

# GOVERNOR JOSH SHAPIRO

*BUDGET IN BRIEF*

2026 - 2027



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Commonwealth of Pennsylvania  
Office of the Governor  
Harrisburg

February 3, 2026

To the People of the Commonwealth of Pennsylvania:

Since taking office, my Administration has been laser-focused on delivering results for the people of Pennsylvania — and it's working.

At a time when division too often stands in the way of solving real problems, Pennsylvania is showing that we can still work together to get stuff done. By listening to Pennsylvanians and advancing commonsense solutions, we've delivered real results where it matters most: growing our economy, creating good-paying jobs, supporting our students, improving public safety, and expanding access to care and services for those who need it most.

As I begin my fourth year as Governor, I'm proud of what we've accomplished together. That progress didn't happen by accident — it happened because we stayed focused on delivering results and putting the people of Pennsylvania first.

Through my first three budgets, we've delivered historic investments in education, raised wages for workers caring for our most vulnerable neighbors, strengthened public safety, and made strategic investments in economic development that have created tens of thousands of good-paying jobs and leveraged billions in private sector investment. Because of our work, gun violence is down, schools have more resources to support our kids, and Pennsylvania is now the only state in the Northeast with a growing economy. I'm proud of what we've accomplished — and I'm ready to keep working together to get stuff done for the people of Pennsylvania.

Together, we've cut taxes seven times, putting more money back in the pockets of Pennsylvania families and businesses. We expanded the Property Tax/Rent Rebate Program — the largest targeted tax cut for seniors in nearly two decades. We cut the Corporate Net Income Tax, expanded the Child and Dependent Care Tax Credit, and created a new tax credit that will provide \$193 million to nearly one million working Pennsylvanians this year.

We've also made government work better, faster, and move at the speed of business. We tackled long-standing permitting and licensing backlogs — eliminating a 15-year permit backlog at the Department of Environmental Protection — cut average licensing times by nearly 75 percent, and reviewed outdated regulations to reduce red tape.

These results have been driven by responsible fiscal management. Since I took office, Pennsylvania has earned two credit rating upgrades and saved more than \$200 million in borrowing costs — savings that extend to school districts and local governments across the Commonwealth. At the same time, we've cut waste and inefficiency, saving tens of millions of dollars through smarter IT practices and modernizing state facilities — all while protecting taxpayers and making smart, forward-looking investments.

Today, I present my proposed budget for the 2026-27 fiscal year — a balanced budget that builds on our momentum, keeps doing what's working, and addresses the challenges ahead to keep Pennsylvania moving forward. This proposal continues historic investments in education, workforce development, public safety, and economic growth. It maintains tax cuts, expands opportunity, makes Pennsylvania more competitive, and supports the creation of thousands of good-paying jobs.

Growing the economy and expanding opportunity remain among the most important ways to improve Pennsylvanians' lives. When I took office, Pennsylvania was falling behind. By launching the Commonwealth's first comprehensive economic development strategy in decades, we've reversed that trend. For more than two and a half years, Pennsylvania's unemployment rate has stayed below the national average, and we've secured more than \$35 billion in private sector investment and created over 18,800 jobs. This budget builds on that progress, giving our Commonwealth new tools to compete for business, create jobs, and grow the economy.

A strong economy depends on a strong workforce, and that starts with education. This budget continues historic investments in public education, reforms cyber charter funding, improves school safety, and strengthens workforce pipelines from early learning through adult training — ensuring every Pennsylvanian has a fair shot to succeed.

Public safety remains a core responsibility of government. This budget continues investments that reduce violent crime, support law enforcement and firefighters, prevent gun violence, and expand access to mental health services — because everyone deserves to be safe and feel safe in their community.

Above all, this budget is about affordability. I've heard directly from Pennsylvanians worried about rising costs. This proposal takes action to lower costs and protect consumers by expanding housing supply, increasing energy generation, and investing in critical infrastructure — while continuing to hold powerful interests accountable and keep utility bills in check.

While challenges remain — this budget puts forward commonsense solutions to protect Pennsylvanians and position our Commonwealth for long-term success. With sound fiscal policy, we can build on the progress we've made, strengthen our Rainy Day Fund, and secure a brighter future for the Commonwealth.

Pennsylvania is on the rise — and we're proving that when we work together, we can still get stuff done.

Sincerely,

A handwritten signature in black ink, appearing to read 'Josh Shapiro', with a stylized flourish at the end.

Governor Josh Shapiro

## Fiscal and Program Policy Direction and Budget Themes

### Introduction

#### Pennsylvania is on the Rise: This Budget Builds on Our Progress

Since taking office, Governor Josh Shapiro and his Administration have been laser-focused on delivering results for the people of Pennsylvania — and it's working. At a time when our nation has never felt so divided and Washington, D.C. appears unable to solve our biggest problems, Pennsylvania is proving that we can still work together to get stuff done. By listening to Pennsylvanians and advancing commonsense solutions, the Administration has worked collaboratively to address the challenges Pennsylvanians face while growing the Commonwealth's economy, creating good-paying jobs, supporting students, improving public safety, and expanding access to care and services for those who need it most.

Governor Shapiro understands that most Pennsylvanians want the same basic things: good schools for their kids and grandkids, safe communities, and the chance to get ahead through hard work. They want to be able to afford to live in the communities they love, know their rights and freedoms are protected, and feel confident they can pass on a better future to the next generation. The Shapiro Administration has made real progress toward those goals — delivering opportunity, stability, and greater affordability for families across the Commonwealth.

As a result, Pennsylvania is on the rise and well-positioned to grow and thrive for years to come. Each of the first three budgets enacted under Governor Shapiro have made historic investments in education, workforce development, and economic growth, while cutting taxes and lowering costs to help Pennsylvanians keep more money in their pockets. These balanced investments are strengthening communities today while preparing the Commonwealth for the future.

These successes have been driven by strategic investments and a commitment to governing responsibly. In a divided legislature — with a Republican-controlled Senate and a Democratic-controlled House of Representatives — the Shapiro Administration has brought people together to find common ground and deliver results. While challenges remain and more work lies ahead, the Administration will continue to stay at the table, build consensus, and take action to protect Pennsylvanians and improve quality of life across the Commonwealth.

This progress has been centered on a clear commitment to sound fiscal policy. Under Governor Shapiro's leadership, responsible fiscal management of taxpayer dollars has resulted in two credit rating upgrades and hundreds of millions of dollars in savings. As a direct result of this strong fiscal stewardship, the Commonwealth has saved more than **\$200 million** in borrowing costs through bond issuances — savings that have ripple effects across the Commonwealth, allowing school districts and local governments to borrow at lower rates as well. By locking in long-term savings and reducing financial risk, the Administration is protecting Pennsylvania taxpayers while continuing to make smart, forward-facing investments in the Commonwealth's future.

At the same time, the Shapiro Administration has worked to cut waste, eliminate red tape, and reduce inefficiencies to deliver better, faster services for Pennsylvanians. By reviewing and right-sizing IT contracts, expanding the use of cloud services, and bringing more work in-house, the Administration has saved \$37 million in technology costs. The Department of General Services' Space Optimization and Utilization Project (SOUP) is further reducing costs by shrinking the Commonwealth's reliance on leased office space, modernizing state-owned buildings, and delivering \$180 million in taxpayer savings by 2033.

The 2026-27 Governor's Executive Budget proposal builds on this historic progress. It continues to invest in proven, effective initiatives that make Pennsylvanians' lives better in the areas of education, workforce development, public safety, and economic development. This budget maintains historic tax cuts for businesses, expands economic opportunity, makes Pennsylvania more competitive, and supports the creation of thousands of good-paying jobs. This budget is balanced and identifies new, sustainable revenue sources that will allow for continued investment in the Commonwealth.

Growing the economy and expanding opportunity remain among the most important ways to improve Pennsylvanians' lives. When Governor Shapiro took office, Pennsylvania was falling behind in economic development, often losing out to other states and watching jobs leave local communities. By launching the Commonwealth's first comprehensive economic development strategy in decades, the Shapiro Administration has reversed that trend — competing aggressively for investment, attracting new businesses, and creating tens of thousands of new jobs.



The results are clear. For 31 consecutive months, Pennsylvania's unemployment rate has remained below the national average. Governor Shapiro secured the largest private-sector investment in the history of the Commonwealth and, to date, has brought in \$35.9 billion in private sector investment — creating over 18,800 jobs, more than the previous two governors combined. By fixing a broken permitting process and moving at the speed of business, Pennsylvania has become a national model for effective, efficient government. At a time when many states are struggling, Pennsylvania has the only growing economy in the Northeast.

This budget builds on that strong foundation by continuing to invest in innovation, expanding energy production, increasing housing supply, and positioning Pennsylvania for sustained economic growth in the years ahead.

To grow our Commonwealth and make it the most attractive place to live, we must ensure every student has access to a quality education. Through historic investments in public education, Pennsylvania is delivering more opportunities for our kids — ensuring schools have the resources to help students succeed, teachers have the support they deserve, and families have access to affordable early learning opportunities — all while preparing a strong workforce and supporting future economic growth. As a result of the investments we've made over the last three years, school attendance is up for the second year in a row, graduation rates are up for the third year in a row, and more students are getting the freedom to chart their own course and the opportunity to succeed.

This budget continues to fund our 500 school districts through the bipartisan adequacy funding formula. It also continues investments to ensure students have access to free breakfast, update and renovate school buildings, improve mental health supports and physical safety upgrades inside school buildings, and further reforms the way school districts pay for cyber charter services. All of this builds on the nearly \$3 billion additional dollars that have already been invested in school districts under this Administration and the historic reform of cyber charter funding enacted in last year's budget.

Our policies and investments in workforce development are also showing results under Governor Shapiro's leadership. Pennsylvania has increased funding for vo-tech, career and technical education, and apprenticeships by more than 50 percent since taking office, enrolling nearly 18,000 first-time apprentices, and registering 231 new pre-apprenticeship and apprenticeship programs. In the classroom, the number of teachers is growing for the first time in years. This budget doubles down on investments in workforce development to support a strong economy where every Pennsylvanian gets a shot to succeed.

While we invest in economic development, education, and our workforce — Governor Shapiro also believes that Pennsylvanians deserve to be safe and feel safe in their communities. The Shapiro Administration has funded nearly 2,000 additional law enforcement personnel, expanded after school programs, and increased investments in community-based violence prevention and intervention. As a result, violent crime is down 12 percent and gun violence is down 42 percent in Pennsylvania. This budget continues these critical investments in public safety with an additional four classes of troopers and more investments in gun violence prevention and after school programs to keep our communities safe. This budget will also provide a long overdue increase in funding for Pennsylvania's firefighters, doubling the state resources available to fire companies for new equipment and ensuring the fire service has the resources it needs to keep our communities safe.

This budget works to make life more affordable for the people of Pennsylvania. Across the Commonwealth, the Governor has heard from Pennsylvanians who are concerned about the cost of living, as the price of food, housing, and energy has continued to rise. This budget takes direct action to lower costs and protect consumers, creating a new Critical Infrastructure Investments program to build more housing and support new energy generation, with the goal of increasing supply and reducing costs across both sectors. Governor Shapiro has cut taxes seven times since taking office — and he has taken on PJM Interconnection to prevent unnecessary utility bill increases — and this budget continues his Administration's work to cut costs and make life more affordable.

Finally, this budget addresses some of the most pressing challenges facing our Commonwealth. From chaos and cuts at the federal level, to the rapid spread of data centers and artificial intelligence, to predatory practices in the housing market, this budget puts forward a series of commonsense reforms to protect Pennsylvanians and position the Commonwealth to lead in the most important industries and sectors of the future.

This budget builds on our progress to create opportunity for the good people of Pennsylvania. With sound fiscal policy, we can make these investments and still leave money in the Rainy Day Fund to protect from future unforeseen economic shifts. Making these investments today means a brighter future tomorrow for the Commonwealth. Pennsylvania is on the rise — and we're showing the rest of the country that we can still get stuff done when we work together.

## Saving Taxpayer Dollars & Providing More Resources to Invest in Pennsylvanians

Since day one of the Shapiro Administration, the Governor has been laser-focused on cutting red tape, streamlining permitting, and improving customer experience — all while making government more responsive, accessible, and accountable to Pennsylvanians. This focus on efficiency and results has ensured taxpayer dollars are used responsibly to deliver real results for Pennsylvanians. This budget builds on that progress by proposing smart investments in initiatives that increase efficiency and reduce long-term costs, while proposing new sources of revenue to support critical investments in the people of Pennsylvania.

### Reducing Costs, Increasing Efficiency, and Using Taxpayer Dollars Responsibly

The Shapiro Administration has saved taxpayer money with the Space Optimization and Utilization Project (SOUP), which reduces reliance on leased office space and reinvests in modern, collaborative environments at state government offices. SOUP, the Commonwealth's first comprehensive review of its real estate portfolio to improve operational efficiency, will reduce rental costs by cutting leased space by 2 million square feet by 2033 and save the Commonwealth an estimated \$180 million over the next 10 years. This budget proposes **\$16.1 million** to continue these efforts. To date, the initiative is ahead of schedule, generating over \$5.8 million in recurring savings and reducing the statewide leased footprint by 328,000 square feet.

Additionally, the Shapiro Administration is continuing the Resource Evaluation and Mission Alignment Project, or REMAP, which began during the 2025-26 budget cycle. REMAP is a data-driven initiative designed to evaluate programs for effectiveness and alignment with statutory mandates, strategic goals, and the department's mission. In the first year of the initiative, work across three participating agencies resulted in savings and operational efficiencies, including the closure of State Correctional Institutions to better align space with inmate population numbers, saving the Commonwealth an estimated \$100 million when fully implemented. Several recommendations made in the project's first year are again considered in this budget and are outlined throughout this document.

This year, three additional agencies went through the REMAP process: the departments of Aging, General Services, and Revenue, which includes the Pennsylvania Lottery. Mission-critical resources were identified in each agency and reviewed through interagency collaboration and coordination across the Shapiro Administration to prioritize those that could be most impactful in the near term versus with future investments. Focusing on aligning budgets and staff resources with priority initiatives proved to be especially challenging in the ever-changing federal landscape.

Within his first few months in office, Governor Shapiro established the Commonwealth Office of Digital Experience (CODE PA) to improve the Commonwealth's websites and online services. Since its creation, the Office of Administration (OA) and CODE PA have saved taxpayers over \$37 million by leveraging existing Commonwealth talent to lead digital projects rather than contracting with vendors to do the same work. CODE PA has launched dozens of new or improved digital services in collaboration with state agencies, including the redesign of PA.gov, a fully online clemency application with the Board of Pardons, and a searchable directory of 300 state grant programs. Last year, CODE PA earned four national awards for its technology leadership and innovation.

This budget also proposes to continue funding for enhanced enterprise-wide cybersecurity updates, building on the \$10 million investment secured in the 2025-26 budget with an additional **\$10 million**. Investing in cybersecurity infrastructure is essential to ensure data and systems are safe and secure and that government can continue to operate without major disruption. Additionally, this budget continues investing in the replacement of the Commonwealth's Enterprise Resource Planning (ERP) system, which is at the end of its supported useful life, with an additional **\$60 million**. The existing ERP software is over 20 years old and soon will no longer be supported and secure. Through this necessary investment, the Commonwealth will redesign core business processes such as budget, finance, procurement, human resources, and payroll to align with best practices and improve government effectiveness, efficiency, and service provision.

### Finally Increasing the Minimum Wage to Reduce Expenditures and Generate Revenue

While the Shapiro Administration has saved taxpayers tens of millions of dollars by increasing efficiency and reducing the reliance on outside resources, this budget also proposes several revenue enhancements to support critical investments in the people of Pennsylvania.

At \$7.25 per hour, Pennsylvania's minimum wage has remained unchanged for more than 15 years and is lower than all neighboring states and almost every state that's considered an economic competitor. 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 — and earn a decent wage. As the Governor has called for in each of his first three budget proposals, the 2026-27 Budget once again urges lawmakers to raise the minimum wage to \$15 per hour, which will generate economic activity, increase the purchasing power of Pennsylvania residents, and add more than **\$80 million** annually in increased revenue to the Commonwealth once fully implemented.

Raising the minimum wage will also decrease the cost of entitlement programs — not by adding arbitrary and cumbersome requirements like the federal government is doing, but by substantively reducing the number of people who need to rely on them. At a time when H.R. 1 and the federal government are imposing additional, administrative work reporting requirements on Medicaid and SNAP beneficiaries, increasing the minimum wage to \$15 an hour would mean that fewer families would need to rely on DHS' safety-net programs and more would meet the reporting requirements imposed by H.R. 1. The proposed minimum wage increase would result in an expected 60,800 beneficiaries no longer qualifying for Medicaid and transitioning many children in these families to the Children's Health Insurance Program (CHIP) for their health care coverage. This would reduce average per member per month costs to the Commonwealth by approximately \$475 and further increase federal matching funds to the Commonwealth. Once annualized, the impact of the minimum wage increase on the DHS budget will result in over **\$300 million** in total savings once the provisions of H.R. 1 are fully in effect.

## Legalizing Adult Use Cannabis

As the federal government takes steps to reform its approach to cannabis — and other states put in place responsible regulations — Pennsylvania remains stuck in place, without commonsense protections and losing out on critical tax revenue and new business to neighboring states. All of Pennsylvania's neighboring states, except for West Virginia, have legal adult use cannabis policies and regulation. This budget proposes a regulatory framework to legalize and tax adult use cannabis and provide a real opportunity for Pennsylvania farmers to cultivate a new, legal industry and establish a thriving market for the state.

In addition to lost revenue and economic activity to neighboring states, law enforcement agencies and the judicial system are unnecessarily overburdened with cannabis-related arrests and adjudications. The prohibition of cannabis has created an illicit market that fuels violence perpetrated by drug traffickers and gangs seeking to control harmful forms of synthetic marijuana in Pennsylvania communities.

The 2026-27 proposed budget again proposes the legalization of adult use cannabis effective July 1, 2026, with regulated sales within Pennsylvania beginning January 1, 2027, which will generate more than **\$200 million** annually in tax revenue once fully implemented. Since the 2025-26 proposal was introduced, the President has called for a change in the scheduling of cannabis from a Schedule I drug under the Controlled Substances Act to a Schedule III drug, signaling a softening of the treatment of cannabis across the country.

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 at the Pennsylvania Commission on Crime and Delinquency. The proposal also includes **\$25 million** to assist new small and small diverse businesses attempting to enter the new marketplace through the Department of Agriculture.

## Expanding Gaming Opportunities for Small Businesses

Pennsylvania has one of the most robust gaming industries in the nation, and oversight from the Pennsylvania Gaming Control Board (PGCB) ensures fairness and protection for Pennsylvania consumers. A lack of oversight from PGCB in all forms of gaming places Pennsylvania consumers at risk and reduces available revenues for other critical initiatives. This budget proposal seeks to level the playing field in Pennsylvania's gambling industry by legalizing and regulating games of skill by defining them as Video Gaming Terminals. Skill games are prevalent across Pennsylvania, with previous estimates of as many as 70,000 skill game terminals, including 12,000 terminals in Pennsylvania Lottery retailers. Under the proposal, the PGCB will regulate both existing Video Gaming Terminals — which are currently legal and operating in the state — as well as games of skill, allowing 40,000 total combined machines in establishments in 2026-27. With a maximum number of five machines per establishment, this proposal would see gross terminal revenues taxed at an effective rate of 52 percent, with all the proceeds after funding for compulsive gambling support and local share transfers deposited into the General Fund, generating **more than \$2 billion a year in revenues**.

## Strengthening the Only Growing Economy in the Northeast

Under Governor Shapiro's leadership, Pennsylvania's economy remains one of the strongest in the nation — in fact, the Commonwealth is the only state in the Northeast with a growing economy, according to Moody's.

Since taking office, the Governor has made Pennsylvania more competitive — cutting red tape, streamlining permitting and licensing, instituting the first economic development strategy in decades, and attracting \$39 billion in private-sector investment that has created more than 21,500 good-paying jobs across the Commonwealth. That includes the largest private-sector investment in Pennsylvania history — Amazon's initial \$20 billion investment to build new AI and cloud computing campuses — and the largest life sciences investment in Pennsylvania history: Eli Lilly's \$3.5 billion investment to establish their first PA-based manufacturing operation in the Lehigh Valley.

Governor Shapiro has made economic competitiveness and government efficiency top priorities, modernizing and dramatically speeding up permitting processes in the Commonwealth and at the same time investing \$550 million to prepare more sites for business expansion, strengthening main streets, and supporting small businesses and entrepreneurs. This budget builds on that progress.

### Cutting Corporate Taxes and Closing Tax Loopholes

Since taking office, Governor Shapiro has saved Pennsylvania businesses more than \$2.9 billion by lowering the Corporate Net Income Tax (CNIT) rate and increasing net operating loss deductions for small businesses. These actions make Pennsylvania more competitive and create a better environment in which to start or expand a business. Since 2023, Pennsylvania's state tax competitiveness ranking moved up nine places, after lagging nationally for decades. This budget continues to expand on this work to make the Commonwealth a leader in innovation, job creation, and economic development by closing business tax loopholes and prioritizing fairness for Pennsylvania-based businesses.

This budget continues to decrease taxes for Pennsylvania businesses with CNIT rate reductions scheduled under current law, which decline by 0.5 percent every year until the rate reaches 4.99 percent in tax year 2031. Additionally, this budget proposes eliminating an antiquated loophole in our tax system that allows some large multi-state corporations to skirt paying their taxes in Pennsylvania — often known as the "Delaware Loophole."

The Delaware Loophole allows large businesses that have subsidiaries and related companies in other states to shift their Pennsylvania-based income to out-of-state subsidiaries, often to the neighboring state of Delaware. This greatly reduces the Pennsylvania income and associated tax owed by their companies operating in Pennsylvania. 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.

For nearly 90 percent of businesses operating in Pennsylvania, closing this loophole would have no impact, or would actually reduce their tax liability. These are primarily small businesses owned and operated within the state, which are currently operating at a competitive disadvantage as larger corporations take advantage of this loophole. 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. Under the Governor's plan, which includes both the continued rate cuts and closing the Delaware Loophole, by 2030-31, Pennsylvania businesses would realize over \$9.2 billion in savings.

### Slashing Permitting, Licensing, and Business Processing Times

The Shapiro Administration has greatly reduced the time it takes to review and approve permits, licenses, and certifications in the Commonwealth — reducing wait times for businesses and workers across the board.

Under Governor Shapiro's leadership, Pennsylvania — for the first time ever — catalogued each of the 2,400 permits, certificates, and licenses the Commonwealth issues, set timelines for each of them, and issued a moneyback guarantee to Pennsylvanians if state agencies don't meet those timelines. As a result, not only has the Commonwealth delivered a new level of transparency, it has dramatically sped up permitting, licensing, and certification processes, and eliminated red tape and backlogs — including the 15-year backlog of permits at the Department of Environmental Protection (DEP), which previously totaled over 2,402 permit applications.



In 2025, DEP built on this progress by successfully launching the Streamlining Permits for Economic Expansion and Development (SPEED) program, which provides additional flexibility to permit applicants by allowing them to choose to have a DEP verified and qualified professional conduct an initial application review. Act 45 of 2025 expanded the number of key construction permits from three to six, meaning more permits can be expedited if the applicant chooses to participate. Additionally, Act 45 authorized the creation of a public tracker and database of the permits involved in the SPEED program and accelerated the timeframes for DEP to complete its review of two types of permit applications — codifying much of the work already being led by the Office of Transformation and Opportunity. The **\$3.7 million** increase to CODE PA proposed in this budget will support the creation of the permit tracker and ensure that the Administration meets expectations from the business community to provide transparency, keep projects on track, and drive economic growth.

Additionally, the Department of State (DOS) cut licensing and business processing times by an average of 74 percent in 2025, establishing the Commonwealth as a national leader in government accountability. When the Administration took office in 2023, it took up to eight weeks to process some business filings. By 2025, the Shapiro Administration reduced the average processing time to one business day, even though the number of business filings per month doubled from 2024 to 2025. Processing times for document certifications also declined from seven business days to one business day, and charitable organization registration processing time was reduced from 10 business days to one business day. To build on those reforms and attract more workers to Pennsylvania, this budget calls for removing antiquated red tape by reducing the number of unnecessary licenses, changing certain underutilized licenses to certifications, and conducting a holistic review of all licenses issued by DOS to ensure the Commonwealth is competitive with neighboring states. For example, barbers in Pennsylvania must undergo at least 1,250 hours of training — while barbers in New Jersey are only required to complete 900 hours of training. This budget proposes to align Pennsylvania's standards with those of other states to eliminate unnecessary hurdles, enticing workers to stay here and putting more qualified people on the job faster.

Additionally, this budget proposes landmark licensing reform that would make the process for Licensed Social Workers, to obtain their credentials the easiest licensure experience in the nation, while maintaining rigorous standards — ultimately drawing more of these valued professionals to Pennsylvania. It is estimated that the number of Licensed Social Workers will need to be increased by 12 percent by 2030.

## Sparking PA's Innovation Economy

Pennsylvania has always been a national leader in discovery and innovation, from Ben Franklin's lightning rod to the polio vaccine. The Commonwealth has long been a partner in spurring that innovation and the economic growth it leads to when those innovations are put to work on our farms and in our businesses and in our homes — from funding one of the nation's first public-private technology partnerships in 1983 to creating the nation's first Agricultural Innovation Grant Program under Governor Shapiro in 2023. In order for Pennsylvania's growing economy to continue to thrive, this budget increases funding for innovation in the areas of opportunity laid out in Pennsylvania's economic development strategy — including life sciences, robotics and technology, energy, manufacturing, and agriculture.

This budget creates the Innovate in PA 2.0 program to deploy nearly **\$100 million** into the state's innovation economy through the sale of Insurance Premium Tax Credits and further build on Pennsylvania's economic momentum.

Innovate in PA 2.0 will do five major things:

1. Provide capital for venture funds that invest in early-stage companies and support innovation as companies scale and bring new technologies to market. It has been nearly a decade since the state has invested in venture funds — and Pennsylvania is missing out on a major opportunity to provide catalytic funding for startups and attract additional private capital.
2. Invest in a pipeline of executive leadership in the life sciences and biotech industries to guide startups and accelerate commercialization.
3. Expand support for clinical trials to bring emerging technologies to market in the life sciences sector, a sector where Pennsylvania has a demonstrated competitive edge.
4. Develop and expand programs within the Department of Community and Economic Development (DCED) to take advantage of federal funding opportunities and technological innovations for our powerhouse research universities, highly talented workforce, and tech startups.
5. Offer competitive grants to seed and scale regional venture studios in rural areas, outside the traditional research and development hubs of Pittsburgh, State College, and Philadelphia's metro areas, aligned with university research and regional economic strengths.

Governor Shapiro understands that economic success is dependent on our rural communities and farmlands — that’s why Pennsylvania has leaned into the innovation found on our farms and has put real capital behind our farmers. Pennsylvania agriculture supports over 48,800 farms, nearly 600,000 jobs, and contributes \$132.5 billion annually to the Commonwealth’s economy. Agriculture is one of the cornerstones of Governor Shapiro’s Economic Development Strategy, and the Shapiro Administration is committed to investing in its growth. In its first year, the Agricultural Innovation Grant Program — the first of its kind in the nation — received an overwhelming response with more than \$68 million in funding requests submitted to the Department of Agriculture. Funded projects include technologies that improve on-farm and processing efficiency, generate renewable energy while reducing nutrient waste, and support crops and practices that store carbon or replace non-renewable resources. Due to overwhelming response and success, the 2026-27 proposed budget includes a **\$9 million** increase for the Agricultural Innovation program, including an additional \$7 million in base grant funding and \$2 million for a county biodigester pilot project.

## Continuing the Aggressive Implementation of the Economic Development Strategy

Over the last three years, the Shapiro Administration has invested hundreds of millions of dollars in Pennsylvania businesses and our workforce through programs at DCED like Main Street Matters, the Historically Disadvantaged Business Program, and Manufacturing PA. This budget continues to fund all three of those critical initiatives at their current levels and increases funding by **\$10 million** for the PA First Program — for a total of \$38 million — to further support the Commonwealth’s economic development strategy. PA First is a versatile economic development tool for DCED, providing flexible financial assistance for workforce training, job creation and retention, land and building costs, and machinery and equipment. The funds provided through this program require significant private investment to maximize the state’s return on investment — for instance, Eli Lilly is investing \$3.5 billion into the Commonwealth with the support of a \$25 million PA First grant.

While DCED has many effective tools to attract private sector investment to Pennsylvania, there are some programs that are too niche or too small to make a real impact. To make government work more efficiently, this budget proposes to streamline DCED’s programs by eliminating redundant or ineffective programs while investing in initiatives that have broader impact and reach a wide variety of industries. Specifically, the 2026-27 Budget proposes to eliminate three duplicative tax credit programs and replace them with one streamlined tax credit aimed specifically at creating jobs within the Commonwealth. This 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.

## Welcoming the World to Pennsylvania in 2026

On July 4, 2026, America will celebrate the 250th anniversary of the signing of the Declaration of Independence in Philadelphia, the birthplace of our nation. Just as Pennsylvania played a critical role in 1776, the Commonwealth is primed once again to be in the national spotlight in 2026 with major events throughout the Commonwealth.

The semiquincentennial commemoration will include elaborate, exciting celebrations the week of July 4th, 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.

Over the last three years, Governor Shapiro has rebranded Pennsylvania as the “Great American Getaway” and increased funding for VisitPA to nearly \$60 million. Under the Shapiro Administration’s leadership, Pennsylvania’s tourism industry has grown by \$7 billion and 30,000 jobs. In 2024, tourism brought in \$84 billion to Pennsylvania’s economy and supported more than half a million jobs.

To build on that momentum and prepare for America250, the Shapiro Administration secured \$57.5 million in the last two budgets specifically for the 2026 celebration.

This budget continues to fully fund the Tourism Office to ensure that Pennsylvania obtains the maximum benefit from the events celebrating America’s 250th anniversary.

## Turning Dirt into Jobs and Opportunity

For too long, hazardous waste sites, abandoned mine lands, and abandoned wells have sat vacant and released toxic chemicals into the environment because Pennsylvania didn't have the resources or the speed to get projects up and running. Under the Shapiro Administration, we're working to fix that — investing \$500 million in PA SITES funding to build shovel-ready sites, cleaning up abandoned mine land and hazardous waste sites so communities can put those areas back to good use, and aggressively plugging abandoned or orphaned wells that are polluting our air and water.

Since 1987, the Hazardous Sites Cleanup Fund has been used to finance the cleanup and restoration of abandoned hazardous waste sites in the Commonwealth. This vital program allows the DEP to enforce cleanup actions and participate in federal cleanup programs, including the federal Superfund environmental remediation program. For many years, this work was mostly funded by the Capital Stock and Franchise tax, which was eliminated in 2016. Although the program receives other funding — around \$19 million per year — from the Marcellus Legacy Fund (Act 13 of 2012), the amount is insufficient to run a viable program. This budget proposes a one-time transfer of **\$20 million** from the General Fund to protect Pennsylvanians from the most dangerous toxic waste sites throughout the Commonwealth.

Pennsylvania has the most acres of abandoned and un-reclaimed mine lands and most abandoned wells of any state in the nation. In 2025, the state received about \$245 million of funding from the federal 2021 Infrastructure Investment and Jobs Act (IIJA). Reclaimed mine land can be put back to use for Pennsylvanians — for instance, in Mayfield, one developer used both abandoned mine land funding and PA SITES funding to turn a former coal mine into a logistics site that will inject \$100 million into Pennsylvania's economy and create jobs.

Operating costs for Pennsylvania's abandoned and orphan oil and gas well plugging program come from DEP's Well Plugging Account, and the permit fee revenue that goes into the fund no longer supports the full cost of running the program. With cash reserves nearly depleted, the account requires an infusion of funding to continue the work. This budget includes a General Fund transfer of **\$19 million** to the Well Plugging Account so the Commonwealth can continue to plug abandoned oil and gas wells that pose a potential threat to Pennsylvania's health and the environment.

## Supporting Mass Transit to Grow our Economy and Connect Nearly One Million Pennsylvanians to Their Jobs, Schools, and More

Pennsylvania's public transit systems connect workers to their jobs, students to their schools, patients to their doctors, and serve nearly one million riders daily while supporting billions of dollars' worth of economic activity. Serving all 67 counties, the Commonwealth's public transit systems offer a variety of services to meet local needs through 52 local transit agencies that provide fixed-route, shared-ride, and specialized services for seniors and people with disabilities. Strong public transit systems strengthen communities, attract business investment, and offer a more affordable way for Pennsylvanians to get around. They also mean fewer cars on our roads, less air pollution, and reduced traffic congestion.

Since taking office, Governor Shapiro has repeatedly taken action to keep public transit operating safely and reliably, delivering \$80.5 million in additional mass transit funding in the 2024-25 budget (including \$46 million for SEPTA), preventing immediate service cuts and a 21 percent fare increase by flexing \$153 million in federal highway funds to SEPTA in late 2024, approving \$394 million in future capital funding for SEPTA to preserve operations in the absence of legislative action, and directing \$220 million to support critical safety and infrastructure upgrades across the SEPTA system. The Governor has led a bipartisan coalition to push the Pennsylvania Senate for long-term transit funding and proposed recurring mass transit funding in both the 2024-25 and 2025-26 budgets. This budget builds on that work by proposing to transfer an additional 1.75 percent of Sales and Use Tax revenues to the Pennsylvania Transportation Trust Fund beginning July 1, 2027, providing over **\$300 million** annually for critical transportation services across the Commonwealth.

## Building upon Historic Investments in our Classrooms

### Creating Opportunity for Our Students to Succeed

In order to grow our Commonwealth and our economy, Pennsylvania must ensure future generations of workers have the freedom to chart their own course and the opportunity to succeed, no matter what path they choose. Creating that opportunity starts in the classroom. Over the last three years, Governor Shapiro has proposed — and secured — historic investments in education, increasing funding for K–12 public schools by nearly 30 percent, creating a new State Board of Higher Education and building a performance-based funding formula for three state-related institutions, and expanding access to career and technical education for thousands of young Pennsylvanians. As a result of these investments, more students have access to mental health support in schools, students are starting the day with a full stomach and ready to learn, and school attendance and graduation rates are rising.

This 2026-27 Budget builds upon those successes and two years of bipartisan agreement to adequately fund all of Pennsylvania's public schools, putting necessary resources directly into our classrooms and ensuring the safety and security of students and teachers. This budget also proposes to continue investing in the school facilities program, created under the Shapiro Administration, which has already provided critical funding for repairs in hundreds of schools across the Commonwealth. Further strengthening the safety and security of our schools, this budget also continues to fund universal free breakfast, and the mental health and physical safety programs schools can use to provide safe learning environments while proposing real reforms to the way public schools pay for cyber charter schools.

## Adequately Funding Our Schools

Specifically, this budget builds on the bipartisan adequacy formula and tax equity supplements enacted over the last two years by directing an additional **\$565 million** to promote students' success, in line with the findings of the Basic Education Funding Commission. This funding helps ensure every student receives a thorough and efficient education by driving more dollars to the schools that need them most.

This funding is 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 funds are 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 **\$50 million**, proposing \$8.31 billion in total to support public schools across Pennsylvania. The increase will be distributed through the student-weighted funding formula that directs money to school districts based on factors including 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's students.

Public schools are legally required to provide special education programs, supports, and services for all eligible students, and the cost to meet these needs continues to increase. This budget increases Special Education Funding by **\$50 million**, proposing \$1.58 billion in total funding to ensure that schools have the basic resources necessary to provide high-quality special education services to students with disabilities and special needs.

## Continuing Cyber Reform

The 2025-26 enacted budget made historic changes to the antiquated funding system for cyber charter schools in the Commonwealth. These changes updated the cyber charter funding formula by removing costs that arbitrarily inflated tuition rates and expenses. For example, those changes led to the deduction of costs associated with maintaining physical classroom buildings and facilities — costs cyber charter schools do not have because they provide education to students online. Additionally, this reform strengthened accountability for cyber charter schools, including clarifying the preexisting law to ensure cyber charter schools visibly see and communicate with students at least once per week to ensure students are safe and healthy, and providing penalties for noncompliance. While the improvements to cyber charter funding resulted in a tuition rate that more closely matches cyber charters' actual costs, further improvements still need to be made. This budget proposes to further align the calculation, saving school districts an estimated **\$75 million** annually, bringing total savings from these reforms up to \$250 million a year.

## Creating a Safe and Healthy Learning Environment

This budget proposal continues funding for several critical programs that ensure that children have safe and healthy learning environments. Under the Shapiro Administration, every child has the opportunity to begin their day of learning with a full stomach. This budget continues to fully fund universal free breakfast and continues funding to provide menstrual hygiene products at no cost to students in schools so that no student has to miss school because they are unable to afford pads or tampons.

Additionally, this budget continues funding for mental health supports within schools. Since the beginning of this Administration, the Commonwealth has invested \$300 million to support student mental health and well-being and improve the safety of schools through grants from the Pennsylvania Department of Education (PDE) and Pennsylvania Commission on Crime and Delinquency (PCCD). Nearly 800 schools across the Commonwealth have used that funding to expand access to mental health supports, and well over 200 mental health counselors have been hired thanks to this initiative. This budget continues an investment of **\$111 million** for school safety and mental health supports.



This budget also calls for a commonsense reform to close an insurance loophole that allows insurers to deny reimbursement for services provided within a school — even if those same services would be covered if they were delivered at a doctor's office across the street.

The 2026-27 Budget also provides **\$125 million** in support to continue addressing structural and environmental concerns with our school buildings, with \$25 million of that funding dedicated to the Solar for Schools program. To date, the Administration has secured \$400 million for 208 school facilities and solar projects that fund repairs and upgrades, with additional projects expected to be awarded near the end of the 2025-26 fiscal year. This budget continues to invest in safe school facilities.

## Supporting Performance and Opportunity within Higher Education

Under Governor Shapiro's leadership, Pennsylvania launched the first comprehensive effort to reform Pennsylvania's system of higher education in decades. That effort led to the creation of the State Board of Higher Education and resulted, in part, in the bipartisan work of the Performance-Based Funding Council, establishing the mechanism to provide performance-based funding to the Pennsylvania State University, University of Pittsburgh, and Temple University. The formula utilizes performance-based metrics designed to increase degree attainment, encourage affordability in higher education, and meet the Commonwealth's workforce needs. These metrics include graduation rates, degree attainment related to high-demand occupations, student transfers from Commonwealth community colleges, and students from low-matriculation high schools.

The 2026-27 Budget proposes a **\$30 million** investment in performance-based funding to these state-related universities to encourage them to address the Commonwealth's workforce needs. Additionally, this budget invests an additional **\$1.1 million** for Lincoln University, the nation's first college-degree-granting HBCU.

In addition to reforming the way the Commonwealth funds higher education institutions, this budget proposes increased funding for the Pennsylvania State Grant program through the Pennsylvania Higher Education Assistance Agency (PHEAA) 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. This budget proposes to increase the amount invested in those grants by **\$5.9 million** to maintain the maximum grant award amount. The proposed budget also recommends continued funding for the recently created Grow PA scholarships to assist students in pursuing affordable post-secondary education programs and filling critical in-demand occupations after graduation.

## Expanding Our Workforce and Meeting Critical Needs for Economic Growth

In order to grow our Commonwealth and create real opportunity for all Pennsylvanians, we need to invest in our workforce, strengthen pipelines into stable, good-paying jobs, and address critical workforce needs and shortages. Since the first day of his Administration, Governor Shapiro has worked to open the doors of opportunity for all who want to walk through — removing arbitrary barriers to entry and investing in proven workforce development initiatives.

Over the past three years, the Shapiro Administration has increased funding for vo-tech, career and technical education (CTE), and apprenticeships by nearly 50 percent — raising total spending from \$118 million to \$183 million. Those investments have already shown results. Since taking office, the Shapiro Administration has registered 231 new apprenticeship and pre-apprenticeship programs and enrolled nearly 18,000 new apprentices. Similarly, 3,000 more students have enrolled in vo-tech and CTE classes as a result of these investments.

This budget builds on that progress, supporting key segments of our workforce to address critical shortages, removing barriers that prevent some Pennsylvanians from achieving their full potential, and creating more opportunities for Pennsylvanians of all ages.

## Building a Strong Child Care and Early Learning Workforce

Child care workers are the workforce behind the workforce. Child care and early learning are critical to child development — and a strong child care workforce ensures parents can continue to pursue their careers even after having children. According to the Pennsylvania Partnerships for Children's most recent report, Pennsylvania loses \$6.65 billion annually due to child care shortages, including \$2.4 billion in lost earnings and productivity for working mothers.

According to the Office of Child Development and Early Learning (OCDEL), between May 2019 and May 2024, the total number of certified child care programs decreased by 700 programs and the number of child care workers decreased by nearly 41 percent. The majority of those providers cited teacher shortages and ongoing staff vacancies as main factors in their closing.

Access to quality child care remains an issue for many Pennsylvania families but staffing shortages and low wages continue to plague an already vulnerable system. By addressing this issue, the Commonwealth is expanding the workforce and growing the economy while making life better for young families. In 2023, Governor Shapiro signed into law legislation to begin to address the affordability angle of child care access with an historic expansion of the Child and Dependent Care Enhancement Tax Credit, raising Pennsylvania's match from 30 to 100 percent of the federal credit and increasing the maximum benefit from \$630 to \$2,100 per family. In 2024, the Governor worked with the General Assembly to create the Employer Child Care Contribution Tax Credit, which allows employers who contribute to employees' child care costs to claim a tax credit of up to 30 percent of eligible contributions, capped at \$500 per employee.

The 2025-26 budget included a major provision to stabilize the child care workforce, with a \$25 million investment in recruitment and retention grants to provide approximately 55,000 child care employees with up to \$450 in retention bonuses. Remaining funds available will be used to help support child care providers in recruiting staff with one-time incentive payments. This budget proposal includes an investment of an additional **\$10 million** to continue this initiative in support of employees at licensed child care centers with collaborative agreements in the federal Child Care Works program, bringing the total to \$35 million in the budget year.

Investing in the child care workforce also sets young Pennsylvanians up for success. Research overwhelmingly demonstrates the meaningful and substantial return on investment in early childhood education: children who start their educational careers in high-quality early childhood 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 early childhood educators are too low to sustain employment levels in a field that is so critical to the current and future workforce. This budget proposes an additional **\$7.5 million** for the Pre-K Counts program and **\$2 million** for the Head Start State Supplemental program to help providers raise wages and stabilize the early educator workforce.

## Strengthening Our Teacher Workforce Pipeline

Last year's budget made several improvements to the pipeline for teacher recruitment, training, and certification by reducing teacher certification fees, broadening teacher certification levels, reducing barriers for educators reactivating certification, and increasing the amount of time an individual can have an intern certificate to allow individuals with subject matter expertise who want to become a teacher to work in a classroom while they learn. This budget provides an additional **\$2.5 million** for teacher professional development, illustrating Governor Shapiro's commitment to ensuring educators have the tools and training needed to support students and communities.

Furthermore, this budget continues to strengthen the educator pipeline by increasing funding for student teacher stipends by **\$5 million**, for a total of \$35 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 by ensuring student teachers get paid for their hard work. Every student teacher in Pennsylvania must spend time training by teaching in a classroom — a fulltime job. By offering financial support, the program makes it more feasible for aspiring educators to complete their training and pursue careers in public service. Last year, more than 2,000 student teachers got paid because Governor Shapiro fought for student teacher stipends — this budget builds on that progress.

## Preparing our Students to Enter the Workforce

Since taking office, Governor Shapiro has made workforce development a cornerstone of his agenda by continuing to prioritize funding for workforce development initiatives statewide, including apprenticeships, career and technical education (CTE), and vocational-technical programs. Funding for these programs increased by nearly \$65 million over the last three years, a more than 50 percent increase. This budget proposes an additional **\$18 million** in apprenticeships, CTE, and vo-tech programs — which would bring that total funding growth to more than \$81 million, a nearly 70 percent increase since taking office.

During the 2023-24 school year, more than 76,000 students enrolled in career and technical education programs across the Commonwealth — a nearly 12 percent increase over the last five years. Over the last three years, the Commonwealth has provided more than \$37 million in funding for learning experiences that lead to dual enrollment, industry recognized credentials, work-based learning, internships, pre-apprenticeships, and registered apprenticeships, as well as bringing more qualified CTE teachers into our classrooms by expanding the number of certified career and technical educators. This budget fully funds the secondary career and technical education subsidy to CTE programs and invests an additional **\$10 million** to support high-quality STEM and computer science learning programs and professional development opportunities.

In addition to more funding, this budget proposes two commonsense reforms to improve CTE programs and increase enrollment. Currently, CTE students are required to complete a full academic courseload in addition to the technical hours required for a chosen CTE curriculum. In reality, many of these classes overlap, can be substituted for one another, or could blend academic and technical standards in the same course. Providing more flexibility for students to meet courseload requirements would ensure that CTE students across Pennsylvania are able to graduate and enter the workforce. Currently, neighboring states offer various flexibility to CTE students and Pennsylvania should too. Another commonsense change is to allow Pennsylvania CTE enrolled students to take their national competency exam as soon as they finish their program, instead of waiting until they reach 12th grade, as is the practice now. This will increase the number of students who complete a CTE program and earn a certification, and the speed at which students enter the workforce. Furthermore, this change would enable CTE students to enroll in more than one concentration, resulting in more career opportunities following graduation.

Since 2021, Pennsylvania's Schools-to-Work funding has helped employers, schools, and community organizations create, launch, and maintain registered pre-apprenticeship career pathways that bridge the gap between high school or college graduation and the job search process. Schools-to-Work provides students with extensive career development opportunities, including classroom training, workplace visits, mentorships, internships, apprenticeships, and job shadowing experiences, and is designed to successfully bridge the gap between high school and employment or post-secondary education via the use of pre-apprenticeships. Originally funded by the Commonwealth's Reemployment Fund, Governor Shapiro secured a \$3.5 million General Fund appropriation for the program beginning in the 2023-24 fiscal year which has remained level since. For 2026-27, this budget doubles funding to this program to \$7 million in total.

These initiatives build solid career pathways to employment while helping Pennsylvania students gain industry-recognized credentials and college credits.

## Supporting Workers at All Stages of Their Careers

Governor Shapiro believes every Pennsylvanian deserves the freedom to chart their own course and the opportunity to succeed. The Office of Vocational Rehabilitation (OVR) in the Department of Labor & Industry assists Pennsylvanians with disabilities in obtaining and retaining employment while maintaining their independence. Since 2016, more than 478,500 Pennsylvanians have received services from OVR, including vocational counseling, evaluations, medical diagnostic services, medical restoration services, employment training, placement services, and career support services. This budget increases state funding for vocational rehabilitation by **\$1 million**, bringing the total to \$49.7 million. This budget also maximizes federal funding to better serve people who are blind, deaf, or hard of hearing through proven programs like the Specialized Services for the Blind and the Support Services Provider Program.

The Industry Partnership program is a network of regional collaborations of business leaders within one industry, who work together with public partners from economic development, workforce development, education and training, and other community organizations to address the shared workforce and broader competitive needs of their industry. The Industry Partnership program allows businesses within a targeted sector to strengthen their industry through training initiatives, recruitment strategies, raising career awareness, and working together to address additional challenges identified by the businesses. The program focuses on key growth sectors, including agriculture, information technology, health care, transportation, and manufacturing operations, aligning its efforts with current and future industry needs. The 2026-27 Budget increases Industry Partnership grants by **\$3.5 million**, more than doubling the total investment in this critical program to \$6.3 million.

Since its start in 1999, more than 24,000 companies have received support through the Commonwealth's Workforce and Economic Development Network of Pennsylvania (WEDnetPA) program, with over 1.3 million workers trained to better contribute to their companies and the overall economy of Pennsylvania. WEDnetPA is designed 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 large network of community colleges, state system universities, and other partners. The 2026-27 Budget creates a dedicated **\$12.5 million** appropriation for WEDnetPA.

This budget includes **\$2 million** to create the Career Connect program, a new 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.

Just as the Governor believes we should invest in all paths to entering the workforce, it's also critical to invest in continuing education at any age and ensure adults have the right tools to upskill themselves. To address a growing number of Pennsylvanians with literacy skills at or below the level needed to support their families, this budget invests an additional \$2.5 million for adult and family literacy to expand the capacity and quality of education for adult learners.

### **Raising the Minimum Wage to Ensure Everyone Has the Opportunity to Succeed**

Workforce training and development programs make a real difference, but they don't always help low-wage workers who often have little to no opportunity to change locations or jobs in order to increase their pay and improve their lives.

On January 1, 2026, 19 states saw increases to their minimum wage go into effect, affecting over eight million workers. Pennsylvania, once again, was not one of them. Our \$7.25 per hour minimum wage has remained stagnant and woefully inadequate for more than 15 years. All of Pennsylvania's neighboring states — New Jersey, Delaware, Maryland, West Virginia, Ohio, and New York — have higher minimum wages. Thirty states (plus Washington D.C. and the U.S. territories of Guam, Puerto Rico, and the U.S. Virgin Islands) now have a minimum wage higher than Pennsylvania's minimum wage. The purchasing power of Pennsylvania's minimum wage has eroded over 30 percent since 2009 — meaning Pennsylvania workers have even less resources to support themselves and their families. At \$7.25 an hour, and a standard 40-hour work week, an adult with two children is making thousands of dollars below the federal poverty threshold. This must change now.

Increasing the minimum wage will boost the economy through increased consumer spending, reduce poverty and income inequality, improve workers' standard of living and health, and benefit businesses by lowering employee turnover and increasing productivity, creating a cycle of economic growth that supports workers, businesses, and taxpayers. The 2026-27 Budget once again calls on the legislature to **raise the minimum wage to \$15 per hour starting on January 1, 2027**, which will generate economic activity, increase the purchasing power of Pennsylvania residents, and add roughly \$80 million annually in increased revenue to the Commonwealth.

### **Removing Barriers to those Re-entering the Workforce**

In Pennsylvania, the Shapiro Administration holds people accountable when they commit a crime — and for those who serve time in our state correctional institutions, the Department of Corrections (DOC) works hard to help inmates rehabilitate themselves and prepare for successful reentry into society. Research shows that when inmates have the ability to learn marketable job skills, develop financial responsibility, and pay restitution and support their families during incarceration, recidivism goes down. At the same time, many private companies are in need of additional workers and want to contribute to helping incarcerated individuals build skills that will let them successfully get a job and choose a different path once they finish serving their time and return to their homes and families.

The 2026-27 Budget calls for legislation establishing the Prison Industry Enhancement (PIE) program, which allows inmates to work for private industry. The program expands correctional labor opportunities for inmates by partnering with private businesses, provides a realistic work environment for inmates that better resembles private-sector jobs, and allows inmates to develop marketable skills that increase employability after release from incarceration. Meaningful employment through private sector workforce opportunities helps individuals earn higher wages — enabling many to pay restitution they couldn't afford on a lower salary or support their families at home — and supports rehabilitation efforts.

Access to health care is also critical to successful reentry and reintegration into society. In December 2024, Pennsylvania received approval from the Centers for Medicare and Medicaid Services (CMS) to provide Medicaid services to eligible citizens returning to the community from a state correctional facility. As part of the Investments in Health, also known as Keystones of Health demonstration, this budget includes **\$900,000** to provide Medicaid coverage for those reentering the community and funds infrastructure changes necessary to make Medicaid accessible to them 90 days prior to leaving incarceration. Ensuring 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. This is a critical opportunity to build an infrastructure that will support returning citizens and set them up for long-term success. By making this investment, we can reduce recidivism, help returning citizens succeed in their new lives, and ultimately avoid future costs to the Commonwealth from repeat offenders and uncompensated emergency care.



## Addressing Social Determinants of Health Amid Federal Changes

H.R. 1 also included provisions that require anyone who receives SNAP and Medicaid to meet new work or volunteer requirements. DHS has already taken action to help Pennsylvanians prepare for and understand these changes through mailers, texts, and emails. That direct outreach explained what they must do to keep their benefits. DHS will continue to work with the General Assembly so those who need and qualify for benefits will still receive them.

To further communicate with the public, DHS launched a new website in August 2025, [www.dhs.pa.gov/work](http://www.dhs.pa.gov/work), detailing the changes to SNAP work and reporting requirements. The website provides details on who is affected, how to meet the work and reporting requirements, and which SNAP recipients may qualify for an exemption and how to obtain one. DHS also launched the Human Services Helpers program, which sends regular updates and resources via newsletter to help Pennsylvanians navigate the impacts. DHS is encouraging recipients, providers, stakeholders, and more to sign up to receive this information so they can learn more about the expanded work requirements and find resources to help spread the word to their communities.

This budget includes **\$900,000** to implement the food and nutrition program initiatives approved in the Keystones of Health demonstration waiver to implement DHS' Food is Medicine proposal. Addressing social needs such as food insecurity not only improves individuals' diets but also has been shown to reduce hospital admissions by half for individuals with chronic conditions — averting the significant costs of emergency medical care. This proposal provides food and nutrition services to specific Medicaid populations facing food insecurity and individuals with diet-sensitive conditions to enable them to better manage chronic conditions, stay healthier longer, and preempt the need for Medicaid to pay for preventable, expensive acute or emergency health care. Services include direct food support through medically-tailored meals or groceries with the goal of connecting eligible beneficiaries to long-term food assistance.

Changes in the economy, the federal landscape, and inflation continue to hurt the most vulnerable Pennsylvanians disproportionately. The budget also includes **\$1 million** to implement DHS' housing proposal within the Keystones of Health demonstration. Individuals experiencing homelessness are often faced with chronic health conditions, impacting both mental and physical well-being. Stable housing can serve as a bridge for homeless adults with chronic illnesses and lead to a nearly 30 percent reduction in hospital stays. This initiative focuses on increasing services that connect medically compromised individuals with stable housing in order to make it easier to find and use the health care system — keeping people healthier and reducing the substantial cost of uncompensated care during hospital stays.

By supporting the most vulnerable members of our Commonwealth and connecting them with food, medicine, and housing, this budget seeks to expand the workforce and ensure that those who are working can continue to work and contribute to our economy.

## Enacting a Pennsylvania False Claims Act

At the same time that the Shapiro Administration is leading to ensure Medicaid services make the biggest difference possible for Pennsylvanians, the Administration has also taken the lead to prevent fraud and ensure the benefits it administers get to eligible Pennsylvanians. In fact, Pennsylvania — thanks to the work of DHS and the Office of State Inspector General (OSIG) — was ranked number one nationally in the number of Medicaid fraud charges filed against bad actors, and third overall in convictions secured. The 2026-27 proposed budget continues this fiscally responsible work by adding additional safeguards to protect against and to prosecute waste, fraud, and abuse in the Medicaid program, ensuring the resources are available to those who need them. By enacting the False Claims Act, Pennsylvania will add another tool to ensure sound fiscal responsibility over taxpayer dollars, resulting in Pennsylvania's access to a larger share of federal false claims lawsuits. Taking this action will remove a barrier to recovering tax dollars and investigating fraud to bring Pennsylvania in line with other states throughout the country.

## Building the Rural Health Care Workforce

Pennsylvania's Rural Health Transformation Plan (RHTP) is the result of more than two years of collaboration, conversation, and planning to design strategies to improve health and strengthen access to care in rural Pennsylvania. The plan is driven by the leaders who come from and are invested in these communities, their residents, and their future. The federal Centers for Medicare & Medicaid Services has awarded the Commonwealth **\$193 million** in federal funding for the first year of its approved five-year RHTP. This funding will be a catalyst for locally-driven initiatives and solutions, focusing on sustainable innovations that will strengthen rural Pennsylvania and make high-quality health care accessible throughout our Commonwealth.

The RHTP funds will build on the Shapiro Administration's efforts to help foster innovation and improve access to quality health care in rural communities — the very regions that will be most impacted by federal cuts to Pennsylvania's Medicaid program. However, changes required under H.R.1 are projected to remove \$20 billion in federal funding from our Medicaid program over 10 years beginning in 2028. The RHTP funding will not — and cannot — offset this loss. Based on the initial award, Pennsylvania could receive nearly \$1 billion in RHTP funds over the next five years. This funding is renewable each year, with the opportunity to secure additional redistributed funding based on program performance and spending.

Pennsylvania's plan focuses on investments that create lasting health care infrastructure, forge strategic partnerships, and build out the health care workforce. The Shapiro Administration will work with established regional economic development entities to convene Regional Care Collaboratives, which will guide RHTP projects and funding for their regions. As these entities work together, the Shapiro Administration will use initial funding to establish Rapid Response Access Stabilization programs to support work already happening in our local communities.

The Commonwealth's RHTP initiatives are focused on:

- **Technology and Infrastructure**, including the use of consumer-facing applications that support easy access to primary and specialty care.
- **Workforce**, including supporting incentives like upfront scholarships, mentoring, short-term housing, and stipends based on a five-year commitment to service in rural communities.
- **Maternal Health Services** to provide comprehensive care management and navigation between prenatal and postpartum care, behavioral health, and other services to support safe and healthy pregnancies and parenting.
- **Behavioral Health Services** like expanding 988 services and continuing public education on crisis response services.
- **Aging and Access** to facilitate safe transitions from hospitalization to care at home and support quality of care in rural long-term care facilities.
- **EMS and Transportation** to modernize rural EMS infrastructure to improve efficiency and sustainability.

Taken together, these initiatives will help recruit, retain, and train the next generation of rural health care workers — addressing one of the biggest challenges facing rural health care providers and helping ensure that every Pennsylvania, no matter where they live, has access to affordable health care.

## Supporting Law Enforcement, Reducing Crime, and Making Our Communities Safer

Governor Shapiro believes Pennsylvanians deserve to be safe and feel safe in their communities — that means living in a community free from the violence that too many experience and having a criminal justice system that enforces the laws in a fair and consistent manner.

Since Governor Shapiro took office, violent crime is down across much of Pennsylvania. According to Uniform Crime Reporting (UCR) data, homicides have declined by 35 percent since 2022, crimes involving a firearm have declined by 40 percent, and assaults are down 26 percent. Working together with law enforcement to achieve that success, the Shapiro Administration has made meaningful investments in violence prevention efforts — programs that are proven to work.

This budget continues the Governor's work to improve public safety and includes new initiatives that will make Pennsylvania's communities safer and ensure our state police, first responders, and firefighters have the tools and personnel they need to succeed.

## Protecting Pennsylvanians from Chaos and Confusion at the Federal Level

At a time when the federal government is causing chaos, uncertainty, and unpredictability in communities across the Commonwealth, the Shapiro Administration has repeatedly taken action to support and protect Pennsylvanians from harm. When funding for the Supplemental Nutrition Assistance Program (SNAP) lapsed, the Commonwealth declared a state-level disaster and delivered \$5 million in state funding to ensure food banks had additional resources to feed those impacted by the lapse in food benefits. The Governor also took the federal government to court to put essential money for groceries back in Pennsylvanians' pockets.

When the federal government arbitrarily cut funds legally owed to Pennsylvanians, Governor Shapiro took legal action to ensure that critical federally funded programs are not unjustly taken away. Since the beginning of the current federal administration, the Shapiro Administration has sued 19 times, winning 12 times to protect these critical programs, returning more than \$3 billion to the Commonwealth. Governor Shapiro has also repeatedly gone to court to protect Pennsylvanians' private, personal information from federal overreach.

However, it's become increasingly clear that legal action alone is not enough to protect Pennsylvanians from chaos at the federal level. The Commonwealth requires dedicated resources at the ready to respond to federal efforts to unlawfully cut funding, infringe on Pennsylvanians' fundamental rights, break the contracts they've signed with the good people of Pennsylvania, and strip away essential services families rely on to get by.

Therefore, this budget proposes transferring **\$100 million** from the Budget Stabilization Reserve Fund to a new Federal Response Fund. This will allow the Commonwealth to be prepared to mitigate actions, or inactions, by the federal government that cause disruptions to critical services or create situations that threaten the health, safety, and welfare of Pennsylvanians.

### **Increasing Resources for First Responders and Increasing the Number of Cops on the Beat**

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 provides primary police coverage or routinely aids municipal law enforcement agencies that are understaffed or need additional support. Over the last three years, the Administration has bolstered public safety by securing funding for 12 new cadet classes to train over 1,000 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 **\$16.2 million** for four additional cadet classes and calls for the complete elimination of the current statutory cap which limits the number of troopers. 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 2026-27, this funding will allow for the training of 380 new state troopers to provide critical policing services to Pennsylvanians. This budget also continues to invest 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.

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 through the Pennsylvania Emergency Management Agency (PEMA) for a variety of vital uses, including recruitment, retention, capital, and general operating needs — doubling the funding available to our fire service each year.

The Pennsylvania Capitol Complex and Commonwealth-owned facilities serve as the front door for countless public services. These facilities are intended to be a safe space for community members who visit them seeking aid or resources, a secure location for government elected and state officials, as well as for sensitive records and other materials. With ever-increasing threats against public officials and employees, the security of these locations is paramount. This budget proposes **\$550,000** to consolidate all security contracts for the Capitol Complex under one managed contract, which will help streamline security services, keep people safe in state facilities, and save taxpayer dollars.

Currently, if a state emergency is declared and first responders are called to duty, they are not provided death or worker's compensation benefits from the Commonwealth. This budget proposes to make any first responder acting in accordance with a Governor's Emergency Declaration to be eligible for death and worker's compensation benefits while responding to a disaster.

## Investing in Proven Community Violence Prevention Programs to Further Reduce Gun Violence

Over the past three years, 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 2026-27 budget continues to make investments in the community organizations doing critical violence prevention work, including a total investment of \$68.3 million — a **\$5.2 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 and championed by Lieutenant Governor Austin Davis, provides funding for after-school programs to help keep kids safe and provide enrichment opportunities to address the root causes of violence. Research shows that providing youth with after-school and out-of-school programming reduces crime and creates positive outcomes for kids. This budget proposes to increase funding by an additional **\$1 million** — for a total investment of \$12.5 million.

## Compensating Victims of 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. Each year, VCAP receives thousands of claims for eligible expenses, including medical and counseling expenses, loss of earnings, loss of support, stolen cash, relocation, funeral costs, crime scene cleanup, and more. From 2023 through March of 2025, PCCD has paid more than 16,000 VCAP claims totaling \$29 million in eligible expenses for residents across all 67 Pennsylvania counties. However, these programs are unable to meet the current demand. The 2024-25 budget as well as the 2025-26 budget each provided a one-time solution by transferring non-recurring existing resources to stabilize the programming and provide flexible use of existing funds to help cover the shortfall. But without a stable, long-term state funding source, PCCD's ability to serve victims is at risk. This budget proposes to increase current funding by \$58 million — roughly 50 percent — providing more resources for services for those who have been abused.

## 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. 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.

## Protecting our Children through Child Welfare Enhancements

Too many families raising children with complex health needs navigate fragmented systems to access care. The 2026-27 Budget advances a whole-of-government approach that brings state, county, and local partners together to ensure there is no wrong door for families seeking support. Building on Pennsylvania's Complex Behavioral Health Needs Blueprint, this effort strengthens county-level coordination across mental health, child welfare, education, and related services. By improving how government works together, the Shapiro Administration is aiming to reduce burdens on families and help individuals with complex needs receive timely, coordinated care.

We all share the responsibility of protecting children in our communities from abuse and neglect. DHS administers ChildLine, which is a 24/7 hotline available to anyone concerned about the safety or well-being of a child. Anyone can make a report to ChildLine, and anyone who is not a mandated reporter can make a report to ChildLine anonymously. ChildLine caseworkers are highly trained and work to collect all helpful information from anyone reporting a concern for a child's well-being, to properly refer reports to the appropriate investigating agencies. This work can be emotionally and mentally taxing, especially as call volumes increase and the need for more staff increases.

Recruiting, training, and retaining ChildLine workers who serve and protect Pennsylvania kids has been a challenge. This budget proposes **\$658,000** to increase call-taker staffing and provide more training to all workers — which will allow caseworkers more time and resources to effectively triage calls before referring them to the counties or appropriate agency — and the Governor is calling on the General Assembly to work with the Shapiro Administration on an effort to enhance ChildLine.



## Protecting our Aging Population through Investment and Reforms

This budget includes a **\$3 million** investment in the Aging Our Way, PA strategy to focus on modernizing the PA Link. 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 by providing coordinated access to resources, unbiased guidance, and assistance in navigating both public and private programs. PA Link facilitates collaboration among the Area Agencies on Aging (AAAs), Centers for Independent Living (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.

In May 2023, Governor Shapiro issued an Executive Order charging the Department of Aging (PDA) to develop a strategy to better serve Pennsylvania's 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. Launched in 2024, one of the first tools developed under Aging Our Way, PA was the PA CareKit, a statewide collection of tools, information, and support to assist caregivers in planning for and adapting to caring for their loved ones. As a result of the Department's work to serve older adults, Pennsylvania was designated an Age-Friendly state by the AARP in May 2025. This budget continues to give the Commonwealth resources to execute the Aging Our Way, PA plan.

In the 2025-26 enacted budget, PDA secured \$2 million to increase and improve oversight of AAAs by launching the Comprehensive Agency Performance Evaluation, or CAPE. CAPE is an innovative tool designed to boost transparency and accountability of the AAA network that provides a host of services to older adults — including the ability to see a report card for each AAA online. In April 2025, the Department began publicly posting performance results on its website for AAAs as they began being monitored under CAPE. Additional AAA performance results are being added regularly, and all AAAs will complete their first round of CAPE monitoring by the summer of 2026. This reporting enables the public to be able to see for the first time how well their local AAA is performing in major program areas, such as investigative activities related to suspected elder abuse and helping older adults at home with tasks of daily living. This budget invests another **\$2 million** to support PDA in this work. These efforts will not only help PDA identify and address 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 better serve older adults.

This budget also recommends two initiatives to expand data collection and monitor programs to ensure they are most effectively serving Pennsylvanians. The budget proposal includes **\$850,000** to expand evaluation and technical assistance to the AAA network for CAPE assessments and ongoing monitoring. Additionally, this budget includes **\$150,000** to modernize data collection and program performance, specifically in systems improvements for information being reported from the AAAs to PDA and to continuously improve access to the information publicly.

Finally, enacted in 1987, Pennsylvania's Older Adult Protective Services Act (OAPSA) has not kept pace with the realities facing older adults today, despite growing need for greater protections. Allegations of abuse received by the AAAs increased 62 percent over the past five years, reaching 58,614 in 2023-24, with more than 41,000 investigations conducted and over 14,300 cases substantiated. This includes more than 1,000 mandatory reports involving serious injury, sexual abuse, or death. Financial exploitation is now one of the most prevalent forms of abuse perpetrated on older adults — but it isn't covered under OAPSA. OAPSA must be modernized to reflect today's threats, long-term care settings, workforce challenges, and risks to older adults. Led by the Department of Aging, in collaboration with the Department of Human Services, this budget proposes changes to OAPSA to strengthen protections in numerous ways, including expanding background check requirements for caregivers; creating a waiver process for determining employment eligibility; updating outdated lists of criminal offenses; and expanding mandatory reporting practices. For the first time, the law will outline clear, prescriptive provisions defining and combatting financial exploitation by recognizing the responsibility of financial institutions to protect older adults from fraud and expand reporting duties and civil immunity for law enforcement and financial professionals. Governor Shapiro's proposal also creates older adult fatality review teams to identify gaps in the system in the event that abuse results in death. The OAPSA proposal aligns Pennsylvania law with adjacent Adult Protective Services standards and federal rules. Together, these reforms will wholly improve OAPSA and ensure it is effective in safeguarding and protecting Pennsylvania's older adults.

## Providing the Mental and Behavioral Health Support People Need, When They Need It

Pennsylvania has an integrated crisis system to provide rapid access to support and treatment for anyone suffering from a mental health or substance use crisis anywhere in the Commonwealth through a three-pronged approach of: someone to call (988), someone to respond (mobile crisis), and somewhere to go (crisis stabilization centers). This budget proposes investments that will enable Pennsylvania to enhance its crisis intervention services, expand mental health resources, and ensure competent and resilient 24/7 staffing is maintained across mental health resources.

The federally-designated 3-digit dialing code, 988, is the mental health crisis and suicide prevention hotline. There are fourteen 988 call centers in Pennsylvania, and we need to dedicate additional resources to these call centers in order to establish and sustain a dedicated crisis response system for behavioral health emergencies and meet the needs of our residents. To that end, the proposed budget includes **\$10 million** to build capacity for 988 crisis hotline operations. Additionally, this budget increases resources for 211 Communication Services by an additional **\$250,000**, ensuring resources are available when individuals encounter a moment of crisis.

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 service providers enhances the effectiveness of walk-in crisis centers. This budget includes **\$5 million** to maintain mental health crisis stabilization centers, with a focus on geographic areas of the Commonwealth that have limited access to these on-the-spot resources.

The 2026-27 Budget also includes **\$3.2 million** for Community Hospital Integration Projects Program (CHIPP) discharges to reduce state hospital stays. This integration program supports the discharges of 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 successfully be transitioned out of the institutional setting and into the community. CHIPP helps to allocate funds to community service providers 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 40 individuals in state hospitals transitioning to community-based supports.

In behavioral health care, finding the right kind of health care provider matters. People often need a clinician who understands their background, speaks their language, or has experience with a specific condition. That provider is not always available within their insurance network. When this happens, people are forced to seek care out of their network or pay out of pocket, even when they have coverage. Creating a streamlined pathway for clinicians to join insurance networks ensures patients are not forced to choose between affordability and their preferred provider. This proposal allows qualified behavioral health providers who are willing to participate to join insurance networks, reduce wait times, give patients greater freedom to choose clinicians that best fit their needs and make it easier for Pennsylvanians to get timely, effective behavioral health care.

This budget proposal also advances commonsense consumer protection efforts to help lower health care costs. Specifically, this budget calls for legislation ensuring that direct payments for medication count toward Pennsylvanians' annual out-of-pocket maximum for their health insurance. Today, families who shop for more affordable medications can be penalized by insurance rules that ignore what they have already paid. This proposal fixes that disconnect by aligning insurance practices to protect patients from paying twice for the same care, encouraging price-conscious decision making, and improving transparency in the prescription drug market. Additionally, this budget also calls for legislation to ensure that Pennsylvanians can easily access any behavioral health provider who is willing to serve their needs, even those who are out of network. By making insurance rules fairer and more predictable, this reform supports the Governor's commitment to affordability and accountability in health care and delivers on the Governor's promise to put money back into the pockets of Pennsylvanians.

## Prioritizing Maternal Health to Reduce Maternal Mortality

Peri-partum depression (PPD), also referred to as 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 by securing the first-ever investment to expand maternal health programming and implement prevention strategies to reduce maternal mortality and morbidity across the Commonwealth.

Last year, the Department of Health was tasked with expanding screening efforts, ensuring timely and equitable interventions for mothers in need of help, and working to break the stigma surrounding PPD. Implementing universal PPD screenings and improving referrals to care and resources will provide support to the roughly one in seven moms who experience depression during or within one year of their pregnancy. Every mother should feel supported and empowered, not isolated or overwhelmed. With these continued investments, Pennsylvania can be a place where no mother has to face peri-partum depression alone, and every family can thrive.

At the same time, the Shapiro Administration is taking steps to keep our kids safe and prevent infant and child fatalities. Pennsylvania's Child Death Review (CDR) Program is a statutorily mandated, county-based model that has been under-resourced since its inception. Approximately half of local CDR teams do not meet the requirements of Act 87 of 2008, and many of those that do lack sufficient capacity, infrastructure, and technical support to conduct high-quality reviews. The 2026-27 Budget invests **\$2.5 million** to enhance state-level capacity by providing training and technical assistance to all 67 counties, supporting child death reviews and data entry, and building a statewide prevention infrastructure to keep kids safe.

### **Creating Safeguards and Protections for AI Use**

As artificial intelligence (AI) increasingly integrates into Pennsylvanians' daily lives, there is a growing need for clear, coordinated guidance to protect kids and vulnerable people from abuse and exploitation. Across the country and in our Commonwealth, young people are turning to AI companions and chatbots as sources of advice, validation, and connection. These tools can encourage unhealthy dependence, expose young people to inappropriate and harmful content, and weaken important life skills like critical thinking, creativity, and communication. At the same time, individuals with disabilities, older adults, and financially vulnerable Pennsylvanians face increased exposure to AI-driven scams, misinformation, and exploitation.

Governor Shapiro believes the Commonwealth has a responsibility to protect Pennsylvanians from those who seek to take advantage of them. He has directed agencies under his jurisdiction to develop clear, cross-agency guidance spanning public health, education, aging, disability services, licensing, and financial regulation to set guardrails, reinforce human judgment, and expand digital and AI literacy for students, parents, caregivers, and professionals. This proactive guidance is essential to ensuring that AI innovation advances the public good without compromising Pennsylvanians' safety, dignity, or privacy. In addition to taking direct action, the Governor is also calling for legislation that holds these AI companies accountable and protect children in Pennsylvania by establishing guardrails for AI and social media companies that directly engage with minors.

Furthermore, companies are increasingly offering chatbots that imitate licensed professionals, such as therapists or medical providers, which poses real risks to Pennsylvanians who might inadvertently rely on inaccurate or harmful counsel or medical advice. In this budget, Governor Shapiro is directing the Department of State, through its bureaus of prosecution and enforcement, to proactively ensure that Pennsylvania's licensure laws keep pace with AI in order to protect the health and safety of Pennsylvanians.

### **Making Life More Affordable for Pennsylvanians by Cutting Taxes, Lowering Energy Costs, and Investing in Critical Infrastructure**

From day one, Governor Shapiro has made cutting taxes and lowering costs for Pennsylvanians a top priority. The Governor has cut taxes seven times since taking office — putting money back in the pockets of seniors, families, and businesses and delivering real economic relief for Pennsylvanians at a time when federal economic policies have injected chaos into the economy and made everyday essentials more expensive.

At the same time, Governor Shapiro has been fighting to keep energy prices down over the past three years, sounding the alarm on PJM Interconnection's broken market rules and taking action to prevent rising energy costs from being passed onto consumers. Governor Shapiro sued PJM and secured a cap on energy auction prices that has saved consumers across the PJM grid \$18 billion so far, and he has advocated forcefully for reforms that would protect families and businesses while supporting a more reliable and modern energy grid.

To build on that progress and keep more dollars in Pennsylvanians' pockets, the 2026-27 Budget calls for making strategic investments to lower costs, continuing seven tax cuts secured by the Shapiro Administration, and increasing access to affordable housing, energy, and more. These investments will strengthen Pennsylvania communities, expand the critical infrastructure that makes them great places to live, and lay the foundation for continued economic growth.

## **Cutting Taxes to Keep Money in the Pockets of Pennsylvanians**

Working families are doing everything they can to make ends meet. Many are dual-income households earning modest wages, juggling rent or mortgage payments, child care, health care and everyday essentials. To help families address those costs, the 2025-26 Budget created the Working Pennsylvanians Tax Credit. Nearly one million working Pennsylvanians will benefit from this state-level tax credit on their Personal Income Taxes, delivering \$193 million in tax relief for Pennsylvanians in its first year. Any Pennsylvania household that qualifies for the federal Earned Income Tax Credit (EITC) qualifies for the Working Pennsylvanians Tax Credit, which is 10 percent of the federal EITC amount that household receives. That amount could range from \$400 to more than \$1,000 depending on family size and income. For every dollar returned to families through this new state tax credit, Pennsylvania will receive \$4 back in economic growth. This budget continues to deliver the WPTC for working families.

## **Leading the Way on Reliable, Affordable Energy**

Rising energy costs are straining Pennsylvania's household budgets and constraining economic growth. In 2024, one in four Pennsylvania households reported difficulty paying their energy bill. Average residential electricity prices in Pennsylvania grew over 10 percent compared to the prior year, according to recent data from the Energy Information Administration, and are projected to continue to grow faster than inflation and wages in 2026.

The reliability and affordability of energy drives broader economic growth through business location decisions. According to Site Selection Magazine, availability, cost, and reliability of utilities is the #1 selection criteria identified by site selectors when choosing where to locate a business.

For the past three years, Governor Shapiro has fought to prevent price hikes and stand up for Pennsylvanians. His actions have saved 67 million people across the PJM grid over \$18 billion. This work continues as the Governor leads a bipartisan group of governors and the federal government to advance additional reforms and extend the current price cap, which is expected to save consumers \$27 billion across the PJM service territory.

To further protect consumers and bring more affordable power online, this budget advances Governor Shapiro's nation-leading energy affordability agenda. This includes the Governor's Lightning Plan, which represents the largest update to Pennsylvania's energy policies in a generation. It also includes consumer-focused legislation, including a renewal of the Chapter 14 consumer protections that the legislature allowed to lapse in 2024. These measures will prevent customers from having their lights turned off without warning and will increase the utility protections afforded to ill and infirm Pennsylvanians. It also includes proposals to increase transparency within PJM and to speed up the connection of new generating resources to our shared grid in order to lower costs for all.

This budget also includes new opportunities and expectations for some of the most advanced computational centers in the world — establishing new standards for responsible data center development and unlocking new avenues for state support of these projects. To implement Governor Shapiro's principles for responsible AI development, this budget introduces the concept of allowing data centers seeking to locate in the Commonwealth the ability to unlock increasing levels of state support by undertaking commonsense, transparent measures to protect and support their local energy grid, environment, and community.

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 2026-27 Budget again 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**, allowing recipients to utilize up to \$100 million per year tax credit per facility for three years, focusing especially on bringing new, reliable energy sources onto the grid.
- Updating the **Semiconductor Manufacturing Tax Credit Program** by reducing investment requirement from \$200 million to \$150 million and lowering the permanent jobs requirement from 800 to 100.
- Restructuring the **Pennsylvania Milk Processing Tax Credit Program** by providing 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.
- Updating the **Regional Clean Hydrogen Tax Credit Program** by allowing up to seven regionally dispersed qualified taxpayers to claim up to \$7 million per year and lower thresholds to qualify.
- Improving **Sustainable Aviation Fuel**, allowing recipients to 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).

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.

## Building More Safe, Stable, and Affordable Housing

Every Pennsylvanian deserves the dignity and security that comes with safe, stable, and affordable housing. Access to housing is the foundation for economic opportunity. It attracts new people to live and work in the Commonwealth and creates a stable launching point for residents to grow their families and expand their businesses. Housing costs continue to rise at a rate faster than inflation, and for many Pennsylvanians, the opportunity to buy a home is slipping out of reach. Over 1 million households in Pennsylvania are spending more than 30 percent of their income for housing, and more than 50 percent of the state's housing stock is over 50 years old, making it increasingly costly to maintain. Pennsylvanians need commonsense solutions and a comprehensive plan to expand housing access and opportunity and increase and preserve the existing housing supply.

We've already made progress. Since taking office, the Shapiro Administration has significantly expanded the Pennsylvania Housing Affordability and Enhancement Fund (PHARE) fund for building and repairing affordable homes — since 2023, Pennsylvania has funded over 1,000 projects to build or repair more than 8,200 housing units, launched a statewide Right-to-Counsel initiative, and piloted Pennsylvania's first middle market housing development program. Additionally, in 2024, Governor Shapiro signed an executive order directing his Administration to create Pennsylvania's first comprehensive Housing Action Plan to address the state's housing shortage, reduce homelessness, and expand affordable housing options — ensuring Pennsylvanians have access to safe, stable, and attainable housing and attracting more people to live in the Commonwealth. This budget includes several investments and initiatives that will allow Pennsylvania to continue to build on this progress.

Nearly one-third of Pennsylvania households rent their homes, making it essential to safeguard renters from unfair treatment, predatory practices, and excessive fees that create barriers to safe, affordable housing. Ensuring that all Pennsylvanians can obtain and maintain stable housing is a top priority and to advance this goal, the Governor is calling for several commonsense legislative reforms. First, establish a statewide cap on rental application fees, limiting them to the actual cost of screening, and prohibiting landlords from charging fees before a prospective tenant can view a property. Second, pass legislation affirming a tenant's right to terminate a lease due to domestic violence, allowing victims to escape life threatening, abusive situations protected from the financial penalties associated with breaking a lease. These penalties provide one more barrier to establishing independence and breaking free from abusers. They should not be considered as victims look to transition from crisis. Third, seal eviction records for people who were not actually evicted. Eviction records can prevent vulnerable Pennsylvanians from securing housing or employment — this will help increase housing security and improve access to affordable housing and employment opportunities. And fourth, enact fair chance housing reform by limiting when and how landlords may consider criminal history and prevent denials based solely on old or non-violent criminal convictions.

Manufactured housing is one of Pennsylvania's most significant sources of affordable homeownership, yet many residents are facing rising costs as new investors — often out-of-state private equity owners — purchase manufactured housing communities. Most homeowners rent the land beneath their homes and increasing lot rents can put families in a difficult position, with few options other than paying higher fees or relocating — also a costly endeavor. To support manufactured homeowners, this budget calls for legislation limiting annual lot rent increases for manufactured home communities to protect residents from sudden hikes and require advance notice of any future lot rent increases.

This budget also calls for legislative solutions to prevent tangled titles, a situation where a property's legal title is uncertain or disputed, typically because the person living in and caring for the home is not on the deed even though they may believe they own the property. Tangled titles not only jeopardize housing stability; they hinder an inhabitant's ability to access home equity loans or programs for housing repairs. Furthermore, they prevent Pennsylvanians from accessing and building generational wealth and serve as a major contributor to blight in Pennsylvania communities. To prevent heirs' properties from becoming tangled and to address tangled titles where they currently exist, the Governor is calling for legislation to authorize transfer-on-death deeds for primary residences, providing a streamlined process for homeowners to designate who will inherit their primary residence and thereby avoid the complexities and costs of probate.

Currently, responsibility for housing policy, programs, and regulatory functions is spread across various Commonwealth agencies. DCED and the Pennsylvania Housing Finance Agency (PHFA) administer programs that support housing finance and construction. DCED and DHS oversee and support many of the Commonwealth's homelessness response programs and rapid rehousing initiatives. Other agencies share or oversee various programs, functions, and responsibilities related to housing for specific constituencies. As the Commonwealth continues to prioritize housing outcomes, it must create systems which allow for cohesive, impactful housing policies, programs, and regulations to be implemented. To accomplish this, this budget calls for appointing a Deputy Secretary for Housing at DCED who will coordinate and oversee housing priorities for the Administration, including the implementation of Pennsylvania's Housing Action Plan. This new division at DCED would be tasked with creating a digital one-stop shop for housing and developing a library of model land use ordinances and best practices for local communities to use and learn from.

To further support Commonwealth-wide housing priorities and goals, this budget also calls for modernizing the Municipalities Planning Code (MPC). Recognizing the need to reduce regulatory challenges to residential development and improve local permitting and land use processes, the Commonwealth will work with municipal officials, planners, developers, and policy experts to modernize the Municipalities Planning Code and incentivize county and regional planning to address the diverse housing needs of our state.

### **Investing in Critical Infrastructure to Strengthen Communities Across the Commonwealth**

The 2026-27 Budget proposes new and expanded investments to continue to build critical infrastructure to power economic growth and make Pennsylvania an attractive place to live, work, and raise a family. This includes the establishment of the **Pennsylvania Program for Critical Infrastructure Investment** to invest billions into infrastructure projects across energy, housing, and school districts and local governments. The program would be established through the sale of general obligation bonds with proceeds placed in the Capital Facilities Fund to unleash economic development through large critical infrastructure projects across the Commonwealth.

This new initiative would be used to fund large critical infrastructure projects, including bringing more energy generation onto the grid; building, preserving, or remediating housing; and upgrading school or municipal facilities.

There are a few critical assets that unlock growth across all five priority sectors identified in the Economic Development Strategy. These critical assets include affordable energy and reliable access to utilities, the ability to attract and retain skilled workers, and a local and state regulatory environment that moves at the speed of business. This infrastructure is the connective tissue that influences workforce and business location decisions. To compete and win for the next generation, Pennsylvania needs a flexible funding source for these priority projects. This program provides funding for transformative local projects in the areas of energy, housing, local school buildings, and municipal facilities that unlock economic development opportunities for communities across Pennsylvania.

These investments will build capacity for communities across Pennsylvania to be more attractive to workers, responsive to economic development opportunities, and to maintain and expand the critical infrastructure that makes their communities a great place to call home.

## Department Funding Summary

(Dollar Amounts in Thousands)

	General Fund	Motor License Fund	Lottery Fund	Federal Funds	Augment- ations	Restricted	Other Funds
Governor's Office .....	\$ 12,104	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Lieutenant Governor .....	1,933	-	-	-	-	-	-
Executive Offices .....	209,375	-	-	28,645	627,957	58,264	-
Commission on Crime and Delinquency .....	187,218	-	-	161,664	3,490	36,406	131,502
Attorney General .....	171,509	-	-	22,965	540	66,010	1,826
Auditor General .....	47,613	-	-	-	14,627	-	459,504
Treasury .....	1,541,898	89,610	-	-	8,530	72,993	9,567
Aging .....	-	-	505,245	118,448	649	-	5,568
Agriculture .....	249,945	33,908	-	103,324	2,933	59,645	194,750
Banking and Securities .....	-	-	-	-	-	9,247	31,250
Community and Economic Development .....	277,819	-	-	1,611,500	7,915	61,698	83,665
Conservation and Natural Resources .....	182,834	7,000	-	132,906	69,281	33,098	240,119
Corrections .....	3,378,726	-	-	18,176	5,548	254	106,564
Drug and Alcohol Programs .....	48,347	-	-	232,444	-	23,132	26,428
Education .....	20,649,586	-	-	4,167,017	10,061	7,929	1,094,046
Higher Education Assistance Agency .....	614,825	-	-	-	15,500	-	2,558
Emergency Management Agency .....	40,977	-	-	332,020	1,431	10,325	463,079
Environmental Protection .....	294,067	-	-	3,355,273	20,677	154,085	238,519
Ethics Commission .....	4,118	-	-	-	-	-	-
Fish and Boat Commission .....	-	-	-	-	-	-	103,407
Game Commission .....	-	-	-	-	-	-	279,476
Gaming Control Board .....	-	-	-	-	-	-	84,422
General Services .....	179,998	9,000	-	-	82,528	2,400	-
Health .....	260,282	-	-	630,013	5,535	118,872	125,971
Health Care Cost Containment Council .....	4,934	-	-	-	1,550	-	-
Historical and Museum Commission .....	26,508	-	-	9,758	1,056	80	22,595
Human Services .....	21,940,867	-	444,000	39,702,461	4,716,639	30,730	406,686
Infrastructure Investment Authority .....	-	-	-	-	-	-	2,686,392
Insurance .....	-	-	-	-	-	-	675,386
Health Insurance Exchange Authority .....	-	-	-	-	-	-	124,503
Labor and Industry .....	103,299	-	-	501,693	13,580	2,275	949,289
Liquor Control Board .....	-	-	-	-	-	-	2,463,766
Military and Veterans Affairs .....	205,269	-	-	362,292	28,915	351	5,770
Milk Board .....	-	-	-	-	-	-	2,947
Public School Employees' Retirement System ..	-	-	-	-	-	-	106,107
Public Utility Commission .....	-	-	-	5,383	1,300	98,102	293,166
Revenue .....	232,089	45,480	1,184,234	250	7,462	1,500	68,704
State .....	44,434	-	-	5,300	-	96,021	150
State Employees' Retirement System .....	-	-	-	-	-	-	58,212
State Police .....	1,355,955	250,000	-	68,709	132,388	20,250	89,903
Transportation .....	3,309	2,767,902	170,907	3,308,718	119,491	2,103,900	2,922,429
Judiciary .....	500,155	-	-	2,700	-	46,181	-
Legislature .....	413,517	-	-	-	-	-	-
Government Support Agencies .....	78,536	-	-	-	-	-	-
Commonwealth Totals .....	<u>\$53,262,046</u>	<u>\$ 3,202,900</u>	<u>\$ 2,304,386</u>	<u>\$54,881,659</u>	<u>\$ 5,899,583</u>	<u>\$ 3,113,748</u>	<u>\$14,558,226</u>

## Authorized Salaried Complement by Agency Full-Time Equivalent

The following is a summary, by department, of the Commonwealth's authorized complement levels on a full-time equivalent basis.

Department	2022-23 Actual	2023-24 Actual	2024-25 Actual	2025-26 Available	2026-27 Budget
Governor's Office .....	88	98	98	100	100
Lieutenant Governor .....	8	8	9	10	10
Executive Offices .....	3,322	3,403	3,422	3,469	3,477
Commission on Crime and Delinquency .....	149	149	158	161	161
Aging .....	98	102	106	116	116
Agriculture .....	646	668	671	671	671
Banking and Securities .....	218	218	218	218	218
Civil Service Commission .....	14	14	14	14	14
Community and Economic Development .....	357	379	417	424	426
Conservation and Natural Resources .....	1,382	1,420	1,439	1,450	1,454
Corrections .....	16,926	16,933	16,934	16,851	16,851
Drug and Alcohol Programs .....	102	106	122	120	120
Education .....	538	556	583	582	582
Emergency Management Agency .....	217	229	231	233	233
Environmental Hearing Board .....	12	12	12	12	12
Environmental Protection .....	2,744	2,782	2,874	2,884	2,884
Fish and Boat Commission .....	422	422	422	422	422
Game Commission .....	803	856	906	926	926
General Services .....	1,013	1,013	1,027	1,030	1,030
Health .....	1,560	1,577	1,541	1,521	1,524
Historical and Museum Commission .....	218	218	218	220	220
Human Services .....	16,094	16,124	15,266	15,349	15,371
Infrastructure Investment Authority .....	33	33	35	35	35
Insurance .....	279	287	305	318	318
Labor and Industry .....	5,161	5,164	5,193	5,190	5,190
Liquor Control Board .....	3,577	3,577	3,577	3,577	3,577
Military and Veterans Affairs .....	2,797	2,808	2,815	2,828	2,829
Milk Board .....	22	22	22	22	22
Municipal Employees' Retirement .....	50	50	50	55	55
Public School Employees' Retirement System .....	382	382	382	387	387
Public Utility Commission .....	526	526	526	537	537
Revenue .....	1,789	1,792	1,797	1,806	1,816
State .....	550	562	592	600	600
State Employees' Retirement System .....	238	240	246	248	248
State Police .....	6,507	6,607	6,625	6,625	6,625
Transportation .....	11,587	11,706	11,731	11,742	11,742
<b>TOTAL ALL DEPARTMENTS .....</b>	<b>80,429</b>	<b>81,043</b>	<b>80,584</b>	<b>80,753</b>	<b>80,803</b>

<sup>a</sup> The Executive Offices - Commission on Crime and Delinquency is shown as a separate agency for budget presentation purposes only.



## Summary of 2026-27 Complement Changes

The following is a detailed listing, by department, of the recommended authorized salaried complement changes (on a full-time equivalent basis) for 2026-27. It reflects proposed transfers, eliminations, and new positions.

Department / Fund / Appropriation	Increase/ Decrease	Comment on Complement Change
<b>EXECUTIVE OFFICES</b>		
General Fund:		
Office of the Budget .....	8	NEW: For critical infrastructure investment program.
Office of General Counsel .....	1	NEW: For coordination with the Governor's Office on energy issues.
General Fund Total	9	
Federal Fund:		
IIJA-State Cybersecurity (F).....	(1)	ELIMINATED.
DEPARTMENT TOTAL	8	
<b>AGRICULTURE</b>		
General Fund:		
Payments to Pennsylvania Fairs .....	(2)	TRANSFERRED: To PA Race Horse Development Trust Fund Payments to Pennsylvania Fairs (R).
PA Race Horse Development Trust Fund:		
Payments to Pennsylvania Fairs (R) .....	2	TRANSFERRED: From General Fund Payments to Pennsylvania Fairs.
DEPARTMENT TOTAL	-	
<b>COMMUNITY AND ECONOMIC DEVELOPMENT</b>		
General Fund:		
General Government Operations.....	2	NEW: For technical assistance for new Pennsylvania businesses.
<b>CONSERVATION AND NATURAL RESOURCES</b>		
General Fund:		
State Parks Operations.....	4	NEW: For state parks.
<b>HEALTH</b>		
General Fund:		
Health Promotion and Disease Prevention.	3	NEW: For expanding support for maternal health programs.
<b>HUMAN SERVICES</b>		
General Fund:		
General Government Operations.....	20	NEW: For ChildLine enhancements.
Federal Fund:		
Rural Health Transformation Program		
Restricted Account - Admin (F).....	2	NEW: For Rural Health Transformation Program.
DEPARTMENT TOTAL	22	

## Summary of 2026-27 Complement Changes

Department / Fund / Appropriation	Increase/ Decrease	Comment on Complement Change
<b>MILITARY AND VETERANS AFFAIRS</b>		
General Fund:		
General Government Operations.....	<u>1</u>	NEW: For emergency planning.
<b>REVENUE</b>		
Lottery Fund:		
General Operations .....	<u>10</u>	NEW: For lottery retail expansion.
<b>SCHOOL EMPLOYEES' RETIREMENT SYSTEM</b>		
School Employees' Retirement Fund:		
Administration-Public School		
Employees' Retirement Board .....	<u>2</u>	TRANSFERRED: From Investment Related Expenses.
Investment Related Expenses .....	<u>(2)</u>	TRANSFERRED: To Administration-Public Schools Employees' Retirement Board.
DEPARTMENT TOTAL	<u>-</u>	
<b>GRAND TOTAL</b>	<u><b>50</b></u>	

## Filled Salaried Complement by Agency

The following is a summary, by department, of the Commonwealth's filled salaried complement levels for departments under the Governor's jurisdiction.

Department	January 2023	January 2024	January 2025	January 2026	Difference Current - January 2023
Governor's Office.....	69	90	91	87	18
Lieutenant Governor.....	7	8	8	9	2
Executive Offices..... <sup>a</sup>	3,035	3,144	3,259	3,219	184
Commission on Crime and Delinquency..... <sup>a</sup>	120	130	139	143	23
Aging.....	92	90	100	102	10
Agriculture.....	573	599	619	620	47
Banking and Securities.....	169	174	168	169	-
Civil Service Commission.....	13	13	14	14	1
Community and Economic Development.....	307	339	369	377	70
Conservation and Natural Resources.....	1,282	1,362	1,400	1,416	134
Corrections.....	15,703	15,899	16,075	15,762	59
Drug and Alcohol Programs.....	83	92	97	102	19
Education.....	455	495	514	514	59
Emergency Management Agency.....	178	191	210	211	33
Environmental Hearing Board.....	10	10	12	12	2
Environmental Protection.....	2,419	2,563	2,642	2,644	225
Fish and Boat Commission.....	363	370	373	378	15
Game Commission.....	712	738	827	832	120
General Services.....	807	907	932	945	138
Health.....	1,263	1,331	1,382	1,378	115
Historical and Museum Commission.....	185	196	197	199	14
Human Services.....	13,654	13,429	13,769	13,830	176
Infrastructure Investment Authority.....	31	32	32	32	1
Insurance.....	240	250	269	279	39
Labor and Industry.....	4,140	4,436	4,501	4,339	199
Liquor Control Board.....	3,236	3,271	3,351	3,346	110
Military and Veterans Affairs.....	2,342	2,348	2,419	2,460	118
Milk Board.....	16	16	18	16	-
Municipal Employees' Retirement.....	43	40	46	49	6
Public School Employees' Retirement System.....	336	349	362	350	14
Public Utility Commission.....	455	449	459	482	27
Revenue.....	1,527	1,581	1,616	1,626	99
State.....	443	488	527	558	115
State Employees' Retirement System.....	213	218	222	234	21
State Police.....	6,164	6,218	6,265	6,376	212
Transportation.....	10,822	11,099	11,418	11,520	698
<b>TOTAL ALL DEPARTMENTS.....</b>	<b>71,507</b>	<b>72,965</b>	<b>74,702</b>	<b>74,630</b>	<b>3,123</b>

<sup>a</sup> The Executive Offices - Commission on Crime and Delinquency is shown as a separate agency for budget presentation purposes only.

## Seven-Year Financial Statement

(Dollar Amounts in Thousands)

	2024-25 Actual	2025-26 Available	2026-27 Budget	2027-28 Estimated	2028-29 Estimated	2029-30 Estimated	2030-31 Estimated
<b>Beginning Balance</b> .....	\$ 6,632,089	\$ 4,155,630	\$ 628	\$ -	\$ -	\$ -	\$ -
Adjustment to Beginning Balance .....	74,000	59,250	-	-	-	-	-
Adjusted Beginning Balance .....	\$ 6,706,089	\$ 4,214,880	\$ 628	\$ -	\$ -	\$ -	\$ -
<b>Revenue:</b>							
Corporation Taxes .....	\$ 7,496,670	\$ 7,174,300	\$ 7,307,400	\$ 7,911,400	\$ 7,709,000	\$ 7,524,900	\$ 7,254,100
Consumption Taxes .....	15,904,906	16,458,500	17,088,900	17,495,200	18,154,600	18,669,100	19,159,300
Other Taxes .....	21,581,628	22,510,300	23,875,200	25,119,100	26,325,400	27,564,300	28,605,000
Nontax Revenue .....	1,425,187	1,888,700	2,559,800	3,090,800	3,060,900	3,068,800	3,081,800
Total Revenue Receipts.....	\$ 46,408,391	\$ 48,031,800	\$ 50,831,300	\$ 53,616,500	\$ 55,249,900	\$ 56,827,100	\$ 58,100,200
Refunds.....	(2,251,600)	(2,343,500)	(2,499,000)	(2,540,400)	(2,586,600)	(2,635,100)	(2,716,000)
Total Revenue.....	\$ 44,156,791	\$ 45,688,300	\$ 48,332,300	\$ 51,076,100	\$ 52,663,300	\$ 54,192,000	\$ 55,384,200
Prior Year Lapses .....	1,115,600	640,000	350,000	350,000	350,000	350,000	350,000
Funds Available .....	\$ 51,978,480	\$ 50,543,180	\$ 48,682,928	\$ 51,426,100	\$ 53,013,300	\$ 54,542,000	\$ 55,734,200
<b>Expenditures:</b>							
Appropriations.....	\$ 47,738,650	\$ 50,070,283	\$ 53,244,173	\$ 53,652,452	\$ 54,077,609	\$ 54,548,822	\$ 54,882,459
Executive Authorizations.....	84,200	81,982	17,873	17,481	19,605	19,108	19,295
Proposed Supplementals .....	-	390,287	-	-	-	-	-
Current Year Lapses.....	-	-	-	-	-	-	-
Total Expenditures .....	\$ 47,822,850	\$ 50,542,552	\$ 53,262,046	\$ 53,669,933	\$ 54,097,214	\$ 54,567,930	\$ 54,901,754
Preliminary Balance .....	\$ 4,155,630	\$ 628	\$ (4,579,118)	\$ (2,243,833)	\$ (1,083,914)	\$ (25,930)	\$ 832,446
Transfer-Budget Stabilization							
Reserve Fund .....	-	-	4,579,118	2,243,833	1,083,914	25,930	(208,112)
<b>Ending Balance</b> .....	<b>\$ 4,155,630</b>	<b>\$ 628</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 624,334</b>



## Notes on Financial Statement

(Dollar Amounts in Thousands)

## PROPOSED TAX AND REVENUE MODIFICATIONS

	2026-27 Estimated
<b>Revenues:</b>	
<b>Adult Use Cannabis Tax</b> .....	\$ 729,400
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, 2027, with initial revenues realized in 2026-27. 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; \$2.25 million to State Police for enforcement and expungement in 2026-27 (\$1.25 million thereafter); and \$1.5 million to the Department of Revenue for administration in 2026-27 (\$0.5 million thereafter). The remaining license and fee revenue is deposited in the General Fund. The 2026-27 budget includes \$36.9 million from the adult use cannabis tax; \$32.9 million from the sales and use tax on retail sales of cannabis; and \$659.6 million from license fees.	
<b>Video Gaming Terminal Tax</b> .....	\$ 765,900
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, 2026. The overall VGT tax rate remains 52 percent and will be transferred to the General Fund after fixed annual payments for a local share assessment of \$4.3 million and \$1 million to the Compulsive and Problem Gambling Treatment Fund. Estimates assume a partial year of revenue in 2026-27. The 2026-27 General Fund budget includes \$743.1 million from the transfer of tax from the Video Gaming Fund and \$22.8 million from 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.	
<b>Corporate Net Income Tax</b> .....	\$ 328,400
A modernizing of the tax system by adopting uniform filing requirements for tax years beginning after December 31, 2026.	
<b>Minimum Wage</b> .....	\$ 53,500
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, 2027. Personal income tax effect: \$30.1 million; sales and use tax effect: \$23.4 million.	
<b>Transfer to Tobacco Settlement Fund</b> .....	\$ (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.	
<b>Transfer to Environmental Stewardship Fund</b> .....	\$ (1,900)
A transfer of funds from the personal income tax to the Environmental Stewardship Fund for Growing Greener debt service payments is proposed.	
<b>Impact of Changes to Tax Credit Programs</b>	\$ 2,900
<b>TOTAL PROPOSED TAX AND REVENUE MODIFICATIONS</b> .....	<b>\$ 1,762,900</b>

**Tax Credits:****This budget proposes repurposing, reform and modification of the following tax credits:**

Education Improvement Tax Credit (EITC) - Proposed to reallocate the caps within the program to provide more tax credits to Education Improvement Organizations. The overall cap for the EITC program is proposed to remain unchanged.

Innovate in PA 2.0 - Program is proposed at \$100 million in total credits with a revenue impact of \$7.5 million in 2028-29 and \$15 million thereafter.

AdvancePA - A new, flexible tax credit is proposed to encourage employment related to economic development programs. Credits will be based on taxable wages paid. Annual cap of \$10 million with revenue impact beginning in 2030-31.

**Elimination of the following tax credits beginning in 2026-27:**

Manufacturing Tax Credit is proposed to result in a revenue increase of \$2.9 million in 2026-27.

Local Resource Manufacturing, Video Game Development, and Waterfront Development Tax Credit proposals would have revenue impact beginning in 2028-29.

**This budget proposes the following modifications in 2027-28:**

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, 2027. This would reduce the General Fund by an initial \$319.6 million beginning in 2027-28.

## Notes on Financial Statement, continued

## Notes on Financial Statement

(Dollar Amounts in Thousands)

## PROPOSED SUPPLEMENTAL APPROPRIATIONS

2025-26  
Available

## STATE SUPPLEMENTAL APPROPRIATIONS

## Education

Pupil Transportation.....	\$ 1,213
School Employees' Social Security .....	7,459
School Food Services.....	7,077
<b>Education Agency Total.....</b>	<b>\$ 15,749</b>

## Human Services

Medical Assistance-Capitation.....	\$ 111,054
Medical Assistance-Fee-for-Service .....	7,997
Payment to Federal Government-Medicare Drug Program .....	(16,711)
Medical Assistance-Workers with Disabilities.....	3,914
Children's Health Insurance Program .....	1,485
Medical Assistance-Long-Term Living.....	5,787
Medical Assistance-Community HealthChoices .....	279,812
Long-Term Care Managed Care.....	(6,988)
Intellectual Disabilities-Intermediate Care Facilities .....	(11,837)
<b>Human Services Total .....</b>	<b>\$ 374,513</b>

## Military and Veterans Affairs

Education of Veterans Children .....	\$ 25
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**TOTAL STATE SUPPLEMENTAL APPROPRIATIONS.....** **\$ 390,287**

## FEDERAL SUPPLEMENTAL APPROPRIATIONS

## Emergency Management Agency

Regional Events Security and Support.....	\$ 10,500
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## Human Services

Rural Health Transformation Program Restricted Account-Admin .....	\$ 10,000
Medical Assistance-Fee-for-Service .....	13,573
Rural Health Transformation Program Restricted Account .....	(3,500)
Medical Assistance-Long-Term Living.....	2,056
Medical Assistance-Community HealthChoices .....	105,706
<b>Human Services Total .....</b>	<b>\$ 127,835</b>

**TOTAL FEDERAL SUPPLEMENTAL APPROPRIATIONS.....** **\$ 138,335**

**TOTAL SUPPLEMENTAL APPROPRIATIONS.....** **\$ 528,622**

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.

Income and Outgo



Liquid Fuels Tax \$1,708,700

Licenses and Fees \$1,343,700

Other Nonrestricted \$91,700

<b>Income</b>	
(Dollar Amounts in Thousands)	
TOTAL INCOME	\$3,144,100
Beginning Balance	107,127
TOTAL	\$3,251,227

<b>Outgo</b>	
(Dollar Amounts in Thousands)	
TOTAL OUTGO	\$3,202,900
Ending Balance	48,327
TOTAL	\$3,251,227



Highways & Bridges \$2,041,088

State Police \$250,000

Local Subsidy \$311,937

Licensing & Safety \$283,850

Other \$256,830

Debt Service \$59,195

## Seven-Year Financial Statement

Excludes Restricted Revenue and Expenditures

(Dollar Amounts in Thousands)

	2024-25 Actual	2025-26 Available	2026-27 Budget	2027-28 Estimated	2028-29 Estimated	2029-30 Estimated	2030-31 Estimated
<b>Beginning Balance .....</b>	\$ 312,996	\$ 280,857	\$ 107,127	\$ 48,327	\$ 30,052	\$ 17,473	\$ 19,755
Adjustment to Beginning Balance .....	-	-	-	-	-	-	-
<b>Adjusted Beginning Balance .....</b>	\$ 312,996	\$ 280,857	\$ 107,127	\$ 48,327	\$ 30,052	\$ 17,473	\$ 19,755
<b>Revenue:</b>							
Liquid Fuels Taxes .....	\$ 1,714,451	\$ 1,700,800	\$ 1,708,700	\$ 1,681,500	\$ 1,669,100	\$ 1,653,400	\$ 1,636,000
Licenses and Fees .....	1,296,710	1,315,700	1,343,700	1,394,600	1,426,200	1,474,400	1,505,600
Other Nonrestricted .....	112,362	103,000	91,700	87,200	83,300	78,500	76,200
Total Revenue .....	\$ 3,123,523	\$ 3,119,500	\$ 3,144,100	\$ 3,163,300	\$ 3,178,600	\$ 3,206,300	\$ 3,217,800
Prior Year Lapses .....	97,999	80,000	-	-	-	-	-
<b>Funds Available .....</b>	\$ 3,534,518	\$ 3,480,357	\$ 3,251,227	\$ 3,211,627	\$ 3,208,652	\$ 3,223,773	\$ 3,237,555
<b>Expenditures:</b>							
Appropriations .....	\$ 2,864,646	\$ 2,942,650	\$ 2,767,120	\$ 2,749,875	\$ 2,759,679	\$ 2,772,718	\$ 2,785,750
Executive Authorizations .....	389,015	430,580	435,780	431,700	431,500	431,300	431,300
Proposed Supplementals .....	-	-	-	-	-	-	-
Current Year Lapses .....	-	-	-	-	-	-	-
Total Expenditures .....	\$ 3,253,661	\$ 3,373,230	\$ 3,202,900	\$ 3,181,575	\$ 3,191,179	\$ 3,204,018	\$ 3,217,050
<b>Ending Balance .....</b>	\$ 280,857	\$ 107,127	\$ 48,327	\$ 30,052	\$ 17,473	\$ 19,755	\$ 20,505



## Seven-Year Financial Statement

(Dollar Amounts in Thousands)

	2024-25 Actual	2025-26 Available	2026-27 Budget	2027-28 Estimated	2028-29 Estimated	2029-30 Estimated	2030-31 Estimated
<b>Beginning Balance .....</b>	\$ 318,101	\$ 107,642	\$ 145,742	\$ 61,134	\$ 35,120	\$ 43,591	\$ 43,639
Reserve from Previous Year.....	75,000	75,000	75,000	75,000	75,000	75,000	75,000
Adjusted Beginning Balance.....	\$ 393,101	\$ 182,642	\$ 220,742	\$ 136,134	\$ 110,120	\$ 118,591	\$ 118,639
<b>Revenue:</b>							
Ticket Sales .....	\$ 5,191,559	\$ 5,386,348	\$ 5,566,227	\$ 5,688,471	\$ 5,868,440	\$ 6,033,966	\$ 6,163,443
Commissions .....	(239,908)	(216,303)	(209,835)	(205,969)	(204,594)	(203,418)	(201,269)
Field Paid Prizes .....	(3,286,958)	(3,436,187)	(3,564,115)	(3,650,567)	(3,773,483)	(3,887,118)	(3,976,709)
Net Collections.....	\$ 1,664,693	\$ 1,733,858	\$ 1,792,278	\$ 1,831,935	\$ 1,890,363	\$ 1,943,430	\$ 1,985,465
Gaming Transfers for Property							
Tax Relief.....	204,000	323,700	316,500	315,500	314,700	314,100	313,600
Transfer from Medical Marijuana Program Fund.....	-	100,000	-	-	-	-	-
Transfer from iGaming LSA.....	-	91,000	91,000	91,000	91,000	91,000	91,000
Miscellaneous .....	24,549	15,000	20,000	20,000	20,000	20,000	20,000
Total Revenue .....	\$ 1,893,242	\$ 2,263,558	\$ 2,219,778	\$ 2,258,435	\$ 2,316,063	\$ 2,368,530	\$ 2,410,065
Prior Year Lapses .....	81,053	30,000	-	-	-	-	-
Funds Available .....	\$ 2,367,396	\$ 2,476,200	\$ 2,440,520	\$ 2,394,569	\$ 2,426,183	\$ 2,487,120	\$ 2,528,704
<b>Expenditures:</b>							
Appropriations.....	\$ 867,685	\$ 952,120	\$ 949,245	\$ 909,952	\$ 915,659	\$ 961,366	\$ 987,073
Executive Authorizations .....	1,317,069	1,303,338	1,355,141	1,374,497	1,391,933	1,407,115	1,423,047
Proposed Supplementals.....	-	-	-	-	-	-	-
Current Year Lapses.....	-	-	-	-	-	-	-
Total Expenditures.....	\$ 2,184,754	\$ 2,255,458	\$ 2,304,386	\$ 2,284,449	\$ 2,307,592	\$ 2,368,481	\$ 2,410,120
Reserve for Current Year.....	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)
<b>Ending Balance.....</b>	<u>\$ 107,642</u>	<u>\$ 145,742</u>	<u>\$ 61,134</u>	<u>\$ 35,120</u>	<u>\$ 43,591</u>	<u>\$ 43,639</u>	<u>\$ 43,584</u>

## Economic Outlook

The Pennsylvania [Office of the Budget](#) and the [Department of Revenue](#) 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. This forecast assumes S&P's optimistic scenario, which is characterized by lower tariffs and a looser trade environment compared to the baseline.

### U.S. Recent Trends and Current Conditions

From 2019 through 2025, real GDP growth in the United States reflected both significant disruption and subsequent normalization. Growth was solid in 2019 (2.6 percent) before the economy experienced a sharp contraction of -2.1 percent in 2020 due to the COVID-19 pandemic. A strong rebound followed in 2021, with real GDP expanding by 6.2 percent, supported by recovery efforts, fiscal stimulus, and monetary policy. Growth then moderated but remained steady in subsequent years, registering 2.5 percent in 2022, 2.9 percent in 2023, and 2.8 percent in 2024. In 2025, real growth is expected to have eased to 2.0 percent.

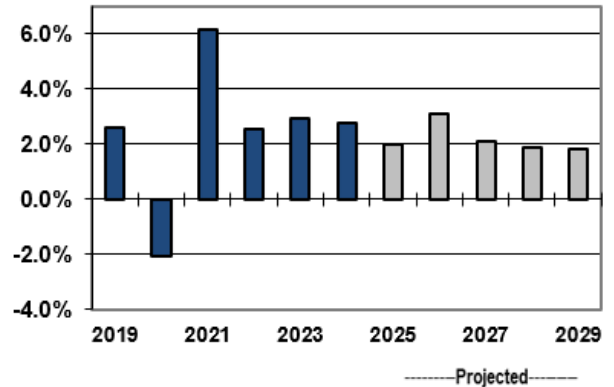
The federal funds rate experienced substantial volatility over the historical period shown. After rising steadily from 1.41 percent in early 2018 to 2.42 percent in early 2019, the Federal Reserve began cutting rates in mid-2019, lowering the rate to 1.55 percent by the end of 2019. In response to the COVID-19 pandemic, the Federal Reserve reduced the rate to near zero in 2020, maintaining that position through 2021. Starting in 2022, the Federal Reserve began implementing sustained rate-hikes to fight inflation, pushing the rate to 4.10 percent by the end of the year and peaking at 5.33 percent in 2023, where it remained through most of 2024. In 2025, rates declined, ending the year at 3.72 percent.

### The Forecast

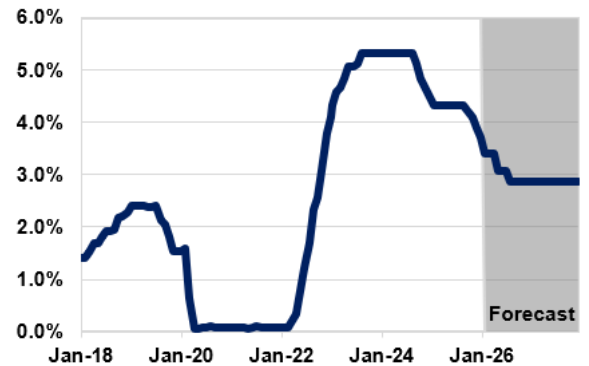
Looking ahead, real GDP growth is expected to remain solid through the middle of the forecast period, before gradually easing. Growth is projected to strengthen to 3.1 percent in 2026, reflecting continued economic momentum, before moderating to 2.1 percent in 2027 and 1.9 percent in 2028, and settling at 1.8 percent in 2029. The federal funds rate is projected to decline in 2026, falling from the mid-3 percent range early in the year to 2.88 percent by year-end. Rates are expected to remain near 2.87 percent throughout 2027.

Charts 1 and 2 illustrate U.S. macroeconomic projections for real GDP and the federal funds rate based on S&P's December 2025 optimistic 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	2025pre	2026p	2027p	2028p
Real GDP	2.0	3.1	2.1	1.9
Total Consumption	2.6	3.4	2.3	2.5
Corporate Profits (After Tax)	5.9	7.1	1.2	0.5
Unemployment Rate (Rate)	4.3	4.5	4.5	4.5
CPI	2.7	2.8	3.0	2.5
Federal Funds (Rate)	4.21	3.06	2.87	2.88

pre = preliminary; p = projected

**Table 2**  
**U.S. Macro Forecast Projections**  
**December 2025**

Forecast Assumptions	
<b>GDP Growth</b>	Real GDP growth fell to 2.0% in 2025 and rises to 3.1% in 2026.
<b>Consumer Spending</b>	Spending came in at 2.6% in 2025 and rises to 3.4% in 2026.
<b>Business Fixed Investment</b>	Rose 3.8% in 2025 and then 2.5% in 2026.
<b>Housing</b>	Housing starts tick down to 1.36 million in 2025 and will remain at that level in 2026.
<b>Exports</b>	Rose 1.5% in 2025 and projected to increase 3.5% in 2026.
<b>Fiscal Policy</b>	Average effective tariff rate falls to 11%.
<b>Monetary Policy</b>	The federal funds rate target is reduced to a range of 2.75% – 3.00% by mid-2026 and remains at that level through the forecast horizon.
<b>Credit Conditions</b>	Credit conditions loosen throughout the forecast horizon, as interest rates decline.
<b>Oil Prices (Dollars/barrel)</b>	Brent crude oil averaged \$69 in 2025 and falls to \$62 in 2026.
<b>Stock Markets</b>	As of November 2025, Moody's estimates the year-end value of the S&P 500 grew 24.7% in 2024, 14.3% in 2025, and is projected to cool to 3.8% growth in 2026. <sup>a</sup>
<b>Inflation (CPI)</b>	The Consumer Price Index (CPI) is estimated at 2.7% in 2025 and 2.8% in 2026.
<b>Foreign Growth</b>	Tariff reductions support stronger foreign economic growth.
<b>U.S. Dollar</b>	The broad real U.S. dollar declines steadily through 2029 and remains at lower levels through the forecast horizon.

<sup>a</sup> All elements in this table are based on S&P's December 2025 optimistic forecast, with the exception of stock market assumptions, which rely on Moody's November 2025 baseline forecast.  
2025 S&P Global & Moody's Analytics.

## Pennsylvania Economic Outlook

Pennsylvania's economy continues to evolve as national conditions and sector-specific trends influence growth. Recent data show improving hiring and income growth, alongside longer-term demographic and structural changes. The state saw slower employment growth in 2024, followed by improved hiring in 2025. Several major sectors — including manufacturing, construction, information, and finance — recorded employment declines in 2024, and total job growth slowed to 0.9 percent, compared with 1.7 percent in 2023, and the U.S. 2024 rate of 1.3 percent.

In early 2025, hiring turned positive in manufacturing, information, finance, and professional and business services. While federal government employment declined, state and local government payrolls increased and partially offset those losses. Health care and social services continued to generate the largest share of new jobs, and leisure and hospitality also added workers.

## Demographics

Pennsylvania's population reached 13.1 million in 2024, up from 13.0 million in 2020, making it the fifth most populous state in the country. International migration has supported population growth, in part because major universities attract students from around the world.

At the same time, net migration continues to be negative as more residents continue to move to other states than move to Pennsylvania. Cost-of-living differences and retirement migration contribute to this trend. The Center for Rural Pennsylvania projected a 5.8 percent population decline in rural counties over 30 years, and updated Census data in 2024 show these losses are occurring more rapidly when compared to earlier projections. In response, lawmakers created the Rural Population Revitalization Commission to support long-term planning.

## Real Estate and Construction

Home prices in Pennsylvania rose 7.9 percent year over year in the first quarter of 2024, outpacing the national average of 6.6 percent and ranking the state 17th nationally. Prices have climbed in recent years largely because fewer homes are available for sale. While Pennsylvania continued to post above-average price growth, its growth rate slowed in early 2024 as national price growth picked up, pointing to more moderate gains going forward.

Before the pandemic, single-family construction remained limited, while multifamily and senior housing grew in urban areas. During the pandemic, demand shifted toward single-family homes as remote work and social distancing increased. High material costs, labor shortages, zoning requirements, and financing conditions continue to restrict construction, even as demand remains supported by relatively low mortgage rates and strong incomes.

## Energy and Natural Resources

Pennsylvania is a major producer of natural gas, coal, refined petroleum products, and electricity. The Marcellus Shale, the nation's largest natural gas field, covers about 60 percent of the state. Pennsylvania ranks second to Texas in both proved natural gas reserves and marketed natural gas production, accounting for about one-fifth of U.S. output in 2023. Production reached nearly 7.6 trillion cubic feet that year and is expected to keep growing, though at a slower pace as pipeline expansion faces regulatory and logistical limits.

The state is also the third-largest electricity producer in the nation and exports more electricity through the regional grid than any other state. In 2023, natural gas plants generated 59 percent of in-state electricity, while nuclear plants produced 32 percent, placing Pennsylvania second nationally in nuclear power generation.

Pennsylvania is the third-largest coal producer in the country. Coal production and mine counts have declined as power generation has shifted toward natural gas and renewables. The state remains a significant coal user, ranking 10th nationally, though coal-fired electricity generation fell sharply in 2023.

## Export Performance

Pennsylvania's merchandise exports reached \$53.4 billion in 2024, up from \$52.0 billion in 2023 and the highest level on record. Chemicals led exports at \$13.8 billion, followed by computer and electronic products (\$6.3 billion) and machinery, excluding electrical (\$4.5 billion). While some major categories declined slightly, smaller categories — such as oil and gas and processed foods — drove overall growth.

Canada remained Pennsylvania's largest export market at \$14.8 billion, followed by Mexico (\$5.1 billion) and China (\$3.4 billion).

## High-Tech, Life Sciences, and Innovation

Pennsylvania plays a key role in several high-technology industries, especially in the Philadelphia and Pittsburgh metro regions. While traditional pharmaceutical activity in southeastern Pennsylvania has declined, the broader life sciences sector has expanded. Universities and research hospitals in the Philadelphia area support the growth of new bioscience firms. During the pandemic, pharmaceutical manufacturing increased and some office space shifted to research labs.

Pittsburgh has developed into a center for artificial intelligence, robotics, and autonomous systems, driven in part by research at Carnegie Mellon University and the University of Pittsburgh.

Scientific research and development services recorded 3.4 percent average annual payroll growth over the past decade and are projected to grow 5.1 percent per year over the next 10 years. Computer systems design and related services also continue to add well-paying jobs, with annual growth of about 2.5 percent.

## Transportation and Warehousing

Pennsylvania's transportation and warehousing sector benefits from its location near a large share of the U.S. population. The Port of Philadelphia and nearby New Jersey and New York-area ports support the state's role as a distribution and warehousing center.

The pandemic accelerated e-commerce, which increased demand for facilities, including smaller facilities near major metro areas to support next-day delivery. As retailers expand online fulfillment and delivery, demand rose for warehouse workers, truck drivers, and delivery services.

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

**Table 3**  
**Key Baseline Economic Indicators for Pennsylvania**

Key Economic Indicators		2023	2024	2025pre	2026p	2027p	2028p
<b>Real Gross State Product (in millions, 2017 dollars)</b>	\$	789,919	803,233	818,713	841,086	856,572	869,885
<b>Real Gross State Product (percentage change)</b>	%	1.7	1.7	1.9	2.7	1.8	1.6
<b>Total Employment (in thousands)</b>		6,087	6,142	6,231	6,266	6,279	6,273
<b>Total Employment (percentage change)</b>	%	1.7	0.9	1.4	0.6	0.2	(0.1)
<b>Manufacturing Employment (in thousands)</b>		567	563	562	561	555	546
<b>Nonmanufacturing Employment (in thousands)</b>		5,520	5,579	5,668	5,705	5,724	5,726
<b>Population (in thousands)</b>		13,026	13,083	13,100	13,088	13,074	13,061
<b>Population (percentage change)</b>	%	0.3	0.4	0.1	(0.1)	(0.1)	(0.1)
<b>Unemployment Rate (percentage)</b>	%	3.7	3.6	4.0	4.4	4.4	4.4
<b>Personal Income (percentage change)</b>	%	4.8	4.3	5.2	5.8	5.5	4.6

pre = preliminary, p = projected  
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