



2026/27 Executive Budget Proposal At-A-Glance

This document is a condensed summary of the themes identified in Gov. Shapiro's 2026/27 budget proposal.

2026/27 Combined Operating Budget

Governor Shapiro's 2026/27 Executive Budget proposes a combined total operating budget of **\$137.2 billion** which includes:

- \$53.3 billion in state General Fund expenditures, an increase of \$2.7 billion or 5.38%
- \$54.9 billion in federal funds, an increase of \$1.08 billion or 2%
- \$2.3 billion in Lottery Fund expenditures, an increase of \$48.9 million or 2.17%
- \$3.2 billion in Motor License Fund expenditures, a decrease of \$170.3 million or 5.05%
- \$23.5 billion in other special funds, augmentations, and restricted accounts

Budget Stabilization Fund ("Rainy Day Fund")

- Current balance is \$7.6 billion
- FY 26/27 budget proposes a transfer of \$4.7 billion out of the Rainy Day Fund
 - \$100 million to the new Federal Response Fund
 - \$4.579 billion to the General Fund

Generating More Resources to Invest in Pennsylvanians and Saving Taxpayer Dollars

Finally Increasing the Minimum Wage to Reduce Expenditures and Generate Revenues

- \$53.3 million¹ in estimated revenue in 2026/27 from increasing the minimum wage to \$15/hour (\$9/hour for tipped workers) effective January 1, 2027.
 - \$30.1 million in estimated revenue from Personal income tax (PIT)
 - \$23.4 million in estimated revenue from sales and use tax
- Current Minimum wage is \$7.25/hour and has been unchanged since 2009
- Saves \$300 million in Medical Assistance benefit costs
 - 60,800 individuals would have income that exceeds the threshold and would no longer qualify for the program
 - Children under 19 would still qualify for the Children's Health Insurance Program and adults may qualify for healthcare subsidies available through Pennie.

Legalizing Adult Use Cannabis

- \$729.4 million in estimated revenue in FY 26/27 by legalizing adult use cannabis effective July 1, 2026, with regulated sales beginning January 1, 2027
 - \$36.9 million in estimated revenue from the 20% tax on the wholesale price of products
 - \$36.9 million in estimated revenue from the sales and use tax (SUT) on retail sales
 - \$659.6 million in estimated revenue from license fees
- Correction of the wrongs done to individuals impacted by archaic laws:
 - Immediate expungement of the records of those incarcerated for only a possession-related offense

¹ The full year estimated revenue is \$81.2 million in FY 27/28.

- \$10 million set aside for restorative justice initiatives at Pennsylvania Commission on Crime and Delinquency (PCCD)
- \$25 million set aside for new small and small diverse businesses through the Department of Agriculture

Expanding Gaming Opportunities for Small Businesses

- \$765.9 million in estimated revenue in FY 26/27 by expanding the video gaming terminal (VGT) for gaming machines that involve an element of skill (Skill Games) at 52% of Gross Terminal Revenue (GTR)
 - \$743.1 million in estimated revenue from the transfer of tax from the Video Gaming Fund
 - \$22.8 million in estimated revenue from license fees
 - Regulated by Pennsylvania Gaming Control Board (PGCB)

Tax Credit Modifications

Creates Innovate in PA 2.0

- Proposes \$100 million tax credit program funded by the sale of Insurance Premium tax credits
 - Funds are proposed to provide capital for venture funds, invest in a pipeline of executive leadership, support for clinical trials, and for competitive grants
- This program is estimated to have a revenue impact of \$7.5 million in 2028/29 and \$15 million thereafter

Creates AdvancePA

- Proposes \$10 million tax credit to provide more flexibility for securing important deals and incentivizing high-paying job creation within the Commonwealth
- Repeals the following tax credits:
 - Waterfront Development and Video Game Development Tax Credit
 - This elimination is estimated to have a revenue impact beginning FY 28/29
 - Local Resource Manufacturing Tax Credit
 - This elimination is estimated to result in a revenue increase of \$2.9 million in FY 26/27

Modifies the Education Improvement Tax Credit (EITC)

- Proposes to reallocate the caps within the program to make more tax credits available for the Education Improvement Organizations (e.g., libraries, civic centers, museums, afterschool programs, private and public schools)
- The overall EITC cap of \$590 million remains unchanged

Reducing Costs, Increasing Efficiency, and Using Taxpayer Dollars Responsibly

- \$16.1 million for Space Optimization and Utilization Project (SOUP) efficiency improvements through cutting leased space throughout the Commonwealth
 - Anticipated savings of \$180 million over the next ten years
- \$10 million investment in the Executive Offices to strengthen and expand existing cybersecurity measures
- \$60 million transfer in the Office of the Budget to Enterprise Resource Planning (ERP) system

Protecting Pennsylvanians

From Chaos and Confusion at the Federal Level

- \$100 million transfer from the Budget Stabilization Reserve Fund (Rainy Day Fund) to a Federal Response Fund to help PA mitigate federal disruptions to critical services **NEW**

Investing in Critical Infrastructure to Strengthen Communities Across the Commonwealth

- Proposes general obligation bond funding to establish the Pennsylvania Program for Critical Infrastructure in the Capital Facilities Fund to fund infrastructure projects across energy, housing, school districts, and local governments



Strengthening the Only Growing Economy in the Northeast

Cutting Corporate Taxes and Closing Tax Loopholes

- \$328.4 million in estimated revenue in FY 26/27 by closing the “Delaware Loophole”
 - Currently, large businesses with subsidiaries in other states are able to shift their Pennsylvania-based income out-of-state to prevent payment of Pennsylvania Corporate Net Income Tax (CNIT)
- Continues the CNIT rate reduction at .5% annually until the rate is 4.99% in 2031

Slashing Permitting, Licensing, and Business Processing Times

- \$ 14.564 million² (\$3.7 increase) to Commonwealth Office of Digital Experience (CODE) to support the creation of a Department of Environmental Protection (DEP) permit tracker to provide transparency and keep projects on track

Sparking PA’s Innovation Economy

- \$100 million in proposed Insurance Premium tax credits to create Innovate in PA 2.0 **NEW**
 - Funds are proposed to provide capital for venture funds, invest in a pipeline of executive leadership, support for clinical trials, and for competitive grants
- \$19 million (\$9 million increase) for the Agricultural Innovation program
 - \$10 million (\$7 million increase) to support and attract of innovative agricultural businesses
 - \$2 million for County Biodigester Pilot Project

Continuing the Aggressive Implementation of the Economic Development Strategy

- \$38 million (\$10 million increase) for PA First Program
 - Provides financial assistance for workforce training, job creation and retention, land and building costs, and machinery and equipment
- \$12.5 million (\$2.5 million increase) to Workforce and Economic Development Network of Pennsylvania (WEDnetPA)
 - In the 25/26 Budget, WEDnetPA received \$10 million under PA First
- \$10 million for the AdvancePA tax credit to provide more flexibility for securing important deals and incentivizing high paying job creation **NEW**
 - Eliminates the Waterfront Development Tax Credit, the Video Development Tax Credit, and the Manufacturing Tax Credit

Welcoming the World to Pennsylvania in 2026

- Continued deployment of \$57.5 million appropriated in the 24/25 budget and 25/26 budget to celebrate the semiquincentennial (2026 celebration) to include:
 - NCAA March Madness, the FIFA World Cup, the MLB All Star Game, and 2026 NFL Draft
- \$19.3 million to continue to fund the Tourism Office to maximize Pennsylvania’s benefit from the Semiquincentennial

Turning Dirt into Jobs and Opportunity

- \$20 million transfer to the Hazardous Sites Cleanup Fund to continue cleanup and restoration of abandoned hazardous waste sites **NEW**
- \$19 million transfer to the Well Plugging Account to continue oversight of Oil & Gas development

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

- 6.15% (increase of 1.75%) from Sales and Use Tax revenues to the Pennsylvania Transportation Trust Fund (PTTF) beginning July 1, 2027, to provide an additional \$319 million for critical transportation services

² Reduction of \$689,000 in the current program



Building upon Historic Investments in our Classrooms

Adequately Funding Our Schools

- \$1.95 billion (\$565 million increase) to fulfill the third installment of adequacy and equity funding in the Ready to Learn Block Grant
- \$8.31 billion (\$50 million increase) for Basic Education Funding
- \$1.58 billion (\$50 million increase) for Special Education Funding

Continuing Cyber Reform

- \$75 million in estimated additional savings to school districts in 2026/27 from further cyber charter tuition reform
 - Builds on the \$178 million in estimated savings in the 2025/26 budget package for a total of \$253 million in savings over the past two years

Creating a Safe and Healthy Learning Environment

- \$100 million continued investment in school safety and mental health grants for public schools
- \$125 million for public school facilities improvement
 - Includes \$25 million for Solar for Schools
- Continues funding for menstrual hygiene products at no cost to schools (\$3 million)

Supporting Performance and Opportunity within Higher Education

- \$30 million for the performance-based funding transfer for Penn State, Pitt, and Temple
- \$23 million (\$1.1 million increase) for Lincoln University
- \$419.2 million (\$5.9 million increase) in PHEAA's State Grant program to maintain the maximum scholarship award level of \$5,750

Expanding Our Workforce and Meeting Critical Needs for Economic Growth

Building a Strong Child Care and Early Learning Workforce

- \$35 million (\$10 million increase) for Childcare Recruitment and Retention
 - Continuing the program to recruit and retain bonuses for childcare employees
- Assistance for providers to raise wages and stabilize the early educator workforce:
 - \$334 million (\$7.5 million increase) for Pre-K Counts
 - \$92.6 million (\$2 million increase) for Head Start Supplemental Assistance

Strengthening Our Teacher Workforce Pipeline

- \$7.5 million (\$2.5 million increase) for Teacher Professional Development
- \$35 million total (\$5 million increase) for student teacher stipends

Preparing Our Students to Enter the Workforce

- \$158.5 million (\$14.3 million increase) for the Career and Technical Education subsidy
 - \$4.3 million increase for cost-to-carry plus a \$10 million increase for high-quality STEM and computer science grants
- Career and Technical Education (CTE) reforms to reduce course load requirement overlap and allow students to take the national competency exam as soon as they finish the program rather than waiting until 12th grade
- \$7 million (\$3.5 million increase) for PA's Schools-to-Work program, which provides registered pre-apprenticeship career pathways

Supporting Workers at All Stages of Their Careers

- \$49.7 million (\$1 million increase) transfer for vocational rehabilitation
- \$6.3 million (\$3.5 million increase) for Industry Partnership grants to improve training and recruitment collaboration within sectors
- \$2 million to create the Career Connect program to build internships at PA companies



- \$2.5 million increase for Adult and Family Literacy

Removing Barriers to Those Re-entering the Workforce

- Calls for legislation to establish the Prison Industry Enhancement (PIE) program, which allows inmates to work for private industry
- \$900,000 to provide Medicaid coverage for those reentering the community

Addressing Social Determinants of Health Amid Federal Changes

- DHS will continue to help Pennsylvanians understand the federal government's new work or volunteer requirements for SNAP and Medicaid
- \$900,000 to implement the food and nutrition program initiatives related to DHS' Food is Medicine proposal
- \$1 million to implement DHS' housing proposal within the Keystones of Health demonstration – connects medically compromised individuals with stable housing to keep people healthier and reduce uncompensated care

Enacting a Pennsylvania False Claims Act

- This legislation ensures fraud prevention and that Medicaid benefits administered by the Commonwealth are received by eligible Pennsylvanians

Building a Rural Health Care Workforce

- Deployment of \$193 million in federal funding to implement the first year (of the five-year plan) of the Rural Health Transformation Plan (RHTP)

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

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

- \$16.2 million increase to Pennsylvania State Police general appropriation to provide funding for four additional PA State Police (PSP) cadet classes
 - Calls for the elimination of the statutory cap on the number of troopers
- \$30 million for competitive grants to fire companies through the Pennsylvania Emergency Management Agency (PEMA)
- \$550,000 to consolidate all security contracts for the Capitol Complex under one managed contract
- Proposes to make first responders eligible for death and worker's compensation benefits while responding to a disaster (under a Gov. Emergency Declaration)

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

- \$68.4 million (\$6.2 million increase) for Violence Intervention and Prevention (VIP) through Pennsylvania which includes:
 - \$55.9 million (\$5.2 million increase) for grants to address community violence
 - \$12.5 million (\$1 million increase) for the Building Opportunities Through Out-of-School Time (BOOST) grant program

Streamlining County Probation Services

- \$57.7 million (\$758,000 increase) to streamline, into one application, multiple county-based funding streams for parole, adult probation, re-entry, and jail-based medication treatment
 - Combines the 25/26 appropriations for Improvement of Adult Probation Services and Intermediate Punishment Treatment Programs and the Justice Reinvestment Fund disbursements for County Probation Grants

Protecting Our Children through Child Welfare Enhancements

- Assisting families that are raising children with complex healthcare needs by strengthening coordination of mental health, child welfare, education, and other services.



- \$658,000 increase to DHS's general appropriation to increase call-taker staffing and provide more training for ChildLine workers (20 new positions)

Protecting Our Aging Population through Investment and Reforms

- \$3 million investment in Aging Our Way to focus on modernizing the PA Link system
- \$2 million increase to the Department of Aging's general appropriation to continue supporting Comprehensive Agency Performance Evaluation (CAPE) to support oversight of the Area Agencies on Aging (AAAs)
- \$1 million increase to the expand evaluation, technical assistance, modernize data collection, and program performance to the AAA network
- Proposes changes to PA's Older Adult Protective Services Act (OAPSA) to modernize the law (e.g., cover financial exploitation)

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

- \$10 million in mental health services to build capacity for 988 crisis hotline operations
- \$1 million (\$250,000 increase) for 211 Communication Services
- \$1 billion (\$64.6 million increase) for mental health services.
 - Includes the following initiatives:
 - \$7.3 million for diversion and discharge programs for individuals with mental illness.
 - \$5 million for walk-in crisis stabilization centers.
 - \$3.2 million to transition 40 individuals from the state hospitals to the community.
 - \$3.2 million to maintain expansion of community-based services added in 2025/26.
- Calls for legislation to create consumer protection programs to help lower health care costs (e.g., direct payments for medication count toward people's annual out-of-pocket maximum for their health insurance) and to ensure that Pennsylvanians can easily access any behavioral health provider

Prioritizing Maternal Health to Reduce Maternal Mortality

- Department of Health to continue the expansion of screening and interventions for postpartum depression
- \$7.5 million to expand support for maternal health programs
 - Includes a \$2.5 million increase to enhance state-level capacity to support PA's Child Death Review (CDR) Program

Creating Safeguards and Protections for AI Use

- Gov. Shapiro has directed agencies to develop guidance related to AI with an emphasis on setting guardrails, reinforcing human judgement, and expanding digital and AI literacy
 - Dept. of State is working to ensure licensure laws keep pace with AI
- Calls for legislation to hold AI companies accountable and protect children by establishing guardrails for AI and social media

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

Cutting Taxes to Keep Money in the Pockets of Pennsylvanians

- Continues the Working Pennsylvanians Tax Credit established in the 25/26 budget
- 10% of the federal Earned Income Tax Credit (EITC) Estimated to provide \$193 million in tax relief for eligible Pennsylvanians

Leading the Way on Reliable, Affordable Energy

- Rising energy prices have increased pressure on Pennsylvania's working families, Gov. Shapiro continues to work with PJM and has reached an agreement with them to cap capacity auction prices, thus saving those families over \$18 billion



- To further protect our citizens and lower energy prices, the Governor continues to ask for the enactment of his Lightning Plan, which includes changes to the PA EDGE package of tax credits
- Gov. Shapiro is also pushing for the renewal of Title 66 Chapter 14 consumer protections

Building More Safe, Stable, and Affordable Housing

- Proposes legislative reforms to help Pennsylvanians obtain and maintain stable housing:
 - Establish a statewide cap on rental application fees and prohibiting landlords from charging a fee before a prospective tenant can view a property
 - 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 and how landlords may consider criminal history and prevent denials based solely on old or non-violent criminal convictions
 - Limit annual lot rent increases for manufactured home communities and require advance notice of future lot rent increases
 - Authorize transfer-on-death deeds for primary residences to streamline the process for homeowners to designate who will inherit a property and prevent tangled titles
- Calls for the creation of a Deputy Secretary for Housing at DCED to:
 - Coordinate and oversee housing priorities, including the implementation of Pennsylvania's Housing Action Plan
 - Create a digital one-stop shop for housing
 - Develop a library of model land use ordinances and best practices
- Proposes modernizing the Municipalities Planning Code to reduce regulatory challenges to resident development

