



2025-26 Governor's Executive Budget

JOSH SHAPIRO
Governor

URI MONSON
Secretary of the Budget

AKBAR HOSSAIN
Secretary of Policy and Planning

February 4, 2025

2025-26 Proposed Budget

Since taking office, Governor Josh Shapiro has focused on getting stuff done by creating, directing, and advancing initiatives that benefit all Pennsylvanians:

- Expanding and increasing property tax relief for seniors
- Delivering universal free breakfast for all K-12 students
- Historic increases in education – a \$1.4 billion increase in basic education, adequacy, and special education funding
- Investing in law enforcement, making communities safer
- Targeted strategies to make Pennsylvania more competitive and help businesses thrive
- Investing in vo-tech and apprenticeship programs

The 2025-26 budget builds on this success by prioritizing:

- Public education and adequacy formula
- School facility improvements
- Student teacher stipends
- Pipeline of workers and entrepreneurs
- Increasing the minimum wage
- Critical public transportation funding
- Accelerating the Corporate Net Income Tax rate cuts
- Housing Action Plan
- Behavioral and rural healthcare
- Public safety – Four new PSP cadet classes
- Energy reliability and affordability



2025-26 General Fund Financial Statement

(dollars in thousands)

| | 2023-24 | 2024-25 | 2025-26 |
|---|---------------------|---------------------|---------------------|
| | <u>Actual</u> | <u>Available</u> | <u>Budget</u> |
| General Fund Beginning Balance | \$ 8,084,871 | \$ 6,632,089 | \$ 2,893,876 |
| Adjustments to Beginning Balance | 75,000 | 74,000 | - |
| Revenue Actuals/Estimates | 45,473,489 | 46,050,300 | 48,382,500 |
| Federal Stimulus | 525,966 | - | - |
| Refunds | (1,986,600) | (1,986,600) | (1,758,000) |
| Total Revenue, inc. Beg. Fund Balance | 52,172,726 | 50,769,789 | 49,518,376 |
| Prior-Year Lapses | 587,026 | 350,000 | 350,000 |
| Funds Available | 52,759,752 | 51,119,789 | 49,868,376 |
| Enacted Expenditures | 44,864,798 | 47,673,974 | 51,474,431 |
| Estimated Supplemental Appropriations | | 230,397 | |
| Federal Stimulus | 525,966 | - | - |
| Current-Year Lapse | - | - | - |
| Total Expenditures | 45,390,764 | 47,904,371 | 51,474,431 |
| Preliminary Balance | 7,368,988 | 3,215,418 | (1,606,055) |
| Transfer to the Budget Stabilization Reserve Fund | (736,899) | (321,542) | 1,606,055 |
| General Fund Ending Balance | \$ 6,632,089 | \$ 2,893,876 | \$ - |
| Cumulative Budget Stabilization Reserve Fund Balance | \$ 6,374,068 | \$ 7,490,568 | \$ 6,414,237 |
| <i>(includes interest income)</i> | | | |

2024-25 General Fund Collections through January

| | <u>Estimated</u> | <u>Actual</u> | <u>\$ Difference</u> | <u>% Difference</u> |
|-------------------------|--------------------|--------------------|----------------------|---------------------|
| Tax Revenue: | | | | |
| Corporation Taxes | \$ 2,864.8 | \$ 2,840.5 | \$ (24.3) | -0.8% |
| Consumption Taxes | 9,422.2 | 9,434.1 | 11.9 | 0.1% |
| Sales & Use - Non-Motor | 7,883.4 | 7,881.8 | (1.6) | 0.0% |
| All Other | 1,538.8 | 1,552.3 | 13.5 | 0.9% |
| Other Taxes | 11,375.9 | 11,243.3 | (132.6) | -1.2% |
| PIT Withholding | 7,969.1 | 7,899.5 | (69.6) | -0.9% |
| PIT Non-Withholding | 1,915.7 | 1,834.0 | (81.7) | -4.3% |
| All Other | 1,491.1 | 1,509.8 | 18.7 | 1.3% |
| Non-Tax Revenue: | 584.1 | 580.8 | (3.3) | -0.5% |
| TOTAL | \$ 24,247.0 | \$ 24,098.7 | \$ (148.3) | -0.6% |

Dollar amounts in millions.

Resource Evaluation and Mission Alignment Project (REMAP)



- 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

Long-term Savings and Efficiencies for Taxpayers Incorporated Into the 2025-26 Budget

Closing SCI and Community Corrections Facilities

- This budget anticipates the closure of two State Correctional Institutions and two community corrections facilities to more efficiently support Corrections Officers
- This budget also calls for the expungement of records for thousands of individuals who have non-violent, marijuana-related documents
- The 2025-26 budget proposes to more effectively and efficiently coordinate current resources sent to counties for probation and reentry services by pooling them together to increase flexibility while also increasing support for violence intervention and after-school programs that are proven to reduce crime

Space Optimization and Utilization

- The budget proposes to optimize office space usage based on a detailed strategy developed by the Department of General Services, saving taxpayers a net \$44 million over 10 years

Property Taxes

- This budget certifies over **\$1 billion** in Homestead/Farmstead Exclusion for the first time in Commonwealth history, saving taxpayers an average of \$160 more per year in property tax.

REMAP Savings from Eliminating Tax Credits

- The budget repeals the Waterfront Development Tax Credit, the Video Game Development Tax Credit, and the Manufacturing Tax Credit





Creating Opportunity for Our Children and Our Students to Succeed

Investing in Education Funding

- **\$526 million** increase in Ready to Learn
 - **\$494 million** for adequacy supplement
 - **\$32 million** for tax equity supplement
- **\$75 million** increase in Basic Education Funding
- **\$40 million** increase in Special Education Funding

Instituting Cyber Charter Reform

- Implement reforms to align cyber tuition with the actual cost of online education, saving school districts **\$378 million** annually

Providing Career and Technical Education Opportunities

- Maintains **\$7 million** for dual enrollment programs
- **\$5.5 million** increase for Career and Technical Education

Creating Opportunity for Our Children and Our Students to Succeed, cont.

Ensuring Safe and Healthy Schools

- **\$125 million** for school facility improvements (\$25 million increase)
 - Also maintains funding for the Solar for Schools program
- **\$111 million** in continued funding for student mental health and safety

Supporting PA's Youngest Learners

- Invests an additional **\$41.6 million** in early childhood education, including
 - **\$15 million** increase to Pre-K Counts to raise wages and stabilize the workforce
 - **\$10 million** increase for Early Intervention (DHS) to increase provider rates by 8%
 - **\$14.6 million** increase for Early Intervention (PDE) to meet the current needs of service providers
- **\$55 million** to provide funds to licensed Child Care Centers for teacher recruitment and retention

Recruiting and Retaining Top Talent in Education

- **\$20 million** increase for student teacher stipends
- **\$2.5 million** increase for teacher professional development



Ensuring All Pennsylvanians Have the Freedom to Chart their Own Course



Empowering Institutions to Improve Access, Opportunity, and Accountability

- Supports the collaborative work of the new State Board of Higher Education with increased investments to improve access, opportunity, and accountability
- Invests additional **\$120.1 million** in colleges and universities, which includes:
 - **\$60 million** to be distributed based on recommendations of the Performance-Based Funding Council
 - **\$40.4 million** for state system universities to keep tuition flat for 8th straight year
 - **\$13 million** for community colleges
 - **\$1.7 million** for Pennsylvania College of Technology
 - **\$1.1 million** for Thaddeus Stevens College of Technology
 - **\$1.0 million** for Lincoln University
 - **\$2.9 million** for agriculture research and the county agricultural extension offices through Pennsylvania State University

Ensuring All Pennsylvanians Have the Freedom to Chart their Own Course, cont.

- Create a dedicated **\$12.5 million** Workforce and Economic Development Network (WEDnetPA) appropriation to help workers advance their careers
- **\$6 million** for Adult and Family Literacy programs to help Pennsylvanians get their GED and join the workforce
- **\$5 million** to the Office of Vocational Rehabilitation (OVR) to assist individuals with disabilities in finding employment
- **\$2 million** for the creation of Career Connect, a statewide program to build internships at Pennsylvania companies
- **\$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
- Raises the minimum wage to **\$15** per hour





Ensuring All Pennsylvanians Have the Freedom to Chart their Own Course, cont.

Expanding the Health Care Workforce

- **\$21 million** to increase Direct Care Worker wages and provide access to paid time off in the participant-directed model of care under Community HealthChoices
- **\$15.3 million** to address federal nursing facility staffing ratio requirements
- **\$10 million** to expand the Primary Care Loan Repayment Program to address workforce shortages in behavioral health for nurses and rural providers
- **\$5 million** to address workforce shortages in rural communities
- **\$5 million** increase at the Department of Labor and Industry to educate, train, and recruit nursing professionals through a Nurse Shortage Assistance program

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

Fostering the PA Innovation Economy

- **Creates the new \$50 million PA Innovation program** – Includes a one-time **\$30 million** to spur life sciences job growth and innovation through coordination among research universities to assist businesses in bringing cutting edge technology to market. Provides **\$20 million** in 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
- Invests an additional **\$13 million** in agriculture innovation, to help support and attract new agricultural businesses
- **Creates and launches the Pennsylvania Regional Economic Competitiveness Challenge** – invests **\$3.5 million** to provide different regions with resources they need to plan and implement local economic development strategies

Aligning Resources to Better Target Business Attraction and Expansion through Business PA

- Reorganizes DCED to move at the speed of business, by consolidating resources to form the **BusinessPA Team**
- Increases Marketing to Attract Business by **\$3 million** to enhance site selection, business attraction marketing, and business retention
- Provides additional **\$5 million** in programmatic funding for the proven PA First program





Making Pennsylvania a Leader in Economic Development, Job Creation & Innovation, cont.

Reforming Tax Credits that Businesses Will Fully Utilize

- **Converting the Local Resource Manufacturing Tax Credit Program to a Reliable Energy Investment Tax Credit** – Up to \$100 million per year per facility for 3 years to help bring new, reliable energy sources onto the grid.
- **Semiconductor Manufacturing, Biomedical Manufacturing and Research Tax Credit Program** – Reduce investment requirement and lower the permanent jobs requirement
- **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 PA milk
- **Regional Hydrogen Clean Hydrogen Tax Credit Program** - Allow up to 7 regionally dispersed qualified taxpayers to claim up to **\$7 million** per year and lowers thresholds to qualify
- **Sustainable Aviation Fuel** – Utilize up to **\$15 million** per year for a taxpayer who makes a \$250 million capital investment and creates 400 jobs at a facility to produce sustainable aviation fuel (SAF)
- **Create the new AdvancePA tax credit** – A **\$10 million** flexible tax credit to secure important deals and incentivize high-paying jobs creation

Supporting All Modes of Transportation

Ensuring Reliable Methods of Transportation so Pennsylvanians Can Get to Work

- 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

Freeing Up More Money for PA Roads and Bridges

- The last two enacted budgets reduced reliance on the Motor License Fund to supplement the Pennsylvania State Police
- This budget continues to step down this reliance on Motor License Fund by **\$50 million a year**, until reliance is completely removed in 2029-30
- As a result, this cumulative step down will provide an **additional \$750 million** for road and bridge projects over the next five years





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

- Accelerates the current Corporate Net Income Tax (CNIT) rate cuts by two years reducing the rate each year by 0.75 percent to reach 4.99% by 2029
- This budget cuts corporate taxes by nearly **\$1.4 billion in 2025-26** and by **\$10.5 billion** from the start of the administration through 2029-30
- Closes tax loopholes, in line with 28 other states, to create a level playing field among PA businesses
- Eliminates three separate business taxes for financial institutions to ensure equity with other businesses under CNIT umbrella:
 - Bank and Trust Company Shares Tax
 - Mutual Thrift Institutions Tax
 - Private Bank Tax
- Proposes to regulate and tax Skill Games and VGTs at the same rate, allowing 30,000 combined VGTs and Skill Game machines in the Commonwealth:
 - 47% of Gross Terminal Revenue (GTR) to the General Fund
 - 5% of GTR to the Lottery Fund

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
- The 2025-26 budget proposes the legalization of adult use cannabis effective July 1, 2025, with regulated sales within Pennsylvania beginning January 1, 2026.
- In addition to the immediate expungement of the records of those convicted 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





Celebrating America's 250th Birthday

- Worldwide attention on Pennsylvania:
 - 250th anniversary of the signing of the Declaration of Independence in Philadelphia
 - 2026 March Madness NCAA men's basketball tournament
 - 2026 NFL Draft in Pittsburgh
 - 2026 MLB All-Star Game
 - 2026 FIFA World Cup
- **\$36.5 million** to the Tourism Promotion Fund to plan and execute these internationally-recognized events
- **\$15 million** in new funding for Regional Event Security
- **\$10 million** to the Tourism Promotion Fund to market and attract tourists to the celebration
- **\$2.5 million** for America250PA

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

Administration's Energy Plan

- **Pennsylvania Climate Emissions Reduction Act (PACER)** – Pennsylvania-specific cap-and-invest program that allows PA to determine its own cap on carbon and invest directly in lowering consumers' electricity bills
- **Pennsylvania Reliability Energy Sustainability Standard (PRESS)** to build a more diverse, reliable, and affordable energy sector in order to remain competitive
- Creation of the **Pennsylvania Reliable Energy Siting and Electric Transportation Board (RESET Board)** to streamline siting and permitting decisions and ensure the next generation of energy projects are built in PA
- **Act 129 Reform**, updating the investment cap for energy efficiency to fall more in line with 2025 standards rather than those in 2006

Creating a Safe and Healthy Environment for All Pennsylvanians

- An additional **\$13 million** to continue well plugging activities
- **\$5 million** for trail improvements and connections as well as infrastructure, including the expansion of Lehigh Gorge State Park, reopening the Glen Onoko Falls trail, and adding Laurel Caverns to the park system
- **\$615,000** to DEP for clean water by helping farmers and conservation districts





Addressing Critical Housing Needs

- In September 2024, Governor Shapiro signed an Executive Order to create Pennsylvania's first comprehensive Housing Action Plan
- Dozens of meetings and roundtable discussions have been held to understand the full breadth of issues that need to be addressed in the plan, expected to be released in the fall of 2025. This budget lays the foundation for that plan
- Provides **\$50 million** for DCED to restore the Commonwealth's housing stock
- **\$10 million** for First-Time Homebuyer Grants
- The 2024-25 budget nearly doubled the Pennsylvania Housing Affordability and Rehabilitation Enhancement (PHARE) program over the next few years. This budget proposes to further increase total funding to **\$110 million by 2028-29**
- **\$1 million** to the State Planning Board to assist in providing technical assistance to municipalities related to zoning and code enforcement
- Calls for legislative action to seal eviction records for Pennsylvanians

Helping More Pennsylvanians Access Quality, Affordable Health Care

Supporting Older Adults

- **\$20 million** increase to PENNCARE to support AAAs in providing services to seniors
- **\$7.5 million** to support DOH's Long-Term Care Transformation Office for nursing facility quality initiatives
- **\$3 million** investment in Aging Our Way, PA to update the PA Link network of resources
- **\$2.3 million** to serve 180 additional LIFE participants

Creating Healthier Communities

- **\$20 million** to provide patient safety and accessibility in hospitals
- **\$10 million** to maintain access and services for patients in rural hospitals
- **\$10 million** to maintain access and services for patients in hospitals statewide
- **\$5 million** to provide research grants for neurodegenerative illnesses
- **\$4.8 million** to provide Medicaid services & continuous eligibility to re-entrants
- **\$994,000** to support the PA Viral Hepatitis Elimination Plan





Helping More Pennsylvanians Access Quality, Affordable Health Care, cont.

Addressing Behavioral and Mental Health Needs

- **\$20 million** for the third year to support a **\$60 million** investment in county base funding for behavioral health care
- **\$10 million** to support the 988 Suicide & Crisis Lifeline and its provider network
- **\$5.75 million** to expand discharge and diversion programs for individuals currently in the criminal justice system
- **\$5 million** for walk-in mental health crisis stabilization centers
- **\$4 million** to the Pennsylvania Health Care Cost Containment Council to develop and All-Payer Claims Database
- **\$1.6 million** to provide community-based services for 20 individuals currently residing in a state hospital
- Calls for legislative action to address school-based access to mental health services

Investing in the Safety of Communities and the Public



Reducing Gun Violence and Supporting First Responders

- **\$30 million** for competitive grants to fire companies for a variety of vital uses, including recruitment, retention, capital, and general operating needs
- **\$14.5 million** for four additional cadet classes to train **432 new State Troopers** and calls for the complete elimination of the current statutory cap limiting the number of troopers
- **\$10 million** increase for the Violence Intervention and Prevention Program, supporting community-driven models to reduce violence
- **\$10 million** increase for the Building Opportunity through Out of School Time (BOOST) program, impacting communities and reducing violence

Helping Financially Distressed Municipalities

- **\$10 million** transfer to Municipalities Financial Recovery Revolving Fund to provide additional resources for Act 47 financially distressed designated communities



Questions?