situation for many Pennsylvania families. Rising premiums, inflation, and loss of Medical Assistance coverage require some low- and middle-income Pennsylvanians to forgo health insurance in order to pay for other necessities.

The 2024-25 budget created a state subsidy program for low- and middle-income Pennsylvanians who are on the cusp of being able to afford health insurance. Without this program, as many as 100,000 individuals could be at risk of losing their current insurance, and, by making this investment, nearly 200,000 individuals could see decreased insurance premiums. Building on this, the 2025-26 budget includes **\$4 million** for the Pennsylvania Health Care Cost Containment Council (PHC4) to develop an All-Payer Claims Database (APCD). This database will collect medical, pharmacy, and dental claims, and eligibility and provider information from private and public payers, including Medicaid, Medicare, and private insurance. The APCD is a critical step toward transforming Pennsylvania's health care system. Today, health care costs and quality are often unclear, making it difficult for individuals to understand what they are paying for and how their care compares. The APCD will bring transparency by providing a comprehensive view of health care spending and usage, helping identify opportunities to lower costs and improve care. Nearly half of all states already use or are creating similar tools, showing how effective they can be in empowering consumers, health care advocates, and policymakers with the information needed to make smarter decisions. By leveraging PHC4's long history of expertise in data analysis, Pennsylvania can ensure this tool benefits residents, making health care more transparent, affordable, and equitable.

Delivering Property Tax Relief

Governor Shapiro has listened to Pennsylvanians across the Commonwealth as they told him how they're struggling with high costs. That's why he's worked to cut costs and cut taxes more than four times over his first two years – through an expansion of the Property Tax/Rent Rebate program, an expansion of the Child and Dependent Care Enhancement Tax Credit, allowing taxpayers to deduct up to \$2,500 of student loan interest from their state taxes, and the creation of the Employer Child Care Contribution Tax Credit to encourage businesses to contribute to their employees' childcare expenses.

Building on that work to cut costs and cut taxes for Pennsylvanians, the proposed budget would help homeowners save money on their property taxes by increasing funding for property tax relief through the Homestead/Farmstead Exclusion authorized by the Taxpayer Relief Act, reaching above **\$1 billion** for the first time in Commonwealth history. For many years, the amount of general property tax relief certified in Pennsylvania was \$595 million. As Pennsylvania moves away from the reliance on property taxes to locally fund schools through greater state investments, this funding would provide residential taxpayers with **an average \$160 more in property tax savings** than when Governor Shapiro took office in 2023. While the amount of relief varies based on the school district, the average amount of total relief per household will be **roughly \$386**, up from \$225 two years ago, a 71 percent increase.

Helping More Pennsylvanians Access Quality, Affordable Health Care

Investing in Health Care Service Delivery

Throughout the COVID-19 pandemic, state Medicaid programs operated under federal requirements for continuous eligibility. This means that no one was removed from the Medicaid rolls for changes in their financial or clinical eligibility. As a result, Pennsylvania, like all other states, was serving a significantly higher number of people. As required by the Centers for Medicare and Medicaid Services, the Pennsylvania Department of Human Services (DHS) undertook an effort to 'unwind' the continuous eligibility provisions in 2023 and 2024, and the effects are still being felt into 2025. Rightsizing the Medical Assistance program meant spending a year reassessing all Medical Assistance beneficiaries for their financial and clinical eligibility – a process that led to disenrollments and transitions to other insurance options through Pennie for those who could afford to pay out-of-pocket.

A once-in-a-generation pandemic made it nearly impossible to estimate Medical Assistance enrollment, especially amid unwinding continuous eligibility, record inflation, unemployment, and other economic factors. Likewise, it is also challenging to anticipate the extent to which people went untreated during the pandemic and as a result now have more acute,

significant, and complex medical needs. The delays in health care access have had a significant impact on this population – a lack of access to general and specialty care; delayed procedures; avoidable hospital stays and emergency department visits; development of comorbidities; and a lack of preventative medicine as a whole. All of these factors have resulted in a much sicker and more acute Medical Assistance population.

Without knowledge of these factors to adequately forecast the costs of the Medical Assistance population, the actuarially sound rates for the 2024-25 fiscal year were, in some cases, insufficient to cover the realized costs of providing care. As a result, the 2025-26 proposed budget includes significant investments for all three of its Medicaid managed care programs – Physical HealthChoices, Behavioral HealthChoices, and Community HealthChoices. These investments recognize the acuity of the participants being served, the increased costs for supplies and inflation, workforce concerns, network adequacy requirements, a reduced federal funding share, and rising pharmaceutical expenses. To fully fund the necessary costs of the Medical Assistance program, this budget proposes an investment of more than **\$2.5 billion**.

The 2025-26 budget also reduces reliance on high-cost prescriptions that are ballooning the health care system. GLP-1s or Glucagon-like peptide-1 have become blockbuster medications for diabetes and obesity. This drug class is responsible for nearly \$1 billion of Pennsylvania's Medical Assistance budget going into 2025-26. That is why this budget seeks to contain spending by limiting the Medical Assistance coverage of GLP-1s for weight loss except when certain conditions are met.

The budget proposal also includes **\$21 million** to increase direct care worker wages in the participant-directed model of care under Community HealthChoices. Direct care workers provide services to adults with physical disabilities and seniors through either the agency or participant-directed delivery models. This workforce is the backbone of the home and community-based services system, keeping people at home and in the least restrictive setting possible as they age and need additional long-term services and supports to maintain their health and independence. The investment includes a wage increase, paid time off, and increases access to affordable insurance for approximately 8,500 workers.

Creating Healthier Communities

Current state law requires that the Medical Assistance program suspend coverage for individuals entering the criminal justice system and receive health coverage through the Department of Corrections. After two years of incarceration, the individual is completely disenrolled from Medical Assistance, making reentering the community much more challenging without health care coverage. Once individuals are back in the community, Medical Assistance requires that they be reassessed for their eligibility, even though their eligibility is unlikely to have changed while they were incarcerated. This causes an unnecessary barrier to reentry into the community. This budget includes **\$4.8 million** to provide seamless Medical Assistance coverage for those reentering the community and funds infrastructure changes necessary to make Medical Assistance accessible to them ninety days prior to leaving incarceration. Health care coverage before the last day of their incarceration means that individuals will be more successful in the transition back to society with access to health care and prescriptions, including behavioral health services and substance use disorder treatment without any lapses in coverage. For a population that is so often forgotten or set up for failure when reintroduced to the community, this is a critical opportunity to build an infrastructure for support and long-term success. By making a small investment, we can reduce recidivism and help returning citizens succeed in their new lives.

In a post-pandemic world, Pennsylvanians are more aware of the real-world impacts of viruses and communicable diseases than ever before. Since 2019, DOH has focused on preventing and eradicating new threats to the health and safety of Pennsylvanians, including the proliferation of Viral Hepatitis. What began with a planning committee and statewide listening sessions, culminated into the PA Viral Hepatitis Elimination Plan published in 2023. This comprehensive public health initiative includes long-term strategies for prevention, education, testing, care navigation, treatment, data, and surveillance to manage the spread of this highly infectious disease. This budget includes **\$994,000** to address Viral Hepatitis in the Commonwealth. Together with dozens of health care leaders, DOH will continue working to eliminate this disease and ensure access to proper care and treatment for those facing hepatitis diagnoses.

Finally, the budget proposes a **\$5 million** investment for grants to qualifying institutions researching neurodegenerative diseases. Pennsylvania is home to some of the top research institutions in the world, which are largely dependent on limited federal grant dollars. This funding would make Pennsylvania a national leader in research and breakthroughs to hopefully find a cure for these devastating diseases.

Dedicating Resources to Address Behavioral Health Needs

Pennsylvania's counties provide a variety of community-based behavioral health services critical to the well-being of Pennsylvania's residents. However, state support for these community-driven solutions has not kept up with the increasing

demand for mental and behavioral health services. Recognizing the increased demand and utilization of these services in recent years, this budget proposes to increase base funding to counties to provide critical behavioral health services and address deepening workforce shortages. Building on the investments made in the 2023-24 and 2024-25 budgets, this budget proposes increased funding for these community-based services by an additional **\$20 million**. This marks year three of the Shapiro Administration's three year commitment to investing \$60 million more into the county behavioral health system.

The 2025-26 budget also includes **\$1.6 million** for Community Hospital Integration Projects Program (CHIPP) discharges to reduce state hospital stays. This integration program discharges individuals with complex service needs who are currently in state hospitals – but no longer need inpatient psychiatric treatment – into community programs. CHIPP funding is used to develop the person-specific community resources and services infrastructure that is needed for an individual to be transitioned out of the institutional setting and into the community. CHIPP helps to reallocate funds to the community for the development of new alternatives to treatment services and supports. The community services developed with CHIPP funds are not only available to persons discharged from the state hospitals but also to other individuals with mental illness who would otherwise require hospitalization. This funding will support 20 individuals currently residing in state hospitals with community-based supports.

This budget provides **\$5.75 million** to serve people who do not require the level of forensic treatment provided at a state hospital or who are being discharged from these institutions. By supporting these initiatives, the Commonwealth can reduce or prevent delays in admissions to state facilities for people requiring competency determinations or restorations, keeping Pennsylvania in compliance with the DHS's interim settlement agreements. In addition to preventing delays in admission to state facilities, supporting programs like these keep vulnerable individuals out of incarceration by providing the community-based care that they need.

With the federal designation of 988 as the 3-digit dialing code to the mental health crisis and suicide prevention hotline, Pennsylvania needs to dedicate additional resources in order to fully meet the needs of its residents. Funding for 988 is crucial to establishing and sustaining a dedicated crisis response system for these emergencies and will enable Pennsylvania to enhance its crisis intervention services, expand mental health resources, and ensure competent and resilient 24/7 staffing is maintained. To that end, the proposed budget includes **\$10 million** for 988 crisis hotline operations and capacity building.

Walk-in crisis centers play a pivotal role in providing immediate, accessible, and specialized care for individuals experiencing a mental health crisis as a critical component of the behavioral health care infrastructure. Pennsylvanians in crisis must have a timely and accessible option for seeking support outside of regular business hours. Moreover, establishing partnerships with local community organizations, law enforcement, hospitals, and mental health services providers enhances the effectiveness of walk-in crisis centers. This budget includes **\$5 million** for maintaining mental health crisis stabilization centers, with a focus on geographic areas of the Commonwealth that have limited access to these on-the-spot resources.

Postpartum depression is a silent struggle faced by too many mothers, often in the shadows. It impacts not only their well-being but also the health and stability of their families. Recognizing this, the Shapiro Administration has prioritized maternal health from the start. The Administration secured the first ever investment to expand maternal health programming and implement prevention strategies to reduce maternal mortality and morbidity. Building on that foundation, the 2024-25 budget further advanced maternal health initiatives. But there's more to do, especially when it comes to postpartum depression (PPD). This is why the Department of Health will be tasked with expanding screening efforts, ensuring timely and equitable interventions, and working to break the stigma surrounding PPD. Every mother should feel supported and empowered, not isolated or overwhelmed and with these continued investments, Pennsylvania can be a place where no mother has to face postpartum depression alone, and every family can thrive.

Supporting Pennsylvania's Older Adults

In May 2023, Governor Shapiro issued an Executive Order charging the Department of Aging (PDA) to develop a strategy to assist Pennsylvania in preparing for a future aging population. The department developed a 10 year roadmap to meet the needs of the Commonwealth's older adults and improve services for this rapidly growing population. Implementation of the Aging Our Way, PA plan requires funding to support its infrastructure. To date, the department has created the Caregiver Toolkit, a statewide informational tool and a caregiver screening tool. With more older adults living at home, the goal is to help empower family and informal supports to care for their loved ones and allow them to age with dignity, where they want to live out their lives.

This budget includes a **\$3 million** investment in the Aging Our Way, PA strategy to focus on modernizing the PA Link through a series of targeted initiatives. The PA Link serves as Pennsylvania's Aging and Disability Resource Center (ADRC) network, designed to streamline access to long-term services and supports. This network empowers older adults, individuals with disabilities, and caregivers in providing coordinated access to resources, unbiased guidance, and assistance in navigating both public and private programs. The PA Link facilitates collaboration among the Area Agencies on Aging (AAAs), CILs, and other community-based organizations to ensure seamless service delivery across 15 Service Areas statewide. Funding for this initiative focuses on strengthening service delivery and coordination across the ADRCs; implementing the *No Wrong Door System* by addressing gaps in access and navigation; and supporting the development and adoption of the Aging Our Way PA advisory committee's recommendations for modernizing the network.

The DOH Long-Term Care Transformation Office provides guidance, support, and technical assistance across Pennsylvania to curb the proliferation of nursing facility closures, support the workforce, and ensure the health and safety of residents. This budget proposes **\$7.5 million** to fund the Office's operations and provide support to these acute care facilities and ensure the continuation of transformational support to these providers.

The proposed budget also provides a **\$20 million** increase to the PENNCARE program to assist AAAs in providing key services to seniors. The growth rate of Pennsylvania's older adult population age 65 and older is more than 20 times higher than the growth rate of the state's general population. Pennsylvania has the fifth largest older adult population in the nation. The 52 AAAs, which serve all 67 counties, face challenges with contracting service providers, recruiting and retaining staff, and paying vendors and contractors to provide adequate, timely, and quality services to help keep older Pennsylvanians independent and aging in their homes and communities.

For the first time in decades, PDA is focusing on increasing AAA accountability and oversight. This budget includes a **\$2 million** investment in the department to support efforts to ensure that every AAA is surveyed on a biannual basis. These efforts will not only help PDA know and prepare for service gaps or areas where more support may be needed in each community but will also provide much needed hands-on support to the AAAs.

To assist in these initiatives, the budget proposes to direct a portion of the proceeds from a tax on games of skill into the Lottery Fund. To also assist in ensuring that older adults have the services that they need, this budget calls on the full repeal of the Lottery profit mandate established in Act 91 of 1971, which currently requires that Pennsylvania lottery games provide at least a 20 percent profit. Pennsylvania is one of only seven states that still have a profit percentage requirement, and the top seven performing state lotteries in terms of net income are all states that do not have any profit margin requirements. Eliminating the minimum profit margin requirement would allow the Lottery more flexibility to offer higher-priced games that Lottery players want.

Supporting Hospitals

Like the rest of the health care system, hospitals are facing significant structural challenges right now, from low reimbursement rates to the rising cost of labor and care delivery. Those challenges are particularly acute in rural communities, which often include higher proportions of low-income patients. Hospitals across the Commonwealth are being stretched thin, with rural hospitals facing the most immediate and dire conditions. This budget continues to invest in hospitals with another **\$10 million**, which will draw down additional federal matching funds to help offset increasing costs. These funds will be used by DHS to assist the Commonwealth in responding to urgent consumer health care needs and staffing requirements. Building on Governor Shapiro's work to convene a Rural Healthcare Working Group, the 2025-26 budget also includes an additional **\$10 million** to specifically provide support to rural hospitals that are continuously subjected to changing health care markets in which the need to adapt and provide new or previously dissolved service lines has become a necessity.

This proposal includes **\$20 million** to provide patient safety and support to hospital partners in a new dedicated appropriation. Barriers to care are not just 'access to care,' but affordability, transportation, and reliable providers. The Commonwealth can improve its monitoring of health care markets and assist in crisis situations when appropriate. Likewise, DOH is finalizing proposed hospital regulations that will assist in transforming the way care is provided in these inpatient settings. Flexibilities and innovation should not be stunted by government regulation but provided to facilitate partnerships between hospitals and the Commonwealth.

Investing in the Safety of Communities and the Public

Reducing Crime and Gun Violence

Governor Shapiro believes Pennsylvanians deserve to be safe and feel safe in their communities – that means living in a community free from violence and having a criminal justice system that enforces the laws in a fair and consistent manner. Over the past two years, the Pennsylvania Commission on Crime and Delinquency (PCCD) has provided more than \$600 million in funding for over 3,500 grants across Pennsylvania to address and prevent violence in our communities. The proposed 2025-26 budget continues to make investments in the community organizations doing critical violence prevention work, including a **\$10 million** increase for the successful Violence Intervention and Prevention program through PCCD. This program supports a wide range of models focused on reducing community violence and relies on community groups that are most in tune with specific local needs.

PCCD's Building Opportunity through Out of School Time (BOOST) Grant program, created in the bipartisan 2024-25 budget, provides funding for after-school programs to help keep kids safe and provide enrichment opportunities to address the root causes of violence and make our communities safer. This budget proposes to nearly double the funding available for the program by investing an additional **\$10 million**.

Streamlining County Probation Services

Currently, some of PCCD's grant programs are duplicative or restrictive, making it difficult for grantees to use the funds – especially for counties supporting supervision, re-entry, and treatment. This budget proposes commonsense steps to streamline multiple county-based funding streams for parole, adult probation, re-entry, and jail-based medication treatment into one appropriation to streamline resources, reduce administrative costs, and improve service delivery. This unified approach will ensure counties are not missing out on funding for critical programs, leading to better outcomes for people on probation and re-entry and making our communities safer.

Supporting Victims of Violent Crime

PCCD's Victim's Compensation Assistance Program (VCAP), Rights and Services Act, and Victims of Juvenile Offenders programs provide financial assistance to crime victims for expenses like relocation, medical bills, counseling, funeral costs, and lost wages. However, these programs are unable to meet the growing demand. The 2024-25 budget provided a one-time solution by transferring nonrecurring existing resources to stabilize the programming. Without a stable, long-term state funding source, PCCD's ability to serve victims effectively is at risk. As a temporary fix until a long-term solution can be addressed with the General Assembly, this budget proposes to provide flexibility to the funds currently transferred to PCCD from the Medical Marijuana Program Fund, which would allow PCCD to utilize current uncommitted funds to support VCAP-related expenses in the budget year. Additionally, this budget proposes a **\$2.2 million** increase in funding for advocates for services for children who have been abused, neglected, or abandoned.

Ensuring the State Police are Equipped to Protect Every Neighborhood

The Pennsylvania State Police (PSP) patrol thousands of miles of the Commonwealth's roadways and hundreds of townships and boroughs. For many, especially in rural communities, PSP routinely aids municipal law enforcement agencies that are understaffed or need additional support. Under Governor Shapiro's leadership, the Administration has bolstered public safety by securing funding for over 800 new state troopers and nearly 700 municipal law enforcement officers, as well as eliminating college credit requirements for state troopers.

This budget continues to support PSP's mission to protect the safety of Pennsylvania communities by investing **\$14.5 million** for four additional cadet classes and calls for the complete elimination of the current statutory cap which limits the number of troopers on the streets. Removing the statutory cap will allow for increased patrol visibility, faster response times, and the ability to maintain a proactive posture in Pennsylvania's communities. Beginning in 2025-26, this funding will allow for the training of **432 new State Troopers** to provide critical policing services to Pennsylvania's residents. This budget also continues investing in a regular replacement cycle of police vehicles for the State Police. Under this Administration, PSP has updated the current fleet of vehicles, with a 40 percent reduction in the number of vehicles that are over 100,000 miles and nearing the end of their useful life.

It is also vital to create opportunities for those interested in a career in law enforcement and public service. To help young people who would like to explore careers in law enforcement and public safety, this budget proposes to invest a dedicated **\$300,000** for the existing Camp Cadet and Law and Leadership programs operated through PSP.

Supporting First Responders and Municipalities Responding to Emergencies

Pennsylvania's municipalities and first responders on the ground play a vital role in responding to emergencies all across the Commonwealth. Many times, emergency management coordinators and first responders are the first people on the scene – and they need state support to do their jobs, have fast and responsive services, and keep Pennsylvanians safe.

As fires continue to be a major concern across the country, Pennsylvania's professional and volunteer firefighters and first responders bravely put themselves in harm's way to protect their neighbors and serve an essential role in ensuring the safety of their communities. The fire service faces recruitment and retention concerns and requires ongoing equipment updates and replacement. This budget proposes **\$30 million** for competitive grants to fire companies for a variety of vital uses, including recruitment, retention, capital, and general operating needs.

The Commonwealth has also seen historic flooding over the last two years – with many counties facing emergency situations at the same time. Pennsylvania's municipalities need tools to not just respond to emergencies, but to prevent them from happening in the first place. Disaster response is always more costly than the prevention – including the toll these emergencies take on impacted Pennsylvanians who may lose loved ones, and their homes, businesses, and livelihoods to events like fires and floods. That's why this budget proposes taking legislative action to allow for existing funds at the Pennsylvania Emergency Management Agency (PEMA) to be used for mitigation projects, in addition to emergency response.

Supporting Municipalities in Financial Distress

Under Act 47 of 1987, the Municipalities Financial Recovery Act, DCED has a responsibility to assist municipalities that are experiencing severe financial difficulties in order to ensure Pennsylvanians' health, safety and welfare. Local governments operate everything from local police departments and fire departments to trash and recycling services – and Pennsylvanians rely on these services every day. Since its inception, a total of 29 Pennsylvania municipalities have entered and successfully exited the Act 47 program, which provides loan and grant funds to financially distressed local governments as well as technical assistance to create financial recovery plans. At this time, three municipalities have distress determinations and are part of the Act 47 program, including City of Chester, the City of Harrisburg, and the Borough of Newville. While many municipalities have had their Act 47 status rescinded due to better financial footing, there is a concern that municipalities will begin to feel the impacts from fewer emergency relief dollars available from federal pandemic funding. In anticipation of this, the budget includes an increase of **\$10 million** in the Transfer to Municipalities Financial Recovery Revolving Fund to provide additional resources for communities that require Act 47 support.

Improving the Criminal Justice Delivery System

As a result of recent initiatives to improve outcomes at DOC, the number of inmates at State Correctional Institutions has decreased by 9,000 over the last 8 years and the recidivism rate has fallen by 7 percent over the same time period. The Department of Corrections' (DOC) facilities have consistently operated under capacity, with utilization rates ranging from 84 to 92 percent. These facilities have significant fixed costs, including staffing, utilities, and maintenance.

Following a careful review of its current resources and long-term outcomes, the REMAP process has recommended closing two state correctional institutions, which will result in an estimated annual cost savings of over **\$100 million** for the Commonwealth when fully implemented. This budget anticipates those future closures. Following the process required by the Public Safety Facilities Act, these closures will not result in a reduction of services but will strategically redistribute resources to meet operational and rehabilitation goals more effectively.

The Bureau of Community Corrections has operated its state-run centers below capacity, despite having the ability to safely operate at full capacity. Closing two state-run centers and using other available bed space would optimize use, reduce operational costs, and save approximately **an additional \$10 million** annually. Similarly, these closures aim not to reduce services, but to strategically redistribute resources to improve overall efficiency and effectiveness.

Finally, the REMAP process included a recommendation to implement a charging policy for county inmates housed at State Correctional Institutions. Currently, DOC accepts county inmates (5B inmates) without enforcing daily housing cost charges, shifting the financial burden from counties to the state. Fully implementing a charging policy will ensure equitable cost-sharing, allowing counties to either retrieve their inmates or agree to cover housing costs. Enforcing this policy is expected to save nearly **\$1 million** annually.

Making Government Work for Pennsylvanians

Enhancing the Digital Experience and Protecting Information

The Commonwealth Office of Digital Experience (CODE PA) was created by Executive Order in April 2023 to improve and streamline the way Pennsylvanians interact with Commonwealth services online. By creating an internal team to build digital products and services in-house, the Commonwealth has been able to save taxpayers money by reducing reliance on expensive contracts with external consultants and vendors. CODE PA resources are on average 60 percent less expensive than agency partners who complete similar work. In the 2024-25 enacted budget, CODE PA was provided with \$21 million to jump start an Information Technology transformation. This budget builds on those investments with an additional **\$6.9 million** to continue scaling up CODE PA's success making the digital services Pennsylvanians rely on more user-friendly and accessible.

In today's threat landscape, the increasing frequency and sophistication of cyberattacks pose significant risks to the Commonwealth. Investing in advanced cybersecurity infrastructure is essential to safeguard critical systems, sensitive data, and business continuity. Advancing to a modern infrastructure will enable a seamless experience. This budget proposes **\$10 million** for enhanced enterprise-wide cybersecurity updates.

Ensuring the Commonwealth's Office Spaces Are Used Efficiently and Effectively Proper Space Management in a Hybrid Work Environment

To attract and retain a talented workforce, the Commonwealth is adapting its office spaces to better align with modern work trends and employee preferences. National research indicates that long commutes and the desire for flexible work arrangements are key factors in employees' workplace choices. Recognizing this, the Commonwealth has adopted policies that support telework and hybrid work environments.

Through its work on the Space Optimization and Utilization Plan, DGS will balance the diverse needs of the Commonwealth while effectively reducing its overall footprint by consolidating and exiting leased space, promoting shared spaces among agencies, utilizing resources efficiently, and fostering collaborative and adaptable workspaces. The goal of the plan is to maximize the use of long-term office spaces, promote collaboration, and make it easy for staff to work from any Commonwealth location by creating attractive places to work that encourage employee engagement while reducing lease costs. Over the next 10 years, these initiatives are anticipated to result in net savings of **\$45 million** by improving Commonwealth-owned space and reducing the leased space footprint.

Continuing to Improve Permitting, Licensing, and Certification Processes

Governor Shapiro has taken significant steps to improve the delivery of government services, streamline the Commonwealth's permitting, licensing, and certification processes, and attract businesses to Pennsylvania. This includes the creation of the Office of Transformation and Opportunity (OTO), coordination of a catalogue of the more than 2,400 permits, licenses, and certifications issued by the Commonwealth, and launch of the PAYback initiative to reduce processing times and boost Pennsylvania's competitiveness. The 2024-25 budget provided for the Streamlining Permits for Economic Expansion and Development (SPEED) program through the Department of Environmental Protection, aimed at reducing the time it takes to review and act on permits. In November 2024, Governor Shapiro created the Pennsylvania Permit Fast Track program to further streamline the Commonwealth's permitting process for key economic development and infrastructure projects, by increasing transparency and accelerating timelines to ensure state government delivers results quickly and efficiently. Both the PAYback and Fast Track initiatives were supported and developed by CODE PA.

In addition to the progress in the permitting space, this budget also proposes to reform and modernize the professional licensure process in the Commonwealth. To that end, this budget advances several initiatives to ensure that the Department of State (DOS) facilitates workforce development rather than creating unnecessary barriers to employment. Specifically, this budget calls for removing antiquated red tape by reducing the number of unnecessary licenses through a sunset process, downgrading certain underutilized licenses to certifications, and issuing automatic provisional licenses for the easiest licensure experience in the nation to draw more workers to Pennsylvania, specifically targeted at licenses where there is a substantial need for more professionals.

Department Funding Summary

(Dollar Amounts in Thousands)

	General Fund	Motor License Fund	Lottery Fund	Federal Funds	Augmentations	Restricted	Other Funds
Governor's Office	\$ 11,985	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Lieutenant Governor	1,728	-	-	-	-	-	-
Executive Offices	173,357	-	-	26,910	643,519	34,704	-
Commission on Crime and Delinquency	171,266	-	-	190,592	3,490	46,293	166,168
Attorney General	156,569	-	-	20,562	351	75,925	1,750
Auditor General	48,042	-	-	-	16,032	-	411,756
Treasury	1,476,438	82,476	-	-	8,530	71,736	17,578
Aging	-	-	506,154	114,816	936	-	3,951
Agriculture	255,197	33,908	-	104,350	3,408	61,882	194,866
Banking and Securities	-	-	-	-	-	9,786	32,481
Community and Economic Development	429,948	-	-	1,768,907	7,910	108,085	118,500
Conservation and Natural Resources	198,531	7,000	-	153,575	67,080	24,122	214,025
Corrections	3,296,728	-	-	14,718	6,248	250	103,965
Drug and Alcohol Programs	48,356	-	-	281,267	-	20,434	27,970
Education	19,757,335	-	-	4,631,488	10,637	8,063	1,086,644
Higher Education Assistance Agency	594,092	-	-	-	15,500	-	1,175
Emergency Management Agency	32,553	-	-	563,833	1,431	10,380	470,527
Environmental Protection	262,667	-	-	3,310,235	20,276	139,349	248,399
Ethics Commission	3,804	-	-	-	-	-	-
Fish and Boat Commission	-	-	-	-	-	-	105,794
Game Commission	-	-	-	-	-	-	289,176
Gaming Control Board	-	-	-	-	-	-	69,288
General Services	178,962	9,000	-	-	85,237	11,980	-
Health	276,590	-	-	631,423	5,844	182,392	128,249
Health Care Cost Containment Council	8,379	-	-	-	950	-	-
Historical and Museum Commission	27,500	-	-	9,791	1,056	80	21,461
Human Services	21,172,021	-	329,000	37,083,246	4,728,304	30,730	403,330
Infrastructure Investment Authority	-	-	-	-	-	-	2,496,378
Insurance	-	-	-	-	-	-	576,888
Health Insurance Exchange Authority	-	-	-	-	-	-	116,222
Labor and Industry	105,231	-	-	506,638	10,080	2,275	912,774
Liquor Control Board	-	-	-	-	-	-	2,788,259
Military and Veterans Affairs	236,697	-	-	306,650	27,865	101	5,453
Milk Board	-	-	-	-	-	-	2,947
Public School Employees' Retirement System	-	-	-	-	-	-	108,126
Public Utility Commission	-	-	-	7,739	-	95,392	306,686
Revenue	231,682	55,876	1,132,431	250	7,595	1,500	46,432
State	44,178	-	-	9,387	-	102,333	150
State Employees' Retirement System	-	-	-	-	-	-	60,315
State Police	1,328,076	200,000	-	62,056	123,061	20,800	87,561
Transportation	3,106	2,899,816	170,907	3,302,793	119,117	2,083,254	2,997,818
Judiciary	465,942	-	-	1,430	-	43,417	-
Legislature	405,410	-	-	-	-	-	-
Government Support Agencies	72,061	-	-	-	-	-	-
Commonwealth Totals	\$51,474,431	\$ 3,288,076	\$ 2,138,492	\$53,102,656	\$ 5,914,457	\$ 3,185,263	\$14,623,062

Seven Year Financial Statement

(Dollar Amounts in Thousands)

	2023-24 Actual	2024-25 Available	2025-26 Budget	2026-27 Estimated	2027-28 Estimated	2028-29 Estimated	2029-30 Estimated
Beginning Balance	\$ 8,084,871	\$ 6,632,089	\$ 2,893,876	\$ -	\$ -	\$ -	\$ -
Adjustment to Beginning Balance	75,000	74,000	-	-	-	-	-
Adjusted Beginning Balance	\$ 8,159,871	\$ 6,706,089	\$ 2,893,876	\$ -	\$ -	\$ -	\$ -
Revenue:							
Corporation Taxes	\$ 8,032,086	\$ 7,703,600	\$ 7,962,000	\$ 8,604,000	\$ 8,100,000	\$ 7,414,900	\$ 6,774,300
Consumption Taxes	15,540,485	15,762,900	16,042,000	16,683,100	17,260,600	17,854,700	18,391,600
Other Taxes	20,292,198	21,229,100	22,278,700	23,374,600	24,352,600	25,505,500	26,638,500
Nontax Revenue	1,608,720	1,354,700	2,099,800	2,550,300	2,591,500	2,748,100	2,899,900
Total Revenue Receipts.....	\$ 45,473,489	\$ 46,050,300	\$ 48,382,500	\$ 51,212,000	\$ 52,304,700	\$ 53,523,200	\$ 54,704,300
COVID-19 Enhanced FMAP	525,966	-	-	-	-	-	-
Refunds.....	(1,986,600)	(1,986,600)	(1,758,000)	(1,758,000)	(1,758,000)	(1,758,000)	(1,758,000)
Total Revenue.....	\$ 44,012,855	\$ 44,063,700	\$ 46,624,500	\$ 49,454,000	\$ 50,546,700	\$ 51,765,200	\$ 52,946,300
Prior Year Lapses	587,026	350,000	350,000	350,000	350,000	350,000	350,000
Funds Available	\$ 52,759,752	\$ 51,119,789	\$ 49,868,376	\$ 49,804,000	\$ 50,896,700	\$ 52,115,200	\$ 53,296,300
Expenditures:							
Appropriations.....	\$ 44,763,115	\$ 47,590,774	\$ 51,451,482	\$ 52,140,231	\$ 52,727,988	\$ 53,329,261	\$ 53,952,882
Executive Authorizations.....	101,683	83,200	22,949	18,127	18,702	19,272	19,448
Proposed Supplementals	-	230,397	-	-	-	-	-
COVID-19 Enhanced FMAP	525,966	-	-	-	-	-	-
Total Expenditures.....	\$ 45,390,764	\$ 47,904,371	\$ 51,474,431	\$ 52,158,358	\$ 52,746,690	\$ 53,348,533	\$ 53,972,330
Preliminary Balance	\$ 7,368,988	\$ 3,215,418	\$ (1,606,055)	\$ (2,354,358)	\$ (1,849,990)	\$ (1,233,333)	\$ (676,030)
Transfer-Budget Stabilization							
Reserve Fund	(736,899)	(321,542)	1,606,055	2,354,358	1,849,990	1,233,333	676,030
Ending Balance	\$ 6,632,089	\$ 2,893,876	\$ -	\$ -	\$ -	\$ -	\$ -

Notes on Financial Statement

(Dollar Amounts in Thousands)

PROPOSED TAX AND REVENUE MODIFICATIONS

	2025-26 Estimated
Tax Revenue:	
Adult Use Cannabis Tax	\$ 536,500
A tax of 20 percent on the wholesale price of products sold through the regulated framework of the production and sales system, once legalized. Estimates assume sales commence January 1, 2026, with initial revenues realized in 2025-26. All taxes are deposited in the General Fund. Licenses and fees are deposited in a restricted account in the General Fund to first fund the following appropriations: \$10 million to the Commission on Crime and Delinquency for restorative justice; \$15 million to the Department of Agriculture for operations; \$25 million to the Department of Agriculture for a revolving loan fund; \$2.25 million to State Police for enforcement and expungement; and \$1.5 million to the Department of Revenue for administration. The remaining license and fee revenue is deposited in the General Fund. The 2025-26 budget includes \$15.6 million from the adult use cannabis tax; \$11.4 million from the sales and use tax on retail sales of cannabis; and \$509.5 million from license fees.	
Video Gaming Terminal Tax	\$ 368,900
An expanded Video Gaming Terminal (VGT) tax to include gaming machines that involve an element of skill, which would also be regulated by the Pennsylvania Gaming Control Board. Like existing VGTs, skill games would be taxed at 52 percent of Gross Terminal Revenue (GTR) with revenue deposited into the Video Gaming Fund and transferred as described below. License, application, and renewal fees are deposited into the General Fund. This budget proposes regulating currently unlicensed skill games under the existing VGT tax structure starting July 1, 2025. While the overall VGT tax rate remains 52 percent, this budget proposes a modification of the individual components of the assessments and distribution of the revenues. The tax on all machines consists of two assessments, an assessment of 5 percent of GTR will be transferred to the Lottery Fund, and an assessment of 47 percent of GTR will be transferred to the General Fund after paying a fixed annual payment for local share assessment and a transfer to the Compulsive and Problem Gambling Treatment Fund. Estimates assume a partial year of revenue in 2025-26. The 2025-26 General Fund budget includes \$334.6 million from the transfer of VGT tax on skill games and \$34.3 million from skill games license fees. Revenues from this proposal are shown in Nontax Revenue. The transfer of VGT tax, like other transfers, appears in the Miscellaneous category, while license fees are shown as part of Licenses and Fees.	
Corporate Net Income Tax	\$ 264,000
An acceleration of rate reductions from 0.5 to 0.75 percent per year, starting January 1, 2026. In addition, the tax system will be modernized by adopting uniform filing requirements while adding financial institutions to the tax base beginning January 1, 2026. Proposed accelerated rate cuts are: 2026 to 7.24%; 2027 to 6.49%; 2028 to 5.74%; and 2029 to 4.99%.	
Financial Institutions Tax	\$ 97,100
An elimination of the bank and trust company shares tax, mutual thrift institution tax, and private bank tax and subjecting these companies to corporate net income tax as proposed beginning January 1, 2026.	
Minimum Wage	\$ 51,500
An increase in the minimum wage from \$7.25 to \$15.00 per hour for non-tipped workers and \$9.00 per hour for tipped workers is proposed. Estimates assume an effective date of January 1, 2026. Personal income tax effect: \$20.9 million; sales and use tax effect: \$30.6 million.	
Transfer to Public Transportation Trust Fund	\$ (292,500)
A new transfer to aid in the operations of the Public Transportation Trust Fund equal to 1.75 percent of total sales and use tax revenues collected, beginning July 1, 2025.	
Transfer to Tobacco Settlement Fund	\$ (115,300)
A transfer of funds from the cigarette tax to the Tobacco Settlement Fund to replace monies deducted from the Master Settlement Agreement for deposit in the Tobacco Revenue Bond Debt Service Account is proposed.	
Transfer to Environmental Stewardship Fund	\$ (10,000)
A transfer of funds from the personal income tax to the Environmental Stewardship Fund for Growing Greener debt service payments is proposed.	
Net Impact of Changes to Tax Credit Programs (net fiscal impact expected in 2025-26)	\$ 2,900
TOTAL PROPOSED TAX AND REVENUE MODIFICATIONS	\$ 903,100

*Notes on Financial Statements, continued***PROPOSED TAX AND REVENUE MODIFICATIONS*****Tax Credits:***

This budget proposes a repurposing and reform of the following tax credit programs, effective 2025-26:

Reliable Energy Investment Tax Credit

A new tax credit created to incentivize investment in reliable energy with a cap of \$100 million.

Regional Clean Hydrogen Hubs Tax Credit

Proposed program change to decrease the program cap from \$50 million to \$49 million beginning in 2025-26, and permit up to seven programs to receive up to \$7 million each.

AdvancePA

A new flexible tax credit created to encourage employment related to economic development programs. Credits will be based on taxable wages paid. Annual cap of \$10 million.

Elimination of the following tax credits beginning in 2025-26:

Manufacturing Tax Credit

Local Resource Manufacturing Tax Credit

Video Game Development Tax Credit

Waterfront Development Tax Credit

Transfers:

This budget proposes a change to the Transfer to Pennsylvania Housing Affordability and Rehabilitation Enhancement Fund

An increase in the program cap from \$100 million to \$110 million beginning in 2028-29.

Notes on Financial Statement
(Dollar Amounts in Thousands)
PROPOSED SUPPLEMENTAL APPROPRIATIONS

2024-25
Available

STATE SUPPLEMENTAL APPROPRIATIONS

Treasury

General Obligation Debt Service \$ (37,000)

Education

Early Intervention..... \$ 16,297

Emergency Management Agency

General Government Operations..... \$ (1,156)

State Fire Commissioner 1,156

Emergency Management Agency Total..... \$ -

Human Services

Medical Assistance-Capitation..... \$ 22,093

Medical Assistance-Fee-for-Service 37,662

Payment to Federal Government-Medicare Drug Program (77,518)

Medical Assistance-Workers with Disabilities 3,311

Medical Assistance-Critical Access Hospitals (7,943)

Children's Health Insurance Program (8,227)

Medical Assistance-Long-Term Living..... 23,077

Medical Assistance-Community HealthChoices 271,337

Long-Term Care Managed Care..... (3,392)

Early Intervention..... (9,425)

Human Services Total \$ 250,975

Military and Veterans Affairs

Education of Veterans Children..... \$ 125

TOTAL STATE SUPPLEMENTAL APPROPRIATIONS..... \$ 230,397

Notes on Financial Statement
(Dollar Amounts in Thousands)
PROPOSED SUPPLEMENTAL APPROPRIATIONS

2024-25
Available

FEDERAL SUPPLEMENTAL APPROPRIATIONS

Drug and Alcohol Programs

SUPTRSBG-Administration and Operation \$ 1,000

Human Services

Summer EBT \$ 151,800

Medical Assistance-Capitation..... (1,000,000)

Medical Assistance-Fee-for-Service 14,155

Medical Assistance-Workers with Disabilities..... 5,284

Medical Assistance-Transportation..... 11,314

Medical Assistance-Long-Term Living..... 27,168

Medical Assistance-Community HealthChoices 267,342

CCDFBG-Child Care Services..... (49,277)

Human Services Total \$ (572,214)

Military and Veterans Affairs

Suicide Mortality Review..... \$ 600

TOTAL FEDERAL SUPPLEMENTAL APPROPRIATIONS..... \$ (570,614)

TOTAL SUPPLEMENTAL APPROPRIATIONS..... \$ (340,217)

Motor License Fund

The Motor License Fund is a special revenue and major operating fund of the Commonwealth. It receives revenues required by the Constitution of Pennsylvania to be used only for costs of construction, reconstruction, maintenance, repair of and safety on highways and bridges, and for the payment of debt service on obligations incurred for such purposes. The major sources of revenue to the Motor License Fund are from liquid fuels taxes, vehicle registration and titling fees, and permit and operator license fees. Certain revenues are further restricted to specific highway and aviation uses and are not included in the Motor License Fund estimate of revenue.

This budget proposes to decrease overall State Police reliance on the Motor License Fund to \$200,000,000 in 2025-26 to assure state match requirements for federal transportation infrastructure funding. Additionally, this budget proposes to further reduce the reliance on the Motor License Fund by \$50,000,000 annually until the support is eliminated in 2029-30.

Income and Outgo



Liquid Fuels Tax \$1,701,000
 Licenses and Fees \$1,357,400
 Other Nonrestricted \$25,700

Income
 (Dollar Amounts in Thousands)

TOTAL INCOME	\$3,084,100
Beginning Balance	271,718
TOTAL	\$3,355,818

Outgo
 (Dollar Amounts in Thousands)

TOTAL OUTGO	\$3,288,076
Ending Balance	67,742
TOTAL	\$3,355,818



Highways & Bridges \$2,175,793
 State Police \$200,000
 Local Subsidy \$316,886
 Licensing & Safety \$276,708
 Other \$266,618
 Debt Service \$52,071

Seven Year Financial Statement

Excludes Restricted Revenue and Expenditures

(Dollar Amounts in Thousands)

	2023-24 Actual	2024-25 Available	2025-26 Budget	2026-27 Estimated	2027-28 Estimated	2028-29 Estimated	2029-30 Estimated
Beginning Balance	\$ 255,433	\$ 312,996	\$ 271,718	\$ 67,742	\$ 21,881	\$ 27,044	\$ 19,092
Adjustment to Beginning Balance	-	-	-	-	-	-	-
Adjusted Beginning Balance	\$ 255,433	\$ 312,996	\$ 271,718	\$ 67,742	\$ 21,881	\$ 27,044	\$ 19,092
Revenue:							
Liquid Fuels Taxes	\$ 1,778,021	\$ 1,723,700	\$ 1,701,000	\$ 1,674,700	\$ 1,651,600	\$ 1,632,900	\$ 1,608,700
Licenses and Fees	1,283,094	1,293,000	1,357,400	1,396,600	1,451,500	1,488,100	1,540,500
Other Nonrestricted	108,833	98,800	25,700	23,600	23,900	24,000	24,000
Total Revenue	\$ 3,169,948	\$ 3,115,500	\$ 3,084,100	\$ 3,094,900	\$ 3,127,000	\$ 3,145,000	\$ 3,173,200
Prior Year Lapses	121,159	96,883	-	-	-	-	-
Funds Available	\$ 3,546,540	\$ 3,525,379	\$ 3,355,818	\$ 3,162,642	\$ 3,148,881	\$ 3,172,044	\$ 3,192,292
Expenditures:							
Appropriations	\$ 2,897,841	\$ 2,864,646	\$ 2,857,496	\$ 2,710,181	\$ 2,681,257	\$ 2,712,372	\$ 2,734,263
Executive Authorizations	335,703	389,015	430,580	430,580	440,580	440,580	440,580
Proposed Supplementals	-	-	-	-	-	-	-
Current Year Lapses	-	-	-	-	-	-	-
Total Expenditures	\$ 3,233,544	\$ 3,253,661	\$ 3,288,076	\$ 3,140,761	\$ 3,121,837	\$ 3,152,952	\$ 3,174,843
Ending Balance	\$ 312,996	\$ 271,718	\$ 67,742	\$ 21,881	\$ 27,044	\$ 19,092	\$ 17,449

Seven Year Financial Statement

(Dollar Amounts in Thousands)

	2023-24 Actual	2024-25 Available	2025-26 Budget	2026-27 Estimated	2027-28 Estimated	2028-29 Estimated	2029-30 Estimated
Beginning Balance	\$ 162,648	\$ 318,101	\$ 89,232	\$ 10,058	\$ 19,497	\$ 26,377	\$ 39,067
Reserve from Previous Year.....	75,000	75,000	75,000	75,000	75,000	75,000	75,000
Adjusted Beginning Balance.....	\$ 237,648	\$ 393,101	\$ 164,232	\$ 85,058	\$ 94,497	\$ 101,377	\$ 114,067
Revenue:							
Ticket Sales	\$ 5,836,901	\$ 5,228,071	\$ 5,119,939	\$ 5,089,285	\$ 5,108,180	\$ 5,155,317	\$ 5,144,331
Commissions	(239,908)	(216,303)	(209,835)	(205,969)	(204,594)	(203,418)	(201,269)
Field Paid Prizes.....	(3,652,752)	(3,325,602)	(3,237,946)	(3,234,752)	(3,260,044)	(3,309,145)	(3,312,742)
Net Collections.....	\$ 1,944,241	\$ 1,686,166	\$ 1,672,159	\$ 1,648,564	\$ 1,643,542	\$ 1,642,754	\$ 1,630,320
Gaming Transfers for Property							
Tax Relief.....	87,200	202,200	323,700	324,700	325,200	324,400	324,400
Transfer from Video Gaming Fund ...	-	-	38,459	160,416	176,139	192,437	209,310
Miscellaneous	38,940	20,000	25,000	25,000	25,000	25,000	25,000
Total Revenue	\$ 2,070,381	\$ 1,908,366	\$ 2,059,318	\$ 2,158,680	\$ 2,169,881	\$ 2,184,591	\$ 2,189,030
Prior Year Lapses	159,350	47,519	-	-	-	-	-
Funds Available	\$ 2,467,380	\$ 2,348,986	\$ 2,223,550	\$ 2,243,738	\$ 2,264,378	\$ 2,285,968	\$ 2,303,097
Expenditures:							
Appropriations.....	\$ 832,252	\$ 877,685	\$ 835,154	\$ 846,317	\$ 862,024	\$ 872,731	\$ 888,438
Executive Authorizations	1,242,027	1,317,069	1,303,338	1,302,924	1,300,978	1,299,169	1,293,927
Proposed Supplementals.....	-	-	-	-	-	-	-
Current Year Lapses.....	-	(10,000)	-	-	-	-	-
Total Expenditures.....	\$ 2,074,279	\$ 2,184,754	\$ 2,138,492	\$ 2,149,241	\$ 2,163,002	\$ 2,171,900	\$ 2,182,365
Reserve for Current Year.....	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)
Ending Balance	\$ 318,101	\$ 89,232	\$ 10,058	\$ 19,497	\$ 26,377	\$ 39,067	\$ 45,731

Economic Outlook

The Pennsylvania [Department of Revenue](#) and the [Office of the Budget](#) use economic forecast data from [S&P Global Market Intelligence](#) (S&P), Moody's Analytics, and other economic sources to inform official tax revenue estimates and forecasts.

U.S. Recent Trends and Current Conditions

From 2018 to 2024, real GDP growth in the U.S. fluctuated, highlighting both the economy's resilience and its challenges. Real GDP growth reached 3.0 percent in 2018 and 2.6 percent in 2019 but experienced a sharp contraction of -2.2 percent in 2020 due to the COVID-19 pandemic. The economy rebounded in 2021, growing by 6.1 percent thanks to recovery efforts and fiscal stimulus. By 2025, real GDP is expected to grow at 2.0 percent, signaling a moderate but sustained expansion.

The federal funds rate also experienced major shifts during this period. Between 2017 and 2019, the Federal Reserve steadily raised the rate from 0.65 percent to 2.40 percent as the economy strengthened. In 2020, it slashed rates to near-zero levels (0.05 percent) to counter the pandemic's economic impact, keeping the rates there through 2021. Starting in 2022, the Federal Reserve launched an aggressive rate-hike campaign to fight inflation, pushing the rate to 4.10 percent by the end of the year and peaking at 5.33 percent in mid-2023. Rates remained elevated throughout most of 2024 but started easing toward the end of the year.

The Forecast

Real GDP growth is expected to decelerate over the next three years, reflecting slower economic momentum. In 2025, growth is forecasted to drop to 2.0 percent, with a slight rebound to 2.1 percent in 2026, before tapering further to 1.8 percent in 2027, and edging back up to 1.9 in 2028. This gradual forecasted slowdown is driven by rising unemployment, subdued corporate profit growth, and easing consumption rates.

The federal funds rate is expected to decline steadily over the same period. Analysts predict rates will decrease through 2025 before stabilizing in 2026 as inflationary pressures ease and monetary policy seeks to stimulate economic activity.

Charts 1 and 2 illustrate U.S. macroeconomic projections based on S&P's November 2024 baseline scenario. Table 1 highlights the annual growth rates of key economic indicators, while Table 2 provides a narrative summary of various indicators.

Chart 1
REAL GROSS DOMESTIC PRODUCT
Annual Growth

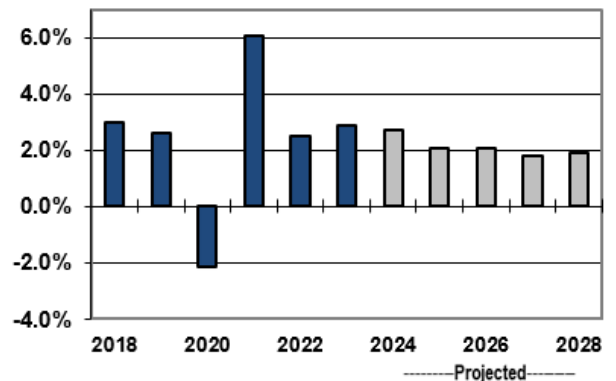


Chart 2
FEDERAL FUNDS RATE

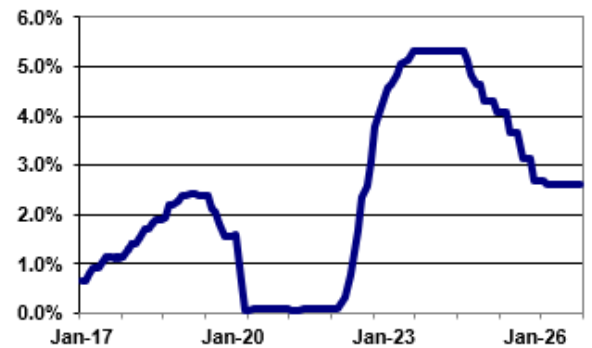


Table 1
Forecast Change in
Key U.S. Economic Indicators
Annual Percentage Growth

Indicator	2024p	2025p	2026p	2027p
Real GDP	2.7	2.0	2.1	1.8
Total Consumption	2.7	2.6	2.3	2.3
Corporate Profits (After Tax)	7.0	0.1	0.1	1.0
Unemployment Rate (Rate)	4.0	4.4	4.5	4.6
CPI	2.9	2.1	2.4	2.4
Federal Funds (Rate)	5.15	3.79	2.64	2.63

p = projected

Table 2
U.S. Macro Forecast Projections
November 2024

Baseline Forecast	
GDP Growth	Real GDP rose 2.9% in 2023. Growth continues at 2.7% in 2024 and 2.0% in 2025.
Consumer Spending	Consumption dropped from 3.0% in 2022 to 2.5% in 2023. Growth continues at 2.7% in 2024 and 2.6% in 2025.
Business Fixed Investment	Rose 6.0% in 2023 and rises 3.7% in 2024 and 2.1% in 2025.
Housing	Housing starts fell from 1.55 million in 2022 to 1.42 million in 2023 then will decline to 1.35 million in 2024 and 1.34 million in 2025.
Exports	Rose 2.8% in 2023; rise 3.5% in 2024 and 4.0% in 2025.
Fiscal Policy	Under the Fiscal Responsibility Act of 2023 (FRA23) the debt ceiling is suspended with the assumption that it will be raised.
Monetary Policy	Expect that the upper end of the federal funds rate target peaked at 5.33% and declines gradually to 2.75% in the second quarter of 2026.
Credit Conditions	Tightened in 2023; conditions ease amidst declining interest rates.
Consumer Confidence	Gently escalated through 2023.
Oil Prices (Dollars/barrel)	Average price of Brent crude oil fell from \$101/barrel in 2022 to \$83 in 2023. It slips to \$81 in 2024 before falling to \$71 in 2025.
Stock Markets	Moody's finds that the year-end value of the S&P 500 rose 4.5% in 2023 over the previous year, with growth of 25.7% in 2024 with a projected fall to 4.6% in 2025.
Inflation (CPI)	The Consumer Price Index (CPI) for all items increased to 4.1% in 2023 and is expected to moderate to 2.9% in 2024 and 2.1% in 2025.
Foreign Growth	Eurozone GDP will increase from 0.5% in 2023 to 0.7% in 2024, while China's growth will fall from 5.2% in 2023 to 4.9% in 2024.
U.S. Dollar	The broad real dollar gently falls.

2024 S&P Global & Moody's Analytics.

Pennsylvania Economic Outlook

Pennsylvania's economy reflects a mix of opportunities and challenges shaped by its diverse industries, strategic location, shifting demographics, and evolving governmental policies. The real gross state product (GSP) is expected to grow at an average annual rate of 1.5 percent through 2029. Personal income is expected to rise by 4.4 percent annually over the same period.

Employment Trends and Sector Highlights

Pennsylvania's payrolls grew steadily in early 2024, with June seeing a 1.6 percent year-over-year increase, outpacing the national average. The health care and social services sector drove much of this growth, supported by gains in ambulatory care, social services, and nursing facilities. Leisure and hospitality also posted strong job increases, while public-sector payrolls remain below pre-pandemic levels. Construction employment held steady despite high costs and interest rates. Federal investments in infrastructure and industrial projects provided crucial support for the sector. The professional and technical services industry, led by advancements in AI, automation, and biosciences, is a key growth sector, with Pittsburgh emerging as an innovation hub fueled by the state's numerous high-quality research universities.

Labor Force Dynamics

In the first half of 2024, Pennsylvania's labor force grew by nearly 100,000 jobs, a 1.5 percent increase compared to the previous year. This expansion supported job growth across various sectors, keeping unemployment steady in the mid-3 percent range. Unemployment is expected to rise in the out years. Long-term issues such as an aging workforce, slower population growth, retirements, and limited migration pose challenges. Rural counties continue to face population declines.

Housing and Construction

Home prices in Pennsylvania have risen in recent years due to limited inventory, but the pace of growth is slowing. In early 2024, the Federal Housing Finance Agency reported a 7.9 percent year-over-year increase in home prices, down from 8.1 percent in late 2023. Single-family home construction remains subdued, but multifamily developments and senior housing projects continue to grow.

Energy and Natural Resources

Pennsylvania remains the nation's second-largest natural gas producer, primarily from the Marcellus Shale. However, growth in this sector has slowed, driven by a modest decline in natural gas production from previous years, as well as plateauing pipeline capacity and challenges in expanding infrastructure. Coal production, while still significant, continues to decline as demand wanes and energy policies shift. Nuclear energy also plays a vital role in the state's energy mix.

Export and Trade Strength

In 2023, Pennsylvania's exports hit a record \$52.9 billion, led by chemicals, electronics, and machinery. Canada and Mexico remain the state's top trading partners. The strong export performance reflects Pennsylvania's robust manufacturing and high-tech industries, which continue to attract global demand.

Strategic Location and Logistics

Pennsylvania's central location and access to major ports drive its transportation and warehousing sectors. The state's proximity to major population centers, along with strong infrastructure and connectivity, supports a booming logistics industry. E-commerce growth has further boosted demand for warehousing and delivery services, especially in areas like Allentown.

Table 3 shows various historical and projected key economic indicators for Pennsylvania's economy.

Table 3
Key Economic Indicators for Pennsylvania

Key Economic Indicators	2022	2023	2024	2025	2026	2027
Real Gross State Product (in millions, 2017 dollars)	\$ 779,361	799,229	818,840	836,833	852,709	867,821
Real Gross State Product (percentage change)	% 1.8	2.5	2.5	2.2	1.9	1.8
Total Employment (in thousands)	5,984	6,087	6,177	6,221	6,217	6,209
Total Employment (percentage change)	% 3.9	1.7	1.5	0.7	(0.1)	(0.1)
Manufacturing Employment (in thousands)	564	566	567	565	552	545
Nonmanufacturing Employment (in thousands)	5,420	5,520	5,611	5,656	5,665	5,664
Population (in thousands)	12,970	12,963	12,978	13,007	13,031	13,039
Population (percentage change)	% (0.3)	(0.1)	0.1	0.2	0.2	0.1
Unemployment Rate (percentage)	% 4.1	3.4	3.4	4.1	4.4	4.6
Personal Income (percentage change)	% 2.2	5.3	4.7	5.1	4.9	4.7

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