

2026-27 Governor's Executive Budget

JOSH SHAPIRO

Governor

ZACH REBER

Secretary of the Budget

AKBAR HOSSAIN

Secretary of Policy and Planning

WILL SIMONS

Director of Communications

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Pennsylvania is on the Rise: This Budget Builds on Three Years of Progress

Governor Josh Shapiro is laser-focused on delivering results for the people of Pennsylvania — and it's working

- **\$417 million in taxpayer savings**
 - Reduced borrowing costs
 - CODE PA fixing IT contracts
 - Smarter use of state office space
- **Historic tax relief** for families and seniors
 - **\$825M** in property tax/rent rebate payments, **1.4 million** rebates
 - **\$193M** in tax relief for 940K working Pennsylvanians
 - **\$136.5M** to nearly 219K families through expanded child care tax credit
- **Unprecedented investments in education**
 - Nearly **\$3 billion increase** for basic, adequacy, and special education
 - Free breakfast for every K–12 student statewide



Pennsylvania is on the Rise: This Budget Builds on Three Years of Progress

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- **Safer communities**, reduced crime rates
 - 12 new cadet classes, over 1,000 new Pennsylvania State Troopers
 - Funding to recruit and retain nearly 700 municipal police officers
 - Violent crime is down 12%, fatal gun violence down 42%
- **Stronger, more skilled workforce**
 - 50%+ increase in funding for CTE, registered apprenticeships compared to before Governor took office
 - 231 new pre-apprenticeship and apprenticeship programs created
 - Nearly 18,000 new apprentices enrolled



Pennsylvania is On the Rise and Leading on the National Stage

- WalletHub ranked PA as one of the best states to raise a family and one of the best states to live in
- Moody's Analytics confirmed PA is the only state in the NE with a growing economy
- Forbes ranked PA as one of the best states to start a business
- Based on U.S. Bureau of Labor Statistics data, PA ranks among top states for new business survival
- Site Selector Magazine named PA one of the NE's top states for regional economic competitiveness
- CNBC named PA one of the top states for affordability
- Consumer Affairs ranked PA as a top state for public education



The 2026-27 Governor's Executive Budget Proposal



The 2026-27 budget prioritizes:

- Public Safety
- Creating a Federal Response Fund
- First Responders
- New Recurring Mass Transit Funding
- Spurring Innovation and Economic Development
- Investing in Public Education
- Expanding Workforce, Investing in Programs
- Raising the Minimum Wage
- False Claims Act
- Energy Reliability and Affordability
- Housing Action Plan
- Cutting Corporate Taxes, Closing Tax Loopholes

The 2026-27 Governor's Executive Budget Proposal



The 2026-27 budget further prioritizes:

- Holding Developers of Data Centers Accountable
- Reforming the Older Adult Protective Services Act
- Protecting Our Kids from Pitfalls of A.I.
- Updating the Child Protective Services Act
- Enhancing ChildLine Services

2026-27 General Fund Collections through January

	<u>Estimated</u>	<u>Actual</u>	<u>\$ Difference</u>	<u>% Difference</u>
Tax Revenue:				
Corporation Taxes	\$ 2,451.5	\$ 2,483.4	\$ 31.9	1.3%
Consumption Taxes	9,818.1	9,866.4	48.3	0.5%
Sales & Use - Non-Motor	9,098.4	9,138.6	40.2	0.4%
All Other	719.7	727.8	8.1	1.1%
Other Taxes	11,674.3	11,962.9	288.6	2.5%
PIT Withholding	8,157.8	8,183.0	25.2	0.3%
PIT Non-Withholding	1,963.5	2,111.8	148.3	7.6%
All Other	1,553.0	1,668.1	115.1	7.4%
Non-Tax Revenue:	1,089.7	1,137.7	48.0	4.5%
TOTAL	\$ 25,033.6	\$ 25,450.4	\$ 416.8	1.7%

Dollar amounts in millions.

2026-27 General Fund Financial Statement

(dollars in thousands)

	2024-25	2025-26	2026-27
	<u>Actual</u>	<u>Available</u>	<u>Budget</u>
General Fund Beginning Balance	\$ 6,632,089	\$ 4,155,630	\$ 628
Adjustments to Beginning Balance	74,000	59,250	-
Revenue Actuals/Estimates	46,408,391	48,031,800	50,831,300
Refunds	(2,251,600)	(2,343,500)	(2,499,000)
Total Revenue, inc. Beg. Fund Balance	50,862,880	49,903,180	48,332,928
Prior-Year Lapses	1,115,600	640,000	350,000
Funds Available	51,978,480	50,543,180	48,682,928
Enacted Expenditures	47,822,850	50,152,265	53,262,046
Estimated Supplemental Appropriations	-	390,287	-
Total Expenditures	47,822,850	50,542,552	53,262,046
Preliminary Balance	4,155,630	628	(4,579,118)
Transfer from the Budget Stabilization Reserve Fund	-	-	4,579,118
General Fund Ending Balance	\$ 4,155,630	\$ 628	\$ -
Cumulative Budget Stabilization Reserve Fund Balance	\$ 7,473,124	\$ 7,819,203	\$ 3,307,488
<i>(includes interest income)</i>			
Total Available Reserves	\$ 11,628,754	\$ 7,819,831	\$ 3,307,488

Proposing More Than \$2 Billion in New Revenue Generation

Legalize & Regulate Skill Games

- 52% tax rate
- Net proceeds deposited in the General Fund
- Generates more than \$2 billion annually

Legalize Adult-Use Cannabis

- Legal sales begin January 1, 2027
- More than \$200 million annually
- Keeps tax dollars and businesses in PA
- New opportunities for PA farmers and small biz
- **\$10 million** for restorative justice initiatives
- **\$25 million** to support small and diverse businesses entering the market

REMAP

- Review of programs for effectiveness and mission alignment
- Year two partnership with Aging, DGS, and Revenue
- Prior \$100 million in savings through right-sizing state facilities
- Streamlining funding streams to improve efficiency and outcomes



Cutting Corporate Taxes and Closing Tax Loopholes

- Since taking office, Governor Shapiro has saved PA businesses more than \$2.9 billion by lowering the Corporate Net Income Tax (CNIT) rate and increasing net operating loss deductions for small biz
- Since 2023, Pennsylvania's state business tax competitiveness ranking moved up nine places, after lagging nationally for decades
- This budget continues to decrease taxes for PA businesses with scheduled CNIT rate reductions, which decline by 0.5 percent every year until the rate reaches 4.99 percent in tax year 2031
- This budget proposes **eliminating the "Delaware Loophole"**, that allows large businesses that have subsidiaries and related companies in other states to shift their PA-based income to out-of-state subsidiaries
- For nearly 90% of businesses operating in PA, closing this loophole would have no impact, or would reduce their tax liability



Investing in Our Communities so Pennsylvanians Can Be Safe and Feel Safe

- **\$30 million** for competitive grants to fire companies
- **\$16.2 million** for four additional cadet classes and calls to eliminate the current statutory cap on the number of troopers
- **\$5.2 million** increase to the Violence Intervention and Prevention Program
- **\$1 million** increase for the Building Opportunity through Out of School Time (BOOST) program
- 50% increase for PCCD's Victim's Compensation Assistance Program (VCAP)
- This budget proposes to create a **False Claims Act** to protect against and to prosecute waste, fraud, and abuse in the Medicaid program.
 - Adds another tool to ensure sound fiscal oversight of taxpayer dollars





Protecting Pennsylvanians from Chaos and Confusion at the Federal Level

- The Shapiro Administration has repeatedly taken action to support, inform, and protect Pennsylvanians as the federal government causes chaos and uncertainty
- When funding for SNAP lapsed, the Commonwealth declared a state-level disaster and delivered \$5 million in state funding to ensure food banks had additional resources
- 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 threaten the health, safety, and welfare of Pennsylvanians

Sparking PA's Innovation Economy

Fostering the PA Innovation Economy

- This budget creates the Innovate in PA 2.0 program to deploy nearly \$100 million through the sale of Insurance Premium Tax Credits
- Invests an additional **\$9 million** into the Agriculture Innovation Program

Innovate in PA 2.0 will:

- Provide capital for venture funds that invest in early-stage companies
- Develop the executive leadership pipeline in life sciences and biotech industries
- Support clinical trials for emerging technologies in the life sciences sector
- Develop and expand programs at DCED to leverage federal funding and technological innovations for our ecosystem of universities, workforce, and tech startups
- Competitive grants to seed and scale regional venture studios in rural areas, expanding the reach of innovation into new geographic areas of PA



Continuing the Aggressive Implementation of the Economic Development Strategy

- Over the last three years, the Shapiro Administration 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 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
- This budget repeals three duplicative tax credit programs and creates the new AdvancePA tax credit, a new flexible **\$10 million** tax credit to secure important deals and incentivize high-paying job creation



Creating Opportunity for All Pennsylvanians to Succeed

Turning Dirt Into Jobs and Opportunity

- Investing \$500 million in PA SITES funding to build shovel ready sites to drive economic opportunity and investment in our communities
- This budget transfers **\$20 million** from the General Fund to the Hazardous Sites Cleanup Fund to keep eliminating toxic waste sites throughout PA
- This budget transfers **\$19 million** to the Well Plugging Account to continue to plug abandoned oil and gas wells that threaten public health and the environment

Supporting Mass Transit to Grow Our Economy

- This budget proposes a transfer of an additional 1.75 percent of Sales and Use Tax revenues to the Public Transportation Trust Fund beginning July 1, 2027, providing over **\$300 million** annually for local transit agencies



Continuing Historic Investments in Education, Creating Opportunity for Students to Succeed



Adequacy Funding for our Schools

- **Additional \$565 million** in adequacy and tax equity supplements
- **\$50 million** increase in Basic Education Funding, for a total of \$8.31 billion
- **\$50 million** increase in Special Education Funding, for a total of \$1.58 billion

Building on Cyber Charter Reform

- Aligns tuition rates with cyber charters' actual costs, saving school districts an estimated **\$75 million** annually, bringing total estimated savings from reforms to **\$250 million a year**

Creating a Safe and Healthy Learning Environment

- Maintains **\$111 million** investment for student mental health and safety
- Commonsense reform to close an insurance loophole that allows insurers to deny reimbursement for services provided within a school
- Continues to provide **\$125 million** to address structural and environmental concerns in school buildings, with \$25 million dedicated to Solar for Schools

Supporting Performance and Opportunity within Higher Education



- This budget supports the bipartisan work of the new State Board of Higher Education which established the mechanism to provide performance-based funding to improve access, opportunity, and accountability
- This budget proposes a **\$30 million** investment in performance-based funding to state-related universities to address the Commonwealth's workforce needs
- The proposal will also invest an additional **\$1.1 million** for Lincoln University, the nation's first college-degree-granting HBCU

Expanding Our Workforce, Meeting Critical Needs for Economic Growth



Building a Strong Child Care and Early Learning Workforce

- **\$7.5 million** increase to Pre-K Counts rates to raise wages and stabilize the workforce
- **\$2 million** for the Head Start State Supplemental program
- Additional **\$10 million** to licensed Child Care Centers for teacher recruitment and retention, total of \$35 million in 2026-27

Strengthening Our Teacher Workforce Pipeline

- **\$5 million** increase for student teacher stipends through PHEAA
- **\$2.5 million** increase for teacher professional development

Supporting the Workforce at All Stages of Pennsylvanians' Careers

- Additional **\$18 million** in apprenticeships, career and technical education (CTE), and vo-tech
- Doubles the Schools-to-Work funding to **\$7 million**
- **\$3.5 million** increase for Industry Partnership grants
- **\$1 million** increase through L&I to help individuals with disabilities find a job
- Creates a dedicated **\$12.5 million** appropriation to help workers advance their careers
- Additional **\$2.5 million** for Adult and Family Literacy programs to help Pennsylvanians join the workforce
- **\$2 million** to create Career Connect and build internships at Pennsylvania companies



Supporting Pennsylvania's Workforce

Raising the Minimum Wage

- Pennsylvania's minimum wage has remained at \$7.25 per hour for more than 15 years
- This budget raises the minimum wage to \$15 per hour —starting January 1, 2027— to generate economic activity and increase the purchasing power of Pennsylvanians

Removing Barriers to Those Re-entering the Workforce

- This budget calls for creation of the Prison Industry Enhancement (PIE) program, allowing inmates to develop marketable skills and increase employability
- It also proposes **\$900,000** to:
 - Provide Medicaid coverage for those reentering the community
 - Implement infrastructure changes to make Medicaid accessible 90 days prior to leaving incarceration





Addressing Social Determinants of Health Amid Federal Changes

- Congressional Republicans passed a law that requires SNAP and Medicaid recipients to meet new work and reporting requirements
 - The Shapiro Administration has already taken action to help Pennsylvanians prepare for and understand these changes
- This budget includes **\$900,000** to provide Medicaid coverage for those reentering the community and makes benefits accessible to them 90 days prior to leaving incarceration
- The budget also invests **\$1 million** to better connect medically compromised individuals with stable housing
 - Stable housing can lead to drastic reductions in hospital stays
 - Individuals experiencing homelessness are often faced with chronic health conditions
 - This investment both makes people healthier and reduces costs of uncompensated care

Slashing Permitting, Licensing, and Business Processing Times

- Under Governor Shapiro's leadership, the Commonwealth has sped up permitting, licensing, and certification processes, and eliminated red tape and backlogs — including eliminating DEP's 15-year, 2,402 permit application backlog
- This budget includes **\$3.7 million for CODE PA** to support the creation of a permit tracker and ensure transparency, keep projects on schedule, and drive economic growth
- This budget calls for reducing the number of unnecessary licenses, changing certain underutilized licenses to certifications, and conducting a holistic review of all licenses issued by the Department of State



Investing in the Mental and Behavioral Health Supports Pennsylvanians Need

- **\$10 million** to build capacity for 988 crisis hotline operations
- **\$250,000** increase for 211 Communication Services for United Way
- **\$5 million** to maintain mental health crisis stabilization centers to ensure access for on-the-spot resources.
- **\$3.2 million** for the Community Hospital Integration Projects Program (CHIPP), to reduce state hospital stays
- **\$2.5 million** for maternal health and implementation of child death review panel recommendations
- Legislation ensuring that direct payments for medication count toward Pennsylvanians' annual maximum out-of-pocket health insurance costs



Protecting Our Older Adults Through Investments and Long Overdue Reform

- Modernizes the **Older Adult Protective Services Act**, adds financial exploitation as a crime
- **\$3 million** investment in *Aging Our Way*, PA's strategy to modernize PA Link, streamlining access to long-term services
- **\$850,000** to expand evaluation and technical assistance to the AAA network for CAPE assessments and ongoing monitoring
- **\$150,000** to modernize data collection and program performance to better share publicly available information from the AAAs to PDA
- Continues to provide **\$2 million** for the Comprehensive Agency Performance Evaluation (CAPE), an innovative tool designed to boost transparency and accountability of PA's local aging network



Leading the Way on Reliable, Affordable Energy to Keep Costs Low

- This budget builds on the Governor's work to lower utility costs for Pennsylvanians and advance his bold energy agenda, including the Lightning Plan
- The budget also calls for renewal of Chapter 14 consumer protections – that the legislature allowed to lapse in 2024 – preventing Pennsylvanians from having their lights turned off without warning
- This budget announces GRID – the Governor's Responsible Infrastructure Development – standards, where developers must commit to:
 - Bringing own power generation
 - Strict transparency standards and direct community engagement
 - Hire and train local workers
 - Highest standards of environmental protection, especially water conservation



Building More Safe, Stable, and Affordable Housing Across the Commonwealth

The Governor is calling for several commonsense legislative reforms:

- Establish statewide cap on rental application fees
- Address tangled titles through transfer-on-death deeds
- Affirm a tenant's right to terminate a lease due to domestic violence
- Seal eviction records for people who were not actually evicted
- Limit when landlords consider criminal history in rental applications, preventing denials based on old/non-violent criminal convictions



Investing in Critical Infrastructure to Strengthen Communities Across the Commonwealth

- This budget proposes establishing the **Pennsylvania Program for Critical Infrastructure Investment** to invest billions in infrastructure projects across energy, housing, and school districts and local governments
- The program will fund large critical infrastructure projects that will:
 - Bring more energy generation onto the grid
 - Build, preserve, or remediate housing
 - Upgrade school and municipal facilities
- The program would be established through the sale of general obligation bonds with proceeds placed in the Capital Facilities Fund





Questions?