



GOVERNOR'S PROPOSED

# BUDGET 2025-2026

Senate Democratic Appropriations Committee

**SENATOR VINCENT HUGHES**

Democratic Appropriations Chair

# Overview

FY 2025-2026 General Fund Budget	
Overview	
<b>FY 24/25 General Fund Appropriations (Revised)</b>	<b>\$ 47,904,371,000</b>
<i>FY 24/25 Supplemental Appropriation (Proposed)</i>	<i>\$ 230,397,000</i>
<b>FY 25/26 General Fund Appropriations</b>	<b>\$ 51,474,431,000</b>
Expenditure Increase over FY 24/25 (\$)	\$ 3,570,060,000
Expenditure Increase over FY 24/25 (%)	7.5%
<b>Spending Breakdown</b>	<b>\$ 3,570,060,000</b>
Corrections (4%)	\$ 143,144,000
Education (25%)	\$ 905,165,000
Human Services (55%)	\$ 1,960,413,000
State Police (4%)	\$ 147,503,000
Treasury/Debt Service (9%)	\$ 318,244,000
All Other (3%)	\$ 95,591,000
<b>New Spending Initiatives</b>	<b>\$ 1,331,510,000</b>
Rainy Day Fund	
FY 24/25 Transfer <b>TO</b> Rainy Day Fund (Estimated)	\$ 321,542,000
Rainy Day Fund Balance - 7/1/25 (Estimated)	\$ 7,700,000,000
FY 25/26 Transfer <b>FROM</b> Rainy Day Fund to Balance Budget	<b>\$ (1,606,055,000)</b>
Proposed Revenue & Tax Modifications	
Adult Use Cannabis	\$ 536,500,000
Gaming Expansion (VGTs/Skill Games)	\$ 368,900,000
CNI Rate Acceleration / Combined Reporting	\$ 264,000,000
Financial Institutions Tax Reform	\$ 97,100,000
\$15/hr. Minimum Wage	\$ 51,500,000

# Note on Human Services Spending

- PA provides most physical health, behavioral health and long-term living supports and services through a capitation model, contracting with managed care organizations (MCOs).
- Contracts are on a calendar year (CY) basis.
- For each CY, an actuarial study of program cost trends based on historical data is federally required for each program in the capitated models. These actuarial studies are used to calculate and negotiate per member per month rates for inclusion in contracts for MCOs.
- Rates for CY 2025 used to estimate appropriations in the FY 2024/2025 budget enacted in July 2024 were acting as placeholders until the actuarial process occurred in the Fall of 2024.
- The actuarial analyses for CY 2025 were the first to have more accurate data on the implications of post-COVID assistance eligibility redeterminations.
  - Data showed that the remaining eligible populations tended to have more acute and complex medical needs, resulting in a higher cost population than estimated rates anticipated in July.
  - Additionally, pharmaceutical costs have outpaced initial rate estimates largely due to a widespread approval of GLP-1 medications, currently allowable for pre-diabetic, diabetic and obesity treatment in PA's assistance programs.
- In total, over \$2.5 billion is needed to meet actuarially sound rates in the remainder of the 2024/2025 fiscal year and into the 2025/2026 budget year.
  - Nearly \$1 billion of the increase is driven by GLP-1 medication costs. The budget assumes limiting approval of these prescriptions.

# Financial Statement

General Fund Financial Statement						
	2023-24 Actual	2024-25 Available		2025-26 Budget		
(1) Beginning Balance	\$ 8,159,871	\$ 6,706,089		\$ 2,893,876		
Revenue:						
(2) Revenue Actual / Official Estimate	45,473,489	46,050,300	1.3%	47,479,400	3.1%	
(3) Proposed Tax and Revenue Modifications	-	-		903,100		
(4) Total Revenue	45,473,489	46,050,300	1.3%	48,382,500	5.1%	
(5) Less Refunds	(1,986,600)	(1,986,600)		(1,758,000)		
(6) Net Revenue	43,486,889	44,063,700		46,624,500		
(7) Prior Year Lapses	587,026	350,000		350,000		
(8) Funds Available	52,233,786	51,119,789		49,868,376		
Expenditures:						
(9) Appropriations <sup>1</sup>	44,864,798	47,673,974	6.3%	51,474,431	8.0%	
(10) Proposed Supplementals	-	230,397		-		
(11) Total Expenditures	44,864,798	47,904,371	6.8%	51,474,431	7.5%	
(12) Preliminary Balance	7,368,988	3,215,418		(1,606,055)		
(13) Transfer - Rainy Day Fund	(736,899)	(321,542)		1,606,055		
(14) Ending Balance	6,632,089	2,893,876		-		
<sup>1</sup> Includes Executive Authorizations.						
Dollars in thousands. Percentages are year-over-year growth rates.						

# Agriculture

## Department of Agriculture

- **Agriculture Innovation Development**
  - Proposed FY 2025/2026 Funding = \$25,000,000
    - Increase over FY 2024/2025 = \$15,000,000 (+150%)
      - \$13,000,000 to support and attract innovative agricultural businesses, including energy and conservation agribusinesses.
      - \$2,000,000 for a county-based “digester” pilot program, focusing on creating energy from food waste.
- **Agricultural Preparedness and Response**
  - Proposed FY 2025/2026 Funding = \$11,000,000
    - **Decrease** over FY 2024/2025 = \$25,000,000
      - The last 3 budgets have allocated a total of \$75,000,000 for farmers who experienced losses due to Highly Pathogenic Avian Influenza (HPAI), \$61,500,000 of that funding remains in use for 2025-2026.
      - Appropriation includes \$2,000,000 to keep the animal testing laboratory in western PA authorized in the FY 2024/2025 budget operational.
- **Horse Racing Activities**
  - The proposed budget shifts funding for the Animal Health and Diagnostic Commission (\$5,350,000) and the Pennsylvania Fairs (\$4,000,000) from the General Fund to the Race Horse Development Trust Fund.

# Childcare Workforce

## Department of Human Services

- \$10,000,000 to provide a rate increase for early intervention providers in birth to age three programming.
- \$55,000,000 to support workforce recruitment and retention grants for licensed childcare centers.
  - The Office of Child Development and Early Learning (OCDEL) reports 2,200 childcare programs have closed since 2019, resulting in childcare employment levels falling by 40%.
  - Estimated to provide \$1,000 more annually per childcare worker to licensed providers with collaborative agreements in the Child Care Works program.
- Rate adjustments for childcare services due to the proposal to increase the minimum wage to \$15 per hour.
  - \$1,555,000 in Child Care Services line.
  - \$1,143,000 in Child Care Assistance line.

# Corrections

## Department of Corrections

### State Correctional Institutions

- Proposed FY 2025-2026 funding = \$2,556,124,000
  - Increase over FY 2024-2025 = \$116,857,000 (4.8%)
  - The increase reflects:
    - \$86,800,000 to replace the use of Federal COVID-19 response funding.
    - \$40,000,000 for cost-to-carry.
    - \$9,900,000 in savings from the proposed closure of two unidentified community corrections centers.
  - This budget proposes closing two unidentified State Correctional Institutions (SCI) and implementing a charging policy for county inmates housed at SCIs.
    - Any savings from the closure of these SCIs would not be realized until FY 2026/2027.

# Economic Development

## Department of Community & Economic Development

The Governor's proposal includes a reorganization of 45 positions and a transfer of \$8,900,000 in current funding within DCED by consolidating agency resources to form the BusinessPA to focus and promote business success, expansion, and attraction in PA.

- Transferred funds include: \$5,400,000 from DCED GGO; \$2,700,000 from OIBD; and \$823,000 from Marketing to Attract Business.

The Governor is also proposing a new \$50,000,000 PA Innovation program to incentivize development in the life sciences industry.

- This includes a one-time \$30,000,000 initiative to spur life sciences job growth and innovation, through coordination among research universities to assist businesses in bringing cutting edge technology to market and fulfilling critical testing needs.
- The remaining \$20,000,000 will provide annual funding to support large-scale innovation, match federal awards to mitigate risks for start-ups, and leverage Pennsylvania's best-in-class research and development assets. This proposed funding will be used to match additional private venture capital investments, positioning Pennsylvania as a national center for innovation while proactively making investments in entrepreneurs who have historically lacked access to venture capital funding.
- The 2025-26 budget allocates \$3,500,000 to create the Pennsylvania Regional Economic Competitiveness Challenge to provide different geographic regions with the resources they need to plan and implement localized economic development strategies.
- The Marketing to Attract Business appropriation includes a \$3,000,000 increase to enhance site selection and business attraction marketing.
- Pennsylvania First includes \$1,000,000 to continue to provide adaptive equipment and opportunities for children with special needs and \$4,000,000 to provide additional financial assistance to facilitate increased economic investment.



# Economic Development continued

## Department of Community & Economic Development

- The Public Television Technology line includes \$875,000 to restore program funding and further promote public television services.
- There is a concern that municipalities will begin to feel the impacts from fewer emergency relief dollars available from federal pandemic funding. In anticipation of this, the budget proposal includes a \$10 million increase for the Transfer to Municipalities Financial Recovery Revolving Fund to provide additional resources for communities that require Act 47 support.
- **Veteran Business**
  - The proposed budget includes a new \$1,000,000 appropriation for Veterans Small Business Assistance.

# Education – PreK and Early Childhood

## Pre-K Counts

- Proposed FY 2025/2026 funding - \$334,313,000
  - Increase over FY 2024/2025 - \$17,029,000 (+5.4%).
  - If enacted, new investments in Pre-K Counts funding during the Shapiro Administration will total approximately \$32,000,000 (+10.6%).
- \$15,000,000 of the proposed increase will be used to invest in high-quality early childhood education for 3- and 4-year olds by increasing the rate per child to \$11,000.
  - The FY 2024/2025 budget increased the per child rates from \$10,000 to \$10,500.
- \$2,029,000 of the proposed increase will be used to maintain current Pre-K Counts programming.

## Early Intervention

- Proposed FY 2025/2026 funding = \$429,725,000.
  - Increase over FY 2024/2025 = \$14,565,000 (+3.5%).
  - If enacted, new investments in early intervention during the Shapiro Administration will total approximately \$83,200,000 (+24%).

# Education – K through 12

## Basic Education Funding

- Proposed FY 2025/2026 funding = \$8,232,444,000.
  - Increase over FY 2024/2025 = \$75,000,000 (+0.9%).
  - If enacted, new investments in Basic Education Funding during the Shapiro Administration will total approximately \$1,152,000,000 (+16.3%).
  - **NOTE:** the proposed \$75,000,000 increase in Basic Education Funding is \$125,000,000 below the Basic Education Funding Commission’s recommended minimum yearly increase for the Basic Education spending line.

## Ready to Learn Block Grant

- Proposed FY 2025/2026 funding = \$1,347,500,000.
  - Increase over FY 2024/2025 = \$526,000,000 (+64%).
  - If enacted, new investments in Ready to Learn Block Grants during the Shapiro Administration will total approximately \$952,000,000 (+240%).
  - **NOTE:** the proposed \$526,000,000 increase in Ready to Learn Block Grant is identical to the amount appropriated in FY 2024/2025 and is considered the Year 2 investment of the Commonwealth’s response to the *William Penn* decision addressing adequacy and equity. Of the \$526,000,000, \$494,000,000 will be distributed to adequacy districts and \$32,000,000 for tax equity districts.

# Education – K through 12

continued

## Special Education Funding

- Proposed FY 2025/2026 funding = \$1,526,815,000.
  - Increase over FY 2024/2025 = \$40,000,000 (+2.7%).
  - If enacted, new investments in Special Education during the Shapiro Administration will total approximately \$190,000,000 (+14.2%).

## Career and Technical Education

- Proposed FY 2025/2026 funding = \$149,626,000.
  - Increase over FY 2024/2025 = \$5,488,000 (+3.8%).
  - If enacted, new investments in Career and Technical Education during the Shapiro Administration will total approximately \$44,400,000 (+42.3%).

## Dual Enrollment

- Proposed FY 2025/2026 funding = \$7,000,000.
  - This would present flat funding from FY 2024/2025.

# Education - Student Health & Safety

## Department of Education

- School Food Services
  - Proposed FY 2025/2026 funding - \$109,577,000.
    - Increase over FY 2024/2025 - \$10,785,000 (+10.9%).
      - Supports maintenance of the universal free breakfast program.
- Transfer to Public School Facility Improvement Grant Program
  - Proposed FY 2025/2026 funding - \$125,000,000.
    - Increase over FY 2024/2025 - \$25,000,000 (+25%).
      - If enacted, new investments in school facilities infrastructure during the Shapiro Administration will total approximately \$400,000,000.

## Pennsylvania Commission on Crime and Delinquency

- School Safety and Security Transfer – Physical Security and Mental Health
  - Proposed FY 2025/2026 funding - \$100,000,000.
    - This proposal is flat funding from FY 2024/2025.
    - If enacted, new investments in school safety and mental health will total approximately \$350,000,000.

## Department of Health

- Proposed FY 2025/2026 funding - \$3,000,000 to provide feminine hygiene products at no cost to students in schools.
  - This proposal is flat funding from FY 2024/2025.
  - If enacted, new investments in feminine hygiene products in schools during the Shapiro Administration will total approximately \$6,000,000.
- Nationally, 1 in 4 teens have missed class due to a lack of access to menstrual hygiene supplies.

# Education – Teacher Supports

## Pennsylvania Higher Education Assistance Agency

- **Student Teacher Stipend Program**
  - Proposed FY 2025/2026 funding = \$40,000,000
    - Increase over FY 2024/2025 = \$20,000,000 (+100%)
  - If enacted, the total investment in student teacher stipends since the program was created in FY 2023/2024 would equal \$70,000,000.

## Department of Education

- **Teacher Professional Development**
  - Proposed FY 2025/2026 funding = \$7,544,000
    - Increase over FY 2024/2025 = \$2,500,000 (+49.6%)

# Education – Cyber Charter Funding Reform

## Department of Education

- **Cyber Charter Transition line item**
  - The budget proposes eliminating this line item, which was funded at \$100,000,000 in FY 2024/2025 and replacing it with a new cyber charter reform proposal.
- **Cyber Charter Funding Reform**
  - The budget recommends establishing a statewide base cyber charter tuition rate of \$8,000 per student per year.
    - Assuming this proposal is the same as the prior year’s proposal – this would establish a base rate for nonspecial education students. Special education students would still have their weights applied to their tuition rate, with \$8,000 being the base rate.
  - School districts are estimated to save \$378,000,000 annually if adopted.

# Energy

- In March 2024, Governor Shapiro announced the first part of his energy plan by unveiling proposals for PACER and PRESS (see below), which were collectively estimated to protect and create 15,000 energy jobs, save Pennsylvania energy customers \$664 million by 2040 and generate \$11.4 billion in clean energy investments.
- In January 2025, Governor Shapiro reached an agreement with PJM to lower the capacity price that threatened to impose significant price increases, saving consumers nearly \$21.9 billion.
- Shortly thereafter, Governor Shapiro announced his “**Lightning Plan.**” In addition to energy related changes to the EDGE Tax Credit, other key pieces of his plan include:
  - **RESET Board** – Pennsylvania is one of only 12 states with no state entity to oversee the siting of important energy projects.
    - The Reliable Energy Siting and Electric Transition (RESET) Board would streamline the process for building energy projects by speeding up siting and permitting decisions.
  - **PACER** – The Pennsylvania Climate Emissions Reduction Act (PACER) would establish a cap-and-invest program as an alternative to the Regional Greenhouse Gas Commission (RGGI). Under PACER, PA would set its own carbon emissions cap and invest proceeds (from credits sold to release emissions) in electricity bill assistance and energy efficiency and clean energy projects.
  - **PRESS** – The Pennsylvania Reliable Energy Sustainability Standard (PRESS) would modernize PA’s outdated Alternative Energy Portfolio Standards (AEPS), incentivizing innovation in nuclear and renewable energy.
  - **Community Energy** – This proposal would make it easier for communities, including agricultural producers and low-income residents, to jointly share energy resources to reduce utility bills. For example, farmers could collectively invest in methane digesters to produce energy for their farms, reducing reliance on utility companies and lowering their energy prices.
  - **Rebates to Reduce Household Energy Costs** – This proposal would update Act 129 of 2008 to increase rebates for the purchase of energy efficient appliances.



# Food Insecurity

## Department of Agriculture

- State Food Purchase
  - Proposed FY 2025/2026 funding = \$34,688,000
    - \$4,000,000 to the Pennsylvania Agricultural Surplus System (“PASS”) Program
    - \$4,000,000 to the State Food Purchase

## Department of Education

- School Food Services
  - Proposed FY 2025/2026 funding = \$109,577,000
    - Increase over FY 2024-2025 = \$10,785,000 (+10.9%)
      - Supports maintenance of the universal free breakfast program.

# Government Efficiency

## Department of General Services

- **Space Optimization and Utilization Plan (SOUP)**
  - The Department of General Services (DGS) will use SOUP to reduce its overall footprint by consolidating and existing leased space, promoting shared spaces among agencies, utilizing resources efficiently, and fostering collaboration and adaptable workspaces.
  - The goal of SOUP is to maximize the use of long-term office spaces, promote collaboration, and make it easy for staff to work from any Commonwealth location by creating attractive places to work that encourage employee engagement while reducing lease costs.
  - Over the next 10 years, these initiatives are anticipated to result in net savings of \$45,000,000.
- **Commonwealth Media Services**
  - The budget proposes a \$1,213,000 initiative to provide additional resources and equipment to assist Commonwealth agencies with in-house media products and services.
- **Bureau of Diversity, Inclusion, and Small Business Opportunities (BDISBO)**
  - \$369,000 to expand and promote government contracting opportunities for small and diverse businesses.

## Executive Offices

### Commonwealth Office of Digital Experience (CODE PA)

- \$6,900,000 to continue scaling up CODE PA's success making the digital services Pennsylvanians rely on more user friendly and accessible.

### Enhanced Enterprise Cybersecurity

- \$10,000,000 to increase the Commonwealth's cybersecurity protections.

## Department of State

- \$102,000 in General Government Operations to provide technical assistance and support for individuals seeking new licenses in Pennsylvania.

# Gun Violence Initiatives

## Pennsylvania Commission on Crime and Delinquency

- \$76,500,000 for the Violence Intervention and Prevention Program
  - This funding represents a \$20,000,000 (+35%) increase over FY 2024/2025
  - \$55,000,000 will be allocated to the traditional VIP program which provides grants and technical assistance to municipalities, district attorneys, institutions of higher education, and community-based organizations for programs designed to reduce community violence.
  - \$21,500,000 for Building Opportunity through Out of School Time (BOOST) program focused on after school programming.

## Office of Attorney General

- \$13,707,000 for the Joint Local-State Firearms Task Force, which operates in the city of Philadelphia and, since in FY 2023/2024, Allegheny County.

# Health Care Access Hospital Supports

## Department of Human Services

- \$10,000,000 for a new initiative to maintain access and services for patients in rural Pennsylvania hospitals (DHS Fee-For-Service appropriation).
  - Could be eligible for Federal matching funds.
- \$10,000,000 for a new initiative to more broadly address access and services in hospitals across Pennsylvania (DHS Fee-For-Service appropriation).
  - Could be eligible for Federal matching funds.
- \$20,000,000 for a new hospital initiative to ensure patient safety and hospital access.

# Health Care Access

## Mental and Behavioral Health

## Department of Human Services

- \$20,000,000 in continued additional investment for County Mental Health base services funding.
  - This would represent a total new investment of \$60,000,000 over three years.
- \$10,000,000 in dedicated funding to support the 9-8-8 hotline network.
- \$5,750,000 to expand discharge and diversion programs for individuals with mental illness in the criminal justice system.
- \$4,800,000 to provide reentrants with MA services and continuous eligibility after incarceration.
  - This is a component of recently approved Section 1115 CMS Waiver, Keystones of Health.
- \$1,600,000 to continue transitions from State Hospitals to community services (20 more individuals; CHIPPs).
- \$5,000,000 to continue funding for walk-in mental health crisis stabilization centers supporting multiple counties.

# Health Care Access

## Miscellaneous

### Department of Health

#### Primary Care Loan Repayment Program

- \$23,350,000 to support primary health care practitioners through the repayment of educational loans and the expansion of residency opportunities.
  - This represents an increase of \$15,000,000 (180%) over available 2024-2025 funds.
  - The increase includes \$10,000,000 to expand the program to behavioral health practitioners and \$5,000,000 to address workforce shortages in rural communities.

### Health Care Cost Containment Council

#### All-Payer Claims Database

- \$4,000,000 to create an All-Payer Claims Database, which will provide greater transparency around health care costs by collecting medical claims, pharmacy claims, dental claims, and eligibility and provider information from public and private payers.

# Higher Education Institutional funding

- **State System of Higher Education (PASSHE)**
  - Proposed FY 2025/2026 Funding = \$661,104,000
    - Increase over FY 2024/2025 = \$40,349,000 (+6.5%)
    - Will allow PASSHE to freeze tuition for the 2025-2026 school year.
    - If enacted, new investments in PASSHE during the Shapiro Administration will total approximately \$108,600,000 (+19.6%), excluding facility transition funding.
- **Community Colleges**
  - Proposed FY 2025/2026 Funding = \$290,338,000
    - Increase over FY 2024/2025 = \$13,000,000 (+4.7%)
    - If enacted, new investments in Community Colleges during the Shapiro Administration will total approximately \$33,800,000 (+13.2%).
- **State-related Universities**
  - ***Penn State/Pittsburgh/Temple***
    - The proposed budget recommends distributing \$60,000,000 to Penn State University, Temple University, and the University of Pittsburgh through a performance-based funding formula that is to be established based upon recommendations of the Performance Based Funding Council.
    - Non-performance based funding for each university is at the FY 2024/2025 level.
  - ***Lincoln University***
    - Exempt from the performance-based funding formula.
    - Proposed FY 2025/2026 Funding = \$21,890,000
      - Increase over FY 2024/2025 = \$1,102,000 (+5%)
    - If enacted, new investments in Lincoln University during the Shapiro Administration will total approximately \$6,700,000 (+44.3%).

# Higher Education Institutional funding continued

- **Thaddeus Stevens College of Technology**
  - Proposed FY 2025/2026 Funding = \$23,578,000
    - Increase over FY 2024/2025 = \$1,102,000 (+4.9%)
    - If enacted, new investments in the college during the Shapiro Administration will total approximately \$4,130,000 (+21.2%).
- **Pennsylvania College of Technology**
  - Proposed FY 2025/2026 Funding = \$35,670,000
    - Increase over FY 2024/2025 = \$1,699,000 (+5%).
    - If enacted, new investments in the college during the Shapiro Administration will total approximately \$8,930,000 (+33.4%).
- **Transfer to Agricultural College Land Scrip Fund**
  - Proposed FY 2025/2026 Funding = \$60,596,000
    - Increase over FY 2024/2025 = \$2,886,000 (+5%)
- **University of Pennsylvania School of Veterinary Medicine/ Center for Infectious Disease**
  - Proposed FY 2025/2026 Funding = \$33,353,000
    - Flat funded at FY 2024/2025 level.
    - Line items consolidated and renamed “Veterinary Training & Service Grants.”



# Housing

## Department of Community & Economic Development

- **Housing Stock Restoration**
  - Proposed FY 2025/2026 Funding = \$50,000,000
    - This line item replaces the Whole Home Repairs Program which was funded in Fiscal Year 2022/2023 with \$125,000,000 in American Rescue Plan Act (ARPA) funds.
- **First-time Homebuyer Grants**
  - Proposed FY 2025/2026 Funding = \$10,000,000
    - New initiative designed to attract (and retain) young workers and their families to the Commonwealth.
    - Provides grants to first-time homebuyers to assist with closing costs on their first homes.
- **State Planning Board**
  - Proposes \$1,000,000 in dedicated funding for the State Planning Board to help municipalities through housing-specific planning.
  - The State Planning Board would encourage municipalities to institute growth-oriented housing policies through an opt-in Housing Ready Community designation.

## Department of Revenue

- **Affordable Housing**
  - Pennsylvania Housing Affordability and Rehabilitation Enhancement (PHARE) Program
    - This budget proposes increasing the annual realty transfer tax transfer to PHARE by \$10,000,000 to \$110,000,000 in FY 2028/2029.
      - Under current law, the FY 2025/2026 transfer to PHARE is \$70,000,000 and increases by \$10,000,000 a year until it reaches \$100,000,000 in FY 2027/2028

## Judicial System

- **Housing Security**
  - The budget calls for the automatic sealing of eviction filings for individuals who have not been evicted. This is the equivalent of “clean slate” for eviction records.

# Minimum Wage

- **Minimum Wage increases effective January 1, 2026**
  - Non-tipped workers: \$15.00 per hour
  - Tipped workers: \$9.00 per hour
- **Estimated tax revenues**
  - FY 2025-2026:

	\$51,500,000
• Personal Income Tax	\$20,900,000
• Sales & Use Tax	\$30,600,000
- The federal minimum wage was last raised in 2009.
- Pennsylvania has not raised its minimum wage since 2007.
- As of January 2025, a total of 30 states and Washing D.C. have adopted minimum wage rates higher than \$7.25/hour.
  - This includes all of PA's surrounding states, the majority of which have a minimum wage either at \$15.00/hour (DE, MD) or above \$15.00/hour (NJ, NY).
- A Pennsylvanian working full-time (40 hrs./wk.) for 52 wks./yr. earns \$15,080.

# Property Tax Relief

## Property Tax Relief

- The proposed budget would help homeowners save money on their property taxes by increasing funding for property relief through the Homestead/Farmstead Exclusion authorized by the Taxpayer Relief Act, reaching above \$1,000,000,000 for the first time in the Commonwealth's history.
  - This funding would provide residential taxpayers with an average \$208 more in property tax savings than two years ago.

# Public Safety

## Pennsylvania State Police

- New cadet classes
  - \$14,522,000 to fund four new cadet classes and removing the statutory cap on state police troopers.
- Law enforcement careers
  - \$300,000 for programs that build interest in law enforcement careers, including PSP's Camp Cadet and Leadership Operations program.

## Pennsylvania Emergency Management Agency

- Supplemental Fire Company Grants
  - \$30,000,000 from Property Tax Relief Fund for competitive grants to fire companies for recruitment, retention, capital, and general operating needs.

# Public Transit

## Sales and Use Tax Transfer

- This budget proposes a new transfer to the Public Transportation Trust Fund equal to 1.75% of total sales and use tax revenues collected, beginning July 1, 2025.
  - Currently 7.68% of all sales and use tax receipts are deposited in the Public Transportation Trust Fund.
  - Adopting the Governor's proposal would increase the percentage of sales and use tax deposited into the Public Transportation Trust Fund to 9.43%.
- If enacted, this proposal would infuse an additional \$292,500,000 into mass transit across the Commonwealth in FY 2025/2026, growing to more than \$330,000,000 in FY 2029/2030.
- Governor Shapiro included this exact proposal in his FY 2024/2025 budget.
  - House Democrats passed the proposal on 3 separate occasions.
  - Senate Republicans refused to bring the proposal to a vote.

# Recreational Cannabis

## Legalization, Regulation & Taxation

- The proposed budget calls for the legalization, regulation & taxation of recreational adult use cannabis.
- Adult use cannabis would become legal on July 1, 2025.
- Regulated sales of adult use cannabis would begin January 1, 2026.
- The Department of Agriculture would be designated as the Regulatory Agency.
- It appears Medical Marijuana Dispensaries would be authorized to expand to recreational sales.
- The budget proposes 7 rounds of licensure beginning July 1, 2025 with full ramp up occurring in 2028/2029.

# Recreational Cannabis

continued

- **Tax Rate**
  - Adult Use Cannabis Tax (Wholesale Price) = 20%
  - Sales and Use Tax = 6%
- **License Fees**
  - Authorized Licenses/Fees (Proposed)
    - Medical Marijuana Dispensaries = \$25,000,000
      - Annual Renewal Fee = \$500,000
    - Processors/Dispensaries/Micro-businesses = \$25,000
      - Annual Renewal Fee = \$25,000
    - Farmers/Growers = \$1,000
      - Annual Renewal Fee = \$1,000
- **FY 2025/2026 Revenue (Estimated) = \$536,500,000**
  - License Fees = \$509,500,000
  - Adult Use Cannabis Tax (Wholesale Price) = \$15,600,000
  - Sales and Use Tax = \$11,400,000
- **Revenue Distribution (Proposed)**
  - PCCD – Restorative Justice = \$10,000,000
  - Department of Agriculture – Operations = \$15,000,000
  - Department of Agriculture – Revolving Loan Fund = \$25,000,000
  - PA State Police – Enforcement/Expungement = \$2,250,000
  - Department of Revenue – Administration = \$15,000,000
  - General Fund = REMAINDER

# Skill Game Legalization

- The proposed budget supports the legalization of “games of skill” under the regulatory and tax structure currently in place for Video Gaming Terminals (VGTs).
- Games of skill would be regulated by the Pennsylvania Gaming Control Board (PGCB).
- The budget proposal sets an initial maximum number of VGTs and games of skill of 30,000.
  - The maximum number of machines would increase incrementally until it reaches 40,000 by FY 2029-2030.
  - An establishment (not defined) would be limited to five machines.
  - Assumes play begins on July 1, 2025.
- Tax Rate
  - 52% of gross revenue.
    - 47% to the General Fund.
    - 5% to the Lottery Fund.
- Revenue
  - The budget assumes expanding gaming by legalization of games of skill would generate \$368,900,000 in revenue in FY 2025-2026.
    - \$34,300,000 in fees.
    - \$334,600,000 in tax revenues.



# Taxes

## Corporate Net Income Tax and Financial Institutions Tax

### Corporate Net Income Tax (CNIT) and Financial Institutions Tax

- The budget proposes accelerating the CNIT rate reductions from 0.5% to 0.75% per year, starting January 1, 2026, and reaching 4.99% by 2029.
  - In addition, the tax system will be modernized by adopting uniform filing requirements while adding financial institutions to the tax base beginning January 1, 2026.
  - Proposed accelerated rate cuts are:
    - 7.99% in 2025 (current rate).
    - 7.24% in 2026.
    - 6.49% in 2027.
    - 5.74% in 2028.
    - 4.99% in 2029.
  - 40% of corporations would be unaffected by closing the Delaware loophole.
- Financial Institution Taxes
  - Beginning January 1, 2026, this budget proposes eliminating the Bank and Trust Company Shares Tax, Mutual Thrift Institution Tax, and Private Bank Tax and subjecting these companies to the CNIT.
- Combined, these changes are projected to generate \$361,100,000 in FY 2025/2026.

# Tax Credits

- The FY 2025/2026 budget proposes repealing:
  - The Waterfront Development Tax Credit (\$5,000,000).
  - The Video Game Development Tax Credit (\$1,000,000).
  - The Manufacturing Tax Credit (\$4,000,000).
- The budget proposal creates a new AdvancePA Tax Credit. This new \$10,000,000 tax credit is to provide more flexibility for securing important deals and incentivizing high-paying job creation within the Commonwealth.

# Tax Credit EDGE

The Pennsylvania Economic Development for a Growing Economy (EDGE) initiative is a collection of tax credits tailored to businesses in manufacturing sectors, including semiconductors, biomedical, milk processing, and petrochemicals and fertilizers produced from natural gas. Since enacted in 2022, the EDGE credit has not been used. The Governor is proposing modifications to EDGE to ensure its utilization. Modifications include:

- **Converting the Local Resource Manufacturing Tax Credit Program to a Reliable Energy Investment Tax Credit** – A new tax credit created to incentivize investment in reliable energy with a cap of \$100,000,000 per year per facility for three years. The Local Resource Manufacturing Tax Credit Program is currently capped at approximately \$56,700,000 per year for 25 years.
- **Regional Clean Hydrogen Tax Credit Program** – Proposed program change to decrease the program cap from \$50,000,000 to \$49,000,000 beginning in FY 2025/2026, and permit up to seven programs to receive up to \$7,000,000 each and lower thresholds to qualify.
- **Sustainable Aviation Fuel (SAF)** – A new tax credit up to \$15,000,000 per year for taxpayers who make a \$250,000,000 capital investment and create 400 jobs at a facility to produce SAF.
- **Semiconductor Manufacturing, Biomedical Manufacturing and Research Tax Credit** – Reduce investment requirement from \$200,000,000 to \$150,000,000 and lower the permanent jobs requirement from 800 to 100.
- **Pennsylvania Milk Processing Tax Credit** – Reduce investment requirement from \$500,000,000 to \$50,000,000 and lower the permanent jobs requirement from 1,200 to 100. The credit would be dedicated to the production of Class I, II, III, or IV dairy products using Pennsylvania milk, with an extra incentive to those projects using organic milk.

# Tourism and Recreation

## Department of Community and Economic Development

Funding for Marketing to Attract Tourists includes \$56,500,000 from the Tourism Promotion restricted account.

### 2026 Pennsylvania Tourism Events

- In 2026, Pennsylvania will host a range of events including, America250, NCAA's March Madness basketball tournament, the FIFA World Cup, the MLB All Star Game, the NFL Draft, and other high-profile events.
- The budget supports a proposed transfer of \$46,500,000 from the Medical Marijuana Program Fund to the Tourism Promotion Fund to assist with costs surrounding these events.
- In addition, the budget proposes \$2,500,000 for America250 and \$15,000,000 for Regional Event Security to further offset costs.

## Department of Conservation and Natural Resources

- Infrastructure and Trail Connections
  - \$5,000,000 for a new proposed appropriation dedicated to infrastructure and trail improvements and connections, including expanding the Lehigh Gorge State Park by 300 acres, reopening the popular and historic Glen Onoko Falls, and adding Pennsylvania's first subterranean State Park with the inclusion of Laurel Caverns in Fayette County.

# Transportation

## Motor License Fund

This budget proposes a shift of \$50,000,000 from Motor License Fund costs to the General Fund. This shift will free up an additional \$50,000,000 for road and bridge projects across the Commonwealth.

# Vulnerable Populations

## Department of Health

- PA Viral Hepatitis Elimination Plan
  - The budget proposes \$994,000 in the General Government Operations line to reduce the incidence of viral hepatitis through the PA Viral Hepatitis Elimination Plan.
- Neurodegenerative Illness
  - The budget proposes \$5,000,000 to provide grants for research on neurodegenerative illnesses.
- Long-Term Care Transformation Office
  - The budget proposes \$7,500,000 in new funding to support long-term care facilities through the Long-Term Care Transformation Office.

## Department of Aging

- Area Agencies on Aging
  - \$2,000,000 from the State Lottery Fund to provide for biannual surveys of AAAs by the Department of Aging.
  - \$20,000,000 from the State Lottery Fund to provide operational resources to AAA network to meet increased service needs of older adults.
  - \$3,000,000 from the State Lottery Fund to modernize Pennsylvania's Aging and Disability Resource Center program, known as PA Link, to provide "no wrong door system" for senior services (Aging Our Way, PA appropriation).

## Department of Human Services

- Youth Development Institutions and Forestry Camps
  - \$5,645,000 to create sufficient capacity for the Commonwealth to accept court-ordered placements of adjudicated male youths.

## Department of Labor and Industry

- Transfer to Vocational Rehabilitation Fund
  - Proposed FY 2025/2026 funding = \$53,700,000.
    - Increase over FY 2024/2025 = \$5,000,000 (+10.3%)
    - To maintain services for individuals with disabilities seeking employment.
- Centers for Independent Living
  - The budget proposes a total of \$3,600,000 for the Centers for Independent Living appropriation, an increase of \$1,000,000 (+38%) over FY 2024/2025. Funds will be used to recruit and hire staff, provide services to individuals with diverse significant disabilities, and ensure that individuals can reside in their homes and participate in their communities.

# Workforce Development

## Department of Labor and Industry

- Industry Partnerships
  - Proposed FY 2025/2026 funding = \$7,813,000
    - Increase over FY 2024/2025 = \$5,000,000 (+177%)
      - The increase will be used to support workforce initiatives to educate, train, and recruit nursing professionals.
- Service and Infrastructure Improvement (SIIF)
  - \$104,354,000 for the reauthorization of the SIIF to continue maintaining unemployment compensation program operations in the Commonwealth.

## Department of Human Services

- Health and Support Services Workforce
  - \$21,000,000 to support direct care workers (DCWs) in the participant-directed model of long-term care supports and services.

## Department of Community and Economic Development

- Workforce and Economic Development Network (WEDnetPA)
  - This budget sets a dedicated appropriation line for WEDnetPA of \$12,500,000, leveraging \$10,000,000 from the existing program in Pennsylvania First and \$2,500,000 in new funding to increase assistance to employers for incumbent worker training.
- Foundations in Industry
  - Proposed FY 2025/2026 funding = \$5,000,000.
    - Increase over FY 2024/2025 = \$2,000,000 (+66.7%).
      - The \$2,000,000 increase will be used to create “Career Connect,” a statewide program to build internships at Pennsylvania companies.

## Department of Education

- Adult and Family Literacy
  - Proposed FY 2025/2026 funding = \$22,728,000.
    - Increase over FY 2024/2025 = \$6,418,000 (+39.4%).
      - This budget proposes an additional \$6,000,000 for Adult and Family Literacy programs to allow providers to receive additional Federal Title II funding through the Workforce Innovation and Opportunities Act (WIOA).

# Governor's Proposed FY 2025-2026 General Fund Budget

**Senate Democratic  
Appropriations Committee**  
Senator Vincent J. Hughes, Chair  
Mark W. Mekilo, Executive Director

February 4, 2025

